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Annual Report 2016

K LASER TECHNOLOGY INC.

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K Laser Technology Annual Report 2016

K LASER TECHNOLOGY INC.

K LASER TECHNOLOGY INC.
No.1, Li-Hsin Rd., VI,Science-Based Industrial Park, Hsinchu, Taiwan
TEL: 886-3-577-0316 FAX: 886-3-577-0888
www.klasergroup.com

Contents

To Shareholders

Summary

K Laser Group’s consolidated annual sales in 2016 was 5.08 billion NT dollars, increasing about 25.2% than the previous year. The gross profit margin was 25% which was 1% higher than in 2015. The operating income was 473 million NT dollars, growing 63.4% from 2015. Net income for 2016 was 215 million NT dollars, and EPS was 1.63 NT dollars.

Most of the increase in sales last year was from consolidating HuNan HeRui Laser Technology in January 2016 and Everest Display in October 2016. The growth in gross profit margin was resulted from the improved production yield and yield rate of true seamless technology. In addition, we cut down annual operation expense by 2% by implementing rigorous expense control measures. As a result, our operating profit for 2016 fiscal year was significantly improved.

Technology Development

1. Following the success of our true seamless lamination film in the market, we began to develop second generation true seamless technology which will further increase our production yield and yield rate, and also offer our customers more hologram patterns for use. Those actions will keep us stay on top of the competition and enable us to further enlarge our profit margin.
2. We made a leap in the development of Fresnel lens technology and successfully launched true seamless wallpaper lens in 2016. The product is not only suitable for use in cosmetic and daily care packaging but also great for use in gravure label printing which we barely touched before.

Our Strategy and Global Situation

In today’s hologram market, competition is fierce and price is constantly in decline. What sets us apart from the regular material suppliers in the market is our commitment to new product and technology development. We want customers to choose to work with us because of our well-rounded capabilities from origination to production even though there are many players offering low-cost hologram materials. Therefore we will take a course of action to cultivate creative solutions based on state-of-the-art technologies and ensure good customer experiences when customers do work with us. At the same time, we will keep enhancing our production capabilities in all manufacturing plants and introduce new processes to elevate our profits.

While we engage in technology development and strategic management to stay ahead of the competition, we are concerned of the global political economy. On one hand, China’s economic growth in 2016 was 6.7%, the slowest in 26 years, and IMF is predicting 6.5% for 2017. On the other hand, the rise of protectionism and populism is threatening global commerce. If US President Donald Trump, who has been advocating trade protectionism, decides to impose punitive tariffs on Chinese goods including film products, the sales between K Laser China and K Laser USA may be affected, and our profit will be affected as well. As we find ourselves in the middle of uncertainties, we must pay close attention to the development of global and regional situations. Although we cannot control the macro economy, we will do diligent management to control risks and the competitive edges that we have been working hard to build will provide us cushions during the hard times.

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

Sincerely,

Alex Kuo
Chairman

Sincerely,

Howard Chen
General Manager

Corporate Overview

Corporate Profile

Date of Incorporation: April 29, 1988

Major Milestones

1988 In April, established at Hsin-Chu SBIP to manufacture Holographic security labels.

1989 Develop the recombination technology and the application of products to enlarge market share.

1990 Introduced 15 cm wide holographic film materials.

1991 Developed the 30 cm embossing machine, put the holographic PVC film and the hologram Self-Adhesive sticker on the market.

1992 (1) Introduced 60 cm and 80 cm wide holographic materials.

(2) Established In-House Mastering Capability.

1993 (1) US Subsidiary - AMAGIC Holographics, Inc. established. (2) Invested Univacco Technology, Inc.

1994 (1) China Subsidiary - Shanghai Amagic Laser Material Co., Ltd. established.

1995 (1) Launch the holographic box and the transparent hologram security film.

(2) Invested Hon Jann Aluminum Paper Products MFG. Ltd.

1996 (1) Matched the requirement of Public Company. (2) Opto- Electronics Business Unit Established.

(3) Received Award for SBIP Innovation Project. (4) Introduced Color-Laser OPPmaterials.

(5) Dubai & Thailand Subsidiaries established.

1997 (1) Received Outstanding OE Manufacturer Award.

(2) Established Subsidiary - Dong Guan Yat Mei Laser Printing Co.,Ltd.

1998 (1) Introduced 100 cm wide holographic materials. (2) ISO 9001 certified.

(3) Received Best OE Product Award for Phase-shift Fizeau Interferometer

1999 Public listed on OTC of Taiwan Stock Market.

2000 Received Small and Medium Enterprise Award, Ministry of Economic 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.

2007 (1) In November, issued 500 Million 1st Unsecured Corporate Bonds.

(2) Private Fund 23,950(thousand shares) issued in 2004, went pubic in Jan.2008.

2008 (1) K Laser Technology (Korea) Co., Ltd. set up manufacture site to increase its local competitiveness.

(2) K Laser Technology (Thailand) Co., Ltd. purchased land and built new factory locally.

2009 (1) In 2006 supplemented the public issuance of the private placement of securities. Issued 13,089 (thousand shares) privately placed shares and the shares with the stock dividends distribution that were listing in August and November, 2009, respectively.

(2) In October, acquired ownership of 450,000 the private placement of common shares of Optivision Technology Inc.

(3) In December, paid off 1st Unsecured Corporate Bond.

2010 (1) In March, issued 15,000 (thousand shares) Private Placement of Securities subscribed by CHIMEI Corporation at a price of NTD$ 277.5 million.

(2) Issued all of its stocks and bonds in dematerialized form

(3) Restructured K Laser China Group Co., Ltd. (KLCN). Now the Company holds 100% shares of KLCN and KLCN holds 67% shares of K Laser China Group Holding Co., Limited.

2011 In September, issued 300 Million 2nd Secured Convertible Bonds and 200 Million 3rd Unsecured Convertible Bonds.

2012 (1) Launch the true seamless hologram film.

(2) The clean room expansion.

(3) In November, acquired ownership of 4,200,000 the private placement of common shares of Optivision Technology Inc.

2013 In March, paid off 3rd Unsecured Corporate Bond.

2014 (1) In September, Complete the conversion of the 2nd Secured Convertible Bond.

(2) In October, issued 300 Million 4th Secured Convertible Bonds and 200 Million 5th Unsecured Convertible Bonds.

(3) In December, the subsidiary Optivision Tech. Inc. public listed on OTC of Taiwan Stock Market.

(4) The RD plan obtained the subsidy from Industrial Development Bureau, Ministry of Economic Affairs

2015 (1) Expansion of clean room.

(2) Invested Insight Medical Solutions Inc.

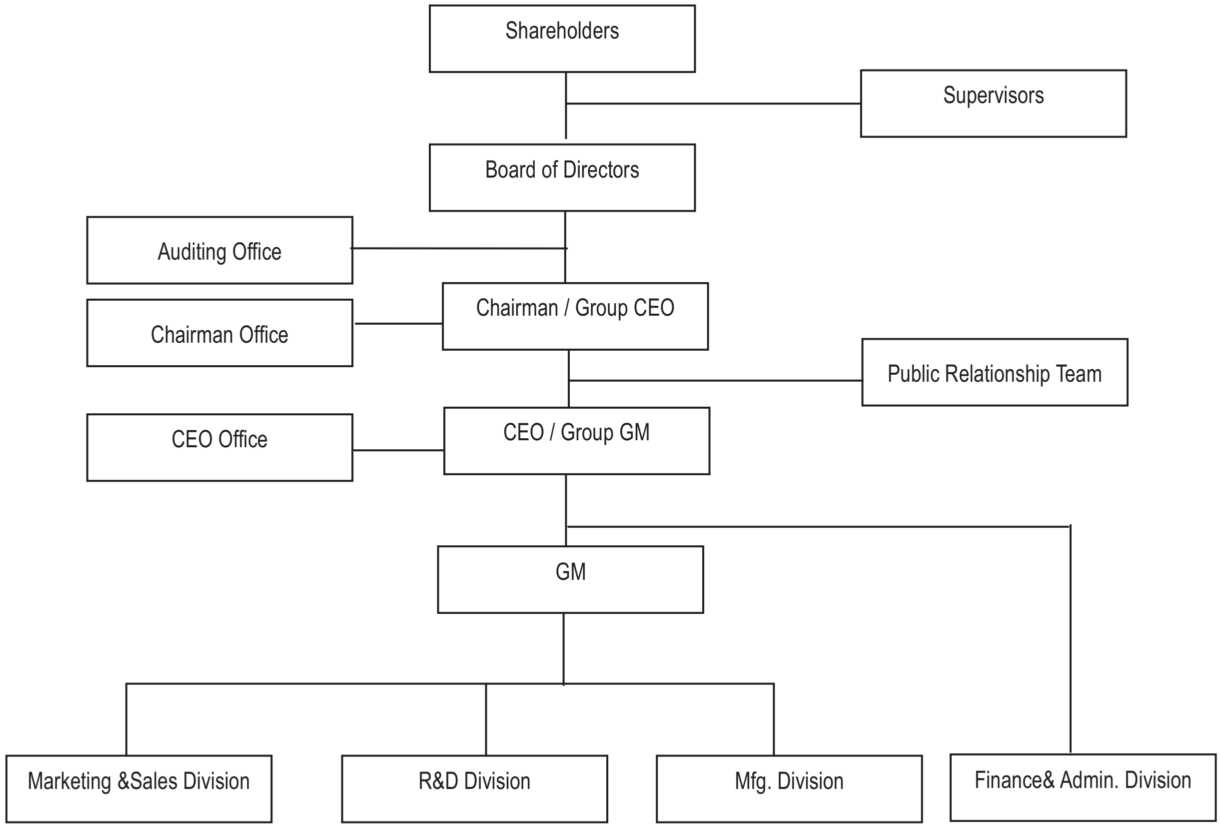
2016 (1)In January, consolidated HuNan HeRui Laser Technology Co., Ltd as a subsidiary .

(2)In October, consolidated Everest display Inc. as a subsidiary.

Corporate Governance

1. Organization System

1.1 Organization Chart



1.2 Functional Major Departments

Major Departments	Functions
Chairman Office	• Business Development. • Public Relationship.
CEO Office	• Company management. • Subsidiaries management.
Auditing Office	• To evaluate the accuracy, reliability, efficiency, and effect of internal control. • To provide the suggestion, improve the business efficiency and ensure the internal control system is implemented effectively.
Finance & Admin. Division	• Financial planning, cash management, accounting and shareholder related business. • 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

2017.03.31

Title	Name	Gender	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	Male	2014.06.18	3	1988.03.16	10,187,756	6.01	10,187,756	7.61	752,980	0.56	—	—	• Ph.D. in EE, SUNY Stony Brook, NY	• Chairman • CEO, K Laser Group.	Director Director	Daniel Kuo Lisa Hsu	Second degree relatives Spouse
Director	Daniel Kuo	Male	2014.06.18	3	1992.06.21	1,342,254	0.79	1,028,254	0.77	4,572	—	—	—	• MS in Civil Engineering, NJIT, NJ.	• Chairman, OTI.	Chairman Director	Alex Kuo Lisa Hsu	Second degree relatives
Director	Lisa Hsu	Female	2014.06.18	3	2011.06.17	752,980	0.44	752,980	0.56	10,187,756	7.61	—	—	• Computer Science, BS , New York Institute of Technology	• Deputy Spokesman • Supervisor, Everest Display Inc.	Director Chairman	Daniel Kuo Alex Kuo	Second degree relatives Spouse
Director	Howard Chen	Male	2014.06.18	3	2014.06.18	576,194	0.34	576,194	0.43	7,590	0.01	—	—	• MS in Electrical Engineering, University of Southern California	• GM	—	—	—
Independent Director	Cheng Sang Huang	Male	2014.06.18	3	2002.05.17	—	—	—	—	—	—	—	—	• MS in Industrial Management, National Cheng Kung University • President, Business Management Consultants Association of Republic of China • GM, Sunsino Ventures Group. • Secretary General, MIT Enterprise Forum of Taiwan • Director, Small Business Integrated Assistance Center	• Supervisor, Niko semiconductor Co., Ltd.	—	—	—
Independent Director	Gen-Sen Chang-Hsieh	Female	2014.06.18	3	2011.06.17	—	—	—	—	476	—	—	—	• MBA, Irvine University , California • Financial account, AAA investment department of American Automobile Association • Manager, Real estate and loan broker • CPA, Wu, Liang, & Huang CPAs LLP • Chief Financial Officer, K Laser Technology (USA) • CPA, Xin'an Accounting firm	—	—	—	—
Independent Director	Chi Chang Lu	Male	2014.06.18	3	2014.06.18	—	—	—	—	—	—	—	—	• Mechanical Engineering, National Taiwan University • Passed the professional qualification examinations for CPA and CSIA • Mechanical engineer, Formosa Plastics Corp. • A partner with Deloitte Taiwan	• Independent Director, Nyqest Technology Co.,Ltd. • Independent Director, Li Peng Enterprise Co., Ltd. • Independent Non-Executive Director, Eagle Nice (International) Holdings Limited. • Independent Director, Nyqest Technology Co.,Ltd. • Independent Non-Executive Director, Natural Beauty Bio-Technology Limited. • Member of Remuneration Committee, Global Brands Manufacture Limited • Member of Remuneration Committee, HannStar Board Corp.	—	—	—
Supervisor	Wei Chung Hung	Male	2014.06.18	3	1999.05.29	1,059,692	0.63	1,059,692	0.79	—	—	—	—	• MBA, West Pacific Ocean University	• Director, D.S. Paper Co., Ltd. • General Manager of D.C. Paper	—	—	—
Supervisor	Ling Chiang Chao	Male	2014.06.18	3	2011.06.17	6,410	—	6,410	—	8,230	0.01	—	—	• Electrical Engineering, National Taiwan University • EMBA, National Chiao Tung University	—	—	—	—

Major Institutional Shareholders：None.

Major Shareholders of the Corporate Shareholders：None.

Directors and Supervisors Remuneration in 2016

Unit: NT$ thousands

Title	Name	Remuneration								Amount as a % of 2015 Net Income (A+B+C+D)		Employee Remuneration										Amount as a % of 2015 Net Income (A+B+C+D+E+F+G)		Compensation from other K Laser Invest Companies (J)
		Honorarium (A)		Retirement pay (B)		Director, and Supervisor Compensation (C) (Note 1)		Transportation Allowance (D)				Bonus and Special Remuneration (E)		Retirement pay (F)		Employee Compensation (G) (Note 1)				Number of Employee Stock Options (Thousands shares) (H)				
		K Laser	Sub.	K Laser	Sub.	K Laser	Sub.	K Laser	Sub.	K Laser	Sub.	K Laser	Sub.	K Laser	Sub.	K Laser		Sub.		K Laser	Sub.	K Laser	Sub.	
																Cash Bonus	Stock Bonus	Cash Bonus	Stock Bonus					
Chairman	Alex Kuo	—	—	—	—	879	879	42	42	0.43%	0.43%	2,807	4,119	—	—	1,197	—	1,197	—	—	—	2.29%	2.89%	—
Director	Daniel Kuo	—	—	—	—	527	1,023	42	78	0.26%	0.51%	—	5,736	—	—	559	—	559	—	—	—	0.52%	3.43%	—
Director	Lisa Hsu	—	—	—	—	176	176	42	42	0.10%	0.10%	612	612	—	—	372	—	372	—	—	—	0.56%	0.56%	—
Director	Howard Chen	—	—	—	—	176	176	42	42	0.10%	0.10%	2,105	2,105	108	108	399	—	399	—	—	—	1.31%	1.31%	—
Independent Director	Cheng Sang Huang	—	—	—	—	176	176	54	54	0.11%	0.11%	—	—	—	—	—	—	—	—	—	—	0.11%	0.11%	—
Independent Director	Gen-Sen Chang-Hsieh	—	—	—	—	176	176	54	54	0.11%	0.11%	—	—	—	—	—	—	—	—	—	—	0.11%	0.11%	—
Independent Director	Chi Chang Lu	—	—	—	—	176	176	54	54	0.11%	0.11%	—	—	—	—	—	—	—	—	—	—	0.11%	0.11%	—
Supervisor	Wei Chung Hung	—	—	—	—	176	176	36	36	0.10%	0.10%	—	—	—	—	—	—	—	—	—	—	0.10%	0.10%	—
Supervisor	Ling Chiang Chao	—	—	—	—	176	176	48	48	0.10%	0.10%	—	—	—	—	—	—	—	—	—	—	0.10%	0.10%	—

Compensation Range of Director	Name of Director			
	Total Amount (A+B+C+D)		Total Amount (A+B+C+D+E+F+G+J)	
	K Laser	Sub.	K Laser	Reinvestment Business
Below NT$ 2 million	Alex Kuo / Daniel Kuo / Lisa Hsu / Howard Chen / Cheng Sang Huang / Gen-Sen Chang-Hsieh / Chi Chang Lu	Alex Kuo / Lisa Hsu / Howard Chen / Cheng Sang Huang / Gen-Sen Chang-Hsieh / Chi Chang Lu	Daniel Kuo / Lisa Hsu / Cheng Sang Huang / Gen-Sen Chang-Hsieh / Chi Chang Lu	Lisa Hsu / Cheng Sang Huang / Gen-Sen Chang-Hsieh / Chi Chang Lu
NT$ 2 million～NT$ 5 million	—	Daniel Kuo	Alex Kuo / Howard Chen	Howard Chen
NT$ 5 million～NT$ 10 million	—	—	—	Alex Kuo / Daniel Kuo
Over NT$ 10 million	—	—	—	—
Total	7 persons	7 persons	7 persons	7 persons

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

Directors' and Supervisors' Professional Knowledge and Independence Information

Qualification / Name	Professional qualification requirements, together with at least five years work experience			Independence Status (Note 1)										Holds a concurrent post of independence director of other public release company.
	An instructor or higher in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the company in a public or private junior college, college, or university	A judge, public prosecutor, attorney, certified public accountant, or other professional or technical specialist who has passed a national examination and been awarded a certificate in a profession necessary for the business of the company	Have work experience in the area of commerce, law, finance, or accounting, or otherwise necessary for the business of the company.	1	2	3	4	5	6	7	8	9	10	
Alex Kuo	—	—	✓	—	—	—	—	✓	✓	✓	—	✓	✓	—
Daniel Kuo	—	—	✓	—	—	—	—	✓	✓	✓	—	✓	✓	—
Lisa Hsu	—	—	✓	—	—	—	—	✓	✓	✓	—	✓	✓	—
Howard Chen	—	—	✓	—	—	✓	—	✓	✓	✓	✓	✓	✓	—
Cheng Sang Huang	—	—	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	—
Gen-Sen Chang-Hsieh	—	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	—
Chi Chang Lu	—	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2
Wei Chung Hung	—	—	✓	✓	—	✓	✓	✓	✓	✓	✓	✓	✓	—
Ling Chiang Chao	—	—	✓	✓	—	✓	✓	✓	✓	✓	✓	✓	✓	—

Note 1:

(1) Not an employee of the Company or any of its affiliates.

(2) Not a director or supervisor of the Company's affiliates (Except in the case of an independent director who is a company or its parent company, a subsidiary under this Act or a local law).

(3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, children of minor age, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of issued shares of the Company or ranking in the top 10 in holdings.

(4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three subparagraphs.

(5) Not a director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the total number of issued shares of the Company or that holds shares ranking in the top five in holdings.

(6) Not a director, supervisor, officer, or shareholder holding 5% or more of the shares, of a specified Company or institution that has a financial or business relationship with the Company.

(7) Not 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. The same does not apply, however, in cases where the Compensation committee member exercises of power per the Article 7 of the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter.

(8) Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.

(9) Not been a person of any conditions defined in Article 30 of the Company Law.

(10) Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law.

2.2 Major Officers' Information

2017.03.31

Title	Name	Gender	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, K Laser Group.	Alex Kuo	Male	2002.08.21	10,187,756	7.61%	752,980	0.56	—	—	• Ph.D. in EE, SUNY Stony Brook, NY • Chairman, K Laser Group.	—	—	—	—
GM	Howard Chen	Male	2013.12.16	576,194	0.43%	7,590	0.01	—	—	• MS in Electrical Engineering, University of Southern California • Special Assistant of Chairman, K Laser Technology Inc.	—	—	—	—
Director, R&D Division	Bingo Lo	Male	2012.08.30	—	—	—	—	—	—	• Ph.D. in Mechanical Engineering, National Chiao Tung University • V.P., Optivision Technology Inc.	—	—	—	—
Manager, Auditing Office	Yumei Tsai	Female	2016.05.13	12,715	0.01	—	—	—	—	• California State University, San Francisco, Institute of Electronic Communications • Special Assistant , Chairman office of K Laser Technology Inc.	—	—	—	—
Director, F&A Division	Teresa Huang	Female	2006.01.03	110,016	0.08%	—	—	—	—	• M.Acc, Bentley U., U.S.A • Finance Manager of K Laser	• Supervisor, Rongsheng Trading Co., Ltd.	—	—	—
Accounting officer	Serena Hung	Female	2013.08.13	—	—	—	—	—	—	• MS in Management Science, National Chiao Tung University • Manager, K Laser Technology Inc.	—	—	—	—
Financial officer	Vincent Tsai	Male	2016.05.13	750	—	—	—	—	—	• M.Acc, SUNY • Senior Financial Manager	—	—	—	—

President Remuneration in 2016

Title	Name	Salary(A)		Retirement pay (B)		Bonus and Special Remuneration (C)		Employee Compensation (Note1) (D)				Total Amount as a % of 2015 Net Income		Number of Employee Stock Options (Thousands shares)		Compensation from other K Laser Invest Companies (E)
		K Laser	All consolidated entities	K Laser	All consolidated entities	K Laser	All consolidated entities	K Laser		All consolidated entities		K Laser	All consolidated entities	K Laser	All consolidated entities	
								Cash Bonus	Stock Bonus	Cash Bonus	Stock Bonus					
CEO, K Laser Group.	Alex Kuo	4,200	5,416	108	108	712	808	1,597	—	1,597	—	3.07%	3.68%	—	—	—
GM	Howard Chen															

Note1: The proposed compensation is based on the actual ratio of the 2015 distribution, which was approved by the board of directors in 2017.

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

Major Officers' Employee Compensation

2017.03.31 / Unit：NT$ Thousands

	Title	Name	Stock Bonus	Cash Bonus	Total Amount	Total Amount as a % of 2016 Net Income
Major Officers	CEO, K Laser Group.	Alex Kuo	–	3,047	3,047	1.41
	GM	Howard Chen				
	Director, R&D Division	Bingo Lo				
	Manager, Auditing Office	Yumei Tsai				
	Director, F&A Division	Teresa Huang				
	Accounting officer	Serena Hung				
	Financial officer	Vincent Tsai				

Note: The proposed compensation is based on the actual ratio of the 2015 distribution, which was approved by the board of directors in 2017.

Total remuneration as a percentage of net income as paid by the company,and by each other company included in the consolidated financial statements, during the past two fiscal years to its Directors, Supervisors, the General Manager, and Assistant General Managers, and description of remuneration policies, standards, packages, procedures for setting remuneration, and linkage to performance.

Unit：NT$ Thousands

Title	2015				2016			
	The company		Companies in the consolidated financial statements		The company		Companies in the consolidated financial statements	
	Remunerations (Item A)	Percent of Remunerations over net profit (Item B)	Item A	Item B	Item A	Item B	Item A	Item B
Director	9,565	5.82%	17,116	10.41%	10,775	5.00%	18,355	8.52%
Supervisor	342	0.21%	342	0.21%	436	0.20%	436	0.20%
GM and Assistant GM	6,649	4.05%	6,649	4.05%	6,617	3.07%	7,928	3.68%

Note: (1) The remuneration program to the directors and supervisors are designed, in accordance with the Company's Article , the participation level of the operation, the contribution to the Company, and the industrial level of Taiwan.

(2) The remuneration program and policy to the General Manager and Assistant GM are designed based on the policy as approved by the board of directors, and the evaluation of the performance of that year.

(3) The remunerations of 2015 have been paid. Part of Compensation in 2016 will be planned for remunerations.

3. Corporate Governance

3.1 The state of operation of Board of Directors

There Board of Directors conducted 7 meetings in 2016. The directors' attendance status is as follows:

Title	Name	Actual attendance number of times	Agency attendance number of times	Actual attendance	Remarks
Chairman	Alex Kuo	7	0	100%	—
Director	Daniel Kuo	7	0	100%	—
Director	Lisa Hsu	7	0	100%	—
Director	Howard Chen	7	0	100%	—
Independent Director	Cheng Sang Huang	7	0	100%	—
Independent Director	Gen-Sen Chang-Hsieh	7	0	100%	—
Independent Director	Chi Chang Lu	7	0	100%	—

Other matters to be included:

(1) The operation of the board of directors is one of the following circumstances, it shall be noted in the minutes of the directors meeting:

(a) The matters listed in Securities and Exchange Act Article14-3：None.

(b) In addition to the former outwards, an independent director expresses opposition or reservation：None.

(2) If there is Directors' avoidance of motions in conflict of interest, the Directors' names, contents of motions, causes for avoidance and voting should be specified:

・Pursuant to Procedural Rules of Board Meeting of the Company, a Director may not participate in the discussion or vote in respect to any matter, in which such Director bears a personal interest which may conflict with and impair the interest of the Company; provided, however, that such Director may express his or her opinion and respond to inquiries. Such Director shall excuse him of herself during discussion and voting and may not exercise voting rights on behalf of other Directors.

・If a Director violates the avoidance of motion and exercises his/her vote, the vote is invalid.

・The motions in conflict of interest: None.

(3) Target to strengthen the functions of board for year and recent years (For example, establish an audit committee to enhance transparency of information, etc.) and assessment of implementation：

2014 General Shareholders' Meeting selected 7 directors of the board, included 3 independent directors, to enhance the function of supervision the operating of company and to achieve healthy corporate governance.

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

Some of our directors and supervisors having accounting and financial background, therefore our company, although has not set up Audit Committee currently, but still conforms with corporate governance necessary and can performs the same function as Audit Committee does. The Company plan to amend the Company's Article to set up Audit Committee to replace the role of Supervisors.

3.3 Supervisors' involvement in the operation of the Board of Directors

There Board of Directors conducted 7 meetings in 2016. The supervisors' attendance status is as follows:：

Title	Name	Actual attendance number of times	Actual attendance	Remarks
Supervisor	Wei Chung Hung	5	71%	—
Supervisor	Ling Chiang Chao	7	100%	—

Other matters to be included:

1. The composition and duties of supervisors:

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

The Supervisors, in addition to attend the Board Meeting to oversee the meeting operation and also fully understand the structure of shareholders and the functions of each department of the Company. The Supervisors contacts with the mangers through meeting or telephone. Therefore, the Supervisors have established the appropriate channels of communication with employee and shareholders.

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

Supervisors, internal auditors and CPA can discuss all issues, including financial announcement procedures, internal control system, the suggestions proposed by others and the performance of management, through meeting or telephone, Therefore, they have established the appropriate channels of communication with internal auditors and CPA.

2. If Supervisors state their opinions in the Board Meeting, such opinions should be recorded, including the date, the agenda, the Board resolution, and the Company action to the opinions：None

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

Items	Implementation Status			Remark
	Y	N	Description	
1. The establishment and disclosure of Company's Own Corporate Governance Guidance.		✓	The Company has not yet established the Guidance of Corporate Governance. For the status of the Company's corporate governance, please refer to "Corporate Governance" section of this Annual Report.	None
2. Shareholding Structure & Shareholders' Rights (1) Method of handling shareholder suggestions or complaints (2) The Company's possession of a list of major shareholders and a list of ultimate owners of these major shareholders (3) Risk management mechanism and "firewall" between the Company and its affiliates (4) Method of prohibiting the Company's insider to trade the Company's stock by using non-public information	✓		(1) The Company has designated the spokesman、the deputy spokesman and responsible personnel to handle shareholder's suggestions or complaints. (2) The Company has appointed responsible personnel to manage the list of major shareholders and the ultimate owners. (3) The obligations and rights between the Company and its affiliates have been clearly defined. Any transaction between the Company and its affiliates complies with the internal control system. (4) The Company has established the method to prohibit the Company's insiders to trade the Company's stock by using non-public information.	None
3. Composition and Responsibilities of the Board of Directors (1) The composition of the board of directors is determined by taking diversity into consideration (2)The establishment of functional committees such as the nomination or compensation committees by Company (3) The Company formulate rules and procedures for board of directors performance assessments (4)Regular evaluation of CPAs' independence	✓		(1) In order to diversify the structure of Board of Directors, The members of the Boards include different professions, genders, and working experience. (2) The Company has set up the compensation committee. If it is necessary, the Company would set up other committees to meet the business requirement. (3) The Company has established the rules and procedures to evaluate the performance of the board of directors, and the evaluation would be done before the annual General Shareholder Meeting on an annual basis (4) The Company reviews the auditors' independence annually. The Company has established the procedure of evaluation of CPA's independence, and is approved by the board of directors on 2015/11/10. In accordance with the result of the evaluation, CPA Hong-Bin, Yu, and CPA Ke-Chang, Wu are both met the requirement of independence, and have provided the statement of independence to the Company.	None
4. The company establishes a corporate governance unit or personnel (Including but not limited to providing directors, supervisors to implement the business required information, according to the Board of Directors and the shareholders of the meeting of the relevant matters, the company for the company, the company is responsible for corporate governance, Registration and alteration registration, production of board of directors and shareholders' meeting, etc.)	✓		The Company's corporate governance is managed by Chairman Office and Financial / Administration Department.	None
5. Establishment of Communication Channels with Shareholders	✓		Our company has establishment of an official channel and website for suppliers、customers、banks and shareholders to respond all significant issues that they concern.	None
6. The company engage a professional shareholder services agent to handle shareholders meeting matters	✓		The company has engaged a professional shareholder services agent to handle shareholders meeting matters.	None
7. Information Disclosure (1) Establishment of a website where information on financial operations and corporate governance is disclosed. (2) Other information disclosure channels (e.g., maintaining an English-language website, appointing responsible people to handle information collection and disclosure, appointing spokespersons, webcasting investors conference)	✓		(1) The company both Chinese and English website at http://www.klasergroup.com is constantly updated to provide the latest information. (2) The company has designated appropriate employees to disclose information and announcement at government website, MOPS: http://newmops.tse.com.tw	None

Items	Implementation Status			Remark
	Y	N	Description	
8. Any Other Information Regarding Corporate Governance (including but not limited in employee rights and interests, employee care, investor relations, supplier relations and rights of Shareholders, professional development of the Board of Directors, Supervisors, and managerial officers, status of implementation of risk management policies and standards for measurement of risk, status of customer- protection policy implementation, and liability insurance provided by the Company to the Board of Directors and Supervisors) :	✓		(1) The Company's directors and supervisors are all professional and engaged in relative business. The independent directors take the professional training course no less than 3 hours. The Company also provides information related to professional educational opportunities to all directors and supervisors. (2) Risk management policies and risk of the implementation of standards: Please refer to "Details of other important risks and response measures". (3) The implementation of the policy of the protection of consumers or customers: The Company has appointed responsible personnel for customer's complaint and product quality issue. (4) Liability Insurance provided by the Company for its Directors and Supervisors: The company has purchased liability insurance amounting to USD 3 million for its directors and supervisors from Nov.5 2016 to Nov.5 2017.	None
9. Please indicate the improvement of the results of the corporate governance evaluation issued by the Taiwan Stock Exchange Co., Ltd. and provide priority measures and solutions for those who have not yet improved. None.				

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

3.5.1 The compensation committee members' Professional Knowledge and Independence Information

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

Note 1:

(1) Not an employee of the company, or any affiliates.

(2) Not a director, supervisor of the company, or any of its affiliates. Except in the case of an independent director who is a company or its parent company, a subsidiary under this Act or a local law.

(3) Not a individual shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of one percent or more of the total number of issued shares of the company or ranking in the top 10 in holdings

(4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three subparagraphs.

(5) Not a director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the company or that holds shares ranking in the top five in holdings.

(6) Not a director, supervisor, officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the company.

(7) A professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides commercial, legal, financial, accounting services or consultation to the company or to any affiliate of the company, or a spouse thereof.

(8) Not any of the circumstances in the subparagraphs of Article 30 of the Company Act.

Note 2：If the member of compensation committee is a director(excluding independent director), please state whether he/she conforms to "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter", Section 6.5.

3.5.2 Involved in the operation of the compensation committee

1. The Company's Compensation Committee is comprised of three persons.
2. Term for the Current Committee Members: 2014.06.18 to 2017.06.17. The Compensation Committee held 2 meeting in 2016:

Name	Actual attendance number of times	Agency attendance number of times	Actual attendance	Remarks
Gen-Sen Chang-Hsieh	2	0	100%	–
Cheng Sang Huang	2	0	100%	–
Chi Chang Lu	2	0	100%	–
Other matters to be included： 1. There was no suggestion recommended by the Compensation Committee not being accepted or being amended by the Board of Directors during the preceding fiscal year. 2. There was no Compensation Committee member expressing opposition or reservation with respect to any Compensation Committee meeting during the preceding fiscal year, and no written record or written statement of related resolutions.				

3.6 Social responsibility

Item	Implementation Status			Remark
	Y	N	Description	
1. Exercising Corporate Governance (1) The company adopted corporate social responsibility policies and systems, and its examination of the effectiveness of their implementation. (2) The company holds the corporate social responsibility training and education periodically. (3) The operational status of the unit established by the company with exclusive or concurrent responsibility for CSR matters. The higher-level management is authorized by the Board of Directors to handle the matter and report to the Board on its handling. (4) The company adopted a fair and reasonable salary and compensation policy, integrated CSR into employee performance evaluation system, and instituted a clear and effective reward and punitive system.	✓		(1) Based on company operating ideal and prospect, to fulfill our social duty, the Board has approved the new by-law, Corporate Social Responsibility Policy . All of business operations follow up the by-laws and aggressively fulfill environment protection and energy saving. (2) The Company holds training for employees and introduces our corporate social responsibility philosophy. (3) The Company's Finance and Administration Division of the Company promotes the activities of Corporate Social Responsibility. The Company also establishes the by-laws about corporate governance, takes part in social welfare activities, and sets up the guidelines about environment protection and energy saving. Besides, it fulfills the relevant energy saving programs set by the authorities. (4) The Company establishes the rules and policy for employees' salary and compensation by consideration of industrial level and the performance of the employee. Through the training, company website, the Company make the announcement to the employees regarding the Company's business code, and encourage the employees to take part in those activities about social welfare and energy saving and also set up the employee's appraisal rules based on employee's performance and ethic.	None
2. Developing a Sustainable Environment (1) The Company endeavors to utilize all resources more efficiently and uses renewable materials which have a low impact on the environment. (2) The Company establishes proper environmental management systems based on the characteristics of their industries. (3) The Company monitors the impact of climate change on its operations and should establish company strategies for energy conservation and carbon and greenhouse gas reduction.	✓		(1) The Company establishes the relevant management process to improve the efficiency of resource utilization. In order for improving the utilization of water, the Company purchases the equipment and well maintained periodically, such as water chiller, and cooling towers, to enhance the recycle of water to reduce the consumption of carbon. (2) The Company has established the environment management system. The Company's manufacturing process does not cause the air pollution, the Company has been qualified and certified for water pollution control measure plans and have invested in equipment to handle the waste water in manufacturing. (3) The Company conducts several projects to reduce the impact on the environment within the daily operation, such as installation of LED light bulb, and paperless operation system.	None

Item	Implementation Status			Remark
	Y	N	Description	
3. Protecting Public Interest (1) The company has established the management methods and procedures, to comply with relevant regulations and International Covenant on Civil and Political Rights. (2) The Company has established an approach and channel for employee appealing and it is handled properly. (3) The company provides safe and healthy work environments for its employees, and organizes training on safety and health for its employees on a regular basis. (4) The Company has set up a system for the employees to communicate periodically and informed them through reasonable approaches about changes in operations that would cause a major impact. (5) The company has established an effective plan for the employees in training and career development. (6) In regards to R&D, purchases, production, operation, and procedures of service, the company has formulated polices that would protect consumers' rights, as well as procedures for appealing. (7) The Company has complied with regulations and international norms on marketing and marking for its products and services. (8) Before interacting with its suppliers, the Company has reviewed and assessed records of these suppliers in regards to whether they had negatively impacted the environment and society in the past. (9) The contract between the Company and its major suppliers included clauses of termination and removal of the contract should the suppliers be involved in violation of its CSR policies that cause a major impact to the environment and society.	✓		(1) Pursue to the Labor Standards Law, the Labor Health Insurance Act, the Employees' Welfare Funds Act, and the relevant laws, the Company regulates the by-laws about human resources and fulfills them. (2) The procedures for employee appealing are included in the Company's Working Rule and the employee's appeals are well handled. (3) We have periodically conducted the fire safety inspection and maintained the equipment such as drinking fountains for employee's health. Employee must take part in labor insurance and health insurance and pay the insurance premium according to the relevant regulations. Employees have the benefits such as regular health inspection and on-job training, which are compensated by the Company. The Company provides the safe and healthy working environment to keep the employees concentrated on job. (4) In order to improve the labor relation and working efficiency, there are regular meetings for employee and employer as a way of communication. (5) Since employee is the most valuable assets to the Company, the Company has established the effective career development plan for employee. (6) Regarding the protection of Customer's right, the Company has established relevant policy and creates the channel for customers to handle the customer's complaint on a timely basis. (7) The Company has complied with regulations and international norms on marketing and marking for its products and services. (8) The Company has reviewed and assessed records in regards to whether its suppliers had negatively impacted the environment and society in the past before interacting with them. (9) The contract between the Company and its major suppliers included clauses of termination and removal of the contract should the suppliers be involved in violation of its CSR policies that cause a major impact to the environment and society.	None
4. Enhancing Information Disclosure (1) Status of disclosure on the company's website and MOPS of relevant and reliable information regarding corporate social responsibility.	✓		The Company has published the relevant materials about CSR on its website, http://www.klasergroup.com, and, in compliance with the Laws, has announced and declared them to improve information transparency.	None
5. If the Company has established corporate social responsibility principles based on "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies", please describe any discrepancy between the principles and their implementation: None				
6. Other important information to facilitate better understanding of the Company's corporate social responsibility practices: None				
7. If the products or corporate social responsibility reports have received assurance from external institutions, they should state so below: None				

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

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

Item	Implementation Status			Remark
	Y	N	Description	
1. Establishment of Corporate Conduct and Ethics Policy and Implementation Measures (1) The Company discloses clearly for adopting ethical corporate management policies and procedures in its rules and external documents, and of the board of directors and the management in undertaking to rigorously and thoroughly enforce such policies. (2) The Company adopts a program to prevent unethical conduct, including its operational procedures, guidelines for ethical conduct, punishment of violence and complaint system. (3) The Company asserts, when establishing the program to prevent unethical conduct according to the article 7 of the Corporate Governance Best-Practice Principles for TSEC/ GTSM Listed Companies, to address which business activities within its business scope pose higher risk of unethical conduct, and to adopt preventive measures against it. .	✓		(1) The Company has clearly disclosed the ethical corporate management policies and procedures and the commitment of directors and the management in undertaking to rigorously and thoroughly enforce such policies in the Company's Memorandum and Articles, and external document. The Company establishes the by-law, Procedures for Verification and Disclosure of Material Information, and regulates the mechanism of processing and disclosure of material information. It prevents information from improper disclosure and assures the consistence and correctness of information disclosure to the public. Pursuant to Procedural Rules of Board Meeting of the Company, a Director may not participate in the discussion or vote in respect to any matter, in which such Director bears a personal interest which may conflict with and impair the interest of the Company; provided, however, that such Director may express his or her opinion and respond to inquiries. Such Director shall excuse him or herself during discussion and voting and may not exercise voting rights on behalf of other Directors. (2) The Company has adopted a program to prevent unethical conduct, including its operational procedures, guidelines for ethical conduct, punishment of violence and complaint system. (3) The Company has asserted, when establishing the program to prevent unethical conduct according to the article 7 of the Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies, to address which business activities within its business scope pose higher risk of unethical conduct, and to adopt preventive measures against it.	None
2. Corporate Conduct and Ethics Compliance Practice (1) The Company exerts in its business activities to evaluate the counterparty the record of unethical conduct, and to include ethical conduct clauses in its business contracts. (2) The Company establishes and operates a dedicated (or part-time) unit with responsibility for the enforcement of ethical corporate management under the Board of Directors, and periodically report to the Board of Directors. (3) The Company adopts the policies for preventing conflicts of interest and offering appropriate channels for stating opinions, and the operation thereof. (4) The company establishes and operates the effective accounting systems and internal control systems for the enforcement of ethical corporate management, and of audits periodically by internal auditors or accounting firms. (5) The company holds internal or external education and training operations periodically.	✓		(1) The Company has exerted in its business activities to evaluate the counterparty the record of unethical conduct, and to include ethical conduct clauses in its business contracts. (2) The Company has established and operates a dedicated (or part-time) unit with responsibility for the enforcement of ethical corporate management under the Board of Directors, and periodically report to the Board of Directors. (3) The Company has adopted the policies for preventing conflicts of interest and offering appropriate channels for stating opinions, and the operation thereof. (4) The company has established and operates the effective accounting systems and internal control systems for the enforcement of ethical corporate management, and of audits periodically by internal auditors or accounting firms. (5) The company has hold internal or external education and training operations periodically.	None

Item	Implementation Status			Remark
	Y	N	Description	
3. Status of reporting system for the company (1) The Company has adopted a system for reporting and rewarding, established a channel convenient for reporting, and assigned appropriate staffs responsible for handling issues for the reported parties. (2) The Company has adopted a standard operating procedure for investigation of the reported matters, as well as relevant rules regarding confidentiality. (3) The Company has adopted measures for protecting reporting parties from inappropriate treatment because of their acts of reporting	✓		The Company has established the by-law, Work Rules, and regulates regarding the reporting system, and protects the reporting parties from inappropriate treatment.	None
4. Information Disclosure (1) To set up a corporate website or other information disclosure channel that publishes information relating to company's corporate conduct and ethics.	✓		The Company has published the relevant materials about company's corporate conduct and ethics on its website, http://www.klasergroup.com.	None
5. If the company has established corporate governance policies based on TSE Corporate Conduct and Ethics Best Practice Principles, please describe any discrepancy between the policies and their implementation : None				
6. Other important information to facilitate better understanding of the company's corporate conduct and ethics compliance practices (e.g., review the company's corporate conduct and ethics policy) : None				

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

3.8 For information on HTC's Guidelines for Corporate Governance and other codes of practice, please refer to the Company's website at http://www.klasergroup.com

3.9 Execution of Internal Control System

3.9.1 Statement of Internal Control

Statement of Internal Control

Date: Mar. 30, 2017

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, 2016 to December 31, 2016:

1. KLT is fully aware the establishing, operating, and maintaining an internal control system are the responsibility of its Board of Directors and management. KLT has established such a system aimed at providing reasonable assurance regarding the achievement of objectives to effectiveness and efficiency of operations (including profitability, performance, and safeguarding of assets), reliability of financial reporting, and compliance with applicable laws and regulations.
2. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing the three objectives mentioned above. Moreover, the effectiveness of an internal control system may be subject to changes of environment or circumstances. Nevertheless, the internal control system of KLT contains self-monitoring mechanisms, and KLT takes corrective actions whenever a deficiency is identified.
3. KLT evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control Systems by Public Companies (here in below, the "Regulations"). The criteria adopted by the Regulations identify five components of internal control based on the process of management control: (1) control environment, (2) risk assessment and response, (3) control activities, (4) information and communication, and (5) monitoring. Each component further contains several items. Please refer to the Regulations for details.
4. KLT has evaluated the design and operating effectiveness of its internal control system according to the aforesaid criteria.
5. Based on the findings of the evaluation mentioned in the preceding paragraph, KLT believes that, during the year 2016, its internal control system (including its supervision and management of subsidiaries), as well as its internal controls to monitor the achievement of its objectives concerning operational efficiency, reliability of financial reporting, and compliance with applicable laws and regulations, were effective in design and operation, and reasonably assured the achievement of the above-stated objectives.
6. The Statement will be an integral part of KLT's Annual Report and Prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Law.
7. This Statement has been passed by the Board of Directors in their meeting held on Mar. 30, 2017, with zero of the seven attending directors expressing dissenting opinions, and the remainder all affirming the content of this Statement.

K Laser Technology Inc.

Alex Kuo,
Chairman

Howard Chen,
General Manager

3.9.2 External auditors' opinion on the Company's internal control：None.

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

3.11 Major Decisions of Shareholder Meetings and Board Meetings

3.11.1 Board Meetings

(1) The 9th Meeting of the 10th Term of Board of Directors

Date: 2016.05.12

1. Approved the endorsement and guarantee of the loan for the subsidiary, K Laser China Group Holding Co., Limited.
2. Cancellation of the endorsement and guarantee of the loan for the subsidiary, K Laser Technology (USA) Co.
3. Approved 2016 Q1 Financial Statements.
4. Approved the company’s Manager, Auditing Office Changed.
5. Approved the company’s Financial officer Changed.

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

Date: 2016.07.14

1. Approved the endorsement and guarantee of the loan for the subsidiary, K Laser China Group Holding Co., Limited.
2. Approved the subsidiary of K Laser Technology (Dong Guan) Co., Ltd. Loaning Funds to Others.
3. Approved the subsidiary of K Laser International Co., Ltd. Loaning Funds to Others.

(3) The 11th Meeting of the 10th Term of Board of Directors

Date: 2016.08.11

1. Approved 2016 Q2 Financial Statements.

(4) The 12th Meeting of the 10th Term of Board of Directors

Date: 2016.11.10

1. Approved 2016 Q3 Financial Statements.

(5) The 7th Extraordinary Meeting of the 10th Term of Board of Directors

Date: 2017.01.03

1. Approved the endorsement and guarantee of the loan for the subsidiary, K Laser China Group Holding Co., Limited.
2. Approved the endorsement and guarantee of the loan for the subsidiary, Everest Display Inc.
3. Approved the grant loan to the subsidiary company, Everest Display Inc.

(6) The 13th Extraordinary Meeting of the 10th Term of Board of Directors

Date: 2017.02.23

1. Approved the base date of 4nd and 5nd secured convertible redeemable bonds that is convertible into common stock of Company after due date.

(7) The 14th Meeting of the 10th Term of Board of Directors

Date: 2017.03.30

1. Approved the renewed credit line of bank loan.
2. Approved the endorsement and guarantee of the loan for the subsidiary, K Laser China Group Holding Co., Limited.
3. Approved 2016 Audit Report and the Disclosure of Statement of Internal Control System.
4. Approved the distribution proposal for 2016 employee, director, and supervisor compensation.
5. Approved 2016 Operating Report and 2016 Financial Statements.
6. Approved the distribution proposal for 2016 dividend.
7. Approved the convention of 2017 Annual General Meeting.

3.11.2 Shareholder Meetings

The 2015 Annual General Meeting

Date: 2016.05.27

(1) Recognition of 2015 Operating Report and 2015 Financial Statements.

(2) Recognition of the Distribution of 2015 Earning.

Implementation Status: The target date fixed by the company for distribution of dividends is 2015.07.02, and the payment date is 2016.07.12 ($0.5 cash dividend per share).

