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K LASER TECHNOLOGY INC.
ANNUAL REPORT 2017

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ANNUAL REPORT 2017

K LASER TECHNOLOGY INC.

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To Shareholders

Summary

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

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

Technology Development

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

Our Strategy and Global Situation

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

While we engage in technology development and strategic management to stay ahead of the competition, we are concerned of the global political economy. If US President Donald Trump, who has been advocating trade protectionism, decides to impose punitive tariffs on Chinese goods including film products, the sales between K Laser China and K Laser USA may be affected, and our profit will be affected as well. As we find ourselves in the middle of uncertainties, we must pay close attention to the development of global and regional situations.

Although we cannot control the macro economy, we will do diligent management to control risks and the competitive edges that we have been working hard to build will provide us cushions during the hard times.

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

Sincerely,

Alex Kuo
Chairman

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.

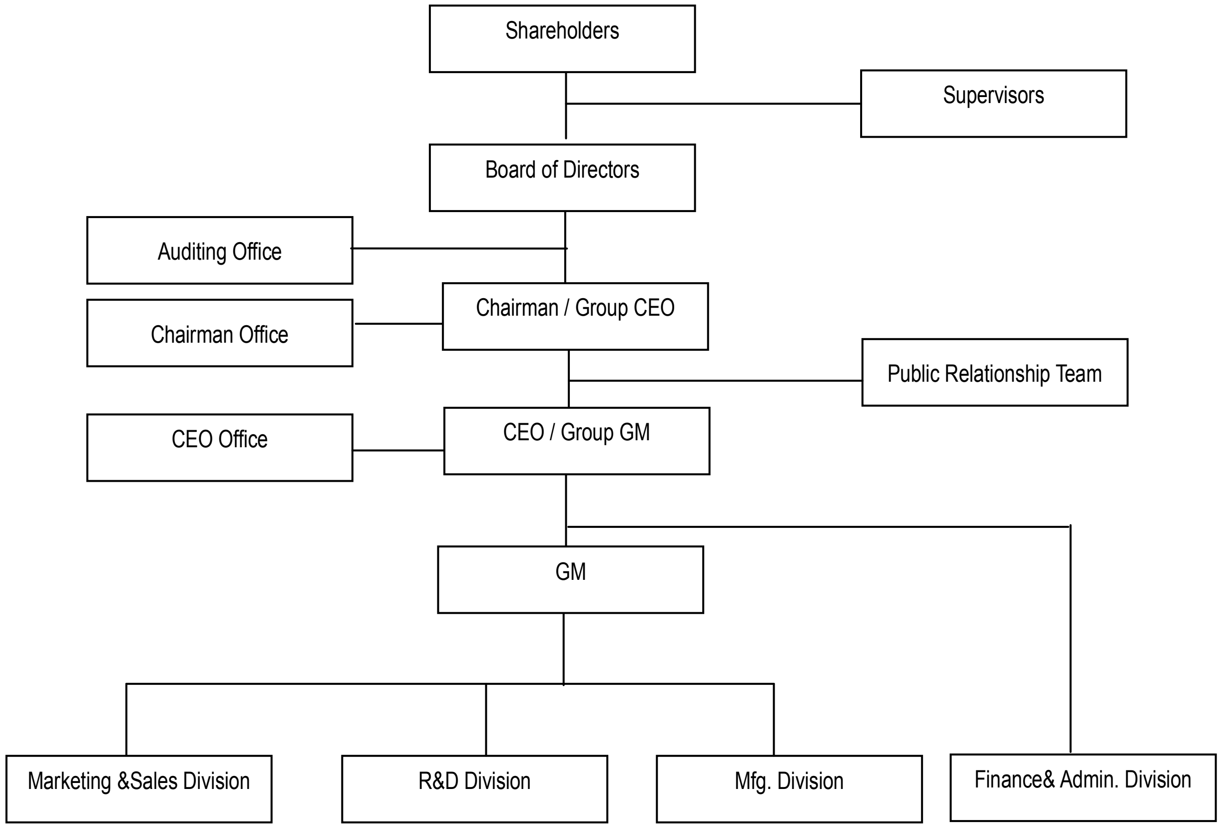
2017 (1)In October, Complete the conversion of the 4th Secured Convertible Bond and 5th Unsecured Convertible Bonds.

(2)In November, K Laser’s subsidiary-Boxlight Corporation listed on NASDAQ (Ticker:BOXL).

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

2018.03.31

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	2017.05.26	3	1988.03.16	10,187,756	7.61	10,507,756	6.36	802,980	0.49	—	—	• 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	2017.05.26	3	1992.06.21	1,028,254	0.77	1,048,254	0.63	4,572	—	—	—	• MS in Civil Engineering, NJIT, NJ.	• Chairman, OTI.	Chairman Director	Alex Kuo Lisa Hsu	Second degree relatives
Director	Lisa Hsu	Female	2017.05.26	3	2011.06.17	752,980	0.56	802,980	0.49	10,507,756	6.36	—	—	• 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	C.L. Kuo	Male	2017.05.26	3	2017.05.26	576,194	0.34	576,194	0.43	7,590	0.01	—	–	• Department of industrial engineering and Management Bachelor degree,National Taipei University of Technology • Director of Factory Affairs and General Administration, K Laser • GM,WUXI K Laser • CEO, K Laser China Group.	• GM • Directors, K Laser Group.	—	—	—
Independent Director	Cheng Sang Huang	Male	2017.05.26	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	2017.05.26	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	Bi-Xin Huang	Female	2017.05.26	3	2017.05.26	—	—	—	—	—	—	—	—	• MBA, National Chiao Tung University • Administrative finance Director, Hanergy Technologies, Inc. • Investor Relations Corporate Finance Manager, Avid Electronics Corp. • Accountant Supervisor, TSMC • Accountant Manager, AST • Administrative finance Manager, Global Hi-Tech Group Cost Accountant leader, Silicon Integrated Systems Corp.	• Supervisor, Chin-Shi Electronic Materials Ltd.	—	—	—

Major Institutional Shareholders：None.

Major Shareholders of the Corporate Shareholders：None.

Directors and Supervisors Remuneration in 2017

Unit: NT$ thousands

Title	Name	Remuneration								Amount as a % of 2017 Net Income (A+B+C+D)		Employee Remuneration								Amount as a % of 2017 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)						
																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	K Laser	Sub.	
Chairman	Alex Kuo	—	—	—	—	1,113	1,113	54	54	0.75%	0.75%	2,810	4,116	—	—	577	—	577	—	2.94%	3.78%	—
Director	Daniel Kuo	—	—	—	—	668	1,617	54	84	0.47%	1.10%	—	5,259	—	—	545	—	545	—	0.82%	4.84%	—
Director	Lisa Hsu	—	—	—	—	223	223	54	54	0.18%	0.18%	612	612	—	—	318	—	318	—	0.78%	0.78%	—
Director	Howard Chen	—	—	—	—	—	—	24	24	0.02%	0.02%	981	981	45	45	—	—	—	—	0.68%	0.68%	—
Director	C.L. Kuo	—	—	—	—	223	223	24	24	0.16%	0.16%	80	80	—	—	—	—	—	—	0.21%	0.21%	—
Independent Director	Cheng Sang Huang	—	—	—	—	—	—	6	6	0.00%	0.00%	—	—	—	—	—	—	—	—	0.00%	0.00%	—
Independent Director	Gen-Sen Chang-Hsieh	120	120	—	—	—	—	54	54	0.11%	0.11%	—	—	—	—	—	—	—	—	0.11%	0.11%	—
Independent Director	Chi Chang Lu	120	120	—	—	—	—	30	30	0.10%	0.10%	—	—	—	—	—	—	—	—	0.10%	0.10%	—
Independent Director	Bi-Xin Huang	120	120	—	—	—	—	54	54	0.11%	0.11%	—	—	—	—	—	—	—	—	0.11%	0.11%	
Supervisor	Wei Chung Hung	—	—	—	—	—	—	24	24	0.02%	0.02%	—	—	—	—	—	—	—	—	0.02%	0.02%	—
Supervisor	Ling Chiang Chao	—	—	—	—	—	—	18	18	0.01%	0.01%	—	—	—	—	—	—	—	—	0.01%	0.01%	—

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 /C.L. Kuo/ Cheng Sang Huang / Gen-Sen Chang-Hsieh / Chi Chang Lu/ Bi-Xin Huang	Alex Kuo / Daniel Kuo / Lisa Hsu / Howard Chen /C.L. Kuo/ Cheng Sang Huang / Gen-Sen Chang-Hsieh / Chi Chang Lu/ Bi-Xin Huang	Daniel Kuo / Lisa Hsu / Howard Chen /C.L. Kuo/ Cheng Sang Huang / Gen-Sen Chang-Hsieh / Chi Chang Lu/ Bi-Xin Huang	Lisa Hsu / Howard Chen /C.L. Kuo/ Cheng Sang Huang / Gen-Sen Chang-Hsieh / Chi Chang Lu/ Bi-Xin Huang
NT$ 2 million～NT$ 5 million	—	—	Alex Kuo	—
NT$ 5 million～NT$ 10 million	—	—	—	Alex Kuo / Daniel Kuo
Over NT$ 10 million	—	—	—	—
Total	9 persons	9 persons	9 persons	9 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	—	—	✓	—	—	—	—	✓	✓	✓	—	✓	✓	—
C.L. Kuo	—	—	✓	✓	—	✓	—	✓	✓	✓	✓	✓	✓	—
Cheng Sang Huang	—	—	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	—
Bi-Xin Huang	—	—	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	—
Gen-Sen Chang-Hsieh	—	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	—

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

2018.03.31

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. & GM	Alex Kuo	Male	2002.08.21	10,507,756	6.36%	802,980	0.49	—	—	• Ph.D. in EE, SUNY Stony Brook, NY • Chairman, K Laser Group.	—	—	—	—
Director, R&D Division	Bingo Lo	Male	2012.08.30	100,000	0.06%	—	—	—	—	• Ph.D. in Mechanical Engineering, National Chiao Tung University • V.P., Optivision Technology Inc.	—	—	—	—
Director, F&A Division	Teresa Huang	Female	2006.01.03	270,016	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	50,000	0.03%	—	—	—	—	• MS in Management Science, National Chiao Tung University • Manager, K Laser Technology Inc.	—	—	—	—
Financial officer	Vincent Tsai	Male	2016.05.13	80,750	0.04%	—	—	—	—	• M.Acc, SUNY • Senior Financial Manager • Special Assistant , Chairman office of K Laser Technology Inc.	—	—	—	—
Manager, Auditing Office	Yumei Tsai	Female	2016.05.13	12,715	0.01%	—	—	—	—	• California State University, San Francisco, Institute of Electronic Communications • Manager, Auditing Office , K Laser Technology Inc.	—	—	—	—
Manager, Auditing Office (Agent)	Nicole Hsu	Female	2017.12.04	176,000	0.11%	—	—	—	—	• Bachelor degree, Department of Econmics, Shih Hsin University • Secretary Of CEO, K Laser Technology Inc.	—	—	—	—

President Remuneration in 2017

Title	Name	Salary(A)		Retirement pay (B)		Bonus and Special Remuneration (C)		Employee Compensation (Note1) (D)				Total Amount as a % of 2017 Net Income		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	Cash Bonus	Stock Bonus	Cash Bonus	Stock Bonus	K Laser	All consolidated entities	
CEO, K Laser Group.& GM	Alex Kuo	2,400	3,706	—	—	410	410	576	—	576	—	2.94%	3.78%	—
GM	Howard Chen	750	750	45	45	231	231	—	—	—	—	0.68%	0.68%	—

Note1: The proposed compensation is based on the actual ratio of the 2016 distribution, which was approved by the board of directors in 2018.

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	—
From NT$ 5,000,000～NT$ 10,000,000	—	Alex Kuo
Total	1 persons	1 persons

Major Officers' Employee Compensation

2018.03.31 / Unit：NT$ Thousands

	Title	Name	Stock Bonus	Cash Bonus	Total Amount	Total Amount as a % of 2017 Net Income
Major Officers	CEO, K Laser Group.& GM	Alex Kuo	—	2,617	2,617	1.19
	Director, R&D Division	Bingo Lo				
	Director, F&A Division	Teresa Huang				
	Accounting officer	Serena Hung				
	Financial officer	Vincent Tsai				
	Manager, Auditing Office	Yumei Tsai				
	Manager, Auditing Office (Agent)	Nicole Hsu				

Note: The proposed compensation is based on the actual ratio of the 2016 distribution, which was approved by the board of directors in 2018.

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	2016				2017			
	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	10,775	5.00%	18,355	8.52%	8,908	5.75%	16,452	10.61%
Supervisor	436	0.20%	436	0.20%	42	0.03%	42	0.03%
GM and Assistant GM	6,617	3.07%	7,928	3.68%	4,554	2.94%	5,860	3.78%

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 2016 have been paid. Part of Compensation in 2017 will be planned for remunerations.

3. Corporate Governance

3.1 The state of operation of Board of Directors

Dr. Alex Kuo, the Chairman of the Board of Directors conducted 8 meetings in 2017. 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	8	0	100%	—
Director	Daniel Kuo	8	0	100%	—
Director	Lisa Hsu	8	0	100%	—
Director	Howard Chen	4	0	100%	Retired in 2017/5 and should be present at 4 times.
Director	C.L. Kuo	3	1	75%	Elected in 2017/5 and should be present at 4 times.
Independent Director	Cheng Sang Huang	8	0	100%	—
Independent Director	Gen-Sen Chang-Hsieh	8	0	100%	—
Independent Director	Chi Chang Lu	1	0	25%	Retired in2017/5 and should be present at 4times.
Independent Director	Bi-Xin Huang	4	0	100%	Elected in 2017/5 and should be present at 4 times.

Note: K Laser's 11th Board of Directors was elected at K Laser's Annual Shareholders' Meeting on May 26, 2017.

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：

Meeting Dates	Resolution	Any Independent Director Had a Dissenting Opinion or Qualified Opinion
March 30,2017 (The 14th Regular Meeting of the Tenth BOD)	(1)Approved of amendments to the Company's "Asset Acquisition & Disposal Procedures". (2)Approved of amendments to the Company's "Procedures for Endorsements & Guarantees". (3)Apprvoed of amendments to the Company's "Procedures for Lending Funds to Others". (4)Approved of amendments to the Company's "Procedures of Subsidiary for Lending Funds to Others and Endorsement Guarantee ".	None
November 10,2017 (The 3rd Regular Meeting of the 11th BOD)	Approved the CPA changes of the company (Accounting Firms internal adjustment). Deloitte & Touche Yi-Min Huang CPA and Guo-Tian Hong CPA.	
December 4,2017 (The 1st Extraordinary Meeting of the 11th BOD)	Approved the change of the Internal audit officer, Yumei Tsai leaves for work without pay, acting on behalf of Internal auditor Nicole Hsu.	

(b) There were no other written or otherwise recorded resolutions on which an independent director had a dissenting opinion or qualified opinion in 2017.

(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:

(a) 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.

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

(c) 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：

(a) Target to strengthen the functions of board：The Board of Directors of the Company was responsible for improving the corporate governance and professional functions of the Board of Directors on March 30, 2017. The Board of Directors decided to set up an audit committee and formulate the procedures for organizing the audit committee. On May 26, 2017, the shareholders' committee passed amendments to the company's articles of incorporation and the audit committee was established pursuant to Article 14 quarter of the Securities Exchange Act.

(b) Assessment of implementation：

Set up the appointment the Audit Committee member after 2017 General Shareholders' Meeting.

(c) Conduct training courses for directors and encourage directors to participate in corporate governance related courses. The training of the directors of the company is as follows:

Title	Name	Date	Organizer	Course Title	Hours
Chairman	Alex Kuo	2017/12/04	Taiwan Corporate Governance Association	The Focus of Latest Tax Reform and Analysis of the New International Anti-tax Avoidance System Across the Taiwan Straits	6
				The Supervisors' Criminal Responsibility and Case Study	3
Director	Daniel Kuo	2017/12/04	Taiwan Corporate Governance Association	The Focus of Latest Tax Reform and Analysis of the New International Anti-tax Avoidance System Across the Taiwan Straits	6
				The Supervisors' Criminal Responsibility and Case Study	3
Director	Lisa Hsu	2017/12/04	Taiwan Corporate Governance Association	The Focus of Latest Tax Reform and Analysis of the New International Anti-tax Avoidance System Across the Taiwan Straits	6
				The Supervisors' Criminal Responsibility and Case Study	3
Director	C.L. Kuo	2017/12/04	Taiwan Corporate Governance Association	The Focus of Latest Tax Reform and Analysis of the New International Anti-tax Avoidance System Across the Taiwan Straits	6
				The Supervisors' Criminal Responsibility and Case Study	3
Independent Director	Gen-Sen Chang-Hsieh	2017/12/04	Taiwan Corporate Governance Association	The Focus of Latest Tax Reform and Analysis of the New International Anti-tax Avoidance System Across the Taiwan Straits	6
				The Supervisors' Criminal Responsibility and Case Study	3
Independent Director	Cheng Sang Huang	2017/12/04	Taiwan Corporate Governance Association	The Supervisors' Criminal Responsibility and Case Study	3
		2017/09/12		Case Analysis of Major Corporate "Economic Crimes" and Discussion on Related Legal Liability	3
		2017/05/09		How Non-financial Background Supervisors Review Financial Statements	3
Independent Director	Bi-Xin Huang	2017/12/04	Taiwan Corporate Governance Association	The Focus of Latest Tax Reform and Analysis of the New International Anti-tax Avoidance System Across the Taiwan Straits	6
				The Supervisors' Criminal Responsibility and Case Study	3
		2017/08/04	Securities & Futures Institute	The laws of the company's insiders' equity trading in listed companies and unlisted (public cabinets) public companies follow	3

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

Mrs. Gen-Sen Chang-Hsieh, the Convener of the Audit Committee conducted 4 meetings in 2017. The Audit Committee' attendance status is as follows:

Title	Name	Actual attendance number of times	Agency attendance number of times	Actual attendance	Remarks
Convener	Gen-Sen Chang-Hsieh	4	0	100%	Elected in 2017/5 and should be present at 4 times.
Member	Cheng Sang Huang	4	0	100%	Elected in 2017/5 and should be present at 4 times.
Member	Bi-Xin Huang	4	0	100%	Elected in 2017/5 and should be present at 4 times.

Annotations:

(1) (a) Resolutions related to Securities and Exchange Act §14-5:

Meeting Dates	Resolution	Any Independent Director Had a Dissenting Opinion or Qualified Opinion
August 9,2017 (The 2nd Regular Meeting of the 1st Audit Committee)	approving the 2017 second quarter financial statements	None
November 10,2017 (The 3rd Regular Meeting of the 1st Audit Committee)	(1) approving the 2017 third quarter financial statements. (2) Approved the CPA changes of the company (Accounting Firms internal adjustment). Deloitte & Touche CPA Yi-Min Huang and CPA Guo-Tian Hong.	
December 4,2017 (The 1st Extraordinary Meeting of the 1st Audit Committee)	Approved the change of the Internal audit officer, Yumei Tsai leaves for work without pay, acting on behalf of Internal auditor Nicole Hsu.	

(b) There was no other resolutions which was not approved by the Audit Committee but was approved by two thirds or more of all directors in 2017.

(2) There were no recusals of independent directors due to conflicts of interests in 2017.

(3) Descriptions of the communications between the independent directors, the internal auditors, and the independent auditors in 2017 (which should include the material items, channels, and results of the audits on the corporate finance and/or operations, etc.):

(a) The internal auditors have sent the audit reports to the members of the Audit Committee periodically, and presented the findings of all audit reports in the quarterly meetings of the Audit Committee.

The head of Internal Audit will immediately report to the members of the Audit Committee any material matters. During 2017, the head of Internal Audit did not report any such material matters. The communication channel between the Audit Committee and the internal auditor functioned well.

(b) The Company's independent auditors have presented the findings of their quarterly review or audits on the Company's financial results. Under applicable laws and regulations, the independent auditors are also required to immediately communicate to the Audit Committee any material matters that they have discovered. During 2017, the Company's independent auditors did not report any irregularity. The communication channel between the Audit Committee and the independent auditors functioned well.

The communications between the independent directors, the internal auditors, and the independent auditors are listed in the table below.

Meeting Dates	Communications between the Independent Directors and	Communications between the Independent Directors and
August 9,2017 (The 2nd Regular Meeting of the 1st Audit Committee)	Reviewing the Internal Auditor's report (closed door)	1.Reviewing any review problems or difficulties and management's response in connection with 2017 second quarter financial statements (closed door). 2.reviewing regulatory developments
November 10,2017 (The 3rd Regular Meeting of the 1st Audit Committee)	Reviewing the Internal Auditor's report (closed door)	1.Reviewing any review problems or difficulties and management's response in connection with 2017 third quarter financial statements (closed door). 2.Reviewing regulatory developments
March 29,2018 (The 4th Regular Meeting of the 1st Audit Committee)	1. reviewing the Internal Auditor's report (closed door) 2. reviewing and approving 2017 Statement of Internal Control System	1. reviewing any audit problems or difficulties and management's response in connection with 2016 annual financial statements (closed door) 2.reviewing regulatory developments

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

There Board of Directors conducted 4 meetings in 2017. The supervisors' attendance status is as follows:：

Title	Name	Actual attendance number of times	Actual attendance	Remarks
Supervisor	Wei Chung Hung	4	100%	－
Supervisor	Ling Chiang Chao	4	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 2017/11/10. In accordance with the result of the evaluation, CPA Yi-Min Huang and CPA Guo-Tian Hong, 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 2017 to Nov.5 2018.	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. (1) The Article of Incorporation was amended at the regular shareholders meeting in 2017 and the audit committee was set up in 2017. (2) The shareholders' meeting will adopt electronic voting and apply for electronic voting since the regular shareholders' meeting in 2017. (3) The insurance liability insurance for the directors was not reported to the board of directors in a timely manner during the period of corporate governance appraisal, and a report was made on the fourth board of the 11th session on March 15, 2018. (4) The Company's website and annual report will strengthen the disclosure of corporate governance information to protect the interests of shareholders, strengthen the functions of the board of directors and enhance the transparency of information.				

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	—
Bi-Xin Huang	—	—	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	—

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: 2017.05.26 to 2020.05.25. The Compensation Committee held 4 meeting in 2017:

Name	Actual attendance number of times	Agency attendance number of times	Actual attendance	Remarks
Cheng Sang Huang	4	0	100%	As the new convener
Gen-Sen Chang-Hsieh	4	0	100%	Retired the convener
Bi-Xin Huang	2	0	100%	Elected in 2017/5 and should be present at 2 times.
Chi Chang Lu	1	1	50%	Retired in 2017/5 and should be present at 2 times.
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

Item	Implementation Status			Remark
	Y	N	Description	
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
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

Item	Implementation Status			Remark
	Y	N	Description	
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

Item	Implementation Status			Remark
	Y	N	Description	
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
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. 29, 2018

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, 2017 to December 31, 2017:

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 2017, 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. 29, 2018, with zero of the six attending directors expressing dissenting opinions, and the remainder all affirming the content of this Statement.

K Laser Technology Inc.

Alex Kuo,
Chairman

Alex Kuo,
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 15th Meeting of the 10th Term of Board of Directors
Date: 2017.05.10
1. Approved 2017 Q1 Financial Statements.

(2) The 1st Meeting of the 11th Term of Board of Directors
Date: 2017.06.07
1. Mr. Alex Kuo is elected as Chairman by the Board of Directors.
2. Approved the appointment the Audit Committee member.
3. Approved the appointment the Remuneration Committee member.
4. Approved the Ex-dividend day.

(3) The 2nd Meeting of the 11th Term of Board of Directors
Date: 2017.08.09
1. Approved 2017 Q2 Financial Statements.
2. Approved the appointment of GM.
3. Approved the fundraising of indirect investment company BOXL when it listed.
4. Approved buy back 5,000 thousand shares of treasury stocks.

(4) The 3rd Meeting of the 11th Term of Board of Directors
Date: 2017.11.10
1. Approved 2017 Q3 Financial Statements.
2. Approved the exercise date of the 4nd secured and 5th unsecured convertible redeemable bonds that is convertible into common stock of Company.
3. Approved the CPA changes of the company (Accounting Firms internal adjustment).

(5) The 1st Extraordinary Meeting of the 11th Term of Board of Directors
Date: 2017.12.04
1. Approved Changing the purpose of Treasury shares to transfer to employee.
2. Approved the change of the internal audit officer.
3. Approved the grant loan to the subsidiary company, Everest Display Inc.
4. Approved the cash capital increase of K Laser International Co., Ltd.

(6) The 4th Meeting of the 11th Term of Board of Directors
Date: 2018.03.15
1. Approved the impact assessment and executive plan of IFRS 16-Leases.
2. Approved the amendments and executive status of 2017 treasure stocks transfer staff.
3. Approved the convention of 2018 Annual General Meeting.

(7) The 5th Meeting of the 10th Term of Board of Directors
Date: 2018.03.29
1. Approved the distribution proposal for directors and employee.
2. Approved 2017 Operating Report and 2017 Financial Statements.
3. Approved the distribution proposal for 2017 dividend.

3.11.2 Shareholder Meetings

The 2017 Annual General Meeting

Date: 2017.05.26

(1) Recognition of 2016 Operating Report and 2016 Financial Statements.

(2) Recognition of the Distribution of 2016 Earning.

Implementation Status: The target date fixed by the company for distribution of dividends is 2017.07.12, and the payment date is 2017.07.26 ($0.815 cash dividend per share).

(3) Approved to Revise the Articles of Incorporation.

(4) Approved discussion of Amendments to the Company's "Asset Acquisition & Disposal Procedures."

(5) Approved discussion of Amendments to the Company's "Procedures for Endorsements & Guarantees."

