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光群雷射科技股份有限公司

K LASER TECHNOLOGY INC.



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光群雷射科技股份有限公司

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中華民國一〇八年五月十日刊印

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## To Shareholders

### Summary

The consolidated sales of K Laser Group in 2018 was 5.2 billion NT dollars, gross margin 20.9%, and the operating profit 173 million NT dollars. Compared to 2017, the gross profit of 2018 was 3.6% lower and the operating profit decreased by 58.1%. Net profit of 2018 was 66 million NT dollars. EPS was 0.4.

The decrease of operating profit of 2018 was due to the fact that the gross profit margin of Optivision dropped severely while its operating expense rose adversely. Meanwhile, the price hike of PET raw film and raw paper both had negatively impacted the gross profit margin of hologram business by 2%. Recognition of investment loss from Everest Display also affected the net profit of 2018.

### Technology Development

1. True Seamless lamination film has been popularly sold worldwide as our standard product. We, on one hand, continue to develop more true seamless products for various applications. On the other hand, we work to improve its yield rate and productivity to further enhance our cost advantage to cushion any unfavorable market change.
2. We have dedicated ourselves to improve our design and origination capabilities. By altering design, production process, and materials, we may create various products and solutions for applications beyond healthcare product packaging.
3. We have set up a complete production line for security label which allows us to have better control of cost and delivery. In the future, we will develop more security technologies and solutions to enhance our competitiveness in this market.

### Our Strategy and Global Situation

To stay on top of the competition, we need to keep innovating to create customer needs. We will continue to develop origination technologies for more lens effects, stereo-relief, and geometric designs. Also, we will combine different patterns and materials to offer distinct products that meet customers' needs for security packaging. On the production side, we will develop processes and technologies that support the production of deep-groove and wide web products. Those technologies will be our valuable assets when we pursue opportunities to work with brand customers.

Although trade talks continue between the U.S. and China, we don't see a deal forthcoming but officials making contradictory comments. If Trump decides to raise tariffs on China, the sales and profits of K Laser China Group and K Laser US will be immediately affected. Its ripple effect will also impact the operating profit of K Laser subsidiaries in other regions. More than that, the fact that China's economic growth slowed down and that the UK has been unable to settle a withdrawal agreement with the EU will cast a shadow over the world economy. With those uncertainties in mind, we will do our best to control risk through diligent management and pursue the greatest benefit for our shareholders.

Finally, we would like to express our gratitude to our shareholders for your supports and our employees for their 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

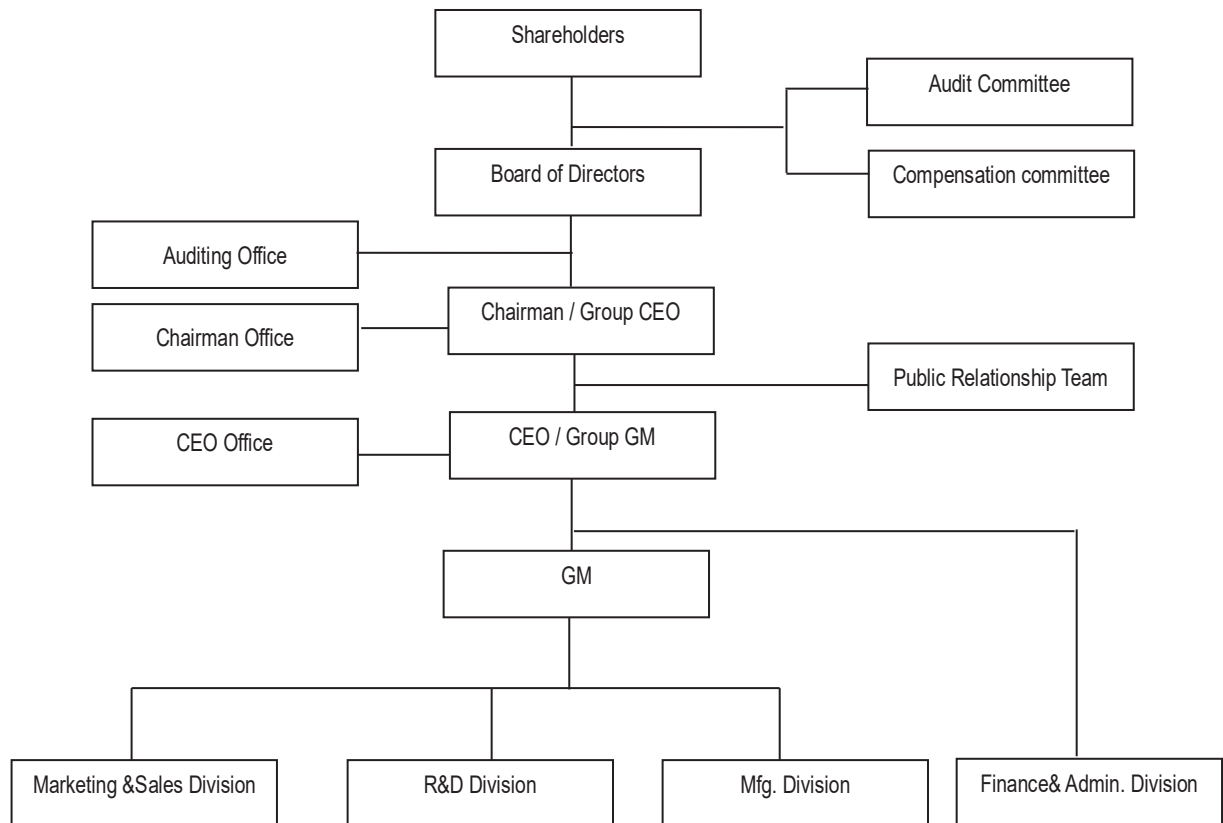
- 1988** In April, established at Hsin-Chu SBIP to manufacture Holographic security labels.
- 1989** Develop the recombination technology and the application of products to enlarge market share.
- 1990** Introduced 15 cm wide holographic film materials.
- 1991** Developed the 30 cm embossing machine, 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 Univac 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 OPP materials.  
(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 Affairs, 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 – Light 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 public 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	<ul style="list-style-type: none"> <li>• Business Development.</li> <li>• Public Relationship.</li> </ul>
CEO Office	<ul style="list-style-type: none"> <li>• Company management.</li> <li>• Subsidiaries management.</li> </ul>
Auditing Office	<ul style="list-style-type: none"> <li>• To evaluate the accuracy, reliability, efficiency, and effect of internal control.</li> <li>• To provide the suggestion, improve the business efficiency and ensure the internal control system is implemented effectively.</li> </ul>
Finance & Admin. Division	<ul style="list-style-type: none"> <li>• Financial planning, cash management, accounting and shareholder related business.</li> <li>• Subsidiaries supporting.</li> <li>• Human resource, training and general affairs.</li> <li>• IT development and ERP implementation.</li> </ul>
Mfg. Division	<ul style="list-style-type: none"> <li>• Manufacturing.</li> </ul>
R&D Division	<ul style="list-style-type: none"> <li>• R&amp;D.</li> </ul>
Marketing & Sales Division	<ul style="list-style-type: none"> <li>• Marketing, sales and exporting</li> </ul>

## 2 Directors and Major Officers

### 2.1 Directors

2019.04.02

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	%			
Chairman	Alex Kuo	Male	2017.05.26	3	1988.03.16	10,187,756	7.61	10,507,756	6.60	802,980	0.50	—	—	• Ph.D. in EE, SUNY Stony Brook, NY	• Chairman • CEO, K Laser Group.	Director Daniel Kuo Second degree relatives
Director	Daniel Kuo	Male	2017.05.26	3	1992.06.21	1,028,254	0.77	1,048,254	0.66	4,572	—	—	—	• MS in Civil Engineering, NJIT, NJ.	• Chairman, OTI.	Director Lisa Hsu Spouse
Director	Lisa Hsu	Female	2017.05.26	3	2011.06.17	752,980	0.56	802,980	0.50	10,507,756	6.60	—	—	• Computer Science, BS , New York Institute of Technology	• Deputy Spokesman • Supervisor, Everest Display Inc.	Chairman Daniel Kuo Second degree relatives
Director	C.L. Kuo	Male	2017.05.26	3	2017.05.26	—	—	—	—	—	—	—	—	• 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.	• Directors, K Laser Group.	Chairman Alex Kuo Spouse
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.	Chairman Alex Kuo Spouse
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	—	Chairman Daniel Kuo Second degree relatives
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.	Chairman Alex Kuo Spouse

Major Institutional Shareholders : None.

Major Shareholders of the Corporate Shareholders : None.

# Directors and Supervisors Remuneration in 2018

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.	Cash Bonus	Stock Bonus	K Laser	Sub.		Cash Bonus	Stock Bonus		
Chairman	Alex Kuo	—	—	—	—	820	820	36	36	1.30%	1.30%	3,471	4,810	—	—	386	—	7.16%	9.19%	—		
Director	Daniel Kuo	—	—	—	—	492	492	36	66	0.80%	0.85%	460	6,047	—	—	365	—	2.06%	10.59%	—		
Director	Lisa Hsu	—	—	—	—	164	164	36	36	0.30%	0.30%	1,026	1,026	—	—	213	—	2.19%	2.19%	—		
Director	C.L. Kuo	—	—	—	—	164	164	30	30	0.29%	0.29%	—	—	—	—	—	—	0.29%	0.29%	—		
Independent Director	Cheng Sang Huang	240	240	—	—	—	—	36	36	0.42%	0.42%	—	—	—	—	—	—	0.42%	0.42%	—		
Independent Director	Bi-Xin Huang	240	240	—	—	—	—	24	24	0.40%	0.40%	—	—	—	—	—	—	0.40%	0.40%	—		
Independent Director	Gen-Sen Chang-Hsieh	240	240	—	—	—	—	36	36	0.42%	0.42%	—	—	—	—	—	—	0.42%	0.42%	—		



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 / C.L. Kuo/ Cheng Sang Huang/ Bi-Xin Huang / Gen-Sen Chang-Hsieh	Alex Kuo / Daniel Kuo / Lisa Hsu / C.L. Kuo/ Cheng Sang Huang/ Bi-Xin Huang / Gen-Sen Chang-Hsieh	Daniel Kuo / Lisa Hsu / C.L. Kuo/ Cheng Sang Huang/ Bi-Xin Huang / Gen-Sen Chang-Hsieh	Lisa Hsu / C.L. Kuo/ Cheng Sang Huang/ Bi-Xin Huang / Gen-Sen Chang-Hsieh
NT\$ 2 million～NT\$ 5 million	—	—	Alex Kuo	—
NT\$ 5 million～NT\$ 10 million	—	—	—	Alex Kuo / Daniel Kuo
Over NT\$ 10 million	—	—	—	—
Total	7 persons	7 persons	7 persons	7 persons

## Directors' Professional Knowledge and Independence Information

Name	Qualification	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

2019.04.02

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	6.60%	802,980	0.50	—	—	• 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.	—	—	—	—
CFO	Teresa Huang	Female	2006.01.03	270,016	0.17%	—	—	—	—	• 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	0.05%	—	—	—	—	• M.Acc, SUNY • Senior Financial Manager • Special Assistant, Chairman office of K Laser Technology Inc.	—	—	—	—
Manager, Auditing Office (2018.06.14 Resignation)	Nicole Hsu	Female	2017.12.04	176,000	0.11%	—	—	—	—	• Bachelor degree, Department of Economics, Shih Hsin University • Secretary Of CEO, K Laser Technology Inc.	—	—	—	—
Manager, Auditing Office	Yumei Tsai	Female	2018.08.14	12,715	0.01%	—	—	—	—	• California State University, San Francisco, Institute of Electronic Communications • Manager, Auditing Office, K Laser Technology Inc.	—	—	—	—

## President Remuneration in 2018

Title	Name	Salary(A)		Retirement pay (B)		Bonus and Special Remuneration (C)		Employee Compensation (Note1)				Total Amount as a % of 2018 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	Stock Bonus	Cash Bonus	All consolidated entities	K Laser	All consolidated entities	
CEO, K Laser Group. & GM	Alex Kuo	2,400	4,254	—	—	460	556	386	—	—	386	5.86%	7.89%	—

Note1: The proposed compensation is based on the actual ratio of the 2017 distribution, which was approved by the board of directors in 2019.