3.12 Board of Director or Supervisor expressing a dissenting opinion with respect to a material resolution passed by the Board of Directors and said dissenting opinion has been recorded or prepared as a written declaration, disclose the principal content thereof：None

3.13 A summary of resignations and dismissals, of the company's chairman, general manager, principal accounting officer, principal financial officer, chief internal auditor, and principal research and development officer：

Title	Name	Employed Date	Date of Termination	Reasons
Financial officer	Rich Yuan	--	2016.04.30	Resignation
Manager, Auditing Office	Vincent Tsai	--	2016.05.13	Work Adjustment
Financial officer	Vincent Tsai	2016.05.13	--	--
Manager, Auditing Office	Yumei Tsai	2016.05.13	--	--

4. Information on CPA professional fees

4.1 Information on professional fees

Name of CPA Firm	CPA		Audit Period	Remark
Deloitte & Touche	Hung-Bin Yu	Ker-Chang Wu	2016.01.01~2016.12.31	–

Unit：NT$ Thousands

Amount \ Item		Audit fees	Non-audit fees	Total
1	＜2,000		$125 (Tax-related)	
2	2,000 ≦ amount ＜4,000			
3	≧4,000	V		V

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

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

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

5. Information on replacement of CPA: None

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

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

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

Unit：Shares

Title	Name	2016		Mar. 31, 2017	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Chairman	Alex Kuo	–	–	–	–
Director	Daniel Kuo	(314,000)	(314,000)	–	–
Director	Lisa Hsu	–	–	–	–
Director	Howard Chen	–	–	–	–
Director	Cheng Sang Huang	–	–	–	–
Director	Gen-Sen Chang-Hsieh	–	–	–	–
Director	Chi Chang Lu	–	–	–	–
Supervisor	Wei Chung Hung	–	–	–	–
Supervisor	Ling Chiang Chao	–	–	–	–
Director, R&D Division	Bingo Lo	–	–	–	–
Manager, Auditing Office	Yumei Tsai	–	–	–	–
Director, F&A Division	Teresa Huang	(8,000)	–	–	–
Accounting officer	Serena Hung	–	–	–	–
Financial officer	Vincent Tsai	–	–	–	–

7.2 Status of Transfer of Shareholding to related person or Shareholding Pledge to related person：

Name	Reason for Transfer	Date of Transaction	Transferee	Relationship between Transferee and Directors, Supervisors, Managers and Major Shareholders	Shares	Transaction Price (NT$)
Daniel Kuo	Gifting	2016.07.29	Shu Ying Chen	The spouse of the director	157,000	-
Daniel Kuo	Gifting	2016.07.29	Jian Jou Kuo	Director of the child	157,000	-

8. The company's 10 largest shareholders and relationship

2017.03.31

Name	Holding shares		Spouse & Minor Shareholding		Shareholding Entitled Other Name		Relationship	
	Shares	%	Shares	%	Shares	%	Name	Relationship
Alex Kuo	10,187,756	7.61	752,980	0.57	—	—	—	—
Mei Ling Ho	3,389,179	2.53	—	—	—	—	—	—
Pei Jun Chen	2,864,000	2.14	—	—			—	—
Guei Tang Shin	2,791,196	2.09	—	—	—	—	—	—
Insight Medical Solutions Inc. (Chairman：Alex Kuo)	2,568,000	1.92	—	—	—	—	Alex Kuo	Chairman
AJO emerging market small cap fund trusted by Taiwan bank	1,447,980	1.08	—	—	—	—	—	—
Morgan Stanley & Co. International plc	1,430,000	1.07	—	—	—	—	—	—
Jin Mei Hsieh Kuo	1,300,000	0.97	—	—	—	—	—	—
Shi Lin Song	1,239,000	0.93	—	—	—	—	—	—
Tang Ling Kuo	1,148,000	0.86	—	—	—	—	—	—

9. Total number of shares and total equity stake held in the same enterprise by the Company, its Directors and Supervisors, Managers directly or indirectly

Unit：Shares/%　APR.17, 2017

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.	25,771,139	100%	—	—	25,771,139	100%
K Laser International Co., Ltd.	19,776,367	100%	—	—	19,776,367	100%
Optivision Technology Inc.	22,699,420	47%	939,873	2%	23,639,293	49%
iWin Technology Co., Ltd.	135,495	49%	141,025	51%	276,520	100%
Vicome Corp.	2,661,237	33%	—	—	2,661,237	33%
Everest Display Inc.	12,153,574	74%	100,000	1%	12,253,574	75%
Insight Medical Solutions Inc.	3,461,000	35%	1,135,000	11%	4,596,000	46%

Capital Raising Status

1. Capital and Shares

1.1 Source of Capital

1.1-1 Source of Capital

2017.03.31 / Unit：Thousand Shares；NT$ Thousand (Except Issuance Price)

Year Month	Price	Authorized Capital		Issued Capital		Remarks			
		Shares	Amount	Shares	Amount	Sources of Capital		Capital Increase by Assets Other than Cash	Other (Approval Document Number)
2013.01	10	200,000	2,000,000	150,694	1,506,941	CB Convert	22,934	-	園商字第1020002816號
2013.04	10	200,000	2,000,000	157,879	1,578,789	CB Convert	71,848	-	園商字第1020012319號
2013.09	10	200,000	2,000,000	163,335	1,633,350	CB Convert	54,560	-	園商字第1020026799號
2013.11	10	200,000	2,000,000	166,487	1,664,873	CB Convert	31,524	-	園商字第1020036501號
2014.05	10	200,000	2,000,000	169,373	1,693,730	CB Convert	28,857	-	竹商字第1030012573號
2014.08	10	200,000	2,000,000	162,992	1,629,921	Treasury shares	80,000	-	竹商字第1030022950號
						CB Convert	16,191	-	
2014.12	10	200,000	2,000,000	174,166	1,741,665	CB Convert	111,744	-	竹商字第1030036214號
2015.05	10	200,000	2,000,000	157,166	1,571,665	Treasury shares	170,000	-	竹商字第1040012090號
2015.07	10	200,000	2,000,000	147,166	1,471,665	Treasury shares	100,000	-	竹商字第1040020998號
2015.11	10	200,000	2,000,000	132,466	1,324,665	Treasury shares	147,000	-	竹商字第1040034261號
2017.03	10	200,000	2,000,000	133,883	1,338,825	CB Convert	14,160	-	竹商字第1060007841號

Unit：Shares, 2017.03.31

Share Type	Authorized Capital					Remarks
	Issued Shares			Un-Issued Shares	Total	
	Listed	Non-Listed	Total (Note)			
Common Stocks	133,882,523	0	133,882,523	66,117,477	200,000,000	--

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

1.2 Shareholder Structure

2017.03.31

Structure / Volume	Government Agencies	Financial Institution	Other Legal Entities	Domestic Individuals	Foreign Institutions & Individuals	Total
Number of Shareholders	—	—	41	18,371	50	18,462
Shareholding (Shares)	—	—	5,095,936	119,470,458	9,316,129	133,882,523
Holding Percentage	—	—	3.81%	89.24%	6.95%	100.00%

1.3 Distribution Profile of Shareholder Ownership

2017.03.31

Levels of Shareholder Ownership	Number of Shareholders	Total Shares Owned	Ownership Percentage%
1 – 999	9,525	577,395	0.43
1,000 - 5,000	6,090	14,069,786	10.51
5,001 - 10,000	1,378	11,297,233	8.44
10,001 - 15,000	377	4,788,737	3.58
15,001 - 20,000	307	5,816,943	4.35
20,001 - 30,000	243	6,368,878	4.76
30,001 - 40,000	117	4,234,034	3.16
40,001 - 50,000	100	4,713,540	3.52
50,001 - 100,000	171	12,433,863	9.29
100,001 - 200,000	77	10,910,732	8.15
200,001 - 400,000	40	11,448,548	8.55
400,001 - 600,000	10	5,003,037	3.74
600,001 - 800,000	9	6,164,661	4.60
800,001 - 1,000,000	5	4,522,079	3.37
Over 1,000,001	13	31,533,057	23.55
Total	18,462	133,882,523	100

1.4 List of Major Shareholders

2017.03.31

Shares / Major Shareholders	Total Shares Owned	Ownership Percentage%
Alex Kuo	10,187,756	7.61
Mei Ling Ho	3,389,179	2.53
Pei Jun Chen	2,864,000	2.14
Guei Tang Shin	2,791,196	2.09
Insight Medical Solutions Inc.	2,568,000	1.92
AJO emerging market small cap fund trusted by Taiwan bank	1,447,980	1.08
Morgan Stanley & Co. International plc	1,430,000	1.07
Jin Mei Hsieh Kuo	1,300,000	0.97
Shi Lin Song	1,239,000	0.93
Tang Ling Kuo	1,148,000	0.86

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

Unit：NT$；Thousand Shares

Items		Year	2015	2016	Mar 31,2017
Market Price Per Share	Highest		17.30	20.20	19.50
	Lowest		12.55	12.60	15.60
	Average		14.85	15.19	17.06
Net Worth Per Share	Before Distribution		19.19	18.63	—
	After Distribution		18.69	17.80	—
Earnings Per Share	Weighted Average Common Shares Outstanding		146,914	132,467	133,520
	Earnings Per Share		1.12	1.63	0.05
Dividends Per Share (Note)	Cash Dividends		0.50	0.815	—
	Stock Dividends	Retained Earnings	—	—	—
		Capital Surplus	—	—	—
	Accumulated unpaid dividend		—	—	—
Analysis of Return on Investment	Price/Earnings Ratio		13.26	9.32	—
	Price/Dividends Ratio		29.70	18.64	—
	Cash Dividends Yield Rate		3.37%	5.37%	—

Note : The earning distribution for year 2016 has been approved by the Broad meeting, but it hasn’t been approved by the General Shareholders’ Meeting.

1.6 Dividend Policy and Status

1.6-1 Dividend Policy

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

1.6-2 Proposed Distribution of Dividend

The proposal for the distribution of 2016 profits was passed at the meeting of the Board of Directors on 2017.03.30. The proposal for a cash dividend of NT$0.815 per share will be discussed at the annual shareholders’ meeting on 2017.05.26.

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

1.8 Employee, Director, and Supervisor Compensation

1.8-1 Company Policy

In accordance with the Company’s Articles of Incorporation, the Company appropriates 4% to 8% and no more than 2% of income before tax prior to deduction of remuneration to employees, directors and supervisors for remuneration to employees and remuneration to directors and supervisors, respectively, in accordance with the proposal submitted by the Board of Directors, for approval at a shareholders’ meeting. If the Company has accumulated deficit, the profit shall first be set aside to offset losses, and then the remaining profit shall be distributed as remunueration to employees, directors and supervisors. The employees of subsidiaries who meet certain conditions can receive the remuneration.

1.8-2 If the difference between the proposed distribution and actual distribution on employee compensation and shares and directors and supervisor compensation, the accounting will follow the principle described below：

Pursuant to the Company's Memorandum and Articles of Association and refer to the actual distribution of compensation in the past, the Company estimates the proposed distribution of employee, director, and supervisor compensation. If there are the differences between the proposed and actual distribution, the difference will be estimated and listed in the coming income statement.

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

Unit：NT$；Thousand

Amount / Item	Cash	Stock	Difference between Proposed and Actual Distribution
Employee Compensation	10,788	0	0
Director, and Supervisor Compensation	2,637	0	0

1.8-4 Status of Employee, Director, and Supervisor Compensation from 2015 Retained Earnings are as Follows:

In 2015 the proposed distribution of employee, director, and supervisor compensation are NT$8,108K and 1,982K that no difference between proposed and actual distribution.

1.9 Share Buy-Back：

2017.03.31 / NT$

Batch Order	20th	21st	22nd	23rd
Purpose of buy-back	Maintain the company's credit and shareholders' equity			
Timeframe of buy-back	2014/11/12~2015/01/09	2015/05/18~2015/06/12	2015/06/18~2015/08/10	2015/08/12~2015/10/10
Price range	$10.82~23.53	$10.43~22.77	$9.63~22.61	$9.45~20.58
Class, quantity of shares bought back	common stocks 9,000,000 shares	common stocks 10,000,000 shares	common stocks 5,700,000 shares	common stocks 9,000,000 shares
Value of shares bought-back	$152,859,279	$155,059,824	$78,659,432	$128,916,966
Shares sold/transferred	common stocks 9,000,000 shares	common stocks 10,000,000 shares	common stocks 5,700,000 shares	common stocks 9,000,000 shares
Accumulated number of company shares held	0	0	0	0
Percentage of total company shares held	0	0	0	0

2. Issuance of Corporate Bonds

2.1 Issuance of Corporate Bonds

2017.03.31

Type		Domestic 4th Secured Convertible Bonds	Domestic 5th Unsecured Convertible Bonds
Issue date		2014.10.17	2014.10.20
Face amount		NT$ 100,000	
Issue amount		NT$ 100,000	
Issue size		NT$ 300 million	NT$ 200 million
Coupon rate		0%	0%
Maturity		3 years; 2017.10.17	3 years; 2017.10.20
Guarantor		CTBC Bank	-
Trustee		E.SUN Bank	
Registrar, Principal paying, conversion and transfer agent		CTBC Securities	
Legal counsel		-	
Auditor		-	
Redemption		On the maturity date, the issuer will redeem the bonds at their principal amount, unless, (a) The issuer shall have redeemed the bonds at the option of the issuer, or the bonds shall have been redeemed at the option of the bondholders (b) The bondholders shall have exercised the conversion right before maturity; or (c) The bonds shall have been purchased by the issuer and cancelled.	
Principal payable		NT$ 295 million	NT$ 182.8 million
Redemption or early redemption clause		(a) Issuer may, at our option at any time after 2014/11/18 and prior to 2017/9/7, redeem the Bonds in whole at their principal amount for cash, if the Closing Price of the TSE-listed Shares, for a period of 30 consecutive Trading Days, is at least 30% of the Convertible Price. (b) Issuer may also, at our option at any time after 2014/11/18 and prior to 2017/9/7, redeem the Bonds in whole at their principal amount if at least 90% in principal amount of the Bonds has already been converted, redeemed or purchased and cancelled.	(a) Issuer may, at our option at any time after 2014/11/21 and prior to 2017/9/10, redeem the Bonds in whole at their principal amount for cash, if the Closing Price of the TSE-listed Shares, for a period of 30 consecutive Trading Days, is at least 30% of the Convertible Price. (b) Issuer may also, at our option at any time after 2014/11/21 and prior to 2017/9/10, redeem the Bonds in whole at their principal amount if at least 90% in principal amount of the Bonds has already been converted, redeemed or purchased and cancelled.
Covenant		-	
Rating		-	
Other obligation	Balance of amount Converted to shares	NT$ 5 million	NT$ 17.2 million
	Policy of issuing or converting	Reference the Policy of issuing or converting	
Effect on the current shareholders due to dilution		Comparing funding management, issue Convertible Corporate Bonds could decrease the dilution of EPS, and raising the ratio of equity capital.	
Name of custodian		-	

2.2 Corporate Bonds information

Unit：NTD

Items \ Type / Year		Domestic 4th Secured Convertible Bonds			Domestic 5th Unsecured Convertible Bonds		
		2015	2016	2017.3.31	2015	2016	2017.3.31
Market Price	High	111.00	128.00	124.10	108.10	128.00	108.00
	Low	105.00	105.20	109.00	99.55	102.00	102.05
	Average	106.18	111.05	113.30	103.93	107.48	104.45
Convertible price		16.20	15.60	15.60	16.30	15.70	15.70
Issue Date and Original Convertible price		2014.10.17 / NT$ 16.7			2014.10.20 / NT$ 16.8		
Source of Convertible Shares		New Common Share					

3. Status of Preferred Shares：None.
4. Status of Overseas Depository Certificate：None.
5. Issuance of Employee Stock Option Plan (ESOP)：None.
6. Issuance of New Restricted Employee Shares：None.
7. Status of New Share Issuance in Connection with Mergers and Acquisitions：None.
8. Financing Plans and Implementation：None.

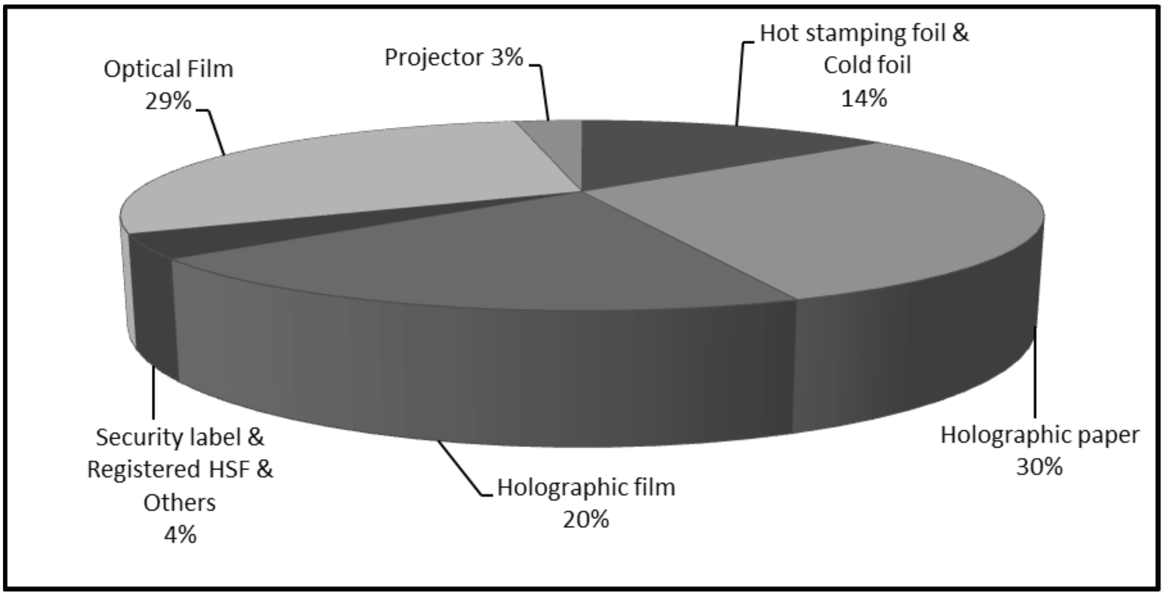
Operational Highlights

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 holographic film, hot stamping foil, cold foil, holographic paper, security label, optical films and etc.

1.1-2 Major Products and Sales Percentage：



1.1-3 Current products:

A. Holographic PET film

B. Holographic PVC film

C. Holographic OPP film

D. Holographic paper

E. Holographic Transfer Film

F. Holographic Security Label

G. Hot Stamping Foil

H. Register Hot Stamping Foil

I . Cold Foil

J. UV Fresnel Lens

K. Optical Film

1.1-4 New products in plan：

A. Hard embossing Fresnel Lens Film.

B. Hard embossing Fresnel Lens Foil

C. UV process transfer film

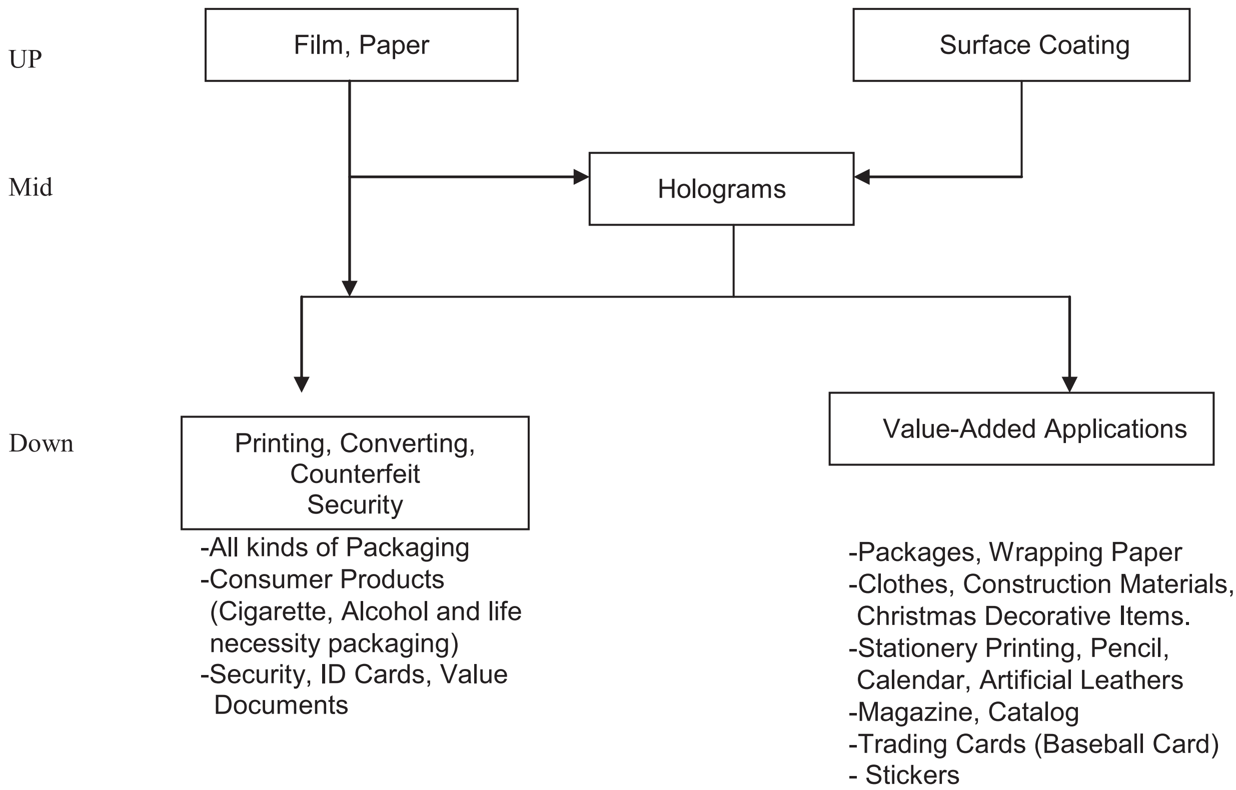
1.2. Industry Overview

1.2-1 Present Industry Situation and Development Plan

Current Status: Cigarette packaging remains the world's largest market using holographic film, followed by toothpaste box packaging market. These two markets are still considered stable but the rest of the market might fluctuate based on the market economy situation. In order to maintain the market share, we will approach brand owner and provide them with total packaging design concept and solution.

Development: Holographic industry is highly competitive and already categorized in Red Ocean Market, especially, in packaging market have been lost in interest for using holographic material. Introduction of new true seamless UV Fresnel lens product will bring K laser brand to lead the market at frontier.

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



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

A. Holographic effect: towards to stereo-relief related product.

B. PET holo film is the market mainstream product, in order to stay in more competitive, continuously developing new process and material to lower cost.

C. Hard embossing Fresnel lens product will be new era product.

D. Cold foil for flexo is a mature product, will develop cold foil for offset applications.

2. Competitive scenario:

A. Holographic effect: New generation optical holographic equipment have been setting up ready for production on 2017, Q1. In order to maintain industry leadership, the R&D group is developing new generation holographic effect.

B. Chinese and Indian competitors have the low-cost advantages, whereas, K Laser has the true seamless and brighter holographic advantages.

C. True seamless UV Fresnel lens is the exclusive product in market, and it will be the main product for sales strategy.

D. Holographic PVC product is shrank in market, due to less competitive and more environmental issue

1.3 Technology and R&D Highlights

1.3-1 R&D Expenditures of K Laser

Unit：NT$ Thousands

Year	2015	2016	2017Q1
R&D Expenditures	179,755	221,389	59,164

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

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

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

A. Origination Technology:

(a) 1 Meter seamless rainbow origination technology (b) Combine the hologram with the deep grating drum origination technology (c) 3D perspective hologram (d)Scaling effect (e) B&W effect (f) Ghosting effect

B. New Product:

(a) True Seamless products (b) Lens effect film (c) UV emboss related products (d) Holographic hot stamping foil for plastic (e) Holographic film for flexible packaging (f) anti-counterfeit holographic hot stamping material for aluminum closure (g) True Seamless KFL for Flexo /offset Printing (h) 3D Moire lenticular film (i) Hard emboss lens related products

C. Equipment Development:

(a) 1 Meter seamless optical production machine (b) 1 Meter drum electroforming machine

(c) UV drum process facilities (d) 3D depth facilities

R&D Strategy:

A. Combine supplies' and customer's technology, develop more value and more tamper function products.

B. Developing Seamless holographic origination technology and production process.

C. Developing high precision coating technology, recipe and process, to promote products' application and control products' quality efficiently.

D. Developing the optical effect origination for the electric products application.

E. Developing UV embossing process combine deep grating and holographic effects.

F. Developing aesthetic and high security technique to improve R&D ability.

G. Developing holographic high temperature resistant hot stamping foil to enhance our competitiveness on paper anti-counterfeit market.

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

1.4. Long and Short Term Business Plan

1.4-1 Long Term Business Plan

The Company has established International Business Unit to integrate the Group resources and to plan for global sales and marketing activities. Business Unit will responsible for the centralized product planning and global sales & marketing strategies in order to expand the global business.

1.4-2 Short Term Business Plan

A. Taiwan Market: Marketing strategy switches to developing brand and designing company, and maintain existing client.

B. China Market: To secure the current cigarette packaging orders and to approaching and cooperation with brand company for new product development.

C. Asia Market: Hologram products have developed more maturely in Northern East Asia, the strategy will input true seamless UV Fresnel Lens product for new market opportunity. For the South East Asia Market, this year, will input more resources for Indonesia market developing.

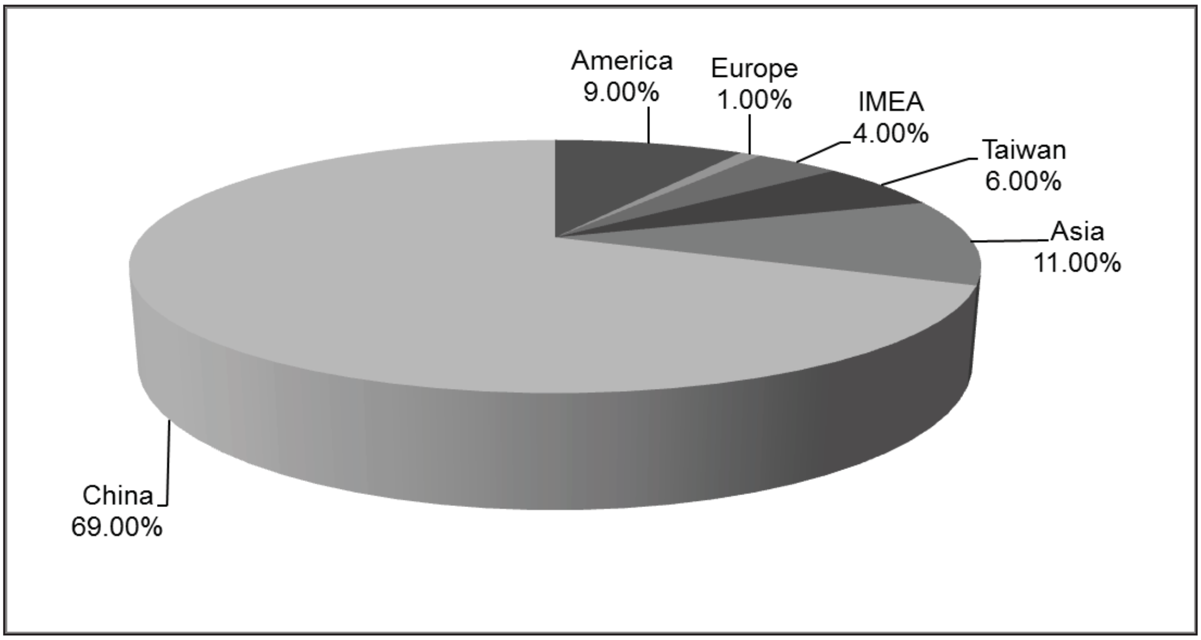
D. US Market: To secure the cold foil business and to further develop the business on laminating and self-adhesive market.

E. Europe Market: To compete for brand toothpaste PET laminating order and introduce true seamless UV Fresnel Lens product for new market development.

2. Marketing and Sales Conditions

2.1 Market Analysis

2.1-1 Major Sales Regions：



2.1-2 Future Market Supply, Demand and Growth Potential

1. Global hologram market and industry overview

Currently, China is the biggest market in Holographic industry in term of sales volume, and followed by America, Europe and Asia (excluding China). The growth of the European market depends on the direction of the annual packaging design; it will be appeared at Q2. Southeast Asia Market with economic growth, new packaging equipment investment, growth is expected.

2. Mainland China market

In China, holographic material is mainly used on cigarette and liqueur packaging. However, owing to the policy of fighting extravagance, especially for the liqueur and cigarette packaging, the growth rate in this market has slow down. To maintain the market share, developing with consumer product Brand Company will be prioritized.

2.1-3 Factors Relating to Future Development of KLT

1. Favorable Factors (Competitive Niche)

A. K Laser has developed new seamless process to redefine the market specifications. By this new process, the company reduces the production cost significantly and also increases the yield rate of customers' production.

B. There is no indication of rising crude oil prices; this will keep the raw material price low.

C. Through group integration, the company adapts centralized/batch production strategy to reduce the production cost and keep from market penetration without cutting margin.

D. K Laser is capable in providing total printing and packaging printing solution to customers due to its great experience in positioning printing.

E. Complete development of true seamless UV Fresnel Lens product will be new market tool.

2. Threaten and Adaptive Strategy

A. Poor economy environment, the end customers reduce the packaging cost.

Response measure: To develop low cost material, to reduce price & to develop new products and new market.

B. Holographic effect has long been in the market, consumers have lost interest on the design visual effect.

Response measure: Introducing new holographic effect product into market by using new optical holographic equipment. Actively promoting UV Fresnel lens to the market

C. Price War

Response measure: The Company has taken a number of steps by developing substitute materials, increasing product efficiency, and focusing on the new seamless processes to get rid of the threat of competitors.

2.2 Major Applications of Products & Product Manufacturing Process

2.2-1 Applications of Major Processes

A. Hot Stamping Foil target market

• Cigarette Packaging market • Stationary market

• Wine Label market • Greeting card market

• Paper box market • ID Card market • Toy market

• Cosmetic market

B. Cold Foil target market:

• Label market • Wine Label market • Beverage market

• Soft tube market • Security market

C. PET film target market

• Decoration market • Glitter market • Yarn market

• Security label market • Tape market

• Artificial leather market • Demetalized market

• Paper box market • Printing market

D. OPP film target market

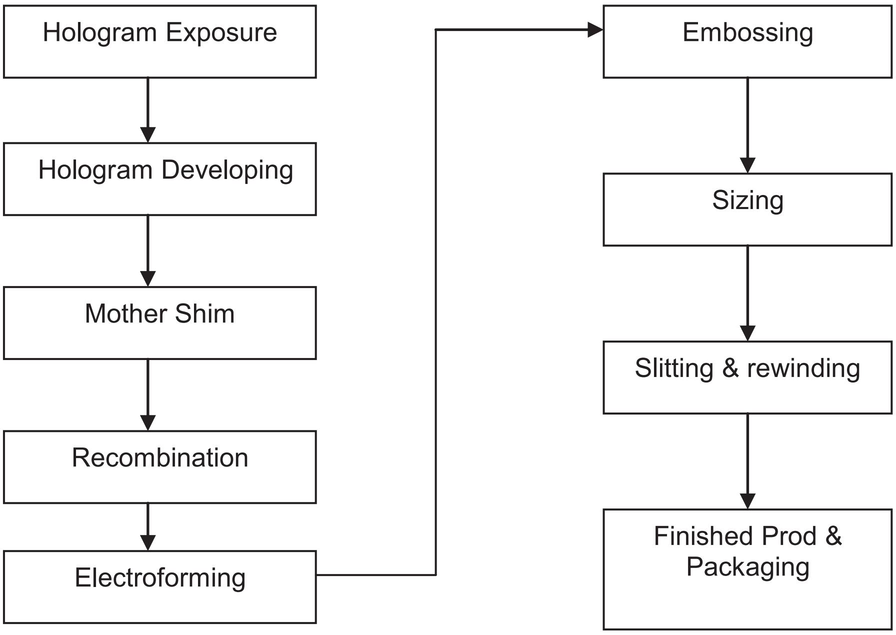
• Shopping bag market • Paper box market

• OPP lamination market • Festival couplets market
• Tape market • Printing market • Demetalized market

E. PVC film target market
• Christmas market •Sticker market • Ribbon market
• Festival couplets market
• Sequin market • Printing market • Credit Card market

F. Holographic paper target market
• Packaging market • Paper folding box market • Greeting card market • Sticker market
• Wine label market • Magazine market • Stationery market • Paper bag market.

2.2-2 Product Manufacturing Process (Hot Stamping Foil)



2.3 Major Raw Material & Status

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

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

2.4-1 Major Suppliers：None of major suppliers who made up exceeding 10%.

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

2.5 Production Quantity / Value

Unit：NT$ Thousands /KM^2

Year / Production / Product	2015			2016		
	Capacity	Quantity	Value	Capacity	Quantity	Value
Holographic Film(included Security label)	327,748	207,036	1,072,354	348,447	211,349	1,040,542
Holographic Paper	101,565	65,939	681,601	161,671	102,551	1,140,247
Optical Film	13,600	12,775	1,004,873	21,080	16,586	1,098,471
Others	-	-	32,213	-	-	33,555
Total	442,913	285,751	2,791,041	531,198	330,486	3,312,815

2.6 Sales Quantity / Value

Unit：NT$ Thousands /KM^2

Year / Sales / Product	2015				2016			
	Domestic		Export		Domestic		Export	
	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Holographic Film	5,627	65,501	191,339	1,460,016	5,669	65,798	194,673	1,610,824
Holographic Paper	1,425	22,841	66,453	943,797	58	1,311	102,424	1,469,333
Optical Film	100	27,249	13,343	1,282,486	65	4,968	17,997	1,466,972
Security label	332	30,350	120	50,499	1,390	34,253	322	82,116
Projector	-	-	-	-	2	28,403	4	91,537
Projector Accessories	-	-	-	-	745	9,714	16	47,872
Others	478	4,858	11,865	169,099	1,431	5,524	8,933	161,630
Total	7,962	150,800	283,121	3,905,897	9,360	149,971	324,369	4,930,284

3. Employee Analysis

Employee Analysis from 2015 to Mar. 31, 2017

Year		2015	2016	Mar. 31, 2017
Number of Employees	Administrators	157	155	152
	Sales	115	104	104
	Technicians	97	88	91
	Direct Engineers	610	633	602
	Indirect Engineers	199	191	202
	Total	1,178	1,171	1,151
Average Age		36.48	38.97	40.03
Average Years of Employment		5.73	6.09	6.62
Level of Education (%)	Ph.D.	2.06	2.09	2.69
	Masters Degree	10.94	10.54	9.03
	Bachelors/ Associate Degree	42.08	40.94	41.64
	Senior High School	35.12	36.49	36.72
	Under	9.78	9.94	9.92

4. Environmental Protection Information

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

4.2 The related information of matching up the RoHS：

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

5. Labor Relations

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

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

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

The Company retirement policy is applied to all formal employees. The Company considers employee‘s retirement fund according the seniority and salary. From1988, we monthly allot 2% of total employee’s salary to retirement fund. Starting July 1st, 2005, the Company makes monthly contribution equal to 6% of each employee’s monthly salary to employees’ pension accounts for those employees who adopted the plan under the Labor Pension Act.

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

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

6. Important Contracts

Nature of Agreement	Party	Start and End Date	Content	Restriction Clause
Medium & Long-Term Loan Agreement	E.SUN Bank &Taipei Fubon Bank	2015.08~2018.08	Syndication Loan amount is NTD 720,000 (thousand)	Pledge factory premises as collateral
Medium & Long-Term Loan Agreement	Chinatrust Bank	2014.09~2017.10	Loan amount is NTD 306,030 (thousand)	-
Medium & Long-Term Loan Agreement	Taipei Fuban Bank	2015.06~2017.06	Loan amount is NTD 100,000 (thousand)	-
Medium & Long-Term Loan Agreement	KGI Bank	2015.01~2017.11	Loan amount is NTD 100,000 (thousand)	-
Medium & Long-Term Loan Agreement	JihSun Bank	2016.01~2018.01	Loan amount is NTD 100,000 (thousand)	-

Financial Information

1. Condensed Financial Statements of the Past Five Years

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

1.1.1 Condensed Consolidated Balance Sheet from 2012 to 2017Q1 (IFRS)

Unit：NT$ Thousands

Items / Year		Financial Statements from 2012 to 2015 (Note1)					Mar 31,2017 (Note2)
		2012	2013	2014	2015	2016	
Current Assets		3,161,764	3,427,124	3,874,578	3,528,980	4,687,434	4,192,831
Property, Plant and Equipment		1,453,435	1,448,435	1,406,118	1,328,591	1,339,897	1,280,851
Intangible Assets		841	1,376	1,626	4,044	1,724	1,806
Other Assets		847,493	746,598	892,899	1,134,425	1,000,511	1,013,527
Total Assets		5,463,533	5,623,533	6,175,221	5,996,040	7,029,566	6,489,015
Current Liabilities	Before Distribution	1,812,642	1,622,444	1,793,235	1,794,121	2,845,550	2,466,065
	After Distribution (Note 3)	1,876,854	1,727,367	1,848,243	1,860,354	2,954,664	2,466,065
Non- Current Liabilities		978,295	747,987	842,065	1,036,368	899,791	896,988
Total Liabilities	Before Distribution	2,790,937	2,370,431	2,635,300	2,830,489	3,745,341	3,363,053
	After Distribution (Note 3)	2,855,149	2,475,354	2,690,308	2,896,722	3,854,455	3,363,053
Equity attributable to owners of the Company		2,352,459	2,804,592	2,842,192	2,542,668	2,474,006	2,353,219
Capital Stock		1,506,941	1,674,492	1,741,665	1,324,665	1,328,299	1,338,825
Capital Surplus		425,862	452,032	496,707	408,627	392,890	395,694
Retained Earnings	Before Distribution	598,290	762,265	716,055	724,695	869,637	876,305
	After Distribution (Note 3)	534,078	657,342	661,047	658,462	760,523	876,305
Other equity		(86,112)	8,325	131,780	84,681	(116,820)	(257,605)
Treasury Stock		(92,522)	(92,522)	(244,015)	0	0	0
Non-controlling interests		320,137	448,510	697,729	622,883	810,219	772,743
Total Equity	Before Distribution	2,672,596	3,253,102	3,539,921	3,165,551	3,284,225	3,125,962
	After Distribution	2,608,384	3,148,179	3,484,913	3,099,318	3,175,111	3,125,962

Note：1.The financial statements from 2012 to 2016 have been certified by CPA.

2.The financial statements of 2017Q1 have been certified by CPA.

3.The earning distribution for year 2016 has been approved by the Broad meeting on Mar. 30, 2016, but it hasn't been approved by the General Shareholders' Meeting. (The shareholder's meeting will be held on May)

1.1.2 Condensed Consolidated Income Statement from 2012 to 2017Q1 (IFRS)

Unit：NT$ Thousands (Except EPS)

Year / Items	Financial Statements from 2012 to 2016 (Note1)					Mar 31,2017
	2012	2013	2014	2015	2016	(Note2)
Net Sales	3,844,829	4,078,901	4,215,580	4,056,697	5,080,255	1,059,406
Gross Profit	908,446	1,017,141	1,122,072	1,012,907	1,281,402	256,356
Operating Income	204,166	248,526	272,182	289,510	473,149	64,897
Non-Operating Revenue& Expense	28,207	97,061	(42,873)	(40,915)	(130,576)	(61,069)
Profit before tax	232,373	345,587	229,309	248,595	342,573	3,828
Gain (Loss) from Continued Operations	181,741	308,453	192,697	183,374	249,897	(15,629)
Gain（Loss）from Discontinued Operations	-	-	-	-	-	-
Profit for the year	181,741	308,453	192,697	183,374	249,897	(15,629)
Other comprehensive income ,net of income tax	(137,774)	86,969	125,162	(52,349)	(220,268)	(155,964)
Total comprehensive income for the year	43,967	395,422	317,859	131,025	29,629	(171,593)
Profit for the year attributable to owners of the company	127,184	227,852	90,690	164,346	215,461	6,668
Profit for the year attributable to non-controlling interests	54,557	80,601	102,007	19,028	34,436	(22,297)
Total comprehensive income for the year attributable to owners of the company	36,872	322,624	211,663	113,940	9,674	(134,117)
Total comprehensive income for the year attributable to non-controlling interests	7,095	72,798	106,196	17,085	19,955	(37,476)
Earnings Per Share (NT$) Note3	0.87	1.49	0.56	1.12	1.63	0.05

Note：1. The financial statements from 2012 to 2016 have been certified by CPA.

2. The financial statements of 2017Q1 have been certified by CPA.

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

1.1.3 Condensed Balance Sheet from 2012 to 2016 (Individual) (IFRS)

Unit：NT$ Thousands

Items \ Year		Financial Statements from 2012 to 2016 (Note1)				
		2012	2013	2014	2015	2016
Current Assets		420,241	442,442	332,774	296,462	435,657
Property, Plant and Equipment		189,836	205,398	183,466	211,856	211,192
Intangible Assets		302	463	834	482	195
Other Assets		3,422,395	3,657,753	3,967,758	3,958,268	3,895,447
Total Assets		4,032,774	4,306,056	4,484,832	4,467,068	4,542,491
Current Liabilities	Before Distribution	701,189	752,567	849,633	887,225	1,170,564
	After Distribution (Note 2)	765,401	857,490	904,641	953,458	1,279,678
Non- Current Liabilities		979,126	748,897	793,007	1,037,175	897,921
Total Liabilities	Before Distribution	1,680,315	1,501,464	1,642,640	1,924,400	2,068,485
	After Distribution (Note 2)	1,744,527	1,606,387	1,697,648	1,990,633	2,177,599
Equity attributable to owners of the Company		2,352,459	2,804,592	2,842,192	2,542,668	2,474,006
Capital Stock		1,506,941	1,674,492	1,741,665	1,324,665	1,328,299
Capital Surplus		425,862	452,032	496,707	408,627	392,890
Retained Earnings	Before Distribution	598,290	762,265	716,055	724,695	869,637
	After Distribution (Note 2)	534,078	657,342	661,047	658,462	760,523
Other equity		(86,112)	8,325	131,780	84,681	(116,820)
Treasury Stock		(92,522)	(92,522)	(244,015)	0	0
Total Equity	Before Distribution	2,352,459	2,804,592	2,842,192	2,542,668	2,474,006
	After Distribution	2,288,247	2,699,669	2,787,184	2,476,435	2,364,892

Note：1. The financial statements from 2012 to 2016 have been certified by CPA.

2. The earning distribution for year 2016 has been approved by the Broad meeting on Mar. 30, 2017, but it hasn't been approved by the General Shareholders' Meeting. (The shareholder's meeting will be held on May)

1.1.4 Condensed Income Statement from 2012 to 2016 (Individual) (IFRS)

Unit：NT$ Thousands (Except EPS)

Items \ Year	Financial Statements from 2012 to 2016 (Note1)				
	2012	2013	2014	2015	2016
Net Sales	547,675	502,187	551,732	508,628	550,738
Gross Profit	132,931	117,602	120,276	92,399	103,681
Operating Income	8,311	(20,412)	(26,633)	(27,824)	(22,502)
Non-Operating Revenue& Expense	127,073	248,264	130,428	198,064	248,800
Profit before tax	135,384	227,852	103,795	170,240	226,298
Gain (Loss) from Continued Operations	127,184	227,852	90,690	164,346	215,461
Gain（Loss）from Discontinued Operations	-	-	-	-	-
Profit for the year	127,184	227,852	90,690	164,346	215,461
Other comprehensive income ,net of income tax	(90,312)	94,772	120,973	(50,406)	(205,787)
Total comprehensive income for the year	36,872	322,624	211,663	113,940	9,674
Earnings Per Share (NT$) Note2	0.87	1.49	0.56	1.12	1.63

Note：1. The financial statements from 2012 to 2016 have been certified by CPA.

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

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

1.2.1 Condensed Consolidated Balance Sheet from 2012 (GAAP)

Unit：NT$ Thousands

Items \ Year		Financial Statements from 2012 (Note1)				
		2012				
Current Assets		3,164,121				
Fund & Investments		537,502				
Fixed Assets		1,408,286				
Other Assets (Including Intangible Assets)		389,598				
Total Assets		5,499,507				
Current Liabilities	Before Distribution	1,804,378				
	After Distribution	1,868,590				
Long-Term Liabilities		955,000				
Other Liabilities		23,311				
Total Liabilities	Before Distribution	2,782,689				
	After Distribution	2,846,901				
Capital Stock		1,506,941				
Capital Surplus		536,481				
Retained Earnings	Before Distribution	365,105				
	After Distribution	300,893				
Cumulative Transaction Adjustment		79,445				
Treasury Stock		(92,522)				
Minority Interest		321,368				
Total Equity	Before Distribution	2,716,818				
	After Distribution	2,652,606				

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

1.2.2 Condensed Consolidated Income Statement from 2012 (GAAP)

Unit：NT$ Thousands (Except EPS)

Items \ Year	Financial Statements from 2012 (Note1)				
	2012				
Net Sales	3,844,829				
Gross Profit	905,960				
Operating Income	200,725				
Non-Operating Revenue	109,118				
Non-Operating Expense	72,495				
Gain(Loss) before Tax from Continued Operations	237,348				
Consolidated net income	186,716				
Net profit of the parent	135,355				
Minority Interest	51,361				
Earnings Per Share (NT$) Note2	0.93				

Note：1. The financial statements from 2012 have been certified by CPA.
2. Earnings per share are based on retroactively adjusted weighted average outstanding common stocks.

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

Unit：NT$ Thousands

Items \ Year		Financial Statements from 2012 (Note1)				
		2012				
Current Assets		421,941				
Fund & Investments		3,255,122				
Fixed Assets		169,348				
Other Assets (Including Intangible Assets)		261,686				
Total Assets		4,108,097				
Current Liabilities	Before Distribution	697,027				
	After Distribution	761,239				
Long-Term Liabilities		955,000				
Other Liabilities		60,620				
Total Liabilities	Before Distribution	1,712,647				
	After Distribution	1,776,859				
Capital Stock		1,506,941				
Capital Surplus		536,481				
Retained Earnings	Before Distribution	365,105				
	After Distribution	300,893				
Cumulative Transaction Adjustment		79,445				
Treasury Stock		(92,522)				
Total Equity	Before Distribution	2,395,450				
	After Distribution	2,331,238				

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

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

Unit：NT$ Thousands (Except EPS)

Year / Items	Financial Statements from 2012 (Note1)				
	2012				
Net Sales	547,675				
Gross Profit	123,183				
Operating Income	8,001				
Non-Operating Revenue	180,921				
Non-Operating Expense	45,367				
Gain(Loss) before Tax from Continued Operations	143,555				
Gain(Loss) from Continued Operations	135,355				
Net Income(Loss)	135,355				
Earnings Per Share (NT$) Note2	0.93				

Note：1. The financial statements from 2012 have been certified by CPA.
2. Earnings per share are based on retroactively adjusted weighted average outstanding common stocks.

1.3 CPA's Opinion of the Past Five Years

1.3-1 CPA's Opinion from 2012 to 2016

Year	CPA	Auditors' Opinion
2012	Hung-bin Yu, Ker-Chang, Wu	An Unqualified Opinion with an Explanatory Paragraph
2013	Hung-bin Yu, Ker-Chang, Wu	An Unqualified Opinion with an Explanatory Paragraph
2014	Hung-bin Yu, Ker-Chang, Wu	An Unqualified Opinion with an Explanatory Paragraph
2015	Hung-bin Yu, Ker-Chang, Wu	An Unqualified Opinion with an Explanatory Paragraph
2016	Hung-bin Yu, Ker-Chang, Wu	An Unqualified Opinion with an Explanatory Paragraph

2. Financial Analysis of the Past Years

2.1 Financial Analysis of the Past Years (IFRS)

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

Analysis Items	Year	Financial Analysis from 2012 to 2015(Note1)					Mar 31,2017 (Note2)
		2012	2013	2014	2015	2016	
Capital Structure (%)	Debt Ratio	51.08	42.15	42.68	47.21	53.28	51.83
	Long-Term Funds to Property, plant and equipment	251.19	276.24	311.64	316.27	312.26	314.08
Solvency (%)	Current Ratio	174.43	211.23	216.07	196.70	164.73	170.02
	Quick Ratio	138.28	172.73	178.13	163.21	131.41	131.10
	Interest Coverage (Times)	7.36	10.12	7.98	8.37	9.55	1.33
Operating Performance	Account Receivables Turnover (Times)	2.86	2.68	2.64	2.50	2.84	2.36
	Average AR Turnover Days	127.85	136.26	138.53	145.94	128.51	154.98
	Inventory Turnover (Times)	5.71	5.56	5.39	5.18	5.25	3.64
	Account Payable Turnover (Times)	8.05	7.21	8.79	8.29	6.67	5.09
	Average Inventory Turnovers Days	63.92	65.62	67.76	70.49	69.54	100.41
	Property, plant and equipment Turnover (Times)	2.69	2.81	2.95	2.97	3.81	3.23
	Total Assets Turnover (Times)	0.73	0.74	0.71	0.67	0.78	0.63
Profitability	Return on Total Assets (%)	4.01	6.13	3.73	3.47	4.35	-0.09
	Return on Equity attributable to Shareholders of the Parent (%)	5.37	8..84	3.21	6.10	8.59	0.28
	Return on Capital Income Before Tax (%)	15.42	20.64	13.17	18.77	25.79	4.85
	Net Profit Ratio (%)	4.73	7.56	4.57	4.52	4.92	-1.48
	Earnings Per Share (NT$)(Note3)	0.87	1.49	0.56	1.12	1.63	0.05
Cash Flow	Cash Flow Ratio (%)	28.09	23.21	12.51	39.79	17.59	7.37
	Cash Flow Adequacy Ratio (%)	151.19	153.15	115.73	163.57	170.92	156.95
	Cash Reinvestment Ratio (%)	9.14	5.12	1.82	10.26	6.65	2.83
Leverage	Operating Leverage	2.16	1.84	1.86	1.67	1.44	1.71
	Financial Leverage	1.22	1.18	1.14	1.13	1.09	1.22

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

1. The property, plant and equipment turnover rate increases over 20% which was caused by the increase of Sales in 2016.
2. Owing to increase of sales revenue and expense control and, as a result, the earning of 2016 increase also, the Profitability ratios increase over 20%.
3. Owing to the decrease of cashflow from operating activity and increase of current liability, the Cash Flow ratios decrease over 20%.

Note：1. The financial statements from 2012 to 2016 have been certified by CPA.
2. The financial statements of 2017Q1 have been certified by CPA.
3. Earnings per share are based on retroactively adjusted weighted average outstanding common stocks.

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

Analysis Items \ Year		Financial Analysis from 2012 to 2016(Note1)				
		2012	2013	2014	2015	2016
Capital Structure (%)	Debt Ratio	41.67	34.87	36.63	43.08	45.54
	Long-Term Funds to Property, plant and equipment	1754.98	1730.05	1981.40	1689.75	1596.62
Solvency (%)	Current Ratio	59.93	58.79	39.17	33.41	37.22
	Quick Ratio	57.70	55.56	35.39	31.00	34.24
	Interest Coverage (Times)	7.19	9.36	5.08	7.24	8.19
Operating Performance	Account Receivables Turnover (Times)	4.84	5.01	5.39	4.82	5.95
	Average AR Turnover Days	75.40	72.84	67.78	75.71	61.34
	Inventory Turnover (Times)	23.42	19.46	17.34	17.68	16.65
	Account Payable Turnover (Times)	6.61	6.77	6.82	6.35	7.90
	Average Inventory Turnovers Days	15.59	18.75	21.04	20.64	21.92
	Property, plant and equipment Turnover (Times)	2.79	2.54	2.84	2.57	2.60
	Total Assets Turnover (Times)	0.14	0.12	0.13	0.11	0.12
Profitability	Return on Total Assets (%)	3.84	6.01	2.54	4.18	5.36
	Return on Equity (%)	5.37	8.84	3.21	6.10	8.59
	Return on Capital Income Before Tax (%)	8.98	13.61	5.96	12.85	17.04
	Net Profit Ratio (%)	23.22	45.32	16.44	32.31	39.12
	Earnings Per Share (NT$)(Note2)	0.87	1.49	0.56	1.12	1.63
Cash Flow	Cash Flow Ratio (%)	6.72	3.69	-	-	-
	Cash Flow Adequacy Ratio (%)	98.80	53.80	27.81	10.04	9.64
	Cash Reinvestment Ratio (%)	1.21	-0.88	-2.51	-1.34	-1.7
Leverage	Operating Leverage	3.86	-	0.24	0.17	-0.33
	Financial Leverage	-0.61	-	0.51	0.50	0.42

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

1. Owing to the increase of sales revenue and cost of goods sold, the Account Payable Turnover ratio increases over 20%.
2. Owing to increase of sales revenue and expense control and, as a result, the earning of 2016 increase also, the Profitability ratios increase over 20%.
3. Owing to net cash outflow in 2016, the Cash Flow ratios decrease over 20%.
4. Owing to decrease of net loss, the Leverage ratios decreases over 20%.

Note：1.The financial statements from 2012 to 2016 have been certified by CPA.
2.Earnings per share are based on retroactively adjusted weighted average outstanding common stocks.