(6) Approved discussion of Amendments to the Company's "Procedures for Lending Funds to Others."

(7) Approved discussion of Amendments to the Company's "Procedures of Subsidiary for Lending Funds to Others and Endorsement Guarantee. "

(8) Approved discussion of Amendments to the Company's "Rules for Election of Directors and Supervisors".

(9) Election of Directors (including three Independent Directors).

(10) Proposal for Release of Directors from Non-competition Restrictions.

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
General Manager	Howard Chen	2013.12.16	2017.07.03	Work Adjustment
General Manager	Alex Kuo	2017.08.09	--	Work Adjustment
Manager, Auditing Office	Yumei Tsai	2016.05.13	2017.12.04	Leave without pay
Manager, Auditing Office (Agent)	Nicole Hsu	2017.12.04	--	Manager, Auditing Office(Agent)

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	2017.01.01~2017.09.30	Accounting Firms internal adjustment
	Yi-Min Huang	Guo-Tian Hong	2017.10.01~2017.12.31	

Unit：NT$ Thousands

Amount \ Item		Audit fees	Non-audit fees	Total
1	＜2,000		$273 (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:

5.1 Former CPAs

<table>
<tr><td>Date of Change</td><td colspan="4">Approved by BOD on November 10, 2017</td></tr>
<tr><td>Reasons and Explanation of Changes</td><td colspan="4">Due to its internal personal changes, Deloitte & Touche updated the audit partners for KLT from Hung-Bin Yu and Ker-Chang Wu to Yi-Min Huang and Guo-Tian Hong in 2017.</td></tr>
<tr><td rowspan="3">State Whether the Appointment is Terminated or Rejected by the Consignor or CPAs</td><td colspan="2">Client
Status</td><td>CPA</td><td>Consignor</td></tr>
<tr><td colspan="2">Appointment terminated automatically</td><td colspan="2">Not available</td></tr>
<tr><td colspan="2">Appointment rejected (discontinued)</td><td colspan="2">Not available</td></tr>
<tr><td>The Opinions other than Unmodified Opinion Issued in the Last Two Years and the Reasons for the Said Opinions (Note)</td><td colspan="4">None</td></tr>
<tr><td rowspan="6">Is there any Disagreement in Opinion with the Issuer</td><td rowspan="4">Yes</td><td colspan="3">Accounting principle or practice</td></tr>
<tr><td colspan="3">Disclosure of financial statements</td></tr>
<tr><td colspan="3">Auditing scope or procedures</td></tr>
<tr><td colspan="3">Others</td></tr>
<tr><td>No</td><td colspan="3">V</td></tr>
<tr><td colspan="4">Explanation</td></tr>
<tr><td>Supplementary Disclosure (Disclosures Specified in Article 10.6.1.4~7 of the Standards)</td><td colspan="4">None</td></tr>
</table>

5.2 Successor CPAs

Accounting Firm	Deloitte & Touche
CPA	Yi-Min Huang and Guo-Tian Hong.
Date of Engagement	Approved by BOD on November 10, 2017
Prior to the Formal Engagement, Any Inquiry or Consultation on the Accounting Treatment or Accounting Principles for Specific Transactions, and the Type of Audit Opinion that Might be Rendered on the Financial Report	None
Written Opinions from the Successor CPAs that are Different from the Former CPA's Opinions	None

5.3 The Reply of Former CPAs on Article 10.6.1 and Article 10.6.2.3 of the Standards: 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	2017		Mar. 31, 2018	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Chairman & GM	Alex Kuo	320,000	—	—	(8,419,000)
Director	Daniel Kuo	20,000	(300,000)	—	(726,000)
Director	Lisa Hsu	50,000	—	—	(317,000)
Director	C.L Kuo	—	—	—	—
Director	Cheng Sang Huang	—	—	—	—
Director	Gen-Sen Chang-Hsieh	—	—	—	—
Director	Bi-Xin Huang	—	—	—	—
Supervisor	Wei Chung Hung	—	—	—	—
Supervisor	Ling Chiang Chao	—	—	—	—
Director, R&D Division	Bingo Lo	100,000	—	—	—
Manager, Auditing Office	Yumei Tsai	—	—	—	—
Manager, Auditing Office (Agent)	Nicole Hsu	—			
Director, F&A Division	Teresa Huang	160,000	—	—	—
Financial officer	Vincent Tsai	80,000	—	—	—
Accounting officer	Serena Hung	50,000	—	—	—

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	Redemption of pledge	2017.10.26	Mega International Commercial Bank H.S.P. Hsin-An Branch	None	300,000	-

8. The company's 10 largest shareholders and relationship

2018.03.31

Name	Holding shares		Spouse & Minor Shareholding		Shareholding Entitled Other Name		Relationship	
	Shares	%	Shares	%	Shares	%	Name	Relationship
Alex Kuo	10,507,756	6.36	802,980	0.49	—	—	—	—
Yu Ren Yuan	4,245,890	2.57	—	—	—	—	—	—
Mei Ling Ho	3,816,259	2.31	—	—	—	—	—	—
Rong An Huang	3,356,175	2.03	—	—	—	—	—	—
Guei Tang Shin	3,071,196	1.86	—	—	—	—	—	—
Pei Jun Chen	2,647,000	1.60	—	—	—	—	—	—
K Laser Technology Inc. Treasury shares account	2,000,000	1.21	—	—	—	—	—	—
Jin Mei Hsieh Kuo	1,300,000	0.79	—	—	—	—	—	—
Ming Yu Huang	1,158,638	0.70	—	—	—	—	—	—
Tang Ling Kuo	1,148,000	0.69	—	—	—	—	—	—

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/% Mar.31, 2018

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.	20,361,462	100%	—	—	20,361,462	100%
Optivision Technology Inc.	22,699,420	47%	431,873	1%	23,131,293	48%
iWin Technology Co., Ltd.	147,745	49%	153,775	51%	301,520	100%
Vicome Corp.	2,661,237	33%	—	—	2,661,237	33%
Everest Display Inc.	12,503,874	76%	100,000	1%	12,603,874	77%
Insight Medical Solutions Inc.	3,543,000	35%	1,147,000	11%	4,690,000	46%

Capital Raising Status

1. Capital and Shares

1.1 Source of Capital

1.1-1 Source of Capital

2018.03.31 / 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)
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
2017.12	10	200,000	2,000,000	165,325	1,653,246	CB Convert	314,421	-	竹商字第1061000188號

Unit：Shares, 2018.03.31

Share Type	Authorized Capital					Remarks
	Issued Shares			Un-Issued Shares	Total	
	Listed	Non-Listed	Total (Note)			
Common Stocks	165,324,631	0	165,324,631	34,675,369	200,000,000	--

Note：Includes 2,000,000 shares of Treasury shares that have not yet been transferred.

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

1.2 Shareholder Structure

2018.03.31

Structure / Volume	Government Agencies	Financial Institution	Other Legal Entities	Foreign Institutions & Individuals	Domestic Individuals	Total
Number of Shareholders	0	1	42	56	20,702	20,801
Shareholding (Shares)	0	100,000	6,522,393	7,965,120	150,737,118	165,324,631
Holding Percentage	0.00%	0.06%	3.95%	4.81%	91.18%	100.00%

1.3 Distribution Profile of Shareholder Ownership

2018.03.31

Levels of Shareholder Ownership	Number of Shareholders	Total Shares Owned	Ownership Percentage%
1 – 999	10,525	546,475	0.33%
1,000 - 5,000	6,784	15,856,262	9.59%
5,001 - 10,000	1,630	13,509,067	8.17%
10,001 - 15,000	450	5,770,767	3.49%
15,001 - 20,000	408	7,771,760	4.70%
20,001 - 30,000	328	8,624,795	5.22%
30,001 - 40,000	148	5,356,995	3.24%
40,001 - 50,000	120	5,666,511	3.43%
50,001 - 100,000	211	15,926,213	9.63%
100,001 - 200,000	114	16,147,606	9.77%
200,001 - 400,000	37	10,724,931	6.49%
400,001 - 600,000	14	6,817,764	4.12%
600,001 - 800,000	9	6,323,484	3.83%
800,001 - 1,000,000	6	5,465,682	3.31%
Over 1,000,001	17	40,816,319	24.68%
Total	20,801	165,324,631	100.00%

1.4 List of Major Shareholders

2018.03.31

Shares / Major Shareholders	Total Shares Owned	Ownership Percentage%
Alex Kuo	10,507,756	6.36
Yu Ren Yuan	4,245,890	2.57
Mei Ling Ho	3,816,259	2.31
Rong An Huang	3,356,175	2.03
Guei Tang Shin	3,071,196	1.86
Pei Jun Chen	2,647,000	1.60
K Laser Technology Inc. Treasury shares account	2,000,000	1.21
Jin Mei Hsieh Kuo	1,300,000	0.79
Ming Yu Huang	1,158,638	0.70
Tang Ling Kuo	1,148,000	0.69

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

Unit：NT$；Thousand Shares

Items \ Year			2016	2017	Mar 31,2018
Market Price Per Share	Highest		20.20	19.70	17.75
	Lowest		12.60	14.10	14.90
	Average		15.19	15.94	16.25
Net Worth Per Share	Before Distribution		18.63	21.05	—
	After Distribution		17.80	20.39	—
Earnings Per Share	Weighted Average Common Shares Outstanding		132,467	138,144	163,325
	Earnings Per Share		1.63	1.12	0.08
Dividends Per Share (Note)	Cash Dividends		0.815	0.56	—
	Stock Dividends	Retained Earnings	—	—	—
		Capital Surplus	—	—	—
	Accumulated unpaid dividend		—	—	—
Analysis of Return on Investment	Price/Earnings Ratio		9.32	14.23	—
	Price/Dividends Ratio		18.64	28.46	—
	Cash Dividends Yield Rate		5.37%	3.51%	—

Note : The earning distribution for year 2017 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 2017 profits was passed at the meeting of the Board of Directors on 2018.03.29. The proposal for a cash dividend of NT$0.56 per share will be discussed at the annual shareholders' meeting on 2018.05.30.

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 for remuneration to employees and remuneration to directors, 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. 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

Item \ Amount	Cash	Stock	Difference between Proposed and Actual Distribution
Employee Compensation	9,795	0	0
Director Compensation	2,226	0	0

1.8-4 Status of Employee, Director, and Supervisor Compensation from 2016 Retained Earnings are as Follows:

In 2016 the proposed distribution of employee, director, and supervisor compensation are NT$10,788K and 2,637K that no difference between proposed and actual distribution.

1.9 Share Buy-Back：

2018.03.31 / NT$

Batch Order	24th
Purpose of buy-back	Transfer of shares to employees
Timeframe of buy-back	2017/08/10~2017/10/09
Price range	$10.68~22.83
Class, quantity of shares bought back	common stocks 5,000,000 shares
Value of shares bought-back	$78,206,159
Shares sold/transferred	common stocks 3,000,000 shares
Accumulated number of company shares held	common stocks 2,000,000 shares
Percentage of total company shares held	1.21%

2. Issuance of Corporate Bonds

2.1 Issuance of Corporate Bonds

2018.03.31

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$ 0	NT$ 0
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$ 299 million	NT$ 189 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		
		2016	2017	2018.3.31	2016	2017	2018.3.31
Market Price	High	128.00	124.10	-	128.00	124.00	-
	Low	105.20	101.00	-	102.00	100.15	-
	Average	111.05	105.83	-	107.48	105.77	-
Convertible price		15.60	14.80	-	15.70	14.90	-
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

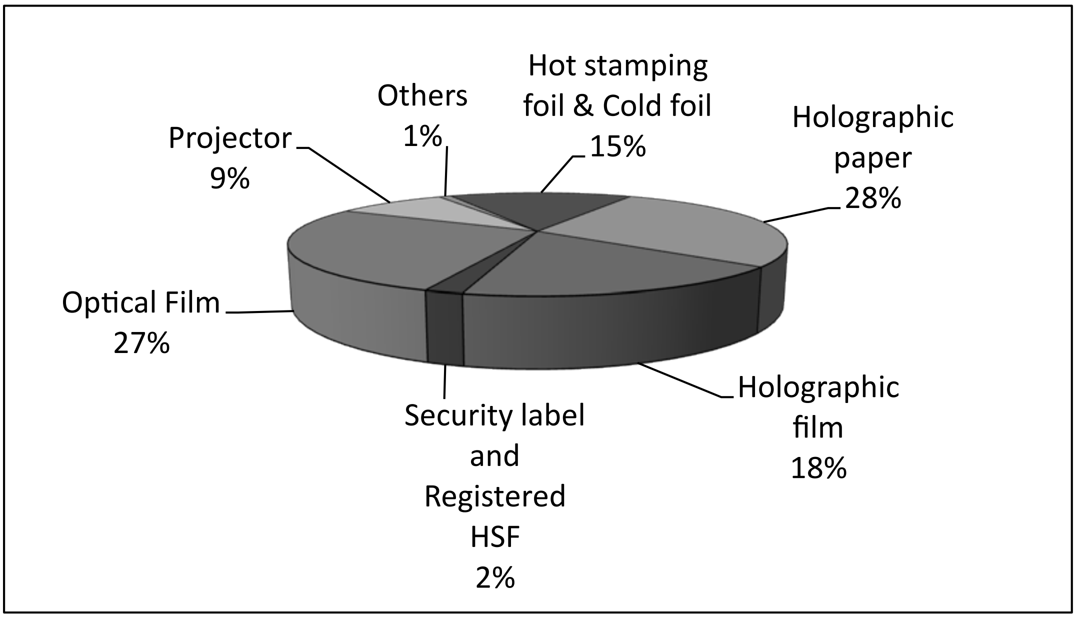
Operational Highlights

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. Tru seamless (TSL)UV Process Fresnel Lens on Nylon film.

B. Holographic 50μm OPP Film.

C. Lenticular film

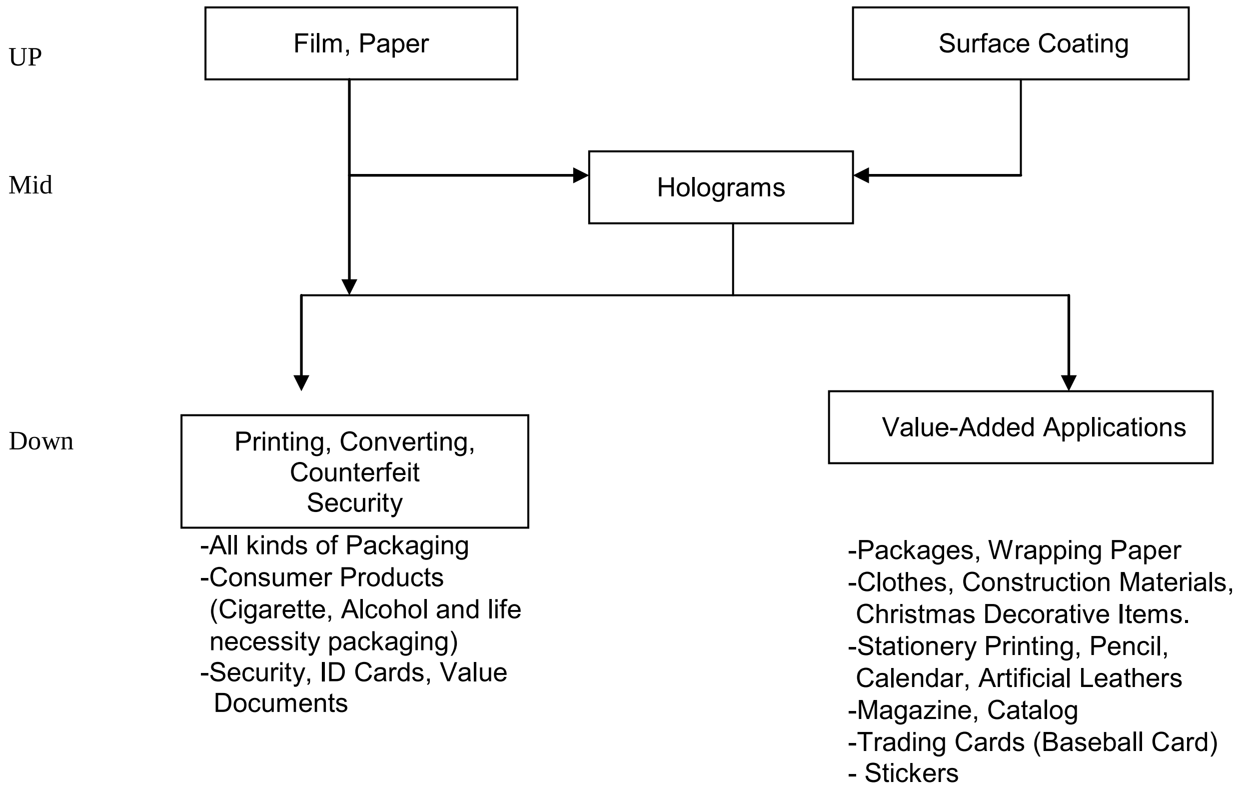
1.2. Industry Overview

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. The new Production process for OPP holographic film have great prospect to became the next mainstream product for group sales revenue.

C. Tru seamless(TSL) Fresnel Lens is the 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 system have been setting up ready for production on Q1,2017. In order to maintain industry leadership, another new generation optical holographic system is scheduling to install in 2018.

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	2016	2017	2018Q1
R&D Expenditures	221,389	245,290	63,272

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 relief (d) Drum Fresnel lens origination technology

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) True Seamless KFL for Flexo /offset Printing (g) 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 relief recording machine

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 persists to cooperation with brand and designing company; and developing opportunity for specific security label market. Maintain service existing client.

B. China Market: Persevere secure and service the current cigarette packaging orders. Seeking and developing order for cosmetic & personal care product packaging and label by attending major exhibition in China. For instances; cosmetic packaging; personal care product label.

C. Asia Market: Seeking and developing market network for SEA, Vietnam, Malaysia, Philippine. Continuing to build Indonesia subsidiaries.

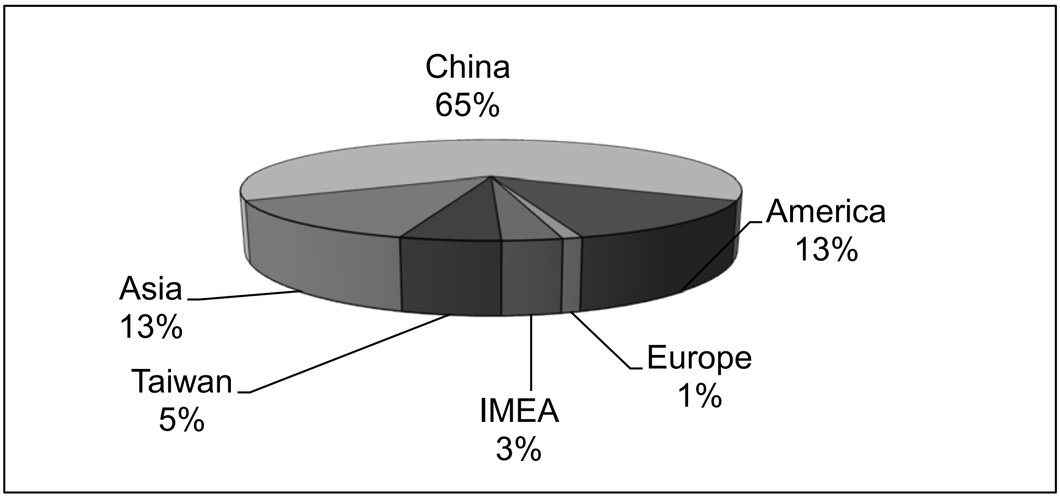
D. US Market: To secure the cold foil business and to further develop the business on laminating and self-adhesive market. Targeting Brazil for the south America market, seeking for appropriate sales channel.

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. New Tru seamless Fresnel lens process have been complete develop, which given great strength for market competitiveness.

B. New film to film process have been complete, which continue reducing the production cost. Furthermore, the new process system could also develop for further material uses.

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. The new 3D stereo-relief effect originated by generation optical holographic system has great market competitiveness.

2. Threaten and Adaptive Strategy

A. Price of crude oil effect on the base material price.

Response strategy: Developing more advance process to lower the production cost, this could lower the ratio of material cost in total cost.

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

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

C. Price War- Made in India

Response strategy: 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

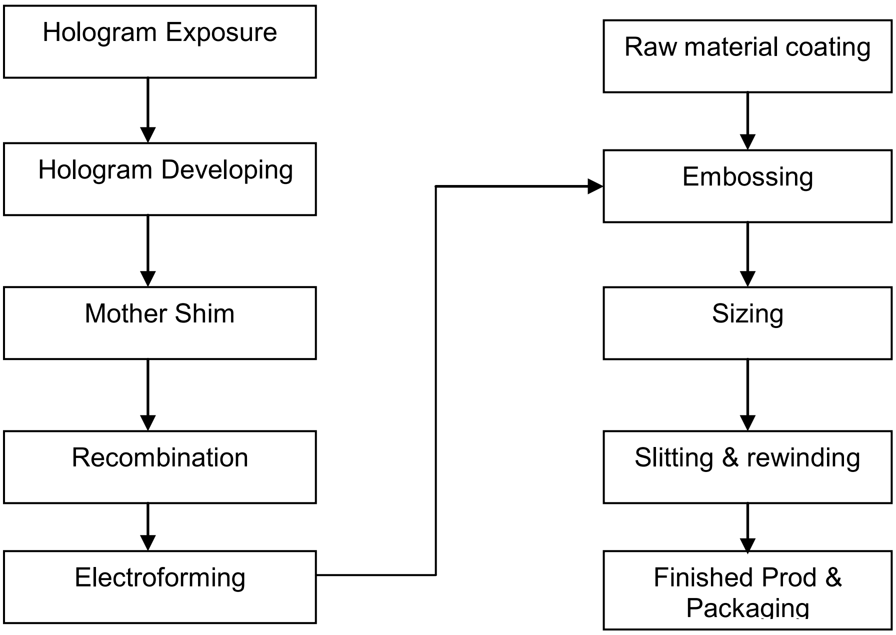
E. PVC film target market

• 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

In recent years, the company's major suppliers are Jiangsu Xinguang (base coating film), NAN YA Plastics (base film), and SEKISUI , Fanyi (stock) company (optoelectronics), with no major changes. The above suppliers have stable material quality, reasonable prices and on time delivery.

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：Made up exceeding 10%.