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

2019.04.02 / Unit : NT\$ Thousands

	Title	Name	Stock Bonus	Cash Bonus	Total Amount	Total Amount as a % of 2018 Net Income
Major Officers	CEO, K Laser Group.& GM	Alex Kuo	—	799	799	1.21%
	Director, R&D Division	Bingo Lo				
	CFO	Teresa Huang				
	Accounting officer	Serena Hung				
	Financial officer	Vincent Tsai				
	Manager, Auditing Office	Yumei Tsai				

Note: The proposed compensation is based on the actual ratio of the 2017 distribution, which was approved by the board of directors in 2019.

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	2017				2018			
	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	8,908	5.75%	16,452	10.61%	8,515	12.93%	15,472	23.50%
Supervisor	42	0.03%	42	0.03%	—	—	—	—
GM and Assistant GM	4,554	2.94%	5,860	3.78%	4,713	7.16%	6,052	9.19%

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 2017 have been paid. Part of Compensation in 2018 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 6 meetings in 2018. 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	6	0	100%	—
Director	Daniel Kuo	6	0	100%	—
Director	Lisa Hsu	6	0	100%	—
Director	C.L. Kuo	5	1	83%	—
Independent Director	Cheng Sang Huang	6	0	100%	—
Independent Director	Gen-Sen Chang-Hsieh	6	0	100%	—
Independent Director	Bi-Xin Huang	4	2	67%	—

Note:

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
November 9,2018 (The 9th Regular Meeting of the 11th BOD)	Approved the CPA appointment of the company, Deloitte & Touche Yi-Min Huang CPA and Guo-Tian Hong CPA.	NA

- (b) There were no other written or otherwise recorded resolutions on which an independent director had a dissenting opinion or qualified opinion in 2018.
- (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 May 10, 2019. The Board of Directors decided to revise rules and procedures of Board of Directors Meetings. to update operating procedures required by directors.
  - (b) Assessment of implementation :  
The Audit Committee is functioning normally.

#### 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 2018. 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%	—
Member	Cheng Sang Huang	4	0	100%	—
Member	Bi-Xin Huang	3	1	75%	—

## 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 14, 2018 (The 6th Regular Meeting of the 1st Audit Committee )	approving the 2018 second quarter financial statements	None
November 09, 2018 (The 7th Regular Meeting of the 1st Audit Committee )	(1) Approving the 2018 third quarter financial statements. (2) Approved the CPA appointment of the company, Deloitte & Touche CPA Yi-Min Huang and CPA Guo-Tian Hong.	

(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 2018.

(2) There were no recusals of independent directors due to conflicts of interests in 2018.

(3) Descriptions of the communications between the independent directors, the internal auditors, and the independent auditors in 2018 (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 2018, 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 2018, 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 14, 2018 (The 6th 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 2018 second quarter financial statements (closed door). 2. reviewing regulatory developments
November 09, 2018 (The 7th 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 2018 third quarter financial statements (closed door). 2. Reviewing regulatory developments
March 26, 2019 (The 8th Regular Meeting of the 1st Audit Committee )	1. reviewing the Internal Auditor's report (closed door) 2. reviewing and approving 2018 Statement of Internal Control System	1. reviewing any audit problems or difficulties and management's response in connection with 2018 annual financial statements (closed door) 2. reviewing regulatory developments

### 3.3 Supervisors' involvement in the operation of the Board of Directors: NA

### 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 2018/11/10. 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 <a href="http://www.klasergroup.com">http://www.klasergroup.com</a> is constantly updated to provide the latest information. (2) The company has designated appropriate employees to disclose information and announcement at government website, MOPS: <a href="http://newmops.tse.com.tw">http://newmops.tse.com.tw</a>	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 2018 to Nov.5 2019.	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: NA				

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

#### 3.5.1 The compensation committee members' Professional Knowledge and Independence Information

Qualification	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		
Name													
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 an 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 3 meeting in 2018:

Name	Actual attendance number of times	Agency attendance number of times	Actual attendance	Remarks
Cheng Sang Huang	3	0	100%	—
Gen-Sen Chang-Hsieh	3	0	100%	—
Bi-Xin Huang	2	1	67%	—
Other matters to be included :				
1. There was no suggestion recommended by the Compensation Committee not being accepted or being amended by the Board of Directors during the preceding fiscal year.				
2. There was no Compensation Committee member expressing opposition or reservation with respect to any Compensation Committee meeting during the preceding fiscal year, and no written record or written statement of related resolutions.				

### 3.6 Social responsibility

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

Item	Implementation Status			Remark
	Y	N	Description	
<p>3. Protecting Public Interest</p> <p>(1) The company has established the management methods and procedures, to comply with relevant regulations and International Covenant on Civil and Political Rights.</p> <p>(2) The Company has established an approach and channel for employee appealing and it is handled properly.</p> <p>(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.</p> <p>(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.</p> <p>(5) The company has established an effective plan for the employees in training and career development.</p> <p>(6) In regards to R&amp;D, purchases, production, operation, and procedures of service, the company has formulated policies that would protect consumers' rights, as well as procedures for appealing.</p> <p>(7) The Company has complied with regulations and international norms on marketing and marking for its products and services.</p> <p>(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.</p> <p>(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.</p>	✓		<p>(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.</p> <p>(2) The procedures for employee appealing are included in the Company's Working Rule and the employee's appeals are well handled.</p> <p>(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.</p> <p>(4) In order to improve the labor relation and working efficiency, there are regular meetings for employee and employer as a way of communication.</p> <p>(5) Since employee is the most valuable assets to the Company, the Company has established the effective career development plan for employee.</p> <p>(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.</p> <p>(7) The Company has complied with regulations and international norms on marketing and marking for its products and services.</p> <p>(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.</p> <p>(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.</p>	None
<p>4. Enhancing Information Disclosure</p> <p>(1) Status of disclosure on the company's website and MOPS of relevant and reliable information regarding corporate social responsibility.</p>	✓		The Company has published the relevant materials about CSR on its website, <a href="http://www.klasergroup.com">http://www.klasergroup.com</a> , and, in compliance with the Laws, has announced and declared them to improve information transparency.	None
5. If the Company has established corporate social responsibility principles based on "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies", please describe any discrepancy between the principles and their implementation: None				
6. Other important information to facilitate better understanding of the Company's corporate social responsibility practices: None				
7. If the products or corporate social responsibility reports have received assurance from external institutions, they should state so below: None				

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

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

Item	Implementation Status			Remark
	Y	N	Description	
<p>1. Establishment of Corporate Conduct and Ethics Policy and Implementation Measures</p> <p>(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.</p> <p>(2) The Company adopts a program to prevent unethical conduct, including its operational procedures, guidelines for ethical conduct, punishment of violence and complaint system.</p> <p>(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.</p>	✓		<p>(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.</p> <p>(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.</p> <p>(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.</p>	None
<p>2. Corporate Conduct and Ethics Compliance Practice</p> <p>(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.</p> <p>(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.</p> <p>(3) The Company adopts the policies for preventing conflicts of interest and offering appropriate channels for stating opinions, and the operation thereof.</p> <p>(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.</p> <p>(5) The company holds internal or external education and training operations periodically.</p>	✓		<p>(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.</p> <p>(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.</p> <p>(3) The Company has adopted the policies for preventing conflicts of interest and offering appropriate channels for stating opinions, and the operation thereof.</p> <p>(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.</p> <p>(5) The company has hold internal or external education and training operations periodically.</p>	None

Item	Implementation Status			Remark
	Y	N	Description	
3. Status of reporting system for the company (1) The Company has adopted a system for reporting and rewarding, established a channel convenient for reporting, and assigned appropriate staffs responsible for handling issues for the reported parties. (2) The Company has adopted a standard operating procedure for investigation of the reported matters, as well as relevant rules regarding confidentiality. (3) The Company has adopted measures for protecting reporting parties from inappropriate treatment because of their acts of reporting	✓		The Company has established the by-law, Work Rules, and regulates regarding the reporting system, and protects the reporting parties from inappropriate treatment.	None
4. Information Disclosure (1) To set up a corporate website or other information disclosure channel that publishes information relating to company's corporate conduct and ethics.	✓		The Company has published the relevant materials about company's corporate conduct and ethics on its website, <a href="http://www.klasergroup.com">http://www.klasergroup.com</a> .	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 KLT'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. 26, 2019

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, 2018 to December 31, 2018:

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 2018, 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. 26, 2019, with zero of the seven attending directors expressing dissenting opinions, and the remainder all affirming the content of this Statement.

K Laser Technology Inc.



Alex Kuo,  
Chairman



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 6th Meeting of the 11th Term of Board of Directors

Date: 2018.05.09

1. Approved 2018 Q1 Financial Statements.

(2) The 7th Meeting of the 11th Term of Board of Directors

Date: 2018.07.13

1. Approved buy back 6,000 thousand shares of treasury stocks.

(3) The 8th Meeting of the 11th Term of Board of Directors

Date: 2018.08.14

1. Approved 2018 Q2 Financial Statements.

2. Approved the appointment of internal audit officer.

(4) The 9th Meeting of the 11th Term of Board of Directors

Date: 2018.11.09

1. Approved 2018 Q3 Financial Statements.

2. Approved the 2019 audit plan.

3. Approved buy back 6,000 thousand shares of treasury stocks.

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

Date: 2019.03.06

1. Approved the convention of 2019 Annual General Meeting.

(6) The 11th Meeting of the 11th Term of Board of Directors

Date: 2019.03.26

1. Approved 2018 Operating Report and 2018 Financial Statements.

2. Approved the distribution proposal for 2018 dividend.

3.11.2 Shareholder Meetings

The 2018 Annual General Meeting

Date: 2018.05.30

(1) Recognition of 2017 Operating Report and 2017 Financial Statements.

(2) Recognition of the Distribution of 2017 Earning.

Implementation Status: The target date fixed by the company for distribution of dividends is 2018.06.25, and the payment date is 2018.07.13 (\$0.41 cash dividend per share).