- 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 Coverage(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 x（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 Reinvestment Ratio (%)＝(Net cash provided by operating activities-Cash dividend)／(Property, plant and equipment, gross +Long-Term Investment + other assets + Working Capital)
- Leverage：
  (1) Operating Leverage＝(Net Sales－changes of operating cost and expense)／operating income
  (2) Financial Leverage＝operating income／(operating income－interest expense)

2.2 Financial Analysis of the Past Years (GAAP)

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

Analysis Items / Year			Financial Analysis from 2012(Note1)				
			2012				
Capital Structure (%)	Debt Ratio		50.60				
	Long-Term Funds to Fixed Assets		260.73				
Solvency (%)	Current Ratio		175.36				
	Quick Ratio		143.66				
	Interest Coverage (Times)		7.49				
Operating Performance	Account Receivables Turnover (Times)		2.86				
	Average AR Turnover Days		127.85				
	Inventory Turnover (Times)		5.71				
	Account Payable Turnover (Times)		8.05				
	Average Inventory Turnovers Days		63.94				
	Fixed Assets Turnover (Times)		2.75				
	Total Assets Turnover (Times)		0.72				
Profitability	Return on Total Assets (%)		4.09				
	Return on Equity (%)		6.23				
	Return on Capital (%)	Operating Income	13.32				
		Income Before Tax	15.75				
	Net Profit Ratio (%)		4.86				
	Earnings Per Share (NT$)(Note3)		0.93				
Cash Flow	Cash Flow Ratio (%)		28.76				
	Cash Flow Adequacy Ratio (%)		152.14				
	Cash Reinvestment Ratio (%)		9.56				
Leverage	Operating Leverage		2.20				
	Financial Leverage		1.22				

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

Has no value comparison

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

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

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

Analysis Items / Year			Financial Analysis from 2012(Note1)				
			2012				
Capital Structure (%)	Debt Ratio		41.69				
	Long-Term Funds to Fixed Assets		1978.44				
Solvency (%)	Current Ratio		60.53				
	Quick Ratio		57.40				
	Interest Coverage (Times)		7.57				
Operating Performance	Account Receivables Turnover (Times)		4.841				
	Average AR Turnover Days		75.40				
	Inventory Turnover (Times)		23.36				
	Account Payable Turnover (Times)		6.60				
	Average Inventory Turnovers Days		15.62				
	Fixed Assets Turnover (Times)		3.23				
	Total Assets Turnover (Times)		0.13				
Profitability	Return on Total Assets (%)		3.98				
	Return on Equity (%)		5.66				
	Return on Capital (%)	Operating Income	0.53				
		Income Before Tax	9.53				
	Net Profit Ratio (%)		24.71				
	Earnings Per Share (NT$)(Note3)		0.93				
Cash Flow	Cash Flow Ratio (%)		6.10				
	Cash Flow Adequacy Ratio (%)		97.90				
	Cash Reinvestment Ratio (%)		1.08				
Leverage	Operating Leverage		28.71				
	Financial Leverage		-0.58				
Explanation for changes in financial ratios over 20% in last two years： Has no value comparison							

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

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

Note 3: Financial Analysis formulas show as the following:

- Capital Structure：
  (1) Debt Ratio＝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 Coverage(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 Reinvestment Ratio (%)＝(Net cash provided by operating activities-Cash dividend)／(Property, plant and equipment, gross +Long-Term Investment + other assets + Working Capital)
- 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 2016 Business Report, Financial Statements, and proposal for allocating profit. The CPAs of Deloitte & Touche were retained to audit the Financial Statements and have submitted a report relating there too. The above Business Report, and Financial Statements and proposal have been further examined as being correct and accurate by the undersigned, the supervisors of the Company. According to the Article 219 of the Company Law, we hereby submit this report.

K Laser Technology Inc.

Supervisors：

Wei-Chung Hung

Ling-Chiang Chao

Mar. 30, 2017

4. Consolidated Financial Statements

Representation Letter

The entities that are required to be included in the combined financial statements of K LASER Technology Inc. as of and for the year ended December 31, 2016, under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standards No. 10, "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, K LASER Technology Inc. and Subsidiaries do not prepare a separate set of combined financial statements.

Very truly yours,

K LASER Technology Inc.
By

Kuo Wei-Wu
Chairman

March 30, 2017

Deloitte.
勤業眾信

勤業眾信聯合會計師事務所
10596 台北市民生東路三段156號12樓

Deloitte & Touche
12th Floor, Hung Tai Financial Plaza
156 Min Sheng East Road, Sec. 3
Taipei 10596, Taiwan, ROC

Tel :+886 (2) 2545-9988
Fax:+886 (2) 2545-9966
www.deloitte.com.tw

Independent Auditors' Report

The Board of Directors and Shareholders
K LASER Technology Inc.

Opinion

We have audited the accompanying consolidated financial statements of K LASER Technology Inc. and subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2016 and 2015, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion and based on our audit result and the reports issued by other auditors, (please refer to the other item)the consolidated financial statements referred to in the first paragraph are prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of International Financial Reporting Standards (IFRIC) and Interpretations of IAS (SIC) endorsed by the Financial Supervisory Commission, present fairly the consolidated financial status of K LASER Technology Inc. and subsidiaries as of December 31, 2016 and December 31, 2015, and the consolidated business result and consolidated cash flows for the years ended December 31, 2016 and December 31, 2015.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the Company for the year ended December 31, 2016. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment of Account Receivable

The amount of the allowance for doubtful accounts receivable is the subjective judgment of the recoverable amount on the overdue and doubtful accounts receivable determined by the management. The estimated amount of the bad debts is determined by of the management’s viewpoint on the hypothesis of customer's credit risk. We are particularly concerned about the account receivable that the amount is significant and the payment is slow, and the rationality of the bad debts amount provided by the management.

Accounting policies are described in Note 4 to the consolidated financial report. Please refer to Note 8 of the consolidated financial report for the amount of accounts receivable.

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

Impairment of Inventories

The inventory amount of the Company as of December 31, 2016 is NT$890,022 thousand (the gross inventory amount NT$ 956,258 thousand deducting the allowance of inventory NT$ 66,236 thousand). Please refer to note 9 of the consolidated financial report.

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

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

Other Matter

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We did not audit the financial statements of certain subsidiaries which statements are based on solely on the reports of the other auditors and it relates to the total assets amounted to NT$ 203,469 thousand and NT$ 192,070 thousand, all representing 2.89% and 3.2% of the total consolidated assets as of December 31, 2016 and 2015. The operating revenues amounted to NT$ 314,933 thousand and NT$ 305,716 thousand, representing 6.2% and 7.54% of the consolidated operating revenues for the years then ended December 31, 2016 and 2015. We did not audit the financial statements of certain associates and joint venture which statements are based solely on the reports of the other auditors and it relates to the total assets amounted to NT$ 98,311 thousand and NT$ 89,824 thousand, representing 1.4% and 1.5% of the consolidated assets as of December 31, 2016 and 2015. The related share of profits of associates and joint venture under the equity method amounted to NT$ 16,863 thousand and NT$ 13,125 thousand, each representing 4.92% and 5.28% of the total consolidated net income before tax for the years ended December 31, 2016 and 2015. The information regarding the above investees specified in Note 33 to the consolidated financial statements were also audited by other certified public accountants rather than us.

We have also audited the parent company only financial statements of K LASER Technology Inc. as of and for the years ended December 31, 2016 and December 31, 2015 on which we have issued an unqualified opinion.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2016 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors’ report are Hung-Bin Yu and Ker-Chang Wu.

Deloitte & Touche Taipei, Taiwan

The Republic of China

March 30, 2017

Hung-Bin Yu

Ker-Chang Wu.

K LASER Technology Inc. and Subsidiaries

Consolidated Balance Sheet

December 31, 2016 and December 31, 2015

NTD in Thousands

	December 31, 2015		December 31, 2014	
Assets	Amount	%	Amount	%
Current Assets				
Cash and cash equivalents (Notes 4 & 6)	$1,189,908	17	$1,241,811	21
Financial assets at fair value through profit or loss－Current (Notes 4 & 7)	233,160	3	55,714	1
Notes receivable (Notes 4 & 8)	211,561	3	197,325	3
Accounts receivable (Notes 4 & 8)	1,326,095	19	1,305,762	22
Receivables from related parties (Notes 8 & 30)	491,721	7	44,814	1
Other receivables (Note 30)	79,873	1	62,778	1
Inventories (Notes 4 & 9)	890,022	13	564,075	9
Prepayment for lease－Current (Notes 17)	423	-	456	-
Other current assets (Note 18)	264,671	4	56,245	1
Total current assets	4,687,434	67	3,528,980	59
Noncurrent Assets				
Held-to-maturity financial assets-Noncurrent(Notes 4&10)	62,020	1	-	-
Financial assets carried at cost－Noncurrent (Notes 4 & 11)	177,969	2	60,055	1
Investments accounted for using equity method (Notes 4 & 13)	620,991	9	844,567	14
Property, plant and equipment (Notes 4 & 14)	1,339,897	19	1,328,591	22
Investment property net (Notes 4 & 15)	624	-	26,433	1
Other intangible assets (Notes 4 & 16)	1,724	-	4,044	-
Deferred income tax assets (Notes 4 & 24)	44,311	1	52,941	1
Prepayment for lease－Noncurrent (Note 17)	20,838	-	22,923	-
Other noncurrent assets (Note 18)	73,758	1	127,506	2
Total noncurrent assets	2,342,132	33	2,467,060	41
Total Assets	$ 7,029,566	100	$ 5,996,040	100
Liabilities and Equity				
Current Liabilities				
Short-term loans (Note 19)	$ 861,096	12	$ 509,476	9
Short-term notes and bills payable (Note 19)	149,880	2	99,912	2
Financial liabilities at fair value through profit or loss - Current (Notes 4 & 7)	-	-	6,418	-
Notes payable	136,494	2	13,047	-
Notes payable－Related parties (Note 30)	4,617	-	-	-
Accounts payable	440,434	6	293,871	5
Accounts payable－Related parties (Note 30)	168,450	2	87,460	1
Other payables(Note 30)	359,845	5	260,077	4
Income tax liabilities for the year (Notes 4 & 24)	44,874	1	30,632	1
Current portion of long-term liabilities (Note 19)	663,582	10	483,901	8
Other current liabilities	16,278	-	9,327	-
Total current liabilities	2,845,550	40	1,794,121	30
Noncurrent Liabilities				
Deferred income tax liabilities (Notes 4 & 24)	-	-	135	-
Long-term loans (Note 19)	876,500	13	1,020,000	17
Net defined benefit liability－Noncurrent (Notes 4 & 21)	20,479	-	16,233	-
Other liabilities－Others (Note 19)	2,812	-	-	-
Total noncurrent liabilities	899,791	13	1,036,368	17
Total Liabilities	3,745,341	53	2,830,489	47
Equity (Note 22)				
Capital stock				
Capital – common stock	1,328,299	19	1,324,665	22
Capital surplus	392,890	6	408,627	7
Retained earnings				
Appropriated as legal reserve	169,411	2	152,976	2
Appropriated as special reserve	162,918	2	162,918	3
Unappropriated earnings	537,308	8	408,801	7
Other equity				
Exchange differences on translation of foreign financial statements	(116,820)	(2)	84,681	2
Treasury stock	2,474,006	35	2,542,668	43
Equity attributable to the company	810,219	12	622,883	10
Noncontrolling interests	3,284,225	47	3,165,551	53
Total equity				
Total Liabilities and Equity	$7,029,566	100	$5,996,040	100

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

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

K LASER Technology Inc. and Subsidiaries
Consolidated Income Statement
January 1 to December 31, 2016 and 2015

(NTD in Thousands, Except Earnings Per Share)

	2016		2015	
	Amount	%	Amount	%
Revenue	$ 5,080,255	100	$ 4,056,697	100
Cost of Sales	3,816,175	75	3,070,656	76
Gross profit	1,264,080	25	986,041	24
Realized gross profit (loss) on sales	17,322	-	26,866	1
Gross profit net	1,281,402	25	1,012,907	25
Operating expenses				
Marketing	262,406	5	254,350	6
General and administrative	324,458	7	289,292	7
Research and development	221,389	4	179,755	5
Total operating expenses	808,253	16	723,397	18
Income from operations	473,149	9	289,510	7
Non-operating income and expenses				
Net Profit(loss) from associates and joint ventures accounted by equity method	(61,569)	(1)	1,108	-
Interest income	9,303	-	8,256	-
Other incomes — Others	31,921	1	17,616	1
Loss on disposal of property, plant and equipment	(138)	-	(8,305)	-
Foreign exchange gain	(45,239)	(1)	13,763	-
Valuation gain(loss) on financial assets and liability, net	10,253	-	704	-
Gain on reversal of impairment loss	9,898	-	-	-
Interest expenses	(40,090)	-	(33,751)	(1)
Miscellaneous expenses	(45,271)	(1)	(44,444)	(1)
Gain on disposal of investment	356	-	4,138	-
Total non-operating income and expenses	(130,576)	(2)	(40,915)	(1)

(Carried forward)

(Brought forward)

	2016 Amount	2016 %	2015 Amount	2015 %
Income before income tax	$ 342,573	7	$ 248,595	6
Income tax expenses (Note 24)	(92,676)	(2)	(65,221)	(2)
Net income for the year	249,897	5	183,374	4
Other comprehensive income (loss)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit obligation	(4,286)	-	(3,307)	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of foreign financial statements	(215,982)	(4)	(49,042)	(1)
Total other comprehensive income (loss)	(220,268)	(4)	(52,349)	(1)
Total comprehensive income for the year	$ 29,629	1	$ 131,025	3
Net income attributable to:				
Shareholders of the company	$ 215,461	4	$ 164,346	4
Noncontrolling interests	34,436	1	19,028	1
	$ 249,897	5	$ 183,374	5
Total comprehensive income (loss) attributable to:				
Shareholders of the company	$ 9,674	-	$ 113,940	3
Noncontrolling interests	19,955	1	17,085	-
	$ 29,629	1	$ 131,025	3
Earnings per share (Note 25)				
From continuing operations				
Basic	$ 1.63		$ 1.12	
Diluted	$ 1.35		$ 0.96	

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

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



K LASER Technology Inc. and Subsidiaries
Consolidated Statement of Changes in Shareholders' Equity
January 1 to December 31, 2016 and 2015

Unit: NTD in Thousands

	Equity attributable to shareholders of the company								
			Retained earnings						
	Capital - common stock	Capital surplus	Appropriated as legal reserve	Appropriated as special reserve	Unappropriated earnings	Foreign currency translation reserve	Treasury stock transaction	Noncontrolling interests	Total equity
Balance, January 1, 2015	$1,741,665	$ 496,707	$ 143,907	$ 162,918	$ 409,230	$ 131,780	($ 244,015)	$ 697,729	$3,539,921
Appropriation and distribution of earnings for 2014									
Legal reserve	-	-	9,069	-	(9,069)	-	-	-	-
Cash dividends to shareholders	-	-	-	-	(55,008)	-	-	-	(55,008)
Adjustment from differences between purchase price and carrying amount arising from acquisition or disposal of subsidiaries	-	5,131	-	-	-	-	-	-	5,131
Net income in 2015	-	-	-	-	164,346	-	-	19,028	183,374
Other comprehensive income (loss) in 2015	-	-	-	-	(3,307)	(47,099)	-	(1,943)	(52,349)
Purchase of treasury stock	-	-	-	-	-	-	(363,587)	-	(363,587)
Cancellation of treasury stock	(417,000)	(93,211)	-	-	(97,391)	-	607,602	-	-
Noncontrolling interests	-	-	-	-	-	-	-	(91,931)	(91,931)
Balance, December 31, 2015	1,324,665	408,627	152,976	162,918	408,801	84,681	-	622,883	3,165,551
Appropriation and distribution of earnings for 2015									
Legal reserve	-	-	16,435	-	(16,435)	-	-	-	-
Cash dividends to shareholders of the company	-	-	-	-	(66,233)	-	-	-	(66,233)
Net income in 2016	-	-	-	-	215,461	-	-	34,436	249,897
Other comprehensive income (loss) in 2016	-	-	-	-	(4,286)	(201,501)	-	(14,481)	(220,268)
Conversion of convertible bonds	3,634	1,970	-	-	-	-	-	-	5,604
From share of changes in equities of subsidiaries	-	(17,707)	-	-	-	-	-	-	(17,707)
Noncontrolling interests	-	-	-	-	-	-	-	167,381	167,381
Balance, December 31, 2016	$1,328,299	$ 392,890	$ 169,411	$ 162,918	$ 537,308	($ 116,820)	$ -	$ 810,219	$3,284,225

The accompanying notes are an integral part of the consolidated financial statements.
(Please see the auditors' report issued on Mar. 0, 2017 by Deloitte & Touche.)

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

K LASER Technology Inc. and Subsidiaries
Consolidated Statements of Cash Flows
January 1 to December 31, 2016 and 2015

Unit: NTD in Thousands

	2016	2015
Cash flows from operating activities		
Income before income tax	$ 342,573	$ 248,595
Incomes and expenses not influencing cash flows:		
Depreciation expense	206,202	202,638
Amortization expense	3,002	2,920
Addition(Reverse) of bad debt	3,353	(4,406)
Net loss (gain) on financial assets and liabilities measured at fair value through profit or loss	(10,253)	(704)
Interest expenses	40,090	33,751
Interest income	(9,303)	(8,256)
Share of profits of associates and joint ventures evaluated with equity method	61,569	(1,108)
Loss on disposal and obsolescence of property, plant and equipment	138	8,305
Gain on disposal of investment	(356)	(4,138)
Gain on reversal of impairment loss-nonfinancial assets	(9,898)	-
Amortization of prepaid lease payments	444	464
Changes in operating assets and liabilities:		
Decrease (increase) in notes receivable	105,136	100,977
Decrease (increase) in accounts receivable	169,584	73,878
Decrease (increase) in accounts receivable－Related parties	(284,843)	(20,726)
Decrease (increase) in other receivables	43,450	107,598
Decrease (increase) in inventories	(84,675)	57,923
Decrease in other current assets	12,077	18,853
Increase in other financial assets	(8,439)	-
Increase in other noncurrent assets	2,862	(3,662)
Increase (decrease) in notes payable	(72,858)	(10,924)
Increase in notes payable－Related parties	4,617	-
Increase in accounts payable	15,559	59,041
Decrease in accounts payable－Related parties	53,708	(550)
Increase (decrease) in other payables	27,170	(11,385)

(Carried forward)

(Brought forward)

	2016	2015
Increase (decrease) in other current liabilities	($ 17,437)	($ 5,170)
Decrease in accrued pension liabilities	(40)	(84)
Increase (decrease) in other non-current liabilities	2,513	(50,000)
Cash generated by operating activities	595,945	793,830
Received interest	9,303	8,256
Paid interest	(30,711)	(24,922)
Paid income taxes	(73,991)	(63,235)
Net cash generated by operating activities	500,546	713,929
Cash flows from investing activities		
Acquisition of the financial assets measured at fair value through profit or loss that are designated when such assets are recognized	(216,048)	(168,857)
Disposal of the financial assets measured at fair value through profit or loss that are designated when such assets are recognized	30,942	251,558
Acquisition of investment in debt instrument without active market	-	(30,093)
Disposal of investment in debt instrument without active market	-	30,251
Acquisition of financial assets carried at cost	(117,914)	(15,000)
Acquisition of long-term investment evaluated under equity method	(24,272)	(253,942)
Disposal of long-term investment evaluated under equity method	1,017	-
Acquisition of property, plant and equipment	(150,637)	(180,473)
Disposal of property, plant and equipment	12,262	9,424
Decrease in refundable deposits	(9,665)	12,015
Decrease in other receivables	(46,170)	-
Increase (decrease) in financial assets	-	4,500
Acquisition of intangible assets	(435)	(4,152)
Net cash increased by consolidating new entities	116,677	-
Received dividends from Affiliated companies	6,330	10,472
Net cash used in investing activities	(397,913)	(334,297)
Cash flows from financing activities		
Increase (decrease) in short-term loans	63,823	91,157
Increase in short-term notes and bills payable	50,000	-
Increase in long-term loans	-	720,000
Decrease in long-term loans	-	(523,836)
Increase in other accounts payable－Related parties	40,000	-

(Carried forward)

(Brought forward)	2016	2015
Payment of cash dividend	($ 66,233)	($ 55,008)
Purchase of treasury stock	-	(363,587)
Proceed from disposal of partial equity of subsidiaries	-	11,505
Changes in noncontrolling interests	(41,632)	(98,305)
Net cash generated by (used in) financing activities	45,958	(218,074)
Effect of exchange rate changes on cash and cash equivalents	(200,494)	(26,007)
Increase in cash and cash equivalents for the year	(51,903)	135,551
Cash and cash equivalents, beginning of year	1,241,811	1,106,260
Cash and cash equivalents, end of year	$ 1,189,908	$ 1,241,811

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

(Please see the auditors' report issued on Mar. 30, 2017 by Deloitte & Touche.)

Chairman: Kuo Wei-Wu

Manager: Chen Hao-Kai

Accounting Supervisor: Hung Ya-Ching

K LASER Technology Inc. and Subsidiaries
Notes to Consolidated Financial Statements
January 1 to December 31, 2016 and 2015
(Amounts NTD in Thousands, unless specified otherwise)

1. General

K LASER Technology Inc. (hereinafter referred to as K Laser or the Company), which was incorporated in April 1988 in Hsinchu Science-based Industrial Park, engages mainly in research, development, production, manufacturing and sale of materials and equipment specifically used for holography products and embossing holography products, optical coating and import and export of various products relevant to the above items.

The shares of the company were traded in the Taipei Exchange on December 9, 1999 and listed on the Taiwan Stock Exchange on September 17, 2001.

The accompanying consolidated financial statements are expressed in terms of the functional currency of the Company.

2. Authorization of Financial Statements

The consolidated financial statements were approved by the board of directors on March 30, 2017.

3. Application of New and Revised International Financial Reporting Standards

(1) The Company has not applied the following amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) issued by the International Accounting Standards Board (IASB) (collectively, “IFRSs”).

In accordance with Rule No. 1050050021 and Rule No. 1050026834 issued by Financial Supervisory Commission (FSC) stipulated that starting January 1, 2017, K LASER Technology Inc. and subsidiaries (collectively as the "Company") should apply the IFRS, IAS, IFRIC and the amendments to the Regulations Governing the Preparation of Financial Reports.

New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB (Note A)
Annual Improvements to IFRSs 2010 - 2012 Cycle	July 1, 2014 (Note B)
Annual Improvements to IFRSs 2011 - 2013 Cycle	July 1, 2014
Amendments to IFRS 10, IFRS 12 and IAS 28 “Investment Entities: Applying the Consolidation Exception”	January 1, 2016 (Note C)
Amendment to IFRS 11 “Accounting for Acquisitions of Interests in Joint Operations”	January 1, 2016
Amendment to IAS 1 “Disclosure Initiative”	January 1, 2016
Amendments to IAS 16 and IAS 38 “Clarification of Acceptable Methods of Depreciation and Amortization”	January 1, 2016

(Carried forward)

(Brought forward)

New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB (Note A)
Amendment to IAS 19 "Defined Benefit Plans: Employee Contributions"	July 1, 2014
Amendment to IAS 27 "Equity Method in Separate Financial Statements"	January 1, 2016
Amendment to IAS 36 "Recoverable Amount Disclosures for Non-Financial Assets"	January 1, 2014
Amendment to IAS 39 "Novation of Derivatives and Continuation of Hedge Accounting"	January 1, 2014
IFRIC 21"Levies"	January 1, 2014

(Note A) The aforementioned new, revised or amended standards or interpretations are effective after fiscal year beginning on or after the effective dates, unless specified otherwise.

(Note B) IFRS 2 is effective for the payment of share base remuneration July 1, 2014; IFRS 3 is effective for the business acquisition after 1 July 2014; IFRS 13 is effective at the time when amended. The remaining amendments are effective to the annual period beginning after 1 July 2014.

(Note C) The amendment to IFRS 5 is applied prospectively to changes in a method of disposal that occur in annual periods beginning on or after January 1, 2016; the remaining amendments are effective for annual periods beginning on or after January 1, 2016.

Except for the following, the Company believes that the adoption of aforementioned IFRSs with effective date starting 2017 will not have a significant effect on the Company's accounting policies:

a. Amendments to IAS 36, "Recoverable Amount Disclosures for Non-Financial Assets"

The amendments to IAS 36 clarify that the Company is required to disclose the recoverable amount of an asset or a cash-generating unit only when an impairment loss on the asset has been recognized or reversed during the period. Furthermore, if the recoverable amount for which impairment loss has been recognized or reversed is fair value less costs of disposal, the Company is required to disclose the fair value hierarchy. If the fair value measurements are categorized within Level 2 or Level 3, the valuation technique and key assumptions used to measure the fair value are disclosed. The discount rate used is disclosed if such fair value less costs of disposal is measured by using present value technique. The Company expects the aforementioned amendments will result in a broader disclosure of recoverable amount for non-financial assets.

b. IFRIC 21 “Levies”

IFRIC 21 provides the guidance on when the various types of levies by the Government should be recognized as liabilities, including those that the amount of levy has been confirmed at the time the collection, and the amount of liabilities that is not yet determined at the time of collection. The Company shall estimate and recognize the liability when the transaction or event which involve the levy taken place. Therefore, if the payment obligation occurs over time, the relevant liabilities should also be recognized periodically. If the payment obligation occurs when a specific criteria is reached, the relevant liabilities should be recognized when the threshold is reached.

c. “Annual Improvements to 2010–2012 Cycle”:

Annual improvements to 2010-2012 Cycle amend several items including IFRS 2 "Share based payment, IFRS 3 "Business Combination" and IFRS 8 "Operations Segments".

Amendments to IFRS 2 change the definition of vesting conditions and market price conditions, and add the definition of performance conditions and service conditions. This amendment clarify that the performance objectives set out in accordance with the performance condition can set at the operation result of the Company or an entity in the same Group(non-market price condition), or the market price of equity (market price condition). The performance objectives can be set to be related to the performance of the Company as a whole, or in part (e.g., a particular sector), and the period of achievement of the performance objective shall not be longer than the period of service. In addition, the amendment also clarify the performance of the stock price index reflect the performance of the Company itself and other companies outside the group, so it is not a performance condition. As the condition of the Share Base Payment Agreement may be a market price condition, the non-market price conditions or non-vesting conditions, different accounting treatment should be adopted, and the aforesaid amendments are expected to affect the basis for the payment of the shares after 2017.

The amendment to IFRS 3 clarifies that the fair value of the contingent consideration of business combination, whether it is the applicable scope of IAS 39 or IFRS 9, and the change of fair value change should be recognized as profit or loss. The aforesaid amendments will apply to business combination transactions after 2017.

The amendment of IFRS 8 requires the Company to disclose the judgment made by management in applying the aggregation criteria to operating segments, and clarifies that the Company shall only provide reconciliations of the total of the reportable segments’ assets to the Company’s assets if the segment assets are reported to the key operational decision-makers regularly. When IFRS 8 is adopted retrospectively in 2017, the description of the summary benchmark judgment will be added.

d. “Annual Improvements to 2011–2013 Cycle”:

Annual improvements to 2011-2013 Cycle amend several items including IFRS 13, IFRS 13 and IAS 40 "Investment Property".

e. Amendments of IAS 16 and IAS 38 “ Acceptable Method of Depreciation and Amortization”

The Company shall adopt appropriate depreciation and amortization methods to reflect its expected consumption of the future economic benefits of the real estate, plant, equipment and intangible assets.

f. “Annual Improvements to 2012–2014 Cycle”:

Annual improvements to 2012-2014 Cycle amend several items including IFRS 5 “Non-current Assets Held for Sale and Discontinued Operations”, IFRS 7, IAS 19 and IAS 34. The amendment to IFRS 5 stipulates that the reclassification of non-current assets (or group of assets) between "held-for-sale" and "held-for-distribution to owners" (or the sub-groups) is not a change in plans of selling or distribution to owners, so it is not necessary to reverse the original classification in Accounting. In addition, when the non-current assets -"held-for-distribution to owners" is no longer meet the condition of held-for-distribution and also held-for-sale, it shall not be recategorized as held-for-sale assets. The aforesaid amendments will apply to transactions after 2017.

g. Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers

In addition to the IFRSs new applicable accounting items and the disclosure of the impairment of non-financial assets in 2017, the amendment also emphasize several rules of recognition and measurement, and increase the disclosure of related party transaction and goodwill in harmony with the IFRSs domestic implementation.

The amendment provides that a company or institution is a substantial related parties if their chairman or general manager and The Company’s chairman or general manager are the same person or they are spouse or second-degree relative, unless it can be proved that there is no control or significant influence real relationship. In addition, the amendment stipulates that the Company should disclose the name and relationship of the entity if there is a business combination transaction. If the amount or balance of the single related party transaction is more than 10% of the total amount of the transaction or the balance of the Company, it should be disclosed separately.

In addition, the amendment also requires the disclosure of any significant difference on the actual operating result and the expected benefit when acquired.

When the aforesaid amendment is adopted in 2017 retrospectively, the disclosure of the related party transaction shall be added accordingly.

In addition to the above effects, the Company continues to evaluate the impact on financial situation and the financial performance by the revised Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs applicable in 2017 and disclose the relevant effect when the evaluation is completed.

(2) The IFRSs issued by IASB but not yet endorsed by FSC

The Company has not applied the following IFRSs issued by the IASB but not endorsed by the FSC. The FSC announced that the Company should apply IFRS 9 and IFRS 15 starting January 1, 2018. As of the date the consolidated financial statements were authorized for issue, the FSC has not announced the effective dates of other new IFRSs.

New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB (Note 1)
Annual Improvements to IFRSs 2014-2016 Cycle	Note 2
Amendment to IFRS 2 “Classification and Measurement of Share-based Payment Transactions”	January 1, 2018
IFRS 9 “Financial Instruments”	January 1, 2018
Amendments to IFRS 9 and IFRS 7 “Mandatory Effective Date of IFRS 9 and Transition Disclosure”	January 1, 2018
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 15 “Revenue from Contracts with Customers”	January 1, 2018
Amendment to IFRS 15 “Clarifications to IFRS 15”	January 1, 2018
IFRS 16 “Leases”	January 1, 2019
Amendment to IAS 7 “Disclosure Initiative”	January 1, 2017
Amendment to IAS 12 “Recognition of Deferred Tax Assets for Unrealized Losses”	January 1, 2017
IFRIC 22 “Foreign Currency Transactions and Advance Consideration”	January 1, 2018

Note 1: The aforementioned new, revised or amended standards or interpretations are effective after fiscal year beginning on or after the effective dates, unless specified otherwise.

Note 2: The amendment to IFRS 12 is retrospectively applied for annual periods beginning on or after January 1, 2017; the amendment to IAS 28 is retrospectively applied for annual periods beginning on or after January 1, 2018.

a. IFRS 9 “Financial Instruments”

Recognition and Measurement of Financial Instruments

All recognized financial assets currently in the scope of IAS 39, “Financial Instruments: Recognition and Measurement,” will be subsequently measured at either the amortized cost or the fair value. The classification and measurement requirements in IFRS 9 are stated as follows:

For the debt instruments invested by the Consolidated Companies, if the contractual cash flows that are solely for payments of principal and interest on the principal amount outstanding, the classification and measurement requirements are stated as follows:

(a) If the objective of the Consolidated Companies’ business models is to hold the financial assets to collect the contractual cash flows, such assets are measured at the amortized cost. Interest revenue should be recognized in profit or loss by using the effective interest method and continuously assessed for impairment, and the impairment loss or reversal of impairment loss should be recognized in profit and loss.

(b) If the objective of the Consolidated Companies' business models is to hold the financial assets both to collect the contractual cash flows and to sell the financial assets, such assets are measured at fair value through other comprehensive income and are continuously assessed for impairment. Interest revenue should be recognized in profit or loss by using the effective interest method. A gain or loss on a financial asset measured at fair value through other comprehensive income should be recognized in other comprehensive income except for impairment gains or losses and foreign exchange gains and losses. When such financial assets are derecognized or reclassified, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.

The other financial assets which do not meet the aforementioned criteria should be measured at the fair value through profit or loss. However, the Consolidated Companies may irrevocably designate an investment in equity instruments that is not held for trading as measured at fair value through other comprehensive income. All relevant gains and losses on such financial assets shall be recognized in other comprehensive income, except for dividends which are recognized in profit or loss. No subsequent impairment assessment is required, and the cumulative gain or loss previously recognized in other comprehensive income cannot be reclassified from equity to profit or loss.

Impairment of Financial Assets

IFRS 9 adds a new expected loss impairment model to measure the impairment of financial assets. A loss allowance for expected credit losses should be recognized on financial assets measured at amortized cost, financial assets mandatorily measured at fair value through other comprehensive income, rents receivable, contractual assets or loan commitment generated from IFRS 15 “Revenue from Contracts with Customers” and financial guarantee contracts. If the credit risk on a financial instrument has not increased significantly since initial recognition, the Consolidated Companies should measure the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses. If the credit risk on a financial instrument has increased significantly since initial recognition and is not deemed to be a low credit risk, the Consolidated Companies should measure the loss allowance for that financial instrument at an amount equal to the lifetime expected credit losses. The Consolidated Companies should always measure the loss allowance at an amount equal to lifetime expected credit losses for the accounts receivables that do not contain significant financial components.

Furthermore, when recognizing originated credit impaired financial assets, the Consolidated Companies calculate the effective interest rate after changes to credit rating based on expected credit loss. Expected credit losses are measured through a loss allowance at an amount equal to full lifetime expected credit losses.

Transition

Financial instruments that have been derecognized prior to the effective date of IFRS 9 cannot be reversed to apply IFRS 9 when it becomes effective. Under IFRS 9, the requirements for classification, measurement and impairment of financial assets are applied retrospectively with the difference between the previous carrying amount and the carrying amount at the date of initial application recognized in the current period and restatement of prior periods is not required. The requirements for general hedge accounting shall be applied prospectively and the accounting for hedging options shall be applied retrospectively.

b. Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”

According to the amendments, in case the Consolidated Companies sell or invest assets to or in an associate or lose their control over a subsidiary in a transaction with an associate, but still maintain great influence on the subsidiary, the Consolidated Companies shall recognize all profits or losses of the transaction if the above assets or subsidiary meet the definition provided for “business” in IFRS 3.

In addition, in case the Consolidated Companies sell or invest assets to or in an associate or lose their control over a subsidiary in a transaction with an associate, but still maintain great influence on the subsidiary, the Consolidated Companies shall recognize profits or losses of the transaction only within the range of the equity of the associate irrelevant to investors if the above assets or subsidiary fail to meet the definition provided for “business” in IFRS 3. In other words, the share of profits or losses attributable to the Consolidated Companies has to be eliminated.

c. IFRS 15 “Revenue from Contracts with Customers” and related amendments

IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers, and will supersede IAS 18 “Revenue”, IAS 11 “Construction Contracts” and a number of revenue-related interpretations from January 1, 2018.

When applying IFRS 15, an entity shall recognize revenue by applying the following steps: ı

(a)Identify the contract with the customer; ı
(b)Identify the performance obligations in the contract; ı
(c)Determine the transaction price;
(d)Allocate the transaction price to the performance obligations in the contracts; and
(e)Recognize revenue when the entity satisfies a performance obligation.

When IFRS 15 and related amendment are effective, the Group may elect to apply this standard either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of initially applying this standard recognized at the date of initial application.

d. IFRS 16 “Leases”

IFRS 16 sets out the accounting standards for leases that will supersede IAS 17 "Leases" and a number of related interpretations.

Under IFRS 16, if any of the Consolidated Companies is a lessee, it shall recognize right-of-use assets and lease liabilities for all leases on the consolidated balance sheets except for low-value and short-term leases. The Consolidated Companies may elect to apply the accounting method similar to the accounting for operating lease under IAS 17 to the low-value and short-term leases. On the consolidated income statement, the Consolidated Companies should present the depreciation expense charged on the right-of-use asset separately from interest expense accrued on the lease liability; interest is computed by using effective interest method. On the consolidated statement of cash flows, cash payments for both the principal and interest portion of the lease liability are classified within financing activities.

Accounting treatment for the Consolidated Companies as the lessor results in no significant influence.

When IFRS 16 becomes effective, the Consolidated Companies may elect to apply this Standard either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of the initial application of this Standard recognized at the date of initial application.

e. Amendments to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Losses"

The amendments to IAS 12 mainly clarify that regardless of whether the Consolidated Companies intend to collect return on debt instruments measured at fair value through sale or contractual cash flow, temporary difference should be the difference between the asset measured at fair value and measured at cost for tax purposes, regardless of whether or not there is unrealized loss on the debt instruments.

Furthermore, unless tax law restricts the types of deductible income of deductible temporary differences, similar deductible temporary differences should be evaluated as to whether or not they are listed as deferred income tax assets, otherwise all deductible temporary differences should be evaluated as a whole. When evaluating whether or not to recognize deferred income tax assets, if there is enough evidence that shows the Consolidated Companies will very likely recover the asset at an amount higher than book value, then the carrying amount of the asset during recovery is not limited to its book value when estimating future taxable income, which should exclude the tax effects of deductible temporary differences.

f. "Annual Improvements to 2014–2016 Cycle":

Annual improvements to 2014-2016 Cycle amend several items including IFRS 12 "Disclosure of Interests in Other Entities", and IFRS 28 "Investments in Associates and Joint Ventures".

g. Amendment to IAS 40 "Transfer of Investment Properties"

The amendment clarifies that the Company should only convert real estate into or out of the investment real estate when the real estate meets (or no longer meets) the definition of investment real estate and there is a evidence of change in usage. The intention of the change in usage of real estate is not an evidence. In addition, the evidence to clarify the use of the amendment is not limited to the circumstances listed in IAS 40.

h. IFRIC 22 — Foreign Currency Transactions and Advance Consideration

IAS 21 provides that the original recognition of foreign currency transactions shall be recorded in functional currency by the spot rate of the transaction day. IFRIC 22 further covers foreign currency's transaction that if an entity recognizes receives or pays the consideration in advance, the date of receipt of payment is the date of initial recognition of the non-monetary asset or liability should be recognized at the date. If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt.

Except for the aforementioned impact, as of the date that the accompanying parent company only financial statements were authorized for issue, the Consolidated Companies continue in evaluating the impact on their financial position and financial performance as a result of the initial adoption of the other standards or interpretations. The related impact will be disclosed when the Consolidated Companies complete the evaluation.

4. Summary of Significant Accounting Policies

The consolidated financial statements of the Company have been prepared in Chinese. These consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language financial statements, the Chinese version shall prevail.

(1) Statement of Compliance

The accompanying consolidated financial statements have prepared in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed by FSC.

(2) Basis of Preparation

The accompanying consolidated financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair values.

Relevant inputs used to measure fair value are classified as level 1 to level 3 based on observables and significance of such inputs:

a. Lever 1 inputs: They refer to the prices (not adjusted) of identical assets or liabilities available in an active market at the date of measurement.
b. Lever 2 inputs: They refer to the inputs observable directly (i.e. prices) or indirectly (i.e. results inferred from prices) for the assets or liabilities, except level 1 prices.
c. Lever 3 inputs: They refer to the inputs unobservable for the assets or liabilities.

(3) Classification of Current and Noncurrent Assets and Liabilities

Current assets include:

a. Assets held for trading purposes;
b. Assets expected to be realized within 12 months from the reporting date; and

c. Cash and cash equivalents (exclusive of those restricted for the purpose of exchange or repayment of liabilities after 12 months from the date of balance sheet).

Current liabilities include:

d. Liabilities held for trading purposes;
e. Liabilities expected to be settled within 12 months from the reporting date; and
f. Liabilities of which the settlement deadline is not permitted to be extended unconditionally to any day beyond 12 months from the date of balance sheet; the classification is not influenced if liabilities are repaid by equity instruments issued at the counterparty's option in compliance with the terms and conditions of the liabilities.

Items attributed to neither abovementioned current assets nor abovementioned current liabilities are classified as noncurrent assets or noncurrent liabilities.

(4) Basis of Consolidation

The accompanying consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (its subsidiaries). Income and expenses of subsidiaries acquired or disposed of are included in the consolidated income statement from the effective date of acquisition and up to the effective date of disposal, as appropriate. Adjustments have already made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Consolidated Companies. All intra-group transactions, account balances, income and expenses are eliminated in full on consolidation. Total comprehensive income of subsidiaries is attributed to the shareholders of the Company and to the noncontrolling interests even if this results in the noncontrolling interests having a deficit balance.

Changes in the Consolidated Companies' ownership interests in subsidiaries that do not result in the Consolidated Companies losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Consolidated Companies' interests and the noncontrolling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the noncontrolling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to shareholders of the Company.

(5) Foreign Currencies

In preparing the financial statements of each individual consolidated entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

Monetary items in foreign currency are converted at the closing rate at the balance sheet date. Exchange differences generated from settlement or conversions of monetary items are recognized in profit or loss for the year.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising on the retranslation of non-monetary items are included in profit or loss for the year except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in foreign currencies and translated at the rates of exchange prevailing at the dates of the transactions are not retranslated.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the foreign operations (including K Laser's subsidiaries and associates that use any currency different from that used by K Laser or that operate in any nation different from the nation where K Laser operates) are translated into New Taiwan dollars using exchange rates prevailing at the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognized in other comprehensive income.

If the Consolidated Companies dispose of all equity of a foreign operation or a subsidiary of the foreign operation and then lose their control over the foreign operation or the subsidiary, or if the equity retained after disposal of the joint agreement of a foreign operation or an associate is a financial assets and is treated in accordance with the accounting policy made for financial instruments, then accumulated exchange differences attributable to proprietors of the Consolidated Companies and relevant to the foreign operation are reclassified as profit or loss.

If the Consolidated Companies do not lose their control over the subsidiary of the foreign operation after part of the subsidiary is disposed, accumulated exchange differences are proportionally assigned to non-controlled interests of the subsidiary, instead of profit or loss. When any part of a foreign operation is disposed, accumulated exchange differences are reclassified as profit or loss at the proportion of disposal.

(6) Inventories

Inventories include raw materials, materials, finished goods and work in process. Inventories are measured at the lower of cost or net realizable value. Comparison of cost and net realizable value is made on an individual basis, except for inventories in the same category. Net realizable value represents the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventory cost is calculated with weighted average method.

(7) Investment in Associates

An associate is an entity over which the Consolidated Companies have significant influence and that is neither a subsidiary nor a joint venture.

Under the equity method, an investment in an associate is initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Consolidated Companies' share of profit or loss and other comprehensive income of the associate as well as the distribution received. The Consolidated Companies also recognize their share in the changes in equity of the associate.

Any excess of the cost of acquisition over the Consolidated Companies' share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognized at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and shall not be amortized. Any excess of the Consolidated Companies' share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognized immediately in profit or loss.

If the Consolidated Companies subscribe to additional shares in an associate at a percentage different from their existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Consolidated Companies' proportionate interest in the net assets of the associate. The Consolidated Companies record such a difference as an adjustment to capital surplus (with respect to changes in net stock rights of the associate or joint venture recognized with the equity method) and to investments recognized with the equity method. If the Consolidated Companies' ownership interest is reduced due to the additional subscription to the shares of the associate or joint venture by other investors, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate shall be reclassified to profit or loss on the same basis as would be required if the associate had directly disposed of the related assets or liabilities. If capital surplus is debited for the aforementioned adjustment and the balance of capital surplus generated from the investments measured with equity method is insufficient, then retained earnings are debited for such difference.

When the Consolidated Companies' share of loss on an associate equals or exceeds their interests in the associate (including the carrying amount of the associate carried with equity method, and other long-term interests comprising net investment in the associate by the Consolidated Companies), further losses are not recognized any more. The Consolidated Companies recognize additional losses and liabilities only when legal or constructive obligation occurs or when paying for the associate.

The entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

The Company ceases using equity method on the date when associates are not their investments. After that, retained interests in the associates are measured at fair value. The fair value of retained interests and the difference between the gains on disposal and the carrying amount of the investments on the date when the Company ceases using equity method are recognized in profit or loss for the year. The proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to the associate shall be reclassified to profit or loss on the same basis as would be required if the associate had directly disposed of the related assets or liabilities. If the investment in an associate becomes the investment in a joint venture, or the investment in a joint venture becomes the investment in an associate, the Company will adopts equity method continuously and will not remeasure retained interest.

When the Consolidated Companies transact with an associate, profits and losses resulting from the upstream, downstream and sidestream transactions with the associate are recognized in the Consolidated Companies' consolidated financial statements only to the extent of interests in the associate that are not owned by the Consolidated Companies.

(8) Property, Plant and Equipment

Properties, plants and equipment are stated at cost and subsequently measured at cost less accumulated depreciation and accumulated impairment.

Each significant property, plant and equipment is depreciated singly over its expected useful life with the straight-line method. However, when the lease term of such asset is shorter than its expected useful life, it is depreciated over the lease term. The Consolidated Companies review the estimated useful lives, residual values and depreciation method at least at the end of each fiscal year, with the effect of any changes in estimates accounted for on a prospective basis.

The difference between the sales proceeds and the carrying amount of an item of property, plant and equipment upon its disposal or retirement is recognized in profit or loss.

(9) Investment Property

Investment property refers to real estate possessed for earning rents or/and increasing capital in value.

Investment property is initially carried at cost (including transaction cost) and subsequently measured at cost less accumulated depreciation and accumulated impairment loss. The Consolidated Companies use the straight-line method to allocate depreciation.

When investment property is derecognized, the difference between the net gain on disposal and the carrying amount of the asset is recognized in profit or loss.

(10) Intangible Assets

a. Separate acquisition

Separately acquired intangible assets with finite useful lives are carried at cost and measured at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized using the straight-line method over the estimated useful lives of the intangible assets. The estimated useful lives, residual values and depreciation method are at least reviewed at the end of each fiscal year, with the effect of any changes in estimates accounted for on a prospective basis. Intangible assets with uncertain useful lives are stated at cost less accumulated impairment losses.

b. Derecognition

When an intangible asset is derecognized, the difference between the net gain on disposal and the carrying amount of the asset is recognized in profit or loss for the year.

(11) Impairment of Tangible and Intangible Assets

The Consolidated Companies review the carrying amounts of its tangible and intangible assets at the balance sheet date to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated. When it is not possible to estimate the recoverable amount of an individual asset, the Consolidated Companies estimate the recoverable amount of the cash-generating unit to which the asset belongs.

For the intangible assets of which the useful lives are uncertain and which are not available to be used, the review is conducted at least annually or when any indication of impairment loss exists.

Recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset or a cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount (after deduction of amortization or depreciation) that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

(12) Noncurrent assets held for sale

Noncurrent assets are classified as noncurrent assets held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the noncurrent asset is available for immediate sale in its present condition. To meet the criteria for the sale being highly probable, the appropriate level of management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

If the sale involves loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale, regardless of whether a noncontrolling interest in its former subsidiary is retained after the sale.

When all investments in all or part of associates or joint ventures are disposed under the committed sale plan, the stock rights satisfying the held-for-sale conditions are recognized as items held-for-sale, and equity method shall not apply to such portion. Stock rights not classified as items held-for-sale are measured with equity method continuously. If there is no more significant power or joint control over the investment after the disposal, stock rights not classified as items held-for-sale will be dealt with in accordance with the accounting policy made for financial instruments when stock rights held-for-sale are disposed.

Noncurrent assets classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell. Recognition of depreciation of such assets would cease.

The subsidiaries, joint operations, joint ventures, associates, part of interests in joint ventures and part of interests in associates that do not meet held-for-sale conditions any more are measured at carrying amounts as if they had not been classified as items held-for-sale. The financial statements in which they are recognized as items held-for-sale are also modified accordingly.

(13) Financial Instruments

Financial assets and liabilities are recognized in the consolidated balance sheet when the Consolidated Companies become a party to the contractual provisions of the instruments.

Financial assets and liabilities are initially recognized at fair values. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities, other than financial assets and financial liabilities at fair value through profit or loss, are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition or issue of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

a. Financial Assets

When financial assets are purchased or sold by convention, derivatives are dealt with based on settlement accounting, and all the other financial assets are dealt with based on trade accounting.

(a) Measurement type

Financial assets held by the Consolidated Companies include financial assets at fair value through profit or loss, and loans and accounts receivable.

A.Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading purposes and financial assets at fair value through profit or loss. The aforementioned financial assets are measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss.

If financial assets at fair value through profit or loss are equity instrument investments without open quotation in an active market and the fair value of such financial assets cannot be measured in a reliable way, or are derivative instruments linked to these unquoted equity instruments and requiring payment of equity instruments transactions, then such financial assets shall be carried at the cost subtracting the impairment loss and listed as financial assets carried at cost. When the fair value of the financial assets can be measured in a reliable way, the financial assets will be carried at the fair value. The difference between the carrying amount and the fair value is listed in profit or loss.

B. held-to-maturity financial assets

The Company invests in corporate bonds with specific credit ratings, and the Company have a positive intention and ability to hold to maturity, that is classified as held-to-maturity financial assets.

The held-to-maturity financial assets are carried at amortized cost using the effective interest method and deduct the impairment loss after the original recognition.

C. Loans and receivables

Loans and receivables (including accounts receivable, cash and cash equivalents, etc.) are measured at amortized cost using the effective interest method, less any impairment, except for those short-term accounts receivable with immaterial interest.

Cash equivalents, for the purpose of meeting short-term cash commitments, consist of highly liquid time deposits and investments that are readily convertible to known amounts of cash within 3 months from the date of acquisition and which are subject to an insignificant risk of changes in value.

(b) Impairment of financial assets

Financial assets, other than financial assets at fair value through profit or loss, are assessed by the Consolidated Companies for indicators of impairment at the balance sheet date. Those financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, their estimated future cash flows have been affected.

For financial assets carried at amortized cost, such as accounts receivable, assets that are assessed not to be impaired as there is no objective evidence of impairment are, in addition, assessed for impairment on a collective basis.

For financial assets carried at amortized cost, the amount of the impairment loss is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognized, the previously recognized impairment loss is reversed through profit or loss, directly or by adjustment of the allowance amount, to the extent that the carrying amount of the financial assets at the date the impairment loss is reversed does not exceed what the amortized cost would have been had the impairment loss not been recognized.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of accounts receivables, where the carrying amount is reduced through the use of an allowance account. When an account receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Except for the accounts receivable that are uncollectible and written off against the allowance account, changes in carrying amounts of the allowance account are recognized in profit or loss.

(c) Derecognition of financial assets

The Consolidated Companies derecognize a financial asset only when the contractual rights to the cash flows from the financial asset expire, or when the Consolidated Companies transfer the financial asset and substantially all the risks and rewards of ownership of the financial asset to another entity. On derecognition of a financial asset in its entirety, the difference between the financial asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

b. Equity instruments

Debt and equity instruments issued by the Consolidated Companies are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments issued by the Consolidated Companies are recognized at the proceeds received, net of direct issue costs.

Equity instruments retrieved by the Company are recognized and subtracted from equity. The Company's own equity instruments purchased, sold, issued or cancelled are not recognized in profit or loss.

c. Financial liabilities

(a) Subsequent measurement

Except for the following, all financial liabilities are measured at amortized cost using effective interest method:

A.<u>Financial liabilities at fair value through profit or loss</u>

Financial liabilities at fair value through profit or loss include financial assets held for trading purposes and measured at fair value through profit and loss.

Financial liabilities held for trading purposes are measured at fair value through profit or loss, and any gains or losses arising on remeasurement are recognized in profit or loss.

(b) Derecognition of financial liabilities

The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable (including any transferred non-cash assets or assumed liabilities) is recognized in profit or loss.

d. Convertible bonds

Compound financial instruments (convertible bonds) are issued by the Consolidated Companies based on the definitions of financial liabilities and equity instruments stated in contracts and agreements, and are classified as financial liabilities and equity upon initial recognition.