2016			2017		
Customer	Amount	%	Customer	Amount	%
Dongguan light chi photoelectric co., LTD	890,900	17.46%	Dongguan light chi photoelectric co., LTD	860,394	16.49%

2.5 Production Quantity / Value

Unit：NT$ Thousands /KM^2

Year / Production / Product	2016			2017		
	Capacity	Quantity	Value	Capacity	Quantity	Value
Holographic Film(included Security label)	348,447	211,349	1,040,542	321,157	203,854	948,218
Holographic Paper	161,671	102,551	1,140,247	161,081	110,308	1,268,374
Optical Film	21,080	16,586	1,098,471	20,460	17,237	1,101,748
Others	-	-	33,555	-	-	34,375
Total	531,198	330,486	3,312,815	502,698	331,400	3,352,714

2.6 Sales Quantity / Value

Unit：NT$ Thousands /KM²

Year / Sales / Product	2016				2017			
	Domestic		Export		Domestic		Export	
	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Holographic Film	5,669	65,798	194,673	1,610,824	5,968	65,021	216,869	1,579,978
Holographic Paper	58	1,311	102,424	1,469,333	0	0	110,909	1,446,768
Optical Film	65	4,968	17,997	1,466,972	733	49,560	16,414	1,334,360
Security label	1,390	34,253	322	82,116	2,625	58,030	174,781	69,887
Projector	2	28,403	4	91,537	4	74,818	9	188,184
Projector Accessories	745	9,714	16	47,872	8	38,139	82	164,463
Others	1,431	5,524	8,933	161,630	1,561	7,409	6,325	140,995
Total	9,360	149,971	324,369	4,930,284	10,899	292,976	525,388	4,924,636

3. Employee Analysis

Employee Analysis from 2016 to Mar. 31, 2018

Year		2016	2017	Mar. 31, 2018
Number of Employees	Administrators	156	148	150
	Sales	104	111	117
	Technicians	88	94	93
	Direct Engineers	625	622	607
	Indirect Engineers	198	212	208
	Total	1,171	1,187	1,175
Average Age		36.48	38.26	38.66
Average Years of Employment		5.73	6.48	6.80
Level of Education (%)	Ph.D.	2.05	2.69	2.69
	Masters Degree	10.49	9.41	9.43
	Bachelors/ Associate Degree	40.83	41.37	40.15
	Senior High School	37.42	37.04	38.79
	Under	9.21	9.49	8.94

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	2017.10~2020.09	Syndication Loan amount is NTD 720,000 (thousand)	Pledge factory premises as collateral
Medium & Long-Term Loan Agreement	E. Sun Bank	2017.07~2019.07	Loan amount is NTD 50,000 (thousand)	-
Medium & Long-Term Loan Agreement	Cathay United Bank	2017.07~2019.07	Loan amount is NTD 50,000 (thousand)	-
Medium & Long-Term Loan Agreement	JihSun Bank	2017.02~2019.02	Loan amount is NTD 100,000 (thousand)	-
Medium & Long-Term Loan Agreement	KGI Bank	2017.06~2019.06	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 2013 to 2018Q1 (IFRS)

Unit：NT$ Thousands

Items (Year)		Financial Statements from 2012 to 2015 (Note1)					Mar 31,2018 (Note2)
		2013	2014	2015	2016	2017	
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	1,622,444	1,793,235	1,794,121	2,845,550	2,035,167	2,110,155
	After Distribution (Note 3)	1,727,367	1,848,243	1,860,354	2,954,664	2,126,629	2,110,155
Non- Current Liabilities		747,987	842,065	1,036,368	899,791	1,085,882	1,040,854
Total Liabilities	Before Distribution	2,370,431	2,635,300	2,830,489	3,745,341	3,121,049	3,151,009
	After Distribution (Note 3)	2,475,354	2,690,308	2,896,722	3,854,455	3,212,511	3,151,009
Equity attributable to owners of the Company		2,804,592	2,842,192	2,542,668	2,474,006	2,908,024	2,975,675
Capital Stock		1,674,492	1,741,665	1,324,665	1,328,299	1,653,246	1,653,246
Capital Surplus		452,032	496,707	408,627	392,890	548,370	548,370
Retained Earnings	Before Distribution	762,265	716,055	724,695	869,637	915,195	928,454
	After Distribution (Note 3)	657,342	661,047	658,462	760,523	823,733	928,454
Other equity		8,325	131,780	84,681	(116,820)	(177,585)	(123,193)
Treasury Stock		(92,522)	(244,015)	0	0	(31,202)	(31,202)
Non-controlling interests		448,510	697,729	622,883	810,219	804,567	812,158
Total Equity	Before Distribution	3,253,102	3,539,921	3,165,551	3,284,225	3,712,591	3,787,833
	After Distribution	3,148,179	3,484,913	3,099,318	3,175,111	3,621,129	3,787,833

Note：1.The financial statements from 2013 to 2017 have been certified by CPA.
2.The financial statements of 2018Q1 have been certified by CPA.
3.The earning distribution for year 2017 has been approved by the Broad meeting on Mar. 29, 2018, 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 2013 to 2018Q1 (IFRS)

Unit：NT$ Thousands (Except EPS)

Items \ Year	Financial Statements from 2013 to 2017 (Note1)					Mar 31,2018 (Note2)
	2013	2014	2015	2016	2017	
Net Sales	4,078,901	4,215,580	4,056,697	5,080,255	5,217,612	1,255,379
Gross Profit	1,017,141	1,122,072	1,012,907	1,281,402	1,283,526	275,876
Operating Income	248,526	272,182	289,510	473,149	412,743	55,617
Non-Operating Revenue& Expense	97,061	(42,873)	(40,915)	(130,576)	(137,828)	(37,272)
Profit before tax	345,587	229,309	248,595	342,573	274,915	18,345
Gain (Loss) from Continued Operations	308,453	192,697	183,374	249,897	200,265	5,757
Gain（Loss）from Discontinued Operations	-	-	-	-	-	-
Profit for the year	308,453	192,697	183,374	249,897	200,265	5,757
Other comprehensive income ,net of income tax	86,969	125,162	(52,349)	(220,268)	(80,752)	29,885
Total comprehensive income for the year	395,422	317,859	131,025	29,629	119,513	35,642
Profit for the year attributable to owners of the company	227,852	90,690	164,346	215,461	155,016	13,259
Profit for the year attributable to non-controlling interests	80,601	102,007	19,028	34,436	45,249	(7,502)
Total comprehensive income for the year attributable to owners of the company	322,624	211,663	113,940	9,674	93,907	49,544
Total comprehensive income for the year attributable to non-controlling interests	72,798	106,196	17,085	19,955	25,606	(13,902)
Earnings Per Share (NT$) Note3	1.49	0.56	1.12	1.63	1.12	0.08

Note：1. The financial statements from 2013 to 2017 have been certified by CPA.
2. The financial statements of 2018Q1 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 2013 to 2017 (Individual) (IFRS)

Unit：NT$ Thousands

Items \ Year		Financial Statements from 2012 to 2016 (Note1)				
		2013	2014	2015	2016	2017
Current Assets		442,442	332,774	296,462	435,657	401,654
Property, Plant and Equipment		205,398	183,466	211,856	211,192	195,907
Intangible Assets		463	834	482	195	1,953
Other Assets		3,657,753	3,967,758	3,958,268	3,895,447	3,901,470
Total Assets		4,306,056	4,484,832	4,467,068	4,542,491	4,500,984
Current Liabilities	Before Distribution	752,567	849,633	887,225	1,170,564	511,136
	After Distribution (Note 2)	857,490	904,641	953,458	1,279,678	602,598
Non- Current Liabilities		748,897	793,007	1,037,175	897,921	1,081,824
Total Liabilities	Before Distribution	1,501,464	1,642,640	1,924,400	2,068,485	1,592,960
	After Distribution (Note 2)	1,606,387	1,697,648	1,990,633	2,177,599	1,684,422
Equity attributable to owners of the Company		2,804,592	2,842,192	2,542,668	2,474,006	2,908,024
Capital Stock		1,674,492	1,741,665	1,324,665	1,328,299	1,653,246
Capital Surplus		452,032	496,707	408,627	392,890	548,370
Retained Earnings	Before Distribution	762,265	716,055	724,695	869,637	915,195
	After Distribution (Note 2)	657,342	661,047	658,462	760,523	823,733
Other equity		8,325	131,780	84,681	(116,820)	(177,585)
Treasury Stock		(92,522)	(244,015)	0	0	(31,202)
Total Equity	Before Distribution	2,804,592	2,842,192	2,542,668	2,474,006	2,908,024
	After Distribution	2,699,669	2,787,184	2,476,435	2,364,892	2,816,562

Note：1. The financial statements from 2013 to 2017 have been certified by CPA.
2. The earning distribution for year 2017 has been approved by the Broad meeting on Mar. 29, 2018, 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 2013 to 2017 (Individual) (IFRS)

Unit：NT$ Thousands (Except EPS)

Year / Items	Financial Statements from 2013 to 2017 (Note1)				
	2013	2014	2015	2016	2017
Net Sales	502,187	551,732	508,628	550,738	568,068
Gross Profit	117,602	120,276	92,399	103,681	96,892
Operating Income	(20,412)	(26,633)	(27,824)	(22,502)	(39,512)
Non-Operating Revenue& Expense	248,264	130,428	198,064	248,800	205,579
Profit before tax	227,852	103,795	170,240	226,298	166,067
Gain (Loss) from Continued Operations	227,852	90,690	164,346	215,461	155,016
Gain（Loss）from Discontinued Operations	-	-	-	-	0
Profit for the year	227,852	90,690	164,346	215,461	155,016
Other comprehensive income ,net of income tax	94,772	120,973	(50,406)	(205,787)	(61,109)
Total comprehensive income for the year	322,624	211,663	113,940	9,674	93,907
Earnings Per Share (NT$) Note2	1.49	0.56	1.12	1.63	1.12

Note：1. The financial statements from 2013 to 2017 have been certified by CPA.
2. Earnings per share are based on retroactively adjusted weighted average outstanding common stocks.

1.2 CPA’s Opinion of the Past Five Years

1.2-1 CPA’s Opinion from 2013 to 2017

Year	CPA	Auditors' Opinion
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
2017	Yi-Min Huang, Guo-Tian Hong	An Unqualified Opinion

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 2013 to 2017(Note1)					Mar 31,2018 (Note2)
		2013	2014	2015	2016	2017	
Capital Structure (%)	Debt Ratio	42.15	42.68	47.21	53.28	45.67	45.41
	Long-Term Funds to Property, plant and equipment	276.24	311.64	316.27	312.26	371.47	374.08
Solvency (%)	Current Ratio	211.23	216.07	196.70	164.73	219.07	214.27
	Quick Ratio	172.73	178.13	163.21	131.41	172.62	164.43
	Interest Coverage (Times)	10.12	7.98	8.37	9.55	7.38	3.17
Operating Performance	Account Receivables Turnover (Times)	2.68	2.64	2.50	2.84	2.82	3.16
	Average AR Turnover Days	136.26	138.53	145.94	128.51	129.30	115.51
	Inventory Turnover (Times)	5.56	5.39	5.18	5.25	4.49	4.45
	Account Payable Turnover (Times)	7.21	8.79	8.29	6.67	5.52	5.22
	Average Inventory Turnovers Days	65.62	67.76	70.49	69.54	81.28	82.02
	Property, plant and equipment Turnover (Times)	2.81	2.95	2.97	3.81	3.97	3.89
	Total Assets Turnover (Times)	0.74	0.71	0.67	0.78	0.75	0.73
Profitability	Return on Total Assets (%)	6.13	3.73	3.47	4.35	3.41	0.18
	Return on Equity attributable to Shareholders of the Parent (%)	8.84	3.21	6.10	8.59	5.76	0.45
	Return on Capital Income Before Tax (%)	20.64	13.17	18.77	25.79	16.63	1.11
	Net Profit Ratio (%)	7.56	4.57	4.52	4.92	3.84	0.46
	Earnings Per Share (NT$)(Note3)	1.49	0.56	1.12	1.63	1.12	0.08
Cash Flow	Cash Flow Ratio (%)	23.21	12.51	39.79	17.59	29.40	12.68
	Cash Flow Adequacy Ratio (%)	153.15	115.73	163.57	170.92	162.00	170.12
	Cash Reinvestment Ratio (%)	5.12	1.82	10.26	6.65	6.76	3.66
Leverage	Operating Leverage	1.84	1.86	1.67	1.44	1.50	1.86
	Financial Leverage	1.18	1.14	1.13	1.09	1.12	1.18

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

1. The current ratio, quick ratio and cash flow ratio increased by more than 20% which was caused by the expiration of CB4 and CB5, the debt ratio was drastically reduced.
2. The profitability ratio decreased by more than 20% which was caused by the increase in management and R&D expenses, the overall profitability has declined.

Note：1. The financial statements from 2013 to 2017 have been certified by CPA.
2. The financial statements of 2018Q1 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 2013 to 2017(Note1)				
		2013	2014	2015	2016	2017
Capital Structure (%)	Debt Ratio	34.87	36.63	43.08	45.54	35.39
	Long-Term Funds to Property, plant and equipment	1730.05	1981.40	1689.75	1596.62	2036.60
Solvency (%)	Current Ratio	58.79	39.17	33.41	37.22	78.58
	Quick Ratio	55.56	35.39	31.00	34.24	72.11
	Interest Coverage (Times)	9.36	5.08	7.24	8.19	6.69
Operating Performance	Account Receivables Turnover (Times)	5.01	5.39	4.82	5.95	6.72
	Average AR Turnover Days	72.84	67.78	75.71	61.34	54.31
	Inventory Turnover (Times)	19.46	17.34	17.68	16.65	14.78
	Account Payable Turnover (Times)	6.77	6.82	6.35	7.90	9.02
	Average Inventory Turnovers Days	18.75	21.04	20.64	21.92	24.69
	Property, plant and equipment Turnover (Times)	2.54	2.84	2.57	2.60	2.79
	Total Assets Turnover (Times)	0.12	0.13	0.11	0.12	0.13
Profitability	Return on Total Assets (%)	6.01	2.54	4.18	5.36	3.96
	Return on Equity (%)	8.84	3.21	6.10	8.59	5.76
	Return on Capital Income Before Tax (%)	13.61	5.96	12.85	17.04	10.04
	Net Profit Ratio (%)	45.32	16.44	32.31	39.12	27.29
	Earnings Per Share (NT$)(Note2)	1.49	0.56	1.12	1.63	1.12
Cash Flow	Cash Flow Ratio (%)	3.69	-	-	-	-
	Cash Flow Adequacy Ratio (%)	53.80	27.81	10.04	9.64	0.85
	Cash Reinvestment Ratio (%)	-0.88	-2.51	-1.34	-1.70	-2.44
Leverage	Operating Leverage	-	0.24	0.17	-0.33	0.31
	Financial Leverage	-	0.51	0.50	0.42	0.58

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

1. The long-Term Funds to Property, plant and equipment ratio increased by more than 20% which was caused by the expiration of CB4 and CB5, and conversion to Equity resulted in Increased shareholders' equity.
2. The current ratio, quick ratio and cash flow ratio increased by more than 20% which was caused by the expiration of CB4 and CB5, the debt ratio was drastically reduced.
3. The profitability ratio decreased by more than 20% which was caused by the decrease in revenue, increase in R&D expenses and decrease in non-operating income, resulting in a decrease in overall profitability.
4. Owing to net cash outflow in 2017, the Cash Flow ratios decrease over 20%.
5. Owing to increase of net loss, the Leverage ratios decrease over 20%.

Note：1.The financial statements from 2013 to 2017 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)

3. The Audit Committee' Report

The Board of Directors have prepared and submitted to us the Company's 2017 Business Report, Financial Statements, and proposal for allocating profit. The CPAs of Deloitte & Touche were retained to audit the Financial Statements and have submitted a report relating there too. The above Business Report, and Financial Statements and proposal have been further examined as being correct and accurate by the undersigned, the Audit Committee of the Company. According to the Article14 of the Securities Exchange Act and Article 219 of the Company Law, we hereby submit this report.

K Laser Technology Inc.

Audit Committee Convener：

Gen-Sen Chang-Hsieh

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, 2017, 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 29, 2018

Deloitte.

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Independent Auditors' Report

The Board of Directors and Shareholders
K LASER Technology Inc.

Opinion

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

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

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our 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, 2017. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment of Account Receivable

The amount of the allowance for bad debts accounts receivable is the subjective judgment of the recoverable amount on the overdue and doubtful accounts receivable determined by the management. The estimated amount of the bad debts is determined by of the management’s viewpoint on the hypothesis of customer's credit risk. We are particularly concerned about the account receivable that the amount is significant and the payment is not on the payment schedule, and the rationality of the bad debts amount provided by the management. Please refer to Note 4 and Note 8 of the consolidated financial report for the 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, 2017 is NT$865,126 thousand (the gross inventory amount NT$ 929,849 thousand deducting the allowance of inventory NT$ 64,723 thousand). Please refer to note 9 of the consolidated financial report.

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

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

Other Matter

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

The engagement partners on the audit resulting in this independent auditors’ report are Yi-Min Huang and Guo-Tian Hong.

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

Yi-Min Huang	Guo-Tian Hong.
黃毅民	洪國田

K LASER Technology Inc. and Subsidiaries

Consolidated Balance Sheet

December 31, 2017 and December 31, 2016

NTD in Thousands

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

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

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

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

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

(NTD in Thousands, Except Earnings Per Share)

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

(Carried forward)

(Brought forward)

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

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

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

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

Unit: NTD in Thousands

		Equity attributable to shareholders of the company								
				Retained earnings						
Code		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
A1	Balance, January 1, 2016	$1,324,665	$ 408,627	$ 152,976	$ 162,918	$ 408,801	$ 84,681	$ -	$ 622,883	$3,165,551
	Appropriation and distribution of earnings for 2015(Note 22)									
B1	Legal reserve	-	-	16,435	-	(16,435)	-	-	-	-
B5	Cash dividends to shareholders of the company	-	-	-	-	(66,233)	-	-	-	(66,233)
D1	Net income in 2016	-	-	-	-	215,461	-	-	34,436	249,897
D3	Other comprehensive income (loss) in 2016	-	-	-	-	(4,286)	(201,501)	-	(14,481)	(220,268)
I1	Conversion of convertible bonds	3,634	1,970	-	-	-	-	-	-	5,604
M7	From share of changes in equities of subsidiaries	-	(17,707)	-	-	-	-	-	-	(17,707)
O1	Noncontrolling interests	-	-	-	-	-	-	-	167,381	167,381
Z1	Balance, December 31, 2016	1,328,299	392,890	169,411	162,918	537,308	(116,820)	-	810,219	3,284,225
	Appropriation and distribution of earnings for 2016(Note 22)									
B1	Legal reserve	-	-	21,546	-	(21,546)	-	-	-	-
B5	Cash dividends to shareholders of the company	-	-	-	-	(109,114)	-	-	-	(109,114)
D1	Net income in 2017	-	-	-	-	155,016	-	-	45,249	200,265
D3	Other comprehensive income (loss) in 2017	-	-	-	-	(344)	(60,765)	-	(19,643)	(80,752)
I1	Conversion of convertible bonds	324,947	157,313	-	-	-	-	-	-	482,260
C7	Adjustments to share of changes in equities of associates andjoint venture	-	(2,930)	-	-	-	-	-	-	(2,930)
M7	From share of changes in equities of subsidiaries	-	(292)	-	-	-	-	-	-	(292)
L1	Purchase of treasury stock	-	-	-	-	-	-	(77,972)	-	(77,972)
N1	Share-based payment transaction	-	1,389	-	-	-	-	46,770	-	48,159
O1	Noncontrolling interests	-	-	-	-	-	-	-	(31,258)	(31,258)
Z1	Balance, December 31, 2017	$1,653,246	$ 548,370	$ 190,957	$ 162,918	$ 561,320	($ 177,585)	($ 31,202)	$ 804,567	$3,712,591

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

Chairman: Kuo Wei-Wu

Manager: Kuo Wei-Wu

Accounting Supervisor: Hung Ya-Ching

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

Unit: NTD in Thousands

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

(Carried forward)

(Brought forward)

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

(Carried forward)

(Brought forward)

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

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

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

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

K LASER Technology Inc. and Subsidiaries
Notes to Consolidated Financial Statements
January 1 to December 31, 2017 and 2016
(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 29, 2018.

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 International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, "IFRSs") endorsed and issued into effect by the Financial Supervisory Commission (FSC)

Except for the following, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC did 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. The adoption of the aforementioned amendment retrospectively will not have significant effect on the Company's consolidated financial report.

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.

The adoption of IFRIC 21retrospectively will not have significant effect on the Company’s consolidated financial report.

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.

When the aforesaid amendment is adopted in 2017 retrospectively, the disclosure of the related party transaction shall be added accordingly, and please refer to note 30 for the disclosure.

(2) The regulations governing the preparation of the financial report by Securities Issuers and IFRS, endorsed and issued into effect by the FSC starting January 1, 2018.

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
Amendment to IFRS 4, “Insurance Contracts”, applying IFRS 9, “Financial Instruments”	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
IFRS 15 “Revenue from Contracts with Customers”	January 1, 2018
Amendment to IFRS 15 “Clarifications to IFRS 15”	January 1, 2018

Amendment to IAS 7 "Disclosure Initiative"	January 1, 2017
Amendment to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017
Amendment to IAS 40 "Transfer of Investment Properties"	January 1, 2018
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. "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".

b. 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.

All recognized financial assets as of December 31, 2017, in the scope of IAS 39, will be subsequently measured based on current situation, and the classification and measurement requirements in IFRS 9 are stated as follows:

(a) Under IFRS 9, available-for-sale investments in unquoted equity securities are measured on a fair value through Other Comprehensive Income. The changes in fair value are accumulated in Other Equity, and when disposal, the changes in fair value will not be reclassified into profit and loss account but transferred to Retained Earnings.
In addition, IFRS 9 removes the exception of unquoted equity securities measured at cost.

(b) Under IFRS 9, investments in debt securities held to maturity are measured at the amortized cost. The objective of this model is to hold the financial asset to collect the contractual cash flows, including interest revenue and the principle.

IFRS 9 adopts an “expected credit loss impairment model” to measure the impairment of financial assets. An allowance for expected credit losses should be recognized on financial assets measured at amortized cost, 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 allowance for that financial instrument at an amount equal to the expected credit losses of the lifetime of the assets. The Company should always measure the allowance at an amount equal to the expected credit losses for the lifetime of 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 an allowance at an amount equal to the expected credit losses of the lifetime of the assets.

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, but the Company should disclose the change of classification information under IFRS 9.

The expected effects to assets, liabilities and equity as of January 1, 2018, required by IFRS 9 for the reclassification, measurement and impairment of financial assets are applied retrospectively are as follows:

Items of Assets, Liabilities and Equities	Book Value as of December 31, 2017	Adjustment upon initial application	Book Value after adjustment as of January 1, 2018
Financial assets at fair value through profit or loss－Current	$ 124,947	$ -	$ 124,947
Financial assets carried at cost－Noncurrent	139,105	(139,105)	-
Financial assets at fair value through other comprehensive income－Noncurrent	-	178,705	178,705
Total Effect of Assets	$ 264,052	$ 39,600	$ 303,652
Other Equity	($ 177,585)	$ 18,107	($ 159,478)
Noncontrolling interests	804,567	21,493	826,060
Total Effect of Equity	$ 626,982	$ 39,600	$ 666,582

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:
(a)Identify the contract with the customer;
(b)Identify the performance obligations in the contract;
(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, there is no impact on the Company's consolidated financial report.

d. 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.

When evaluating the differed income tax assets, the Company estimated the future taxable income through the book value of the assets as the recovered amount. In 2017, the Company will adopt the amendment retrospectively.

e. 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.

f. 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.

The Company will adopt IFRIC 22 starting January 1, 2018.

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.

3. The IFRSs issued by IASB but not yet endorsed by FSC

New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB (Note 1)
Annual Improvements to IFRSs 2015-2017 Cycle	January 1, 2019
Amendments to IFRS 9 "Prepayment Features with Negative Compensation"	January 1, 2019 (Note 2)
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 16 "Leases"	January 1, 2019 (Note 3)
IFRS 17 "Insurance Contract"	January 1, 2021
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019 (Note 4)
Amendments to IAS 28 "Long-term Interests in Associates and Joint Ventures"	January 1, 2019
IFRIC 23 "Uncertainty over Income Tax Treatments"	January 1, 2019

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：FSC agrees that the Company to adopt this amendments starting January 1, 2018.

Note 3：On December 19, 2017, the FSC announced that IFRS 16 will take effect starting January 1, 2019.

Note 4：The plan amendments, curtailment or settlement occurred after January 1, 2019 should adopt this amendments.

a. 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.

b. 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.

c. IFRIC 23 "Uncertainty over Income Tax Treatments"

Under IFRIC 23, when the Company considers uncertain tax treatments exist, the Company should assume that a taxation authority will have right to examine and have full knowledge of all related information when making those examinations. If it is probable that a taxation authority will accept an uncertain tax treatment, the tax position recorded in the Company's accounts should be consistent with what is or will be used in the tax return, including taxable income, taxation basis, un-used loss carried forward, un-used tax deduction and tax rate. However, if it is not probable that a taxation authority will accept a particular uncertain tax treatment, then the Company must use either the most likely amount or the expected value. If the facts and circumstances change, the Company shall reassess the judgments and estimates required.

The Company can choose either of the following two approaches when adopted:
(a)Retrospective application by amending comparatives; or
(b)Retrospective application with the cumulative effect adjusting retained earnings with no comparatives being restated.

d. Amendments to IFRS 9 “Prepayment Features with Negative Compensation”

Under IFRS, if the contractual terms permit the borrower to prepay the instrument or the lender to sell back the instrument before its contractual maturity, and the repayment amounts is almost the unpaid principle plus interest, and a reasonable compensation for early termination of the contract, the contractual cash flow is deemed to be the payment for the principle and interest entirely. The reasonable compensation can be paid by either the borrower or the lender.

When the amendment becomes effective, the Company should adopt retrospectively. The Company can choose either of the following two approaches when adopted:
-Retrospective application by amending comparatives; or
-Retrospective application with the cumulative effect adjusting retained earnings with no comparatives being restated.

e. “Annual Improvements to IFRSs 2015-2017 Cycle”:

Annual Improvements to IFRSs 2015-2017 Cycle make amendment to IFRS 3, IFRS 11, IAS 12 and IAS 23 “Borrowing Cost”. The Amendments to IAS 23 clarify that if any specific borrowing remains outstanding after related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalization rate on general borrowings. The effective date of the aforementioned amendment will be delayed.

f. Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”

The amendments require an entity to use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement; and to clarify the impact of the asset ceiling. The effective date of the aforementioned amendment will be delayed.

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:

a. Liabilities held for trading purposes;
b. Liabilities expected to be settled within 12 months from the reporting date; 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) 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 merchandise, 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) 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.

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. Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated as available-for-sale or are not classified as loans and receivables, held-to-maturity financial assets or financial assets at fair value through profit or loss.

Available-for-sale financial assets are measured at fair value. Interest income from available-for-sale monetary financial assets and dividends on available-for-sale equity investments are recognized in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognized in other comprehensive income. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognized in other comprehensive income is reclassified to profit or loss. Dividends on available-for-sale equity instruments are recognized in profit or loss when the Company’s right to receive the dividends is established.

Available-for-sale equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period. Such equity instruments are subsequently remeasured at fair value when their fair value can be reliably measured, and the difference between the carrying amount and fair value is recognized in profit or loss or other comprehensive income.

D. 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:

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.

(13) 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.

(14) 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.

(15) 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.

(16) 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.

(17) 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.

(18) 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.

(19) 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, 2017	December 31, 2016
Cash on hand and revolving funds	$ 14,098	$ 14,806
Bank checks and current deposits	1,331,558	1,001,565
Cash equivalents		
Time deposits in bank	126,726	173,537
	$ 1,472,382	$ 1,189,908

(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, 2017	December 31, 2016
Current deposits in bank	0.001%-0.40%	0.001%-0.40%
Time deposits in bank	0.03%-5%	0.03%-6.75%

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

	December 31,2017	December 31,2016
Other current liabilities（Note 18）		
Deposit for Bank Note	$ 84,975	$ 56,971
Deposit for Bank L/C	1,131	38,893
Deposit for the collateral for Bond Payable	-	91,809
Deposit for Short-term loans	29,829	-
	$ 115,935	$ 187,673
Other Noncurrent Liabilities（Note 18）		
Deposit for Collateral for Long-term Debts	$ -	$ 6,000

7. Financial Instruments at Fair Value Through Profit or Loss

	December 31, 2017	December 31, 2016
Financial assets held for trading purposes－Current		
Derivative financial instruments		
Convertible bonds embedded derivative financial instruments	$ -	$ 69
Foreign exchange forward contract	-	8
Non-Derivative financial instruments		
Beneficiary certificate of funds	124,947	228,083
Bond investment	-	5,000
Financial assets at fair value through profit or loss－Current	$124,947	$233,160

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	2017.01.31	USD 50 / INR 3,423

8. Notes Receivable and Accounts Receivable

	December 31, 2017	December 31, 2016
Notes receivable	$ 43,634	$ 211,561
Accounts receivable	$ 1,212,562	$ 1,399,022
Less: Allowance for doubtful receivables	(63,731)	(72,927)
	1,148,831	1,326,095
Accounts receivable－Related parties (Note 30)	474,823	491,721
	$ 1,623,654	$ 1,817,816

(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, 2016 and 2017 are not past due.