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



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

Title	Name	Employed Date	Date of Termination	Reasons
Manager, Auditing Office	Nicole Hsu	2017.12.04	2018/08/14	2017/12/14-2018/08/14 The Audit Officer is Nicole Hsu.
Manager, Auditing Office	Yumei Tsai	2018.08.14	-	2018/8/14 The Audit Officer is Yumei Tsai

#### 4. Information on CPA professional fees

##### 4.1 Information on professional fees

Name of CPA Firm	CPA		Audit Period	Remark
Deloitte & Touche	Yi-Min Huang	Guo-Tian Hong.	2018.01.01~2018.12.31	—

Unit : NT\$ Thousands

Amount \ Item		Audit fees	Non-audit fees	Total
1	<2,000		\$722 (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

Date of Change	Approved by BOD on November 10, 2017		
Reasons and Explanation of Changes	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.		
State Whether the Appointment is Terminated or Rejected by the Consignor or CPAs	Client	CPA	Consignor
	Status		
	Appointment terminated automatically	Not available	
	Appointment rejected (discontinued)	Not available	
The Opinions other than Unmodified Opinion Issued in the Last Two Years and the Reasons for the Said Opinions (Note)	None		
Is there any Disagreement in Opinion with the Issuer	Yes	Accounting principle or practice	
		Disclosure of financial statements	
		Auditing scope or procedures	
		Others	
	No	V	
	Explanation		
Supplementary Disclosure (Disclosures Specified in Article 10.6.1.4~7 of the Standards)	None		



## 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	2018		Apr. 02, 2019	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Chairman & GM	Alex Kuo	—	—	—	—
Director	Daniel Kuo	—	—	—	—
Director	Lisa Hsu	—	—	—	—
Director	C.L Kuo	—	—	—	—
Director	Cheng Sang Huang	—	—	—	—
Director	Gen-Sen Chang-Hsieh	—	—	—	—
Director	Bi-Xin Huang	—	—	—	—
Director, R&D Division	Bingo Lo	—	—	—	—
Manager, Auditing Office	Yumei Tsai	—	—	—	—
CFO	Teresa Huang	—	—	—	—
Financial officer	Vincent Tsai	—	—	—	—
Accounting officer	Serena Hung	—	—	—	—

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

## 8. The company's 10 largest shareholders and relationship

2019.04.02

Name	Holding shares		Spouse & Minor Shareholding		Shareholding Entitled Other Name		Relationship	
	Shares	%	Shares	%	Shares	%	Name	Relationship
Alex Kuo	10,507,756	6.60	802,980	0.50	—	—	—	—
K Laser Technology Inc. Treasury shares account	8,000,000	5.02	—	—	—	—	—	—
Insight Medical Solutions Inc.	5,796,000	3.64	—	—	—	—	—	—
Mei Ling Ho	3,644,259	2.29	—	—	—	—	—	—
Guei Tang Shin	3,431,196	2.15	—	—	—	—	—	—
Rong An Huang	3,157,175	1.98	—	—	—	—	—	—
Yu Ren Yuan	2,896,890	1.82	—	—	—	—	—	—
Pei Jun Chen	2,173,000	1.36	—	—	—	—	—	—
DFA Emerging Markets Securities Account managed by CITI (Taiwan)	1,763,459	1.11	—	—	—	—	—	—
Dimensional Emerging Markets Evaluation Fund Account managed by CITI(Taiwan)	1,381,601	0.87	—	—	—	—	—	—

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

Unit : Shares/% Apr.02, 2019

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%	427,873	1%	23,127,293	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.	13,022,334	79%	100,000	1%	13,122,334	77%
Insight Medical Solutions Inc.	5,456,440	34%	1,097,000	7%	6,553,440	41%

# Capital Raising Status

## 1. Capital and Shares

### 1.1 Source of Capital

#### 1.1-1 Source of Capital

2019.04.02 / 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	Treasuryshares	170,000	-	竹商字第1040012090號
2015.07	10	200,000	2,000,000	147,166	1,471,665	Treasuryshares	100,000	-	竹商字第1040020998號
2015.11	10	200,000	2,000,000	132,466	1,324,665	Treasuryshares	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
2018.12	10	200,000	2,000,000	159,325	1,593,246	Treasuryshares	60,000	-	竹商字第1070035038號

Unit : Shares, 2019.04.02

Unit - Shares, 2010-10-02

Share Type	Authorized Capital					Remarks
	Issued Shares			Un-Issued Shares	Total	
	Listed	Non-Listed	Total (Note)			
Common Stocks	159,324,631	-	159,324,631	40,675,369	200,000,000	--

Note : Includes 8,000,000 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

2019.04.02

Volume \ Structure	Government Agencies	Financial Institution	Other Legal Entities	Foreign Institutions & Individuals	Domestic Individuals	Total
Number of Shareholders	0	2	109	49	21,766	21,926
Shareholding (Shares)	0	30,137	16,696,105	6,724,140	135,874,249	159,324,631
Holding Percentage	0.00%	0.02%	10.48%	4.22%	85.28%	100.00%

### 1.3 Distribution Profile of Shareholder Ownership

2019.04.02

Levels of Shareholder Ownership	Number of Shareholders	Total Shares Owned	Ownership Percentage%
1 – 999	12,649	539,897	0.35%
1,000 - 5,000	6,235	14,438,362	9.06%
5,001 - 10,000	1,428	11,730,610	7.36%
10,001 - 15,000	406	5,192,102	3.26%
15,001 - 20,000	327	6,220,684	3.90%
20,001 - 30,000	300	7,815,820	4.91%
30,001 - 40,000	121	4,384,175	2.75%
40,001 - 50,000	99	4,654,499	2.92%
50,001 - 100,000	180	13,429,467	8.43%
100,001 - 200,000	105	14,884,022	9.34%
200,001 - 400,000	37	10,338,941	6.49%
400,001 - 600,000	11	5,643,764	3.54%
600,001 - 800,000	3	2,042,686	1.28%
800,001 - 1,000,000	7	6,240,682	3.92%
Over 1,000,001	18	51,768,920	32.49%
Total	21,926	159,324,631	100.00%

### 1.4 List of Major Shareholders

2019.04.02

Major Shareholders	Shares	Total Shares Owned	Ownership Percentage%
Alex Kuo		10,507,756	6.60%
K Laser Technology Inc. Treasury shares account		8,000,000	5.02%
Insight Medical Solutions Inc.		5,796,000	3.64%
Mei Ling Ho		3,644,259	2.29%
Guei Tang Shin		3,431,196	2.15%
Rong An Huang		3,157,175	1.98%
Yu Ren Yuan		2,896,890	1.82%
Pei Jun Chen		2,173,000	1.36%
DFA Emerging Markets Securities Account managed by CITI (Taiwan)		1,763,459	1.11%
Dimensional Emerging Markets Evaluation Fund Account managed by CITI(Taiwan)		1,381,601	0.87%

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

Unit : NT\$ ; Thousand Shares

Items		Year	2017	2018	Apr 02,2019
Market Price Per Share	Highest		19.70	17.75	13.80
	Lowest		14.10	11.25	12.85
	Average		15.94	14.71	13.25
Net Worth Per Share	Before Distribution		21.05	16.64	—
	After Distribution		20.39	16.26	—
Earnings Per Share	Weighted Average Common Shares Outstanding		138,144	161,450	151,768
	Earnings Per Share		1.12	0.41	0.04
Dividends Per Share (Note)	Cash Dividends		0.56	0.41	—
	Stock Dividends	Retained Earnings	—	—	—
		Capital Surplus	—	—	—
	Accumulated unpaid dividend		—	—	—
Analysis of Return on Investment	Price/Earnings Ratio		14.23	35.88	—
	Price/Dividends Ratio		28.46	35.88	—
	Cash Dividends Yield Rate		3.51%	2.79%	—

Note : The earning distribution for year 2018 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 2018 profits was passed at the meeting of the Board of Directors on 2019.03.26. The proposal for a cash dividend of NT\$0.41 per share will be discussed at the annual shareholders' meeting on 2019.05.31.

## 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 remuneration 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		6,560	0	0
Director Compensation		1,640	0	0

- 1.8-4 Status of Employee, Director, and Supervisor Compensation from 2017 Retained Earnings are as Follows:

In 2017 the proposed distribution of employee, director, and supervisor compensation are NT\$9,795K and 2,226K that no difference between proposed and actual distribution.

## 1.9 Share Buy-Back :

2019.04.02 / NT\$

Batch Order	24th	25th	26th
Purpose of buy-back	Transfer of shares to employees	Maintain the company's credit and shareholders' equity	Transfer of shares to employees
Timeframe of buy-back	2017/08/10~2017/10/06	2018/07/17~2018/09/14	2018/11/12--2019/01/11
Price range	\$10.68~22.83	9.73~22.51 元	8.65~18.78 元
Class, quantity of shares bought back	common stocks 5,000,000 shares	common stocks 6,000,000 shares	common stocks 6,000,000 shares
Value of shares bought-back	\$ 78,021 K	\$ 88,356 K	\$ 79,419 K
Shares sold/transferred	common stocks 3,000,000 shares	common stocks 6,000,000 shares	0
Accumulated number of company shares held	common stocks 2,000,000 shares	-	common stocks 6,000,000 shares
Percentage of total company shares held	1.21%	-	3.77%

## 2. Issuance of Corporate Bonds

2.1 Issuance of Corporate Bonds: None

2.2 Corporate Bonds information: None

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

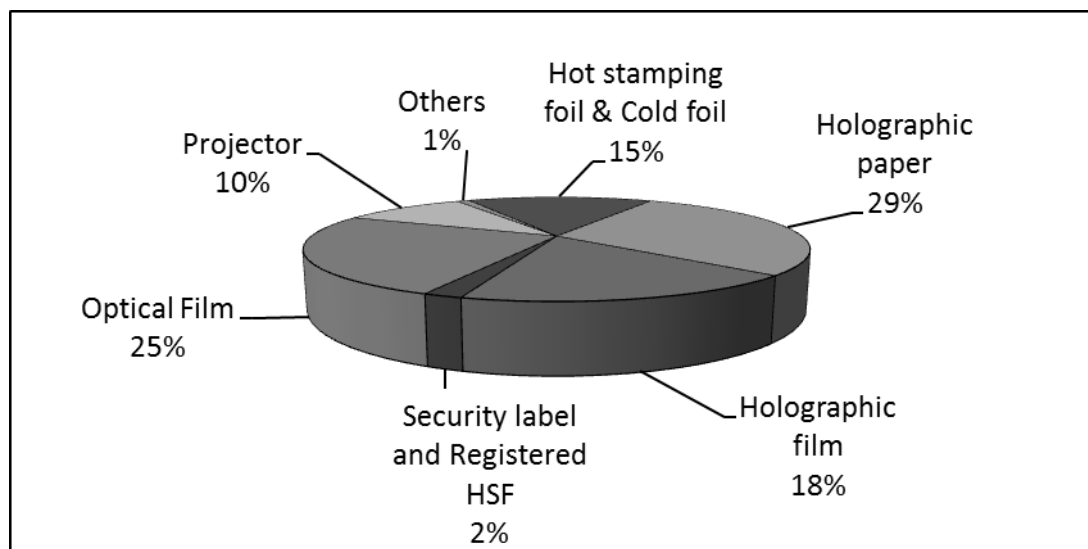
# Operational Highlights

## 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. Hologram film with a width of one meter six
- B. Lenticular film

### 1.2. Industry Overview

1.2-1 Present Industry Situation and Development Plan

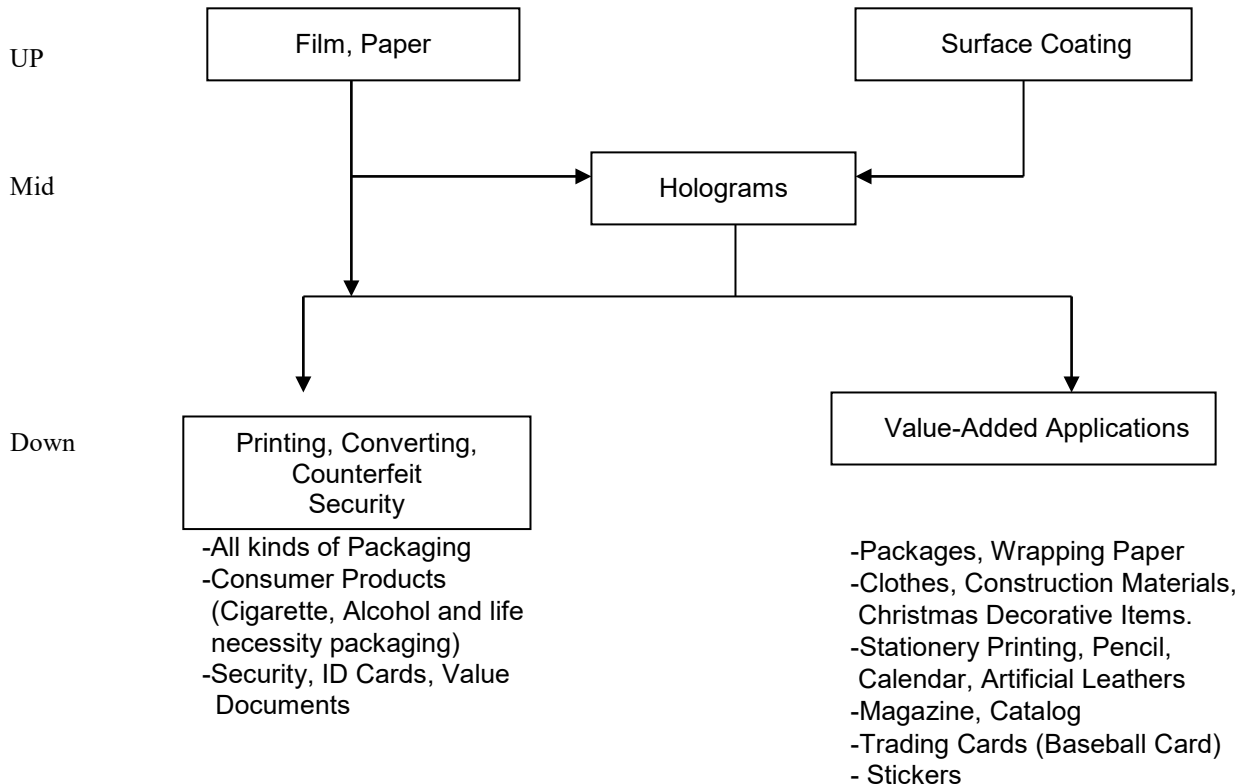
Current Status: Cigarette packaging remains the world's largest market using holographic film, followed by toothpaste box packaging market. These two markets are still considered stable but the rest of the market might fluctuate based on the market economy situation. In order to maintain the market share, 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. In addition, environmental issues are fermented, and the degree of inquiring about hologram transfer film and transfer paper is increasing. Future development needs continuous attention.