In initial recognition, the fair value of the liability components is estimated based on the market rate of interest of a similar inconvertible instrument, and, before inversion or due date, is estimated based on the amortized cost calculated using the effective interest method. The liability components belonging to embedded non-equity derivative instruments are measured at fair value.

A conversion option classified as equity equals the overall fair value of the compound instrument subtracting the fair value of the liability components determined independently. After subtraction of the income tax, the remaining sum is recognized as equity and is not measured again later. When the conversion option is exercised, the corresponding liability component and the amount classified as equity are recognized as capital stock and capital surplus – at premium. If the conversion option of a convertible bond is not exercised before the due date, the amount recognized as equity will be recognized as capital surplus – at premium.

The transaction cost related to the issuance of convertible bonds is amortized to the instrument's liability components (recognized as carrying amount of liabilities) and equity components (recognized as equity) at the percent of amortization.

e. Derivative financial instruments

The Consolidated Companies enter into a variety of derivative financial instruments to manage their risk exposure to interest rate and foreign exchange rate, including forward exchange contracts and interest rate futures contracts.

Derivative financial instruments are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the balance sheet date. The resulting gain or loss is recognized in profit or loss immediately. Derivative financial instruments are recognized as financial assets when the fair value of such instruments is a positive, and are recognized as financial liabilities when the fair value of such instruments is a negative.

(14) Provision

Provisions are recognized when the Consolidated Companies has a present obligation (legal or constructive) as a result of a past event, it is probable that the Consolidated Companies will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the obligation, its carrying amount is the present value of those cash flows.

(15) Recognition of revenue

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances. Sales return refers to the amount of returned products reasonably estimated based on past experience and other relevant factors. Revenue from the sale of goods is recognized when the goods are delivered and titles have passed.

(16) Leases

Leases are classified as finance lease whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

a. Consolidated Companies as the lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease.

b. Consolidated Companies as the lessee

Operating lease payments are recognized as an expense on a straight-line basis over the lease term. Contingent rents under a lease agreement are recognized as expenses for the year when they occur.

(17) Cost of borrowings

The borrowing cost which occurs for the acquisition of assets is a part of the cost of the assets, until the assets are ready for their intended use or to be sold, with all necessary activities completed.

If the temporary investment for which special loans are obtained is performed before eligible capital expenditure occurs, the investment income earned shall be subtracted from the borrowing cost eligible for capitalization.

Except as otherwise mentioned above, the cost of other borrowings is recognized in profit or loss in the year when such cost occurs.

(18) Employee Benefits

a. Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for service rendered by employees.

b. Retirement benefits

For defined contribution retirement benefit plans, payments to the benefit plan are recognized as an expense when the employees have rendered service entitling them to the contribution.

Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the Projected Unit Credit Method. Service cost, current service cost and net interest on the net defined benefit liability (asset) are recognized as employee benefits expense in the period they occur or such plans are amended or reduced. Remeasurement, comprising actuarial gains and losses, changes in effect of asset limits and the return on plan assets, is recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in other equity and will not be reclassified to profit or loss.

Net defined benefit liability (asset) represents the actual deficit (remainder) in the defined benefit plan. Net defined benefit asset shall not exceed the contributions returned from the plan or the value of contributions to be reduced in the future.

c. Other long-term employee benefits

Other long-term employee benefits and the defined benefit retirement benefit plans are dealt with based on the same accounting method; however, relevant remeasurements are recognized in profit or loss.

(19) Share-based Payment Arrangements

Share-based payment of interests to employees is measured at fair value of equity instruments at the grant date.

The fair value of the stock option granted determined at the grant date of the stock options is expensed on a straight-line basis over the vesting period, based on the Consolidated Companies' estimate of the number of stock options that will eventually vest, with a corresponding increase in capital surplus - employee stock option. Those granted at the grant date are recognized as expenses at the grant date.

The Consolidated Companies amend their estimate of granted employee stock option at the balance sheet date. If the original estimate is amended, its effect is recognized in profit or loss so that accumulated expenses can reflect the amended estimate, with a corresponding adjustment of capital surplus - employee stock option.

(20) Income Tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

a. Current income tax

Income tax on unappropriated earnings at a rate of 10% is expensed in the year the shareholders approved the appropriation of earnings which is the year subsequent to the year the earnings are generated.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

b. Deferred income tax

Deferred income tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred income tax liabilities are generally recognized for all taxable temporary differences. Deferred income tax assets are generally recognized for all deductible temporary differences, net operating loss carryforwards and unused tax credits to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred income tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint venture, except where the Consolidated Companies are able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax assets arising from deductible temporary differences associated with such investments are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred income tax assets is reviewed at the balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be recovered. The deferred income tax assets which originally not recognized is also reviewed at the balance sheet date and increased to the extent that it is probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be recovered.

Deferred income tax liabilities and assets are measured at the tax rates that are expected to apply in the year in which the liability is settled or the asset is realized, based on tax rates and tax laws that have been enacted or substantively enacted by the date of balance sheet. The measurement of deferred income tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Consolidated Companies expect, at the balance sheet date, to recover or settle the carrying amount of its assets and liabilities.

c. Current and deferred income tax for the year

Current and deferred income tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred income tax are also recognized in other comprehensive income or directly in equity, respectively. If current income tax or deferred income tax is generated from business combination, the effect of income tax will be dealt with based on the accounting applicable to the business combination.

5. Critical Accounting Judgments and Key Sources of Estimation and Uncertainty

In the application of the Consolidated Companies' accounting policies, the management of the Consolidated Companies is required to make judgments, estimates and assumptions about any relevant information that is not readily available from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed by the directors on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimate is revised if the revision affects only that year or in the year of the revision and future years if the revision affects both current and future years.

The Consolidated Companies' critical accounting judgments and key sources of estimation and uncertainty are as follows:

(1) Estimated Impairment of Accounts Receivable

The Consolidated Companies estimate future cash flows when an objective proof shows an indication of impairment loss. The amount of the impairment loss is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. If future cash flows are less than expected, a significant impairment loss may occur.

(2) Impairment of inventories

Net realizable value of inventory is the remaining amount by deducting cost still required until completion from estimated sales price during normal operations. The estimate is based on the current market situation and sales experience of similar products. Changes in the market situation may significantly influences estimates.

6. Cash and Cash Equivalents

	December 31, 2016	December 31, 2015
Cash on hand and revolving funds	$ 14,806	$ 11,832
Bank checks and current deposits	1,001,565	1,034,522
Cash equivalents		
Time deposits in bank	173,537	195,457
	$1,189,908	$1,241,811

(1) Market rates of interest for deposits in bank at the balance sheet date are as follows: (Interest rate for check deposits: 0%)

	December 31, 2016	December 31, 2015
Current deposits in bank	0.001%-0.40%	0.001%-0.35%
Time deposits in bank	0.03%-6.75%	0.03%-7.50%

(2) The bank deposit reclassified by the usage under other current assets and other non-current assets are as below:

	December 31,2016	December 31,2015
Other current liabilities (Note 18)		
Deposit for Bank Note	$ 56,971	$ -
Deposit for Bank L/C	38,893	-
Deposit for the collateral for Bond Payable	91,809	-
	$187,673	$ -
Other Noncurrent Liabilities (Note 18)		
Deposit for Collateral for Long-term Debts	$ 6,000	$ -
Deposit for the collateral for Bond Payable	-	91,809
	$ 6,000	$ 91,809

7. Financial Instruments at Fair Value Through Profit or Loss

	December 31, 2016	December 31, 2015
Financial assets held for trading purposes－Current		
Derivative financial instruments		
Convertible bonds embedded derivative financial instruments	$ 69	$ -
Foreign exchange forward contract	8	-
Beneficiary certificate of funds	228,083	50,824
Bond investment	5,000	4,890
Financial assets at fair value through profit or loss－Current	$233,160	$ 55,714
Financial liabilities held for trading purposes		
Derivative financial instruments		
Forward exchange contracts	$ -	$ 8
Derivative financial instruments (hedge not designated)		
Convertible bonds embedded derivative financial instruments	-	6,410
Financial liabilities at fair value through profit or loss－Current	$ -	$ 6,418

Outstanding forward exchange contracts not applicable to hedge accounting treatment at the balance sheet date are listed as follows:

	Currency	Maturity Date	Contract Amount (In Thousands)
December 31, 2016			
Purchase of forward exchange	USD against INR	2017.1.31	USD 50 /INR 3,423

	Currency	Maturity Date	Contract Amount (In Thousands)
December 31, 2015			
Purchase of forward exchange	USD against INR	2016.1.29-2016.3.31	USD 250 /INR 16,706

8. Notes Receivable and Accounts Receivable

	December 31, 2016	December 31, 2015
Notes receivable	$ 211,561	$ 197,325
Accounts receivable	$ 1,399,022	$ 1,384,377
Less: Allowance for doubtful receivables	(72,927)	(78,615)
	1,326,095	1,305,762
Accounts receivable－Related parties (Note 30)	491,721	44,814
	$ 1,817,816	$ 1,350,576

(1) The payment term granted by the Consolidated Companies to customers is due 60 to 150 days from the sale of goods. The allowance for doubtful receivables is assessed by reference to collectability of receivables and current financial conditions of customers. Accounts receivable include amounts that are past due at the balance sheet date but for which the Consolidated Companies have not recognized a specific allowance for doubtful receivables. As there has not been a significant change in the credit quality of its customers, the amounts are still considered recoverable by the management of the Consolidated Companies.

Notes receivable as of December 31, 2015 and 2016 are not past due.

Aging analysis of accounts receivable is as follows:

	December 31, 2016	December 31, 2015
Not past due	$ 1,480,664	$ 1,000,646
1～60 days	202,439	267,209
61～90 days	25,590	33,360
91～180 days	41,783	48,930
181～360 days	98,936	26,618
361 days or above	41,331	52,428
Total	$ 1,890,743	$ 1,429,191

The above is the aging analysis of accounts based on days past due.

Aging analysis of the accounts receivable past due but not impaired is as follows:

	December 31, 2016	December 31, 2015
60 days or below	$ 202,439	$ 267,209
61to 180 days	56,687	70,385
180 to 360 days	55	-
361 days or above	82	-
Total	$ 259,263	$ 337,594

The above is the aging analysis of accounts based on days past due.

(2) Movements the allowance for doubtful receivables recognized for accounts receivable are as follows:

	Individually assessed for impairment	Collectively assessed for impairment	Total
Balance, January 1, 2015	$ 6,780	$ 92,191	$ 98,971
Less: Reversal to noncurrent assets held for sale	(150)	(4,256)	(4,406)
Less: Write-off for the year	-	(14,496)	(14,496)
Foreign currency translation difference	-	(1,454)	(1,454)
Balance, December 31, 2015	$ 6,630	$ 71,985	$ 78,615

	Individually assessed for impairment	Collectively assessed for impairment	Total
Balance, January 1, 2016	$ 6,630	$ 71,985	$ 78,615
Add(Less): Addition (Reversal)of impairment loss	(3,328)	6,681	3,353
Less: Write-off for the year	(3,302)	(3,243)	(6,545)
Add: Business Combination	-	1,441	1,441
Foreign currency translation difference	-	(3,937)	(3,937)
Balance, December 31, 2016	$ -	$ 72,927	$ 72,927

9. Inventories

	December 31, 2016	December 31, 2015
Finished goods	$406,254	$226,038
Work in process	47,391	33,485
Raw materials and supplies	355,806	247,547
Merchandise	80,571	57,005
	$890,022	$564,075

The Consolidated Companies' allowance for inventory valuation and obsolescence loss as of December 31, 2016 and December 31, 2015 was NT$66,236 thousand and NT$32,177 thousand respectively.

Sales cost relevant to inventories for the years 2016 and 2015 was NT$3,798,853 thousand and NT$3,043,790 thousand respectively. Sales cost included inventory valuation loss NT$6,067 thousand and NT$ 7,671 thousands for the year ended December 31, 2016 and 2015, respectively.

10. Held-to-maturity Financial Assets

	December 31, 2016	December 31, 2015
Non-Current		
Corporate Bond-Foreign Company	$ 62,020	$ -

In September 2016, the Subsidiary Company Everest Display Inc. acquired USD 2,000 thousand Corporate Bond of Boxlight Corporation, 3 years, with 4% annual interest rate.

11. Financial Assets Carried at Cost

	December 31, 2016	December 31, 2015
Non-publicly traded common stocks		
Chi Mei Visual Technology Corporation	$30,055	$30,055
China Development Biomedical Venture Co., Ltd.	30,000	30,000
	$60,055	$60,055
Common Stock of Foreign Company – unlisted		
Boxlight Corporation	$ 32,250	$ -
Fulgor Holdings Co., Limited	85,664	-
	$117,914	$ -
Financial assets by measurement type		
Financial assets held for sale	$177,969	$60,055

As there is a wide range of estimated fair values of the Consolidated Companies' investments in the above non-publicly traded stocks since no price offered for such investments in an active market, the Consolidated Companies conclude that the fair value cannot be reliably measured and therefore should be measured at the cost less any impairment at the balance sheet date.

12. Subsidiaries

The entities for which the consolidated financial statements are prepared are listed as follows:

Name of Investing Company	Name of Subsidiary	Nature of Operation	% of Stock Rights Held December 31, 2016	% of Stock Rights Held December 31, 2015
K Laser	K Laser International Co., Ltd. (hereinafter referred to as International)	Reinvestment	100%	100%
K Laser	K Laser China Group Co., Ltd. (hereinafter referred to as China Group)	Reinvestment	100%	100%
K Laser	Optvision Technology Inc. (hereinafter referred to as Optivision Technology Inc.)	Research, development and manufacturing of precision optical components	47%	47%
K Laser	Everest Display Inc. (hereinafter referred to as EDI)	Manufacturing and sales of optical Instrument and wireless communication machinery	74%	Note 2
K Laser and China Group Holding	iWin Technology Co., Ltd. (hereinafter referred to as iWin)	Reinvesting company	100%	100%
International	K Laser Technology (Korea) Co., Ltd. (hereinafter referred to as K Laser Korea)	Manufacturing and sale of holography products	81%	81%
International	K Laser Technology (Thailand) Co., Ltd. (hereinafter referred to as K Laser Thailand)	Manufacturing and sale of holography products	83%	83%
International	K Laser Technology (USA) Co., Ltd. (hereinafter referred to as K Laser USA)	Sale of holography products	80%	80%
International	K Laser IMEA Co., Ltd. (hereinafter referred to as IMEA)	Reinvesting company	100%	100%
International	Amagic Technologies U.S.A. (Dubai) (hereinafter referred to as Amagic Dubai)	Sale and being the agent of holography products	100%	100%
International	K Laser Technology Japan Co., Ltd. (hereinafter referred to as	Manufacturing and sale of	70%	70%

Name of Investing Company	Name of Subsidiary	Nature of Operation	% of Stock Rights Held December 31, 2016	% of Stock Rights Held December 31, 2015
	K Laser Japan)	holography products		
China Group	K Laser China Group Holding Co., Limited (hereinafter referred to as China Group Holding)	Reinvesting company	99.60%	99.60%
China Group	Holoprint Co., Ltd. (hereinafter referred to as Holoprint)	Reinvesting company	100%	100%
China Group Holding	K Laser Technology (HK) Co., Ltd. (hereinafter referred to as K Laser Hong Kong)	Sale and being the agent of holography products	100%	100%
China Group Holding	Holomagic Co., Ltd. (hereinafter referred to as Holomagic)	Reinvesting company	100%	100%
China Group Holding	Top Band Investment Limited (hereinafter referred to as Top Band)	Reinvesting company	100%	100%
Holomagic	Treasure Access Limited (hereinafter referred to as Treasure)	Reinvesting company	100%	100%
Top Band	Union Bloom Limited (hereinafter referred to as Union)	Reinvesting company	100%	100%
Optivision Technology Inc.	Bright Triumph Limited	Reinvestment	100%	100%
Bright Triumph Limited	Ningbo Guangyao Optivision Technology Co., Ltd.	Processing of optical film	100%	100%
Treasure	Wuxi K Laser Technology Co., Ltd (hereinafter referred to as Wuxi K Laser)	Manufacturing and sale of holography products	100%	100%
Treasure	HuNan HeRui Laser Technology Limited.(formerly known as Hunan Yung-An Laser Technology Limited, hereinafter referred to as He-Rui)	Manufacturing and sale of holography products	49%	NOTE 1
Union	Dongguan K Laser Technology Co., Ltd (hereinafter referred to as Dongguan K Laser)	Manufacturing and sale of holography products	100%	100%
IMEA	Amagic Holographics India Private Limited (hereinafter referred to as Amagic India)	Manufacturing and sale of holography products	100%	100%
iWin	Finity Laboratories (hereinafter referred to as Finity)	Research and development of holography	100%	100%
EDI	Guang Feng Internation Limited	Reinvestment	100%	100%

Note 1: The Company’s 49% owned investee accounted for by equity method.
Note 2: The Company’s 39% owned investee accounted for by equity method.

K Laser China Group Co., Ltd., which was established in British Virgin Islands in October 2010, mainly engages in reinvestment.

K Laser China Group Holding Co., Limited, which was established in British Cayman Islands in March 2008, invests directly in Wuxi K Laser Technology Co., Ltd, Dongguan K Laser Technology Co., Ltd., HuNan HeRui Laser Technology Co., Ltd, K Laser Technology (HK) Co., Ltd., iWin Technology Co., Ltd. and Finity Laboratories.

K Laser International Co., Ltd. which was established in British Cayman Islands in October 2010, mainly engages in investment. K Laser invests in entities in America and Asia indirectly through K Laser International Co., Ltd. and mainly engages in production, sale, research, development and investment of holography products and optical fiber communication related components.

Amagic Technologies, U.S.A. (Dubai), which was established in 1996, mainly engages in sale of holography products and also serves as the agent of holography products.

K Laser Technology (Korea) Co., Ltd., which was established in Korea in 2002, mainly engages in manufacturing and sale of holography products. Management of the Consolidated Companies resolved in September 2015 to approve to sell 19% of that company's stock rights at USD 350 thousand to third parties. As changes in stock rights do not make the Consolidated Companies lose their control over that company, thus the sale was listed under "difference between acquisition or disposal of corporate equity and the carrying amount of stock rights."

K Laser Technology (Thailand) Co., Ltd., which was established in March 1996, mainly engages in manufacturing and sale of holography products.

K Laser Technology (USA) Co., Ltd. was established in February 1993, with the principal office located in California, USA. It mainly engages in sale of holography products.

K Laser Technology Japan Co., Ltd., which was established in 2003 in Japan, mainly engages in manufacturing and sale of holography products.

Amagic Holographics India Private Limited, which was established in 2003 in India, mainly engages in manufacturing and sale of holography products.

Finity Laboratories, which was established in 2001 in the USA, mainly engages in research and development of holography.

HuNan HeRui Laser Technology Co., Ltd, which was established in November 2009 in China, mainly engages in the manufacturing and sale of holographic products. He-Rui was originally the Company's investee accounted for by equity method. Started January 2016, because of the Company obtained the controlling power after the directors re-election in January 2016, He-Rui becomes the consolidated entity.

Everest Display Inc., which was established on July 20, 2001, mainly engaged in manufacturing and sale of optical instrument and wireless communication machinery. EDI was originally the Company's investee accounted for by equity method. Started October 2016, because the Company obtained more than 50% ownship after the capital injection in October 2016.

Optivision Technology Inc. was approved on July 13, 2004 to be established. It mainly engages in research, development and manufacturing of precision optical components. Its products are used in medium and small sized tablet computers, mobile phones, TV monitors, laptop computers and optics lenses.

Bright Triumph Limited (hereinafter referred to as BTL) was established in May 2008. Located in Mauritius, it mainly engages in reinvestment. Optivision Technology Inc. invests in Ningbo Guangyao Optivision Technology Co., Ltd. indirectly through this company.

Ningbo Guangyao Optivision Technology Co., Ltd. (hereinafter referred to as Ningbo Guangyao) was established in May 2008. Located in China, it mainly engages in processing of optical film.

The financial statements of Amagic Technologies U.S.A. (Dubai) Ltd., a subsidiary of K Laser International Co., Ltd., Amagic Holographics India Private Limited, a subsidiary of K Laser IMEA Co., Ltd., and K Laser Technology (HK) Co., Ltd., a subsidiary of K Laser China Group Holding Co., Limited., all of which are listed in the consolidated financial statements, were audited by other certified public accountants rather than certified public accountants of the Company. Total assets of the subsidiaries whose financial statements were audited by other certified public accountants were NT$203,469 thousand and NT$192,070 thousand as of December 31, 2016 and December 31, 2015 respectively. Net revenue of the subsidiaries whose financial statements were audited by other certified public accountants were NT$341,933 thousand and NT$305,716 thousand for the years ended December 31, 2016 and December 31, 2015 respectively.

13. Investments Accounted for Using Equity Method

(1) Investment in Associates

			December 31, 2016		December 31, 2015	
Name of Investee	Principal Activities	Place of Incorporation and Operation	Carrying Amount	% of ownership	Carrying Amount	% of ownership
Individual immaterial associates						
Vicome Corp.	Manufacturing, processing, purchase and sale of fluorescence paints and dyes	Yunlin County	$ 98,311	33	$ 89,824	33
Insight Medical Solutions Inc. (hereinafter referred to as IMS)	Research, development and sale of gastrointestinal endoscope	Hsinchu City	27,292	29	7,899	36
Everest Display Inc.	Production and sale of optical equipment and wireless communication machines and devices	Hsinchu City	-	-	43,097	39
Guang Feng (Wuxi) Technology Inc.	Production and sale of optical equipment	China	59,131	38	40,414	16
Hunan HeRui Laser Technology Co., Limited (Formerly known as Hunan Yung-An Laser Technology Ltd.)	Research, development and production of novel environmentally-friendly packing materials and anti-counterfeiting products	China	-	-	176,661	49
Jiangsu Xinguang Laser Packing Materials Co., Ltd. (Formerly known as Jiangyin Xinguang Laser Packing Materials Ltd.)	Production of special film coated paper, decorative film and eco transfer paper	China	176,276	33	192,484	33
Jiangyin Guangqun Laser Technology Co., Ltd.	Research and development of laser anti-counterfeiting packing technology, and processing of laser anti-counterfeiting plastic materials, film and card paper	China	15,150	30	18,824	30
Foshan Donglin Packing Materials Co., Ltd.	Production of packing materials and augmented products for cigerettes	China	32,824	25	35,923	25
Hunan Heshin Packaging Materials Limited(formerly known as Hunan Yongan Packaging Materials Limited)	Production, processing and sale of film and cigarettes, and cutting of cigarette paper	China	212,007	49	220,525	49
Hunan Yonghe Packing Materials Co., Limited.	Production of paper products and sale of other packing materials, packing products and products	China	-	49	18,916	49
			$ 620,991		$ 844,567	

a. Insight Medical Solutions Inc. , which was established in March 2015, mainly engaged in the research, development and sale of Gastrointestinal endoscopy. The Company joined IMS's capital injection with the amount of 11,000 thousand and 23,034 thousand in March 2015, and May 2016, respectively. As of end of 2016, The Company's holding percentage on IMS is 29%, and has significant influence on Insight Medical Solution Inc.

b. HuNan Heshin Packaging Materials Limited mainly engages in manufacturing, processing and sale of film and cigarettes and cutting of cigarette paper. The Consolidated Companies purchased and obtained 49% of its equity from third parties at RMB 44,300 thousand through Dongguan K Laser Technology Co., Ltd. in December 2015.

c. Hunan Yonghe Packing Materials Limited. mainly engages in production of paper products and sale of packing materials and packing products and other products. The Consolidated Companies purchased and obtained 49% of its equity from third parties at RMB 3,800 thousand through Dongguan K Laser Technology Co., Ltd. in December 2015. The board of directors resolved in November 2015 to approve that Hunan Yongan Packing Co., Ltd. should absorb and combine Hunan Yonghe Packing Co., Ltd. The procedure of such combination was already completed in November 2016. Hunan Yongan Packing Co., Ltd. became the surviving company and assume the creditor's rights and debts of Hunan Yonghe Packing Co., Ltd., which was dissolved and nullified.

d. HuNan HeRui Laser Technology Co., Limited reelected the directors in January 2016, and the Company obtain the control power after the election. Therefore, starting January 2016, He-Rui became a consolidated entity. The related party transactions between the consolidated entities were eliminated in the consolidated financial statements.

e. Guang Feng (Wuxi) Technology Inc. made the capital reduction in March2016 and capital increase in July 2017. After that, the Company's comprehensive holding percentage became 38%.

f. In 2015, Everest Display Inc. was the Company's investee accounted for by equity method. In October 2016, EDI made the capital increase and after that, the Company's holding percentage became 74%, and EDI became a consolidated entity of the Company accordingly. The related party transactions between the consolidated entities were eliminated in the consolidated financial statements.

(2) Summarized financial information of each immaterial associate

	2016	2015
Share possessed by the Consolidated Companies		
Net loss of continuing operations for the year	($61,569)	$ 1,108

	2016	2015
Other comprehensive income (loss)	(4,384)	(600)
Total comprehensive profit (loss)	($65,953)	$ 508

The associates' share of profit or loss evaluated with the equity method is recognized by the Consolidated Companies in 2016 and 2015 based on the associates' financial statements audited by certified public accounts for the same periods.

14. Property, Plant and Equipment

	December 31, 2016	December 31, 2015
Land	$ 100,801	$ 102,003
Buildings	482,034	463,397
Machinery and equipment	539,537	561,725
Other equipment	190,378	158,202
Construction in progress	27,147	43,264
	$1,339,897	$1,328,591

	Land	Buildings	Machinery and equipment	Other Equipment	Construction in Progress	Total
Cost						
Balance, January 1, 2015	$ 106,627	$ 923,020	$2,011,524	$ 531,884	$ 24,436	$3,597,491
Addition	1,046	22,723	35,248	39,759	64,052	162,828
Disposal	-	-	(143,529)	(17,204)	-	(160,733)
Reversal expenses	-	-	-	-	(82)	(82)
Reclassification	-	7,040	29,075	7,443	(44,750)	(1,192)
Net exchange differences	(5,670)	(13,505)	(29,611)	(3,118)	(392)	(52,296)
Balance, December 31, 2015	$ 102,003	$ 939,278	$1,902,707	$ 558,764	$ 43,264	$3,546,016
Accumulated depreciation and impairment						
Balance, January 1, 2015	$ -	$ 450,466	$1,365,271	$ 375,636	$ -	$2,191,373
Depreciation expense	-	30,583	130,585	40,380	-	201,548
Disposal	-	-	(129,180)	(13,906)	-	(143,086)
Reclassification	-	(7)	-	-	-	(7)
Net exchange differences	-	(5,161)	(25,694)	(1,548)	-	(32,403)
Balance, December 31, 2015	$ -	$ 475,881	$1,340,982	$ 400,562	$ -	$2,217,425
Net, December 31, 2015	$ 102,003	$ 463,397	$ 561,725	$ 158,202	$ 43,264	$1,328,591
Cost						
Balance, January 1, 2016	$ 102,003	$ 939,278	$1,902,707	$ 558,764	$ 43,264	$3,546,016
Addition	-	33,429	66,824	30,747	19,789	150,789
Disposal	-	(474)	(56,682)	(15,979)	-	(73,135)
Business Combination	-	-	32,426	139,294	4,929	176,649
Reversal expenses	-	-	-	-	(306)	(306)
Reclassification	-	87,567	78,166	(49,018)	(39,624)	77,091
Net exchange differences	(1,202)	(33,201)	(99,418)	(52,248)	(905)	(186,974)
Balance, December 31, 2016	$ 100,801	$1,026,599	$1,924,023	$ 611,560	$ 27,147	$3,690,130
Accumulated depreciation and impairment						
Balance, January 1, 2016	$ -	$ 475,881	$1,340,982	$ 400,562	$ -	$2,217,425
Depreciation expense	-	32,005	120,380	53,225	-	205,610
Disposal	-	(474)	(46,603)	(13,966)	-	(61,043)
Reversal of impairment loss	-	(1,065)	(8,833)	-	-	(9,898)
Business Combination	-	-	13,776	63,501	-	77,277
Reclassification	-	52,122	37,015	(37,015)	-	52,122
Net exchange differences	-	(13,904)	(72,231)	(45,125)		(131,260)
Balance, December 31, 2016	$ -	$ 544,565	$1,384,486	$ 421,182	$ -	$2,350,233
Net, December 31, 2016	$ 100,801	$ 482,034	$ 539,537	$ 190,378	$ 27,147	$1,339,897

(1) Property, plant and equipment of the Consolidated Companies are depreciated with the straight-line method over the following expected useful lives:

Buildings	
Buildings and structure	25 to 50 years
Auxiliary equipment of buildings	2 to 10 years
Machinery and equipment	2 to 15 years
Other equipment	2 to 11 years

(2) Depletion and the investment property that was mortgaged by the Consolidated Companies to the bank as securities for bank loans as of December 31, 2016 and December 31, 2015 were detailed as follows:

	December 31, 2016	December 31, 2015
Land	$ 36,589	$ 36,977
Buildings and structure	189,729	192,820
Investment property	624	26,433
	$ 226,942	$ 256,230

15. Investment Property

	December 31, 2016	December 31, 2015
Investment property	$ 624	$ 26,433

	2016	2015
Cost		
Balance, January 1	$ 79,209	$ 79,205
Reclassification	(77,339)	4
Balance, December 31	$ 1,870	$ 79,209
Accumulated depreciation and impairment		
Balance, January 1	$ 52,776	$ 51,679
Depreciation expense	592	1,090
Reclassification	(52,122)	7
Balance, December 31	$ 1,246	$ 52,776

The aforementioned investment properties are depreciated with the straight-line method over the following expected useful lives:

Buildings and structure	50 years
Auxiliary equipment of buildings	10 years

Estimates are made by the Consolidated Companies based on appraisal reports. The fair value of investment property on December 31, 2015 and December 31, 2016 was NT$10,738 thousand and NT$43,737 thousand respectively.

16. Other Intangible Assets

	December 31, 2016	December 31, 2015
Carrying amount of each category		
Cost of computer software	$ 1,724	$ 4,044

	2016	2015
Cost		
Balance, January 1	$ 8,867	$ 3,530
Acquisition for the year	435	4,152
Reclassification	248	1,188
Net exchange differences	(8)	(3)
Balance, December 31	$ 9,542	$ 8,867
Accumulated depreciation and impairment		
Balance, January 1	$ 4,823	$ 1,904
Amortization expense	3,002	2,920
Net exchange differences	(7)	(1)
Balance, December 31	$ 7,818	$ 4,823

Amortization expenses from the above intangible assets are recognized on a straight-line basis over their expected useful lives of 2 to 5 years.

17. Prepaid Lease Payments

	December 31, 2016	December 31, 2015
Current	$ 423	$ 456
Noncurrent	20,838	22,923
	$ 21,261	$ 23,379

As of December 31, 2014 and December 31, 2015, prepaid lease payments were made for the right to use the land in Mainland China.

18. Other Assets

	December 31, 2016	December 31, 2015
Retained tax	$ 13,349	$ 14,828
Prepaid expenses and accounts	57,514	36,279
refundable deposits	36,663	19,677
Restricted assets (Note 6)	193,673	91,809
Tax receivable (Note 24)	6,024	4,276
Others	29,759	16,882
	$336,982	$183,751
Current	$263,224	$ 56,245
Noncurrent	73,758	127,506
	$336,982	$183,751

19. Loans

(1) Short-term Loans

	December 31, 2016		December 31, 2015	
	Interest Rate	Amount	Interest Rate	Amount
Bank mortgage loan	-	$ -	1.95%-2.15%	$ 2,243
Unsecured loans	1.00%-2.26%	457,474	1.20%-2.42%	350,197
Usance L/C loans payable	1.00%-4.00%	403,622	1.17%-2.15%	157,036
		$ 861,096		$ 509,476

The Consolidated Companies' unsecured loans from the bank as of December 31, 2015 and December 31, 2016 were guaranteed by K Laser. For part of such loans, Mr. Kuo Wei-Wu, Chairman of K Laser, and Mr. Kuo Wei-Pin, Director of K Laser, were joint guarantors. Property, plant and equipment and investment property (detailed in Note 14) were provided as securities for bank mortgage loans.

(2) Short-term Notes and Bills Payable

	December 31, 2016	December 31, 2015
Commercial paper payable	$150,000	$100,000
Less: Discounts on short-term notes and bills payable	(120)	(88)
	$149,880	$ 99,912

The short-term notes and bills payable not due yet are as follows:

December 31, 2016

Guaranteeing / Accepting Institution	Par Value	Discount	Carrying Amount	Interest Rate
Commercial paper payable				
Mega Bills	$ 50,000	$ 38	$ 49,962	1.00%
International Bills	50,000	40	49,960	0.978%
Dah Chung Bills	50,000	42	49,958	0.995%
	$150,000	$ 120	$149,880	

December 31, 2015

Guaranteeing / Accepting Institution	Par Value	Discount	Carrying Amount	Interest Rate
Commercial paper payable				
Mega Bills	$ 50,000	$ 24	$ 49,976	1.2%
International Bills	50,000	64	49,936	1.2%
	$100,000	$ 88	$ 99,912	

(3) Current Portion of Long-term Liabilities

	December 31, 2016	December 31, 2015
Current portion of long-term loans	$ 146,000	$ -
Current portion of Long-term payables	30,390	-
Current portion of convertible bonds payable (Note 20)	487,192	483,901
	$ 663,582	$ 483,901

(4) Long-term Loans

	Interest Rate%	December 31, 2016 Amount	December 31, 2015 Amount
Secured Loan			
E. Sun Bank (Leading bank of syndicated loans)			
Mortgage loan from 2015/12 to 2018/12, for which principle is repaid from December 2017 for every 6 months; revolving use is not allowed.	1.79	290,000	290,000
E. Sun Bank (Leading bank of syndicated loans)			
Mortgage loan from 2015/8 to 2018/8, for which interest is paid every month and principle is repaid in full when due	1.79	430,000	430,000
Hua-Nan Bank			
Secured loan from 2014/3 to 2017/3, for which principle is repaid in 36-month installment started from 2014/4	1.83	1,750	-
Unguaranteed loans			
JihSun Bank			
Unsecured loans from 2016/01 to 2018/1, for which interest is paid every month and principle is repaid in full when due; to be extended from January 2016 for more 2 years; date due is January 2018	1.73	100,000	100,000
KGI Bank (Former China Development Industrial Bank)			
Unsecured loans from 2015/11	1.43	100,000	100,000

	Interest Rate%	December 31, 2016 Amount	December 31, 2015 Amount
to 2017/11, for which interest is paid every month and principle is repaid in full when due; to be extended from November 2015 for more 2 years; date due is November 2017.			
Taipei Fubon Bank			
Unsecured loans from 2016/5 to 2017/5, for which interest is paid every month and principle is repaid in full when due; to be extended from May 2016 for more 2 years; date due is May 2018.	1.65	$ 100,000	$ 100,000
Hua-Nan Bank			
Unsecured loans from 2014/03 to 2017/03, from 2014/03 for which principle is repaid in 36-month installment started from 2014/4	1.88	750	-
Less: Current portion of long-term loans		(146,000)	(-)
		$ 876,500	$ 1,020,000

a. For acquiring sufficient working capital and making repayments for bonds, the Consolidated Companies entered into a syndicated loan contract with nine financial institutions in August 2015 for the syndicated loans provided mainly by E. Sun Bank. The total credit line was NT$720,000 thousand. As of December 31, 2016, the actual used amount was NT$ 720,000 thousand and loan balance was NT$720,000 thousand.

According to the syndicated loan contract, the annual consolidated financial statements of the Consolidated Companies shall maintain the following financial ratios until the Consolidated Companies repay total debts under the contract.

(a) Current ratio (i.e. ratio of current assets to current liabilities) shall not be less than 100%.

(b) Debt ratio (i.e. ratio of total liabilities less cash and cash equivalents to tangible net worth) shall not be over 100%.

(c) Times interest earned (i.e. sum of income before income tax, interest expenses, depreciation and amortization divided by interest expenses) shall not be less than 300%.

(d) Tangible net worth shall not be less than NT$2,600,000 thousand.

b. Kuo Wei-Wu, Chairman of K Laser, was a joint guarantor for the abovementioned long-term loans. None of property, plant and equipment and investment property was provided as a security for the syndicated loans provided by E. Sun Bank.

(5) Long-term payables

	December 31, 2016	December 31, 2015
Long-term payables	$ 33,778	$ -
Less: Unrealized interest	(576)	-
Less: Current portion of Long-term payables	(30,390)	-
	$ 2,812	$ -

a. The Company entered into loan agreement with Industrial Bank of Taiwan in January and March 2015 with amount of $20,000 and $ 15,000, respectively, ranging from January 2015 to January 2017 and March 2015 to March 2017, 24 monthly installment, interest rates are both 3.19%
b. The Company entered into loan agreement with Chailease Finance Co., Ltd. in April 2015 and March 2016 with amount of $25,717 and $ 22,500, respectively, ranging from April 2015 to April 2017 and March 2016 to March 2018, 24 monthly installment, interest rates are 1.39% and 1.43%.
c. The Company entered into loan agreement with Hotai Finance Co., Ltd. in June 2015with amount of $25,632, ranging from June 2015 to June 2017, 24 monthly installment, interest rates is 1.39% and 1.64%.
d. The Company entered into loan agreement with Robina Finance Co., Ltd. in July 2015with amount of $26,004, ranging from July 2015 to July 2017, 24 monthly installment, interest rates is 1.39% and 1.55%
e. The aforesaid long-term payables are guarantee by Chairman, Alex Kuo.

20. Bonds Payable

	December 31, 2016	December 31, 2015
Liability components constituting the secured convertible bonds issued for the fourth time	$295,528	$291,736
Liability components constituting the unsecured convertible bonds issued for the fifth time	191,664	192,165
Less: Current portion of long-term liabilities	(487,192)	(483,901)
	$ -	$ -

K Laser issued secured convertible bonds for the fourth time and unsecured convertible bonds for the fifth time at a coupon rate of 0% in the amount of NT$300,000 thousand and 200,000 thousand respectively on October 17, 2014 and October 20, 2014, and the total amount for sale is NT$479,000 thousand.

K Laser issued convertible bonds pursuant to the terms and conditions:

(1) Secured Convertible Bonds Issued for the Fourth Time:
a. Issuing date: October 17, 2014
b. Par value: NT$100 thousand
c. Place of issue and transaction: R.O.C.
d. Issuing price: 100%
e. Total stocks issued: NT$300,000 thousand
f. Coupon rate: 0%; effective interest rate: 1.56%
g. Issuing period: 3 years; expiration date: October 17, 2017

h. Convertible option and subject: Converting to common stocks of K Laser at then conversion price
i. Security: Time deposit of NT$91,809 thousand pledged to the bank
j. Redemption and resale of bonds:
   (a) Redemption upon expiration: Principal will be returned at par value after expiration of the issuing period.
   (b) Early redemption:
   If the closing price of K Laser's common shares in Taiwan Stock Exchange exceeds 30% (inclusive) of the conversion prices for 30 consecutive business days, or if the remaining amount of convertible bonds in circulation is less than 10% of the amount originally issued, K Laser may recall all of its bonds in cash at face value from the day after the bonds are issued for one full month to 40 days before maturity.
   (c) Resale terms:
   A bond holder may request K Laser for early settlement at 102.01% after the completion of 2 years following the date when the bonds are issued.
k. Conversion price and adjustment:
   (a) Conversion price shall be NT$16.7 per share.
   (b) Conversion price shall be NT$15.6 per share from July 2, 2016.
   (c) Adjustment of conversion price:
   After issuing convertible bonds, if common shares of K Laser increase or cash dividends exceed 1.5% of the stock price, K Laser shall adjust the conversion price according to the formula in the regulations on issuing corporate bonds.

(2) Unsecured Convertible Bonds Issued for the Fifth Time:
a. Issuing date: October 20, 2014
b. Par value: NT$100 thousand
c. Place of issue and transaction: R.O.C.
d. Issuing price: 100%
e. Total stocks issued: NT$200,000 thousand
f. Coupon rate: 0%; effective interest rate: 2.22%
g. Issuing period: 3 years; expiration date: October 20, 2017
h. Convertible option and subject: Converting to common stocks of K Laser at then conversion price
i. Redemption and resale of bonds:
   (a) Redemption upon expiration: Principal will be returned at par value after expiration of the issuing period.
   (b) Early redemption:
   If the closing price of K Laser's common shares in Taiwan Stock Exchange exceeds 30% (inclusive) of the conversion prices for 30 consecutive business days, or if the remaining amount of convertible bonds in circulation is less than 10% of the amount originally issued, K Laser may recall all of its bonds in cash at face value from the day after the bonds are issued for one full month to 40 days before maturity.
   (c) Resale terms:
   A bond holder may request K Laser for early settlement at 102.516% after the completion of 2 years following the date when the bonds are issued.
j. Conversion price and adjustment:

(a) Conversion price shall be NT$16.8 per share.
(b) Conversion price shall be NT$15.7 per share from July 2, 2016.
(c) Adjustment of conversion price:

After issuing convertible bonds, if common shares of K Laser increase or cash dividends exceed 1.5% of the stock price, K Laser shall adjust the conversion price according to the formula in the regulations on issuing corporate bonds.

(3) The Consolidated Companies recognized in 2016 and 2015 "interest expenses of bond discount amortization" NT$8,895 thousand and NT$8,706 thousand and "gain on valuation of financial instruments" NT$6,479 thousand and "loss on valuation" NT$2,760 thousand under "Non-operating income and expenses－Interest expenses" and "Non-operating income and expenses－Financial assets (liabilities) at fair value through profit or loss."

(4) Switching and Redemption:

In 2016, the face values of the conversion for the fourth and fifth secured convertible bonds held by the holders were $ 800 thousand and $ 4,900 thousands, respectively. The total common stock converted was 3,634 thousand shares, and a reduction of Capital Surplus amounted $ 223 thousands was recognized accordingly.

21. Retirement Benefit Plans

(1) Defined Contribution Plans

K Laser and Optivision Technology Inc. and Everest display Inc. in the Consolidated Companies apply the pension system provided by the Labor Pension Act. Such system is the defined contribution plan governed by the government. They have made monthly contributions equal to 6% of each employee's monthly salary to employees' pension accounts with the Bureau of Labor Insurance.

The Consolidated Companies recognized expenses of NT$10,819 thousand and NT$10,646 thousand in the consolidated income statement for 2016 and 2015 at the percentage specified in the defined contribution plan.

(2) Defined Benefit Plans

K Laser and Optivision Technology Inc. in the Consolidated Companies apply the pension system provided by the Labor Pension Act. Such system is the defined contribution plan governed by the government. The pension of an employee is calculated based on the employee's length of service and average monthly salary for the six-month period prior to retirement. K Laser and Optivision Technology Inc. contribute an amount equal to 2% of salaries paid each month to their respective pension funds (the Funds), which are administered by the Labor Pension Fund Supervisory Committee (the Committee) and deposited in the Committee's name in the Bank of Taiwan. Before the end of each year, the Companies assess the balance in the Funds. If the amount of the balance in the Funds is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Companies are required to fund the difference in one appropriation that should be made before the end of March of the next year. The Funds are operated and managed by the Bureau of Labor Funds, Ministry of Labor; as such, the Consolidated Companies do not have any right to intervene in the investments of the Funds.

Amounts of defined benefit plans in the consolidated balance sheet are listed as follows:

	December 31, 2016	December 31, 2015
Present value of defined benefit obligations	$ 42,473	$ 38,431
Fair value of plan assets	(21,994)	(22,198)
Net defined benefit liability	$ 20,479	$ 16,233

Movements in net defined benefit liability (asset) are as follows:

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Balance, January 1, 2015	$ 33,865	($ 20,855)	$ 13,010
Service cost			
Service cost for the year	423	-	423
Interest expenses (incomes)	593	(372)	221
Recognition in profit (loss)	1,016	(372)	644
Remeasurement			
Reward of plan assets	-	(243)	(243)
Actuarial loss—from changes in demographic assumptions	1,505	-	1,505
Actuarial loss—from changes in financial assumptions	1,330	-	1,330
Actuarial loss—from experience adjustments	715	-	715
Recognition in other comprehensive income (loss)	$ 35,550	($ 243)	$ 3,307
Contribution by the employer	-	(728)	(728)
Balance, December 31, 2015	38,431	(22,198)	16,233
Service cost			
Service cost for the year	446	-	446
Interest expenses (incomes)	521	(303)	218
Recognition in profit (loss)	967	(303)	664
Remeasurement			
Reward of plan assets	-	147	147
Actuarial loss—from changes in demographic assumptions	1,186	-	1,186
Actuarial loss—from changes in financial assumptions	974	-	974
Actuarial loss—from experience adjustments	1,979	-	1,979
Recognition in other comprehensive income (loss)	4,139	147	4,286

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Contribution by the employer	-	(704)	(704)
Payment of plan asset	(1,064)	1,064	-
Balance, December 31, 2016	$ 42,473	($ 21,994)	$ 20,479

Amounts of defined benefit plans recognized in profit (loss) are listed by functions as follows:

	2016	2015
By functions		
Cost of revenue	$ 231	$ 180
Promotion	71	64
General and administrative	267	310
Research and development expense	95	90
	$ 664	$ 644

Through the defined benefit plans under the Labor Standards Act, the Consolidated Companies are exposed to the following risks:

a. Investment risk：The pension funds are invested in equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau of Labor Funds, Ministry of Labor or under the mandated management. However, the rate of the return on assets distributed to the Company shall not be less than the average interest rate on a two-year time deposit published by the local banks.

b. Interest risk：A decrease in the government bond interest rate will increase the present value of the defined benefit obligation. However, this will be partially offset by an increase in the return on the debt investments of the plan assets.

c. Salary risk：The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the Consolidated Companies' defined benefit obligation were carried out by qualified actuaries. The principal assumptions of the actuarial valuation are as follows:

	December 31, 2016	December 31, 2015
Discount rate	1.125%	1.375%
Projected salary increase rate	2.00%	2.00%

When there were reasonable changes in significant assumptions and all other assumptions were held constant, the present value of the defined benefit obligation would increase or decrease as follows:

	December 31, 2016	December 31, 2015
Discount rate		
Increase by 0.25%	($ 1,005)	($ 936)
Decrease by 0.25%	$ 1,042	$ 970
Projected salary increase rate		
Increase by 0.25%	$ 1,014	$ 947
Decrease by 0.25%	($ 983)	($ 918)

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	December 31, 2016	December 31, 2015
Contributions expected to be made within one year	$ 707	$ 664
Average maturity period for defined benefit obligations	9.68 years	9.87 years

22. Equity

(1) Capital Stock

Common shares

	December 31, 2016	December 31, 2015
Authorized shares (in thousands)	200,000	200,000
Authorized capital	$2,000,000	$2,000,000
Issued and paid shares (in thousands)	132,830	132,467
Issued capital	$1,328,299	$1,324,665

A holder of issued common shares with par value of NT$10 per share is entitled to vote and to receive dividends.

The Company's outstanding common shares are adjusted as follows:

	Number of shares (in thousands)	Capital
Balance, January 1, 2015	174,167	$1,741,665
Cancelled treasury stock	(41,700)	(417,000)
Balance, December 31, 2015	132,467	$1,324,665
Balance, January 1, 2016	132,467	$1,324,665
Conversion of bonds	363	3,634
Balance, December 31, 2016	132,830	$1,328,299

According to the letter, Tai-tsai-zheng No. 106134, the company must first issue the stock and then can register the shaers. As of December 31, 2016, the aforesaid 363 thousand shares have not yet been registered.

(2) Capital Surplus

Capital surplus balances in 2016 and 2015 were adjusted as follows:

	Additional Paid-in Capital (1)	Stock Option (3)	Difference between actual gains on acquired stock rights of subsidiaries and carrying amounts (1)	Recognized changes in ownership of subsidiaries (2)	Total
Balance, January 1, 2015	$ 389,310	$ 16,000	$ 46,044	$ 45,353-	$ 496,707
Difference between gains on acquired stock rights of subsidiaries and carrying amounts	-	-	4,081	1,050	5,131
Cancelled treasury stock	(93,211))	-	-	-	(93,211)
Balance, December 31, 2015	296,099	16,000	50,125	46,403	408,627
Difference between gains on acquired stock rights of subsidiaries and carrying amounts	-	-	-	(17,707)	(17,707)
Conversion of convertible bonds	2,193	(223)	-	-	1,970
Balance, December 31, 2016	$ 298,292	$ 15,777	$ 50,125	$ 28,696	$ 392,890

1. Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, it may be distributed as cash dividends or stock dividends up to a certain percentage of the paid-in capital.
2. Such capital surplus refers to the equity transaction effects recognized due to change of interests in subsidiaries or the adjustments of subsidiaries' capital surplus recognized with equity method by the Company before the Company actually acquires or disposes stock rights of subsidiaries, and may be used to offset a deficit.
3. Such capital surplus cannot be used for any other purposes.

(3) Retained earnings and dividend policies

The amendments to the Company Act that were made in May 2015 specify that dividends and bonuses shall be only distributed to shareholders and that employees do not qualify for earnings. In compliance with the above regulation, The Company's general shareholder meeting on May 27, 2016 had resolved to amend its article of incorporation for the policy of distribution of earnings and the remuneration to employees.

In accordance with the amended article of incorporation, when allocating the net profit for each fiscal year, the company should first pay income tax, offset its prior year's losses, appropriate 10% of net income to legal reserve and then, by law, appropriate special reserve, which can only be distributed when it is reversed. The board of directors will then proposed the appropriations and present the proposal for approval at the General shareholder meeting. Please refer to note 23 for the policy of the remuneration to employees, directors and supervisors.

K Laser appropriates special reserve pursuant to instructions in the letters Jin-Guan-Zheng-Fa-Zi No. 1010012865, Jin-Guan-Zheng-Fa-Zi No. 1010047490 and Jin-Guan-Zheng-Fa-Zi No. 1030006415 and the Rules Applicable to Special Reserve Appropriation after Adoption of IFRSs. When deductions from other shareholders' equity are reversed, earnings shall be distributed based on such reversed part.

Legal reserve shall be appropriated until the total of its amount reaches the Company's paid-in capital. Legal reserve may be used to make good of past losses. If the Company suffers no loss and its legal reserve exceeds 25% of paid-in capital, such excess may be either allocated to capital or distributed in cash.

When unappropriated earnings are appropriated, all shareholders, except those not living in the Republic of China, are entitled to imputation credit calculated at tax deduction ratio on the date of dividend distribution.

Appropriation of earnings for the years 2015 and 2014 approved in the regular meeting of shareholders held by K Laser on May 27, 2016 and June 18, 2015 respectively was as follows:

	Appropriation of Earnings		Dividends Per Share (NT$)	
	2015	2014	2015	2014
Legal reserve	$ 16,435	$ 9,069	$ -	$ -
Cash dividends	66,233	55,008	0. 5	0.35

K Laser's appropriations of earnings for 2016 had been approved in the meeting of the board of directors held on March 30, 2017. The appropriations and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT$)
Legal reserve	$21,546	$ -
Cash dividends	109,114	0.815

The appropriations of earnings for 2016 are to be presented for approval in the shareholders' meeting to be held on May 26, 2017.