Aging analysis of accounts receivable is as follows:

	December 31, 2017	December 31, 2016
Not past due	$ 1,298,025	$ 1,480,664
1～60 days	187,605	202,439
61～90 days	16,835	25,590
91～180 days	56,076	41,783
181～360 days	53,478	98,936
361 days or above	75,366	41,331
Total	$ 1,687,385	$ 1,890,743

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, 2017	December 31, 2016
60 days or below	$ 187,569	$ 202,439
61to 180 days	71,675	56,687
181 to 360 days	-	55
361 days or above	11,518	82
Total	$ 270,762	$ 259,263

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, 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

	Individually assessed for impairment	Collectively assessed for impairment	Total
Balance, January 1, 2017	$ -	$ 72,927	$ 72,927
Less: Reversal of impairment loss	-	(5,247)	(5,247)
Less: Write-off for the year	-	(3,400)	(3,400)
Foreign currency translation difference	-	(549)	(549)
Balance, December 31, 2017	$ -	$ 63,731	$ 63,731

9. Inventories

	December 31, 2017	December 31, 2016
Finished goods	$ 449,340	$ 406,254
Work in process	34,979	47,391
Raw materials and supplies	297,920	355,806
Merchandise	82,887	80,571
	$ 865,126	$ 890,022

The Consolidated Companies' allowance for inventory valuation and obsolescence loss as of December 31, 2017 and December 31, 2016 was NT$64,723 thousand and NT$66,236 thousand respectively.

Sales cost relevant to inventories for the years 2017 and 2016 was NT$3,941,078 thousand and NT$3,816,175 thousand respectively. Sales cost included inventory valuation gain NT$1,132 thousand and loss NT$ 6,067 thousands for the year ended December 31, 2017 and 2016, respectively.

10. Held-to-maturity Financial Assets

	December 31, 2017	December 31, 2016
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. The Company converted the Corporate Bond into Common Stock in June 2017 at USD 6.3 per share.

11. Financial Assets Carried at Cost

	December 31, 2017	December 31, 2016
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

	December 31, 2017	December 31, 2016
Common Stock of Foreign Company – unlisted		
Boxlight Corporation	$ -	$ 32,250
Fulgor Holdings Co., Limited	79,050	85,664
	$ 79,050	$ 117,914
Financial assets by measurement type		
Financial assets held for sale	$ 139,105	$ 177,969

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, 2017	December 31, 2016
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	76%	74%
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 K Laser Japan)	Manufacturing and sale of holography products	70%	70%
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%

Name of Investing Company	Name of Subsidiary	Nature of Operation	% of Stock Rights Held December 31, 2017	% of Stock Rights Held December 31, 2016
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%	49%
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%

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 Virgin 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% ownership 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$220,807 thousand and NT$203,469 thousand as of December 31, 2017 and December 31, 2016 respectively. Net revenue of the subsidiaries whose financial statements were audited by other certified public accountants were NT$305,597 thousand and NT$314,933 thousand for the years ended December 31, 2017 and December 31, 2016 respectively.

13. Investments Accounted for Using Equity Method

(1) Investment in Associates

			December 31, 2017		December 31, 2016	
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	$ 100,521	33	$ 98,311	33
Insight Medical Solutions Inc. (hereinafter referred to as IMS)	Research, development and sale of gastrointestinal endoscope	Hsinchu City	28,182	35	27,292	29
Wuxi Everest Display Inc.	Production and sale of optical equipment	China	49,560	38	59,131	38
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	179,206	33	176,276	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	17,262	30	15,150	30
Foshan Donglin Packing Materials Co., Ltd.	Production of packing materials and augmented products for cigerettes	China	33,816	25	32,824	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	186,307	49	212,007	49
Hunan Yonghe Packing Materials Co., Limited.	Production of paper products and sale of other packing materials, packing products and products	China	177,302	30	-	-
			$ 772,156		$ 620,991	

a. Insight Medical Solutions Inc. (hereinafter referred to as IMS), which was established in March 2015, mainly engaged in the research, development and sale of Gastrointestinal endoscopy. The Company holds 35% of IMS as of December 31, 2017 and has significant influence on IMS.

b. Wuxi Everest Display Inc. made the capital reduction in March 2016 and capital increase in July 2017. After that, the Company's comprehensive holding percentage became 38%.

c. Everest Display Inc. (hereinafter referred to as EDI) 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.

d. Boxlight Corporation (hereinafter referred to as BOXL) engages mainly on production and sales of optical instrument. After converting the Corporate Bond, which was recognized under "Held-to-maturity financial assets-non current", into Common stock, the Company owns 30% of BOXL and has significant influence. BOXL started to be listed on Nasdaq on November 30, 2017.

e. The market prices of the investments accounted for using the equity method in publicly traded stocks calculated by the closing price at the end of the reporting period are summarized as follows.

Name of Investee	December 31, 2017	December 31, 2016
Boxlight Corporation	USD 16,634	USD -
(thousand dollars)	(NTD 495,036)	(NTD --)

(2) Summarized financial information of each immaterial associate

	2016	2015
Share possessed by the Consolidated Companies		
Net loss of continuing operations for the year	($ 38,588)	($ 61,569)
	(2,647)	(4,384)
Other comprehensive income (loss)	($ 41,235)	($ 65,953)
Total comprehensive profit (loss)	($ 38,588)	($ 61,569)

The associates' share of profit or loss evaluated with the equity method is recognized by the Consolidated Companies in 2017 and 2016 based on the associates' financial statements audited by certified public accounts for the same periods. As of December 31, 2017 and 2016, the amount of aforementioned investment accounted for by equity method are NTD 277,821 and 98,311, respectively. In 2017 and 2016, the investment incomes (loss) on the aforementioned investment are NTD (1,533) and 16,863, respectively.

14. Property, Plant and Equipment

	December 31, 2017	December 31, 2016
Land	$ 102,104	$ 100,801
Buildings	455,043	482,034
Machinery and equipment	501,365	539,537
Other equipment	177,407	190,378
Construction in progress	55,840	27,147
	$ 1,291,759	$ 1,339,897

	Land	Buildings	Machinery and equipment	Other Equipment	Construction in Progress	Total
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
Cost						
Balance, January 1, 2017	$ 100,801	$1,026,599	$1,924,023	$ 611,560	$ 27,147	$3,690,130
Addition	-	20,856	81,887	23,326	43,643	169,712
Disposal	-	(20,111)	(59,919)	(80,863)	-	(160,893)
Reclassification	-	(6,565)	3,504	11,297	(14,801)	(6,565)
Net exchange differences	1,303	(1,901)	1,506	34,008	(149)	34,767
Balance, December 31, 2017	$ 102,104	$1,018,878	$1,951,001	$ 599,328	$ 55,840	$3,727,151
Accumulated depreciation and impairment						
Balance, January 1, 2017	$ -	$ 544,565	$1,384,486	$ 421,182	$ -	$2,350,233
Depreciation expense	-	32,882	111,010	45,683	-	189,575
Disposal	-	(10,652)	(52,156)	(79,745)	-	(142,553)
Reclassification	-	(2,084)	(139)	139	-	(2,084)
Net exchange differences	-	(876)	6,435	34,662	-	40,221
Balance, December 31, 2017	$ -	$ 563,835	$1,449,636	$ 421,921	$ -	$2,435,392
Net, December 31, 2017	$ 102,104	$ 455,043	$ 501,365	$ 177,407	$ 55,840	$1,291,759

(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, 2017 and December 31, 2016 were detailed as follows:

	December 31, 2017	December 31, 2016
Land	$ 37,099	$ 36,589
Buildings and structure	177,115	189,729
Investment property	4,954	624
	$219,168	$226,942

15. Investment Property

	December 31, 2017	December 31, 2016
Investment property	$ 57,196	$ 624

	2017	2016
Cost		
Balance, January 1	$ 1,870	$ 79,209
Addition	54,278	-
Reclassification	6,565	(77,339)
Balance, December 31	$ 62,713	$ 1,870
Accumulated depreciation and impairment		
Balance, January 1	$ 1,246	$ 52,776
Depreciation expense	2,187	592
Reclassification	2,084	(52,122)
Balance, December 31	$ 5,517	$ 1,246

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, 2017 and December 31, 2016 was NT$94,561 thousand and NT$10,738 thousand respectively.

16. Other Intangible Assets

	December 31, 2017	December 31, 2016
Carrying amount of each category		
Cost of computer software	$ 7,082	$ 1,724

	2017	2016
Cost		
Balance, January 1	$ 9,542	$ 8,867
Acquisition for the year	7,810	435
Reclassification	-	248
Net exchange differences	(1)	(8)
Balance, December 31	$ 17,351	$ 9,542
Accumulated depreciation and impairment		
Balance, January 1	$ 7,818	$ 4,823
Amortization expense	2,453	3,002
Net exchange differences	(2)	(7)
Balance, December 31	$ 10,269	$ 7,818

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, 2017	December 31, 2016
Current	$ 418	$ 423
Noncurrent	20,185	20,838
	$ 20,603	$ 21,261

As of December 31, 2017 and December 31, 2016, prepaid lease payments were made for the right to use the land in Mainland China.

18. Other Assets

	December 31, 2017	December 31, 2016
Retained tax	$ 12,350	$ 13,349
Prepaid expenses and accounts	79,779	58,961
refundable deposits	27,750	36,663
Restricted assets (Note 6)	115,935	193,673
Others	26,558	29,759
	$ 262,372	$ 332,405
Current	$ 212,829	$ 264,671
Noncurrent	49,543	67,734
	$ 262,372	$ 332,405

19. Loans

(1) Short-term Loans

	December 31, 2017		December 31, 2016	
	Interest Rate	Amount	Interest Rate	Amount
Unsecured loans	1.00%-3.65%	$ 566,748	1.00%-4.00%	$ 630,047
Usance L/C loans payable	1.05%-3.12%	207,156	1.00%-2.95%	231,049
		$ 773,904		$ 861,096

The Consolidated Companies' unsecured loans from the bank as of December 31, 2016 and December 31, 2017 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.

(2) Short-term Notes and Bills Payable

	December 31, 2017	December 31, 2016
Commercial paper payable	$ 200,000	$ 150,000
Less: Discounts on short-term notes and bills payable	(132)	(120)
	$ 199,868	$ 149,880

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

December 31, 2017

Guaranteeing / Accepting Institution	Par Value	Discount	Carrying Amount	Interest Rate
Commercial paper payable				
Mega Bills	$ 50,000	$ 42	$ 49,958	0.950%
International Bills	50,000	16	49,984	0.950%
Dah Chung Bills	50,000	31	49,969	0.950%
Taiwan Bills	50,000	43	49,957	0.958%
	$200,000	$ 132	$199,868	

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	

(3) Current Portion of Long-term Liabilities

	December 31, 2017	December 31, 2016
Current portion of long-term loans	$ 15,000	$ 146,000
Current portion of Long-term payables	2,893	30,390
Current portion of convertible bonds payable (Note 20)	-	487,192
	$ 17,893	$ 663,582

(4) Long-term Loans

	Interest Rate%	December 31, 2017 Amount	Interest Rate%	December 31, 2016 Amount
Secured Loan				
E. Sun Bank (Leading bank of syndicated loans) Mortgage loan from 2017/9 to 2020/9, for which principle is repaid from December 2019 for every 6 months; revolving use is not allowed.	1.79	$ 360,000	-	$ -
E. Sun Bank & Taipei Fubon Bank (Leading bank of syndicated loans) Mortgage loan from 2017/9 to 2020/9, for which interest is paid every 3 month and principle is repaid in full when due	0.75	360,000	-	-
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
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
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 2017/4 to 2019/4, for which interest is paid every month and principle is repaid in full when due; to be extended from April 2017 for more 2 years; date due is April 2019	1.59	100,000	1.73	100,000
KGI Bank (Former China Development Industrial Bank) Unsecured loans from 2017/5 to 2019/5, for which interest is paid every month and principle is repaid in full when due; to be extended from May 2017 for more 2 years; date due is May 2019.	1.44	100,000	1.43	100,000

	Interest Rate%	December 31, 2017 Amount	Interest Rate%	December 31, 2016 Amount
Taipei Fubon Bank				
Unsecured loans from 2017/5 to 2019/5, for which interest is paid every month and principle is repaid in full when due; to be extended from May 2017 for more 2 years; date due is May 2019.	1.66	$ 50,000	1.65	$ 100,000
Hua-Nan Bank				
Unsecured loans from 2014/3 to 2017/3, from 2014/3 for which principle is repaid in 36-month installment started from 2014/4	-	-	1.88	750
E. Sun Bank				
Unsecured loans from 2017/7 to 2019/7, for which interest is paid every month and principle is repaid in full when due; to be extended from July 2017 for more 2 years; date due is July 2019.	1.50	40,000	-	-
Cathay United Bank				
Unsecured loans from 2017/8 to 2019/8, for which interest is paid every month and principle is repaid in full when due; to be extended from August 2017 for more 2 years; date due is August 2019.	1.52	50,000	-	-
Panhsin Bank				
Unsecured loans from 2017/4 to 2019/4, for which interest is paid every month and Principal is repaid Quarterly evenly from the 13th month.	1.90	20,000	-	-
Less: Current portion of long-term loans		(15,000)		(146,000)
		$1,065,000		$ 876,500

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 September 2017 for the syndicated loans provided mainly by E. Sun Bank. The total credit line was NT$1,000,000 thousand. As of December 31, 2017, the actual used amount was NT$ 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 and Taipei Fubon Bank.

(5) Long-term payables

	December 31, 2017	December 31, 2016
Long-term payables	$ 2,974	$ 33,778
Less: Unrealized interest	(81)	(576)
Less: Current portion of Long-term payables	(2,893)	(30,390)
	$ -	$ 2,812

a. 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 installments, interest rates are 1.39% and 1.43%.

b. The Company entered into loan agreement with Robina Finance & Leasing Corp. in July 2015 with amount of $26,004, ranging from July 2015 to July 2017, 24 monthly installment, interest rates is 1.55%

c. The aforesaid long-term payables are guarantee by Chairman, Alex Kuo.

20. Bonds Payable

	December 31, 2017	December 31, 2016
Liability components constituting the secured convertible bonds issued for the fourth time	$ -	$295,528
Liability components constituting the unsecured convertible bonds issued for the fifth time	-	191,664
Less: Current portion of long-term liabilities	(-)	(487,192)
	$ -	$ -

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 NT$200,000 thousand respectively on October 17, 2014 and October 20, 2014, and the total amount for sale is NT$479,000 thousand.

As of December 31, 2017, the amounts that the Company redeemed the Corporate Bond are NT$10,600 thousand for unsecured, and NT$700 thousand for secured. The remaining balances of Corporate Bond, unsecured NT$189,400 thousand and secured NT$299,300 thousand, were all converted into the Company’s Common Stock, 32,858 thousand shares.

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$14.8 per share from July 2, 2017.
   (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$14.9 per share from July 2, 2017.

(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 2017 and 2016 “interest expenses of bond discount amortization” NT$6,825 thousand and NT$8,895 thousand and “gain on valuation of financial instruments” NT$0 thousand and NT$6,479 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 2017, the face values of the conversion for the fourth and fifth secured convertible bonds held by the holders were $298,500 thousand and $184,500 thousands, respectively. The total common stock converted was 32,495 thousand shares, and a reduction of Capital Surplus amounted $15,777 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$10,809 thousand and NT$10,819 thousand in the consolidated income statement for 2017 and 2016 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, 2017	December 31, 2016
Present value of defined benefit obligations	$ 41,887	$ 42,473
Fair value of plan assets	(21,005)	(21,994)
Net defined benefit liability	$ 20,882	$ 20,479

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, 2016	$ 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)
Balance, December 31, 2016	(1,064)	1,064	-
Service cost	42,473	(21,994)	20,479
Service cost for the year			
Interest expenses			
(incomes)	480	-	480
Recognition in profit (loss)	478	(251)	227
Remeasurement	958	(251)	707
Reward of plan assets			
Actuarial loss—from changes in demographic assumptions	-	40	40
Actuarial loss—from changes in financial assumptions	2,497	-	2,497
Actuarial loss—from experience adjustments	(2,193)	-	(2,193)
Recognition in other	304	40	344

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
comprehensive income (loss)			
Contribution by the employer	$ -	($ 648)	($ 648)
Payment of plan asset	(1,848)	1,848	-
Balance, December 31, 2017	$ 41,887	($21,005)	$ 20,882

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

	2017	2016
By functions		
Cost of revenue	$ 250	$ 231
Promotion	82	71
General and administrative	267	267
Research and development expense	108	95
	$ 707	$ 664

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, 2017	December 31, 2016
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, 2017	December 31, 2016
Discount rate		
Increase by 0.25%	($ 956)	($ 1,005)
Decrease by 0.25%	$ 992	$ 1,042
Projected salary increase rate		
Increase by 0.25%	$ 966	$ 1,014
Decrease by 0.25%	($ 936)	($ 983)

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, 2017	December 31, 2016
Contributions expected to be made within one year	$ 516	$ 707
Average maturity period for defined benefit obligations	10.41 years	9.68 years

22. Equity

(1) Capital Stock

Common shares

	December 31, 2017	December 31, 2016
Authorized shares (in thousands)	200,000	200,000
Authorized capital	$2,000,000	$2,000,000
Issued and paid shares (in thousands)	165,325	132,830
Issued capital	$1,653,246	$1,328,299

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, 2016	132,467	$1,324,665
Conversion of bonds	363	3,634
Balance, December 31, 2016	132,830	$1,328,299
Balance, January 1, 2017	132,830	$1,328,299
Conversion of bonds	32,495	324,947
Balance, December 31, 2017	165,325	$1,653,246

(2) Capital Surplus

Capital surplus balances in 2017 and 2016 were adjusted as follows:

	December 31, 2017	December 31, 2016
Can be used to offset a deficit, paying dividend by cash or stock (1)		
Common stock premium	$471,382	$298,292
Treasury Stock Trading	1,389	-
Difference between actual gains on acquired stock rights of subsidiaries and carrying amounts	46,903	50,125
Can be used to offset a deficit		
Recognized changes in ownership of subsidiaries (2)	28,696	28,696
Cannot be used for any other purposes		
Stock Option(3)	-	15,777
	$548,370	$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 2016 and 2015 approved in the regular meeting of shareholders held by K Laser on May 26, 2017 and May27, 2016 respectively was as follows:

	Appropriation of Earnings		Dividends Per Share (NT$)	
	2016	2015	2016	2015
Legal reserve	$ 21,546	$ 16,435	$ -	$ -
Cash dividends	109,114	66,233	0.815	0.5

K Laser's appropriations of earnings for 2017 had been approved in the meeting of the board of directors held on March 29, 2018. The appropriations and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT$)
Legal reserve	$ 15,502	$ -
Cash dividends	91,462	0.56

The appropriations of earnings for 2017 are to be presented for approval in the shareholders' meeting to be held on May 30, 2018.

(4) Other Equity

Exchange differences on translation of foreign financial statements:

	2017	2016
Balance, beginning of year	($116,820)	$ 84,681
Exchange differences on translation of foreign financial statements	(58,118)	(197,117)
Share of other comprehensive loss of associate and joint venture	(2,647)	(4,384)
Balance, end of year	($177,585)	($116,820)

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

	2017	2016
Balance, beginning of year	$810,219	$622,883
Share of noncontrolling interests		
Net income	45,249	34,436
Exchange differences on translation of foreign financial statements	(19,643)	(14,481)
From business combination	-	209,013
Noncontrolling interests involved subsidiaries' capital increases	(1,925)	-
Repurchase of noncontrolling interests of subsidiaries	(29,626)	(41,632)
Dividends distributed by subsidiaries	293	-
	$804,567	$810,219

(6) Treasury Stock

a. Movements of treasury stock are as follows:

Unit: Share

2017				
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	-	5,000,000	(3,000,000	2,000,000

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.

c. On December 2017, the board meeting of K Laser Technology Inc. approved to change purpose of the 24th buy-back of 5,000 thousands company share from maintaining company credit and stockholders' benefit to transferring the shares to employees. As of December 31, 2017, 3,000 thousands shares had been transferred to employees.

23. Net Profit of Continuing Operations

Employee benefit expenses and depreciation and amortization expenses

	2017			
	Operating cost	Operating expense	Non-operating expense and losses	Total
Short-term employee benefits	$ 344,508	$ 352,253	$ -	$ 696,761
Retirement benefits	$ 6,545	$ 4,971	$ -	$ 11,516
Other employee benefits	$ 9,192	$ 16,214	$ -	$ 25,406
Depreciation expense				
Depreciation of property, plant and equipment	$ 149,585	$ 38,802	$ 1,188	$ 189,575
Depreciation of investment property	-	-	2,187	2,187
	$ 149,585	$ 38,802	$ 3,375	$ 191,762
Amortization expense	$ 128	$ 2,325	$ -	$ 2,453

	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
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

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. The appropriation of 2017 and 2016 earnings have been proposed by the Company's board of directors on March 29, 2018 and March 30, 2017 as follows:

Percentage of appropriation

	2017	2016
Employees	5.5%	4.50%
Directors and supervisors	1.25%	1.10%

Amount

	2017		2016	
	Cash	Stock	Cash	Stock
Employees	$ 9,795	$ -	$ 10,788	$ -
Directors and supervisors	2,226	-	2,637	-

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.

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

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 2016respectively 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:

	2017	2016
Current income tax		
Incurred in current year	$ 64,307	$ 80,446
Imposed on unappropriated earnings	8,051	7,837
Adjusted for previous years	(3,908)	(4,102)
Deferred income tax		
Incurred in current year	6,200	8,495
Income tax expenses recognized in profit or loss	$ 74,650	$ 92,676

Accounting incomes and income tax expenses are reconciled as follows:

	2017	2016
Income before income tax of continuing operations	$ 274,915	$ 342,573
Income tax expenses calculated at the legal tax rate on the income before income	$104,628	$ 122,748
Investment gains recognized with equity method	(39,676)	(40,706)
Dividend from foreign investment	27,600	18,400
Gains on disposal of domestic equity investments	-	(133)
Others	(16,231)	(9,855)
Deferred income tax assets not recognized in the previous year but used in the year	(400)	(5,755)
Operating loss carryforwards not recognized	(5,414)	4,242
Taxation on unappropriated earnings	8,051	7,837
Adjustment of income tax expenses of the previous year	(3,908)	(4,102)
Income tax expenses recognized in profit or loss	$ 74,650	$ 92,676

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.

In January 2018, it was announced that the Income Tax Law in the R.O.C. was amended and, starting from 2018, the corporate income tax rate will be adjusted from 17% to 20%. In addition, the tax rate applicable to unappropriated earnings will be reduced from 10% to 5%. Deferred tax assets recognized as of December 31, 2017 are expected to be adjusted and would increase by NT$3,935 thousand in 2018.

As earnings to be distributed for 2018 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, 2017	December 31, 2016
Income tax assets		
Tax receivable	$ 18,981	$ 6,024
Income tax payable		
Income tax payable	$ 28,306	$ 44,874

(3) Deferred Income Tax Assets and Liabilities

	December 31, 2017	December 31, 2016
Deferred income tax assets		
Temporary differences		
Unrealized gross profit	$ 2,900	$ 2,900
Loss on allowance for doubtful receivables	17,585	18,897
Others	126	2,014
Operating loss carryforwards	17,500	20,500
Deferred income tax assets	$ 38,111	$ 44,311

(4) Information about Unused Operating Loss Carryforwards

The information about operating loss carryforwards as of December 31, 2017 is as follows:

Unused Amount	Year of Last Carryforward
$ 25,708	2018
39,080	2019
44,992	2020
75,768	2021
84,753	2022
21,670	2023
48,416	2025
9,026	2026
$ 349,413	

(5) Integrated Income Tax Information

	December 31, 2017	December 31, 2016
Balance of the imputation credit account of shareholders (including income tax liability, end of year)	（Note）	$ 26,026
Unappropriated earnings after 1998	（Note）	$ 537,308

	2017 (Expected)	2016（Actuarial）
The estimated and actual creditable ratio for distribution of earnings	（Note）	4.50%

Note: Effective from February, 2018, integrated income tax system were abrogated and imputation credit account is no longer applicable based on amended R.O.C. Income Tax Law in February 2018.

(6) Income tax examination and approval

The tax authorities have examined income tax returns of K Laser through 2015, except 2013.

25. Earnings Per Share

EPS is computed as follows:

	2017			2016		
	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	$ 155,016	138,144	$ 1.12	$ 215,461	132,467	$ 1.63
Effect of dilutive potential common shares						
Convertible bonds	$ 5,665	23,064		$ 7,383	31,606	
Bonus to employees	-	757		-	682	
Diluted earnings per share						
Earnings available to shareholders of common shares	$ 160,681	161,965	$ 0.99	$ 222,844	164,755	$ 1.35

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 2017 and 2016.

	2017	2016
Investing and financing activities not influencing cash flows		
Exchange differences on translation of foreign financial statements	($ 60,765)	($201,501)
Current portion of long-term liabilities transferred to current Liabilities	$ 17,893	$663,582
Convertible bonds converted	$482,260	$ 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, 2017

	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	$ 124,947	$ -	$ -	$ 124,947

December 31, 2016

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

There were no transfers between Level 1 and Level 2 of the fair value hierarchy in 2017 and 2016.