### 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:

- Holographic effect: towards to stereo-relief related product.
- wider hologram film to became the next mainstream product for group sales revenue.
- 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 Q3,2019.
- 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	2017	2018	2019Q1
R&D Expenditures	245,290	253,905	58,470

### 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) 3D relief (c) Drum Fresnel lens origination technology
- B. New Product:
  - (a) True Seamless products (b) Lens effect film (c) UV emboss related products
  - (d) Lens effect hot stamping foil (e) Lens effect cold foil (f) Lens effect transfer film (g) Lens effect Nylon film
- C. Equipment Development:
  - (a) 1 Meter seamless optical production machine (b) 1 Meter drum electroforming machine
  - (c) UV drum process facilities (d) Film to Film Embossing 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.
- I. Developing Lens effect film and foil for new application.

## 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.

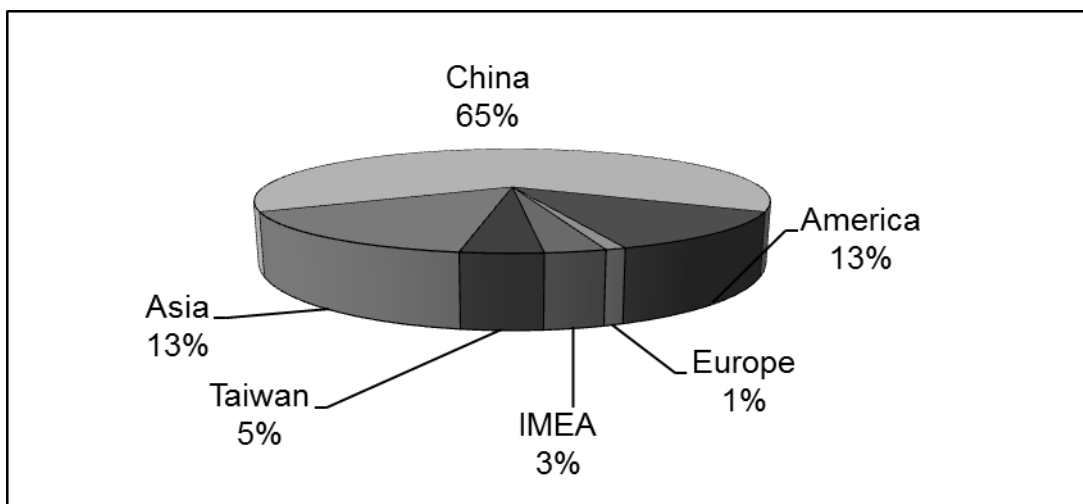
### 1.4-2 Short Term Business Plan

- 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 and promote laminated film and cold foil products
- 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). With the development of PET film over 800mm wide, the US and European markets will be worth looking forward to. The growth of 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. As environmental issues are concerned, packaging design will be based on environmentally friendly materials.  
Response strategy: Replace the film with a transfer film.
- 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

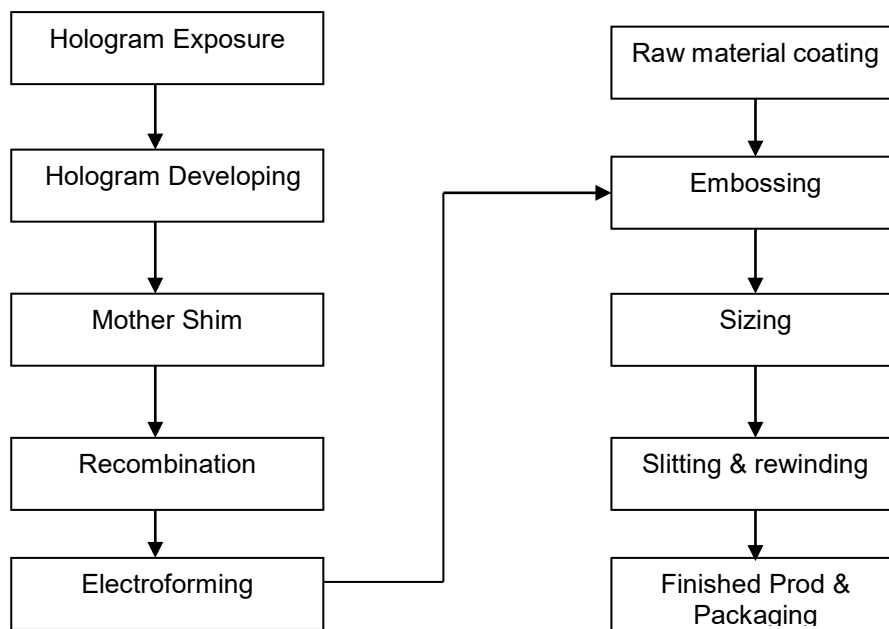
- A. Hot Stamping Foil target market
  - Cigarette Packaging market • Stationary market
  - Wine Label market • Greeting card market
  - Paper box market • ID Card market • Toy market
  - Cosmetic market
- B. Cold Foil target market:
  - Label market • Wine Label market • Beverage market
  - Soft tube 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%.

Unit : NT\$ Thousands

Customer	2017		2018	
	Amount	%	Amount	%
Dongguan light chi photoelectric co., LTD	860,394	16.49%	697,722	13.41%

### 2.5 Production Quantity / Value

Unit : NT\$ Thousands /KM<sup>2</sup>

Production Product	Year	2017			2018		
		Capacity	Quantity	Value	Capacity	Quantity	Value
Holographic Film(included Security label)		321,157	203,854	948,218	310,243	211,101	978,702
Holographic Paper		161,081	110,308	1,268,374	161,360	103,738	1,246,053
Optical Film		20,460	17,237	1,101,748	21,660	15,907	1,147,086
Others		-	-	34,375	-	-	32,267
Total		502,698	331,400	3,352,714	493,263	330,747	3,404,108

## 2.6 Sales Quantity / Value

Unit : NT\$ Thousands /KM<sup>2</sup>

Year Sales Product	2017				2018			
	Domestic		Export		Domestic		Export	
	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Holographic Film	5,968	65,021	216,869	1,579,978	4,261	44,882	202,640	1,474,829
Holographic Paper	-	-	110,909	1,446,768	-	-	113,780	1,586,607
Optical Film	733	49,560	16,414	1,334,360	1,411	97,864	14,210	1,206,580
Security label	2,625	58,030	174,781	69,887	2,368	72,458	216,433	56,987
Projector	4	74,818	9	188,184	3	62,484	13	248,352
Projector Accessories	8	38,139	82	164,463	69	29,283	121	159,589
Others	1,561	7,409	6,325	140,995	962	6,831	15,473	155,504
Total	10,899	292,976	525,388	4,924,636	9,074	313,802	562,668	4,888,448

## 3. Employee Analysis

Employee Analysis from 2017 to Mar. 31, 2019

Year		2017	2018	Mar. 31, 2019
Number of Employees	Administrators	148	150	145
	Sales	111	109	110
	Technicians	94	91	88
	Direct Engineers	622	632	612
	Indirect Engineers	212	207	211
	Total	1,187	1,188	1,165
Average Age		38.66	39.80	40.55
Average Years of Employment		6.80	7.54	8.05
Level of Education (%)	Ph.D.	2.69	3.90	3.93
	Masters Degree	9.41	7.76	7.85
	Bachelors/ Associate Degree	41.37	42.67	42.88
	Senior High School	37.04	35.75	35.25
	Under	9.49	9.92	10.09

#### 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. From 1988, 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 1,000,000 (thousand)	Pledge factory premises as collateral
Medium & Long-Term Loan Agreement	Taipei Fubon Bank	2018.05~2020.05	Loan amount is NTD 100,000 (thousand)	-
Medium & Long-Term Loan Agreement	CTBC Bank	2018.10~2020.10	Loan amount is NTD 100,000 (thousand)	-
Medium & Long-Term Loan Agreement	JihSun Bank	2018.11~2020.11	Loan amount is NTD 150,000 (thousand)	-
Medium & Long-Term Loan Agreement	YuanTa Bank	2018.03~2020.03	Loan amount is NTD 150,000 (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 2014 to 2019Q1 (IFRS)

Unit : NT\$ Thousands

Items \ Year		Financial Statements from 2014 to 2018 (Note1)					Mar 31,2019 (Note2)
		2014	2015	2016	2017	2018	
Current Assets		3,874,578	3,528,980	4,693,458	4,458,503	4,326,249	4,285,575
Property, Plant and Equipment		1,406,118	1,328,591	1,339,897	1,291,759	1,246,743	1,247,106
Intangible Assets		1,626	4,044	1,724	7,082	6,917	5,836
Other Assets		892,899	1,134,425	994,487	1,076,296	1,030,248	1,313,408
Total Assets		6,175,221	5,996,040	7,029,566	6,833,640	6,610,157	6,851,925
Current Liabilities	Before Distribution	1,793,235	1,794,121	2,845,550	2,035,167	2,223,575	2,256,742
	After Distribution (Note 3)	1,848,243	1,860,354	2,954,664	2,126,629	2,285,618	2,256,742
Non- Current Liabilities		842,065	1,036,368	899,791	1,085,882	998,362	1,148,924
Total Liabilities	Before Distribution	2,635,300	2,830,489	3,745,341	3,121,049	3,221,937	3,405,666
	After Distribution (Note 3)	2,690,308	2,896,722	3,854,455	3,212,511	3,283,980	3,405,666
Equity attributable to owners of the Company		2,842,192	2,542,668	2,474,006	2,908,024	2,686,816	2,741,085
Capital Stock		1,741,665	1,324,665	1,328,299	1,653,246	1,593,246	1,593,246
Capital Surplus		496,707	408,627	392,890	548,370	529,962	530,284
Retained Earnings	Before Distribution	716,055	724,695	869,637	915,195	857,871	864,491
	After Distribution (Note 3)	661,047	658,462	760,523	823,733	795,828	864,491
Other equity		131,780	84,681	(116,820)	(177,585)	(201,145)	(136,396)
Treasury Stock		(244,015)	0	0	(31,202)	(93,118)	(110,540)
Non-controlling interests		697,729	622,883	810,219	804,567	701,404	705,174
Total Equity	Before Distribution	3,539,921	3,165,551	3,284,225	3,712,591	3,388,220	3,446,259
	After Distribution	3,484,913	3,099,318	3,175,111	3,621,129	3,326,177	3,446,259

Note : 1. The financial statements from 2014 to 2018 have been certified by CPA.