(4) Other Equity

Exchange differences on translation of foreign financial statements:

	2016	2015
Balance, beginning of year	$84,681	$131,780
Exchange differences on translation of foreign financial statements	(201,501)	(47,099)
Balance, end of year	($116,820)	$84,681

The exchange differences arising on translation of foreign operation's net assets from its functional currency (i.e. New Taiwan Dollar) to the Consolidated Companies' presentation currency are recognized directly in other comprehensive income and also accumulated in the exchange differences on translation of foreign financial statements. Such amount accumulated in the exchange differences on translation of foreign financial statements will be reclassified to profit or loss when the foreign operation is disposed.

(5) Noncontrolling Interests

	2016	2015
Balance, beginning of year	$622,883	$697,729
Share of noncontrolling interests		

	2016	2015
Net income	$ 34,436	$ 19,028
Exchange differences on translation of foreign financial statements	(14,481)	(1,943)
From business combination	209,013	
Noncontrolling interests involved in subsidiaries' capital increases	-	-
Repurchase of noncontrolling interests of subsidiaries	-	(15,804)
Sale of subsidiaries' equity	-	7,424
Dividends distributed by subsidiaries	(41,632)	(83,551)
	$810,219	$622,883

(6) Treasury Stock

a. Movements of treasury stock are as follows:

Unit: Share

	2015			
Reason of possessing shares	Number of shares at the beginning of the year	Increase for the year	Decrease for the year	Number of shares at the end of the year
Transferring shares to employees	8,000,000	-	(8,000,000)	-
Maintaining goodwill of the Company and equity of its shareholders	8,921,000	24,779,000	(33,700,000)	-
	16,921,000	24,779,000	(41,700,000)	-

b. According to Article 28-1 of the Securities and Exchange Act, the number of shares bought back by a company shall not exceed 10% of the total number of shares issued by the company, and the total amount paid to buy the shares shall not exceed the sum of retained earnings, premium on capital stock and realized capital surplus. According to the Securities and Exchange Act, treasury stocks held by K Laser shall neither be pledged nor be assigned dividend distribution right or voting right.

23. Net Profit of Continuing Operations

Employee benefit expenses and depreciation and amortization expenses

	2016			
	Operating cost	Operating expense	Non-operating expense and losses	Total
Short-term employee benefits	$ 338,943	$ 326,454	$ -	$ 665,397
Retirement benefits	$ 6,420	$ 5,063	$ -	$ 11,483
Other employee benefits	$ 11,705	$ 16,706	$ -	$ 28,411

	2016			
	Operating cost	Operating expense	Non-operating expense and losses	Total
Depreciation expense				
Depreciation of property, plant and equipment	$ 160,511	$ 43,117	$ 1,982	$ 205,610
Depreciation of investment property	-	-	592	592
	$ 160,511	$ 43,117	$ 2,574	$ 206,202
Amortization expense	$ -	$ 3,002	$ -	$ 3,002

	2015			
	Operating cost	Operating expense	Non-operating expense and losses	Total
Short-term employee benefits	$ 323,969	$ 334,091	$ -	$ 658,060
Retirement benefits	$ 6,439	$ 4,851	$ -	$ 11,290
Other employee benefits	$ 9,481	$ 12,357	$ -	$ 21,838
Depreciation expense				
Depreciation of property, plant and equipment	$ 167,822	$ 31,905	$ 1,821	$ 201,548
Depreciation of investment property	-	-	1,090	1,090
	$ 167,822	$ 31,905	$ 2,911	$ 202,638
Amortization expense	$ 8	$ 2,912	$ -	$ 2,920

In accordance with the amendment of Company Act on May 2016, and the Amendment of the Article of Incorporation on May 27, 2016, the retaxed net income before deducting the remuneration to employees, directors and supervisors shall be appropriate 4% to 8% to employees, and no more than 2% to directors and supervisors. The appropriation of 2016 and 2015 earnings have been proposed by the Company's board of directors on March 30, 2017 and March 10, 2016 as follows.

Percentage of appropriation

	2016	2015
Employees	4.5%	4.5%
Directors and supervisors	1.1%	1.1%

Amount

	2016		2015	
	Cash	Stock	Cash	Stock
Employees	$ 10,788	$ -	$ 8,108	$ -
Directors and supervisors	2,637	-	1,982	-

If the actual distribution is difference from the estimation after the issuance day of the financial report, it would be accounted for as a change of accounting estimates and the difference will charged to profit and loss in the following year.

The appropriations of bonus to employees and remuneration to directors and supervisors resolved at the general shareholders meeting held on June 18, 2015 and the appropriations of bonus to employees and remuneration to directors and supervisors recognized in the consolidated financial statements are as below:

	2014	
	Cash	Stock
Employees	$ 4,231	$ -
Directors and supervisors	1,209	-

For the remunerations to employees, directors and supervisors, the proposed number by the board meeting dated March 10, 2016, and the approved number by the general shareholder meeting dated June 18, 2015 are identical to the number as disclosed in the financial report of 2015 and 2014.

The information about the compensation to employees and the remuneration to directors and supervisors approved at the board meeting of K Laser for 2017 and 2016 the information about the bonus to employees and the remuneration to directors and supervisors approved at the shareholders meeting for 2015 respectively are available at Taiwan Stock Exchange's Market Observation Post System website.

24. Income Tax of Continuing Operations

(1) Income Tax Recognized in Profit or Loss

Income tax (gains) and expenses comprise the following:

	2016	2015
Current income tax		
Incurred in current year	$ 80,446	$ 55,144
Imposed on unappropriated earnings	7,837	8,123
Adjusted for previous years	(4,102)	673
Deferred income tax		
Incurred in current year	8,495	1,281
Income tax expenses recognized in profit or loss	$ 92,676	$ 65,221

Accounting incomes and income tax expenses are reconciled as follows:

	2016	2015
Income before income tax of continuing operations	$342,573	$248,595
Income tax expenses calculated at the legal tax rate on the income before income	$122,748	$ 85,175
Investment gains recognized with equity method	(40,706)	(33,410)

	2016	2015
Dividend from foreign investment	18,400	-
Gains on disposal of domestic equity investments	(133)	-
Others	9,855	8,720
Deferred income tax assets not recognized in the previous year but used in the year	(5,755)	(4,060)
Operating loss carryforwards not recognized	4,242	-
Taxation on unappropriated earnings	7,837	8,123
Adjustment of income tax expenses of the previous year	(4,102)	673
Income tax expenses recognized in profit or loss	$ 92,676	$ 65,221

The Consolidated Companies applied a tax rate of 17% for entities subject to the Income Tax Act of the Republic of China and a tax rate of 25% for the subsidiaries located in China. For other jurisdictions, the Consolidated Companies measured taxes by using the applicable tax rate for each individual jurisdiction.

As earnings to be distributed for 2017 at the shareholders' meeting are still uncertain, potential income tax consequences for the 10% income tax imposed on the undistributed earnings have not been determined yet.

(2) Income Tax Assets and Liabilities

	December 31, 2016	December 31, 2015
Income tax assets		
Tax receivable	$ 6,024	$ 4,276
Income tax payable		
Income tax payable	$ 44,874	$ 30,632

(3) Deferred Income Tax Assets and Liabilities

	December 31, 2016	December 31, 2015
Deferred income tax assets		
Temporary differences		
Unrealized gross profit	$ 2,900	$ 2,800
Loss on allowance for doubtful receivables	18,897	16,743
Others	2,014	915
Operating loss carryforwards	20,500	32,483
Deferred income tax assets	$ 44,311	$ 52,941

	December 31, 2016	December 31, 2015
Deferred income tax liabilities		
Temporary differences		
Others	$ -	$ 135
Deferred income tax liabilities	$ -	$ 135

(4) Information about Unused Operating Loss Carryforwards

The information about operating loss carryforwards as of December 31, 2016 is as follows:

Unused Amount	Year of Last Carryforward
$ 25,708	2018
2,622	2019
44,992	2020
75,768	2021
84,753	2022
21,670	2023
48,559	2025
$304,072	

(5) Integrated Income Tax Information

	December 31, 2016	December 31, 2015
Balance of the imputation credit account of shareholders (including income tax liability, end of year)	$ 26,026	$ 17,272
Unappropriated earnings after 1998	$537,308	$408,801

The creditable ratio for distribution of the earnings of 2016 and 2015 were 4.84% and 4.75%, respectively.

According to the Income Tax Act, when K Laser makes distribution from earnings of the year 1998 or each ensuing year, shareholders of the Republic of China are entitled to imputation credit calculated at tax deduction ratio on the date of dividend distribution. As the imputation credit allocated to shareholders is based on its balance as of the date of the dividend distribution, the creditable ratio estimated by K Laser for 2016 may change when the actual distribution of the imputation credit is made.

As stipulated in Article 66-6, section 1 of the Income Tax Law, started from January 1, 2015, the net dividend or net surplus received by the individual shareholders residing in the territory of the Republic of China, the imputation tax credit would be half of the original amount.

(6) Income tax examination and approval

The tax authorities have examined income tax returns of K Laser through 2012 and year 2014.

25. Earnings Per Share

EPS is computed as follows:

	2016			2015		
	Amount (Numerator)		Earnings Per Share (NT$)	Amount (Numerator)		Earnings Per Share (NT$)
	Profit after tax, available to shareholders of the Company	Number of shares (Denominator) (in thousands)	Profit after tax, available to shareholders of the Company	Profit after tax, available to shareholders of the Company	Number of shares (Denominator) (in thousands)	Profit after tax, available to shareholders of the Company
Basic earnings per share						
Earnings available to shareholders of common shares	$ 215,461	132,467	$ 1.63	$ 164,346	146,914	$ 1.12
Effect of dilutive potential common shares						
Convertible bonds	7,383	31,606		7,226	30,788	
Bonus to employees	-	682		-	727	
	$222 ,844	164,755	$ 1.35	$171 ,572	178,429	$ 0.96

If the Consolidated Companies may settle the obligation by cash, by issuing shares, or in combination of both cash and shares, profit sharing bonus to employees which will be settled in shares should be included in the weighted average number of shares outstanding in calculation of diluted EPS, if the shares have a dilutive effect. Such dilutive effect of the potential shares needs to be included in the calculation of diluted EPS until profit sharing to be settled in the form of common stocks are approved at the shareholders' meeting in the following year.

26. Non-cash Transactions

The Consolidated Companies conducted the following non-cash transactions in investing and financing activities in 2016 and 2015.

	2016	2015
Investing and financing activities not influencing cash flows		
Exchange differences on translation of foreign financial statements	($201,501)	($ 47,099)
Current portion of long-term liabilities transferred to current Liabilities	$663,582	$483,901
Cancelled treasury stock	$ -	$607,602
Convertible bonds converted	$ 5,604	$ -

27. Capital Risk Management

The objective of capital risk management is to ensure the Consolidated Companies has necessary financial resources and business plans to support their business requirements associated with working capital, capital expenditure, research and development, repayment of debts and payment of dividends over the next 12 months.

28. Business Combination

HuNan HeRui Laser Technology Co., Limited, formerly known as Hu-Nan Yung-An Laser Technology Limited, reelected the directors in January 2016, and the Company obtained the control power after the election. Started January 2016, He-Rui became the consolidated entity accordingly.

The assets and liabilities on the date of obtaining the control:

	HuNan HeRui Laser
Current Assets	
Cash	$ 58,323
Accounts Receivable & Notes	298,734
Other Receivable	14,378
Inventories	129,844
Other Current Assets	59,180
Noncurrent Assets	
Fixed Assets	97,823
Other Noncurrent Assets	14,643
Current Liabilities	
Accounts Payable & Notes	(296,780)
Other Payables	(13,309)
Income tax liabilities for the year	(2,303)
	$ 360,533

In October 2016, Everest Display Inc. made the capital increase and after that, the Company’s holding percentage became 74%, and EDI became a consolidated entity of the Company accordingly.

The assets and liabilities on the date of obtaining the control:

	Everest Display Inc.
Current Assets	
Cash	$ 58,354
Accounts Receivable & Notes	172,035
Inventories	111,428
Other Current Assets	61,071
Noncurrent Assets	
Held-to-maturity financial assets-Noncurrent	62,020
Investment under equity method	37,808
Fixed Assets	1,549
Other Noncurrent Assets	14,867
Current Liabilities	
Short-term Loans	(283,464)
Accounts Payables & Notes	(95,033)
Other Payables	(18,622)
Other Current Liabilities	(24,388)
Noncurrent Liabilities	
Other Noncurrent Liabilities	(509)
	$ 97,116

29. Financial Instruments

(1) Fair Value Information —Financial Instruments Not Measured at Fair Value

Except for financial assets carried at cost, whose fair value cannot be measured in a liable way, the Consolidated Companies consider that the carrying amounts of financial assets and financial liabilities measured not at fair value approximate their fair values.

(2) Fair Value Information —Financial Instruments Measured at Fair Value

a. Levels of fair value

December 31, 2016

	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	$ 233,083	$ 77	$ -	$ 233,160
Total	$ 233,083	$ 77	$ -	$ 233,160
Financial liabilities at fair value through profit or loss	$ -	$ -	$ -	$ -
Total	$ -	$ -	$ -	$ -

December 31, 2015

	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	$ 55,714	$ -	$ -	$ 55,714
Total	$ 55,714	$ -	$ -	$ 55,714
Financial liabilities at fair value through profit or loss	$ -	$ 6,418	$ -	$ 6,418
Total	$ -	$ 6,418	$ -	$ 6,418

There were no transfers between Level 1 and Level 2 of the fair value hierarchy in 2016 and 2015.

b. Valuation techniques and inputs for level 2 fair value measurement

Types of Financial Instruments	Valuation Techniques and Inputs
Derivative financial instruments—Convertible bonds	Fair value is calculated using the option pricing model. The estimates and assumptions used by the Company for pricing is consistent with the estimates and assumptions used by market participants when pricing financial products.
Derivative financial instruments—Forward exchange contracts	Discounted cash flow: Future cash flow estimated based on observable forward exchange rates at the end of the reporting period, and discounted to reflect the credit risk of each counterpart.

(3) Types of Financial Instruments

	December 31, 2016	December 31, 2015
Financial assets		
Loans and receivables		
Cash and cash equivalents	$ 1,189,908	$ 1,241,811
Notes and accounts receivable (Including those from related parties)	2,029,377	1,547,901
Other receivables	79,873	62,778
refundable deposits	36,663	19,677
Restricted assets—Noncurrent (Stated as other noncurrent assets—Others)	193,673	91,809
Financial assets at fair value through profit or loss (Current and noncurrent)	233,160	55,714
Held-to-maturity financial assets- Noncurrent	62,020	-
Financial assets carried at cost—Noncurrent	177,969	60,055
Financial liabilities		
Financial liabilities at fair value through profit or loss (Current and noncurrent)	-	6,418
Measured at amortized cost:		

	December 31, 2016	December 31, 2015
Short-term loans	$ 861,096	$ 509,476
Short-term notes and bills payable	149,880	99,912
Notes and accounts payable (including those to related parties)	749,995	394,378
Other payables	359,845	260,077
Long-term loans (including current portion of such loans)	1,542,894	1,503,901

(4) Purposes and Policies of Financial Risk Management

Main financial instruments of the Consolidated Companies include equity and bond investment, accounts receivable, accounts payable, bonds payable and loans. The financial management department of the Consolidated Companies provides various services and handles overall operations for entering the domestic and international financial markets. It supervises and manages financial risk related to operations of the Consolidated Companies based on the internal risk report, which analyzes risk exposure based on the degree and extensiveness of risk. Such risks include market risk, credit risk and liquidity risk.

a. Market risk

The Consolidated Companies' operating activities make the Consolidated Companies be exposed to financial risks arising from changes in foreign exchange rates and in interest rates.

There is no change as for financial instruments exposed to market risk or the method used by the Consolidated Companies to manage and measure such risk.

(a) Currency risk

The risks arising from changes in foreign exchange rates to which the Consolidated Companies are exposed are managed to the extent tolerated by the procedure of carrying out financial derivatives transactions. Forward exchange contracts are utilized to reduce the related risks.

Please see Note 33 for the carrying amounts of the Consolidated Companies' monetary assets and monetary liabilities carried in non-functional currencies at the balance sheet date.

The Consolidated Companies' sensitivity analysis only includes foreign currency items, which are calculated assuming an appreciation of 10% in New Taiwan dollars against other currencies at the end of the reporting period, and adjusts income before taxes by a certain amount. If New Taiwan dollars depreciates by 10%, then the effect on income before taxes is the negative of the same amount.

	Effect from USD		Effect from JPY		Effect from RMB	
	2016	2015	2016	2015	2016	2015
Income effects	$76,1944	$75,898	($11,582)	($18,748)	$49,950	$20,130

(b) Interest rate risk

The Consolidated Companies are exposed to interest rate risk arising from time deposits and borrowings at floating interest rates.

Carrying amounts of the financial assets and liabilities of the Consolidated Companies exposed to interest rate risk at the balance sheet date were as follows:

	December 31, 2016	December 31, 2015
Interest rate risk from cash flows		
Financial assets	$ 154,780	$ 91,809
Financial liabilities	1,238,896	1,177,036

The sensitivity analysis of interest rate risk was conducted mainly based on changes in fair value of financial assets and liabilities at floating interest at the end of the reporting period. A hypothetical increase in interest rate of 1% would have resulted in an increase in cash outflows by NT$10,841 thousand and NT$10,852 thousand for the years 2016 and 2015

b. Credit risk

Credit risk refers to the risk that a counterparty delays its contractual obligations resulting in financial loss to the group.

The Consolidated Companies require each significant counterparty to provide with a collateral or any right of guarantee in order to reduce credit risk assumed by the Consolidated Companies. A task group designated by management of the Consolidated Companies is responsible for determination of credit line, approval of credit and other control procedures to make sure that proper measures are taken for recovery of payables overdue. Besides, the Consolidated Companies check recoverable amounts of receivables one by one at the balance sheet date in order to make sure that proper impairment loss is recognized for unrecoverable receivables. Based on the above activities, management of the Consolidated Companies believes that credit risk assumed by the Consolidated Companies has significantly reduced.

c. Liquidity risk

Working capital of the Consolidated Companies had been sufficient, so there was no liquidity risk arising from incapability of performance of contractual obligations due to failure to raise funds.

The maturity profile of the Consolidated Companies' non-derivative financial liabilities is as follows:

	December 31, 2016			
	Less than 1 year	2～3 years	Over 3 years	Total
Non-derivative financial liabilities				
Liabilities without interest	$ 1,109,840	$ -	$ -	$ 1,109,840
Liabilities at floating interest rates	362,396	876,500	-	1,238,896
Liabilities at fixed interest rates	1,314,974	-	-	1,314,974
	$ 2,787,210	$ 876,500	$ -	$ 3,663,710

	December 31, 2015			
	Less than 1 year	2～3 years	Over 3 years	Total
Non-derivative financial liabilities				
Liabilities without interest	$ 654,455	$ -	$ -	$ 654,455
Liabilities at floating interest rates	157,036	1,020,000	-	1,177,036
Liabilities at fixed interest rates	936,253	-	-	936,253
	$1,747,744	$1,020,000	$ -	$2,767,744

30 Related Party Transactions

Intercompany transactions, balances, profits, expenses and losses between K Laser and its subsidiaries (which are related parties of K Laser) have been eliminated upon consolidation; therefore those items are not disclosed in this note. Transactions between the Consolidated Companies and other related parties were as follows:

(1) Operating Transactions

Sale	2016	2015
Associates	$120,649	$ 85,341

Purchases	2016	2015
Associates	$284,121	$266,589

Manufacturing expenses	2016	2015
Associates	$ 8,889	$ 548

Operating expenses	2016	2015
Associates	$ 7,537	$ 29

Interest incomes	2016	2015
Associates	$ 2,777	$ -

Other incomes	2016	2015
Associates	$ 6,792	$ 11,775

(2) Outstanding balances at the balance sheet date were as follows:

	Receivables from related parties	
	December 31, 2016	December 31, 2015
Associates	$491,721	$ 44,814

	Payables to related parties	
	December 31, 2016	December 31, 2015
Associates	$173,067	$ 87,460

	Other receivables and other current assets(excluding loan)	
	December 31, 2016	December 31, 2015
Associates	$ 18,209	$ 50,436

	Other payables and other current liabilities	
	December 31, 2016	December 31, 2015
Associates	$ 45,960	$ -

The price and payment terms to related parties were not significantly different from those to third parties.

(3) Fund Accommodation

Loans provided to related parties by the Consolidated Companies are as follows:

	2016		2015	
Name of Related Party	Maximum Balance	Ending Balance	Maximum Balance	Ending Balance
Associates	$47,920	$ 46,170	$123,422	$ -

(4) Endorsements and Guarantees

Joint guarantors for the borrowings to the Consolidated Companies are their related parties. Joint guarantee is summarized as follows:

Name of Related Party	Nature of Joint Guarantee	December 31, 2016	December 31, 2015
Key management personnel	Short-term loans	$ 861,096	$ 491,313
	Long-term loans	1,055,702	1,020,000
		$1,916,798	$1,511,313

(5) Compensation to Key Management Personnel

The compensation to directors and key management personnel of the Consolidated Companies for 2016 and 2015 was as follows:

	2016	2015
Short-term employee benefits	$ 16,412	$ 17,862
Retirement benefits	108	108
	$ 16,520	$ 17,970

The compensation to directors and key management personnel was determined by the compensation committee based on individual performance and market trends.

31. Pledged Assets

The following assets of the Consolidated Companies were provided as securities for the loans under loan contracts and for business requirements.

	December 31, 2016	December 31, 2015
Deposits in bank	$193,673	$ 91,809
Property, plant and equipment	226,318	229,797
investment property	624	26,433
	$420,615	$348,039

32. Significant Commitments and Contingent Liabilities

(1) Operating Lease

K Laser leased several parcels of land from the Science Park Administration by means of operating lease. (Lease period: 1998.10.16～2018.10.15). Rents will be varied subject to land price adjustments made by the government. Rents to be paid in near future are as follows:

Year	Amount
2017 to 2018 (each year)	$ 3,142

(2) Endorsements and guarantees provided by the Consolidated Companies are detailed as follows:

Unit: Foreign currency in thousands / NTD in thousands

	December 31, 2016	December 31, 2015
K Laser China Group Holding		
Guarantees	USD 6,000	USD 11,000
Amount actually drawn	USD 3,000	USD 4,700
K Laser Technology (USA) Co., Ltd.		
Guarantees	USD -	USD 1,500
Amount actually drawn	USD -	USD 485

33. Exchange Rate Information of Foreign Currency Financial Assets and Liabilities

The Consolidated Companies' significant financial assets and liabilities denominated in foreign currencies were as follows:

Unit: Foreign currency in thousands / NTD in thousands

	December 31, 2016			December 31, 2015		
	Foreign Currency	Exchange Rate	NTD	Foreign Currency	Exchange Rate	NTD
Financial assets						
Monetary items						
USD	$ 39,239	32.2500	$ 1,265,458	$ 35,803	32.8250	$1,175,233
JPY	13,679	0.2756	3,770	267	0.2727	73
RMB	108,186	4.6170	499,495	40,499	4.9780	201,604
Long-term equity investments with equity method						
USD	7,776	32.2500	250,767	13,051	32.8250	428,383
Financial liabilities						
Monetary items						
USD	15,613	32.2500	503,519	$ 12,681	32.8250	$ 416,254
JPY	433,936	0.2756	119,593	687,768	0.2727	187,554

34. Additional Disclosures

(1) Significant Transactions and Reinvestment Related Information:

No.	Item	Explanation
1	Financings provided	Attachment 1
2	Endorsements and guarantees provided	Attachment 2
3	Marketable securities held	Attachment 3
4.	Marketable securities acquired and disposed of at costs or prices of at least NT$300 million or 20% of the paid-in capital	None
5	Acquisition of individual real estate properties at costs of at least NT$300 million or 20% of the paid-in capital	None
6	Disposal of individual real estate properties at prices of at least NT$300 million or 20% of the paid-in capital	None
7	Total purchases from or sales to related parties of at least NT$100 million or 20% of the paid-in capital	Attachment 4
8	Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital	Attachment 5
9	Information about the derivative financial instruments transaction	Note 7
10	Others: The business relationship between the parent and the subsidiaries and significant transactions between them	Attachment 8
11	Information of investees	Attachment 6

(2) Information on Investment in Mainland China:

No.	Item	Explanation
1	Name of the investees located in Mainland China, main businesses and products, issued capital, method of investment, information on inflow or outflow of capital, percentage of ownership, gains (losses) on investments, carrying amount of ending balance, amount received as dividends from investees, and the limitation on investees	Attachment 7
2	Significant direct or indirect transactions with investees located in Mainland China, prices and terms of payment, and unrealized gain or loss: (1) Amount and percentage of purchases, and ending balance and percentage of relevant payables (2) Amount and percentage of sales, and ending balance and percentage of relevant receivables (3) Amount of property transactions and profit or loss generated (4) Ending balance and purpose of collaterals provided or endorsements on notes (5) Maximum balance, ending balance, interest rate and total interest of financings for the year (6) Other transactions with a significant impact on income or financial status for the year, such as provision or use of service.	Attachment 7

35. Operating Segments Information

The Consolidated Companies sell holography products. Based on information of the individual industry that is provided to chief operation decision makers for distributing resources and assessing segment performance, the Consolidated Companies focus on areas they deliver or provide products to. The Consolidated Companies have to report the following operating segments in accordance with the Statement of Financial Accounting Standards No. 41 ”Disclosure of Operating Segments Information”:

China —Wuxi K Laser Technology Co., Ltd.
—Dongguan K Laser Technology Co., Ltd.
—K Laser Technology (HK) Co., Ltd.
—HuNan HeRui Laser Technology Co., Limited.
—Ningbo Guangyao Optivision Technology Co., Ltd.

Other Asian territories—K LASER Technology Inc.
—K Laser Technology (Thailand) Co., Ltd.
—K Laser Technology (Korea) Co., Ltd.
—K Laser Technology Japan Co., Ltd.
—Amagic Holographics India Private Limited
—Optivision Technology Inc.
—Everest display Inc.

Other territories—Amagic Technologies U.S.A. (Dubai)
—K Laser Technology (USA) Co., Ltd.
—Finity Laboratories

(1) Segment revenue and operating results

The continuing operations of the Consolidated Companies analyzed their revenue and operating results by analyzed segments as follows:

The financial information of intersegments for 2016 and 2015 is listed as follows:

	2016				
	China	Other Asian Territories	Others	Adjustment and Write-off	Total
Revenue	$ 3,008,455	$ 2,949,217	$ 590,687	($ 1,468,104)	$ 5,080,255
Cost of revenue	2,338,190	2,458,717	439,813	(1,437,867)	3,798,853
Gross profit	670,265	490,500	150,874	(30,237)	1,281,402
Operating expenses	378,642	407,256	115,961	(93,606)	808,253
Income (loss) from operations	291,623	83,244	34,913	63,369	473,149
Interest income	4,347	5,239	205	(488)	9,303
Interest expenses	103	47,971	2,028	(10,012)	40,090
Other incomes and (expenses and losses)	2,217	226,471	513,171	(841,648)	(99,789)
Income (loss) before income tax	298,084	266,983	546,261	(768,755)	342,573

	2015				
	China	Other Asian Territories	Others	Adjustment and Write-off	Total
Revenue	$2,590,730	$2,131,543	$ 423,455	($1,089,031)	$4,056,697
Cost of revenue	2,056,161	1,781,949	307,338	(1,101,658)	3,043,790
Gross profit	534,569	349,594	116,117	12,627	1,012,907
Operating expenses	317,920	312,408	122,702	(29,633)	723,397
Income (loss) from operations	216,649	37,186	(6,585)	42,260	289,510
Interest income	1,704	6,474	77	1	8,256
Interest expenses	-	30,423	3,164	164	33,751
Other incomes and (expenses and losses)	37,051	223,599	442,590	(718,660)	(15,420)
Income (loss) before income tax	255,404	236,836	432,918	(676,563)	248,595

Transactions among intersegments in 2016 and 2015 have been written off.

(2) Segment assets

	December 31, 2016				
	China	Other Asian territories	Others	Adjustment and Write-off	Total
Cash and cash equivalents	$ 421,793	$ 683,527	$ 84,588	$ -	$ 1,189,908
Notes and accounts receivable	1,236,999	932,754	68,803	(209,179)	2,029,377
Inventories	413,793	326,825	173,059	(23,655)	890,022
Other current assets	402,239	191,640	10,596	(26,348)	578,127
Total current assets	2,474,824	2,134,746	337,046	(259,182)	4,687,434
Funds and investments	436,257	4,020,029	5,613,084	(9,208,390)	860,980
Fixed assets	556,999	724,254	12,229	46,415	1,339,897
Intangible assets	-	1,724	-	-	1,724
Other assets	135,131	120,156	65,004	(180,760)	139,531
Total assets	3,603,211	7,000,909	6,027,363	(9,601,917)	7,029,566

	December 31, 2015				
	China	Other Asian territories	Others	Adjustment and Write-off	Total
Cash and cash equivalents	$ 437,721	$ 699,199	$ 104,891	$ -	$1,241,811
Notes and accounts receivable	1,037,498	729,545	46,912	(266,054)	1,547,901
Inventories	261,914	188,217	143,000	(29,056)	564,075
Other current assets	121,627	58,965	9,124	(14,353)	175,193
Total current assets	1,858,760	1,675,926	303,927	(309,633)	3,528,980
Funds and investments	663,334	3,814,172	5,754,456	(9,327,340)	904,622
Fixed assets	566,297	730,970	14,217	17,107	1,328,591
Intangible assets	14	4,030	-	-	4,044
Other assets	32,297	198,419	38,689	(39,602)	229,803
Total assets	3,120,702	6,423,517	6,111,289	(9,659,468)	5,996,040

Attachment 1 Financings Provided by the Company and Reinvesting companies

Unit: NTD in Thousands / Foreign Currency in Thousands

No. (Note 1)	Financing Company	Counterparty	Financial Statement Account	Related Party	Maximum Balance for the Period	Ending Balance	Amount Actually Dr5awn	Interest Rate	Nature for Financing (Note 2)	Transaction Amounts	Reason for Financing	Allowance for Doubtful Receivables	Collateral		Financial Limits for Each Borrowing Company (Note 3)	Financing Company's Total Financing Amount Limits (Note 3)	Remark
													Item	Value			
0	K LASER Technology Inc.	Everest Display Inc.	Other receivables	Yes	$ 150,000	$ 60,000	$ -	4.5%	2	$ -	Operating capital	$ -	None	None	$ 247,401	$ 618,502	
1	Dongguan K Laser Technology Co., Ltd	Hunan Heshin Packaging Material Limited	Other receivables	Yes	47,920 (RMB 10,000)	46,170 (RMB 10,000)	46,170 (RMB 10,000)	3%	2	-	Operating capital	-	None	None	548,287 (RMB118,754)	548,287 (RMB118,754)	
2	K Laser International Co., Ltd	K Laser Technology (Korea) Co., Ltd.	Other receivables	Yes	7,095 (USD 220)	7,095 (USD 220)	5,579 (USD 173) -	2.5%	2		Operating capital	-	None	None	271,448 (USD 8,417)	271,448 (USD 8,417)	

Note 1: Information on loans from the Company and subsidiaries to others should be divided into two tables and specified in the number column. The numbers should be filled in as follows:

(1) The Company is assigned the number 0.

(2) Numbers are assigned to subsidiaries by types of companies starting from 1.

Note 2: Information on loans from the Company and subsidiaries to others should be divided into two tables and specified in the number column. The numbers should be filled in as follows:

(1) Companies with business relationship are assigned the number 1.

(2) Companies with short-term financing needs are assigned the number 2.

Note 3: Categories of the total financing amount limits of the Company and its subsidiaries are as follows:

(1) According to the Company's procedure of financing, the Company's total financing amount limits shall not exceed 25% of its net worth, and the total amount for lending to a company shall not exceed 10% of its net worth.

(2) According to the Company's procedures of financings and endorsements and guarantees provided by subsidiaries, the total amount lendable by all entities (subsidiaries) of the group shall not exceed 40% of the net worth of all entities (subsidiaries) of the group. The total amount for lending to companies for funding for a short-term period shall not exceed 40% of the net worth of all entities (subsidiaries) of the group.

Attachment 2 Endorsements and Guarantees Provided

Unit: NTD in Thousands / Foreign Currency in Thousands

No. (Note 1)	Endorsement and Guarantee Provider	Guaranteed Party		Limits on Endorsement and Guarantee Amount Provided to Each Guaranteed Party (Note 3)	Maximum Balance for the Period	Ending Balance	Amount Actually Dr5awn	Amount of Endorsement and Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement and Guarantee to Net Equity in Latest Financial Statements (%)	Maximum Endorsement and Guarantee Amount Allowable (Note 3)	Endorsement and Guarantee Provided by Parent Company	Endorsement and Guarantee Provided by a Subsidiary	Endorsement and Guarantee Provided to Subsidiaries in Mainland China	Remark
		Name of Company	Relationship (Note 2)											
0	K LASER Technology Inc.	K Laser China Group Holding Co., Limited	3	$ 494,801	$ 451,640 (USD 14,000)	$ 193,500 (USD 6,000)	$ 96,750 (USD 3,000)	$ -	7.82%	$ 989,602	Yes	No	No	
0	K LASER Technology Inc.	K Laser Technology (USA) Co., Ltd.	3	494,801	50,175 (USD 1,500)	-	-	-	-	989,602	Yes	No	No	

Note 1: Information on endorsements and guarantees of the Company and subsidiaries to others should be divided into two tables and specified in the number column. The numbers should be filled in as follows:

(1) The Company is assigned the number 0.

(2) Numbers are assigned to subsidiaries by types of companies starting from 1.

Note 2: The Company has 6 types of relationships with the subjects it endorses, including:

(1) Companies with business relationship;

(2) Subsidiaries, more than 50% of common shares of which are possessed directly by the Company;

(3) Investees, more than 50% of common shares of which are possessed by parent company and subsidiaries;

(4) Parent company that possesses 50% of the Company's common shares directly or through subsidiaries;

(5) Companies that endorse each other based on a contract to carry out a construction project; and

(6) Companies endorsed by its shareholders according to the shareholding ratio.

Note 3: According to the Company's Regulations for Implementation of Endorsement and Guarantee, the maximum endorsement and guarantee amount allowable shall not exceed 40% of the net worth stated in the latest financial statement of the Company, and the limits on endorsement and guarantee amount provided to each guaranteed party shall not exceed 20% of the net worth stated in the latest financial statement of the Company.

Note 4: For actually appropriated loans, please see Note 32.

Attachment 3 Marketable Securities Held at the End of the Year

Unit: Amounts NTD in Thousands, unless specified otherwise

Held Company	Type and Name of Marketable Securities	Relationship with the Company	Financial Statement Account	End of the Year				Remark
				Number of Shares	Carrying Amount	Percentage of Ownership	Fair Value (Note1)	
	<u>Stocks</u>							
K LASER Technology Inc.	Minton Optic Industry Co., Ltd.	None	Financial assets carried at cost — Noncurrent	857,900	$ -	1	$ -	
K LASER Technology Inc.	Chi Mei Visual Technology Corporation	〃	〃	4,800,000	30,055	16	-	
K LASER Technology Inc.	China Development Biomedical Venture Co., Ltd.	〃	〃	3,000,000	30,000	2	-	
Bright Triumph Limited	Fulgor Holdings Co., Limited	〃	〃	625,000	85,664	12	-	
K Laser International Co., Ltd.	Boxlight Corporation	〃	〃	178,572	32,250	2	-	
	<u>Bonds</u>							
K LASER Technology Inc.	Well Glory Development Co. Ltd.	None	Financial assets at fair value through profit or loss—Current	50,000	5,000	-	5,000	
	<u>Funds</u>							
K LASER Technology Inc.	Jih Sun Asian High Yield Bond	None	Financial assets at fair value through profit or loss—Current	417,526	5,377	-	5,377	
K LASER Technology Inc.	CTBC Global Real Estate Income Fund	None	Financial assets at fair value through profit or loss—Current	300,000	2,834	-	2,834	
Wuxi K Laser Technology Co., Ltd	CR Yuanta Cash Income Money Market Fund	None	Financial assets at fair value through profit or loss—Current	-	52,128	-	52,128	
Dongguan K Laser Technology Co., Ltd	CR Yuanta Cash Income Money Market Fund	None	Financial assets at fair value through profit or loss—Current	-	61,554	-	61,554	
Dongguan K Laser Technology Co., Ltd	China Construction Bank Chien-Yuan-Ri-Shin-Yue-Yi Open-end Fund	None	Financial assets at fair value through profit or loss—Current	-	46,170	-	46,170	
HuNan HeRui Laser Technology Co., Ltd	China Bank Ri-Shin-Yue-Lei Fund	None	Financial assets at fair value through profit or loss—Current	-	60,020	-	60,020	

Note 1: As final reports of some investing companies were not available, fair value was not disclosed.

Note 2: Please see Attachment 6 and Attachment 7 for information relevant to investments of subsidiaries and associates.

Attachment 4 Total Purchases from or Sales to Related Parties of At Least NT$100 Million or 20% of the Paid-in Capital

Unit: NTD in Thousands

Purchasing (Selling) Company	Counterparty	Nature of Relationship	Transaction Details				Abnormal Transaction		Notes and Accounts Receivable (Payable)		Remark
			Purchases (Sales)	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
K LASER Technology Inc.	K Laser Technology (USA) Co., Ltd.	Grandson company of K Laser directly holding 80% of its shares	Sales	$ 260,863	47	D/A 60 days	N/A	N/A	$ 33,498	39	
K LASER Technology Inc.	Top Band Intstrant Ltd.	Grandson company of K Laser directly holding 99.60% of its shares	Purchases	(214,731)	59	D/A 60 days	N/A	N/A	(29,495)	56	
Optivision Technology Inc.	Dongguan K Laser Technology Co., Ltd	Grandson company of K Laser directly holding 99.60% of its shares	Sales	161,041	12	Net 90 days from the end of the month when the invoice is issued	N/A	N/A	-	-	
Top Band Investment Ltd.	Dongguan K Laser Technology Co., Ltd	Grandson company of K Laser directly holding 99.60% of its shares	Purchases	(212,261)	100	D/A 45 days	N/A	N/A	(31,255)	98	
Wuxi K Laser Technology Co., Ltd	Jiangsu Xinguang Laser Packing Materials Co., Ltd.	Invested company, evaluated with equity method	Purchases	(208,718)	38	D/A 60 days	N/A	N/A	(69,145)	52	

Attachment 5 Receivables from related parties excess of NT$100 Million or 20% of the Paid-in Capital

Unit: NTD in Thousands

Name of related parties	Counter Parties	Relationship	Balance of receivable from related parties	Turnover rate	Overdue amount		Amount received in subsequent period	Allowance for bad debt
					Amount	Action taken		
Optivision Technology Inc.	Dongguan light chi photoelectric co., LTD	Other	Accounts Receivable $467,704	2.83	$ -	—	$ 26,876	$ -

Attachment 6 Investees, their Locations and Relevant Information

Unit: NTD in Thousands / Foreign Currency In Thousands

Name of Investing Company	Name of Investee	Location	Main Business Items	Original Investment Amount		Balance at the End of Year			Net Income (Loss) of Investee	Share of Profits / Losses of Investee	Remark
				Ending Balance for the Year	Ending Balance for Last Year	Number of Shares	Percentage of Ownership%	Carrying Amount			
K LASER Technology Inc.	K Laser China Group Co., Ltd.	British Virgin Islands	Reinvesting company	$ 860,508	$ 860,508	25,771,139	100	$ 2,435,181	$ 217,680	$ 219,210	
〃	K Laser International Co., Ltd.	British Virgin Islands	Reinvesting company	686,122	686,122	19,776,367	100	667,316	63,913	63,913	
〃	Optivision Technology Inc.	Hsinchu City	Production and sale of optical equipment and electronic parts and components	307,976	307,976	22,699,420	47	432,807	36,037	25,946	
〃	iWin Technology Co., Ltd.	British Virgin Islands	Reinvesting company	76,610	68,697	123,245	49	17,460	(17,165)	(7,789)	
〃	Vicome Corp.	Yunlin County	Manufacturing, processing, purchase and sale of fluorescence paints and dyes	26,489	26,489	2,661,237	33	98,311	51,008	16,863	
〃	Everest Display Inc.	Hsinchu City	Production and sale of optical equipment and wireless communication machines and devices	400,698	304,698	12,153,574	74	66,788	(50,899)	(55,550)	
〃	Insight Medical Solutions Inc.	Hsinchu City	Research, development and sale of gastrointestinal endoscope	34,602	11,000	2,411,000	29	27,292	(12,895)	(4,044)	
K Laser International Co., Ltd.	K Laser Technology (USA) Co., Ltd.	USA	Sale of holography products	USD 6,500	USD 6,500	6,500,000	80	USD 3,375	USD 926	USD 740	
〃	K Laser Technology (Thailand) Co., Ltd.	Thailand	Manufacturing and sale of holography products	USD 1,801	USD 1,801	9,277,984	83	USD 7,865	USD 753	USD 638	
〃	K Laser Technology (Korea) Co., Ltd.	Korea	Manufacturing and sale of holography products	USD 1,995	USD 1,995	432,607	81	USD 1,166	USD 422	USD 340	
〃	K Laser IMEA Co., Ltd.	Mauritius	Reinvesting company	USD 2,600	USD 3,050	2,600,390	100	USD 1,638	USD 193	USD 193	
〃	Amagic Technologies U.S.A. (Dubai) Ltd.	Dubai	Sale and being the agent of holography products	USD 1,094	USD 1,094	-	100	USD 1,720	USD 331	USD 331	
〃	K Laser Technology Japan Co., Ltd.	Japan	Manufacturing and sale of holography products	USD 830	USD 830	1,344	70	USD 2,497	USD 32	USD 22	
〃	Everest Technology Ltd.	China	Production and sale of optical equipment	USD 1,503	USD 1,503	7,142,857	17	USD 834	(USD 850)	(USD 149)	
K Laser China Group Co., Ltd.	K Laser China Group Holding Co., Limited	Cayman Islands	Reinvesting company	RMB211,291	RMB211,291	102,901,766	100	RMB530,056	RMB 46,020	RMB 45,837	
〃	Holoprint Co., Ltd.	British Virgin Islands	Reinvesting company	RMB 1	RMB 1	1	100	RMB -	RMB -	RMB -	
〃	K Laser Technology (HK) Co., Ltd.	Hong Kong	Sale and being the agent of holography products	RMB 1,092	RMB 1,092	1,283,500	100	RMB 8,446	RMB 789	RMB 789	
〃	Holomagic Co., Ltd.	British Virgin Islands	Reinvesting company	RMB 72,440	RMB 83,813	30,000	100	RMB243,424	RMB 10,035	RMB 9,949	
〃	Top Band Investment., Ltd.	British Virgin Islands	Reinvesting company	RMB130,106	RMB130,106	50,000	100	RMB295,992	RMB 39,483	RMB 39,486	
〃	iWin Technology Co., Ltd.	British Virgin Islands	Reinvesting company	RMB 16,084	RMB 14,437	128,275	51	RMB 4,441	(RMB 3,540)	(RMB 1,805)	

(Carried forward)

(Brought forward)

Name of Investing Company	Name of Investee	Location	Main Business Items	Original Investment Amount		Balance at the End of Year			Net Income (Loss) of Investee	Share of Profits / Losses of Investee	Remark
				Ending Balance for the Period	Ending Balance for Last Period	Number of Shares	Percentage of Ownership%	Carrying Amount			
Holomagic Co., Ltd.	Treasure Access Limited	Hong Kong	Reinvesting company	RMB 29,243	RMB 41,286	10,000	100	RMB 241,842	RMB 12,360	RMB 12,360	
Top Band Investment Ltd.	Union Bloom Co., Ltd.	Hong Kong	Reinvesting company	RMB113,329	RMB113,329	10,000	100	RMB293,085	RMB 39,200	RMB 39,200	
K Laser IMEA Co., Ltd.	Amagic Holographics India Private Limited	India	Manufacturing and sale of holography products	USD 2,508	USD 2,508	10,915,594	100	USD 1,593	USD 134	USD 134	
iWin Technology Co., Ltd.	Finity Laboratories	USA	Research and development of holography products	USD 700	USD 700	700,000	100	USD 1,091	(USD 37)	(USD 37)	
Treasure Access Limited	Wuxi K Laser Technology Co., Ltd	China	Manufacturing and sale of holography products	RMB 44,156	RMB 44,156	-	100	RMB167,180	RMB 13,565	RMB 14,393	
〃	HuNan HeRui Laser Technology Co., Ltd	China	Research, development and production of novel environmentally-friendly packing materials and anti-counterfeiting products	RMB 21,952	RMB 21,952	-	49	RMB 33,691	RMB 1,333	RMB 653	
〃	Jiangsu Xinguang Laser Packing Materials Co., Ltd. (Former Jiangyin Xinguang Laser Packing Materials Co., Ltd.)	China	Production of special film coated paper, decorative film and eco transfer paper	RMB 26,600	RMB 26,600	26,600,000	33	RMB 38,180	RMB 69	(RMB 15)	
〃	Jiangyin Guangqun Laser Technology Co., Ltd.	China	Research and development of laser anti-counterfeiting packing technology, and processing of laser anti-counterfeiting plastic materials, film and card paper	RMB 3,000	RMB 3,000	-	30	RMB 3,281	-	(RMB 500)	
Union Bloom Co., Ltd.	Dongguan K Laser Technology Co., Ltd	China	Manufacturing and sale of holography products	RMB165,621	RMB165,621	-	100	RMB296,886	RMB 41,893	RMB 41,893	
Wuxi K Laser Technology Co., Ltd	Foshan Donglin Packing Materials Co., Ltd.	China	Production of packing materials for cigerettes and augmented products	RMB 8,253	RMB 8,253	-	25	RMB 7,109	(RMB 428)	(RMB 107)	
Dongguan K Laser Technology Co., Ltd	HuNan Hosin Packaging Materials Limited（formally known as HuNan Yong-An Packaging Material Limited）	China	Production, processing and sale of film and cigarettes, and cutting of cigarette paper	RMB 48,100 (note)	RMB 44,300	-	49	RMB 45,919 (note)	(RMB 4,451)	(RMB 2,181)	
Dongguan K Laser Technology Co., Ltd	Hunan Yonghe Packaging Materials Limited	China	Production of paper products and sale of other packing materials, packing products and products	RMB - (note)	RMB 3,800	-	-	RMB - (note)	RMB -	RMB -	

Note：HuNan Hosin Packaging Materials Limited and Hunan Yonghe Packing Materials Limited merged as one company through simply process in January 2016. HuNan Hosin Packaging Materials Limited is the surviving company and inherits all the legal right and liability of Hunan Yonghe Packaging Materials Limited

Attachment 7 Information on Investment in Mainland China

1. Investee's name, main businesses and products, issued capital, method of investment, information on inflow or outflow of capital, percentage of ownership, profit or loss for the year, recognized investment gains or losses, carrying amount of ending balance, amount received as dividends from investees, and the limitation on investments in Mainland China

Unit: Foreign Currency in Thousands / NTD in Thousands

Name of Investee	Main Business Items	Total Amount of Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of Beginning of the Period	Investment Flows		Accumulated Outflow of Investment from Taiwan as of End of Year	Percentage of Ownership %	Net Income (Loss) of Investee	Share of Profits (Losses)	Carrying Amount at End of Year	Accumulated Inward Remittance to Taiwan as of End of Year
					Outflow	Inflow						
Wuxi K Laser Technology Co., Ltd	Research, development and production of laser holography products, opto-electronic equipment and optoelectronic materials	$ 583,307 (RMB126,339)	Reinvestment in entities in China through existing entities in third territories	$ 215,753 (USD 6,690)	$ -	$ -	$ 215,753 (USD 6,690)	100	$ 62,630 (RMB13,565)	$ 66,452 (RMB14,393)	$ 771,870 (RMB167,180)	$ 98,374 (RMB21,307)
Dongguan K Laser Technology Co., Ltd	Production and sale of polyethylene and rigid polyvinyl chloride film and tinsel	764,672 (RMB165,621)	Reinvestment in entities in China through existing entities in third territories	66,403 (USD 2,059)	-	-	66,403 (USD 2,059)	100	193,420 (RMB41,893)	193,420 (RMB41,893)	1,370,723 (RMB296,886)	89,085 (RMB19,295)
Dongguan Rimei Laser Printing Co., Ltd. (Note 5)	Production and sale of color printed boxes and products and laser printed products	116,986 (RMB25,338)	Investment in entities in China through remittance from third territories	69,338 (USD 2,150)	-	-	69,338 (USD 2,150)	-	-	-	-	
HuNan HeRui Laser Technology Co., Ltd（Former Hunan Yongan Laser Technology Co., Ltd.）	Research, development and production of laser paper, alumite and other novel environmentally- friendly packing materials and anti-counterfeiting products	239,161 (RMB51,800) (Note 2)	Reinvestment in entities in China through existing entities in third territories	-	-	-	-	49	6,154 (RMB 1,333)	3,015 (RMB 653)	155,551 (RMB33,691)	17,558 (RMB 3,803)
Jiangsu Xinguang Laser Packing Materials Co., Ltd. (Former Jiangyin Xinguang Laser Packing Materials Co., Ltd.)	Production of special film coated paper, decorative film and eco transfer paper	369,360 (RMB80,000) (Note 3)	Reinvestment in entities in China through existing entities in third territories	-	-	-	-	33	319 (RMB 69)	(69) (RMB -15)	176,277 (RMB38,180)	40,011 (RMB 8,666)
Jiangyin Guangqun Laser Technology Co., Ltd.	Research and development of laser anti-counterfeiting packing technology, and processing of laser anti-counterfeiting plastic materials, film and card paper	46,170 (RMB10,000)	Reinvestment in entities in China through existing entities in third territories	-	-	-	-	30	-	(2,309) (RMB -500)	15,148 (RMB 3,281)	
Everest Technology Ltd.	Research, development and production of large LCD projection display, optical engine for monitor and projection tube	190,830 (RMB41,332)	Reinvestment in entities in China through existing entities in third territories	48,472 (USD 1,503)	-	-	48,472 (USD 1,503)	17	(27,413) (USD -850)	(4,805) (USD -149)	26,897 (USD 834)	

2. Limits on Investments in Mainland China

Accumulated Investment in Mainland China as of End of Year	Investment Amounts Authorized by Investment Commission, Ministry of Economic Affairs	Limit on Investment Provided by Investment Commission, Ministry of Economic Affairs
$ 399,965 (USD 12,402)	$ 1,947,384 (Note 4) (USD 60,384)	(Note 1)

Note 1: Approved by the head office of the operation in accordance with regulations, the investment amount is not restricted to the limitation of 60% of net worth or NT$80,000 thousand.