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 are 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, 2017	December 31, 2016
Financial assets		
Loans and receivables		
Cash and cash equivalents	$ 1,472,382	$ 1,189,908
Notes and accounts receivable (Including those from related parties)	1,667,288	2,029,377
Other receivables	96,532	79,873
refundable deposits	27,750	36,663
Restricted assets—Noncurrent (Stated as other noncurrent assets—Others)	115,935	193,673
Financial assets at fair value through profit or loss (Current and noncurrent)	124,947	233,160
Held-to-maturity financial assets-	-	62,020

	December 31, 2017	December 31, 2016
Noncurrent		
Financial assets carried at cost－ Noncurrent	$ 139,105	$ 177,969
Financial liabilities		
Measured at amortized cost:		
Short-term loans	$ 773,904	$ 861,096
Short-term notes and bills payable	199,868	149,880
Notes and accounts payable (including those to related parties)	677,480	749,995
Other payables	315,218	359,845
Long-term loans (including current portion of such loans)	1,082,893	1,542,894

(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 company's sensitivity analysis only includes foreign currency items, which are calculated assuming an depreciation of 1% 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 appreciates by 1%, then the effect on income before taxes is the negative of the same amount.

	Effect from USD		Effect from JPY		Effect from RMB	
	2017	2016	2017	2016	2017	2016
Income effects	$10,114	$7,619	($1,117)	($1,158)	$5,272	$4,995

(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, 2017	December 31, 2016
Interest rate risk from cash flows		
Financial assets	$ 114,804	$ 154,780
Financial liabilities	1,285,203	1,238,896

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$11,704 thousand and NT$10,841 thousand for the years 2017 and 2016

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, 2017			
	Less than 1 year	2～3 years	Over 3 years	Total
Non-derivative financial liabilities				
Liabilities without interest	$ 992,698	$ -	$ -	$ 992,698
Liabilities at floating interest rates	220,203	1,065,000	-	1,285,203
Liabilities at fixed interest rates	771,462	-	-	771,462
	$ 1,984,363	$ 1,065,000	$ -	$ 3,049,363

	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

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) Name of Related Party and relationship

Name of Related Party	Relationship
Dongguan Light Chi Photoelectric Co., Ltd(DGLC)	Other related parties(Starting October 2016, OTI was elected as a director of the parent company of DGLC)
HuNan HeShuo Package Material Co., Ltd(HSPG)	Other related parties
Everest Display Inc.(EDI)	Prior to October 2016, EDI was 39% owned by the Company and was accounted for by equity method
Insight Medical Solutions Inc.(IMS)	Affiliate company accounted for by equity method
Wuxi Everest Display Inc. (EDWX)	Affiliate company accounted for by equity method
Jiangsu Xinguang Laser Packing Materials Co., Ltd.(JSSD)	Affiliate company accounted for by equity method
Hunan Heshin Packaging Materials Limited(HNPG)	Affiliate company accounted for by equity method
Boxlight Corporation	Affiliate company accounted for by equity method

(2) Operating Transactions

Sale	2017	2016
Other Related parties		
DGLC	$ 870,449	$ 57,246
Associates	45,018	63,403
	$ 915,467	$ 120,649

Purchases	2017	2016
Other Related parties	$ 18,502	$ -
Associates	272,556	284,121
	$ 291,058	$ 284,121

Manufacturing expenses	2017	2016
Associates	$ 8,413	$ 8,889

Operating expenses		
Other Related parties	$ 215	$ -
Associates	6,364	7,537
	$ 6,579	$ 7,537

Interest incomes		
Other Related parties	$ 690	$ 508
Associates		
EDI	-	1,717
HSPG	1,275	552
	$ 1,965	$ 2,777

Other incomes		
Associates		
EDI	$ -	$ 5,469
IMS	3,080	-
Other	344	1,323
	$ 3,424	$ 6,792

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

Receivables from related parties	December 31, 2017	December 31, 2016
Other Related parties		
DGLC	$ 465,296	$ 491,332
Associates	9,527	389
	$ 474,823	$ 491,721

Payables to related parties		
Other Related parties		
DGLC	$ -	$ 47,158
Associates		
JSSD	138,798	122,607
Other	884	3,302
	$ 139,682	$ 173,067

Other receivables and other current assets(excluding loan)		
Other Related parties		
HSPG	$ 16,848	$ 16,075
Other	183	1,968
Associates		
HNPG	16,894	-
Other	973	166
	$ 34,898	$ 18,209

Other payables		
Associates		
IMS	$ -	$ 40,000
Other	-	5,960
	$ -	$ 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:

	2017			
Name of Related Party	Maximum Balance	Ending Balance	Interest income	Interest Rate %
Associates	$ 45,860	$ 45,650	$ 1,275	3%

	2016			
Name of Related Party	Maximum Balance	Ending Balance	Interest income	Interest Rate %
Associates	$ 47,920	$ 46,170	$ 552	3%

(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, 2017	December 31, 2016
Key management personnel	Short-term loans	$ 773,904	$ 861,096
	Long-term loans	1,080,000	1,020,000
		$1,853,904	$1,881,096

(5) Compensation to Key Management Personnel

The compensation to directors and key management personnel of the Consolidated Companies for 2017 and 2016 was as follows:

	2017	2016
Short-term employee benefits	$ 15,577	$ 16,412
Retirement benefits	45	108
	$ 15,622	$ 16,520

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, 2017	December 31, 2016
Deposits in bank	$ 115,935	$ 193,673
Property, plant and equipment	214,214	226,318
investment property	4,954	624
	$ 335,103	$ 420,615

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)	$ 3,157

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

Unit: Foreign currency in thousands / NTD in thousands

	December 31, 2017	December 31, 2016
K Laser China Group Holding		
Guarantees	USD 6,000	USD 6,000
Amount actually drawn	USD -	USD 3,000
Everest Display Inc.		
Guarantees	NTD 450,000	NTD -
Amount actually drawn	NTD 385,418	NTD -
Wuxi Everest Display Inc.		
Guarantees	USD 1,000	USD -
Amount actually drawn	USD 1,000	USD -

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, 2017			December 31, 2016		
	Foreign Currency	Exchange Rate	NTD	Foreign Currency	Exchange Rate	NTD
Financial assets						
Monetary items						
USD	$ 56,434	29.7600	$1,679,476	$ 39,239	32.2500	$1,265,458
JPY	489	0.2642	129	13,679	0.2756	3,770
RMB	115,488	4.5650	527,203	108,186	4.6170	499,495
Long-term equity investments with equity method						
USD	14,225	29.7600	423,330	7,776	32.2500	250,767
Financial liabilities						
Monetary items						
USD	22,450	29.7600	668,112	15,613	32.2500	503,519
JPY	423,068	0.2642	111,775	433,936	0.2756	119,593

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（not including subsidiaries, affiliate, and join venture with control power）	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 2017 and 2016 is listed as follows:

	2017				
	China	Other Asian Territories	Others	Adjustment and Write-off	Total
Revenue	$2,839,910	$2,855,214	$ 680,003	($1,157,515)	$5,217,612
Cost of revenue	2,159,812	2,415,051	519,979	(1,160,756)	3,934,086
Gross profit	680,098	440,163	160,024	3,241	1,283,526
Operating expenses	388,584	394,093	115,783	(27,677)	870,783
Income (loss) from operations	291,514	46,070	44,241	30,918	412,743
Interest income	5,794	4,354	2,367	(1,235)	11,280
Interest expenses	127	43,033	1,109	(1,168)	43,101
Other incomes and (expenses and losses)	(61,312)	244,651	346,185	(635,531)	(106,007)
Income (loss) before income tax	235,869	252,042	391,684	(604,680)	274,915

	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

Transactions among intersegments in 2017 and 2016 have been written off.

(2) Segment assets

	December 31, 2017				
	China	Other Asian territories	Others	Adjustment and Write-off	Total
Cash and cash equivalents	$ 531,050	$ 652,317	$ 289,015	$ -	$1,472,382
Notes and accounts receivable	836,409	1,015,737	78,279	(263,137)	1,667,288
Inventories	435,379	290,453	160,978	(21,684)	865,126
Other current assets	391,961	81,743	17,663	(37,660)	453,707
Total current assets	2,194,799	2,040,250	545,935	(322,481)	4,458,503
Funds and investments	416,592	4,121,040	5,336,856	(8,963,227)	911,261
Fixed assets	507,211	721,328	15,950	47,270	1,291,759
Intangible assets	-	7,082	-	-	7,082
Other assets	170,539	106,899	28,587	(140,990)	165,035
Total assets	3,289,141	6,996,599	5,927,328	(9,379,428)	6,833,640

	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

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	$ 70,000	$ 70,000	$ -	3%	2	$ -	Operating capital	$ -	None	None	$ 290,802	$ 727,006	
1	Dongguan K Laser Technology Co., Ltd	Hunan Heshin Packaging Material Limited	Other receivables	Yes	45,860 (RMB 10,000)	45,650 (RMB 10,000)	45,650 (RMB 10,000)	3%	2	-	Operating capital	-	None	None	452,990 (RMB 99,231)	452,990 (RMB 99,231)	
2	K Laser International Co., Ltd	K Laser Technology (Korea) Co., Ltd.	Other receivables	Yes	6,896 (USD 220)	- (USD -)	- (USD -)	-	2		Operating capital	-	None	None	281,887 (USD 9,472)	281,887 (USD 9,472)	

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	$ 581,605	$ 188,070 (USD 6,000)	$ 178,560 (USD 6,000)	$ -	$ -	6.14%	$ 1,163,210	Yes	No	No	
0	K LASER Technology Inc.	K Laser Technology (USA) Co., Ltd.	3	581,605	450,000	450,000	385,418	-	15.47%	1,163,210	Yes	No	No	
1	Wuxi K Laser Technology Co., Ltd	Wuxi Everest Display Inc.	1	31,042 (RMB 6,800)	29,995 (USD 1,000)	29,760 (USD 1,000)	29,760 (USD 1,000)	-	4.24%	31,042 (RMB 6,800)	No	No	Yes	

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: The limit of the amount of endorsements/guarantees by the Company and its subsidiaries are as below:

(1) 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.

(2) The amount of endorsements/guarantees by the Company for a single enterprise cannot exceed 40% of the Company's net worth as stated in its latest financial statement; Aggregate amount of endorsements/guarantees cannot exceed 20% of the Company's net worth as stated in its latest financial statement.。

(3) The amount of endorsements/guarantees to the entity has business relationship with the Company shall exceed the purchase or sales amount, which is higher.

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	
	Stocks							
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	28,690	
K LASER Technology Inc.	China Development Biomedical Venture Co., Ltd.	〃	〃	3,000,000	30,000	2	30,415	
Bright Triumph Limited	Fulgor Holdings Co., Limited	〃	〃	625,000	79,050	12	119,600	
	Funds							
K LASER Technology Inc.	Jih Sun Asian High Yield Bond	None	Financial assets at fair value through profit or loss－Current	417,526	5,387	-	5,387	
Wuxi K Laser Technology Co., Ltd	CR Yuanta Cash Income Money Market Fund	None	Financial assets at fair value through profit or loss－Current	-	10,858	-	10,858	
Dongguan K Laser Technology Co., Ltd	CR Yuanta Cash Income Money Market Fund	None	Financial assets at fair value through profit or loss－Current	-	63,052	-	63,052	
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	-	45,650	-	45,650	

Note: Please see Attachment 5 and Attachment 6 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	$ 223,800	39	D/A 90 days	N/A	N/A	$ 12,754	15	
K LASER Technology Inc.	Top Band Intstrant Ltd.	Grandson company of K Laser directly holding 99.60% of its shares	Purchases	(253,913)	66	D/A 60 days	N/A	N/A	(27,889)	53	
Optivision Technology Inc.	Dongguan Light Chi Photoelectric Co., Ltd.	Other Related parties	Sales	860,394	68	D/A 120 days	N/A	N/A	465,296	73	
Optivision Technology Inc.	Ningbo Guangyao Optivision Technology Co.,Ltd.	Subsidiary company	Sales	198,039	16	D/A 120 days	N/A	N/A	96,178	15	
Top Band Investment Ltd.	Dongguan K Laser Technology Co., Ltd	Subsidiary company	Purchases	RMB 52,678	99	D/A 60 days	N/A	N/A	RMB 6,802	100	
Wuxi K Laser Technology Co., Ltd	K Laser Technology (HK) Co., Ltd.	Affiliated company	Sales	RMB 30,260	17	D/A 60 days	N/A	N/A	RMB 8,093	13	

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 $465,296	1.84	$ -	—	$213,276	$ -

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: Ending Balance for the Year	Original Investment Amount: Ending Balance for Last Year	Balance at the End of Year: Number of Shares	Balance at the End of Year: Percentage of Ownership%	Balance at the End of Year: Carrying Amount	Net Income (Loss) of Investee	Share of Profits / Losses of Investee	Remark
K LASER Technology Inc.	K Laser China Group Co., Ltd.	British Virgin Islands	Reinvesting company	$ 860,508	$ 860,508	25,771,139	100	$ 2,409,250	$ 150,474	$ 148,443	
〃	K Laser International Co., Ltd.	British Virgin Islands	Reinvesting company	703,856	686,122	20,361,462	100	695,171	48,130	48,130	
〃	Optivision Technology Inc.	Hsinchu City	Production and sale of optical equipment and electronic parts and components	307,976	307,976	22,699,420	47	438,477	65,943	31,709	
〃	iWin Technology Co., Ltd.	British Virgin Islands	Reinvesting company	84,132	76,610	135,495	49	16,538	(15,271)	(6,861)	
〃	Vicome Corp.	Yunlin County	Manufacturing, processing, purchase and sale of fluorescence paints and dyes	26,489	26,489	2,661,237	33	100,521	29,180	9,647	
〃	Everest Display Inc.	Hsinchu City	Production and sale of optical equipment and wireless communication machines and devices	402,623	400,698	12,503,874	76	62,800	(8,586)	(6,295)	
〃	Insight Medical Solutions Inc.	Hsinchu City	Research, development and sale of gastrointestinal endoscope	52,452	34,602	3,461,000	35	28,182	(40,961)	(14,031)	
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 4,098	USD 907	USD 724	
〃	K Laser Technology (Thailand) Co., Ltd.	Thailand	Manufacturing and sale of holography products	USD 1,801	USD 1,801	9,277,984	83	USD 8,550	USD 540	USD 462	
〃	K Laser Technology (Korea) Co., Ltd.	Korea	Manufacturing and sale of holography products	USD 1,995	USD 1,995	432,607	81	USD 1,428	USD 132	USD 106	
〃	K Laser IMEA Co., Ltd.	Mauritius	Reinvesting company	USD 2,600	USD 2,600	2,600,390	100	USD 1,843	USD 98	USD 98	
〃	Amagic Technologies U.S.A. (Dubai) Ltd.	Dubai	Sale and being the agent of holography products	USD 1,094	USD 1,094	-	100	USD 1,879	USD 356	USD 356	
〃	K Laser Technology Japan Co., Ltd.	Japan	Manufacturing and sale of holography products	USD 830	USD 830	1,344	70	USD 2,532	(USD 87)	(USD 61)	
〃	Wuxi Everest Display Inc.	China	Production and sale of optical equipment	USD 1,503	USD 1,503	7,142,857	17	USD 767	(USD 629)	(USD 109)	
〃	Boxlight Corporation	USA	Production and sale of optical equipment	USD 1,585	-	262,157	3	USD 1,307	(USD 5,103)	(USD 281)	
K Laser China Group Co., Ltd.	K Laser China Group Holding Co., Limited	Cayman Islands	Reinvesting company	RMB 211,291	RMB 211,291	102,901,766	100	RMB 530,447	RMB 33,468	RMB 33,335	
〃	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 7,110	RMB 945	RMB 945	
〃	Holomagic Co., Ltd.	British Virgin Islands	Reinvesting company	RMB 72,440	RMB 72,440	30,000	100	RMB 230,648	RMB 7,577	RMB 7,561	
〃	Top Band Investment., Ltd.	British Virgin Islands	Reinvesting company	RMB 130,106	RMB 130,106	50,000	100	RMB 250,673	RMB 28,119	RMB 28,157	
〃	iWin Technology Co., Ltd.	British Virgin Islands	Reinvesting company	RMB 17,844	RMB 16,084	141,025	51	RMB 4,140	(RMB 3,388)	(RMB 1,728)	

(Carried forward)

(Brought forward)

Name of Investing Company	Name of Investee	Location	Main Business Items	Original Investment Amount: Ending Balance for the Period	Original Investment Amount: Ending Balance for Last Period	Balance at the End of Year: Number of Shares	Balance at the End of Year: Percentage of Ownership%	Balance at the End of Year: Carrying Amount	Net Income (Loss) of Investee	Share of Profits / Losses of Investee	Remark
Holomagic Co., Ltd.	Treasure Access Limited	Hong Kong	Reinvesting company	RMB 29,243	RMB 29,243	10,000	100	RMB 227,794	RMB 9,722	RMB 9,722	
Top Band Investment Ltd.	Union Bloom Co., Ltd.	Hong Kong	Reinvesting company	RMB 113,329	RMB 113,329	10,000	100	RMB 246,940	RMB 27,331	RMB 27,331	
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 1,789	USD 88	USD 88	
iWin Technology Co., Ltd.	Finity Laboratories	USA	Research and development of holography products	USD 700	USD 700	700,000	100	USD 1,085	(USD 6)	(USD 6)	
Treasure Access Limited	Wuxi K Laser Technology Co., Ltd	China	Manufacturing and sale of holography products	RMB 44,156	RMB 44,156	-	100	RMB 149,831	RMB 8,234	RMB 9,062	
〃	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 31,986	RMB 1,519	RMB 744	
〃	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 39,257	RMB 3,032	RMB 1,077	
〃	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 3,781	RMB 1,666	RMB 500	
Union Bloom Co., Ltd.	Dongguan K Laser Technology Co., Ltd	China	Manufacturing and sale of holography products	RMB 165,621	RMB 165,621	-	100	RMB 248,077	RMB 32,832	RMB 32,832	
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 7,408	RMB 1,193	RMB 298	
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	RMB 48,100	-	49	RMB 40,812	(RMB 10,422)	(RMB 5,107)	
Optivision Technology Inc.	Bright Triumph Limited	Mauritius	Reinvesting company	242,173	242,173	7,913,767	100	144,904	29,942	29,942	
Bright Triumph Limited	Ningbo Guangyao Optivision Technology Co.,Ltd.	China	Production of BEF, Diffuser, and optical film	USD 5,258	USD 5,258	-	100	USD 2,042	USD 802	USD 802	
Everest Display Inc.	Guang Feng Internation Limited	Samoa	Reinvesting company	217,125	217,125	6,820,810	100	19,466	(7,180)	(7,180)	
〃	Boxlight Corporation	USA	Production and sale of optical equipment	140,258	-	2,468,709	26	138,499	(151,972)	(2,465)	
Guang Feng Internation Limited	Wuxi Everest Display Inc.	China	Production and sale of optical equipment	USD 2,014	USD 2,014	11,456,748	28	USD 898	(USD 629)	(USD 174)	
〃	Boxlight Corporation	USA	Production and sale of optical equipment	-	-	142,857	1	-	(USD 5,103)	(USD 5)	

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	$ 576,738 (RMB126,339)	Reinvestment in entities in China through existing entities in third territories	$ 199,094 (USD 6,690)	$ -	$ -	$ 199,094 (USD 6,690)	100	$ 37,588 (RMB 8,234)	$ 41,368 (RMB 9,062)	$ 683,979 (RMB149,831)	$ 142,118 (RMB 31,132)
Dongguan K Laser Technology Co., Ltd	Production and sale of polyethylene and rigid polyvinyl chloride film and tinsel	756,060 (RMB165,621)	Reinvestment in entities in China through existing entities in third territories	61,276 (USD 2,059)	-	-	61,276 (USD 2,059)	100	149,878 (RMB 32,832)	149,878 (RMB 32,832)	1,132,472 (RMB248,077)	189,511 (RMB 41,514)
Dongguan Rimei Laser Printing Co., Ltd. (Note 5)	Production and sale of color printed boxes and products and laser printed products	115,668 (RMB25,338)	Investment in entities in China through remittance from third territories	63,984 (USD 2,150)	-	-	63,984 (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	236,467 (RMB51,800) (Note 2)	Reinvestment in entities in China through existing entities in third territories	-	-	-	-	49	6,934 (RMB 1,519)	3,396 (RMB 744)	146,016 (RMB 31,986)	17,361 (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	365,200 (RMB80,000) (Note 3)	Reinvestment in entities in China through existing entities in third territories	-	-	-	-	33	13,841 (RMB 3,032)	4,917 (RMB 1,077)	179,208 (RMB 39,257)	39,560 (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	45,650 (RMB10,000)	Reinvestment in entities in China through existing entities in third territories	-	-	-	-	30	7,605 (RMB 1,666)	2,283 (RMB 500)	17,260 (RMB 3,781)	-
Everest Technology Ltd.	Research, development and production of large LCD projection display, optical engine for monitor and projection tube	188,681 (RMB41,332)	Reinvestment in entities in China through existing entities in third territories	44,729 (USD 1,503)	-	-	44,729 (USD 1,503)	17	(18,719) (USD -629)	(3,244) (USD -109)	22,826 (USD 767)	-

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
$369,084 (USD12,402)	$ 1,797,028 (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	$ 1,555 (USD 52)	Price negotiation	Net 60 days from the end of the month when the invoice is issued	Similar	$ 561 (USD 19)	1	$ -
Dongguan K Laser Technology Co., Ltd	Subsidiary of which the 100% ownership is held indirectly by the Company	Sales	13,739 (USD 451)	Price negotiation	Net 60 days from the end of the month when the invoice is issued	Similar	1,381 (USD 46)	2	(867)

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

2017

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	$ 12,754	—	-
0	K Laser	International	Parent company vs. subsidiary	Accounts receivable	11,404	—	-
0	K Laser	K Laser Japan	Parent company vs. subsidiary	Accounts receivable	10,415	—	-
0	K Laser	Top Band	Parent company vs. subsidiary	Accounts payable	27,889	—	-
0	K Laser	Holomagic	Parent company vs. subsidiary	Purchases	27,981	—	1
0	K Laser	Top Band	Parent company vs. subsidiary	Purchases	253,913	—	5
0	K Laser	K Laser USA	Parent company vs. subsidiary	Sales	223,800	—	4
0	K Laser	Amagic Dubai	Parent company vs. subsidiary	Sales	15,409	—	-
0	K Laser	K Laser Japan	Parent company vs. subsidiary	Sales	56,175	—	1
0	K Laser	Dongguan K Laser	Parent company vs. subsidiary	Sales	13,739	—	-
0	K Laser	International	Parent company vs. subsidiary	Sales	35,540	—	1
1	Top Band	Dongguan K Laser	Subsidiary vs. subsidiary	Accounts payable	RMB 6,802	—	-
1	Top Band	Dongguan K Laser	Subsidiary vs. subsidiary	Other Receivable	RMB 2,891	—	-
1	Top Band	Dongguan K Laser	Subsidiary vs. subsidiary	Purchases	RMB 52,678	—	5
1	Top Band	Amagic Dubai	Subsidiary vs. subsidiary	Sales	RMB 3,273	—	-
2	Dongguan K Laser	HuNan HeRui Laser	Subsidiary vs. subsidiary	Accounts receivable	RMB 2,808	—	-
2	Dongguan K Laser	HuNan HeRui Laser	Subsidiary vs. subsidiary	Sales	RMB 3,803	—	-
2	Dongguan K Laser	Wuxi K Laser	Subsidiary vs. subsidiary	Sales	RMB 3,137	—	-
3	Wuxi K Laser	K Laser Hong Kong	Subsidiary vs. subsidiary	Accounts receivable	RMB 8,093	—	1
3	Wuxi K Laser	K Laser Korea	Subsidiary vs. subsidiary	Accounts receivable	RMB 3,577	—	-
3	Wuxi K Laser	K Laser Korea	Subsidiary vs. subsidiary	Sales	RMB 8,023	—	1
3	Wuxi K Laser	K Laser Hong Kong	Subsidiary vs. subsidiary	Sales	RMB 30,260	—	3
3	Wuxi K Laser	Holomagic	Subsidiary vs. subsidiary	Sales	RMB 5,443	—	-
3	Wuxi K Laser	HuNan HeRui Laser	Subsidiary vs. subsidiary	Sales	RMB 2,381	—	-
4	Optivision Technology Inc.	Ningbo Guangyao	Subsidiary vs. subsidiary	Accounts receivable	96,178	—	1
4	Optivision Technology Inc.	Ningbo Guangyao	Subsidiary vs. subsidiary	Sales	198,039	—	4

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.

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Independent Auditors' Report

The Board of Directors and Shareholders
K LASER Technology Inc.

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

Impairment of Account Receivable

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

Our audit procedures in response to the above key audit matter include assessing the rationality of the aging and the provisioning policy of the accounts receivable, testing the accuracy of the accounts receivable aging report, comparing the aging of the accounts receivable for current and previous years, reviewing the write-off of the previous year's bad debts, and 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, 2017 is NT$30,648 thousand (the gross inventory amount NT$ 33,123 thousand deducting the allowance of inventory NT$2,475 thousand). Please refer to note 9 of the parent company only financial report.

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

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

Other Matter

We did not audit the financial statements of certain associates and joint venture which statements are based solely on the reports of the other auditors and it relates to the total assets amounted to NT$ 419,427 thousand and NT$ 244,157 thousand, representing 9.32% and 5.38% of the consolidated assets as of December 31, 2017 and 2016. The related share of profits of associates and joint venture under the equity method amounted to NT$ 9,295 thousand and NT$ 35,694 thousand for the years ended December 31, 2017 and 2016. The information regarding the above investees specified in Note 32 to the Company's financial statements were also audited by other certified public accountants rather than us.