2. The financial statements of 2019Q1 have been certified by CPA.

3. The earning distribution for year 2018 has been approved by the Broad meeting on Mar. 26, 2019, 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 2014 to 2019Q1 (IFRS)

Unit : NT\$ Thousands (Except EPS)

Items \ Year	Financial Statements from 2014 to 2018 (Note1)					Mar 31, 2019
	2014	2015	2016	2017	2018	(Note2)
Net Sales	4,215,580	4,056,697	5,080,255	5,217,612	5,202,250	1,218,207
Gross Profit	1,122,072	1,012,907	1,281,402	1,283,526	1,093,893	256,984
Operating Income	272,182	289,510	473,149	412,743	172,849	43,453
Non-Operating Revenue & Expense	(42,873)	(40,915)	(130,576)	(137,828)	(85,850)	(33,674)
Profit before tax	229,309	248,595	342,573	274,915	86,999	9,779
Gain (Loss) from Continued Operations	192,697	183,374	249,897	200,265	24,455	(4,393)
Gain (Loss) from Discontinued Operations	-	-	-	-	-	-
Profit for the year	192,697	183,374	249,897	200,265	24,455	(4,393)
Other comprehensive income ,net of income tax	125,162	(52,349)	(220,268)	(80,752)	(78,242)	79,758
Total comprehensive income for the year	317,859	131,025	29,629	119,513	(53,787)	75,365
Profit for the year attributable to owners of the company	90,690	164,346	215,461	155,016	65,829	6,620
Profit for the year attributable to non-controlling interests	102,007	19,028	34,436	45,249	(41,374)	(11,013)
Total comprehensive income for the year attributable to owners of the company	211,663	113,940	9,674	93,907	23,290	71,369
Total comprehensive income for the year attributable to non-controlling interests	106,196	17,085	19,955	25,606	(77,077)	3,996
Earnings Per Share (NT\$) Note3	0.56	1.12	1.63	1.12	0.41	0.04

Note : 1. The financial statements from 2014 to 2018 have been certified by CPA.

2. The financial statements of 2019Q1 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 2014 to 2018 (Individual) (IFRS)

Unit : NT\$ Thousands

Items		Year	Financial Statements from 2014 to 2018 (Note1)				
			2014	2015	2016	2017	2018
Current Assets			332,774	296,462	435,657	401,654	290,977
Property, Plant and Equipment			183,466	211,856	211,192	195,907	199,166
Intangible Assets			834	482	195	1,953	3,751
Other Assets			3,967,758	3,958,268	3,895,447	3,901,470	3,761,144
Total Assets			4,484,832	4,467,068	4,542,491	4,500,984	4,255,038
Current Liabilities	Before Distribution		849,633	887,225	1,170,564	511,136	578,918
	After Distribution (Note 2)		904,641	953,458	1,279,678	602,598	640,961
Non- Current Liabilities			793,007	1,037,175	897,921	1,081,824	989,304
Total Liabilities	Before Distribution		1,642,640	1,924,400	2,068,485	1,592,960	1,568,222
	After Distribution (Note 2)		1,697,648	1,990,633	2,177,599	1,684,422	1,630,265
Equity attributable to owners of the Company			2,842,192	2,542,668	2,474,006	2,908,024	2,686,816
Capital Stock			1,741,665	1,324,665	1,328,299	1,653,246	1,593,246
Capital Surplus			496,707	408,627	392,890	548,370	529,962
Retained Earnings	Before Distribution		716,055	724,695	869,637	915,195	857,871
	After Distribution (Note 2)		661,047	658,462	760,523	823,733	795,828
Other equity			131,780	84,681	(116,820)	(177,585)	(201,145)
Treasury Stock			(244,015)	0	0	(31,202)	(93,118)
Total Equity	Before Distribution		2,842,192	2,542,668	2,474,006	2,908,024	2,686,816
	After Distribution		2,787,184	2,476,435	2,364,892	2,816,562	2,624,773

Note : 1. The financial statements from 2014 to 2018 have been certified by CPA.

2. The earning distribution for year 2018 has been approved by the Broad meeting on Mar. 26, 2019, 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 2014 to 2018 (Individual) (IFRS)

Unit : NT\$ Thousands (Except EPS)

Items \ Year	Financial Statements from 2014 to 2018 (Note1)				
	2014	2015	2016	2017	2018
Net Sales	551,732	508,628	550,738	568,068	617,703
Gross Profit	120,276	92,399	103,681	96,892	114,920
Operating Income	(26,633)	(27,824)	(22,502)	(39,512)	(30,793)
Non-Operating Revenue& Expense	130,428	198,064	248,800	205,579	104,588
Profit before tax	103,795	170,240	226,298	166,067	73,795
Gain (Loss) from Continued Operations	90,690	164,346	215,461	155,016	65,829
Gain ( Loss ) from Discontinued Operations	-	-	-	-	-
Profit for the year	90,690	164,346	215,461	155,016	65,829
Other comprehensive income ,net of income tax	120,973	(50,406)	(205,787)	(61,109)	(42,539)
Total comprehensive income for the year	211,663	113,940	9,674	93,907	23,290
Earnings Per Share (NT\$) Note2	0.56	1.12	1.63	1.12	0.41

Note : 1. The financial statements from 2014 to 2018 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 2014 to 2018

Year	CPA	Auditors' Opinion
2014	Hung-bin Yu, Ker-Chang, Wu	An Unqualified Opinion with an Explanatory Paragraph
2015	Hung-bin Yu, Ker-Chang, Wu	An Unqualified Opinion with an Explanatory Paragraph
2016	Hung-bin Yu, Ker-Chang, Wu	An Unqualified Opinion with an Explanatory Paragraph
2017	Yi-Min Huang, Guo-Tian Hong	An Unqualified Opinion with an Explanatory Paragraph
2018	Yi-Min Huang, Guo-Tian Hong	An Unqualified Opinion with an Explanatory Paragraph

## 2. Financial Analysis of the Past Years

### 2.1 Financial Analysis of the Past Years (IFRS)

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

Analysis Items		Year	Financial Analysis from 2014 to 2018(Note1)					Mar 31,2019 (Note2)
			2014	2015	2016	2017	2018	
Capital Structure (%)	Debt Ratio		42.68	47.21	53.28	45.67	48.74	49.70
	Long-Term Funds to Property, plant and equipment		311.64	316.27	312.26	371.47	351.84	368.47
Solvency (%)	Current Ratio		216.07	196.70	164.73	219.07	194.56	189.90
	Quick Ratio		178.13	163.21	131.41	172.62	146.89	146.30
	Interest Coverage (Times)		7.98	8.37	9.55	7.38	3.60	1.97
Operating Performance	Account Receivables Turnover (Times)		2.64	2.50	2.84	2.82	3.05	2.75
	Average AR Turnover Days		138.53	145.94	128.51	129.30	119.67	132.73
	Inventory Turnover (Times)		5.39	5.18	5.25	4.49	4.46	4.07
	Account Payable Turnover (Times)		8.79	8.29	6.67	5.52	5.75	5.35
	Average Inventory Turnovers Days		67.76	70.49	69.54	81.28	81.84	89.68
	Property, plant and equipment Turnover (Times)		2.95	2.97	3.81	3.97	4.10	3.91
	Total Assets Turnover (Times)		0.71	0.67	0.78	0.75	0.77	0.72
Profitability	Return on Total Assets (%)		3.73	3.47	4.35	3.41	0.76	0.05
	Return on Equity attributable to Shareholders of the Parent (%)		3.21	6.10	8.59	5.76	2.35	0.24
	Return on Capital Income Before Tax (%)		13.17	18.77	25.79	16.63	5.46	0.61
	Net Profit Ratio (%)		4.57	4.52	4.92	3.84	0.47	-0.36
	Earnings Per Share (NT\$)(Note3)		0.56	1.12	1.63	1.12	0.41	0.04
Cash Flow	Cash Flow Ratio (%)		12.51	39.79	17.59	29.40	12.60	0.58
	Cash Flow Adequacy Ratio (%)		115.73	163.57	170.92	162.00	140.97	171.97
	Cash Reinvestment Ratio (%)		1.82	10.26	6.65	6.76	2.74	0.18
Leverage	Operating Leverage		1.86	1.67	1.44	1.50	2.17	2.15
	Financial Leverage		1.14	1.13	1.09	1.12	1.24	1.30
Explanation for the change in financial ratios over 20% in last two years:								
In 2018 , due to the increase in materials and the increase in investment losses, the overall profitability declined, and the relevant profitability ratio, cash flow ratio, and interest coverage ratio decreased significantly.								

Note : 1. The financial statements from 2014 to 2018 have been certified by CPA.

2. The financial statements of 2019Q1 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 2014 to 2018(Note1)				
			2014	2015	2016	2017	2018
Capital Structure (%)	Debt Ratio		36.63	43.08	45.54	35.39	36.86
	Long-Term Funds to Property, plant and equipment		1981.40	1689.75	1596.62	2036.60	1845.76
Solvency (%)	Current Ratio		39.17	33.41	37.22	78.58	50.26
	Quick Ratio		35.39	31.00	34.24	72.11	43.64
	Interest Coverage (Times)		5.08	7.24	8.19	6.69	4.69
Operating Performance	Account Receivables Turnover (Times)		5.39	4.82	5.95	6.72	6.01
	Average AR Turnover Days		67.78	75.71	61.34	54.31	60.73
	Inventory Turnover (Times)		17.34	17.68	16.65	14.78	15.62
	Account Payable Turnover (Times)		6.82	6.35	7.90	9.02	8.29
	Average Inventory Turnovers Days		21.04	20.64	21.92	24.69	23.37
	Property, plant and equipment Turnover (Times)		2.84	2.57	2.60	2.79	3.13
	Total Assets Turnover (Times)		0.13	0.11	0.12	0.13	0.14
Profitability	Return on Total Assets (%)		2.54	4.18	5.36	3.96	1.87
	Return on Equity (%)		3.21	6.10	8.59	5.76	2.35
	Return on Capital Income Before Tax (%)		5.96	12.85	17.04	10.04	4.63
	Net Profit Ratio (%)		16.44	32.31	39.12	27.29	10.66
	Earnings Per Share (NT\$)(Note2)		0.56	1.12	1.63	1.12	0.41
Cash Flow	Cash Flow Ratio (%)		-	-	-	-	-
	Cash Flow Adequacy Ratio (%)		27.81	10.04	9.64	0.85	-
	Cash Reinvestment Ratio (%)		-2.51	-1.34	-1.70	-2.44	-2.19
Leverage	Operating Leverage		0.24	0.17	-0.33	0.31	-
	Financial Leverage		0.51	0.50	0.42	0.58	0.61
Explanation for the change in financial ratios over 20% in last two years:							
In 2018 , due to the increase in materials and the increase in investment losses, the overall profitability declined, and the relevant profitability ratio, cash flow ratio, and interest coverage ratio decreased significantly.							

Note : 1.The financial statements from 2014 to 2018 have been certified by CPA.

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

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

### 3. The Audit Committee' Report

The Board of Directors have prepared and submitted to us the Company's 2018 Business Report, Financial Statements, and proposal for allocating profit. The CPAs of Deloitte & Touche were retained to audit the Financial Statements and have submitted a report relating there too. The above Business Report, and Financial Statements and proposal have been further examined as being correct and accurate by the undersigned, the Audit Committee of the Company. According to the Article 14 of the Securities Exchange Act and Article 219 of the Company Law, we hereby submit this report.

K Laser Technology Inc.



Audit Committee Convener :

Gen-Sen Chang-Hsieh

A handwritten signature in blue ink, appearing to read '張謝金新' (Zhang Xie Jin Xin).