Note 2: It includes investment of USD2,512 thousand in cash through entities located in third territories.

Note 3: It includes investment of USD3,705 thousand in cash through entities located in third territories.

Note 4: It includes earnings USD11,748 thousand transferred to investment.

Note 5: Stock rights invested has been disposed, but the amount approved has not been nullified at the Investment Commission.

3. Significant direct or indirect transactions with investees located in Mainland China:

Unit: USD in Thousands

Name of Related Party	Relation between the Company and the Related Party	Type of Transaction	Amount	Transaction Terms and Conditions			Notes and Accounts Receivable (Payable)		Unrealized Profit or Loss
				Price	Payment Terms	Comparison with General Transactions	Balance	Percentage (%)	
Wuxi K Laser Technology Co., Ltd	Subsidiary of which the 100% ownership is held indirectly by the Company	Sales	$ 3,144 (USD 97)	Price negotiation	Net 60 days from the end of the month when the invoice is issued	Similar	$ 726 (USD 23)	1	$ -
Dongguan K Laser Technology Co., Ltd	Subsidiary of which the 100% ownership is held indirectly by the Company	Sales	10,409 (USD 323)	Price negotiation	Net 60 days from the end of the month when the invoice is issued	Similar	3,026 (USD 94)	3	(65)

4. Amount of property transactions and profit or loss generated: None
5. Endorsement, guarantee or collateral provided by investees in Mainland China directly or through entities located in third territories: Attachment 2
6. Financings provided to investees in Mainland China directly or through entities located in third territories; None
7. Other transactions with a significant impact on income or financial status for the year: None

Attachment 8 Business Relationship Between the Parent and the Subsidiaries and Significant Transactions Between Them

2016

No.	Company Name	Counterparty	Nature of Relationship	Intercompany Transactions			
				Financial Statements Item	Amount	Terms	Percentage of Consolidated Net Revenue or Total Assets %
0	K Laser	K Laser USA	Parent company vs. subsidiary	Accounts receivable	$ 33,498	—	-
0	K Laser	K Laser Japan	Parent company vs. subsidiary	Accounts receivable	18,885	—	-
0	K Laser	Top Band	Parent company vs. subsidiary	Accounts payable	29,495	—	-
0	K Laser	Holomagic	Parent company vs. subsidiary	Purchases	28,691	—	1
0	K Laser	Top Band	Parent company vs. subsidiary	Purchases	214,731	—	4
0	K Laser	K Laser USA	Parent company vs. subsidiary	Sales	260,863	—	5
0	K Laser	Amagic Dubai	Parent company vs. subsidiary	Sales	17,203	—	-
0	K Laser	K Laser Japan	Parent company vs. subsidiary	Sales	65,549	—	1
0	K Laser	Dongguan K Laser	Parent company vs. subsidiary	Sales	10,409	—	-
1	Optivision Technology Inc.	Dongguan K Laser	Subsidiary vs. subsidiary	Sales	161,041	—	3
2	Top Band	Dongguan K Laser	Subsidiary vs. subsidiary	Accounts payable	RMB 6,769	—	-
2	Top Band	Dongguan K Laser	Subsidiary vs. subsidiary	Other Receivable	RMB 2,891	—	-
2	Top Band	Dongguan K Laser	Subsidiary vs. subsidiary	Purchases	RMB 43,837	—	4
2	Top Band	Amagic Dubai	Subsidiary vs. subsidiary	Sales	RMB 2,601		-
3	Dongguan K Laser	Wuxi K Laser	Subsidiary vs. subsidiary	Sales	RMB 4,345	—	-
3	Dongguan K Laser	Wuxi K Laser	Subsidiary vs. subsidiary	Purchases	RMB 4,624	—	-
4	Wuxi K Laser	HuNan HeRui Laser	Subsidiary vs. subsidiary	Accounts receivable	RMB 4,105	—	-
4	Wuxi K Laser	HuNan HeRui Laser	Subsidiary vs. subsidiary	Sales	RMB 3,537	—	-
4	Wuxi K Laser	K Laser Korea	Subsidiary vs. subsidiary	Sales	RMB 6,655	—	1
4	Wuxi K Laser	K Laser Hong Kong	Subsidiary vs. subsidiary	Sales	RMB 22,654	—	2
4	Wuxi K Laser	Holomagic	Subsidiary vs. subsidiary	Sales	RMB 5,757	—	1

(Carried forward)

(Brought forward)

2015

No.	Company Name	Counterparty	Nature of Relationship	Intercompany Transactions			
				Financial Statements Item	Amount	Terms	Percentage of Consolidated Net Revenue or Total Assets %
0	K Laser	K Laser USA	Parent company vs. subsidiary	Accounts receivable	$ 28,175	—	-
0	K Laser	K Laser Japan	Parent company vs. subsidiary	Accounts receivable	15,947	—	-
0	K Laser	Top Band	Parent company vs. subsidiary	Accounts payable	24,680	—	-
0	K Laser	Holomagic	Parent company vs. subsidiary	Accounts payable	12,901	—	-
0	K Laser	Finity	Parent company vs. subsidiary	Fixed assets	12,701	—	-
0	K Laser	Holomagic	Parent company vs. subsidiary	Purchases	31,305	—	1
0	K Laser	Top Band	Parent company vs. subsidiary	Purchases	172,049	—	4
0	K Laser	K Laser USA	Parent company vs. subsidiary	Sales	183,439	—	5
0	K Laser	Amagic Dubai	Parent company vs. subsidiary	Sales	17,469	—	-
0	K Laser	K Laser Japan	Parent company vs. subsidiary	Sales	55,703	—	1
0	K Laser	K Laser Thailand	Parent company vs. subsidiary	Sales	10,217	—	-
0	K Laser	Dongguan K Laser	Parent company vs. subsidiary	Sales	10,060	—	-
1	Optivision Technology Inc.	Dongguan K Laser	Subsidiary vs. subsidiary	Accounts receivable	67,626	—	1
1	Optivision Technology Inc.	Dongguan K Laser	Subsidiary vs. subsidiary	Sales	272,369	—	7
2	Top Band	Dongguan K Laser	Subsidiary vs. subsidiary	Accounts payable	RMB 4,658	—	-
2	Top Band	Dongguan K Laser	Subsidiary vs. subsidiary	Purchases	RMB 32,125	—	4
3	Dongguan K Laser	Wuxi K Laser	Subsidiary vs. subsidiary	Sales	RMB 6,980	—	1
3	Dongguan K Laser	Wuxi K Laser	Subsidiary vs. subsidiary	Purchases	RMB 2,805	—	-
4	Wuxi K Laser	K Laser Korea	Subsidiary vs. subsidiary	Sales	RMB 2,501	—	-
4	Wuxi K Laser	K Laser Hong Kong	Subsidiary vs. subsidiary	Sales	RMB 19,150	—	2
4	Wuxi K Laser	Holomagic	Subsidiary vs. subsidiary	Sales	RMB 6,172	—	1

Note 1: Information on transactions between parent company and subsidiaries should be specified in the number column. The numbers should be filled in as follows:

1. The Company is assigned the number 0.
2. Numbers are assigned to subsidiaries by types of companies starting from 1.

Note 2: The Company has the following 3 types of relationships with counterparties, including:

1. Parent company vs. subsidiary
2. Subsidiary vs. parent company
3. Subsidiary vs. subsidiary

Note 3: When calculating the ratio of a transaction to the consolidated revenue or total assets, if it is listed as a liability, it shall be calculated as the ratio of the balance at the end of the fiscal period to the total assets; if it is listed as a profit or loss, it shall be calculated as the ratio of the cumulative amount at the middle of the fiscal period to the consolidated revenue.

Note 4: Transactions listed in the table may be determined based on the principle of materiality.

5. Parent Company Only Financial Statements

Deloitte.
勤業眾信

勤業眾信聯合會計師事務所
10596 台北市民生東路三段156號12樓

Deloitte & Touche
12th Floor, Hung Tai Financial Plaza
156 Min Sheng East Road, Sec. 3
Taipei 10596, Taiwan, ROC

Tel :+886 (2) 2545-9988
Fax:+886 (2) 2545-9966
www.deloitte.com.tw

Independent Auditors' Report

The Board of Directors and Shareholders
K LASER Technology Inc.

Opinion

We have audited the accompanying parent company only financial statements of K LASER Technology Inc. (the "Company"), which comprise the parent company only balance sheets as of December 31, 2016 and 2015, and the parent company only statements of comprehensive income , changes in equity and cash flows for the years then ended, and the notes to the parent company only financial statements, including a summary of significant accounting policies

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects , the parent company only financial position of the Company as of December 31, 2016 and 2015 , and its parent company only financial performance and its parent company only cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the parent company only financial statements of the Company for the year ended December 31, 2016. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment of Account Receivable

The amount of the allowance for doubtful accounts receivable is the subjective judgement of the recoverable amount on the overdue and doubtful accounts receivable determined by the management. The estimated amount of the bad debts is determined by of the management's viewpoint on the hypothesis of customer's credit risk. We are particularly concerned about the account receivable that the amount is significant and the payment is slow, and the rationality of the bad debts amount provided by the management.

Accounting policies are described in Note 4 to the parent company only financial report. Please refer to Note 8 of the parent company only financial report for the amount of accounts receivable.

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

Impairment of Inventories

The inventory amount of the Company as of December 31, 2016 is NT$33,578 thousand (the gross inventory amount NT$ 34,646 thousand deducting the allowance of inventory NT$1,068 thousand). Please refer to note 9 of the parent company only financial report.

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

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

Other Matter

We did not audit the financial statements of certain associates and joint venture which statements are based solely on the reports of the other auditors and it relates to the total assets amounted to NT$ 244,157 thousand and NT$ 239,561 thousand, representing 5.38% and 5.36% of the consolidated assets as of December 31, 2016 and 2015. The related share of profits of associates and joint venture under the equity method amounted to NT$ 35,694 thousand and NT$ 33,586 thousand for the years ended December 31, 2016 and 2015. The information regarding the above investees specified in Note 32 to the Company's financial statements were also audited by other certified public accountants rather than us.

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

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

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

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

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

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent company only financial statements for the year ended December 31, 2016 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Hung-Bin Yu and Ker-Chang Wu.

Deloitte & Touche Taipei, Taiwan

The Republic of China

March 30, 2017

Hung-Bin Yu

Ker-Chang Wu.

K LASER Technology Inc.
Parent Company Only Balance Sheet
December 31, 2016 and December 31, 2015

Unit: NTD in Thousands

Assets	December 31, 2015 Amount	%	December 31, 2014 Amount	%
Current Assets				
Cash and cash equivalents (Notes 4 & 6)	$ 201,236	5	$ 145,643	3
Financial assets at fair value through profit or loss－Current (Notes 4 & 7)	13,280	-	21,358	1
Notes receivable (Notes 4 & 8)	5,626	-	4,083	-
Accounts receivable (Notes 4 & 8)	22,191	1	26,103	1
Receivables from related parties (Notes 4, 8 & 27)	58,703	1	68,389	2
Other receivables	7,013	-	8,282	-
Inventories (Notes 4 & 9)	33,578	1	20,088	-
Other current assets (Note 6 & 15)	94,030	2	2,516	-
Total current assets	435,657	10	296,462	7
Noncurrent Assets				
Financial assets carried at cost－Noncurrent (Notes 4 & 10)	60,055	1	60,055	1
Investments accounted for using equity method (Notes 4 & 11)	3,745,155	82	3,713,488	83
Property, plant and equipment (Notes 4 & 12)	211,192	5	211,856	5
Investment property net (Notes 4 & 13)	53,480	1	54,195	1
Other intangible assets (Notes 4 & 14)	195	-	482	-
Deferred income tax assets (Note 22)	25,300	1	28,300	1
Other noncurrent assets (Note 6 & 15)	11,457	-	102,230	2
Total noncurrent assets	4,106,834	90	4,170,606	93
Total Assets	$ 4,542,491	100	$ 4,467,068	100
Liabilities and Equity				
Current Liabilities				
Short-term loans (Note 16)	$ 275,000	6	$ 180,000	4
Short-term notes and bills payable (Note 16)	149,880	3	99,912	2
Financial liabilities at fair value through profit or loss - Current (Notes 4 & 7)	-	-	6,410	-
Notes payable	97	-	12,958	1
Accounts payable	16,528	1	9,076	-
Accounts payable－Related parties (Note 27)	36,248	1	38,255	1
Other payables (Note 18 & 27)	52,818	1	51,275	1
Income tax liabilities for the year (Note 22)	7,832	-	2,364	-
Current portion of long-term liabilities (Note 16)	630,692	14	483,901	11
Other current liabilities	1,469	-	3,074	-
Total current liabilities	1,170,564	26	887,225	20
Noncurrent Liabilities				
Long-term loans (Note 16)	876,500	19	1,020,000	23
Net defined benefit liability (Notes 4 & 19)	20,479	1	16,233	-
Other liabilities－Others	942	-	942	-
Total noncurrent liabilities	897,921	20	1,037,175	23
Total Liabilities	2,068,485	46	1,924,400	43
Equity (Note 20)				
Capital stock				
Capital – common stock	1,328,299	29	1,324,665	30
Capital surplus	392,890	9	408,627	9
Retained earnings				
Appropriated as legal reserve	169,411	4	152,976	3
Appropriated as special capital reserve	162,918	3	162,918	4
Unappropriated earnings	537,308	12	408,801	9
Other equity				
Exchange differences on translation of foreign financial statements	(116,820)	(3)	84,681	2
Total equity	2,474,006	54	2,542,668	57
Total Liabilities and Equity	$ 4,542,491	100	$ 4,467,068	100

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

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

K LASER Technology Inc.
Parent Company Only Income Statement
January 1 to December 31, 2016 and 2015

(NTD in Thousands, Except Earnings Per Share)

	2016		2015	
	Amount	%	Amount	%
Revenue	$550,738	100	$508,628	100
Cost of sales	446,721	81	421,491	83
Gross profit	104,017	19	87,137	17
Realized gross profit (loss) on sales	(336)	-	5,262	1
Gross profit, net	103,681	19	92,399	18
Operating expenses				
Marketing	23,135	4	25,858	5
General and administrative	59,561	11	51,741	10
Research and development	43,487	8	42,624	9
Total operating expenses	126,183	23	120,223	24
Income from operations	(22,502)	(4)	(27,824)	(6)
Non-operating income and expenses				
Net profit(loss) from associates and joint ventures accounted by equity method	258,549	47	210,631	41
Interest income	2,297	-	685	-
Other incomes－Others	22,601	4	21,847	4
Gain (loss) on disposal of property, plant and equipment	(188)	-	1,011	-
Foreign exchange gain	(1,860)	-	2,240	1
Valuation gain(loss) on financial assets and liability, net	6,896	1	(2,967)	-
Interest expenses	(31,469)	(6)	(27,303)	(5)
Miscellaneous expenses	(8,382)	(1)	(9,143)	(2)
Disposal of investment gain	356	-	1,063	-
Total non-operating income and expenses	248,800	45	198,064	39

(Carried forward)

(Brought forward)

	2016		2015	
	Amount	%	Amount	%
Income before income tax	$ 226,298	41	$ 170,240	33
Income tax expenses (Note 22)	(10,837)	(2)	(5,894)	(1)
Net income for the year	215,461	39	164,346	32
Other comprehensive income (loss)				
Items that will not be reclassified subsequently to profit or loss:				
Actuarial loss of defined benefit obligation	(4,286)	(1)	(3,307)	(1)
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of foreign financial statements	(201,501)	(36)	(47,099)	(9)
Total other comprehensive income (loss)	(205,787)	(37)	(50,406)	(10)
Total comprehensive income for the year	$ 9,674	2	$113,940	22
Earnings per share (Note 23)				
From continuing operations				
Basic	$ 1.63		$ 1.12	
Diluted	$ 1.35		$ 0.96	

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

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

K-LASER Technology Inc.
Parent Company Only Statement of Changes in Shareholders' Equity
January 1 to December 31, 2016 and 2015

Unit: NTD in Thousands

	Capital – common stock	Capital surplus	Retained earnings: Appropriated as legal reserve	Retained earnings: Appropriated as special capital reserve	Retained earnings: Unappropriated earnings	Foreign currency translation reserve	Treasury stock transaction	Total equity
Balance, January 1, 2015	$ 1,741,665	$ 496,707	$ 143,907	$ 162,918	$ 409,230	$ 131,780	($ 244,015)	$ 2,842,192
Appropriation and distribution of earnings in 2014								
Appropriated legal reserve	-	-	9,069	-	(9,069)	-	-	-
Cash dividends to shareholders	-	-	-	-	(55,008)	-	-	(55,008)
Adjustment from differences between purchase price and carrying amount arising from acquisition or disposal of subsidiaries	-	5,131	-	-	-	-	-	5,131
Net income in 2015	-	-	-	-	164,346	-	-	164,346
Other comprehensive income (loss) in 2015	-	-	-	-	(3,307)	(47,099)	-	(50,406)
Purchase of treasury stock	-	-	-	-	-	-	(363,587)	(363,587)
Cancellation of treasury stock	(417,000)	(93,211)	-	-	(97,391)	-	607,602	-
Balance, December 31, 2015	1,324,665	408,627	152,976	162,918	408,801	84,681	-	2,542,668
Appropriation and distribution of earnings in 2015								
Legal reserve	-	-	16,435	-	(16,435)	-	-	-
Cash dividends to shareholders	-	-	-	-	(66,233)	-	-	(66,233)
Net income in 2016	-	-	-	-	215,461	-	-	215,461
Other comprehensive income (loss) in 2016	-	-	-	-	(4,286)	(201,501)	-	(205,787)
Conversion of convertible bonds	3,634	1,970	-	-	-	-	-	5,604
From shares of change in equity of subsidiaries	-	(17,707)	-	-	-	-	-	(17,707)
Balance, December 31, 2016	$ 1,328,299	$ 392,890	$ 169,411	$ 162,918	$ 537,308	($ 116,820)	$ -	$ 2,474,006

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

Chairman: Kuo Wei-Wu

Manager: Chen Hao-Kai

Accounting Supervisor: Hung Ya-Ching

K LASER Technology Inc.
Parent Company Only Statements of Cash Flows
January 1 to December 31, 2016 and 2015

Unit: NTD in Thousands

	2016	2015
Cash flows from operating activities		
Income before income tax	$ 226,298	$ 170,240
Incomes and expenses not influencing cash flows:		
Depreciation expense	26,510	24,516
Amortization expense	420	462
Bad debt expense	-	233
Net loss (gain) on financial assets and liabilities measured at fair value through profit or loss	(6,896)	2,967
Interest expenses	31,469	27,303
Interest income	(2,297)	(685)
Loss (gain) on disposal and obsolescence of property, plant and equipment	188	(1,011)
Gain on disposal of investment	(356)	(1,063)
Realized sales income among associates	336	(5,262)
Share of profits of associates and joint ventures evaluated with equity method	(258,549)	(210,631)
Changes in operating assets and liabilities:		
Decrease (increase) in notes receivable	(1,543)	12,209
Decrease (increase) in accounts receivable	3,912	(5,876)
Decrease in accounts receivable－Related parties	9,686	7,290
Decrease in other receivables	1,269	617
Decrease (increase) in inventories	(13,490)	7,502
Decrease in other current assets	295	3,266
Decrease (increase) in other noncurrent assets	209	(2,140)
Decrease in notes payable	(12,861)	(10,927)
Increase (decrease) in accounts payable	7,452	(3,623)
Increase (decrease) in accounts payable－Related parties	(2,007)	2,430
Increase (decrease) in other payables	4,743	(7,120)
Increase (decrease) in other current liabilities	(1,605)	1,250
Decrease in accrued pension liabilities	(40)	(84)
Cash generated by (used in) operating activities	13,143	11,863
Received interest	2,297	685
Paid interest	(21,806)	(17,713)
Paid income interest	(2,369)	(11,239)
Net cash used by operating activities	(8,735)	(16,404)

(Carried forward)

(Brought forward)

	2016	2015
Cash flows from investing activities		
Acquisition of the financial assets measured at fair value through profit or loss that are designated when such assets are recognized	($ 3,000)	($ 43,469)
Disposal of the financial assets measured at fair value through profit or loss that are designated when such assets are recognized	11,574	22,967
Acquisition of financial assets carried at cost	-	(15,000)
Acquisition of long-term stock right investment evaluated with equity method	(128,186)	(22,160)
Disposal of long-term equity investments measured with equity method	1,017	-
Returned capital of investees due to capital decrease with equity method	-	115,146
Acquisition of property, plant and equipment	(30,702)	(47,615)
Disposal of property, plant and equipment	1,715	653
Decrease in refundable deposits	(1,914)	11,092
Decrease (increase) in restricted assets	-	4,500
Received dividends from subsidiaries and associates	135,190	90,612
Acquisition of intangible assets	(133)	(110)
Net cash generated in (used in) investing activities	(14,439)	116,616
Cash flows from financing activities		
Increase (decrease) in short-term loans	95,000	90,000
Increase in short-term notes and bills payable	50,000	-
Increase in long-term loans	-	720,000
Repayment of long-term loans	-	(523,836)
Dividends paid	(66,233)	(55,008)
Purchase of treasury stock	-	(363,587)
Net cash used in (generated in) financing activities	78,767	(132,431)
Decrease (Increase) in cash and cash equivalents for the year	55,593	(32,219)
Cash and cash equivalents, beginning of year	145,643	177,862
Cash and cash equivalents, end of year	$ 201,236	$ 145,643

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

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

K LASER Technology Inc.
Notes to Parent company only financial statements
January 1 to December 31, 2016 and 2015
(Amounts NTD in Thousands, unless specified otherwise)

1. General

K LASER Technology Inc. (hereinafter referred to as the Company), which was incorporated in April 1988 in Hsinchu Science-based Industrial Park, engages mainly in research, development, production, manufacturing and sale of materials and equipment specifically used for holography products and embossing holography products, optical coating and import and export of various products relevant to the above items.

The shares of the company were traded in the Taipei Exchange on December 9, 1999 and listed on the Taiwan Stock Exchange on September 17, 2001.

The accompanying consolidated financial statements are expressed in terms of the functional currency of the Company.

2. Authorization of Financial Statements

The parent company only financial statements were approved by the board of directors on March 30, 2017.

3. Application of New and Revised International Financial Reporting Standards

(1) Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the 2017 version of the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of International Financial Reporting Standards (IFRIC), and Interpretations of IAS (SIC) endorsed by the Financial Supervisory Commission:

According to the Rule No. 1050050021 and Rule No. 1050026834 issued by Financial Supervisory Commission (hereinafter referred to as FSC), the 2017 IFRS, IAS, IFRIC and SIC (hereinafter referred to as IFRSs) versions issued by International Accounting Standards Board (IASB) and endorsed by FSC and the related amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers should be adopted by the Company starting 2017.

New, Amended or Revised Standards and Interpretations	Effective Date Issued by IASB (Note A)
Annual Improvements to IFRSs 2010-2012 Cycle	July 1, 2014 (Note B)
Annual Improvements to IFRSs 2011-2013 Cycle	July 1, 2014
Annual Improvements to IFRSs 2012-2014 Cycle	January 1, 2016 (Note C)
Amendments to IFRS 10, IFRS 12 and IAS 28 “Investment Entities: Applying the Consolidation Exception”	January 1, 2016
Amendments to IFRS 11 “Accounting for Acquisitions of Interests in Joint Operations”	January 1, 2016
IFRS 14 “Regulatory Deferral Accounts”	January 1, 2016
Amendments to IAS 16 and IAS 38 “Clarification of Acceptable Methods of Depreciation and Amortization”	January 1, 2016
Amendments to IAS 16 and IAS 41 “Agriculture: Bearer Plants”	January 1, 2016
Amendments to IAS 19 “Defined Benefit Plans: Employee Contributions”	July 1, 2014
Amendments to IAS 21 “Equity Method for stand alone financial statement”	January 1, 2016
Amendments to IAS 36 “Recoverable Amount Disclosures for Non-Financial Assets”	January 1, 2014
Amendments to IAS 39 “Novation of Derivatives and Continuation of Hedge Accounting”	January 1, 2014
IFRIC 21 “Levies”	January 1, 2014

Note A: The aforementioned new, amended or revised standards or interpretations are effective after fiscal year beginning on or after the effective dates, unless specified otherwise.

Note B: Amendments to IFRS 2 are applied immediately to the share-based payment transactions with a grant date after July 1, 2014. Amendments to IFRS 3 are applied immediately to the business mergers with an acquisition date after July 1, 2014. IFRS 13 comes into effect upon amendment. The remaining amendments are effective for annual periods beginning on or after July 1, 2014.

Note C: The amendments to IFRS 5 are applied prospectively on or after January 1, 2016. The remaining amendments are effective for annual periods beginning on or after January 1, 2016.

Except for the following, the application of the above new, amended or revised standards or interpretations has not had any material impact on the accounting policies of the Company:

a. Amendments to IAS 36 “Recoverable Amount Disclosures for Non-Financial Assets”

The amendments to IAS 36 clarify that the Company is required to disclose the recoverable amount of an asset or a cash-generating unit only when an impairment loss on the asset has been recognized or reversed during the period. Furthermore, if the recoverable amount for which impairment loss has been recognized or reversed is fair value less costs of disposal, the Company is required to disclose the fair value hierarchy. If the fair value measurements are categorized within Level 2 or Level 3, the valuation technique and key assumptions used to measure the fair value are disclosed. The discount rate used is disclosed if such fair value less costs of disposal is measured by using present value technique. The Company expects the aforementioned amendments will result in a broader disclosure of recoverable amount for non-financial assets.

b. IFRIC 21 “Levies”

IFRIC 21 provides the guidance on when the various types of levies by the Government should be recognized as liabilities, including those that the amount of levy has been confirmed at the time the collection, and the amount of liabilities that is not yet determined at the time of collection. The Company shall estimate and recognize the liability when the transaction or event which involve the levy taken place. Therefore, if the payment obligation occurs over time, the relevant liabilities should also be recognized periodically. If the payment obligation occurs when a specific criteria is reached, the relevant liabilities should be recognized when the threshold is reached.

c. Annual Improvements to 2010-2012 Cycle

Annual improvements to 2010-2012 Cycle amend several items including IFRS 2 "Share based payment, IFRS 3 "Business Combination" and IFRS 8 "Operations Segments".

The amendment of IFRS 8 requires the Company to disclose the judgment made by management in applying the aggregation criteria to operating segments, and clarifies that the Company shall only provide reconciliations of the total of the reportable segments’ assets to the Company’s assets if the segment assets are reported to the key operational decision-makers regularly. When IFRS 8 is adopted retrospectively in 2017, the description of the summary benchmark judgment will be added.

d. Annual Improvements to 2011-2013 Cycle

Annual Improvements to 2011-2013 Cycle amend IFRS 3, IFRS 13 and IAS 40 “Investment Property”.

e. Amendments to IAS 16 and IAS 38 “Clarification of Acceptable Methods of Depreciation and Amortization”

An enterprise has to use proper depreciation and amortization methods to inflect expected manner of depletion of future economic benefits of property, plant and equipment and intangible assets.

f. Annual Improvements to 2012-2014 Cycle

Annual Improvements to 2012-2014 Cycle amend IFRS 5 “Noncurrent Assets Held for Sale and Discontinued Operations”, IFRS 7, IAS 19 and IAS 34.

g. Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers

In addition to the IFRSs new applicable accounting items and the disclosure of the impairment of non-financial assets in 2017, the amendment also emphasize several rules of recognition and measurement, and increase the disclosure of related party transaction and goodwill in harmony with the IFRSs domestic implementation.

The amendment provides that a company or institution is a substantial related parties if their chairman or general manager and The Company’s chairman or general manager are the same person or they are spouse or second-degree relative, unless it can be proved that there is no control or significant influence real relationship. In addition, the amendment stipulates that the Company should disclose the name and relationship of the entity if there is a business combination transaction. If the amount or balance of the single related party transaction is more than 10% of the total amount of the transaction or the balance of the Company, it should be disclosed separately.

In addition, the amendment also requires the disclosure of any significant difference on the actual operating result and the expected benefit when acquired.

When the aforesaid amendment is adopted in 2017 retrospectively, the disclosure of the related party transaction shall be added accordingly.

In addition to the above effects, the Company continues to evaluate the impact on financial situation and the financial performance by the revised Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs applicable in 2017 and disclose the relevant effect when the evaluation is completed.

(2) The IFRSs issued by IASB but not endorsed by FSC

The Company has not applied the following IFRSs issued by the IASB but not endorsed by FSC. FSC announced on March 10, 2016 that the IFRSs to be applied from 2017 comprise the IFRSs announced by IASB before January 1, 2016 and being effective on January 1, 2017 (not including IFRS 9 “Financial Instruments”, IFRS 15 “Revenue from Contracts with Customers” and other IFRSs that have not become effective or do not have a date of effectiveness.) Besides, FSC also announced that all listed companies in the R.O.C. should start applying IFRS 15 from 2018. As of the date that the parent company only financial statements were authorized for issue, the initial adoption to the following new, amended or revised standards and interpretations, except those mentioned above, is still subject to the effective date to be published by FSC.

New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB (Note 1)
Annual Improvements to IFRSs 2014-2016 Cycle	Note 2
Amendment to IFRS 2 “Classification and Measurement of Share-based Payment Transactions”	January 1, 2018

(Carried forward)

(Brought forward)

New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB (Note 1)
IFRS 9 "Financial Instruments"	January 1, 2018
Amendments to IFRS 9 and IFRS 7 "Mandatory Effective Date of IFRS 9 and Transition Disclosure"	January 1, 2018
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
Amendment to IFRS 15 "Clarifications to IFRS 15"	January 1, 2018
IFRS 16 "Leases"	January 1, 2019
Amendment to IAS 7 "Disclosure Initiative"	January 1, 2017
Amendment to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018

Note 1: The aforementioned new, revised or amended standards or interpretations are effective after fiscal year beginning on or after the effective dates, unless specified otherwise.

Note 2: The amendment to IFRS 12 is retrospectively applied for annual periods beginning on or after January 1, 2017; the amendment to IAS 28 is retrospectively applied for annual periods beginning on or after January 1, 2018.

a. IFRS 9 "Financial Instruments"

Recognition and Measurement of Financial Instruments

All recognized financial assets currently in the scope of IAS 39, "Financial Instruments: Recognition and Measurement," will be subsequently measured at either the amortized cost or the fair value. The classification and measurement requirements in IFRS 9 are stated as follows:

For the debt instruments invested by the Company, if the contractual cash flows that are solely for payments of principal and interest on the principal amount outstanding, the classification and measurement requirements are stated as follows:

(a) If the objective of the Company's business models is to hold the financial assets to collect the contractual cash flows, such assets are measured at the amortized cost. Interest revenue should be recognized in profit or loss by using the effective interest method and continuously assessed for impairment, and the impairment loss or reversal of impairment loss should be recognized in profit and loss.

(b) If the objective of the Company's business models is to hold the financial assets both to collect the contractual cash flows and to sell the financial assets, such assets are measured at fair value through other comprehensive income and are continuously assessed for impairment. Interest revenue should be recognized in profit or loss by using the effective interest method. A gain or loss on a financial asset measured at fair value through other comprehensive income should be recognized in other comprehensive income except for impairment gains or losses and foreign exchange gains and losses. When such financial assets are derecognized or reclassified, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.

The other financial assets which do not meet the aforementioned criteria should be measured at the fair value through profit or loss. However, the Company may irrevocably designate an investment in equity instruments that is not held for trading as measured at fair value through other comprehensive income. All relevant gains and losses on such financial assets shall be recognized in other comprehensive income, except for dividends which are recognized in profit or loss. No subsequent impairment assessment is required, and the cumulative gain or loss previously recognized in other comprehensive income cannot be reclassified from equity to profit or loss.

Impairment of Financial Assets

IFRS 9 adds a new expected loss impairment model to measure the impairment of financial assets. A loss allowance for expected credit losses should be recognized on financial assets measured at amortized cost, financial assets mandatorily measured at fair value through other comprehensive income, rents receivable, contractual assets or loan commitment generated from IFRS 15 “Revenue from Contracts with Customers” and financial guarantee contracts. If the credit risk on a financial instrument has not increased significantly since initial recognition, the Company should measure the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses. If the credit risk on a financial instrument has increased significantly since initial recognition and is not deemed to be a low credit risk, the Company should measure the loss allowance for that financial instrument at an amount equal to the lifetime expected credit losses. The Company should always measure the loss allowance at an amount equal to lifetime expected credit losses for the accounts receivables that do not contain significant financial components.

Furthermore, when recognizing originated credit impaired financial assets, the Company calculates the effective interest rate after changes to credit rating based on expected credit loss. Expected credit losses are measured through a loss allowance at an amount equal to full lifetime expected credit losses.

Transition

Financial instruments that have been derecognized prior to the effective date of IFRS 9 cannot be reversed to apply IFRS 9 when it becomes effective. Under IFRS 9, the requirements for classification, measurement and impairment of financial assets are applied retrospectively with the difference between the previous carrying amount and the carrying amount at the date of initial application recognized in the current period and restatement of prior periods is not required. The requirements for general hedge accounting shall be applied prospectively and the accounting for hedging options shall be applied retrospectively.

b. Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”

According to the amendments, if the Company sells or invests assets to or in an associate or lose their control over a subsidiary in a transaction with an associate, but still maintain great influence on the subsidiary, the Company shall recognize all profits or losses of the transaction when the above assets or subsidiary meet the definition provided for “business” in IFRS 3.

In addition, in case the Company sells or invests assets to or in an associate or lose their control over a subsidiary in a transaction with an associate, but still maintain great influence on the subsidiary, the Company shall recognize profits or losses of the transaction only within the range of the equity of the associate irrelevant to investors if the above assets or subsidiary fail to meet the definition provided for “business” in IFRS 3. In other words, the share of profits or losses attributable to the Company has to be eliminated.

c. IFRS 15 “Revenue from Contracts with Customers” and related amendments

IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers, and will supersede IAS 18 “Revenue”, IAS 11 “Construction Contracts” and a number of revenue-related interpretations.

When applying IFRS 15, the Company shall recognize revenue by applying the following steps:

(a)Identify the contract with the customer; ı

(b)Identify the performance obligations in the contract; ı

(c)Determine the transaction price;
(d)Allocate the transaction price to the performance obligations in the contracts; and
(e)Recognize revenue when the entity satisfies a performance obligation.

When IFRS 15 is effective, the Company may elect to apply this Standard either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of initially applying this Standard recognized at the date of initial application.

d. IFRS 16 "Leases"

IFRS 16 sets out the accounting standards for leases that will supersede IAS 17 "Leases" and a number of related interpretations.

Under IFRS 16, if any of the Company is a lessee, it shall recognize right-of-use assets and lease liabilities for all leases on the balance sheets except for low-value and short-term leases. The Company may elect to apply the accounting method similar to the accounting for operating lease under IAS 17 to the low-value and short-term leases. On income statement, the Company should present the depreciation expense charged on the right-of-use asset separately from interest expense accrued on the lease liability; interest is computed by using effective interest method. On the parent company only statement of cash flows, cash payments for both the principal and interest portion of the lease liability are classified within financing activities.

Accounting treatment for the Company as the lessor results in no significant influence.

When IFRS 16 becomes effective, the Company may elect to apply this Standard either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of the initial application of this Standard recognized at the date of initial application.

e. Amendments to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Losses"

The amendments to IAS 12 mainly clarify that regardless of whether the Company intends to collect return on debt instruments measured at fair value through sale or contractual cash flow, temporary difference should be the difference between the asset measured at fair value and measured at cost for tax purposes, regardless of whether or not there is unrealized loss on the debt instruments.

Furthermore, unless tax law restricts the types of deductible income of deductible temporary differences, similar deductible temporary differences should be evaluated as to whether or not they are listed as deferred income tax assets, otherwise all deductible temporary differences should be evaluated as a whole. When evaluating whether or not to recognize deferred income tax assets, if there is enough evidence that shows the Company will very likely recover the asset at an amount higher than book value, then the carrying amount of the asset during recovery is not limited to its book value when estimating future taxable income, which should exclude the tax effects of deductible temporary differences.

f. "Annual Improvements to 2014–2016 Cycle":

Annual improvements to 2014-2016 Cycle amend several items including IFRS 12 "Disclosure of Interests in Other Entities", and IFRS 28 "Investments in Associates and Joint Ventures".

g. Amendment to IAS 40 "Transfer of Investment Properties"

The amendment clarifies that the Company should only convert real estate into or out of the investment real estate when the real estate meets (or no longer meets) the definition of investment real estate and there is a evidence of change in usage. The intention of the change in usage of real estate is not an evidence. In addition, the evidence to clarify the use of the amendment is not limited to the circumstances listed in IAS 40.

h. IFRIC 22 — Foreign Currency Transactions and Advance Consideration

IAS 21 provides that the original recognition of foreign currency transactions shall be recorded in functional currency by the spot rate of the transaction day. IFRIC 22 further covers foreign currency's transaction that if an entity recognizes receives or pays the consideration in advance, the date of receipt of payment is the date of initial recognition of the non-monetary asset or liability should be recognized at the date. If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt.

Except for the aforementioned impact, as of the date that the accompanying parent company only financial statements were authorized for issue, the Company continues in evaluating the impact on its financial position and financial performance as a result of the initial adoption of the other standards or interpretations. The related impact will be disclosed when the Company completes the evaluation.

4. Summary of Significant Accounting Policies

The financial statements of the Company have been prepared in Chinese. These financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language financial statements, the Chinese version shall prevail.

(1) Statement of Compliance

The accompanying parent company only financial statements have prepared in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

(2) Basis of Preparation

The accompanying parent company only financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair values.

Relevant inputs used to measure fair value are classified as level 1 to level 3 based on observables and significance of such inputs:

a. Lever 1 inputs: Such inputs refer to the prices (not adjusted) of identical assets or liabilities available in an active market at the date of measurement.
b. Lever 2 inputs: They refer to the inputs observable directly (i.e. prices) or indirectly (i.e. results inferred from prices) for the assets or liabilities, except level 1 prices.
c. Lever 3 inputs: They refer to the inputs unobservable for the assets or liabilities.

When preparing the parent company only financial statements, the Company accounts for subsidiaries and associates by using the equity method. In order to agree with the amount of net income, other comprehensive incomes and equity attributable to shareholders of the parent in the consolidated financial statements, no difference of the accounting treatment between the parent company only basis and the consolidated basis is adjusted. The Company uses equity method to measure investees and associates in preparation of the parent company only financial statements.

(3) Classification of Current and Noncurrent Assets and Liabilities

Current assets include:

a. Assets held for trading purposes;
b. Assets expected to be realized within 12 months from the date of balance sheet; and
c. Cash and cash equivalents (exclusive of those restricted for the purpose of exchange or repayment of liabilities after 12 months from the date of balance sheet).

Current liabilities include:

a. Liabilities held for trading purposes;
b. Liabilities expected to be settled within 12 months from the date of balance sheet; and

c. Liabilities of which the settlement deadline is not permitted to be extended unconditionally to any day beyond 12 months from the date of balance sheet; the classification is not influenced if liabilities are repaid by equity instruments issued at the counterparty's option in compliance with the terms and conditions of the liabilities.

Items attributed to neither abovementioned current assets nor abovementioned current liabilities are classified as noncurrent assets or noncurrent liabilities.

(4) Foreign Currencies

In preparing the financial statements of each individual consolidated entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

Monetary items in foreign currency are converted at the closing rate at the balance sheet date. Exchange differences generated from settlement or conversion of monetary items are recognized in profit or loss for the year.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising on the retranslation of non-monetary items are included in profit or loss for the year except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in foreign currencies and translated at the rates of exchange prevailing at the dates of the transactions are not retranslated.

For the purposes of presenting parent company only financial statements, the assets and liabilities of the Company's foreign operations (including the Company's subsidiaries and associates that use any currency different from that used by the Company or that operate in any nation different from the nation where the Company operates) are translated into New Taiwan dollars using exchange rates prevailing at the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognized in other comprehensive income.

(5) Inventories

Inventories include raw materials, materials, finished goods and work in process. Inventories are measured at the lower of cost or net realizable value. Comparison of cost and net realizable value is made on an individual basis, except for inventories in the same category. Net realizable value represents the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventory cost is calculated with weighted average method.

(6) Investments Measured with Equity Method

The Company uses equity method to measure its investments in subsidiaries and associates.

a. Investment in Subsidiaries

A subsidiary refers to an entity controlled by the Company.

Under the equity method, investments are initially recognized at cost and adjusted thereafter to recognize the Company's share of profit or loss and other comprehensive income of the subsidiary as well as the distribution received. The Company also recognizes its share in the changes in equity of the subsidiary.

Changes in the Company's ownership interests in subsidiaries that do not result in the Company losing control over the subsidiaries are accounted for as equity transactions. Any difference between the carrying amount of investment and the fair value of the consideration paid or received is recognized directly in equity.

When the Company's share of loss on a subsidiary equals or exceeds its interests in the subsidiary (including the carrying amount of the subsidiary carried with equity method, and other long-term interests comprising net investment in the subsidiary by the Company), further losses are recognized continuously in consistence with the percent of existing ownership percentage.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of a subsidiary recognized at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and shall not be amortized. Any excess of the Company's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognized immediately in profit or loss.

When assessing impairment, the Company considers cash-generating units based on the financial statements and compares recoverable amounts with carrying amounts. If recoverable amounts of assets increase, reversed impairment loss will be recognized as gains. However, the carrying amount of assets after reversal of impairment shall not exceed the carrying amount loss less amortization before impairment loss is not recognized. Impairment loss attributed to goodwill shall not be reversed afterwards.

When losing its control over a subsidiary, the Company measures the rest of its investment in the past subsidiary at fair value on the day when the control is lost. The difference between fair value of the remaining investment and any gain on disposal and the carrying amount on the day when the control is lost is recognized in profit or loss for the year. Furthermore, accounting treatment of all amounts recognized in other comprehensive incomes with respect to that subsidiary is consistent with the basis required for direct disposal of relevant assets or liabilities.

When the Company transacts with a subsidiary, unrealized profits and losses resulting from the upstream transactions with the subsidiary are eliminated in the parent company only financial statements. Profits and losses resulting from the downstream and sidestream transactions with the subsidiary are recognized in the parent company only financial statements only to the extent of interests in the subsidiary that are not owned by the Company.

b. Investment in Associates

An associate is an entity over which the Company has significant influence and that is neither a subsidiary nor a joint venture.

Under the equity method, an investment in an associate is initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Company's share of profit or loss and other comprehensive income of the associate as well as the distribution received. The Company also recognizes their share in the changes in equity of the associate.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognized at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and shall not be amortized. Any excess of the Company's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognized immediately in profit or loss.

If the Company subscribes to additional shares in an associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Company's proportionate interest in the net assets of the associate. The Company records such a difference as an adjustment to capital surplus (with respect to changes in net stock rights of the associate or joint venture recognized with the equity method) and to investments recognized with the equity method. If the Company's ownership interest is reduced due to the additional subscription to the shares of the associate or joint venture by other investors, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate shall be reclassified to profit or loss on the same basis as would be required if the associate had directly disposed of the related assets or liabilities. If capital surplus is debited for the aforementioned adjustment and the balance of capital surplus generated from the investments measured with equity method is insufficient, then retained earnings are debited for such difference.

When the Company' share of loss on an associate equals or exceeds its interests in the associate (including the carrying amount of the associate carried with equity method, and other long-term interests comprising net investment in the associate by the Company), further losses are not recognized any more. The Company recognizes additional losses and liabilities only when legal or constructive obligation occurs or when paying for the associate.

The entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

The Company ceases using equity method on the date when associates are not their investments. After that, retained interests in the associates are measured at fair value. The fair value of retained interests and the difference between the gains on disposal and the carrying amount of the investments on the date when the Company ceases using equity method are recognized in profit or loss for the year. The proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to the associate shall be reclassified to profit or loss on the same basis as would be required if the associate had directly disposed of the related assets or liabilities. If the investment in an associate becomes the investment in a joint venture, or the investment in a joint venture becomes the investment in an associate, the Company will adopts equity method continuously and will not remeasure retained interest.

When the Company transacts with an associate, profits and losses resulting from the upstream, downstream and sidestream transactions with the associate are recognized in the Company's parent company only financial statements only to the extent of interests in the associate that are not owned by the Company.

(7) Property, Plant and Equipment

Properties, plants and equipment are stated at cost and subsequently measured at cost less accumulated depreciation and accumulated impairment.

Each significant property, plant and equipment is depreciated singly over its expected useful life with the straight-line method. However, when the lease term of such asset is shorter than its expected useful life, it is depreciated over the lease term. The Company reviews the estimated useful lives, residual values and depreciation method at least at the end of each fiscal year, with the effect of any changes in estimates accounted for on a prospective basis.

The difference between the sales proceeds and the carrying amount of an item of property, plant and equipment upon its disposal or retirement is recognized in profit or loss.

(8) Investment Property

Investment property refers to real estate possessed for earning rents or/and increasing capital in value.

Investment property is initially carried at cost (including transaction cost) and subsequently measured at cost less accumulated depreciation and accumulated impairment loss. The Company uses the straight-line method to allocate depreciation.

When investment property is derecognized, the difference between the net gain on disposal and the carrying amount of the asset is recognized in profit or loss.

(9) Intangible Assets

a. Separate acquisition

Separately acquired intangible assets with finite useful lives are carried at cost and measured at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized using the straight-line method over the estimated useful lives of the intangible assets. The estimated useful lives, residual values and depreciation method are at least reviewed at the end of each fiscal year, with the effect of any changes in estimates accounted for on a prospective basis. Intangible assets with uncertain useful lives are stated at cost less accumulated impairment losses.

b. Derecognition

When an intangible asset is derecognized, the difference between the net gain on disposal and the carrying amount of the asset is recognized in profit or loss for the year.

(10) Impairment of Tangible and Intangible Assets

The Company reviews the carrying amounts of its tangible and intangible assets at the balance sheet date to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

For the intangible assets of which the useful lives are uncertain and which are not available to be used, the review is conducted at least annually or when any indication of impairment loss exists.

Recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset or a cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount (after deduction of amortization or depreciation) that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

(11) Financial Instruments

Financial assets and liabilities are recognized in the parent company only balance sheet when the Company becomes a party to the contractual provisions of the instruments.

Financial assets and liabilities are initially recognized at fair values. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities, other than financial assets and financial liabilities at fair value through profit or loss, are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition or issue of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

a. Financial Assets

When financial assets are purchased or sold by convention, derivatives are dealt with based on settlement accounting, and all the other financial assets are dealt with based on trade accounting.

(a) Measurement type

Financial assets held by the Company include financial assets at fair value through profit or loss, and loans and accounts receivable.

A. Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading purposes and financial assets at fair value through profit or loss. The aforementioned financial assets are measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss.

If financial assets at fair value through profit or loss are equity instrument investments without open quotation in an active market and the fair value of such financial assets cannot be measured in a reliable way, or are derivative instruments linked to these unquoted equity instruments and requiring payment of equity instruments transactions, then such financial assets shall be carried at the cost subtracting the impairment loss and listed as financial assets carried at cost. When the fair value of the financial assets can be measured in a reliable way, the financial assets will be carried at the fair value. The difference between the carrying amount and the fair value is listed in profit or loss.

B. Loans and receivables

Loans and receivables (including accounts receivable, cash and cash equivalents, etc.) are measured at amortized cost using the effective interest method, less any impairment, except for those short-term accounts receivable with immaterial interest.

Cash equivalents, for the purpose of meeting short-term cash commitments, consist of highly liquid time deposits and investments that are readily convertible to known amounts of cash within 3 months from the date of acquisition and which are subject to an insignificant risk of changes in value.

(b) Impairment of financial assets

Financial assets, other than financial assets at fair value through profit or loss, are assessed by the Company for indicators of impairment at the balance sheet date. Those financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, their estimated future cash flows have been affected.

For financial assets carried at amortized cost, such as accounts receivable, assets that are assessed not to be impaired as there is no objective evidence of impairment are, in addition, assessed for impairment on a collective basis.

For financial assets carried at amortized cost, the amount of the impairment loss is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognized, the previously recognized impairment loss is reversed through profit or loss, directly or by adjustment of the allowance amount, to the extent that the carrying amount of the financial assets at the date the impairment loss is reversed does not exceed what the amortized cost would have been had the impairment loss not been recognized.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of accounts receivables, where the carrying amount is reduced through the use of an allowance account. When an account receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Except for the accounts receivable that are uncollectible and written off against the allowance account, changes in carrying amounts of the allowance account are recognized in profit or loss.

(c) Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the financial asset expire, or when the Company transfers the financial asset and substantially all the risks and rewards of ownership of the financial asset to another entity. On derecognition of a financial asset in its entirety, the difference between the financial asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

b. Equity instruments

Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

Equity instruments retrieved by the Company are recognized and subtracted from equity. The Company's own equity instruments purchased, sold, issued or cancelled are not recognized in profit or loss.

c. Financial liabilities

(a) Subsequent measurement

Except for the following, all financial liabilities are measured at amortized cost using effective interest method:

<u>Financial liabilities at fair value through profit or loss</u>

Financial liabilities at fair value through profit or loss include financial assets held for trading purposes and measured at fair value through profit and loss.

Financial liabilities held for trading purposes are measured at fair value through profit or loss, and any gains or losses arising on remeasurement are recognized in profit or loss.

(b) Derecognition of financial liabilities

The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable (including any transferred non-cash assets or assumed liabilities) is recognized in profit or loss.

d. Convertible bonds

Compound financial instruments (convertible bonds) are issued by the Company based on the definitions of financial liabilities and equity instruments stated in contracts and agreements, and are classified as financial liabilities and equity in initial recognition.

In initial recognition, the fair value of the liability components is estimated based on the market rate of interest of a similar inconvertible instrument, and, before inversion or due date, is estimated based on the amortized cost calculated using the effective interest method. The liability components belonging to embedded non-equity derivative instruments are measured at fair value.

A conversion option classified as equity equals the overall fair value of the compound instrument subtracting the fair value of the liability components determined independently. After subtraction of the income tax, the remaining sum is recognized as equity and is not measured again later. When the conversion option is exercised, the corresponding liability component and the amount classified as equity are recognized as capital stock and capital surplus – at premium. If the conversion option of a convertible bond is not exercised before the due date, the amount recognized as equity will be recognized as capital surplus – at premium.

The transaction cost related to the issuance of convertible bonds is amortized to the instrument's liability components (recognized as carrying amount of liabilities) and equity components (recognized as equity) at the percent of amortization.

e. Derivative financial instruments

The Company enters into a variety of derivative financial instruments to manage its risk exposure to interest rate and foreign exchange rate, including forward exchange contracts and interest rate futures contracts.