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

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

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

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

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

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

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

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

of accounting estimates and related disclosures made by management.

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

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

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

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

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

Deloitte & Touche Taipei, Taiwan

The Republic of China

March 29, 2018

<u>Huang, Yi-Min</u>

黃毅民

<u>Hong, Kuo-Tuan</u>

洪國田

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

Unit: NTD in Thousands

Code	Assets	December 31, 2017 Amount	%	December 31, 2016 Amount	%
	Current Assets				
1100	Cash and cash equivalents (Notes 4 & 6)	$ 269,467	6	$ 201,236	5
1110	Financial assets at fair value through profit or loss－Current (Notes 4 & 7)	5,387	-	13,280	-
1150	Notes receivable (Notes 4 & 8)	4,112	-	5,626	-
1170	Accounts receivable (Notes 4 & 8)	38,467	1	22,191	1
1180	Receivables from related parties (Notes 4, 8 & 27)	39,936	1	58,703	1
1200	Other receivables (Note 27)	10,339	-	7,013	-
1220	Income tax Assets for the year (Note 22)	78	-	79	-
130X	Inventories (Notes 4 & 9)	30,648	1	33,578	1
1470	Other current assets (Note 6 & 15)	3,220	-	94,030	2
11XX	Total current assets	401,654	9	435,736	10
	Noncurrent Assets				
1543	Financial assets carried at cost－Noncurrent (Notes 4 & 10)	60,055	1	60,055	1
1550	Investments accounted for using equity method (Notes 4 & 11)	3,750,939	83	3,745,155	82
1600	Property, plant and equipment (Notes 4 & 12)	195,907	5	211,192	5
1760	Investment property net (Notes 4 & 13)	55,727	1	53,480	1
1780	Other intangible assets (Notes 4 & 14)	1,953	-	195	-
1840	Deferred income tax assets (Note 22)	22,300	1	25,300	1
1990	Other noncurrent assets (Note 6 & 15)	12,449	-	11,378	-
15XX	Total noncurrent assets	4,099,330	91	4,106,755	90
1XXX	Total Assets	$4,500,984	100	$4,542,491	100
	Liabilities and Equity				
	Current Liabilities				
2100	Short-term loans (Note 16)	$ 200,000	5	$ 275,000	6
2110	Short-term notes and bills payable (Note 16)	199,868	4	149,880	3
2150	Notes payable	97	-	97	-
2170	Accounts payable	19,720	-	16,528	1
2180	Accounts payable－Related parties (Note 27)	32,539	1	36,248	1
2200	Other payables (Note 18 & 27)	49,337	1	52,818	1
2230	Income tax liabilities for the year (Note4 & 22)	8,049	-	7,832	-
2320	Current portion of long-term liabilities (Note 16 & 17)	-	-	630,692	14
2399	Other current liabilities	1,526	-	1,469	-
21XX	Total current liabilities	511,136	11	1,170,564	26
	Noncurrent Liabilities				
2540	Long-term loans (Note 4 &16)	1,060,000	24	876,500	19
2640	Net defined benefit liability (Notes 4 & 19)	20,882	-	20,479	1
2670	Other liabilities－Others	942	-	942	-
25XX	Total noncurrent liabilities	1,081,824	24	897,921	20
2XXX	Total Liabilities	1,592,960	35	2,068,485	46
	Equity (Note 20)				
	Capital stock				
3110	Capital – common stock	1,653,246	37	1,328,299	29
3200	Capital surplus	548,370	12	392,890	9
	Retained earnings				
3310	Appropriated as legal reserve	190,957	4	169,411	4
3320	Appropriated as special capital reserve	162,918	4	162,918	3
3350	Unappropriated earnings	561,320	13	537,308	12
	Other equity				
3410	Exchange differences on translation of foreign financial statements	(177,585)	(4)	(116,820)	(3)
3500	Treasury stock	(31,202)	(1)	-	-
3XXX	Total equity	2,908,024	65	2,474,006	54
	Total Liabilities and Equity	$4,500,984	100	$4,542,491	100

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

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

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

(NTD in Thousands, Except Earnings Per Share)

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

(Carried forward)

(Brought forward)

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

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

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

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

Unit: NTD in Thousands

Code		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
A1	Balance, January 1, 2016	$ 1,324,665	$ 408,627	$ 152,976	$ 162,918	$ 408,801	$ 84,681	$ -	$ 2,542,668
	Appropriation and distribution of earnings in 2015								
B1	Appropriated legal reserve	-	-	16,435	-	(16,435)	-	-	-
B5	Cash dividends to shareholders	-	-	-	-	(66,233)	-	-	(66,233)
D1	Net income in 2015	-	-	-	-	215,461	-	-	215,461
D3	Other comprehensive income (loss) in 2015	-	-	-	-	(4,286)	(201,501)	-	(205,787)
I1	Conversion of convertible bonds	3,634	1,970	-	-	-	-	-	5,604
M7	From shares of change in equity of subsidiaries	-	(17,707)	-	-	-	-	-	(17,707)
Z1	Balance, December 31, 2016	1,328,299	392,890	169,411	162,918	537,308	(116,820)	-	2,474,006
	Appropriation and distribution of earnings in 2016								
B1	Legal reserve	-	-	21,546	-	(21,546)	-	-	-
B5	Cash dividends to shareholders	-	-	-	-	(109,114)	-	-	(109,114)
D1	Net income in 2017	-	-	-	-	155,016	-	-	155,016
D3	Other comprehensive income (loss) in 2016	-	-	-	-	(344)	(60,765)	-	(61,109)
I1	Conversion of convertible bonds	324,947	157,313	-	-	-	-	-	482,260
C7	Adjustments to share of changes in equities of associates andjoint venture	-	(2,930)	-	-	-	-	-	(2,930)
M7	From shares of change in equity of subsidiaries	-	(292)	-	-	-	-	-	(292)
L1	Purchase of treasury stock	-	-	-	-	-	-	(77,972)	(77,972)
N1	Share-based payment transaction	-	1,389	-	-	-	-	46,770	48,159
	Balance, December 31, 2017	$ 1,653,246	$ 548,370	$ 190,957	$ 162,918	$ 561,320	($ 177,585)	($ 31,202)	$ 2,908,024

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

Chairman: Kuo Wei-Wu

Manager: Kuo Wei-Wu

Accounting Supervisor: Hung Ya-Ching

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

Unit: NTD in Thousands

Code		2017	2016
	Cash flows from operating activities		
A10000	Income before income tax	$ 166,067	$ 226,298
A20010	Incomes and expenses not influencing cash flows:		
A20100	Depreciation expense	27,524	26,510
A20200	Amortization expense	454	420
A20300	Bad debt expense	3	-
A20400	Net loss (gain) on financial assets and liabilities measured at fair value through profit or loss	(107)	(6,896)
A20900	Interest expenses	29,184	31,469
A21200	Interest income	(1,378)	(2,297)
A22500	Loss (gain) on disposal and obsolescence of property, plant and equipment	953	188
A23100	Gain on disposal of investment	230	(356)
A24000	Realized sales income among associates	(3,514)	336
A22300	Share of profits of associates and joint ventures evaluated with equity method	(210,743)	(258,549)
A21900	Remuneration costs of employee stock option	1,380	-
A24200	Gain on redemption of Bonds Payable	(456)	-
A30000	Changes in operating assets and liabilities:		
A31130	Notes receivable	1,514	(1,543)
A31150	Accounts receivable	(16,279)	3,912
A31160	Accounts receivable－Related parties	18,767	9,686
A31180	Other receivables	(3,326)	1,269
A31200	Inventories	2,930	(13,490)
A31240	Other current assets	(999)	295
A31990	Other noncurrent assets	(3,082)	209
A32130	Notes payable	-	(12,861)
A32150	Accounts payable	3,192	7,452
A32160	Accounts payable－Related parties	(3,709)	(2,007)
A32180	Other payables	(64)	4,743
A32230	Other current liabilities	57	(1,605)
A32240	Accrued pension liabilities	59	(40)
A33000	Cash generated by (used in) operating activities	8,657	13,143
A33100	Received interest	1,378	2,297
A33300	Paid interest	(21,098)	(21,806)
A33500	Paid income interest	(7,834)	(2,369)
AAAA	Net cash used by operating activities	(18,897)	(8,735)

(Carried forward)

(Brought forward)

		2017	2016
	Cash flows from investing activities		
B00100	Acquisition of the financial assets measured at fair value through profit or loss that are designated when such assets are recognized	$ -	($ 3,000)
B00200	Disposal of the financial assets measured at fair value through profit or loss that are designated when such assets are recognized	7,770	11,574
B01800	Acquisition of long-term stock right investment evaluated with equity method	(45,031)	(128,186)
B01900	Disposal of long-term equity investments measured with equity method	-	1,017
B02700	Acquisition of property, plant and equipment	(19,014)	(30,702)
B02800	Disposal of property, plant and equipment	237	1,715
B03700	Decrease in refundable deposits	700	(1,914)
B05400	Acquisition of investment on real estate	(192)	-
B06600	Decrease in other financial assets	91,809	-
B07600	Received dividends from subsidiaries and associates	189,668	135,190
B04500	Acquisition of intangible assets	(2,212)	(133)
BBBB	Net cash generated in (used in) investing activities	223,735	(14,439)
	Cash flows from financing activities		
C00200	Increase (decrease) in short-term loans	(75,000)	95,000
C00600	Increase in short-term notes and bills payable	50,000	50,000
C01300	Redemption of Bonds Payable	(11,300)	-
C01600	Increase in long-term loans	870,000	-
C01700	Repayment of long-term loans	(830,000)	-
C04500	Dividends paid	(109,114)	(66,233)
C04900	Purchase of treasury stock	(77,972)	-
C05100	Proceeds from sales of treasury stock to employees	46,779	-
CCCC	Net cash used in (generated in) financing activities	(136,607)	78,767
EEEE	Decrease (Increase) in cash and cash equivalents for the year	68,231	55,593
E00100	Cash and cash equivalents, beginning of year	201,236	145,643
E00200	Cash and cash equivalents, end of year	$ 269,467	$ 201,236

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

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

K LASER Technology Inc.
Notes to Parent company only financial statements
January 1 to December 31, 2017 and 2016
(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 29, 2018.

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 International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, “IFRSs”) endorsed and issued into effect by the Financial Supervisory Commission (FSC)

Except for the following, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC did 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".

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. “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, 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.

When the aforesaid amendment is adopted in 2017 retrospectively, the disclosure of the related party transaction shall be added accordingly. Please refer to Note 27.

(2) The regulations governing the preparation of the financial report by Securities Issuers and IFRS, endorsed and issued into effect by the FSC starting January 1, 2018.

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
Amendment to IFRS 4, "Insurance Contracts", applying IFRS 9, "Financial Instruments"	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
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
Amendment to IFRS 15 "Clarifications to IFRS 15"	January 1, 2018
Amendment to IAS 7 "Disclosure Initiative"	January 1, 2017
Amendment to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017
Amendment to IAS 40 "Transfer of Investment Properties"	January 1, 2018
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. "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".

b. 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.

All recognized financial assets as of December 31, 2017, in the scope of IAS 39, will be subsequently measured based on current situation, and the classification and measurement requirements in IFRS 9 are stated as follows:

Under IFRS 9, available-for-sale investments in unquoted equity securities are measured on a fair value through Other Comprehensive Income. The changes in fair value are accumulated in Other Equity, and when disposal, the changes in fair value will not be reclassified into profit and loss account but transferred to Retained Earnings.

In addition, IFRS 9 removes the exception of unquoted equity securities measured at cost.

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.

The company's assessment will apply a simplified approach to accounts receivable, and measure the provisional credit losses as a measure of provisional losses. The Company expects that the application of the IFRS 9 expected credit loss model will enable the credit losses of financial assets to be recognized earlier.

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, but the Company should disclose the change of classification information under IFRS 9.

The expected effects to assets, liabilities and equity as of January 1, 2018, required by IFRS 9 for the reclassification, measurement and impairment of financial assets are applied retrospectively are as follows:

Items of Assets, Liabilities and Equities	Book Value as of December 31, 2017	Adjustment upon initial application	Book Value after adjustment as of January 1, 2018
Financial assets at fair value through profit or loss－Current	$ 5,387	-	$ 5,387
Financial assets carried at cost－Noncurrent	60,055	(60,055)	-
Investment using equity method	3,750,939	19,057	3,769,996
Financial assets at fair value through other comprehensive income－Noncurrent	-	59,105	59,105
Total Effect of Assets	$ 3,816,381	$ 18,107	$ 3,834,488
Other Equity	($ 177,585)	$ 18,107	($ 159,478)
Total Effect of Equity	($ 177,585)	$ 18,107	($ 159,478)

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;

(b)Identify the performance obligations in the contract;

(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, there is no impact on the Parent Company Only financial report.

d. 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.

e. 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.

f. 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.

The Company will adopt IFRIC 22 starting January 1, 2018.

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.

3. The IFRSs issued by IASB but not yet endorsed by FSC

New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB (Note 1)
Annual Improvements to IFRSs 2015-2017 Cycle	January 1, 2019
Amendments to IFRS 9 "Prepayment Features with Negative Compensation"	January 1, 2019 (Note 2)
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 16 "Leases"	January 1, 2019 (Note 3)
IFRS 17 "Insurance Contract"	January 1, 2021
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019 (Note 4)
Amendments to IAS 28 "Long-term Interests in Associates and Joint Ventures"	January 1, 2019
IFRIC 23 "Uncertainty over Income Tax Treatments"	January 1, 2019

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：FSC agrees that the Company to adopt this amendments starting January 1, 2018.

Note 3：On December 19, 2017, the FSC announced that IFRS 16 will take effect starting January 1, 2019.

Note 4：The plan amendments, curtailment or settlement occurred after January 1, 2019 should adopt this amendments.

a. 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.

b. 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.

c. IFRIC 23 “Uncertainty over Income Tax Treatments”

Under IFRIC 23, when the Company considers uncertain tax treatments exist, the Company should assume that a taxation authority will have right to examine and have full knowledge of all related information when making those examinations. If it is probable that a taxation authority will accept an uncertain tax treatment, the tax position recorded in the Company’s accounts should be consistent with what is or will be used in the tax return, including taxable income, taxation basis, un-used loss carried forward, un-used tax deduction and tax rate. However, if it is not probable that a taxation authority will accept a particular uncertain tax treatment, then the Company must use either the most likely amount or the expected value. If the facts and circumstances change, the Company shall reassess the judgments and estimates required.

The Company can choose either of the following two approaches when adopted:

(a)Retrospective application by amending comparatives; or

(b)Retrospective application with the cumulative effect adjusting retained earnings with no comparatives being restated.

d. Amendments to IFRS 9 “Prepayment Features with Negative Compensation”

Under IFRS, if the contractual terms permit the borrower to prepay the instrument or the lender to sell back the instrument before its contractual maturity, and the repayment amounts is almost the unpaid principle plus interest, and a reasonable compensation for early termination of the contract, the contractual cash flow is deemed to be the payment for the principle and interest entirely. The reasonable compensation can be paid by either the borrower or the lender.

When the amendment becomes effective, the Company should adopt retrospectively. The Company can choose either of the following two approaches when adopted:

-Retrospective application by amending comparatives; or

-Retrospective application with the cumulative effect adjusting retained earnings with no comparatives being restated.

e. “Annual Improvements to 2015–2017 Cycle”:

Annual Improvements to IFRSs 2015-2017 Cycle make amendment to IFRS 3, IFRS 11, IAS 12 and IAS 23 “Borrowing Cost”. The Amendments to IAS 23 clarify that if any specific borrowing remains outstanding after related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalization rate on general borrowings. The effective date of the aforementioned amendment will be delayed.

f. Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”

The amendments require an entity to use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement; and to clarify the impact of the asset ceiling. The effective date of the aforementioned amendment will be delayed.

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 Parent Company Only 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 merchandise, 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.

B. Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated as available-for-sale or are not classified as loans and receivables, held-to-maturity financial assets or financial assets at fair value through profit or loss.

Available-for-sale financial assets are measured at fair value. Interest income from available-for-sale monetary financial assets and dividends on available-for-sale equity investments are recognized in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognized in other comprehensive income. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognized in other comprehensive income is reclassified to profit or loss. Dividends on available-for-sale equity instruments are recognized in profit or loss when the Company’s right to receive the dividends is established.

Available-for-sale equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period. Such equity instruments are subsequently remeasured at fair value when their fair value can be reliably measured, and the difference between the carrying amount and fair value is recognized in profit or loss or other comprehensive income.

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 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:

Financial liabilities at fair value through profit or loss

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, 2017	December 31, 2016
Cash on hand and revolving funds	$ 7,152	$ 6,951
Bank checks and current deposits	262,315	194,285
	$269,467	$201,236

(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, 2017	December 31, 2016
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, 2017	December 31, 2016
Other current assets (Note 15)		
Collateral for issuance of convertible bonds	$ -	$ 91,809

7. Financial Instruments at Fair Value Through Profit or Loss

	December 31, 2017	December 31, 2016
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	5,387	8,211
Bond investment	-	5,000
Financial assets at fair value through profit or loss－Current	$ 5,387	$ 13,280

8. Notes Receivable and Accounts Receivable

	December 31, 2017	December 31, 2016
Notes receivable	$ 4,112	$ 5,626
Accounts receivable	$ 41,497	$ 25,221
Less: Allowance for doubtful receivables	(3,030)	(3,030)
	38,467	22,191
Accounts receivable－Related parties (Note 27)	39,936	58,703
	$ 78,403	$ 80,894

(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, 2017	December 31, 2016
Not past due	$76,943	$83,445
1～60 days	4,101	255
61～90 days	354	5
91～180 days	9	186
181～360 days	1	7
361 days or above	25	26
Total	$81,433	$83,924

The above is the aging analysis of accounts based on days past due.
As of December 31, 2017 and December 31, 2016, the company has no overdue receivables that have not been depreciated。

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

Collectively assessed for impairment	2017	2016
Balance at beginning of the year	$ 3,030	$ 3,030
Add: Impairment loss recognized for the year	3	-
Less: Write-off for the year	(3)	-
Balance at end of the year	$ 3,030	$ 3,030

9. Inventories

	December 31, 2017	December 31, 2016
Finished goods	$ 9,989	$18,472
Work in process	2,204	1,247
Raw materials and supplies	10,193	10,942
Merchandise	8,262	2,917
	$30,648	$33,578

The Company's allowance for inventory valuation and obsolescence loss as of December 31, 2017 and December 31, 2016 was NT$2,475 thousand and NT$1,068 thousand.

Sales cost relevant to inventories for the years 2017 and 2016 was NT$474,690 thousand and NT$446,721 thousand respectively. Sales cost for the year 2017 included loss on obsolete stocks, NT$1,407 thousand.

10. Financial Assets Carried at Cost

	December 31, 2017	December 31, 2016
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, 2017	December 31, 2016
Investment in subsidiaries	$3,622,236	$3,619,552
Investment in associates	128,703	125,603
	$3,750,939	$3,745,155

(1) Investment in Subsidiaries

The Company's subsidiaries are listed as follows:

Name of Investee	Principal Activities	Place of Incorporation and Operation	December 31, 2017 Carrying Amount	December 31, 2017 % of ownership	December 31, 2016 Carrying Amount	December 31, 2016 % 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	$ 438,477	47	$ 432,807	47
Non-listed companies and companies not trading in the over-the-counter market yet						
K Laser International Co., Ltd.	Reinvestment	British Virgin Islands	695,171	100	667,316	100
K Laser China Group Co., Ltd.	Reinvestment	British Virgin Islands	2,409,250	100	2,435,181	100
iWin Technology Co., Ltd.	Reinvestment	British Virgin Islands	16,538	49	17,460	49
Everest Display Inc.	Manufacturing and sales of optical Instrument and wireless communication machinery	Hsinchu City	62,800	76	66,788	74
			$ 3,622,236		$ 3,619,552	

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, 2017	December 31, 2016
Optivision Technology Inc.	$584,510	$530,031

a. K Laser International Co., Ltd., a 100% subsidiary of the Company, was established in British Virgin Islands in October 2010. In 2017, K Laser International Co., Ltd paid cash dividend amounted USD 700 thousands to back to the Company. Accumulated investment of the Company was USD 19,541 thousand as of December 31, 2017. 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.

b. K Laser China Group Co., Ltd., a 100% subsidiary of the Company, was established in British Virgin Islands in October 2010. In 2017, K Laser China Co., Ltd. paid cash dividend amounted RMB 32,044 thousand back to the Company. Accumulated investment of the Company, holding 100% shares of that company, was USD 31,690 thousand as of December 31, 2017. 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.

c. 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. As of December 31, 2017, the company's shareholding ratio was 76%.

d. Gains or losses on long-term stock right investments are recognized with equity method. The financial statements of Amagic Technologies U.S.A. (Dubai) and Amagic Holographics India Private Limited and Boxlight Corporation, a company reinvested by K Laser International Co., Ltd., and K Laser Technology (HK) Co., Ltd., a company reinvested by K Laser China Group Holding Co., Ltd. , and Boxlight Corporation a company reinvested by Everest Display Inc. for the years 2017and 2016 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, 2017		December 31, 2016	
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	$100,521	33	$ 98,311	33
Insight Medical Solutions Inc. (hereinafter referred to as IMS)	Research, development and sale of gastrointestinal endoscope	Hsinchu City	28,182	35	27,292	29
			$128,703		$125,603	

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 24,272 thousand and 17,850 in 2015, and 2016, and Feb 2017 respectively. As of end of 2017, The Company's holding percentage on IMS is 35%, 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 2017 and 2016 were audited by other certified public accountants, instead of certified public accountants of the Company. The amount of investment in the mining equity method mentioned above for the years December 31, 2017 and December 31, 2016 of was NT$100,521 thousand and NT$98,311 thousand respectively, which accounted for 2.23% and 2.17% of the total assets, respectively; the above-mentioned mining equity method for the years 2017 and 2016 the amount of investment benefits recognized by the investee companies was gain NT$9,647 thousand and gain NT$16,863 thousand respectively.

The overall financial information about the Company's associates is listed as follows:

	December 31, 2017	December 31, 2016
Total assets	$ 496,086	$ 507,452
Total liabilities	$ 114,673	$ 121,509

	2017	2016
Operating income for the year	$ 117,358	$ 160,117
Net income for the year	($ 11,781)	$ 38,113
Other comprehensive income (loss) for the year	($ 8,008)	($ 13,261)

The associates' share of profit or loss evaluated with the equity method is recognized by the Company in 2017 and 2016 based on the associates' financial statements audited by certified public accounts for the same periods.

12. Property, Plant and Equipment

	December 31, 2017	December 31, 2016
Buildings and structure	$109,083	$118,268
Machinery and equipment	46,299	49,893
Other equipment	34,327	36,911
Construction in progress	6,198	6,120
	$195,907	$211,192

	Buildings and structure	Machinery and equipment	Other Equipment	Construction in Progress	Total
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

	Buildings and structure	Machinery and equipment	Other Equipment	Construction in Progress	Total
Cost					
Balance, January 1, 2017	$ 316,145	$ 224,367	$ 196,429	$ 6,120	$ 743,061
Addition	647	6,887	3,155	4,948	15,637
Disposal	-	(2,727)	(70,670)	-	(73,397)
Reclassification	(4,960)	1,711	2,593	(4,870)	(5,526)
Balance, December 31, 2017	$ 311,832	$ 230,238	$ 131,507	$ 6,198	$ 679,775
Accumulated depreciation and impairment					
Balance, January 1, 2017	$ 197,877	$ 174,474	$ 159,518	$ -	$ 531,869
Disposal	6,538	11,625	7,644	-	25,807
Depreciation expense	-	(1,933)	(70,121)	-	(72,054)
Reclassification	(1,666)	(227)	139	-	(1,754)
Balance, December 31, 2017	$ 202,749	$ 183,939	$ 97,180	$ -	$ 483,868
Net, December 31, 2017	$ 109,083	$ 46,299	$ 34,327	$ 6,198	$ 195,907

(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 15 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, 2017 and December 31, 2016 were detailed as follows:

	December 31, 2017	December 31, 2016
Buildings and structure	$109,083	$118,268
Investment property	55,727	53,480
	$164,810	$171,748

13. Investment Property

	December 31, 2017	December 31, 2016
Investment property	$ 55,727	$ 53,480

	2017	2016
Cost		
Balance, January 1	$162,008	$160,762
Addition	192	-
Reclassification	5,526	1,246
Balance, December 31	$167,726	$162,008
Accumulated depreciation and impairment		
Balance, January 1	$108,528	$106,567
Depreciation expense	1,717	1,591
Reclassification	1,754	370
Balance, December 31	$111,999	$108,528

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, 2016 and December 31, 2017 was NT$116,620 thousand and NT$120,329 thousand respectively.

14. Other Intangible Assets

	December 31, 2017	December 31, 2016
Carrying amount of each category		
Cost of computer software	$ 1,953	$ 195

	2017	2016
Cost		
Balance, January 1	$ 1,758	$ 1,625
Acquisition for the year	2,212	133
Balance, December 31	$ 3,970	$ 1,758
Accumulated depreciation and impairment		
Balance, January 1	$ 1,563	$ 1,143
Amortization expense	454	420
Balance, December 31	$ 2,017	$ 1,563

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, 2017	December 31, 2016
Refundable deposits	$ 9,314	$ 10,014
Prepaid expenses and accounts	2,444	1,265
Retained tax	-	599
Restricted assets (Note 6)	-	91,809
Others	3,911	1,721
	$ 15,669	$105,408
Current	$ 3,220	$ 94,030
Noncurrent	12,449	11,378
	$ 15,669	$105,408

16. Loans

(1) Short-term Loans

	December 31, 2017		December 31, 2016	
	Interest Rate	Amount	Interest Rate	Amount
Unsecured loans	1.00%～1.01%	$ 200,000	1.00%～1.05%	$ 275,000

Kuo Wei-Wu, Chairman of the Company, was the joint guarantor for the Company's unsecured loans from the bank as of December 31, 2016 and December 31, 2017.