March 26, 2019

#### 4.Consolidated Financial Statements

K LASER Technology Inc. and Subsidiaries  
Consolidated Balance Sheet  
December 31, 2018 and December 31, 2017

Unit: NT\$ thousand

Accounting Title	2018/12/31	2017/12/31
<b>Assets</b>		
Current assets		
Cash and cash equivalents	1,237,725	1,472,382
Current financial assets at fair value through profit or loss	85,324	124,947
Notes receivable, net	40,335	43,634
Accounts receivable, net	1,178,766	1,148,831
Accounts receivable due from related parties, net	524,534	474,823
Other receivables	65,973	96,532
Current tax assets	7,267	18,981
Current inventories	979,537	865,126
Prepayments	410	418
Other current assets	206,378	212,829
Total current assets	4,326,249	4,458,503
Non-current assets		
Non-current financial assets at fair value through other comprehensive income	126,379	-
Non-current financial assets at cost	-	139,105
Investments accounted for using equity method	742,554	772,156
Property, plant and equipment	1,246,743	1,291,759
Investment property, net	51,537	57,196
Intangible assets	6,917	7,082
Deferred tax assets	29,869	38,111
Other non-current assets	79,909	69,728
Total non-current assets	2,283,908	2,375,137
Total assets	6,610,157	6,833,640
<b>Liabilities and equity</b>		
Liabilities		
Current liabilities		
Current borrowings	911,153	773,904
Short-term notes and bills payable	99,960	199,868
Notes payable	228,762	151,649
Notes payable to related parties	-	15,609

(Carried forward)



(Brought forward)

Accounting Title	2018/12/31	2017/12/31
Accounts payable	481,826	386,149
Accounts payable to related parties	44,743	124,073
Other payables	338,252	315,218
Current tax liabilities	20,911	28,306
Other current liabilities	97,968	40,391
Total current liabilities	2,223,575	2,035,167
Non-current liabilities		
Non-current portion of non-current borrowings	976,000	1,065,000
Other non-current liabilities	22,362	20,882
Total non-current liabilities	998,362	1,085,882
Total liabilities	3,221,937	3,121,049
Equity		
Equity attributable to owners of parent		
Share capital	1,593,246	1,653,246
Capital surplus	529,962	548,370
Retained earnings		
Legal reserve	206,459	190,957
Special reserve	162,918	162,918
Unappropriated retained earnings (accumulated deficit)	488,494	561,320
Other equity interest		
Exchange differences on translation of foreign financial statements	-195,571	-177,585
Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	-5,574	-
Treasury shares	-93,118	-31,202
Total equity attributable to owners of parent	2,686,816	2,908,024
Non-controlling interests	701,404	804,567
Total equity	3,388,220	3,712,591
Total liabilities and equity	6,610,157	6,833,640
Number of shares in entity held by entity and by its subsidiaries	6,714,000	2,000,000

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, 2018 and 2017

Unit: NT\$ thousand

Accounting Title	2018	2017
Operating revenue	5,202,250	5,217,612
Cost of sales	4,116,452	3,941,078
Gross profit (loss) from operations	1,085,798	1,276,534
Realized profit (loss) on from sales	8,095	6,992
Gross profit (loss) from operations	1,093,893	1,283,526
Operating expenses		
Selling expenses	305,380	261,836
Administrative expenses	361,759	363,657
Research and development expenses	253,905	245,290
Total operating expenses	921,044	870,783
Net operating income (loss)	172,849	412,743
Non-operating income and expenses		
Share of profit (loss) of associates and joint ventures accounted for using equity method, net	-91,943	-38,588
Interest income	14,452	11,280
Dividend income	2,485	5,455
Other income, others	38,832	21,682
Losses on disposals of property, plant and equipment	-6,068	-13,466
Foreign exchange gains (Losses)	47,705	-34,028
Gains on financial assets (liabilities) at fair value through profit or loss	821	2,693
Interest expense	-33,428	-43,101
Miscellaneous disbursements	-78,535	-50,065
Gains on disposals of investments	19,829	310
Total non-operating income and expenses	-85,850	-137,828
Profit (loss) from continuing operations before tax	86,999	274,915
Tax expense (income)		
Total tax expense (income)	62,544	74,650
Profit (loss)	24,455	200,265
Other comprehensive income		
Components of other comprehensive income that will not be reclassified to profit or loss		
Gains (losses) on remeasurements of defined benefit plans	-872	-344

(Carried forward)

(Brought forward)

Accounting Title	2018	2017
Unrealised gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	-61,275	-
Components of other comprehensive income that will be reclassified to profit or loss		
Exchange differences on translation	-18,446	-77,761
Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss	2,351	-2,647
Other comprehensive income, net	-78,242	-80,752
Total comprehensive income	-53,787	119,513
Profit (loss), attributable to:		
Profit (loss), attributable to owners of parent	65,829	155,016
Profit (loss), attributable to non-controlling interests	-41,374	45,249
Comprehensive income attributable to:		
Comprehensive income, attributable to owners of parent	23,290	93,907
Comprehensive income, attributable to non-controlling interests	-77,077	25,606
Earnings per share from continuing operations		
Basic earnings (loss) per share	0.41	1.12
Diluted earnings (loss) per share	0.41	0.99

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, 2018 and 2017

Unit: NT\$ thousand

	Equity attributable to shareholders of the company								Treasury shares	Non-controlling interests	Total equity
	Share capital	Capital surplus	Retained	Legal reserve	Special reserve	Earnings	Other	Equity			
							Exchange differences on translation of foreign financial statements	Unrealised gains (losses) on financial assets measured at fair value through other comprehensive income			
2017/01/01 Equity	1,328,299	392,890	169,411	162,918	537,308	-116,820	-	-	-	810,219	3,284,225
Legal reserve appropriated	-	-	21,546	-	-21,546	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	-109,114	-	-	-	-	-	-109,114
Changes in equity of associates and joint ventures accounted for using equity method	-	-2,930	-	-	-	-	-	-	-	-	-2,930
Profit (loss)	-	-	-	-	155,016	-	-	-	-	45,249	200,265
Other comprehensive income	-	-	-	-	-344	-60,765	-	-	-	-19,643	-80,752
Conversion of convertible bonds	324,947	157,313	-	-	-	-	-	-	-	-	482,260
Purchase of treasury shares	-	-	-	-	-	-	-	-	-77,972	-	-77,972
Changes in ownership interests in subsidiaries	-	-292	-	-	-	-	-	-	-	-	-292
Share-based payments	-	1,389	-	-	-	-	-	-	46,770	-	48,159
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-31,258	-31,258
2017/12/31 Equity	1,653,246	548,370	190,957	162,918	561,320	-177,585	-	-	-31,202	804,567	3,712,591
Effects of retrospective application and retrospective restatement	-	-	-	-	-	-	-	18,107	-	21,493	39,600
2018/01/01Equity at beginning of period after adjustments	1,653,246	548,370	190,957	162,918	561,320	-177,585	-	18,107	-31,202	826,060	3,752,191
Legal reserve appropriated	-	-	15,502	-	-15,502	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	-91,462	-	-	-	-	-	-91,462
Changes in equity of associates and joint ventures accounted for using equity method	-	-	-	-	-21,046	-	-	-	-	-	-21,046
Profit (loss)	-	-	-	-	65,829	-	-	-	-	-41,374	24,455
Other comprehensive income	-	-	-	-	-872	-17,986	-	-23,681	-	-35,703	-78,242
Purchase of treasury shares	-	-	-	-	-	-	-	-	-150,185	-	-150,185
Retirement of treasury share	-60,000	-18,496	-	-	-9,773	-	-	-	88,269	-	-
Changes in ownership interests in subsidiaries	-	88	-	-	-	-	-	-	-	-	-
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-47,579	-47,579
2018/12/31 Equity	1,593,246	529,962	206,459	162,918	488,494	-195,571	-	-5,574	93,118	701,404	3,388,220



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, 2018 and 2017

Unit: NT\$ thousand

Accounting Title	2018	2017
Cash flows from (used in) operating activities		
Profit (loss) from continuing operations before tax	86,999	274,915
Adjustments to reconcile profit (loss)		
Depreciation expense	198,469	191,762
Amortization expense	4,680	2,453
Expected credit loss (gain) / Provision (reversal of provision) for bad debt expense	-21,377	-5,247
Net loss (gain) on financial assets or liabilities at fair value	-821	-2,693
Interest expense	33,428	43,101
Interest income	-14,452	-11,280
Dividend income	-2,485	-5,455
Share-based payments	2,088	1,380
Share of loss (profit) of associates and joint ventures accounted for using equity method	91,943	38,588
Loss (gain) on disposal of property, plan and equipment	6,068	13,466
Loss (gain) on disposal of investments	-19,829	-310
Loss (gain) on bond redemption	0	-456
Other adjustments to reconcile profit (loss)	418	413
Changes in operating assets and liabilities		
Decrease (increase) in notes receivable	3,299	167,927
Decrease (increase) in accounts receivable	-8,146	134,961
Decrease (increase) in accounts receivable due from related parties	-49,711	16,898
Decrease (increase) in other receivable	29,707	-17,178
Decrease (increase) in inventories	-114,411	24,896
Decrease (increase) in other current assets	8,988	-77,728
Decrease (increase) in other operating assets	-3,070	3,278
Increase (decrease) in notes payable	77,113	15,155
Increase (decrease) in notes payable to related parties	-15,291	11,044
Increase (decrease) in accounts payable	95,677	-54,285
Increase (decrease) in accounts payable to related parties	-79,330	-44,377
Increase (decrease) in other payable	25,378	-3,298
Increase (decrease) in other current liabilities	13,437	6,220
Increase (decrease) in net defined benefit liability	608	59
Increase (decrease) in other operating liabilities	0	-2,812
Cash inflow (outflow) generated from operations	349,377	721,397
Interest received	14,452	11,280
Interest paid	-33,530	-36,303
Income taxes refund (paid)	-50,062	-97,974
Net cash flows from (used in) operating activities	280,237	598,400
Cash flows from (used in) investing activities		

(Carried forward)

(Brought forward)

Accounting Title	2018	2017
Acquisition of financial assets at fair value through other comprehensive income	-8,944	0
Acquisition of financial assets at fair value through profit or loss	-45,600	-67,581
Proceeds from disposal of financial assets at fair value through profit or loss	88,825	175,006
Acquisition of investments accounted for using equity method	-119,647	-65,725
Proceeds from disposal of investments accounted for using equity method	42,217	0
Acquisition of property, plant and equipment	-170,762	-171,026
Proceeds from disposal of property, plant and equipment	9,295	4,874
Decrease( Increase) in refundable deposits	-2,929	8,913
Acquisition of investment properties	0	-54,278
Decrease( Increase) in other financial assets	-7,536	135,571
Acquisition of intangible assets	-2,665	-7,810
Dividends received	7,635	10,245
Net cash flows from (used in) investing activities	-210,111	-31,811
Cash flows from (used in) financing activities		
Increase (Decrease) in short-term loans	137,249	-87,192
Increase (Decrease) in short-term notes and bills payable	-100,000	50,000
Repayments of bonds	0	-11,300
Proceeds from long-term debt	610,000	890,000
Repayments of long-term debt	-652,893	-859,997
Decrease in other payables to related parties	0	-40,000
Cash dividends paid	-91,462	-109,114
Treasury shares sold to employees	0	46,779
Payments to acquire treasury shares	-150,185	-77,972
Acquisition of ownership interests in subsidiaries	-5,894	-1,925
Change in non-controlling interests	-43,685	-29,626
Net cash flows from (used in) financing activities	-296,870	-230,347
Effect of exchange rate changes on cash and cash equivalents	-7,913	-53,768
Net increase (decrease) in cash and cash equivalents	-234,657	282,474
Cash and cash equivalents at beginning of period	1,472,382	1,189,908
Cash and cash equivalents at end of period	1,237,725	1,472,382

Chairman: Kuo Wei-Wu



Manager: Kuo Wei-Wu



Accounting Supervisor: Hung Ya-Ching



## 5. Parent Company Only Financial Statements

K LASER Technology Inc. and Subsidiaries  
Parent Company Only Balance Sheet  
December 31, 2018 and December 31, 2017