Derivative financial instruments are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the balance sheet date. The resulting gain or loss is recognized in profit or loss immediately. Derivative financial instruments are recognized as financial assets when the fair value of such instruments is a positive, and are recognized as financial liabilities when the fair value of such instruments is a negative.

(12) Provision

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the obligation, its carrying amount is the present value of those cash flows.

(13) Recognition of Revenue

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances. Sales return refers to the amount of returned products reasonably estimated based on past experience and other relevant factors. Revenue from the sale of goods is recognized when the goods are delivered and titles have passed.

(14) Leases

Leases are classified as finance lease whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

a. The Company as the lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease.

b. The Company as the lessee

Operating lease payments are recognized as an expense on a straight-line basis over the lease term. Contingent rents under a lease agreement are recognized as expenses for the year when they occur.

(15) Cost of Borrowings

The borrowing cost which occurs for the acquisition of assets is a part of the cost of the assets, until the assets are ready for their intended use or to be sold, with all necessary activities completed.

If the temporary investment for which special loans are obtained is performed before eligible capital expenditure occurs, the investment income earned shall be subtracted from the borrowing cost eligible for capitalization.

Except as otherwise mentioned above, the cost of other borrowings is recognized in profit or loss in the year when such cost occurs.

(16) Employee Benefits

a. Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for service rendered by employees.

b. Retirement benefits

For defined contribution retirement benefit plans, payments to the benefit plan are recognized as an expense when the employees have rendered service entitling them to the contribution.

Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the Projected Unit Credit Method. Service cost, current service cost and net interest on the net defined benefit liability (asset) are recognized as employee benefits expense in the period they occur or such plans are amended or reduced. Remeasurement, comprising actuarial gains and losses, changes in effect of asset limits and the return on plan assets, is recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in other equity and will not be reclassified to profit or loss.

Net defined benefit liability (asset) represents the actual deficit (remainder) in the defined benefit plan. Net defined benefit asset shall not exceed the contributions returned from the plan or the value of contributions to be reduced in the future.

c. Other long-term employee benefits

Other long-term employee benefits and the defined benefit retirement benefit plans are dealt with based on the same accounting method; however, relevant remeasurements are recognized in profit or loss.

(17) Income Tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

a. Current income tax

Income tax on unappropriated earnings at a rate of 10% is expensed in the year the shareholders approved the appropriation of earnings which is the year subsequent to the year the earnings are generated. Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

b. Deferred income tax

Deferred income tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred income tax liabilities are generally recognized for all taxable temporary differences. Deferred income tax assets are generally recognized for all deductible temporary differences, net operating loss carryforwards and unused tax credits to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred income tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint venture, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax assets arising from deductible temporary differences associated with such investments are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred income tax assets is reviewed at the balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be recovered. The deferred income tax assets which originally not recognized is also reviewed at the balance sheet date and increased to the extent that it is probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be recovered.

Deferred income tax liabilities and assets are measured at the tax rates that are expected to apply in the year in which the liability is settled or the asset is realized, based on tax rates and tax laws that have been enacted or substantively enacted by the date of balance sheet. The measurement of deferred income tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the balance sheet date, to recover or settle the carrying amount of its assets and liabilities.

c. Current and deferred income tax for the year

Current and deferred income tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred income tax are also recognized in other comprehensive income or directly in equity, respectively.

5. Critical Accounting Judgments and Key Sources of Estimation and Uncertainty

In the application of the Company's accounting policies, the management is required to make judgments, estimates and assumptions about any relevant information that is not readily available from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed by the directors on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimate is revised if the revision affects only that year or in the year of the revision and future years if the revision affects both current and future years.

The Company's critical accounting judgments and key sources of estimation and uncertainty are as follows:

(a) Estimated impairment of accounts receivable

The Company estimates future cash flows when an objective proof shows an indication of impairment loss. The amount of the impairment loss is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. If future cash flows are less than expected, a significant impairment loss may occur.

(b) Impairment of inventories

Net realizable value of inventory is the remaining amount by deducting cost still required until completion from estimated sales price during normal operations. The estimate is based on the current market situation and sales experience of similar products. Changes in the market situation may significantly influences estimates.

6. Cash and Cash Equivalents

	December 31, 2016	December 31, 2015
Cash on hand and revolving funds	$ 6,951	$ 7,002
Bank checks and current deposits	194,285	138,641
	$201,236	$145,643

(1) Market rates of interest for deposits in bank at the balance sheet date are as follows: (Interest rate for check deposits: 0%)

	December 31, 2016	December 31, 2015
Deposits in bank	0.001%~0.35%	0.001%~0.35%

(2) The Company's deposits in bank are reclassified to other noncurrent assets for the following purposes:

	December 31, 2016	December 31, 2015
Other current assets (Note 15)		
Collateral for issuance of convertible bonds	$ 91,809	$ -
Other noncurrent assets (Note 15)		
Collateral for issuance of convertible bonds	$ -	$ 91,809

7. Financial Instruments at Fair Value Through Profit or Loss

	December 31, 2016	December 31, 2015
Financial assets held for trading purposes－Current		
Derivative financial instruments (hedge not designated)		
Convertible bonds embedded derivative financial instruments	$ 69	$ -
Non-derivative financial assets		
Beneficiary certificate of funds	8,211	16,468
Bond investment	5,000	4,890
Financial assets at fair value through profit or loss－Current	$ 13,280	$ 21,358
Financial liabilities held for trading purposes		
Derivative financial instruments (hedge not designated)		
Convertible bonds embedded derivative financial instruments	$ -	$ 6,410
Financial liabilities at fair value through profit or loss－Current	$ -	$ 6,410

8. Notes Receivable and Accounts Receivable

	December 31, 2016	December 31, 2015
Notes receivable	$ 5,626	$ 4,083
Accounts receivable	$ 25,221	$ 29,133
Less: Allowance for doubtful receivables	(3,030)	(3,030)
	22,191	26,103
Accounts receivable－Related parties (Note 27)	58,703	68,389
	$ 80,894	$ 94,492

(1) Accounts Receivable

The payment term granted by the Company to customers is due 60 to 150 days from the sale of goods. The allowance for doubtful receivables is assessed by reference to collectability of receivables and current financial conditions of customers.

Accounts receivable include amounts that are past due at the balance sheet date but for which the Company has not recognized a specific allowance for doubtful receivables. As there has not been a significant change in the credit quality of its customers, the amounts are still considered recoverable by the management of the Company.

Aging analysis of accounts receivable is as follows:

	December 31, 2016	December 31, 2015
Not past due	$ 83,445	$ 86,824
1～60 days	255	2,301
61～90 days	5	570
91～180 days	186	889
181～360 days	7	6,932
361 days or above	26	6
Total	$ 83,924	$ 97,522

The above is the aging analysis of accounts based on days past due.

Aging analysis of the accounts receivable past due but not impaired is as follows:

	December 31, 2016	December 31, 2015
0 days or below	$ 255	$ 2,301
61to 180 days	-	4,738
181 to 360 days	-	-
361 days or above	$ 255	$ 7,039

The above is the aging analysis of accounts based on days past due.

(2) Movements the allowance for doubtful receivables recognized for accounts receivable are as follows:

Collectively assessed for impairment	2016	2015
Balance at beginning of the year	$ 3,030	$ 11,755
Add: Impairment loss recognized for the year	-	233
Less: Write-off for the year	-	(8,958)
Balance at end of the year	$ 3,030	$ 3,030

9. Inventories

	December 31, 2016	December 31, 2015
Finished goods	$ 18,472	$ 11,169
Work in process	1,247	1,672
Raw materials and supplies	10,942	5,900
Merchandise	2,917	1,347
	$ 33,578	$ 20,088

The Company's allowance for inventory valuation and obsolescence loss as of December 31, 2016 and December 31, 2015 was NT$1,068 thousand and NT$989 thousand.

Sales cost relevant to inventories for the years 2016 and 2015 was NT$447,057 thousand and NT$416,229 thousand respectively. Sales cost for the year 2016 included loss on obsolete stocks, NT$79 thousand.

10. Financial Assets Carried at Cost

	December 31, 2016	December 31, 2015
Non-publicly traded common stocks		
Chi Mei Visual Technology Corporation	$ 30,055	$ 30,055
China Development Biomedical Venture Co., Ltd.	30,000	30,000
	$ 60,055	$ 60,055
Financial assets by measurement type		
Financial assets held for sale	$ 60,055	$ 60,055

As there is a wide range of estimated fair values of the Company's investments in the above non-publicly traded stocks since no price offered for such investments in an active market, the Company concludes that the fair value cannot be reliably measured and therefore should be measured at the cost less any impairment at the balance sheet date.

11. Investments Accounted for Using Equity Method

	December 31, 2016	December 31, 2015
Investment in subsidiaries	$3,619,552	$3,572,668
Investment in associates	125,603	140,820
	$3,745,155	$3,713,488

(1) Investment in Subsidiaries

The Company's subsidiaries are listed as follows:

Name of Investee	Principal Activities	Place of Incorporation and Operation	December 31, 2016 Carrying Amount	December 31, 2016 % of ownership	December 31, 2015 Carrying Amount	December 31, 2015 % of ownership
Listed companies and companies trading in the over-the-counter market						
Optivision Technology Inc.	Production and sale of optical equipment and electronic parts and components	Hsinchu City	$ 432,807	47	$ 429,689	47
Non-listed companies and companies not trading in the over-the-counter market yet						
K Laser International Co., Ltd.	Reinvestment	British Virgin Islands	667,316	100	645,931	100
K Laser China Group Co., Ltd.	Reinvestment	British Virgin Islands	2,435,181	100	2,479,353	100
iWin Technology Co., Ltd.	Reinvestment	British Virgin Islands	17,460	100	17,695	100
Everest Display Inc.	Manufacturing and sales of optical Instrument and wireless communication machinery	Hsinchu City	6,788	74	-	-
			$3,619,552		$3,572,668	

Information on market price of stock right investments of the companies trading in the over-the-counter market calculating with equity method at closing price at the balance sheet date is as follows:

Name of Company	December 31, 2016	December 31, 2015
Optivision Technology Inc.	$ 530,031	$ 517,547

a. In 2015, Optivision Technology Inc. purchased 915 thousand shares of its own stock from the stock market, and as a result, the Company's holding percentage on Optivision was changed and the difference was accounted under Stockholders' Equity – "Adjustment from differences between purchase price and carrying amount arising from acquisition or disposal of subsidiaries".

b. K Laser International Co., Ltd., a 100% subsidiary of the Company, was established in British Virgin Islands in October 2010. In 2016, K Laser International Co., Ltd paid cash dividend amounted USD 680 thousands to back to the Company. Accumulated investment of the Company was USD 19,776 thousand as of December 31, 2016. It engages primarily in investment. The Company invests in entities in America and Asia indirectly through K Laser International Co., Ltd. and mainly engages in production, sale, research, development and investment of holography products and optical fiber communication related components.

c. K Laser China Group Co., Ltd., a 100% subsidiary of the Company, was established in British Virgin Islands in October 2010. In 2016, K Laser China Co., Ltd. paid cash dividend amounted RMB 17,630 thousand back to the Company. Accumulated investment of the Company, holding 100% shares of that company, was USD 25,771 thousand as of December 31, 2016. That company engages primarily in investment. The Company invests in Wuxi K Laser Technology Co., Ltd., Dongguan K Laser Technology Co., Ltd. HuNan HeRui Laser Technology Co., Ltd and K Laser Technology (HK) Co., Ltd. indirectly through K Laser China Group Co., Ltd., and mainly engages in production and sale of laser products, opto-electronic equipment and optoelectronic materials. The above indirect investments in Mainland China have been approved of Investment Commission, Ministry of Economic Affairs.

d. In 2015, Everest Display Inc. was the Company's investee accounted for by equity method. In October 2016, EDI made the capital increase and after that, the Company's holding percentage became 74%, and EDI became a consolidated entity of the Company accordingly. The related party transactions between the consolidated entities were eliminated in the consolidated financial statements.

e. Gains or losses on long-term stock right investments are recognized with equity method. The financial statements of Amagic Technologies U.S.A. (Dubai), a company reinvested by K Laser International Co., Ltd., Amagic Holographics India Private Limited, and K Laser Technology (HK) Co., Ltd., a company reinvested by K Laser China Group Holding Co., Ltd. for the years 2016 and 2015 were audited by other certified public accountants, instead of certified public accountants of the Company.

(2) Investment in Associates

The Company's associates are listed as follows:

			December 31, 2016		December 31, 2015	
Name of Investee	Principal Activities	Place of Incorporation and Operation	Carrying Amount	% of ownership	Carrying Amount	% of ownership
Vicome Corp.	Manufacturing, processing, purchase and sale of fluorescence paints and dyes	Yunlin County	$ 98,311	33	$ 89,824	33
Everest Display Inc.	Production and sale of optical equipment and wireless communication machines and devices	Hsinchu City	-	-	43,097	39
Insight Medical Solutions Inc. (hereinafter referred to as IMS)	Research, development and sale of gastrointestinal endoscope	Hsinchu City	27,292	29	7,899	36
			$125,603		$140,820	

a. Insight Medical Solutions Inc., which was established in March 2015, mainly engaged in the research, development and sale of Gastrointestinal endoscopy. The Company joined IMS's capital injection with the amount of 11,000 thousand and 23,034 thousand in March 2015, and May 2016, respectively. As of end of 2016, The Company's holding percentage on IMS is 29%, and has significant influence on Insight Medical Solution Inc.

b. Regarding gains or losses on long-term stock right investments recognized with equity method, the financial statements of Vicome Corp. for the years 2016 and 2015 were audited by other certified public accountants, instead of certified public accountants of the Company.

The overall financial information about the Company's associates is listed as follows:

	December 31, 2016	December 31, 2015
Total assets	$ 507,452	$1,017,525
Total liabilities	$ 121,509	$ 642,832

	2016	2015
Operating income for the year	$ 160,117	$ 648,287
Net income for the year	$ 38,113	($ 53,538)
Other comprehensive income (loss) for the year	($ 13,261)	($ 1,410)

The associates' share of profit or loss evaluated with the equity method is recognized by the Company in 2016 and 2015 based on the associates' financial statements audited by certified public accounts for the same periods.

12. Property, Plant and Equipment

	December 31, 2016	December 31, 2015
Buildings and structure	$ 118,268	$ 122,680
Machinery and equipment	49,893	21,253
Other equipment	36,911	61,662
Construction in progress	6,120	6,261
	$ 211,192	$ 211,856

	Buildings and structure	Machinery and equipment	Other Equipment	Construction in Progress	Total
Cost					
Balance, January 1, 2015	$ 297,785	$ 188,170	$ 235,972	$ 1,276	$ 723,203
Addition	21,103	9,129	18,078	5,995	54,305
Disposal	-	(34,562)	(1,986)	-	(36,548)
Depreciation expense	-	-	-	(82)	(82)
Reclassification	(4,416)	-	928	(928)	(4,416)
Balance, December 31, 2015	$ 314,472	$ 162,737	$ 252,992	$ 6,261	$ 736,462
Accumulated depreciation and impairment					
Balance, January 1, 2015	$ 187,278	$ 171,359	$ 181,100	$ -	$ 539,737
Disposal	-	(34,562)	(1,986)	-	(36,548)
Depreciation expense	5,720	4,687	12,216	-	22,623
Reclassification	(1,206)	-	-	-	(1,206)
Balance, December 31, 2015	$ 191,792	$ 141,484	$ 191,330	$ -	$ 524,606
Net, December 31, 2015	$ 122,680	$ 21,253	$ 61,662	$ 6,261	$ 211,856
Cost					
Balance, January 1, 2016	$ 314,472	$ 162,737	$ 252,992	$ 6,261	$ 736,462
Addition	2,627	14,978	3,647	6,120	27,372
Disposal	-	(11,982)	(7,545)	-	(19,527)
Reclassification	(954)	58,634	(52,665)	(6,261)	(1,246)
Balance, December 31, 2016	$ 316,145	$ 224,367	$ 196,429	$ 6,120	$ 743,061
Accumulated depreciation and impairment					
Balance, January 1, 2016	$ 191,792	$ 141,484	$ 191,330	$ -	$ 524,606
Disposal	-	(10,865)	(6,421)	-	(17,286)
Depreciation expense	6,455	6,771	11,693	-	24,919
Reclassification	(370)	37,084	(37,084)	-	(370)
Balance, December 31, 2016	$ 197,877	$ 174,474	$ 159,518	$ -	$ 531,869
Net, December 31, 2016	$ 118,268	$ 49,893	$ 36,911	$ 6,120	$ 211,192

(1) Property, plant and equipment of the Company are depreciated with the straight-line method over the following expected useful lives:

Buildings	
Buildings and structure	25 to 50 years
Auxiliary equipment of buildings	2 to 10 years
Machinery and equipment	2 to 11 years
Other equipment	3 to 11 years

(2) The amounts of the property, plant and equipment prior to depreciation and depletion and the investment property that was mortgaged by the Company to banks as securities for bank loans as of December 31, 2016 and December 31, 2015 were detailed as follows:

	December 31, 2016	December 31, 2015
Buildings and structure	$ 118,268	$ 122,680
Investment property	53,480	54,195
	$ 171,748	$ 176,875

13. Investment Property

	December 31, 2016	December 31, 2015
Investment property	$ 53,480	$ 54,195

	2016	2015
Cost		
Balance, January 1	$ 160,762	$ 156,346
Reclassification	1,246	4,416
Balance, December 31	$ 162,008	$ 160,762
Accumulated depreciation and impairment		
Balance, January 1	$ 106,567	$ 103,468
Depreciation expense	1,591	1,893
Reclassification	370	1,206
Balance, December 31	$ 108,528	$ 106,567

The aforementioned investment properties are depreciated with the straight-line method over the following expected useful lives:

Buildings and structure	50 years
Auxiliary equipment of buildings	10 years

Estimates are made by the Company based on appraisal reports. The fair value of investment property on December 31, 2015 and December 31, 2016 was NT$120,329 thousand and NT$120,675 thousand respectively.

14. Other Intangible Assets

	December 31, 2016	December 31, 2015
Carrying amount of each category		
Cost of computer software	$ 195	$ 482

	2016	2015
Cost		
Balance, January 1	$ 1,625	$ 1,515
Acquisition for the year	133	110
Balance, December 31	$ 1,758	$ 1,625
Accumulated depreciation and impairment		
Balance, January 1	$ 1,143	$ 681
Amortization expense	420	462
Balance, December 31	$ 1,563	$ 1,143

Amortization expenses from the above intangible assets are recognized on a straight-line basis over their expected useful lives of 2 to 5 years.

15. Other Assets

	December 31, 2016	December 31, 2015
Retained tax	$ 599	$ 587
Prepaid expenses and accounts	1,265	1,341
refundable deposits	10,014	8,100
Restricted assets (Note 6)	91,809	91,809
Tax receivable (Note 22)	79	79
Others	1,721	2,830
	$105,487	$104,746
Current	$94,030	$ 2,516
Noncurrent	11,457	102,230
	$105,487	$104,746

16. Loans

(1) Short-term Loans

	December 31, 2016		December 31, 2015	
	Interest Rate	Amount	Interest Rate	Amount
Unsecured loans	1.00%~1.05%	$ 275,000	1.20%	$ 180,000

Kuo Wei-Wu, Chairman of the Company, was the joint guarantor for the Company’s unsecured loans from the bank as of December 31, 2015 and December 31, 2016.

(2) Short-term Notes and Bills Payable

	December 31, 2016	December 31, 2015
Commercial paper payable	$150,000	$100,000
Less: Discounts on short-term notes and bills payable	(120)	(88)
	$149,880	$99,912

The short-term notes and bills payable not due yet are as follows:

December 31, 2016

Guaranteeing / Accepting Institution	Par Value	Discount	Carrying Amount	Interest Rate
Commercial paper payable				
Mega Bills	$ 50,000	$ 38	$ 49,962	1.00%
International Bills	50,000	40	49,960	0.978%
Dah Chung Bills	50,000	42	49,958	0.995%
	$150,000	$ 120	$149,880	

December 31, 2015

Guaranteeing / Accepting Institution	Par Value	Discount	Carrying Amount	Interest Rate
Commercial paper payable				
Mega Bills	$ 50,000	$ 24	$ 49,976	1.2%
International Bills	50,000	64	49,936	1.2%
	$100,000	$ 88	$ 99,912	

(3) Current Portion of Long-term Liabilities

	December 31, 2016	December 31, 2015
Current portion of long-term liabilities	$143,500	$ -
Current portion of convertible bonds payable (Note 17)	487,192	483,901
	$630,692	$483,901

(4) Long-term Loans

	Interest Rate %	December 31, 2016 Amount	December 31, 2015 Amount
<u>Secured Loan</u>			
E. Sun Bank (Leading bank of syndicated loans) Mortgage loan from 2015/12 to 2018/12, for which principle is repaid from December 2017 for every 6 months; revolving use is not allowed.	1.79	290,000	290,000
E. Sun Bank (Leading bank of syndicated loans) Mortgage loan from 2015/8 to 2018/8, for which interest is paid every month and principle is repaid in full when due	1.79	430,000	430,000
<u>Unguaranteed loans</u>			
JihSun Bank Unsecured loans from 2016/1 to 2018/1 for which interest is paid every month and principle is repaid in full when due; to be extended from January 2016 for more 2 years; date due is January 2018.	1.73	100,000	100,000
KGI Bank (Former China Development Industrial Bank) Unsecured loans from 2015/11 to 2017/11, for which interest is paid every month and principle is repaid in full when due; to be extended from November 2015 for more 2 years; date due is November 2017.	1.43	100,000	100,000
Taipei Fubon Bank Unsecured loans from 2016/5 to 2018/5, for which interest is paid every month and principle is repaid in full when due; to be extended from May 2016 for more 2 years; date due is May 2018.	1.65	100,000	100,000
Less: Current portion of long-term loans		(143,500)	-
		$ 876,500	$ 1,020,000

a. For acquiring sufficient working capital and making repayments for bonds, the Company entered into a syndicated loan contract with nine financial institutions in August 2015 for the syndicated loans provided mainly by E. Sun Bank. The total credit line was NT$720,000 thousand. As of December 31, 2016, the actual used amount was NT$ 720,000 thousand and loan balance was NT$720,000 thousand.

According to the syndicated loan contract, the annual consolidated financial statements of the Company shall maintain the following financial ratios until the Companies repay total debts under the contract.

(a) Current ratio (i.e. ratio of current assets to current liabilities) shall not be less than 100%.

(b) Debt ratio (i.e. ratio of total liabilities less cash and cash equivalents to tangible net worth) shall not be over 100%.

(c) Times interest earned (i.e. sum of income before income tax, interest expenses, depreciation and amortization divided by interest expenses) shall not be less than 300%.

(d) Tangible net worth shall not be less than NT$2,600,000 thousand.

b. Kuo Wei-Wu, Chairman of the Company, was a joint guarantor for the abovementioned long-term loans. None of property, plant and equipment and investment property was provided as a security for the syndicated loans provided by E. Sun Bank.

17. Bonds Payable

	December 31, 2016	December 31, 2015
Liability components constituting the secured convertible bonds issued for the fourth time	$ 295,528	$ 291,736
Liability components constituting the unsecured convertible bonds issued for the fifth time	191,664	192,165
Less: Current portion of long-term liabilities	(487,192)	(483,901)
	$ -	$ -

The Company issued secured convertible bonds for the fourth time and unsecured convertible bonds for the fifth time at a coupon rate of 0% in the amount of NT$300,000 thousand and 200,000 thousand respectively on October 17, 2014 and October 20, 2014, and the total amount for sale is NT$495,000 thousand (minus transaction cost NT$5,000 thousand). The Company separates the convertible option with debt according to regulations, and recognizes equity in the amount of NT$16,000 thousand, listing “Capital surplus – Stock options” and debt in the amount of NT$479,000 thousand.

K Laser issued convertible bonds pursuant to the terms and conditions:

(1) Secured Convertible Bonds Issued for the Fourth Time:

a. Issuing date: October 17, 2014

b. Par value: NT$100 thousand

c. Place of issue and transaction: R.O.C.

d. Issuing price: 100%

e. Total stocks issued: NT$300,000 thousand

f. Coupon rate: 0%; effective interest rate: 1.56%

i. Issuing period: 3 years; expiration date: October 17, 2017

j. Convertible option and subject: Converting to common stocks of the Company at then conversion price

k. Security: Time deposit of NT$91,809 thousand pledged by the bank

l. Redemption and resale of bonds:

(a) Redemption upon expiration: Principal will be returned at par value after expiration of the issuing period.

(b) Early redemption:

If the closing price of the Company’s common shares in Taiwan Stock Exchange exceeds 30% (inclusive) of the conversion prices for 30 consecutive business days, or if the remaining amount of convertible bonds in circulation is less than 10% of the amount originally issued, the Company may recall all of its bonds in cash at face value from the day after the bonds are issued for one full month to 40 days before maturity.

(c) Resale terms:

A bond holder may request K Laser for early settlement at 102.01% after the completion of 2 years following the date when the bonds are issued.

m. Conversion price and adjustment:

(a) Conversion price shall be NT$16.7 per share.

(b) Conversion price shall be NT$15.6 per share from July 2, 2016.

(c) Adjustment of conversion price:

After issuing convertible bonds, if common shares of the Company increase or cash dividends exceed 1.5% of the stock price, the Company shall adjust the conversion price according to the formula in the regulations on issuing corporate bonds.

(2) Unsecured Convertible Bonds Issued for the Fifth Time:

a. Issuing date: October 20, 2014
b. Par value: NT$100 thousand
c. Place of issue and transaction: R.O.C.
d. Issuing price: 100%
e. Total stocks issued: NT$200,000 thousand
f. Coupon rate: 0%; effective interest rate: 2.22%
i. Issuing period: 3 years; expiration date: October 20, 2017
j. Convertible option and subject: Converting to common stocks of the Company at then conversion price
k. Redemption and resale of bonds:

(a) Redemption upon expiration: Principal will be returned at par value after expiration of the issuing period.

(b) Early redemption:

If the closing price of the Company's common shares in Taiwan Stock Exchange exceeds 30% (inclusive) of the conversion prices for 30 consecutive business days, or if the remaining amount of convertible bonds in circulation is less than 10% of the amount originally issued, the Company may recall all of its bonds in cash at face value from the day after the bonds are issued for one full month to 40 days before maturity.

(c) Resale terms:

A bond holder may request K Laser for early settlement at 102.516% after the completion of 2 years following the date when the bonds are issued.

l. Conversion price and adjustment:

(a) Conversion price shall be NT$16.8 per share.
(b) Conversion price shall be NT$15.7 per share from July 2, 2016.
(c) Adjustment of conversion price:

After issuing convertible bonds, if common shares of the Company increase or cash dividends exceed 1.5% of the stock price, the Company shall adjust the conversion price according to the formula in the regulations on issuing corporate bonds.

(3) The Company recognized in 2016 and 2015 "interest expenses of bond discount amortization" NT$8,895 thousand and NT$8,706 thousand and "gain on valuation of financial instruments" NT$6,479 thousand and "loss on valuation" NT$2,760 thousand under "Non-operating income and expenses－Interest expenses" and "Non-operating income and expenses－Financial assets (liabilities) at fair value through profit or loss."

(4) Switching and Redemption:

In 2016, the face values of the conversion for the fourth and fifth secured convertible bonds held by the holders were $ 800 thousand and $ 4,900 thousands, respectively. The total common stock converted was 3,634 thousand shares, and a reduction of Capital Surplus amounted $ 223 thousands was recognized accordingly.

18. Other Payables

	December 31, 2016	December 31, 2015
Other payables		
Wages payable	$ 13,552	$ 12,815
Processing expenses payable	2,316	4,709
Interest payable	360	229
Bonus to employees and remuneration to directors and supervisors payable	13,425	10,090
Equipment purchases payable	5,560	8,891
Others	17,605	14,541
	$ 52,818	$ 51,275

19. Retirement Benefit Plans

(1) Defined Contribution Plans

The Company applies the pension system provided by the Labor Pension Act. Such system is the defined contribution plan governed by the government. It has made monthly contributions equal to 6% of each employee's monthly salary to employees' pension accounts with the Bureau of Labor Insurance.

The Company recognized expenses of NT$3,844 thousand and NT$3,888 thousand in the parent company only income statements for 2016 and 2015 at the percentage specified in the defined contribution plan.

(2) Defined Benefit Plans

The Company applies the pension system provided by the Labor Pension Act. Such system is the defined contribution plan governed by the government. The pension of an employee is calculated based on the employee's length of service and average monthly salary for the six-month period prior to retirement. The Company contributes an amount equal to 2% of salaries paid each month to their respective pension funds (the Funds), which are administered by the Labor Pension Fund Supervisory Committee (the Committee) and deposited in the Committee's name in the Bank of Taiwan. Before the end of each year, the Company assesses the balance in the Funds. If the amount of the balance in the Funds is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The Funds are operated and managed by the Bureau of Labor Funds, Ministry of Labor; as such, the Company does not have any right to intervene in the investments of the Funds.

Amounts of defined benefit plans in the parent company only balance sheet are listed as follows:

	December 31, 2016	December 31, 2015
Present value of defined benefit obligations	$ 42,473	$ 38,431
Fair value of plan assets	(21,994)	(22,198)
Net defined benefit liability	$ 20,479	$ 16,233

Movements in net defined benefit liability (asset) are as follows:

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Balance, January 1, 2015	$ 33,865	($ 20,855)	$ 13,010
Service cost			
Service cost for the year	423	-	423
Interest expenses (incomes)	593	(372)	221
Recognition in profit (loss)	1,016	(372)	644
Remeasurement			
Reward of plan assets	-	(243)	(243)
Actuarial loss—from changes in demographic assumptions	1,505	-	1,505
Actuarial loss—from changes in financial assumptions	1,330	-	1,330
Actuarial loss—from experience adjustments	715	-	715
Recognition in other comprehensive income (loss)	3,550	(243)	3,307
Contribution by the employer	-	(728)	(728)
Balance, December 31, 2015	38,431	(22,198)	16,233
Service cost			
Service cost for the year	446	-	446
Interest expenses (incomes)	521	(303)	218
Recognition in profit (loss)	967	(303)	664
Remeasurement			
Reward of plan assets	-	147	147
Actuarial loss—from changes in demographic assumptions	1,186	-	1,186
Actuarial loss—from changes in financial assumptions	974	-	974
Actuarial loss—from experience adjustments	1,979	-	1,979
Recognition in other comprehensive income (loss)	4,139	147	4,286
Contribution by the employer	-	(704)	(704)
Payment of plan asset	(1,064)	1,064	-
Balance, December 31, 2016	$ 42,473	($ 21,994)	$ 20,479

Amounts of defined benefit plans recognized in profit (loss) are listed by functions as follows:

	2016	2015
By functions		
Cost of revenue	$ 231	$ 180
Promotion	71	64
General and administrative	267	310
Research and development expense	95	90
	$ 664	$ 644

Through the defined benefit plans under the Labor Standards Act, the Company is exposed to the following risks:

a. Investment risk: The pension funds are invested in equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau of Labor Funds, Ministry of Labor or under the mandated management. However, the rate of the return on assets distributed to the Company shall not be less than the average interest rate on a two-year time deposit published by the local banks.
b. Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation. However, this will be partially offset by an increase in the return on the debt investments of the plan assets.
c. Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the Company's defined benefit obligation were carried out by qualified actuaries. The principal assumptions of the actuarial valuation are as follows:

	December 31, 2016	December 31, 2015
Discount rate	1.125%	1.375%
Projected salary increase rate	2.00%	2.00%

When there were reasonable changes in significant assumptions and all other assumptions were held constant, the present value of the defined benefit obligation would increase or decrease as follows:

	December 31, 2016	December 31, 2015
Discount rate		
Increase by 0.25%	($ 1,005)	($ 936)
Decrease by 0.25%	$ 1,042	$ 970
Projected salary increase rate		
Increase by 0.25%	$ 1,014	$ 947
Decrease by 0.25%	($ 983)	($ 918)

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	December 31, 2016	December 31, 2015
Contributions expected to be made within one year	$ 707	$ 664
Average maturity period for defined benefit obligations	9.68 years	9.87 years

20. Equity

(1) Capital Stock

Common shares

	December 31, 2016	December 31, 2015
Authorized shares (in thousands)	200,000	200,000
Authorized capital	$2,000,000	$2,000,000
Issued and paid shares (in thousands)	132,830	132,467
Issued capital	$1,328,299	$1,324,665

A holder of issued common shares with par value of NT$10 per share is entitled to vote and to receive dividends.

The Company's outstanding common shares are adjusted as follows:

	Number of shares (in thousands)	Capital
Balance, January 1, 2015	174,167	$1,741,665
Cancelled treasury stock	(41,700)	(417,000)
Balance, December 31, 2015	132,467	$1,324,665
Balance, January 1, 2016	132,467	$1,324,665
Conversion of bonds	363	3,634
Balance, December 31, 2016	132,830	$1,328,299

According to the letter, Tai-tsai-zheng No. 106134, the company must first issue the stock and then can register the shares. As of December 31, 2016, the aforesaid 363 thousand shares have not yet been registered.

(2) Capital Surplus

Capital surplus balances in 2016 and 2015 were adjusted as follows:

	Additional Paid-in Capital (a.)	Stock Option (c.)	Difference between actual gains on acquired stock rights of subsidiaries and carrying amounts (a.)	Recognized changes in ownership of subsidiaries (b.)	Total
Balance, January 1, 2015	$ 389,310	$ 16,000	$ 46,044	$ 45,353	$ 496,707
Difference between gains on acquired stock rights of subsidiaries and carrying amounts	-	-	4,081	1,050	5,131
Cancelled treasury stock	(93,211)	-	-	-	(93,211)
Balance, December 31, 2015	296,099	16,000	50,125	46,403	408,627
Difference between gains on acquired stock rights of subsidiaries and carrying amounts	-	-	-	(17,707)	(17,707)
Conversion of convertible bonds	2,193	(223)	-	-	1,970
Balance, December 31, 2016	$ 298,292	$ 15,777	$ 50,125	$ 28,696	$ 392,890

a. Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, it may be distributed as cash dividends or stock dividends up to a certain percentage of the paid-in capital.

b. Such capital surplus refers to the equity transaction effects recognized due to change of interests in subsidiaries or the adjustments of subsidiaries' capital surplus recognized with equity method by the Company before the Company actually acquires or disposes stock rights of subsidiaries, and may be used to offset a deficit.

c. Such capital surplus cannot be used for any other purposes.

(3) Retained earnings and dividend policies

The amendments to the Company Act that were made in May 2015 specify that dividends and bonuses shall be only distributed to shareholders and that employees do not qualify for earnings. In compliance with the above regulation, The Company's general shareholder meeting on May 27, 2016 had resolved to amend its article of incorporation for the policy of distribution of earnings and the remuneration to employees.

In accordance with the amended article of incorporation, when allocating the net profit for each fiscal year, the company should first pay income tax, offset its prior year's losses, appropriate 10% of net income to legal reserve and then, by law, appropriate special reserve, which can only be distributed when it is reversed. The board of directors will then proposed the appropriations and present the proposal for approval at the General shareholder meeting. Please refer to note 21 for the policy of the remuneration to employees, directors and supervisors.

K Laser appropriates special reserve pursuant to instructions in the letters Jin-Guan-Zheng-Fa-Zi No. 1010012865, Jin-Guan-Zheng-Fa-Zi No. 1010047490 and Jin-Guan-Zheng-Fa-Zi No. 1030006415 and the Rules Applicable to Special Reserve Appropriation after Adoption of IFRSs. When deductions from other shareholders' equity are reversed, earnings shall be distributed based on such reversed part.

Legal reserve shall be appropriated until the total of its amount reaches the Company's paid-in capital. Legal reserve may be used to make good of past losses. If the Company suffers no loss and its legal reserve exceeds 25% of paid-in capital, such excess may be either allocated to capital or distributed in cash.

When unappropriated earnings are appropriated, all shareholders, except those not living in the Republic of China, are entitled to imputation credit calculated at tax deduction ratio on the date of dividend distribution.

Appropriation of earnings for the years 2015 and 2014 approved in the regular meeting of shareholders held by K Laser on May 27, 2016 and June 18, 2015 respectively was as follows:

	Appropriation of Earnings		Dividends Per Share (NT$)	
	2015	2014	2015	2014
Legal reserve	$ 16,435	$ 9,069	$ -	$ -
Cash dividends	66,233	55,008	0.5	0.35

The Company's appropriations of earnings for 2016 had been approved in the meeting of the board of directors held on March 30, 2017. The appropriations and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT$)
Legal reserve	$ 21,546	$ -
Cash dividends	109,114	0.815

The appropriations of earnings for 2016 are to be presented for approval in the shareholders' meeting to be held on May 26, 2017.

(4) Other Equity

Exchange differences on translation of foreign financial statements:

	2016	2015
Balance at beginning of the year	$84,681	$131,780
Exchange difference from conversion of net assets of foreign operations	(201,501)	(47,099)
Balance at end of the year	$116,820	$ 84,681

The exchange differences arising on translation of foreign operation's net assets from its functional currency (i.e. New Taiwan Dollar) to the Company's presentation currency are recognized directly in other comprehensive income and also accumulated in the exchange differences on translation of foreign financial statements. Such amount accumulated in the exchange differences on translation of foreign financial statements will be reclassified to profit or loss when the foreign operation is disposed.

(5) Treasury Stock

a. Movements of treasury stock are as follows:

Unit: Share

2015				
Reason of possessing shares	Number of shares at the beginning of the year	Increase for the year	Decrease for the year	Number of shares at the end of the year
Transferring shares to employees	8,000,000	-	(8,000,000)	-
Maintaining goodwill of the Company and equity of its shareholders	8,921,000	24,779,000	(33,700,000)	-
	16,921,000	24,779,000	(41,700,000)	-

b. According to Article 28-2 of the Securities and Exchange Act, the number of shares bought back by a company shall not exceed 10% of the total number of shares issued by the company, and the total amount paid to buy the shares shall not exceed the sum of retained earnings, premium on capital stock and realized capital surplus. According to the Securities and Exchange Act, treasury stocks held by the Company shall neither be pledged nor be assigned dividend distribution right or voting right.

21. Net Profit of Continuing Operations

Employee benefit expenses and depreciation and amortization expenses

	2016			
	Operating cost	Operating expense	Non-operating expense and losses	Total
Short-term employee benefits				
Wages	$ 29,912	$ 55,161	$ -	$ 85,073
Labor and health insurance premium	$ 2,968	$ 3,743	$ -	$ 6,711
Retirement benefits	$ 1,752	$ 2,756	$ -	$ 4,508
Other employee benefits	$ 448	$ 739	$ -	$ 1,187
Depreciation expense				
Depreciation of property, plant and equipment	$ 13,882	$ 10,288	$ 749	$ 24,919
Depreciation of investment property	-	-	1,591	1,591
	$ 13,882	$ 10,288	$ 2,340	$ 26,510
Amortization expense	$ -	$ 420	$ -	$ 420

	2015			
	Operating cost	Operating expense	Non-operating expense and losses	Total
Short-term employee benefits				
Wages	$ 26,101	$ 48,145	$ -	$ 74,246
Labor and health insurance premium	$ 2,772	$ 3,940	$ -	$ 6,712
Retirement benefits	$ 1,600	$ 2,932	$ -	$ 4,532
Other employee benefits	$ 307	$ 729	$ -	$ 1,036
Depreciation expense				
Depreciation of property, plant and equipment	$ 10,910	$ 10,694	$ 1,019	$ 22,623
Depreciation of investment property	-	-	1,893	1,893
	$ 10,910	$ 10,694	$ 2,912	$ 24,516
Amortization expense	$ 8	$ 454	$ -	$ 462

The number of the Company's employees was 117 and 116 as of December 31, 2016 and December 31, 2015 respectively.

The Company appropriates 4% to 8% and no more than 2% of income before tax prior to deduction of remuneration to employees, directors and supervisors for remuneration to employees and remuneration to directors and supervisors, respectively, in accordance with the amendments to the Company Act that were amended in May 2015 and the Articles of Incorporation proposed by the board of directors on May 27, 2016 to be amended.

Percentage of appropriation	2016	2015
Employees	4.5%	4.5%
Directors and supervisors	1.1%	1.1%

	2016		2015	
Amount	Cash	Stock	Cash	Stock
Employees	$ 10,788	$ -	$ 8,108	$ -
Directors and supervisors	2,637	-	1,982	-

If the actual distribution is difference from the estimation after the issuance day of the financial report, it would be accounted for as a change of accounting estimates and the difference will charged to profit and loss in the following year.

The appropriations of bonus to employees and remuneration to directors and supervisors resolved at the general shareholders meeting held on June 18, 2015 and the appropriations of bonus to employees and remuneration to directors and supervisors recognized in the consolidated financial statements are as below:

	2014	
	Cash	Stock
Employees	$ 4,231	$ -
Directors and supervisors	1,209	-

For the remunerations to employees, directors and supervisors, the proposed number by the board meeting dated March 10, 2016, and the approved number by the general shareholder meeting dated June 18, 2015 are identical to the number as disclosed in the financial report of 2015 and 2014.

The information about the compensation to employees and the remuneration to directors and supervisors approved at the board meeting of K Laser for 2017 and 2016 the information about the bonus to employees and the remuneration to directors and supervisors approved at the shareholders meeting for 2015 respectively are available at Taiwan Stock Exchange's Market Observation Post System website.

22. Income Tax of Continuing Operations

(1) Income tax (gains) and expenses recognized in profit or loss comprise the following:

	2016	2015
Current income tax		
Imposed on unappropriated earnings	$ 7,837	$ 2,413
Adjusted for previous years	-	1,231
Deferred income tax		
Incurred in current year	3,000	2,250
Income tax expenses recognized in profit or loss	$ 10,837	$ 5,894

Accounting incomes and income tax expenses are reconciled as follows:

	2016	2015
Income before income tax of continuing operations	$226,298	$170,240
Income tax expenses calculated at the legal tax rate on the income before income	$38,500	$ 28,900
Investment gains recognized with equity method	(43,900)	(35,700)
Dividend income from foreign investments	18,400	2,900
Gains on disposal of domestic equity investments	(100)	(200)
Others	(9,900)	6,350
Taxation on unappropriated earnings	7,837	2,413
Adjustment of income tax expenses of the previous year	-	1,231
Income tax expenses recognized in profit or loss	$ 10,837	$ 5,894

The Company applied a tax rate of 17%.

As earnings to be distributed for 2016 at the shareholders' meeting are still uncertain, potential income tax consequences for the 10% income tax imposed on the undistributed earnings have not been determined yet.

(2) Income Tax Assets and Liabilities

	December 31, 2016	December 31, 2015
Income tax assets		
Tax receivable	$ 79	$ 79
Income tax payable		
Income tax payable	$ 7,832	$ 2,364

(3) Deferred Income Tax Assets

	December 31, 2016	December 31, 2015
Temporary differences		
Unrealized gross profit	$ 2,900	$ 2,800
Loss on allowance for doubtful receivables	1,900	1,800
Others	-	100
Operating loss carryforwards	20,500	23,600
Deferred income tax assets	$ 25,300	$ 28,300

(4) Information about Unused Operating Loss Carryforwards

The information about operating loss carryforwards as of December 31, 2016 is as follows:

Unused Amount	Year of Last Carryforward
$ 2,622	2019
20,102	2020
75,768	2021
84,753	2022
21,670	2023
$204,915	

(5) Integrated Income Tax Information:

	December 31, 2016	December 31, 2015
Balance of the imputation credit account of shareholders (including income tax liability, end of year)	$ 26,026	$ 17,272
Unappropriated earnings after 1998	$537,308	$408,801

The creditable ratio for distribution of the earnings of 2016 and 2015 were 4.84% and 4.75%, respectively.

According to the Income Tax Act, when K Laser makes distribution from earnings of the year 1998 or each ensuing year, shareholders of the Republic of China are entitled to imputation credit calculated at tax deduction ratio on the date of dividend distribution. As the imputation credit allocated to shareholders is based on its balance as of the date of the dividend distribution, the creditable ratio estimated by K Laser for 2016 may change when the actual distribution of the imputation credit is made.

As stipulated in Article 66-6, section 1 of the Income Tax Law, started from January 1, 2015, the net dividend or net surplus received by the individual shareholders residing in the territory of the Republic of China, the imputation tax credit would be half of the original amount.

(6) Income Tax Examination

The tax authorities have examined income tax returns of K Laser through 2012 and year 2014.

23. Earnings Per Share

Basic EPS and diluted EPS of the Company are computed as follows:

	2016				
	Amount (Numerator)		Number of shares (in thousands)	Earnings Per Share (NT$)	
	Before Tax	After Tax	(Denominator)	Before Tax	After Tax
Basic earnings per share					
Earnings available to shareholders of common shares	$ 226,298	$ 215,461	132,467	$ 1.71	$ 1.63
Effect of dilutive potential common shares					
Convertible bonds	8,895	7,383	31,606		
Bonus to employees	-	-	682		
Diluted earnings per share					
Earnings available to shareholders of common shares	$ 235,193	$ 222,844	164,755	$ 1.43	$ 1.35

	2015				
	Amount (Numerator)		Number of shares (in thousands)	Earnings Per Share (NT$)	
	Before Tax	After Tax	(Denominator)	Before Tax	After Tax
Basic earnings per share					
Earnings available to shareholders of common shares	$ 170,240	$ 164,346	146,914	$ 1.16	$ 1.12
Effect of dilutive potential common shares					
Convertible bonds	8,706	7,226	30,788		
Bonus to employees	-	-	727		
Diluted earnings per share					
Earnings available to shareholders of common shares	$ 178,946	$ 171,572	178,429	$ 1.00	$ 0.96

If the Company may settle the obligation by cash, by issuing shares, or in combination of both cash and shares, profit sharing bonus to employees which will be settled in shares should be included in the weighted average number of shares outstanding in calculation of diluted EPS, if the shares have a dilutive effect. Such dilutive effect of the potential shares needs to be included in the calculation of diluted EPS until profit sharing bonus to employees to be settled in the form of common stocks are approved at the shareholders' meeting in the following year.

24. Non-cash Transactions

The Company conducted the following non-cash transactions in investing and financing activities in 2015 and 2014.

	2016	2015

	2016	2015
Investing and financing activities not influencing cash flows		
Exchange differences on translation of foreign financial statements	($201,501)	($47,099)
Current portion of long-term liabilities transferred to current Liabilities	$630,692	$483,901
Cancelled treasury stock	$ -	$607,602
Convertible bonds converted	$ 5,604	$ -

25. Capital Risk Management

The objective of capital risk management is to ensure the Company has necessary financial resources and business plans to support their business requirements associated with working capital, capital expenditure, research and development, repayment of debts and payment of dividends over the next 12 months.

26. Financial Instruments

(1) Fair Value Information —Financial Instruments Not Measured at Fair Value

Except for financial assets carried at cost, whose fair value cannot be measured in a liable way, the Company considers that the carrying amounts of financial assets and financial liabilities measured not at fair value approximate their fair values.

(2) Fair Value Information —Financial Instruments Measured at Fair Value

a. Levels of fair value

December 31, 2016

	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	$ 13,211	$ 69	$ -	$ 13,280
Total	$ 13,211	$ 69	$ -	$ 13,280
Financial liabilities at fair value through profit or loss	$ -	$ -	$ -	$ -
Total	$ -	$ -	$ -	$ -

December 31, 2015

	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	$ 21,358	$ -	$ -	$ 21,358
Total	$ 21,358	$ -	$ -	$ 21,358
Financial liabilities at fair value through profit or loss	$ -	$ 6,410	$ -	$ 6,410
Total	$ -	$ 6,410	$ -	$ 6,410

There were no transfers between Level 1 and Level 2 of the fair value hierarchy in 2016 and 2015.

b. Valuation techniques and inputs for level 2 fair value measurement

Types of Financial Instruments	Valuation Techniques and Inputs

Derivative financial instruments—Convertible bonds	Fair value is calculated using the option pricing model. The estimates and assumptions used by the Company for pricing is consistent with the estimates and assumptions used by market participants when pricing financial products.

(3) Types of Financial Instruments

	December 31, 2016	December 31, 2015
Financial assets		
Loans and receivables		
Cash and cash equivalents	$ 201,236	$ 145,643
Notes and accounts receivable (Including those from related parties)	86,520	98,575
Other receivables	7,013	8,282
refundable deposits	10,014	8,100
Restricted assets－Noncurrent (Stated as other noncurrent assets－Others)	91,809	91,809
Financial assets at fair value through profit or loss (Current and noncurrent)	13,280	21,358
Financial assets carried at cost－Noncurrent	60,055	60,055
Financial liabilities		
Financial liabilities at fair value through profit or loss (Current and noncurrent)	-	6,410
Measured at amortized cost:		
Short-term loans	275,000	180,000
Short-term notes and bills payable	149,880	99,912
Notes and accounts payable (including those to related parties)	52,873	60,289
Other payables	52,818	51,275
Long-term loans (including current portion of such loans)	1,507,192	1,503,901
Guarantee deposits (listed as other non-current Liabilities－Others)	942	942

(4) Purposes and Policies of Financial Risk Management

Main financial instruments of the Company include equity and bond investment, accounts receivable, accounts payable, bonds payable and loans. The financial management department of the Company provides various services and handles overall operations for entering the domestic and international financial markets. It supervises and manages financial risk related to operations of the Company based on the internal risk report, which analyzes risk exposure based on the degree and extensiveness of risk. Such risks include market risk, credit risk and liquidity risk.

a. Market risk

The Company's operating activities make the Company be exposed to financial risks arising from changes in foreign exchange rates and in interest rates.

There is no change as for financial instruments exposed to market risk or the method used by the Company to manage and measure such risk.

(a) Currency risk

The risks arising from changes in foreign exchange rates to which the Company is exposed are managed to the extent tolerated by the procedure of carrying out financial derivatives transactions. Forward exchange contracts are utilized to reduce the related risks.

Please see Note 30 for the carrying amounts of the Company's monetary assets and monetary liabilities carried in non-functional currencies at the balance sheet date.

The Company's sensitivity analysis only includes foreign currency items, which are calculated assuming an appreciation of 10% in New Taiwan dollars against other currencies at the end of the reporting period, and adjusts income before taxes by a certain amount. If New Taiwan dollars depreciates by 10%, then the effect on income before taxes is the negative of the same amount.

	Effect from USD	
	2016	2015
Income effects	$ 15,670	$ 13,249

(b) Interest rate risk

The Company is exposed to interest rate risk arising from time deposits and borrowings at floating interest rates.

Carrying amounts of the financial assets and liabilities of the Company exposed to interest rate risk at the balance sheet date were as follows:

	December 31, 2016	December 31, 2015
Interest rate risk from cash flows		
Financial assets	$ 91,809	$ 91,809
Financial liabilities	1,020,000	1,020,000

The sensitivity analysis of interest rate risk was conducted mainly based on changes in fair value of financial assets and liabilities at floating interest at the end of the reporting period. A hypothetical increase in interest rate of 1% would have resulted in an decrease in cash outflows by NT$9,282 thousand and NT$9,282 thousand for the years 2016 and 2015.

b. Credit risk

Credit risk refers to the risk that a counterparty delays its contractual obligations resulting in financial loss to the group.