(2) Short-term Notes and Bills Payable

	December 31, 2017	December 31, 2016
Commercial paper payable	$200,000	$150,000
Less: Discounts on short-term notes and bills payable	(132)	(120)
	$199,868	$149,880

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

December 31, 2017

Guaranteeing / Accepting Institution	Par Value	Discount	Carrying Amount	Interest Rate
Commercial paper payable				
Mega Bills	$ 50,000	$ 42	$ 49,958	0.950%
International Bills	50,000	16	49,984	0.950%
Dah Chung Bills	50,000	31	49,969	0.950%
Taiwan Bills	50,000	43	49,957	0.958%
	$200,000	$ 132	$199,868	

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	

(3) Current Portion of Long-term Liabilities

	December 31, 2017	December 31, 2016
Current portion of long-term liabilities	$ -	$143,500
Current portion of convertible bonds payable (Note 17)	-	487,192
	$ -	$630,692

(4) Long-term Loans

	Interest Rate%	December 31, 2017 Amount	Interest Rate%	December 31, 2016 Amount
Secured Loan				
E. Sun Bank (Leading bank of syndicated loans) Mortgage loan from 2017/9 to 2020/9, for which principle is repaid from September 2019 for every 6 months; revolving use is not allowed.	1.79	$ 360,000	-	$ -
E. Sun Bank & Taipei Fubon Bank (Leading bank of syndicated loans) Mortgage loan from 2017/9 to 2020/9, for which interest is paid every month and principle is repaid in full when due	0.75	360,000	-	-
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. It was fully paid off in advance in September 2017.	-	-	1.79	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. It was fully paid off in advance in September 2017.	-	-	1.79	430,000
Unguaranteed loans				
JihSun Bank Unsecured loans from 2017/4 to 2019/4 for which interest is paid every month and principle is repaid in full when due; to be extended from April 2017 for more 2 years; date due is May 2019.	1.59	100,000	1.73	100,000
KGI Bank (Former China Development Industrial Bank) Unsecured loans from 2017/5 to 2019/5, for which interest is paid every month and principle is repaid in full when due; to be extended from May 2017 for more 2 years; date due is May 2019.	1.44	100,000	1.43	100,000
Taipei Fubon Bank Unsecured loans from 2017/5 to 2019/5, for which interest is paid every month and principle is repaid in full when due; to be extended from May 2017 for more 2 years; date due is May 2019.	1.66	50,000	1.65	100,000
E. Sun Bank Unsecured loans from 2017/7 to 2019/7, for which interest is paid every month and principle is repaid in full when due; to be extended from July 2017 for more 2 years; date due is July 2019.	1.50	40,000	-	-
Cathay United Bank Unsecured loans from 2017/8 to 2019/8, for which interest is paid every month and principle is repaid in full when due; to be extended from August 2017 for more 2 years; date due is August 2019.	1.52	50,000	-	-
Less: Current portion of long-term loans		-		(143,500)
		$1,060,000		$ 876,500

a. For acquiring sufficient working capital and making repayments for bonds, the Company entered into a syndicated loan contract with nine financial institutions in September 2017 for the syndicated loans provided mainly by E. Sun Bank and Taipei Fubon Bank. The total credit line was NT$1,000,000 thousand. As of December 31, 2017, the actual used amount was NT$ 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, 2017	December 31, 2016
Liability components constituting the secured convertible bonds issued for the fourth time	$ -	$295,528
Liability components constituting the unsecured convertible bonds issued for the fifth time	-	191,664
Less: Current portion of long-term liabilities	-	(487,192)
	$ -	$ -

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.

As of December 31, 2017, the amounts that the Company redeemed the Corporate Bond are NT$10,600 thousand for unsecured, and NT$700 thousand for secured. The remaining balances of Corporate Bond, unsecured NT$189,400 thousand and secured NT$299,300 thousand, were all converted into the Company's Common Stock, 32,858 thousand shares.

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 the Company at then conversion price
i. Security: Time deposit of NT$91,809 thousand pledged by 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 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.

k. Conversion price and adjustment:

(a) Conversion price shall be NT$16.7 per share.

(b) Conversion price shall be NT$14.8 per share from July 2, 2017.

(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%
g. Issuing period: 3 years; expiration date: October 20, 2017
h. Convertible option and subject: Converting to common stocks of the Company 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 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.

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 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 2017 and 2016 “interest expenses of bond discount amortization” NT$6,825 thousand and NT$8,895 thousand and “gain on valuation of financial instruments” NT$0 thousand and NT$6,479 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 2017, the face values of the conversion for the fourth and fifth secured convertible bonds held by the holders were $ 298,500 thousand and $ 184,500 thousands, respectively. The total common stock converted was 32,495 thousand shares, and a reduction of Capital Surplus amounted $ 15,777 thousands was recognized accordingly.

18. Other Payables

	December 31, 2017	December 31, 2016
Other payables		
Wages payable	$ 10,802	$ 13,552
Processing expenses payable	8,318	2,316
Interest payable	322	360
Bonus to employees and remuneration to directors and supervisors payable	12,021	13,425
Equipment purchases payable	2,183	5,560
Others	15,691	17,605
	$ 49,337	$ 52,818

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$3,701 thousand and NT$3,844 thousand in the parent company only income statements for 2017 and 2016 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, 2017	December 31, 2016
Present value of defined benefit obligations	$ 41,887	$ 42,473
Fair value of plan assets	(21,005)	(21,994)
Net defined benefit liability	$ 20,882	$ 20,479

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, 2016	$ 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
Service cost			
Service cost for the year	$ 480	$ -	$ 480
Interest expenses (incomes)	478	(251)	227
Recognition in profit (loss)	958	(251)	707
Remeasurement			
Reward of plan assets	-	40	40
Actuarial loss－from changes in demographic assumptions	2,497	-	2,497
Actuarial loss－from experience adjustments	(2,193)	-	(2,193)
Recognition in other comprehensive income (loss)	304	40	344
Contribution by the employer	-	(648)	(648)
Payment of plan asset	(1,848)	1,848	-
Balance, December 31, 2017	$ 41,887	($ 21,005)	$ 20,882

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

	2017	2016
By functions		
Cost of revenue	$ 250	$ 231
Promotion	82	71
General and administrative	267	267
Research and development expense	108	95
	$ 707	$ 664

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, 2017	December 31, 2016
Discount rate	1.125%	1.125%
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, 2017	December 31, 2016
Discount rate		
Increase by 0.25%	($ 956)	($ 1,005)
Decrease by 0.25%	$ 992	$ 1,042
Projected salary increase rate		
Increase by 0.25%	$ 966	$ 1,014
Decrease by 0.25%	($ 936)	($ 983)

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, 2017	December 31, 2016
Contributions expected to be made within one year	$ 516	$ 707
Average maturity period for defined benefit obligations	10.41 years	9.68 years

20. Equity

(1) Capital Stock

Common shares

	December 31, 2017	December 31, 2016
Authorized shares (in thousands)	200,000	200,000
Authorized capital	$ 2,000,000	$ 2,000,000
Issued and paid shares (in thousands)	165,325	132,830
Issued capital	$ 1,653,246	$ 1,328,299

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, 2016	132,467	$1,324,665
Conversion of bonds	363	3,634
Balance, December 31, 2016	132,830	$1,328,299
Balance, January 1, 2017	132,830	$1,328,299
Conversion of bonds	32,495	324,947
Balance, December 31, 2017	165,325	$1,653,246

(2) Capital Surplus

Capital surplus balances in 2017 and 2016 were adjusted as follows:

	December 31, 2017	December 31, 2016
Can be used to offset a deficit, paying dividend by cash or stock (1)		
Common stock premium	$471,382	$298,292
Treasury Stock Trading	1,389	-
Difference between actual gains on acquired stock rights of subsidiaries and carrying amounts	46,903	50,125
Can be used to offset a deficit		
Recognized changes in ownership of subsidiaries (2)	28,696	28,696
Cannot be used for any other purposes		
Stock Option	-	15,777
	$548,370	$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.

(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. 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 2016 and 2015 approved in the regular meeting of shareholders held by K Laser on May 26, 2017 and May 27, 2016 respectively was as follows:

	Appropriation of Earnings		Dividends Per Share (NT$)	
	2016	2015	2016	2015
Legal reserve	$ 21,546	$ 16,435	$ -	$ -
Cash dividends	109,114	66,233	0.815	0.5

The Company's appropriations of earnings for 2017 had been approved in the meeting of the board of directors held on March 29, 2018. The appropriations and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT$)
Legal reserve	$ 15,502	$ -
Cash dividends	91,462	0.56

The appropriations of earnings for 2017 are to be presented for approval in the shareholders' meeting to be held on May 30, 2018.

(4) Other Equity

Exchange differences on translation of foreign financial statements:

	2017	2016
Balance at beginning of the year	($116,820)	$ 84,681
Exchange difference from conversion of net assets of foreign operations	(60,765)	(201,501)
Balance at end of the year	($177,585)	($116,820)

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

	2017			
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	-	5,000,000	(3,000,000)	2,000,000

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.

c. On December 2017, the board meeting of K Laser Technology Inc. approved to change purpose of the 24th buy-back of 5,000 thousands company share from maintaining company credit and stockholders' benefit to transferring the shares to employees. As of December 31, 2017, 3,000 thousands shares had been transferred to employees.

21. Net Profit of Continuing Operations

Employee benefit expenses and depreciation and amortization expenses

	2017			
	Operating cost	Operating expense	Non-operating expense and losses	Total
Short-term employee benefits				
Wages	$ 28,853	$ 54,797	$ -	$ 83,650
Labor and health insurance premium	$ 3,080	$ 3,863	$ -	$ 6,943
Retirement benefits	$ 1,765	$ 2,643	$ -	$ 4,408
Other employee benefits	$ 462	$ 787	$ -	$ 1,249
Depreciation expense				
Depreciation of property, plant and equipment	$ 15,203	$ 10,239	$ 365	$ 25,807
Depreciation of investment property	-	-	1,717	1,717
	$ 15,203	$ 10,239	$ 2,082	$ 27,524
Amortization expense	$ -	$ 454	$ -	$ 454

	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

The number of the Company's employees was 116 and 117 as of December 31, 2017 and December 31, 2016 respectively.

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. The appropriation of 2017 and 2016 earnings have been proposed by the Company's board of directors on March 29, 2018 and March 30, 2017 as follows:

Percentage of appropriation	2017	2016
Employees	5.50%	4.5%
Directors and supervisors	1.25%	1.1%

	2017		2016	
Amount	Cash	Stock	Cash	Stock
Employees	$ 9,795	$ -	$ 10,788	$ -
Directors and supervisors	2,226	-	2,637	-

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.

For the remunerations to employees, directors and supervisors, the proposed amount and the approved number are identical to the amount as disclosed in the financial report of 2016 and 2015.

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:

	2017	2016
Current income tax		
Imposed on unappropriated earnings	$ 8,051	$ 7,837
Deferred income tax		
Incurred in current year	3,000	3,000
Income tax expenses recognized in profit or loss	$ 11,051	$ 10,837

Accounting incomes and income tax expenses are reconciled as follows:

	2017	2016
Income before income tax of continuing operations	$166,067	$226,298
Income tax expenses calculated at the legal tax rate on the income before income	$ 28,200	$ 38,500
Investment gains recognized with equity method	(35,800)	(43,900)
Dividend income from foreign investments	27,600	18,400
Gains on disposal of domestic equity investments	-	(100)
Others	(17,000)	(9,900)
Taxation on unappropriated earnings	8,051	7,837
Income tax expenses recognized in profit or loss	$ 11,051	$ 10,837

The Company applied a tax rate of 17%.

In January 2018, it was announced that the Income Tax Law in the R.O.C. was amended and, starting from 2018, the corporate income tax rate will be adjusted from 17% to 20%. In addition, the tax rate applicable to unappropriated earnings will be reduced from 10% to 5%. Deferred tax assets recognized as of December 31, 2017 are expected to be adjusted and would increase by NT$3,935 thousand in 2018.

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, 2017	December 31, 2016
Income tax assets		
Tax receivable	$ 78	$ 79
Income tax payable		
Income tax payable	$ 8,049	$ 7,832

(3) Deferred Income Tax Assets

	December 31, 2017	December 31, 2016
Temporary differences		
Unrealized gross profit	$ 2,300	$ 2,900
Loss on allowance for doubtful receivables	1,900	1,900
Others	600	-
Operating loss carryforwards	17,500	20,500
Deferred income tax assets	$ 22,300	$ 25,300

(4) Information about Unused Operating Loss Carryforwards

The information about operating loss carryforwards as of December 31, 2017 is as follows:

Unused Amount	Year of Last Carryforward
$ 16,785	2021
84,753	2022
21,670	2023
2,620	2026
$125,828	

(5) Integrated Income Tax Information:

	December 31, 2017	December 31, 2016
Balance of the imputation credit account of shareholders (including income tax liability, end of year)	(Note)	$ 26,026
Unappropriated earnings after 1998	(Note)	$537,308

	2017（Estimate）	2016（Actuarial）
The estimated and actual creditable ratio for distribution of earnings	（Note）	4.50%

Note: Effective from February, 2018, integrated income tax system were abrogated and imputation credit account is no longer applicable based on amended R.O.C. Income Tax Law in February 2018.

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 2015, except 2013.

23. Earnings Per Share

Basic EPS and diluted EPS of the Company are computed as follows:

	2017			2016		
	Amount (Numerator) After Tax	Number of shares (in thousands) (Denominator)	Earnings Per Share (NT$) After Tax	Amount (Numerator) After Tax	Number of shares (in thousands) (Denominator)	Earnings Per Share (NT$) After Tax
Basic earnings per share						
Earnings available to shareholders of common shares	$ 155,016	138,144	$ 1.12	$ 215,461	132,467	$ 1.63
Effect of dilutive potential common shares						
Convertible bonds	5,665	23,064		7,383	31,606	
Bonus to employees	-	757		-	682	
Diluted earnings per share						
Earnings available to shareholders of common shares	$ 160,681	161,965	$ 0.99	$ 222,844	164,755	$ 1.35

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 2017 and 2016.

	2017	2016
Investing and financing activities not influencing cash flows		
Exchange differences on translation of foreign financial statements	($60,765)	($201,501)
Current portion of long-term liabilities transferred to current Liabilities	$ -	$630,692
Convertible bonds converted	$482,260	$ 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, 2017

	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	$ 5,387	$ -	$ -	$ 5,387

December 31, 2016

	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	$ 13,211	$ 69	$ -	$ 13,280

There were no transfers between Level 1 and Level 2 of the fair value hierarchy in 2017 and 2016.

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, 2017	December 31, 2016
Financial assets		
Loans and receivables		
Cash and cash equivalents	$ 269,467	$ 201,236
Notes and accounts receivable (Including those from related parties)	82,515	86,520
Other receivables	10,339	7,013
refundable deposits	9,314	10,014
Restricted assets－Noncurrent (Stated as other noncurrent assets－Others)	-	91,809
Financial assets at fair value through profit or loss (Current and noncurrent)	5,387	13,280
Financial assets carried at cost－Noncurrent	60,055	60,055
Financial liabilities		
Measured at amortized cost:		
Short-term loans	200,000	275,000
Short-term notes and bills payable	199,868	149,880
Notes and accounts payable (including those to related parties)	52,356	52,873
Other payables	49,337	52,818
Long-term loans (including current portion of such loans)	1,060,000	1,507,192
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 1% 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 1%, then the effect on income before taxes is the negative of the same amount.

	Effect from USD	
	2017	2016
Income effects	$ 1,560	$ 1,567

(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, 2017	December 31, 2016
Interest rate risk from cash flows		
Financial assets	$ -	$ 91,809
Financial liabilities	1,060,000	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$10,600 thousand and NT$9,282 thousand for the years 2017 and 2016.

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, 2017			
	Less than 1 year	2～3 years	Over 3 years	Total
Non-derivative financial liabilities				
Liabilities without interest	$ 101,693	$ -	$ -	$ 101,693
Liabilities at floating interest rates	-	1,060,000	-	1,060,000
Liabilities at fixed interest rates	399,868	-	-	399,868
	$ 501,561	$1,060,000	$ -	$1,561,561

	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

27. Related Party Transactions

Transactions between the Company and related parties are as follows:

(1) Name of Related Party and relationship

Name of Related Party	Relationship
K Laser International Co., Ltd. (KLIC)	Subsidiary
K Laser China Group Co., Ltd. (KLCN)	Subsidiary
Optvision Technology Inc. (OPT)	Subsidiary
Everest Display Inc. (EDTW)	Subsidiary
iWin Technology Co., Ltd. (iWin)	Subsidiary
K Laser Technology (Korea) Co., Ltd. (KLKR)	Subsidiary
K Laser Technology (Thailand) Co., Ltd. (KLTH)	Subsidiary
K Laser Technology (USA) Co., Ltd. (KLUS)	Subsidiary
K Laser IMEA Co., Ltd. (IMEA)	Subsidiary
Amagic Technologies U.S.A. (Dubai) (AHDB)	Subsidiary
K Laser Technology Japan Co., Ltd. (KLJP)	Subsidiary
K Laser Technology (HK) Co., Ltd. (KLHK)	Subsidiary
Holomagic Co., Ltd. (HM)	Subsidiary
Top Band Investment Limited (Top Band)	Subsidiary
Wuxi K Laser Technology Co., Ltd (KLWX)	Subsidiary
HuNan HeRui Laser Technology Limited.(HNLS)	Subsidiary
Dongguan K Laser Technology Co., Ltd (KLDG)	Subsidiary
Amagic Holographics India Private Limited (AHIN)	Subsidiary

Finity Laboratories (Finity)	Subsidiary
Insight Medical Solutions Inc.	Associates of equity method
Jiangsu Xinguang Laser Packing Materials Co., Ltd.	Associates of equity method

(2) Operating Transactions

Sale	2017	2016
Subsidiaries		
KLUS	$ 223,800	$ 260,863
KLJP	56,175	65,549
Other	82,074	44,664
Associates	1,585	1,408
	$ 363,634	$ 372,484
Purchases		
Subsidiaries		
Top Band	$ 253,913	$ 214,731
Other	32,604	29,742
	$ 286,517	$ 244,473
Operating expenses		
Subsidiaries	$ 2,441	$ 3,269
Other incomes		
Subsidiaries		
Top Band	$ 16,367	$ -
OPT	13,818	12,300
EDTW	5,641	6,993
Other	1,682	1,106
Associates	3,080	988
	$ 40,588	$ 21,387

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

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

Receivables from related parties	December 31, 2017	December 31, 2016
Subsidiaries		
KLUS	$ 12,754	$ 33,498
KLIC	11,404	-
KLJP	10,415	18,885
Other	5,363	6,320
	$ 39,936	$ 58,703
Payables to related parties		
Subsidiaries		
Top Band	$ 27,889	$ 29,495
Other	4,650	6,753
	$ 32,539	$ 36,248
Other receivables		
Subsidiaries	$ 9,704	$ 6,580
Associates	409	165
	$ 10,113	$ 6,745

Other payables	December 31, 2017	December 31, 2016
Subsidiaries	$ 266	$ 670

Prepayment for Equipment		
Subsidiaries		
Finity	$ 3,396	$ 1,470

(4) Property Transactions

The fixed assets acquired by the Company from related parties are detailed as follows:

	2017		2016	
	Subject	Acquisition Cost	Subject	Acquisition Cost
Subsidiaries	Other equipment	$ 2,330	Other equipment	$ -

The fixed assets sold to the Company from related parties are detailed as follow:

	Proceeds of Sale		Gain(Loss)	
	2017	2016	2017	2016
Subsidiaries	$ 239	$ 1,716	$ 232	$ 552

(5) Fund Accommodation

Loans provided to related parties by the Company are as follows:

	2017			
Name of Related Party	Maximum Balance	Ending Balance	Maximum Balance	Ending Balance
Associates	$ 70,000	$ -	$ 1,168	3%

	2016			
Name of Related Party	Maximum Balance	Ending Balance	Maximum Balance	Ending Balance
Associates	$150,000	$ -	$ 2,059	3%～4.5%

(6) Endorsements and Guarantees

As of December 31, 2017 and December 31, 2016, balance of the loans for which Kuo Wei-Wu, Chairman of the Company, was a guarantor, was NT$1,260,000 thousand and NT$1,295,000 thousand, respectively. (Please see Note 16.)

(6) Compensation to Key Management Personnel

	2017	2016
Short-term employee benefits	$ 8,486	$ 8,894
Retirement benefits	45	108
	$ 8,531	$ 9,002

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, 2017	December 31, 2016
Deposits in bank (Note 6)	$ -	$ 91,809
Property, plant and equipment	109,083	118,268
investment property	55,727	53,480
	$ 164,810	$ 263,557

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)	$ 3,157

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

Unit: Foreign currency in thousands

	December 31, 2017	December 31, 2016
K Laser China Group Holding		
Guarantees	USD 6,000	USD 6,000
Amount actually drawn	USD -	USD 3,000
Everest Display Inc.		
Guarantees	TWD 450,000	TWD -
Amount actually drawn	TWD 385,418	TWD -

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, 2017			December 31, 2016		
	Foreign Currency	Exchange Rate	NTD	Foreign Currency	Exchange Rate	NTD
Financial assets						
Monetary items						
USD	$ 6,397	29.7600	$ 190,375	$ 6,013	32.2500	$193,919
RMB	216	4.5650	986	337	4.6170	1,556
Long-term equity investments with equity method						
USD	23,915	29.7600	711,710	21,233	32.2500	684,776
RMB	527,766	4.5650	2,409,250	527,438	4.6170	2,435,181
Financial assets						
Monetary items						
USD	1,154	29.7600	34,343	1,154	32.2500	37,217

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	Attachment 5
9	Information about the derivative financial instruments transaction	None
10	Information of investees	Attachment 6

(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 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

K LASER Technology Inc.
Financings Provided by the Company
January 1 to December 31, 2017

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	$ 70,000	$ 70,000	$ -	3%	2	$ -	Operating capital	$ -	None	None	$ 290,802	$ 727,006	
1	Dongguan K Laser Technology Co., Ltd	Hunan Heshin Packaging Material Limited	Other receivables	Yes	45,860 (RMB 10,000)	45,650 (RMB 10,000)	45,650 (RMB 10,000)	3%	2	-	Operating capital	-	None	None	452,990 (RMB 99,231)	452,990 (RMB 99,231)	
2	K Laser International Co., Ltd	K Laser Technology (Korea) Co., Ltd.	Other receivables	Yes	6,896 (USD 220)	- (USD -)	- (USD -)	-	2		Operating capital	-	None	None	281,887 (USD 9,472)	281,887 (USD 9,472)	

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

K LASER Technology Inc.
Endorsements and Guarantees Provided
January 1 to December 31, 2017

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	$ 581,605	$ 188,070 (USD 6,000	$ 178,560 (USD 6,000)	$ -	$ -	6.14%	$ 1,163,210	Yes	No	No	
0	K LASER Technology Inc.	K Laser Technology (USA) Co., Ltd.	3	581,605	450,000	450,000	385,418	-	15.47%	1,163,210	Yes	No	No	
1	Wuxi K Laser Technology Co., Ltd	Wuxi Everest Display Inc.	1	31,042 (RMB 6,800)	29,995 (USD 1,000	29,760 (USD 1,000)	29,760 (USD 1,000)	-	4.24%	31,042 (RMB 6,800)	No	No	Yes	

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: The limit of the amount of endorsements/guarantees by the Company and its subsidiaries are as below:

(1) 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.

(2) The amount of endorsements/guarantees by the Company for a single enterprise cannot exceed 40% of the Company's net worth as stated in its latest financial statement; Aggregate amount of endorsements/guarantees cannot exceed 20% of the Company's net worth as stated in its latest financial statement. ◦

(3) The amount of endorsements/guarantees to the entity has business relationship with the Company shall exceed the purchase or sales amount, which is higher.