Unit: NT\$ thousand

Accounting Title	2018/12/31	2017/12/31
<b>Assets</b>		
Current assets		
Cash and cash equivalents	114,526	269,467
Current financial assets at fair value through profit or loss	4,995	5,387
Notes receivable, net	2,800	4,112
Accounts receivable, net	31,520	38,467
Accounts receivable due from related parties, net	88,587	39,936
Other receivables	9,503	10,339
Current tax assets	-	78
Current inventories	33,779	30,648
Other current assets	5,267	3,220
Total current assets	290,977	401,654
Non-current assets		
Non-current financial assets at fair value through other comprehensive income	67,028	-
Non-current financial assets at cost	-	60,055
Investments accounted for using equity method	3,601,293	3,750,939
Property, plant and equipment	199,166	195,907
Investment property, net	51,552	55,727
Intangible assets	3,751	1,953
Deferred tax assets	19,300	22,300
Other non-current assets	21,971	12,449
Total non-current assets	3,964,061	4,099,330
Total assets	4,255,038	4,500,984
<b>Liabilities and equity</b>		
Liabilities		
Current liabilities		
Current borrowings	295,000	200,000
Short-term notes and bills payable	99,960	199,868
Notes payable	-	97
Notes payable to related parties	24,794	19,720
Accounts payable	44,174	32,539
Accounts payable to related parties	54,345	49,337
Other payables	4,958	8,049

(Carried forward)

(Brought forward)

Accounting Title	2018/12/31	2017/12/31
Current tax liabilities	54,000	-
Other current liabilities	1,687	1,526
Total current liabilities	578,918	511,136
Non-current liabilities		
Non-current portion of non-current borrowings	966,000	1,060,000
Other non-current liabilities	22,362	20,882
Other liabilities—Others	942	942
Total non-current liabilities	989,304	1,081,824
Total liabilities	1,568,222	1,592,960
Equity		
Equity attributable to owners of parent		
Share capital	1,593,246	1,653,246
Capital surplus	529,962	548,370
Retained earnings		
Legal reserve	206,459	190,957
Special reserve	162,918	162,918
Unappropriated retained earnings (accumulated deficit)	488,494	561,320
Other equity interest		
Exchange differences on translation of foreign financial statements	-195,571	-177,585
Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	-5,574	-
Treasury shares	-93,118	-31,202
Total equity attributable to owners of parent	2,686,816	2,908,024
Total liabilities and equity	4,255,038	4,500,984

Chairman: Kuo Wei-Wu



Manager: Kuo Wei-Wu



Accounting Supervisor: Hung Ya-Ching





K LASER Technology Inc. and Subsidiaries  
Parent Company Only Income Statement  
January 1 to December 31, 2018 and 2017



Unit: NT\$ thousand

Accounting Title	2018	2017
Operating revenue	617,703	568,068
Cost of sales	503,139	474,690
Gross profit (loss) from operations	114,564	93,378
Realized profit (loss) on from sales	356	3,514
Gross profit (loss) from operations	114,920	96,892
Operating expenses		
Selling expenses	28,076	24,202
Administrative expenses	57,716	57,903
Research and development expenses	59,921	54,299
Total operating expenses	145,713	136,404
Net operating income (loss)	-30,793	-39,512
Non-operating income and expenses		
Share of profit (loss) of associates and joint ventures accounted for using equity method, net	56,520	210,743
Interest income	1,080	1,378
Other income, others	51,936	42,160
Losses on disposals of property, plant and equipment	309	-953
Foreign exchange gains (Losses)	7,500	-8,814
Gains on financial assets (liabilities) at fair value through profit or loss	-392	107
Interest expense	-19,984	-29,184
Miscellaneous disbursements	-9,297	-9,628
Gains(Losses) on disposals of investments	16,916	-230
Total non-operating income and expenses	104,588	205,579
Profit (loss) from continuing operations before tax	73,795	166,067
Tax expense (income)		
Total tax expense (income)	-7,966	-11,051
Profit (loss)	65,829	155,016
Other comprehensive income		
Components of other comprehensive income that will not be reclassified to profit or loss		
Gains (losses) on remeasurements of defined benefit plans	-872	-344
Unrealised gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	-23,681	-

(Carried forward)

(Brought forward)

Accounting Title	2018	2017
Components of other comprehensive income that will be reclassified to profit or loss		
Exchange differences on translation	-17,986	-60,765
Other comprehensive income, net	-42,539	-61,109
Total comprehensive income	23,290	93,907
Earnings per share from continuing operations		
Basic earnings (loss) per share	0.41	1.12
Diluted earnings (loss) per share	0.41	0.99

Chairman: Kuo Wei-Wu



Manager: Kuo Wei-Wu



Accounting Supervisor: Hung Ya-Ching



K LASER Technology Inc. and Subsidiaries  
Parent Company Only Statement of Changes in Shareholders' Equity  
January 1 to December 31, 2018 and 2017

Unit: NT\$ thousand

	Retained		Earnings		Other	Equity		Interest	Treasury	Total equity
	Share capital	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Unrealised gains (losses) on financial assets measured at fair value through other comprehensive income		shares	
2017/01/01 Equity	1,328,299	392,890	169,411	162,918	537,308	-116,820	-	-	-	2,474,006
Legal reserve appropriated	-	-	21,546	-	-21,546	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	-109,114	-	-	-	-	-109,114
Changes in equity of associates and joint ventures accounted for using equity method	-	-2,930	-	-	-	-	-	-	-	-2,930
Profit (loss)	-	-	-	-	155,016	-	-	-	-	155,016
Other comprehensive income	-	-	-	-	-344	-60,765	-	-	-	-61,109
Conversion of convertible bonds	324,947	157,313	-	-	-	-	-	-	-	482,260
Purchase of treasury shares	-	-	-	-	-	-	-	-	-77,972	-77,972
Changes in ownership interests in subsidiaries	-	-292	-	-	-	-	-	-	-	-292
Share-based payments	-	1,389	-	-	-	-	-	-	46,770	48,159
2017/12/31 Equity	1,653,246	548,370	190,957	162,918	561,320	-177,585	-	-	-31,202	2,908,024
Effects of retrospective application and retrospective restatement	-	-	-	-	-	-	18,107	-	-	18,107
2018/01/01 Equity at beginning of period after adjustments	1,653,246	548,370	190,957	162,918	561,320	-177,585	18,107	-	-31,202	2,926,131
Legal reserve appropriated	-	-	15,502	-	-15,502	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	-91,462	-	-	-	-	-91,462
Changes in equity of associates and joint ventures accounted for using equity method	-	-	-	-	-21,046	-	-	-	-	-21,046
Profit (loss)	-	-	-	-	65,829	-	-	-	-	65,829
Other comprehensive income	-	-	-	-	-872	-17,986	-23,681	-	-	-42,539
Purchase of treasury shares	-	-	-	-	-	-	-	-	-150,185	-150,185
Retirement of treasury share	-60,000	-18,496	-	-	-9,773	-	-	-	88,269	-
Changes in ownership interests in subsidiaries	-	88	-	-	-	-	-	-	-	88
2018/12/31 Equity	1,593,246	529,962	206,459	162,918	488,494	-195,571	-5,574	-	-93,118	2,686,816



Chairman: Kuo Wei-Wu



Manager: Kuo Wei-Wu



Accounting Supervisor: Hung Ya-Ching

K LASER Technology Inc. and Subsidiaries  
Parent Company Only Statements of Cash Flows  
January 1 to December 31, 2018 and 2017

Unit: NT\$ thousand

Accounting Title	2018	2017
Cash flows from (used in) operating activities		
Profit (loss) from continuing operations before tax	73,795	166,067
Adjustments to reconcile profit (loss)		
Depreciation expense	27,621	27,524
Amortization expense	640	454
Expected credit loss (gain) / Provision (reversal of provision) for bad debt expense	-3,008	3
Net loss (gain) on financial assets or liabilities at fair value	392	-107
Interest expense	19,984	29,184
Interest income	-1,080	-1,378
Loss (gain) on disposal of property, plan and equipment	-309	-953
Loss (gain) on disposal of investments	-16,916	230
Realized sales income among associates	-356	-3,514
Share of loss (profit) of associates and joint ventures accounted for using equity method	-56,520	-210,743
Share-based payments	-	1,380
Loss (gain) on bond redemption	-	-456
Changes in operating assets and liabilities		
Decrease (increase) in notes receivable	1,312	1,514
Decrease (increase) in accounts receivable	9,955	-16,279
Decrease (increase) in accounts receivable due from related parties	-48,651	18,767
Decrease (increase) in other receivable	914	-3,326
Decrease (increase) in inventories	-3,131	2,930
Decrease (increase) in other current assets	-2,047	-999
Decrease (increase) in other operating assets	663	-3,082
Increase (decrease) in notes payable	-97	-
Increase (decrease) in accounts payable	5,074	3,192
Increase (decrease) in accounts payable to related parties	11,635	-3,709
Increase (decrease) in other payable	2,696	-64
Increase (decrease) in other current liabilities	161	57
Increase (decrease) in net defined benefit liability	608	59
Cash inflow (outflow) generated from operations	23,335	8,657
Interest received	1,080	1,378
Interest paid	-19,130	-21,098

(Carried forward)

(Brought forward)

Accounting Title	2018	2017
Income taxes refund (paid)	-8,057	-7,834
Net cash flows from (used in) operating activities	-2,772	-18,897
Cash flows from (used in) investing activities		
Proceeds from disposal of financial assets at fair value through profit or loss	-	7,770
Acquisition of investments accounted for using equity method	-116,643	-45,031
Proceeds from disposal of investments accounted for using equity method	28,909	-
Acquisition of property, plant and equipment	-26,667	-19,014
Proceeds from disposal of property, plant and equipment	624	237
Decrease( Increase) in refundable deposits	-5,991	700
Acquisition of investment properties	-	-192
Decrease( Increase) in other financial assets	-5,000	91,809
Received dividends from subsidiaries and associates	259,834	189,668
Acquisition of intangible assets	-588	-2,212
Net cash flows from (used in) investing activities	134,478	223,735
Cash flows from (used in) financing activities		
Increase (Decrease) in short-term loans	95,000	-75,000
Increase (Decrease) in short-term notes and bills payable	-100,000	50,000
Repayments of bonds	-	-11,300
Proceeds from long-term debt	610,000	870,000
Repayments of long-term debt	-650,000	-830,000
Cash dividends paid	-91,462	-109,114
Payments to acquire treasury shares	-150,185	-77,972
Treasury shares sold to employees	-	46,779
Net cash flows from (used in) financing activities	-286,647	-136,607
Net increase (decrease) in cash and cash equivalents	-154,941	68,231
Cash and cash equivalents at beginning of period	269,467	201,236
Cash and cash equivalents at end of period	114,526	269,467

Chairman: Kuo Wei-Wu



Manager: Kuo Wei-Wu



Accounting Supervisor: Hung Ya-Ching



6. Financial Distress in Company and Subsidiaries : None

# Financial Status, Operating Results and Risk Management

## 1. Financial Analysis

Unit : NT \$Thousands

Item \ Year	2018	2017	Difference		Notes
			Amount	%	
Current Assets	4,326,249	4,458,503	-132,254	-2.97%	
Non-current Assets	2,283,908	2,375,137	-91,229	-3.84%	
Total Assets	6,610,157	6,833,640	-223,483	-3.27%	
Current Liabilities	2,223,575	2,035,167	188,408	9.26%	
Long-term Liabilities	998,362	1,085,882	-87,520	-8.06%	
Total Liabilities	3,221,937	3,121,049	100,888	3.23%	
Capital	1,593,246	1,653,246	-60,000	-3.63%	
Additional Paid in Capital	529,962	548,370	-18,408	-3.36%	
Retained Earnings	857,871	915,195	-57,324	-6.26%	
Total Equity	3,388,220	3,712,591	-324,371	-8.74%	

Ratio Analysis:

Explanation for the change in financial ratios over 20% in last two years: None

## 2. Operating Analysis

Unit : NT \$Thousands

Item \ Year	2018	2017	Difference		Notes
			Amount	%	
Net Sales	5,202,250	5,217,612	-15,362	-0.29%	
Cost of Goods Sold	4,116,452	3,941,078	175,374	4.45%	
Gross Profit	1,085,798	1,276,534	-190,736	-14.94%	
+ (-): Realized (Unrealized) Gross Margin	8,095	6,992	1,103	15.78%	
Operating Expense	921,044	870,783	50,261	5.77%	
Operating Income	172,849	412,743	-239,894	-58.12%	Note
Non-Operating Revenue/Expense	-85,850	-137,828	51,978	-37.71%	Note
Income Before Tax	86,999	274,915	-187,916	-68.35%	Note
Tax Expense (Benefit)	-62,544	-74,650	12,106	-16.22%	
Cumulative Effect of Changes in Accounting Principles	0	0	0	0.00%	
Net Income	24,455	200,265	-175,810	-87.79%	Note

Ratio Analysis:

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

Note: In 2018, due to the increase in materials and investment losses, the overall profit declined.