The Company requires each significant counterparty to provide with a collateral or any right of guarantee in order to reduce credit risk assumed by the Company. A task group designated by management of the Company is responsible for determination of credit line, approval of credit and other control procedures to make sure that proper measures are taken for recovery of payables overdue.

Besides, the Company checks recoverable amounts of receivables one by one at the balance sheet date in order to make sure that proper impairment loss is recognized for unrecoverable receivables. Based on the above activities, management of the Company believes that credit risk assumed by the Company has significantly reduced.

c. Liquidity risk

Working capital of the Company had been sufficient, so there was no liquidity risk arising from incapability of performance of contractual obligations due to failure to raise funds.

The maturity profile of the Company's non-derivative financial liabilities is as follows:

	December 31, 2016			
	Less than 1 year	2～3 years	Over 3 years	Total
Non-derivative financial liabilities				
Liabilities without interest	$ 105,691	$ -	$ -	$ 105,691
Liabilities at floating interest rates	143,500	876,500	-	1,020,000
Liabilities at fixed interest rates	912,072	-	-	912,072
	$1,161,263	$ 876,500	$ -	$ 2,037,763

	December 31, 2015			
	Less than 1 year	2～3 years	Over 3 years	Total
Non-derivative financial liabilities				
Liabilities without interest	$ 111,564	$ -	$ -	$ 111,564
Liabilities at floating interest rates	-	1,020,000	-	1,020,000
Liabilities at fixed interest rates	763,813	-	-	763,813
	$ 875,377	$1,020,000	$ -	$1,895,377

27. Related Party Transactions

Transactions between the Company and related parties are as follows:

(1) Operating Transactions

	Sale	
	2016	2015
Subsidiaries	$371,076	$306,046
Associates	1,408	-
	$372,484	$306,046

	Purchases	
	2016	2015
Subsidiaries	$244,473	$205,943

	Operating expenses	
	2016	2015
Subsidiaries	$ 3,269	$ 1,245
Associates	-	29
	$ 3,269	$ 1,274

Other incomes

	2016	2015
Subsidiaries	$ 20,399	$ 12,297
Associates	988	7,849
	$ 21,387	$ 20,146

The price and payment terms to above related parties were not significantly different from those to third parties.

(2) Outstanding balances at the balance sheet date were as follows:

	Receivables from related parties	
	December 31, 2016	December 31, 2015
Subsidiaries	$ 58,703	$ 68,389

	Payables to related parties	
	December 31, 2016	December 31, 2015
Subsidiaries	$ 36,248	$ 38,255

	Other receivables	
	December 31, 2016	December 31, 2015
Subsidiaries	$ 6,580	$ 5,002
Associates	165	2,983
	$ 6,745	$ 7,985

	Other payables	
	December 31, 2016	December 31, 2015
Subsidiaries	$ 670	$ 340

	Prepayment for Equipment	
	December 31, 2016	December 31, 2015
Subsidiaries	$ 1,470	$ 286

(3) Property Transactions

The fixed assets acquired by the Company from related parties are detailed as follows:

	2016		2015	
	Subject	Acquisition Cost	Subject	Acquisition Cost
Subsidiaries	Other equipment	$ -	Other equipment	$ 13,794

The fixed assets sold to the Company from related parties are detailed as follow:

	Proceeds of Sale		Gain(Loss)	
	2016	2015	2016	2015
Subsidiaries	$ 1,716	$ -	$ 552	$ -

(4) Fund Accommodation

Loans provided to related parties by the Company are as follows:

	2016			
Name of Related Party	Maximum Balance	Ending Balance	Maximum Balance	Ending Balance
Associates	$150,000	$ -	$ 2,059	3%~4.5%

	2015			
Name of Related	Maximum	Ending	Maximum	Ending

Party	Balance	Balance	Balance	Balance
Associates	$50,000	$ -	$ 154	4.5%

(5) Endorsements and Guarantees

As of December 31, 2016 and December 31, 2015, balance of the loans for which Kuo Wei-Wu, Chairman of the Company, was a guarantor, was NT$1,295,000 thousand and NT$1,200,000 thousand, respectively. (Please see Note 16.)

(6) Compensation to Key Management Personnel

	2016	2015
Short-term employee benefits	$ 8,894	$ 7,737
Retirement benefits	108	108
	$ 9,002	$ 7,845

The compensation to directors and key management personnel was determined by the compensation committee based on individual performance and market trends.

28. Pledged Assets

The following assets of the Company were provided as securities for the loans under loan contracts and for business requirements.

	December 31, 2016	December 31, 2015
Deposits in bank (Note 6)	$ 91,809	$ 91,809
Property, plant and equipment	118,268	122,680
investment property	53,480	54,195
	$ 263,557	$268,684

29. Significant Commitments and Contingent Liabilities

(1) Operating Lease

The Company leased several parcels of land from the Science Park Administration by means of operating lease. (Lease period: 1998.10.16～2018.10.15). Rents will be varied subject to land price adjustments made by the government. Rents to be paid in near future are as follows:

Year	Amount
2017 to 2018 (each year)	$ 3,142

(2) Endorsements and guarantees provided by the Company are detailed as follows:

Unit: Foreign currency in thousands

	December 31, 2016	December 31, 2015
K Laser China Group Holding		
Guarantees	USD 6,000	USD 11,000
Amount actually drawn	USD 3,000	USD 4,700
K Laser Technology (USA) Co., Ltd.		
Guarantees	USD -	USD 1,500
Amount actually drawn	USD -	USD 485

30. Exchange Rate Information of Foreign Currency Financial Assets and Liabilities

The Company's significant financial assets and liabilities denominated in foreign currencies were as follows:

Unit: Foreign currency in thousands / NTD in thousands

	December 31, 2016			December 31, 2015		
	Foreign Currency	Exchange Rate	NTD	Foreign Currency	Exchange Rate	NTD
Financial assets						
Monetary items						
USD	$ 6,013	32.2500	$ 193,919	$ 5,332	32.8250	$ 175,042
RMB	337	4.6170	1,556	356	4.9780	1,773
Long-term equity investments with equity method						
USD	$ 21,233	32.2500	$ 684,776	$ 20,271	32.8250	$ 663,626
RMB	527,438	4.6170	2,435,181	498,062	4.9780	2,479,353
Financial assets						
Monetary items						
USD	1,154	32.2500	37,217	1,296	32.8250	42,555

31. Operating Segments Information

The Company has disclosed operating segments information in the consolidated financial statements. Therefore, such information is not disclosed in the parent company only financial statements.

32. Additional Disclosures

(1) Significant Transactions and Reinvestment Related Information:

No.	Item	Explanation
1	Financings provided	Attachment 1
2	Endorsements and guarantees provided	Attachment 2
3	Marketable securities held (Not including invested subsidiaries and associates)	Attachment 3
4.	Marketable securities acquired and disposed of at costs or prices of at least NT$300 million or 20% of the paid-in capital	None
5	Acquisition of individual real estate properties at costs of at least NT$300 million or 20% of the paid-in capital	None
6	Disposal of individual real estate properties at prices of at least NT$300 million or 20% of the paid-in capital	None
7	Total purchases from or sales to related parties of at least NT$100 million or 20% of the paid-in capital	Attachment 4
8	Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital	None
9	Information about the derivative financial instruments transaction	Note 7
10	Information of investees	Attachment 5

(2) Information on Investment in Mainland China:

No.	Item	Explanation
1	Name of the investee located in Mainland China, main businesses and products, issued capital, method of investment, information on inflow or outflow of capital, percentage of ownership, profit or loss for the year, recognized investment gains or losses, carrying amount of ending balance, amount received as dividends from investees, and the limitation on the investee	Attachment 6
2	Significant direct or indirect transactions with investees located in Mainland China, prices and terms of payment, and unrealized gain or loss: (1) Amount and percentage of purchases, and ending balance and percentage of relevant payables (2) Amount and percentage of sales, and ending balance and percentage of relevant receivables (3) Amount of property transactions and profit or loss generated (4) Ending balance and purpose of collaterals provided or endorsements on notes (5) Maximum balance, ending balance, interest rate and total interest of financings for the year (6) Other transactions with a significant impact on income or financial status for the year, such as provision or use of service.	Attachment 6

K LASER Technology Inc.
Financings Provided by the Company
January 1 to December 31, 2016

Attachment 1

Unit: NTD in Thousands/ Foreign Currency in Thousands

No. (Note 1)	Financing Company	Counterparty	Financial Statement Account	Related Party	Maximum Balance for the Period	Ending Balance	Amount Actually Drawn	Interest Rate	Nature for Financing (Note 2)	Transaction Amounts	Reason for Financing	Allowance for Doubtful Receivables	Collateral		Financial Limits for Each Borrowing Company (Note 3)	Financing Company's Total Financing Amount Limits (Note 3)	Remark
													Item	Value			
0	K LASER Technology Inc.	Everest Display Inc.	Other receivables	Yes	$ 150,000	$ 60,000	$ -	4.5%	2	$ -	Operating capital	$ -	None	None	$ 247,401	$ 618,502	

Note 1: Information on loans from the Company and subsidiaries to others should be divided into two tables and specified in the number column. The numbers should be filled in as follows:
(1) The Company is assigned the number 0.
(2) Numbers are assigned to subsidiaries by types of companies starting from 1.

Note 2: Information on loans from the Company and subsidiaries to others should be divided into two tables and specified in the number column. The numbers should be filled in as follows:
(1) Companies with business relationship are assigned the number 1.
(2) Companies with short-term financing needs are assigned the number 2.

Note 3: According to the Company's procedure of financing, the Company's total financing amount limits shall not exceed 25% of its net worth, and the total amount for lending to a company shall not exceed 10% of its net worth.

K LASER Technology Inc.
Endorsements and Guarantees Provided
January 1 to December 31, 2016

Attachment 2

Unit: Amounts NTD in Thousands, unless specified otherwise

No. (Note 1)	Endorsement and Guarantee Provider	Guaranteed Party		Limits on Endorsement and Guarantee Amount Provided to Each Guaranteed Party (Note 3)	Maximum Balance for the Period	Ending Balance	Amount Actually Drawn	Amount of Endorsement and Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement and Guarantee to Net Equity in Latest Financial Statements (%)	Maximum Endorsement and Guarantee Amount Allowable (Note 3)	Endorsement and Guarantee Provided by Parent Company	Endorsement and Guarantee Provided by a Subsidiary	Endorsement and Guarantee Provided to Subsidiaries in Mainland China	Remark
		Name of Company	Relationship (Note 2)											
0	K LASER Technology Inc.	K Laser China Group Holding Co., Limited	3	$ 494,801	$ 451,640 (USD 14,000	$ 193,500 (USD 6,000)	$ 96,750 (USD 3,000)	$ -	7.82%	$ 989,602	Yes	No	No	
0	K LASER Technology Inc.	K Laser Technology (USA) Co., Ltd.	3	494,801	50,175 (USD 1,500	- (USD -)	- (USD -)	-	-	989,602	Yes	No	No	

Note 1: Information on endorsements and guarantees of the Company and subsidiaries to others should be divided into two tables and specified in the number column. The numbers should be filled in as follows:
(1) The Company is assigned the number 0.
(2) Numbers are assigned to subsidiaries by types of companies starting from 1.

Note 2: The Company has 6 types of relationships with the subjects it endorses, including:
(1) Companies with business relationship;
(2) Subsidiaries, more than 50% of common shares of which are possessed directly by the Company;
(3) Investees, more than 50% of common shares of which are possessed by parent company and subsidiaries;
(4) Parent company that possesses 50% of the Company's common shares directly or through subsidiaries;
(5) Companies that endorse each other based on a contract to carry out a construction project; and
(6) Companies endorsed by its shareholders according to the shareholding ratio.

Note 3: According to the Company's Regulations for Implementation of Endorsement and Guarantee, the maximum endorsement and guarantee amount allowable shall not exceed 40% of the net worth stated in the latest financial statement of the Company, and the limits on endorsement and guarantee amount provided to each guaranteed party shall not exceed 20% of the net worth stated in the latest financial statement of the Company.

Note 4: For actually appropriated loans, please see Note 29.

K LASER Technology Inc.
Marketable Securities Held at the End of the Year
December 31, 2016

Attachment 3

Unit: Amounts NTD in Thousands, unless specified otherwise

Held Company	Type and Name of Marketable Securities	Relationship with the Company	Financial Statement Account	End of the Year				Remark
				Number of Shares	Carrying Amount	Percentage of Ownership	Fair Value (Note1)	
K LASER Technology Inc.	Stocks							
	Minton Optic Industry Co., Ltd.	None	Financial assets carried at cost – Noncurrent	857,900	$ -	1	$ -	
	Chi Mei Visual Technology Corporation	〃	〃	4,800,000	30,055	16	-	
	China Development Biomedical Co., Ltd.	〃	〃	3,000,000	30,000	2	-	
	Bonds							
K LASER Technology Inc.	Well Glory Development Co. Ltd.	None	Financial assets at fair value through profit or loss – Current	50,000	5,000	-	5,000	
	Funds							
K LASER Technology Inc.	Jih Sun Asian High Yield Bond Fund	None	Financial assets at fair value through profit or loss – Current	417,526	5,377	-	5,377	
	CTBC Global Real Estate Income Fund	None	〃	300,000	2,834	-	2,834	

Note 1: As final reports of some investing companies were not available, fair value was not disclosed.
Note 2: Please see Attachment 5 and Attachment 6 for information relevant to investments of subsidiaries and associates.

K LASER Technology Inc.

Total Purchases from or Sales to Related Parties of At Least NT$100 Million or 20% of the Paid-in Capital

January 1 to December 31, 2016

Attachment 4

Unit: NTD in Thousands

Purchasing (Selling) Company	Counterparty	Nature of Relationship	Transaction Details				Abnormal Transaction		Notes and Accounts Receivable (Payable)		Remark
			Purchases (Sales)	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
K LASER Technology Inc.	K Laser Technology (USA) Co., Ltd.	Grandson company of K Laser directly holding 80% of its shares	Sales	$ 260,863	47	D/A 60 days	N/A	N/A	$ 33,498	39	
K LASER Technology Inc.	Top Band Investment Ltd.	Grandson company of K Laser directly holding 99.60% of its shares	Purchases	(214,731)	59	D/A 60 days	N/A	N/A	(29,495)	56	

K LASER Technology Inc.

Investees, their Locations and Relevant Information

January 1 to December 31, 2016

Attachment 5

Unit: NTD in Thousands/ Foreign Currency in Thousands

Name of Investing Company	Name of Investee	Location	Main Business Items	Original Investment Amount		Balance at the End of Year			Net Income (Loss) of Investee	Share of Profits / Losses of Investee	Remark
				Ending Balance for the Year	Ending Balance for Last Year	Number of Shares	Percentage of Ownership%	Carrying Amount			
K LASER Technology Inc.	K Laser China Group Co., Ltd.	British Virgin Islands	Reinvesting company	$ 860,508	$ 860,508	25,771,139	100	$ 2,435,18	$ 217,680	$ 219,210	
〃	K Laser International Co., Ltd.	British Virgin Islands	Reinvesting company	686,122	686,122	19,776,367	100	667,31	63,913	63,913	
〃	Optivision Technology Inc.	Hsinchu City	Production and sale of optical equipment and electronic parts and components	307,976	307,976	22,699,420	47	432,80	36,037	25,946	
〃	iWin Technology Co., Ltd.	British Virgin Islands	Reinvesting company	76,611	68,697	123,245	49	17,46	(17,165)	(7,789)	
〃	Vicome Corp..	Yunlin County	Manufacturing, processing, purchase and sale of fluorescence paints and dyes	26,489	26,489	2,661,237	33	98,31	51,008	16,863	
〃	Everest Display Inc.	Hsinchu City	Production and sale of optical equipment and wireless communication machines and devices	400,698	304,698	12,153,574	74	66,78	(50,899)	(55,550)	
〃	Insight Medical Solutions Inc.	Hsinchu City	Research, development and sale of gastrointestinal endoscope	34,602	11,000	2,411,000	29	27,29	(12,895)	(4,044)	

K LASER Technology Inc.

Information on Investment in Mainland China

January 1 to December 31, 2016

Attachment 6

Unit: Foreign Currency in Thousands / NTD in Thousands

1. Investee's name, main business items, paid-in capital, method of investment, information on inflow or outflow of capital, percentage of ownership, profit or loss for the year, recognized investment gains or losses, carrying amount of ending balance, amount received as dividends from investees, and the limitation on investments in Mainland China:

Name of Investee	Main Business Items	Total Amount of Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of Beginning of the Period	Investment Flows		Accumulated Outflow of Investment from Taiwan as of End of Year	Percentage of Ownership %	Net Income (Loss) of Investee	Share of Profits (Losses)	Carrying Amount at End of Year	Accumulated Inward Remittance to Taiwan as of End of Year
					Outflow	Inflow						
Wuxi K Laser Technology Co., Ltd	Research, development and production of laser holography products, opto-electronic equipment and optoelectronic materials	$ 583,307 (RMB126,339)	Reinvestment in entities in China through existing entities in third territories	$ 215,753 (USD 6,690)	$ -	$ -	$ 215,753 (USD 6,690)	100	$ 62,630 (RMB13,565)	$ 66,452 (RMB14,393)	$ 771,870 (RMB167,180)	$ 98,374 (RMB21,307)
Dongguan K Laser Technology Co., Ltd	Production and sale of polyethylene and rigid polyvinyl chloride film and tinsel	764,672 (RMB165,621)	Reinvestment in entities in China through existing entities in third territories	66,403 (USD 2,059)	-	-	66,403 (USD 2,059)	100	193,420 (RMB 41,893)	193,420 (RMB 41,893)	1,370,723 (RMB296,886)	89,085 (RMB19,295)
Dongguan Rimei Laser Printing Co., Ltd. (Note 5)	Production and sale of color printed boxes and products and laser printed products	116,986 (RMB25,338)	Investment in entities in China through remittance from third territories	69,338 (USD 2,150)	-	-	69,338 (USD 2,150)	-	-	-	-	
HuNan HeRui Laser Technology Co., Ltd（Former Hunan Yongan Laser Technology Co., Ltd.）	Research, development and production of laser paper, alumite and other novel environmentally-friendly packing materials and anti-counterfeiting products	239,161 (RMB51,800) (Note 2)	Reinvestment in entities in China through existing entities in third territories	-	-	-	-	49	6,154 (RMB 1,333)	3,015 (RMB 653)	155,551 (RMB 33,691)	17,558 (RMB 3,803)
Jiangsu Xinguang Laser Packing Materials Co., Ltd. (Former Jiangyin Xinguang Laser Packing Materials Co., Ltd.)	Production of special coated paper, decorative film and eco transfer paper	369,360 (RMB80,000) (Note 3)	Reinvestment in entities in China through existing entities in third territories	-	-	-	-	33	319 (RMB 69)	(69) (RMB -15)	176,277 (RMB38,180)	40,011 (RMB 8,666)

Name of Investee	Main Business Items	Total Amount of Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of Beginning of the Period	Investment Flows		Accumulated Outflow of Investment from Taiwan as of End of Year	Percentage of Ownership %	Net Income (Loss) of Investee	Share of Profits (Losses)	Carrying Amount at End of Year	Accumulated Inward Remittance to Taiwan as of End of Year
					Outflow	Inflow						
Jiangyin Guangqun Laser Technology Co., Ltd.	Research and development of laser anti-counterfeiting packing technology, and processing of laser anti-counterfeiting plastic materials, film and card paper	46,170 (RMB10,000)	Reinvestment in entities in China through existing entities in third territories	-	-	-	-	30	-	(2,309) (RMB -500)	15,148 (RMB 3,281)	
Everest Technology Ltd.	Research, development and production of large LCD projection display, optical engine for monitor and projection tube	190,830 (RMB41,332)	Reinvestment in entities in China through existing entities in third territories	48,472 (USD 1,503)	-	-	48,472 (USD 1,503)	17	(27,413) (USD -850)	(4,805) (USD -149)	26,897 (USD 834)	

2. Limits on Investments in Mainland China

Accumulated Investment in Mainland China as of End of Year	Investment Amounts Authorized by Investment Commission, Ministry of Economic Affairs	Limit on Investment Provided by Investment Commission, Ministry of Economic Affairs
$399,965 (USD12,402)	$1,947,384 (Note 4) (USD60,384)	(Note 1)

Note 1: Approved by the head office of the operation in accordance with regulations, the investment amount is not restricted to the limitation of 60% of net worth or NT$80,000 thousand.

Note 2: It includes investment of USD2,512 thousand in cash through entities located in third territories.

Note 3: It includes investment of USD3,705 thousand in cash through entities located in third territories.

Note 4: It includes earnings USD11,748 thousand transferred to investment.

Note 5: Stock rights invested has been disposed, but the amount approved has not been nullified at the Investment Commission.

3. Significant direct or indirect transactions with investees located in Mainland China:

Unit: USD in Thousands

Name of Related Party	Relation between the Company and the Related Party	Type of Transaction	Amount	Transaction Terms and Conditions			Notes and Accounts Receivable (Payable)		Unrealized Profit or Loss
				Price	Payment Terms	Comparison with General Transactions	Balance	Percentage (%)	
Wuxi K Laser Technology Co., Ltd	Subsidiary of which the 100% ownership is held indirectly by the Company	Sales	$ 3,144 (USD 97)	Price negotiation	Net 60 days from the end of the month when the invoice is issued	Similar	$ 726 (USD 33)	1	$ -
Dongguan K Laser Technology Co., Ltd	Subsidiary of which the 100% ownership is held indirectly by the Company	Sales	10,409 (USD 323)	Price negotiation	Net 90 days from the end of the month when the invoice is issued	Similar	3,026 (USD 94)	3	(65)

4. Amount of property transactions and profit or loss generated: None
5. Endorsement, guarantee or collateral provided by investees in Mainland China directly or through entities located in third territories: Attachment 2
6. Financings provided to investees in Mainland China directly or through entities located in third territories; None
7. Other transactions with a significant impact on income or financial status for the year: None

6. Financial Distress in Company and Subsidiaries：None

Financial Status, Operating Results and Risk Management

1. Financial Analysis

Unit：NT $Thousands

Item \ Year	2016	2015	Difference Amount	Difference %	Notes
Current Assets	4,687,434	3,528,980	1,158,454	32.83%	Note 1
Non-current Assets	2,342,132	2,467,060	-124,928	-5.06%	
Total Assets	7,029,566	5,996,040	1,033,526	17.24%	
Current Liabilities	2,845,550	1,794,121	1,051,429	58.60%	Note 1
Long-term Liabilities	899,791	1,036,368	-136,577	-13.18%	
Total Liabilities	3,745,341	2,830,489	914,852	32.32%	Note 1
Capital	1,328,299	1,324,665	3,634	0.27%	
Additional Paid in Capital	392,890	408,627	-15,737	-3.85%	
Retained Earnings	869,637	724,695	144,942	20.00%	Note 2
Total Equity	3,284,225	3,165,551	118,674	3.75%	

Ratio Analysis:

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

1. Owing to newly consolidated entities in 2016, HuNan HeRui Laser Technology Co., Ltd. and Everest display Inc., the Current Assets, Current Liabilities and Total Liabilities increase over 20%.
2. Owing to the increase of profit in 2016, the Retained Earnings increase over 20%.

2. Operating Analysis

Unit：NT $Thousands

Item \ Year	2016	2015	Difference Amount	Difference %	Notes
Net Sales	5,080,255	4,056,697	1,023,558	25.23%	Note 1
Cost of Goods Sold	3,816,175	3,070,656	745,519	24.28%	Note 1
Gross Profit	1,264,080	986,041	278,039	28.20%	Note 1
+ (-): Realized (Unrealized) Gross Margin	17,322	26,866	-9,544	-35.52%	Note 2
Operating Expense	808,253	723,397	84,856	11.73%	
Operating Income	473,149	289,510	183,639	63.43%	Note 1
Non-Operating Revenue/Expense	-130,576	-40,915	-89,661	219.14%	Note 1
Income Before Tax	342,573	248,595	93,978	37.80%	Note 1
Tax Expense (Benefit)	-92,676	-65,221	-27,455	42.10%	Note 1
Cumulative Effect of Changes in Accounting Principles	0	0	0	0.00%	
Net Income	249,897	183,374	66,523	36.28%	Note 1

Ratio Analysis:

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

1. Owing to newly consolidated entities in 2016, HuNan HeRui Laser Technology Co., Ltd. and Everest display Inc., several items on the income statements increase over 20%.
2. Owing the decrease of inventory of intra-group transaction, the Realized Gross Margin increases over 20%.

3. Cash Flow Analysis

3.1 Cash Flow Liquidity Analysis

Unit：NT $Thousands

Beginning Cash on Jan 1,2016	Net Cash Flow from Operating Activities	Other Net Cash Flow	Cash Balance on Dec 31,2016	Contingency Plans for Insufficient Cash Position	
				Investment Plan	Financial Plan
1,241,811	500,546	(552,449)	1,189,908	—	—

2016 Cash Analysis

1. Owing to the increase of EBIT and the stable cash inflow and outflow from Sales and Purchase activities, the ent cash in-flow from Operating Activities increase NTD 500,546.
2. Owing to the new capital expenditure on production and R&D equipments amounting to NTD 150,637, increase of financial assets amounting to NTD 333,962, and the increase cash position from new consolidated entities amounting ot NTD 116,677, the net cash out-flow from investment activities increases NTD 397,913.
3. Owing to the increase of bank loan, the net cash in-flow from financing activites increases NT 45,958.
4. The Cash Out-flow from the Effect on Changed in Exchange Rate in 2016 is NTD 200,494K.

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

3.3 Analysis of Cash Liquidity for 2017

Unit：NT$ Thousands

Beginning Cash on Jan 1,2017	Projected Net Cash Flow from Operating Activities	Projected Net Cash Flow from Investing & Financing Activities	Projected Cash Balance on Dec 31,2017	Cash Plans for Projected Insufficient Cash Position	
				Investment Plan	Financing Plan
1,189,908	553,904	(453,036)	1,290,776	—	—

The projected net cash inflow in 2017 mainly consists of cash inflow from ordinary operation. The projected cash out flow from investing and financing activities includes cash dividend, repayment of bank loans and new equity investment and acquisition of equipment. The cash inflow from operating activities is sufficient to meet the cash requirement for investing and financing activities.

4. Major Capital Expenditure Analysis

4.1 Major Capital Expenditure and Its Source of Capital

Unit：NT$ Thousands

Planning Items	Actual or Planned Sourced Capital	Actual or Planned Completion Date	Total Amount Capital Required	The Execution of Actual or Planned Major Capital Expenditure				
				2017	2016	2015	2014	2013
UV equipment and production process for deep structure pattern	Own Capital	Dec 31,2017	27,254	13,300	6,384	510	6,460	600
The wide Seamless holographic origination and production process	Own Capital	Dec 31,2017	45,872	29,820	282	15,770	--	--
Hologram seamless electroforming equipment And production processes	Own Capital	Dec 31,2017	28,452	6,650	9,542	12,260	--	--

4.2 Estimated potential Benefits

4.2-1 UV equipment and production process for deep structure pattern

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

4.2-2 The wide Seamless holographic origination and production process

(1) Improve the efficiency of drum seamless recording.

(2) Provide the wide seamless holographic to open up the new market.

(3) The wide seamless process can lower the cost and improve the competitiveness of our products.

4.2-4 Hologram seamless electroforming equipment and production processes:

(1) Proximity to enhance power capacity version seam casting manufacture.

(2) Provide no version of the seam diversification electroformed products to expand into new market demands.

5. Long-Term Investment Analysis

5.1 Investment Policy:

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

5.2 Recent status of Investment Gaines or Loses and improvements:

In 2016, the Company has recognized the other operating expense from investee companies amounted to NT 61,569 thousand dollars, which is NT 62,569 thousand dollars difference in comparison with the other operating revenue amounting to NT 49,417 thousand dollars in 2015. It is mainly from recognition of investment loss from associate, Everest Display Inc, from January to September 2016. In response to this situation, the Company will enhance its management on the associate company to improve the operating efficiency.

5.3 Investment plan in 2017:

Owing to the slowing China’s economy and the policy of fighting extravagance, the Company slows down its pace of investment in China in 2016. Currently, the Company will maintain the existing investment and continuously cooperate with the strategic partners to explore the market and develop new product.

6. Risk Management Analysis & Evaluation

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

In 2016, the interest expense of the Company is NT 40,090 thousand dollars, and foreign exchange loss is NT 45,239 thousand dollars. The Company periodically evaluates bank interests and considers the financial derivatives to hedge the interest rate variation. As to the exchange rate, the Company collects the global finance information and the information for the foreign exchange rate variation from time to time and deals the foreign exchange transaction by the policy and tightly supervises the whole transaction flow.

6.2 Management of Financial Risk

6.2-1 High Risk of Financial Transactions：

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

6.2-2 Status of Endorsement and Guarantee：

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

Unit：Thousands

Name	Relationship	2016	Mar 31, 2017
K Laser China Group Holding Co., Limited	KLT indirect investment by holding 99.603% company	USD 6,000	USD 6,000
Everest Display Inc.	KLT direct investment by holding 74.11%company	TWD 0	TWD 450,000

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

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

Unit：Thousands

From	To	Relation	2016	Mar 31, 2017
K laser Technology Inc.	Everest Display Inc.	KLT direct investment by holding 74.11%company	TWD 60,000	TWD 70,000

6.3 Upcoming Research & Development Plans and Estimates Investments

Unit：NT$ Thousands

Items	R&D Projects	Expenditure	Estimated Mass Production
1	UV equipment and production process for deep structure pattern	13,300	Dec. 2017
2	The wide Seamless holographic origination and production process	29,820	Dec. 2017

6.4 Political and Regulatory Environment：None

6.5 Technological Development Risk：None

6.6 Safety, Health and Environment Protection：None

6.7 Mergers and Acquisition：None

6.8 Factory Building Expansions and expected benefits of expansion, potential risks and mitigation：Increase drums electroforming manufacturing process yield and process stability

6.9 Procurement and Sales Concentration：None

6.10 Large Changes by Director, Supervisors, or Shareholders with Greater than 10%：None

6.11 Change in Operational Control：None

6.12 Litigious or Non-Litigious Matters：None

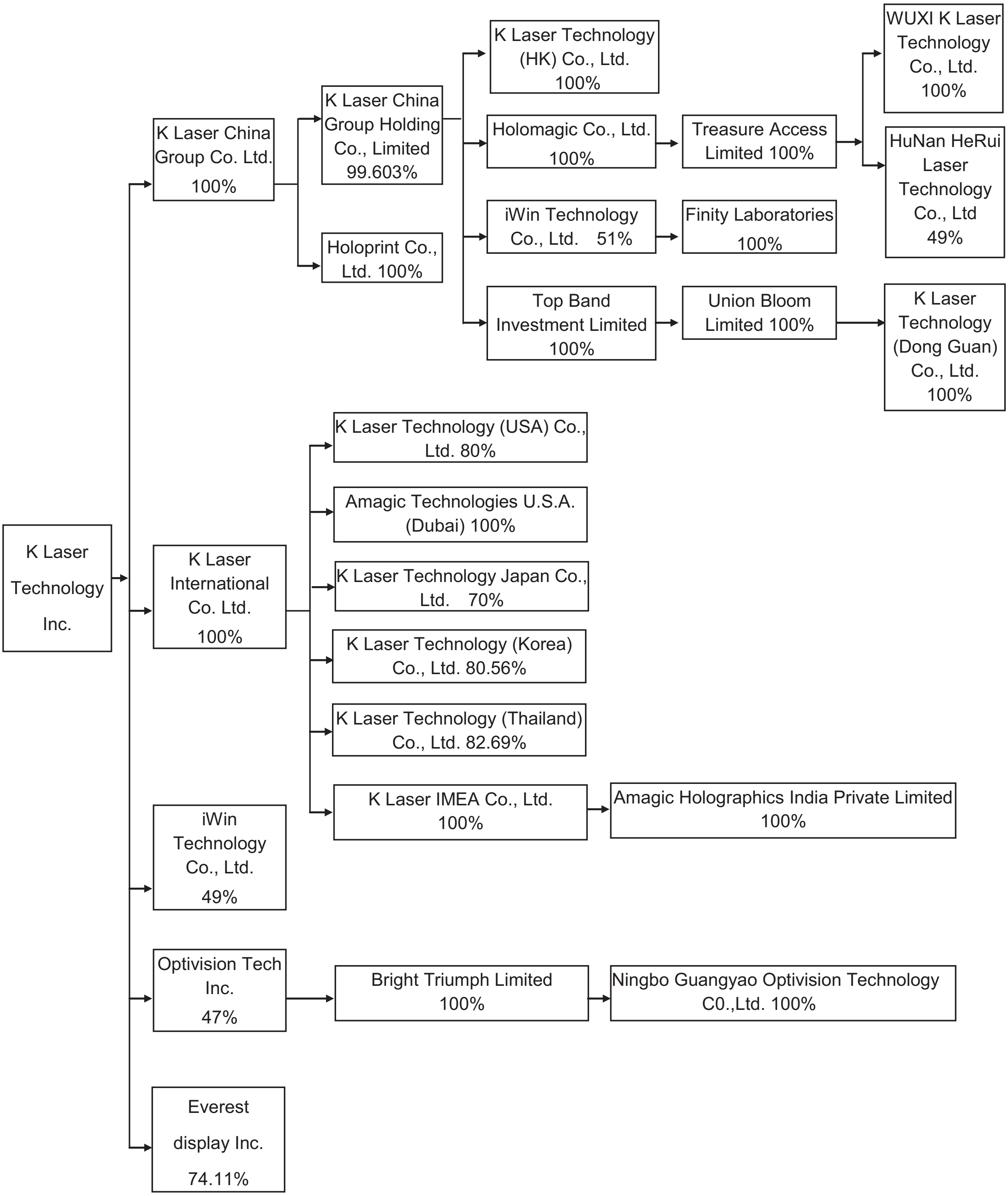
6.13 Risk from Other Important Issues：None

7. Other Material Events：None

Special Disclosures

1. Affiliates Information

1.1-1 Group Brief Introduction



1.1-2 Background Information of the Affiliated Companies

Unit: Original $Thousands 2016/12/31

Entity	Date of Incorporation	Address	Capital		Main Operation or Business Items
K Laser China Group Co., Ltd.	2000/10/31	P.O. Box 957, Road Town, Tortola, British Virgin Islands.	RMB $	404,246	Investment Business
Holoprint Co., Ltd.	2000/09/29	P.O. Box 957, Road Town, Tortola, British Virgin Islands.	US $	1	Investment Business
K Laser China Group Holding Co., Limited	2008/01/03	190 Elgin Avenue, George Town, Grand Cayman KY1-9005, Cayman Islands.	RMB $	217,037	Investment Business
iWin Technology Co., Ltd	2005/03/22	Jipfa Building, 3th Floor, Main Street, Road Town, Tortola, British Virgin Islands.	US $	5,030	Investment Business
Finity Laboratories	2001/11/16	922 San Leandro Ave., Suite D, Mountain View, California 94043 U.S.A..	US $	700	R&D of Holographic Technology
K Laser Technology (HK) Co., Ltd.	2000/06/28	No. 6, 1/F, Trust Centre, 912 Cheung Sha Wan Road, Kowloon, Hong Kong.	HK $	1,284	Sales of Holographic Products
Holomagic Co., Ltd.	2000/09/29	P.O. Box 957, Road Town, Tortola, British Virgin Islands.	RMB $	72,440	Investment Business
Treasure Access Limited	2007/11/28	Unit 901, 9/F.,Times Tower, 928-930 Cheung Sha Wan Road, Lai Chi Kok, Kowloon, Hong Kong.	RMB $	25,024	Investment Business
WUXI K Laser Technology Co., Ltd.	2000/12/29	#60Segmen, Changjiang road Wuxi New District Zone, Wuxi Jiangsu, China.	RMB $	126,339	Production and Sales of Holographic Products
HuNan HeRui Laser Technology Co., Ltd	2009/11/19	No.17, Nan'er Road, Xingsha Economic & Technical Development Zone, Changsha, Hu'nan, China	RMB $	51,800	Production and Sales of Holographic Products
Top Band Investment Ltd.	2007/09/13	4th Floor, Ellen Skelton Building, 3076 Sir Francis Drake Highway, Road Town, Tortola, British Virgin Islands.	RMB $	130,106	Investment Business
Union Bloom Limited	2007/11/28	Unit 901, 9/F.,Times Tower, 928-930 Cheung Sha Wan Road, Lai Chi Kok, Kowloon, Hong Kong.	RMB $	177,857	Investment Business
K Laser Technology (Dong Guan) Co., Ltd.	2001/09/07	Da Hsui Hu Area, Da Pian Mei Village, Daling Shang, Dong Guan City.	RMB $	165,621	Production and Sales of Holographic Products
K Laser International Co., Ltd.	2000/10/31	P.O.Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands.	US $	19,776	Investment Business
K Laser Technology (USA) Co., Ltd.	1993/02/18	3123 W. MacArthur Blvd. Santa Ana, CA ,USA.	US $	7,527	Sales of Holographic Products
Amagic Technologies U.S.A. (Dubai)	1996/12/03	Jebel Ali Free Zone RA/08 VA-05 P.O.Box 61306 Dubai, UAE..	AED $	913	Sales of Holographic Products
K Laser Technology Japan Co., Ltd.	2003/07/11	1-6-43, Tunoda Higashi-Osakashi, Osaka Japan 578-0912	JPY $	96,000	Production and Sales of Holographic Products
K Laser Technology (Korea) Co., Ltd.	2002/08/26	464-1 Hyeongok-Ri, Cheongbuk-Myeon, Pyeongtak-City, Gyeonggi-Province, Korea 451-831	KRW $	2,685,000	Production and Sales of Holographic Products
K Laser Technology (Thailand) Co., Ltd.	1995/12/18	111/89 Moo 7 Bangchalong, Bangplee, Samutprakarn 10540, Thailand	THB $	112,200	Production and Sales of Holographic Products
K Laser IMEA Co., Ltd.	2003/07/03	Suite 802, St James Court St Denis Street, Port Louis, Mauritius	US $	2,600	Investment Business
Amagic Holographics India Private Limited	2003/07/11	B-74 Ambad MIDC Industrial Area, Ambad, Nashik 422010	INR $	109,156	Production and Sales of Holographic Products
Optivision Tech Inc.	2004/07/14	3F,No. 1, Li Hsin Rd. VI, Science-Based Industrial Park, Hsinchu, Taiwan30078, R.O.C.	NT $	482,996	Production and R&D of Optical Prism Film
Bright Triumph Limited	2008/03/26	Level 3, Alexander House, 35 Cybercity, Ebene,Mauritius	US $	7,914	Investment Business
Ningbo Guangyao Optivision Technology C0.,Ltd.	2008/05/28	N0.6 West Road Lushan Bonded Southern District,Ningbo Free Trade Zone	RMB $	33,607	Production of Optical Prism Film
Everest display Inc.	2001/07/20	4F,No. 1, Li Hsin Rd. VI, Science-Based Industrial Park, Hsinchu, Taiwan30078, R.O.C.	NT$	164,000	Projector manufacturing and sales

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

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

2016/12/31

Entity	Title	Name of the Representation	Shareholding	
			Shares	Holding (%)
K Laser China Group Co., Ltd. (KLCN)	Director (K Laser)	Alex Kuo	25,771,139	100.00%
Holoprint Co., Ltd.	Director (KLCN)	Alex Kuo	1	100.00%
K Laser China Group Holding Co., Limited (KLCG)	Director (KLCN)	Alex Kuo	102,901,766	99.603%
	Director (KLCN)	C. L. Kuo		
	Director (KLCN)	Vincent Tsai		
iWin Technology Co., Ltd	Director (K Laser)	Alex Kuo	123,245	49.00%
	Director (KLCG)	Alex Kuo	128,275	51.00%
Finity Laboratories	Director (iWin)	Alex Kuo	700,000	100.00%
	GM	Wai Hon Lee	0	0%
K Laser Technology (HK) Co., Ltd.	Director (KLCG)	Alex Kuo	1,283,500	100.00%
	Director (KLCG)	Daniel Kuo		
	GM	Tong Chin Tai	–	–
Holomagic Co., Ltd.	Director (KLCG)	Alex Kuo	30,000	100.00%
Treasure Access Limited	Director (Holomagic)	Alex Kuo	10,000	100.00%
WUXI K Laser Technology Co., Ltd.	Chairman (Treasure Access)	Daniel Kuo	–	100.00%
	Director (Treasure Access)	Alex Kuo		
	Director (Treasure Access)	C. L. Kuo		
	Supervisor	Mark Chen	–	–
HuNan HeRui Laser Technology Co., Ltd	Chairman(Hosin Packaging)	Hai Bo Li	–	51%
	Director (Hosin Packaging)	Zhi Wei Yi		
	Director (Hosin Packaging)	C. L. Kuo		
	Director (Treasure Access)	Alex Kuo	–	49%
	Director (Treasure Access)	Daniel Kuo		
	Supervisor (Hosin Packaging)	Wen Jie Huang	–	–
Top Band Investment Ltd.	Director (KLCG)	Alex Kuo	50,000	100.00%
Union Bloom Limited	Director (TOP)	Alex Kuo	10,000	100.00%
K Laser Technology (Dong Guan) Co., Ltd.	Chairman (Union)	James Kuo	–	100.00%
	Director (Union)	Daniel Kuo		
	Director & GM (Union)	C. L. Kuo		
	Supervisor	Mark Chen	–	–
K Laser International Co., Ltd.	Director (K Laser)	Alex Kuo	19,776,367	100.00%
K Laser Technology (USA) Co., Ltd.	Chairman (International)	Alex Kuo	6,500,000	80.00%
	Director (International)	Daniel Kuo		
	Director (Murata)	Shiro Murata	1,625,000	20.00%
	Acting General Manager	Sammy Chen	–	–
Amagic Technologies U.S.A (Dubai)	Chairman (International)	Alex Kuo	–	100.00%
	Director & GM	Joseph Habchi	–	–
K Laser Technology Japan Co., Ltd.	Chairman (International)	Daniel Kuo	1,344	70.00%
	Director	Alex Kuo		
	Director	James Kuo		
	Director	Shiro Murata	576	30.00%
	Director & GM	Jun Murata		
	Supervisor	Hiroaki Soejima	–	–
K Laser Technology (Korea) Co., Ltd.	Chairman (International)	Daniel Kuo	432,607	80.56%
	Director (International)	Alex Kuo		
	Director & GM	Pen Cheng	104,393	19.44%
	Supervisor	Howard Chen	–	–

Entity	Title	Name of the Representation	Shareholding	
			Shares	Holding (%)
K Laser Technology (Thailand) Co., Ltd.	Chairman (International)	Alex Kuo	9,277,984	82.69%
	Director	S. L. Yang	202,998	1.81%
	Director	Ms.Yupha Purima	1	0%
	Director & GM	Simon Fwu	1,000,000	8.91%
K Laser IMEA Co., Ltd.	Director (International)	Alex Kuo	2,600,390	100.00%
Amagic Holographics India Private Limited	Director (IMEA)	Alex Kuo	10,915,954	100.00%
	Director	Daniel Kuo		
	Director & GM	K. C. Yuan		
Optivision Tech Inc.	Chairman & GM	Daniel Kuo	420,937	0.87%
	Director (K Laser)	Vincent Tsai	22,699,420	47.00%
	Director	James Kuo	37,039	0.08%
	Director	Shr-Yang Chen	–	–
	Independent Director	Yuan-Shi Chiou	–	–
	Independent Director	Ruei-Dang Jang	–	–
	Independent Director	Mong-Ou Yang	–	–
	GM	Ken Yuan	160,916	0.33%
Bright Triumph Limited	Director (Optivision)	Daniel Kuo	7,913,767	100%
Ningbo Guangyao Optivision Technology Co.,Ltd.	Director (BTL)	Daniel Kuo	–	100%
	GM	Chi-Di Hung	–	–
Everest display Inc.	Chairman (K Laser)	Alex Kuo	12,153,574	74.11%
	Director (K Laser)	Daniel Kuo		
	Director (K Laser)	Vincent Tsai		
	Director (K Laser)	James Wei		
	Director	H.T. Hong	–	–
	Supervisor	Lisa Hsu	100,000	0.61%

1.1-5 Operating Highlights of the Affiliated Companies

Financial Status and Operating Results

Unit：NT$ Thousands 2016/12/31

Entity	Capital	Total Assets	Total Liabilities	Net Worth	Sales	Operating Income	Net Income (After Tax)	EPS (NT$) (After Tax)
K Laser China Group Co., Ltd.	1,866,403	2,447,643	0	2,447,643	0	0	211,650	8.21
Holoprint Co., Ltd.	-	-	-	-	-	-	-	-
K Laser China Group Holding Co., Limited	1,002,059	2,555,391	98,367	2,457,024	0	3,190	212,472	2.06
iWin Technology Co., Ltd	162,230	40,206	0	40,206	0	-15,944	-17,139	-68.14
Finity Laboratories	22,575	28,433	3,520	24,913	3,294	-16,966	-1,196	-1.71
K Laser Technology (HK) Co., Ltd.	5,337	52,448	13,451	38,997	130,179	-11,737	3,804	2.96
Holomagic Co., Ltd.	334,455	1,132,283	7,974	1,124,309	27,564	-10,933	46,333	1,544.43
Treasure Access Limited	115,534	1,121,479	4,896	1,116,583	0	-159	57,066	5,706.58
WUXI K Laser Technology Co., Ltd.	583,306	969,825	176,617	793,208	792,673	72,692	62,631	N/A
HuNan HeRui Laser Technology Co., Ltd	239,161	634,902	317,447	317,455	618,150	2,483	6,153	N/A
Top Band Investment Ltd.	600,698	1,402,508	35,257	1,367,251	217,093	3,694	182,294	3,645.87
Union Bloom Limited	821,168	1,371,249	18,077	1,353,172	0	-162	180,986	18,098.61
K Laser Technology (Dong Guan) Co., Ltd.	764,671	1,553,861	183,138	1,370,723	1,168,743	219,433	193,419	N/A

Entity	Capital	Total Assets	Total Liabilities	Net Worth	Sales	Operating Income	Net Income (After Tax)	EPS (NT$) (After Tax)
K Laser International Co., Ltd.	637,788	683,834	5,241	678,593	2,067	-3,621	63,818	3.23
K Laser Technology (USA) Co., Ltd.	242,743	200,889	53,402	147,487	454,738	45,165	29,848	3.67
Amagic Technologies U.S.A. (Dubai)	6,760	95,880	40,412	55,468	130,857	14,277	10,670	N/A
K Laser Technology Japan Co., Ltd.	26,458	156,236	41,187	115,049	172,686	1,957	688	358.08
K Laser Technology (Korea) Co., Ltd.	72,495	66,438	19,741	46,697	101,110	3,461	12,933	24.21
K Laser Technology (Thailand) Co., Ltd.	101,541	346,790	39,366	307,424	241,124	27,928	23,944	2.14
K Laser IMEA Co., Ltd.	83,863	53,543	716	52,827	2,727	-64	6,208	2.39
Amagic Holographics India Private Limited	80,886	55,141	3,760	51,381	53,905	5,164	4,332	0.40
Optivision Tech Inc.	482,996	1,343,293	420,843	922,450	1,306,803	92,485	36,037	0.75
Bright Triumph Limited	255,219	122,460	-	122,460	-	-705	-705	-1.28
Ningbo Guangyao Optivision Technology C0.,Ltd.	155,163	150,514	113,975	36,539	167,066	-615	-566	N/A
Everest display Inc.	164,000	481,333	391,212	90,121	500,691	-25,965	-50,899	-3.10

Exchange Rate：

$ 1 USD=$ 32.25 NT　　$ 1 EUR=$ 33.90 NT

$ 1 HKD=$ 4.1580 NT　　$ 1 RMB=$ 4.6170 NT

$ 1 JPY=$ 0.2756 NT　　$ 1 DHS=$ 8.7896 NT

$ 1 THB=$ 0.9050 NT　　$ 1 KRW=$ 0.0270 NT

$ 1 INR =$ 0.4751 NT

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

2. Private Placement Securities in the Most Recent Years：None

3. K Laser Shares Held or Sold by its Subsidiaries：None

4. Other Necessary Supplements：None

Major items to affect equity or stock price

Major Items to Affect Equity or Stock Price：None

本公司發言人及代理發言人

發言人姓名：黃千鳳

職　　稱：處長

電　　話：(03)577-0316

電子郵件信箱：klasergroup@klasergroup.com

代理發言人姓名：徐玉貞

職　　稱：經理

電　　話：(03)577-0316

電子郵件信箱：klasergroup@klasergroup.com

總公司及工廠地址、電話

地　址：新竹科學工業園區力行六路 1 號

電　話：(03)577-0316

股票過戶機構

名稱：福邦證券股份有限公司

地址：(100)台北市中正區忠孝西路一段 6 號 6 樓

網址：www.gfortune.com.tw

電話：(02) 2371-1658

最近年度財務報告簽證會計師

簽證會計師：余鴻賓會計師/吳恪昌會計師

事務所名稱：勤業眾信聯合會計師事務所

地　　址：台北市民生東路三段 156 號 12 樓

網　　址：www.deloitte.com.tw

電　　話：(02)2545-9988

海外有價證券掛牌買賣之交易場所名稱及查詢該海外有價證券資訊之方式：無

公司網址：www.klasergroup.com

Spokesman & Deputy Spokesman

Spokesman :	Teresa Huang
Title :	Director
TEL :	(03)577-0316
Email :	klasergroup@klasergroup.com
Deputy Spokesman:	Lisa Hsu
Title :	Manager
TEL :	(03)577-0316
Email :	klasergroup@klasergroup.com

Headquarter Factory

Address : No. 1 Li-Hsin VI Rd., Science-Based Industrial Park,
Hsin-Chu, Taiwan, R.O.C.

TEL : (03)577-0316

Securities Dealing Institute

Grand Fortune Securities Co., Ltd

Address : 6F, No.6, Sec. 1, Zhongxiao W. Rd., Zhongzheng Dist., Taipei City 10041, Taiwan, R.O.C.

Website Address：www.gfortune.com.tw

TEL : (02) 2371-1658

Auditor : Deloitte & Touche

Address :12th Fl., 156 Min Sheng E. Road Sec.3,Taipei, Taiwan, R.O.C.

Website Address：www.deloitte.com.tw

TEL : (02)2545-9988

Exchangeable Bond Exchange Marketplace

Marketable Security：None

Company Website Address：www.klasergroup.com

光群雷射科技股份有限公司
K LASER TECHNOLOGY INC.

負責人 / Chairman：郭維武 / Alex Kuo

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