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, 2017

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	
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	28,690	
	China Development Biomedical Co., Ltd.	〃	〃	3,000,000	30,000	2	30,415	
Bright Triumph Limited	Fulgor Holdings Co., Limited	〃	〃	625,000	79,050	12	119,600	
	Funds							
K LASER Technology Inc.	Jih Sun Asian High Yield Bond	None	Financial assets at fair value through profit or loss—Current	417,526	5,387	-	5,387	
Wuxi K Laser Technology Co., Ltd	CR Yuanta Cash Income Money Market Fund	〃	〃	-	10,858	-	10,858	
Dongguan K Laser Technology Co., Ltd	CR Yuanta Cash Income Money Market Fund	〃	〃	-	63,052	-	63,052	
Dongguan K Laser Technology Co., Ltd	China Construction Bank Chien-Yuan-Ri-Shin-Yue-Yi Open-end Fund	〃	〃	-	45,650	-	45,650	

Note: 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, 2017

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	$ 223,800	39	D/A 90 days	N/A	N/A	$ 12,754	15	
K LASER Technology Inc.	Top Band Intstrant Ltd.	Grandson company of K Laser directly holding 99.60% of its shares	Purchases	(253,913)	66	D/A 60 days	N/A	N/A	(27,889)	53	
Optivision Technology Inc.	Dongguan Light Chi Photoelectric Co., Ltd.	Other Related parties	Sales	860,394	68	D/A 120 days	N/A	N/A	465,296	73	
Optivision Technology Inc.	Ningbo Guangyao Optivision Technology Co.,Ltd.	Subsidiary company	Sales	198,039	16	D/A 120 days	N/A	N/A	96,178	15	
Top Band Investment Ltd.	Dongguan K Laser Technology Co., Ltd	Subsidiary company	Purchases	RMB 52,678	99	D/A 60 days	N/A	N/A	RMB 6,802	100	
Wuxi K Laser Technology Co., Ltd	K Laser Technology (HK) Co., Ltd.	Affiliated company	Sales	RMB 30,260	17	D/A 60 days	N/A	N/A	RMB 8,093	13	

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 $465,296	1.84	$ -	—	$213,276	$ -

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	$ 2,409,250	$ 150,474	$ 148,443	
〃	K Laser International Co., Ltd.	British Virgin Islands	Reinvesting company	703,856	686,122	20,361,462	100	695,171	48,130	48,130	
〃	Optivision Technology Inc.	Hsinchu City	Production and sale of optical equipment and electronic parts and components	307,976	307,976	22,699,420	47	438,477	65,943	31,709	
〃	iWin Technology Co., Ltd.	British Virgin Islands	Reinvesting company	84,132	76,610	135,495	49	16,538	(15,271)	(6,861)	
〃	Vicome Corp.	Yunlin County	Manufacturing, processing, purchase and sale of fluorescence paints and dyes	26,489	26,489	2,661,237	33	100,521	29,180	9,647	
〃	Everest Display Inc.	Hsinchu City	Production and sale of optical equipment and wireless communication machines and devices	402,623	400,698	12,503,874	76	62,800	(8,586)	(6,295)	
〃	Insight Medical Solutions Inc.	Hsinchu City	Research, development and sale of gastrointestinal endoscope	52,452	34,602	3,461,000	35	28,182	(40,961)	(14,031)	
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 4,098	USD 907	USD 724	
〃	K Laser Technology (Thailand) Co., Ltd.	Thailand	Manufacturing and sale of holography products	USD 1,801	USD 1,801	9,277,984	83	USD 8,550	USD 540	USD 462	
〃	K Laser Technology (Korea) Co., Ltd.	Korea	Manufacturing and sale of holography products	USD 1,995	USD 1,995	432,607	81	USD 1,428	USD 132	USD 106	
〃	K Laser IMEA Co., Ltd.	Mauritius	Reinvesting company	USD 2,600	USD 2,600	2,600,390	100	USD 1,843	USD 98	USD 98	
〃	Amagic Technologies U.S.A. (Dubai) Ltd.	Dubai	Sale and being the agent of holography products	USD 1,094	USD 1,094	-	100	USD 1,879	USD 356	USD 356	
〃	K Laser Technology Japan Co., Ltd.	Japan	Manufacturing and sale of holography products	USD 830	USD 830	1,344	70	USD 2,532	(USD 87)	(USD 61)	
〃	Wuxi Everest Display Inc.	China	Production and sale of optical equipment	USD 1,503	USD 1,503	7,142,857	17	USD 767	(USD 629)	(USD 109)	
〃	Boxlight Corporation	USA	Production and sale of optical equipment	USD 1,585	-	262,157	3	USD 1,307	(USD 5,103)	(USD 281)	
K Laser China Group Co., Ltd.	K Laser China Group Holding Co., Limited	Cayman Islands	Reinvesting company	RMB 211,291	RMB 211,291	102,901,766	100	RMB 530,447	RMB 33,468	RMB 33,335	
〃	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 7,110	RMB 945	RMB 945	
〃	Holomagic Co., Ltd.	British Virgin Islands	Reinvesting company	RMB 72,440	RMB 72,440	30,000	100	RMB 230,648	RMB 7,577	RMB 7,561	
〃	Top Band Investment., Ltd.	British Virgin Islands	Reinvesting company	RMB 130,106	RMB 130,106	50,000	100	RMB 250,673	RMB 28,119	RMB 28,157	
〃	iWin Technology Co., Ltd.	British Virgin Islands	Reinvesting company	RMB 17,844	RMB 16,084	141,025	51	RMB 4,140	(RMB 3,388)	(RMB 1,728)	

(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 29,243	10,000	100	RMB 227,794	RMB 9,722	RMB 9,722	
Top Band Investment Ltd.	Union Bloom Co., Ltd.	Hong Kong	Reinvesting company	RMB 113,329	RMB 113,329	10,000	100	RMB 246,940	RMB 27,331	RMB 27,331	
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 1,789	USD 88	USD 88	
iWin Technology Co., Ltd.	Finity Laboratories	USA	Research and development of holography products	USD 700	USD 700	700,000	100	USD 1,085	(USD 6)	(USD 6)	
Treasure Access Limited	Wuxi K Laser Technology Co., Ltd	China	Manufacturing and sale of holography products	RMB 44,156	RMB 44,156	-	100	RMB 149,831	RMB 8,234	RMB 9,062	
〃	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 31,986	RMB 1,519	RMB 744	
〃	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 39,257	RMB 3,032	RMB 1,077	
〃	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 3,781	RMB 1,666	RMB 500	
Union Bloom Co., Ltd.	Dongguan K Laser Technology Co., Ltd	China	Manufacturing and sale of holography products	RMB 165,621	RMB 165,621	-	100	RMB 248,077	RMB 32,832	RMB 32,832	
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 7,408	RMB 1,193	RMB 298	
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	RMB 48,100	-	49	RMB 40,812	(RMB 10,422)	(RMB 5,107)	
Optivision Technology Inc.	Bright Triumph Limited	Mauritius	Reinvesting company	242,173	242,173	7,913,767	100	144,904	29,942	29,942	
Bright Triumph Limited	Ningbo Guangyao Optivision Technology Co.,Ltd.	China	Production of BEF, Diffuser, and optical film	USD 5,258	USD 5,258	-	100	USD 2,042	USD 802	USD 802	
Everest Display Inc.	Guang Feng Internation Limited	Samoa	Reinvesting company	217,125	217,125	6,820,810	100	19,466	(7,180)	(7,180)	
〃	Boxlight Corporation	USA	Production and sale of optical equipment	140,258	-	2,468,709	26	138,499	(151,972)	(2,465)	
Guang Feng Internation Limited	Wuxi Everest Display Inc.	China	Production and sale of optical equipment	USD 2,014	USD 2,014	11,456,748	28	USD 898	(USD 629)	(USD 174)	
〃	Boxlight Corporation	USA	Production and sale of optical equipment	-	-	142,857	1	-	(USD 5,103)	(USD 5)	

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	$ 576,738 (RMB126,339)	Reinvestment in entities in China through existing entities in third territories	$ 199,094 (USD 6,690)	$ -	$ -	$ 199,094 (USD 6,690)	100	$ 37,588 (RMB 8,234)	$ 41,368 (RMB 9,062)	$ 683,979 (RMB149,831)	$ 142,118 (RMB 31,132)
Dongguan K Laser Technology Co., Ltd	Production and sale of polyethylene and rigid polyvinyl chloride film and tinsel	756,060 (RMB165,621)	Reinvestment in entities in China through existing entities in third territories	61,276 (USD 2,059)	-	-	61,276 (USD 2,059)	100	149,878 (RMB 32,832)	149,878 (RMB 32,832)	1,132,472 (RMB248,077)	189,511 (RMB 41,514)
Dongguan Rimei Laser Printing Co., Ltd. (Note 5)	Production and sale of color printed boxes and products and laser printed products	115,668 (RMB 25,338)	Investment in entities in China through remittance from third territories	63,984 (USD 2,150)	-	-	63,984 (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	236,467 (RMB 51,800) (Note 2)	Reinvestment in entities in China through existing entities in third territories	-	-	-	-	49	6,934 (RMB 1,519)	3,396 (RMB 744)	146,016 (RMB 31,986)	17,361 (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	365,200 (RMB 80,000) (Note 3)	Reinvestment in entities in China through existing entities in third territories	-	-	-	-	33	13,841 (RMB 3,032)	4,917 (RMB 1,077)	179,208 (RMB 39,257)	39,560 (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	45,650 (RMB 10,000)	Reinvestment in entities in China through existing entities in third territories	-	-	-	-	30	7,605 (RMB 1,666)	2,283 (RMB 500)	17,260 (RMB 3,781)	-
Everest Technology Ltd.	Research, development and production of large LCD projection display, optical engine for monitor and projection tube	188,681 (RMB 41,332)	Reinvestment in entities in China through existing entities in third territories	44,729 (USD 1,503)	-	-	44,729 (USD 1,503)	17	(18,719) (USD -629)	(3,244) (USD -109)	22,826 (USD 767)	-

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
$369,084 (USD12,402)	$ 1,797,028 (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	$ 1,555 (USD 52)	Price negotiation	Net 60 days from the end of the month when the invoice is issued	Similar	$ 561 (USD 19)	1	$ -
Dongguan K Laser Technology Co., Ltd	Subsidiary of which the 100% ownership is held indirectly by the Company	Sales	13,739 (USD 451)	Price negotiation	Net 60 days from the end of the month when the invoice is issued	Similar	1,381 (USD 46)	2	(867)

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	2017	2016	Difference Amount	Difference %	Notes
Current Assets	4,458,503	4,693,458	-234,955	-5.01%	
Non-current Assets	2,375,137	2,336,108	39,029	1.67%	
Total Assets	6,833,640	7,029,566	-195,926	-2.79%	
Current Liabilities	2,035,167	2,845,550	-810,383	-28.48%	Note 1
Long-term Liabilities	1,085,882	899,791	186,091	20.68%	Note 1
Total Liabilities	3,121,049	3,745,341	-624,292	-16.67%	
Capital	1,653,246	1,328,299	324,947	24.46%	Note 2
Additional Paid in Capital	548,370	392,890	155,480	39.57%	Note 2
Retained Earnings	915,195	869,637	45,558	5.24%	
Total Equity	3,712,591	3,284,225	428,366	13.04%	

Ratio Analysis:

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

1. The total liabilities decreased by more than 20% which was caused by the expiration of CB4 and CB5.
2. The capital and additional Paid in Capital total liabilities increased by more than 20% which was caused by the expiration of CB4 and CB5, and conversion to Equity resulted in Increased shareholders' equity.

2. Operating Analysis

Unit：NT $Thousands

Item \ Year	2017	2016	Difference Amount	Difference %	Notes
Net Sales	5,217,612	5,080,255	137,357	2.70%	
Cost of Goods Sold	3,941,078	3,816,175	124,903	3.27%	
Gross Profit	1,276,534	1,264,080	12,454	0.99%	
+ (-): Realized (Unrealized) Gross Margin	6,992	17,322	-10,330	-59.64%	Note
Operating Expense	870,783	808,253	62,530	7.74%	
Operating Income	412,743	473,149	-60,406	-12.77%	
Non-Operating Revenue/Expense	-137,828	-130,576	-7,252	5.55%	
Income Before Tax	274,915	342,573	-67,658	-19.75%	
Tax Expense (Benefit)	-74,650	-92,676	18,026	-19.45%	
Cumulative Effect of Changes in Accounting Principles	0	0	0	0.00%	
Net Income	200,265	249,897	-49,632	-19.86%	

Ratio Analysis:

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

Note: Although the net sales increased, but the expenses and R&D expenses increased, and losses from the non-operating expense increased, resulting in a decrease in net income.

3. Cash Flow Analysis

3.1 Cash Flow Liquidity Analysis

Unit：NT $Thousands

Beginning Cash on Jan 1,2017	Net Cash Flow from Operating Activities	Other Net Cash Flow	Cash Balance on Dec 31,2017	Contingency Plans for Insufficient Cash Position	
				Investment Plan	Financial Plan
1,189,908	598,400	(315,926)	1,472,382	–	–

2017 Cash Analysis

1. Net Cash in-flow from Operating Activities amounting to NTD 598,400 K was majorly caused by the actively control receivables, resulting in increased cash inflows.
2. Net Cash out-flow from Investing Activities amounting to NTD 31,811K.
3 Net Cash in-flow from Financing Activities amounting to NTD 230,347K was caused by buying back Treasure Stock amounting to NTD 77,972K and pay cash dividend to NTD 109,114K.
4. The Cash Out-flow from the Effect on Changed in Exchange Rate in 2017 were NTD(53,768K).

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

3.3 Analysis of Cash Liquidity for 2018

Unit：NT$ Thousands

Beginning Cash on Jan 1,2018	Projected Net Cash Flow from Operating Activities	Projected Net Cash Flow from Investing & Financing Activities	Projected Cash Balance on Dec 31,2018	Cash Plans for Projected Insufficient Cash Position	
				Investment Plan	Financing Plan
1,472,382	436,884	(364,358)	1,544,908	—	—

The projected net cash inflow in 2018 mainly consists of cash inflow from ordinary operation. The projected cash out flow from investing and financing activities includes cash dividend, incremental of financial assets, 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				
				2018	2017	2016	2015	2014
UV equipment and production process for deep structure pattern	Own Capital	Dec 31,2018	26,654	12,300	1,000	6,384	510	6,460
The wide Seamless holographic origination and production process	Own Capital	Dec 31,2018	40,776	20,388	4,336	282	15,770	--
Hologram seamless electroforming equipment And production processes	Own Capital	Dec 31,2018	29,452	4,317	3,333	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 38,588 thousand dollars, which is NT22,981 thousand dollars less in comparison with the other operating expense amounting to NT 61,569 thousand dollars in 2016. It is mainly that EDI's operation was improve in 2017, and from January to September 2016, EDI became a subsidiary of the Company. In consequence, the investment loss is reduced a lot in 2017.

5.3 Investment plan in 2018:

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. We also evaluate the business opportunity in South-East Asia, and will set up new operating entity when the time is right.

6. Risk Management Analysis & Evaluation

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

In 2017 the interest expense of the Company is NT 43,101 thousand dollars, and foreign exchange loss is NT 34,028 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	2017	Mar 31, 2018
K Laser China Group Holding Co., Limited	KLT indirect investment by holding 99.603% company	USD 6,000	USD 3,000
Everest Display Inc.	KLT direct investment by holding 76.24%company	TWD 450,000	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	2017	Mar 31, 2018
K laser Technology Inc.	Everest Display Inc.	KLT direct investment by holding 76.24%company	TWD 70,000	TWD 60,000

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	12,300	Dec. 2018
2	The wide Seamless holographic origination and production process	20,388	Dec. 2018
3	Hologram seamless electroforming equipment And production processes	4,317	Dec. 2018

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

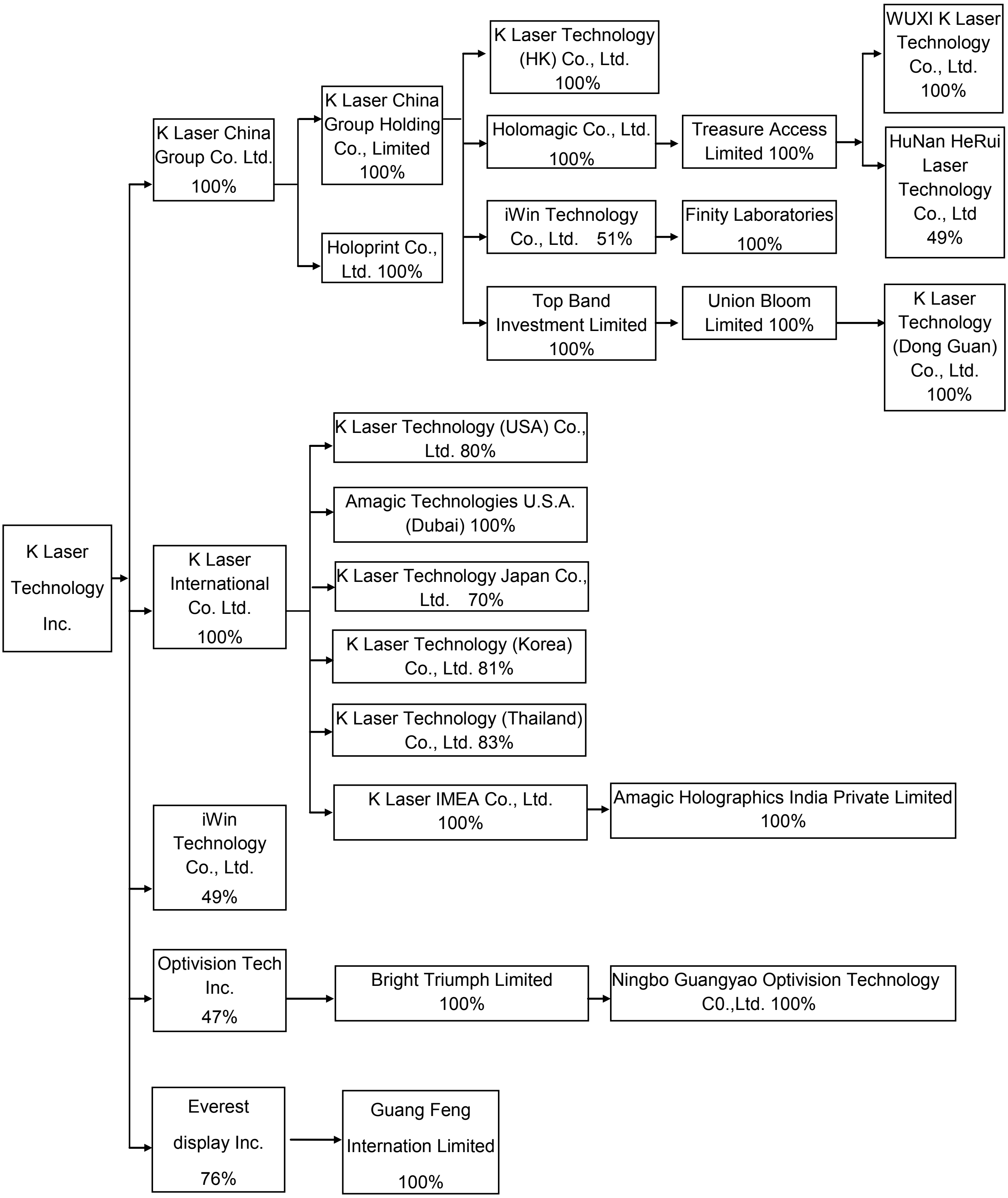
6.13 Risk from Other Important Issues：None

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 2017/12/31

Entity	Date of Incorporation	Address	Capital		Main Operation or Business Items
K Laser China Group Co., Ltd.	2000/10/31	Wickhams Cay II, Road Town, Tortola, VG1110, 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 $	5,530	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	Wickhams Cay II, Road Town, Tortola, VG1110, 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	Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands	US $	20,361	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	1-4-44, Atobehonmati, Yao City, Osaka Japan 581-0064	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
Guang Feng Internation Limited	2005/3/31	Portcullis TrustNet Chambers P.O.Box 1225 Apia, SAMOA	US$	6,821	Investment Business

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

2017/12/31

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%
Holoprint Co., Ltd.	Director (KLCN)	Alex Kuo	1	100%
K Laser China Group Holding Co., Limited (KLCG)	Director (KLCN)	Alex Kuo	102,901,766	100%
	Director (KLCN)	C. L. Kuo		
	Director (KLCN)	Vincent Tsai		
iWin Technology Co., Ltd	Director (K Laser)	Alex Kuo	135,495	49%
	Director (KLCG)	Alex Kuo	141,025	51%
Finity Laboratories	Director (iWin)	Alex Kuo	700,000	100%
	GM	Wai Hon Lee	0	0%
K Laser Technology (HK) Co., Ltd.	Director (KLCG)	Alex Kuo	1,283,500	100%
	Director (KLCG)	Daniel Kuo		
	GM	Tong Chin Tai	–	–
Holomagic Co., Ltd.	Director (KLCG)	Alex Kuo	30,000	100%
Treasure Access Limited	Director (Holomagic)	Alex Kuo	10,000	100%
WUXI K Laser Technology Co., Ltd.	Chairman (Treasure Access)	Daniel Kuo	–	100%
	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%
Union Bloom Limited	Director (TOP)	Alex Kuo	10,000	100%
K Laser Technology (Dong Guan) Co., Ltd.	Chairman (Union)	James Kuo	–	100%
	Director (Union)	Daniel Kuo		
	Director & GM (Union)	C. L. Kuo		
	Supervisor	Mark Chen	–	–
K Laser International Co., Ltd.	Director (K Laser)	Alex Kuo	20,361,462	100%
K Laser Technology (USA) Co., Ltd.	Chairman (International)	Alex Kuo	6,500,000	80%
	Director (International)	Daniel Kuo		
	Director (Murata)	Shiro Murata	1,625,000	20%
	Acting General Manager	Sammy Chen	–	–
Amagic Technologies U.S.A (Dubai)	Chairman (International)	Alex Kuo	–	100%
	Director & GM	Joseph Habchi	–	–
K Laser Technology Japan Co., Ltd.	Chairman (International)	Daniel Kuo	1,344	70%
	Director	Alex Kuo		
	Director	James Kuo		
	Director	Shiro Murata	576	30%
	Director & GM	Jun Murata		
	Supervisor	Hiroaki Soejima	–	–
K Laser Technology (Korea) Co., Ltd.	Chairman (International)	Daniel Kuo	432,607	81%
	Director (International)	Alex Kuo		
	Director & GM	Pen Cheng	104,393	19%
	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	83%
	Director	S. L. Yang	202,998	2%
	Director	Ms.Yupha Purima	1	0%
	Director & GM	Simon Fwu	1,000,000	9%
K Laser IMEA Co., Ltd.	Director (International)	Alex Kuo	2,600,390	100%
Amagic Holographics India Private Limited	Director (IMEA)	Alex Kuo	10,915,954	100%
	Director	Daniel Kuo		
	Director & GM	K. C. Yuan		
Optivision Tech Inc.	Chairman & GM	Daniel Kuo	420,937	1%
	Director (K Laser)	Vincent Tsai	22,699,420	47%
	Director	James Kuo	37,039	0%
	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%
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	12,503,874	76%
	Director (K Laser)	Daniel Kuo		
	Director (K Laser)	Vincent Tsai		
	Director (K Laser)	James Wei		
	Director	H.T. Hong	-	-
	Supervisor	Lisa Hsu	100,000	1%
Guang Feng Internation Limited	Director (Everest)	Alex Kuo	10,000,000	100%

1.1-5 Operating Highlights of the Affiliated Companies

Financial Status and Operating Results

Unit：NT$ Thousands 2017/12/31

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.	1,845,382	2,421,780	0	2,421,780	0	(56)	150,474	5.84
Holoprint Co., Ltd.	-	-	-	-	-	-	-	-
K Laser China Group Holding Co., Limited	990,773	2,432,633	1,491	2,431,142	0	(3,240)	152,781	1.48
iWin Technology Co., Ltd	164,584	37,105	47	37,058	0	(14,740)	(15,271)	(55.23)
Finity Laboratories	20,832	26,365	3,568	22,797	2,152	(14,508)	(179)	(0.26)
K Laser Technology (HK) Co., Ltd.	4,886	72,965	40,511	32,454	148,004	(6,378)	4,314	3.36
Holomagic Co., Ltd.	330,688	1,057,976	4,575	1,053,401	28,565	(7,001)	34,589	1,152.97
Treasure Access Limited	114,233	1,040,137	258	1,039,879	0	(34)	44,381	4,438.10
WUXI K Laser Technology Co., Ltd.	576,736	849,481	148,185	701,296	817,686	57,102	37,588	N/A
HuNan HeRui Laser Technology Co., Ltd	236,467	650,063	352,075	297,988	547,381	6,245	6,934	N/A
Top Band Investment Ltd.	593,932	1,181,277	36,481	1,144,796	276,584	21,765	128,363	2,567.26
Union Bloom Limited	811,919	1,133,052	5,773	1,127,279	0	(30)	124,766	12,476.60
K Laser Technology (Dong Guan) Co., Ltd.	756,059	1,275,344	142,871	1,132,473	1,039,987	190,480	149,878	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.	605,957	731,255	26,511	704,744	51,150	7,499	48,130	2.36
K Laser Technology (USA) Co., Ltd.	224,001	207,206	44,104	163,102	499,531	43,077	26,992	3.32
Amagic Technologies U.S.A. (Dubai)	6,238	93,780	37,857	55,923	112,701	10,765	10,595	N/A
K Laser Technology Japan Co., Ltd.	25,363	138,730	31,062	107,668	178,620	5,456	(2,589)	(1,348.44)
K Laser Technology (Korea) Co., Ltd.	75,449	77,889	25,125	52,764	113,747	4,029	3,928	7.35
K Laser Technology (Thailand) Co., Ltd.	102,955	358,071	50,261	307,810	234,006	18,978	16,070	1.44
K Laser IMEA Co., Ltd.	77,388	56,489	1,650	54,839	3,186	(31)	2,916	1.12
Amagic Holographics India Private Limited	74,641	54,058	831	53,227	37,925	788	2,619	0.24
Optivision Tech Inc.	482,996	1,337,616	404,629	932,987	1,256,928	48,481	65,943	1.37
Bright Triumph Limited	242,173	144,904	-	144,904	-	-	29,942	N/A
Ningbo Guangyao Optivision Technology C0.,Ltd.	153,063	166,924	106,154	60,770	286,266	26,783	29,931	N/A
Everest display Inc.	164,000	521,419	439,047	82,372	467,785	8,319	(8,586)	(0.52)
Guang Feng Internation Limited	202,987	26,284	6,818	19,466	0	0	(7,180)	(1.05)

Exchange Rate：

$ 1 USD=$ 29.76 NT	$ 1 EUR=$ 35.57 NT
$ 1 HKD=$ 3.8070 NT	$ 1 RMB=$ 4.5650 NT
$ 1 JPY=$ 0.2642 NT	$ 1 DHS=$ 8.1263 NT
$ 1 THB=$ 0.9176 NT	$ 1 KRW=$ 0.0281 NT
$ 1 INR =$ 0.4671 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

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Exchangeable Bond Exchange Market-place Marketable Security：None

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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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