### 3. Cash Flow Analysis

#### 3.1 Cash Flow Liquidity Analysis

Unit : NT \$Thousands

Beginning Cash on Jan 1,2018	Net Cash Flow from Operating Activities	Other Net Cash Flow	Cash Balance on Dec 31,2018	Contingency Plans for Insufficient Cash Position	
				Investment Plan	Financial Plan
1,472,382	280,237	(514,894)	1,237,725	—	—
<p>2018 Cash Analysis</p> <p>1. Net Cash in-flow from Operating Activities amounting to NTD 280,237K was majorly caused by decrease in profit , resulting in decreased cash inflows.</p> <p>2. Net Cash out-flow from Investing Activities amounting to NTD 210,111K, to normal purchased Assets.</p> <p>3. Net Cash in-flow from Financing Activities amounting to NTD 296,870K was caused by buying back Treasury Stock amounting to NTD150,185K and pay cash dividend to NTD 91,462K.</p> <p>4. The Cash Out-flow from the Effect on Changed in Exchange Rate in 2018 were NTD(7,913K).</p>					

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

#### 3.3 Analysis of Cash Liquidity for 2019

Unit : NT\$ Thousands

Beginning Cash on Jan 1,2019	Projected Net Cash Flow from Operating Activities	Projected Net Cash Flow from Investing & Financing Activities	Projected Cash Balance on Dec 31,2019	Cash Plans for Projected Insufficient Cash Position	
				Investment Plan	Financing Plan
1,237,725	438,477	(281,900)	1,394,302	—	—
<p>The projected net cash inflow in 2019 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.</p>					

### 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				
				2019	2018	2017	2016	2015
The wide Seamless holographic origination and production process	Own Capital	Dec 31,2019	38,576	6,800	11,388	4,336	282	15,770
Hologram seamless electroforming equipment And production processes	Own Capital	Dec 31,2019	29,453	3,128	1,190	3,333	9,542	12,260

#### 4.2 Estimated potential Benefits



#### 4.2-1 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.

#### 4.2-2 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 Gains or Losses and improvements:

In 2018, the Company has recognized the other operating expense from investee companies amounted to NT 91,943 thousand dollars, which is NT38,588 thousand dollars less in comparison with the other operating expense amounting to NT 53,355 thousand dollars in 2017. It is mainly that BOXL's unstable revenue was improved in 2018 investment loss is reduced a lot in 2018.

#### 5.3 Investment plan in 2019:

In response to the slowdown of China's economy and the Chinese government's policy of eliminating luxury, the company's investment in China will be slowed down in the coming year. It will maintain existing investment and continue to develop markets and products with existing joint ventures to deepen strategic partnerships. Another opportunity to assess market development in the Southeast Asian market, and expand the business base at the appropriate time.

### 6. Risk Management Analysis & Evaluation

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

In 2018 the interest expense of the Company is NT 33,428 thousand dollars, and foreign exchange gain is NT 47,705 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	2018	Mar 31, 2019
Everest Display Inc.	KLT direct investment by holding 79.40%company	TWD 480,000	TWD 480,000

#### 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	2018	Mar 31, 2019
K laser Technology Inc.	Everest Display Inc.	KLT direct investment by holding 79.40%company	TWD 60,000	TWD 60,000

#### 6.3 Upcoming Research & Development Plans and Estimates Investments

Unit : NT\$ Thousands

Items	R&D Projects	Expenditure	Estimated Mass Production
1	The wide Seamless holographic origination and production process	6,800	Dec. 2018
2	Hologram seamless electroforming equipment And production processes	3,128	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

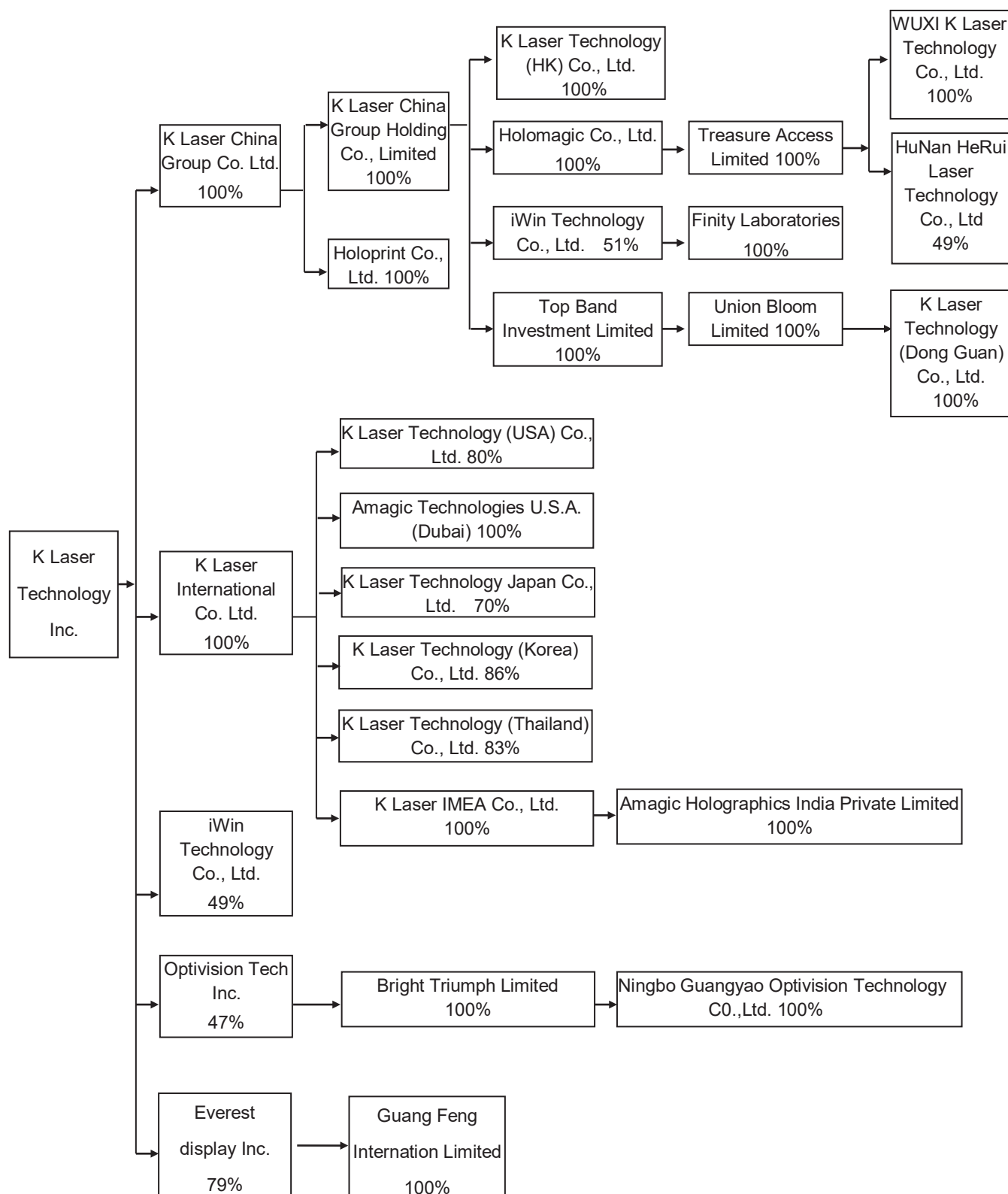
6.13 Risk from Other Important Issues : None

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 2018/12/31

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 \$ 6,030	Investment Business
Finity Laboratories	2001/11/16	922 San Leandro Ave., Suite D, Mountain View, California 94043 U.S.A..	US \$ 700	R&D of Holographic Technology
K Laser Technology (HK) Co., Ltd.	2000/06/28	No. 5, 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 CO.,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

2018/12/31

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	Michael T. Iimura	-	-
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	-	-
	VGM	Jack Lai	-	-
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	-	-
	VGM	Bao Lin Zhou	-	-
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	-	-
	VGM	Coger Ye	-	-
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 (International)	Alex Kuo		
	Director (International)	James Kuo		
	Director	Shiro Murata	576	30%
	Director & GM	Jun Murata		
	Supervisor	Hiroaki Soejima	-	-
K Laser IMEA Co., Ltd.	Director (International)	Alex Kuo	2,600,390	100%

Entity	Title	Name of the Representation	Shareholding	
			Shares	Holding (%)
K Laser Technology (Korea) Co., Ltd.	Chairman (International)	Daniel Kuo	462,457	86%
	Director (International)	Alex Kuo		
	Director & GM	Pen Cheng	74,543	14%
	Supervisor	Vincent Tsai	-	-
K Laser Technology (Thailand) Co., Ltd.	Chairman (International)	Alex Kuo	9,277,984	83%
	Director (International)	Daniel Kuo		
	Director	S. L. Yang	202,998	2%
	Director	Jennifer Fwu	-	-
	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	13,022,334	79%
	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 2018/12/31

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.	1,807,788	2,295,262	-	2,295,262	-	(63)	137,728	5.34
Holoprint Co., Ltd.	-	-	-	-	-	-	-	-
K Laser China Group Holding Co., Limited	970,589	2,304,600	428	2,304,172	-	(3,155)	136,087	1.32
iWin Technology Co., Ltd	185,223	38,947	55	38,892	-	(15,055)	(14,421)	(47.83)
Finity Laboratories	21,501	27,509	3,655	23,854	63	(14,303)	338	0.48
K Laser Technology (HK) Co., Ltd.	5,033	105,510	72,923	32,587	183,808	(6,173)	2,160	1.68
Holomagic Co., Ltd.	323,951	1,003,856	6,060	997,796	26,202	(512)	5,313	177.10
Treasure Access Limited	111,905	983,031	(1,072)	984,103	-	(35)	6,578	657.81
WUXI K Laser Technology Co., Ltd.	564,988	735,583	94,286	641,297	673,639	(18,311)	(12,830)	N/A
HuNan HeRui Laser Technology Co., Ltd	231,650	675,087	391,270	283,817	734,158	25,284	4,790	N/A

Entity	Capital	Total Assets	Total Liabilities	Net Worth	Sales	Operating Income	Net Income (After Tax)	EPS (NT\$) (After Tax)
Top Band Investment Ltd.	581,832	1,152,874	52,257	1,100,617	310,324	14,652	126,316	2,526.33
Union Bloom Limited	795,378	1,113,365	21,658	1,091,707	-	(31)	134,567	13,456.71
K Laser Technology (Dong Guan) Co., Ltd.	740,657	1,310,640	197,860	1,112,780	1,043,995	169,958	167,096	N/A
K Laser International Co., Ltd.	625,402	788,560	65,849	722,711	190,091	(659)	(305)	(0.01)
K Laser Technology (USA) Co., Ltd.	231,189	250,321	71,938	178,383	505,871	23,162	10,044	1.55
Amagic Technologies U.S.A. (Dubai)	6,438	105,061	46,231	58,830	105,486	7,546	7,372	N/A
K Laser Technology Japan Co., Ltd.	26,707	159,043	43,701	115,342	196,988	2,474	1,935	1,007.88
K Laser Technology (Korea) Co., Ltd.	74,643	70,097	21,537	48,560	119,275	(4,436)	(3,409)	(6.34)
K Laser Technology (Thailand) Co., Ltd.	106,949	371,240	49,203	322,037	222,493	20,323	18,460	1.65
K Laser IMEA Co., Ltd.	79,871	53,184	1,862	51,322	3,781	73	(276)	(0.11)
Amagic Holographics India Private Limited	77,036	48,778	(798)	49,576	32,965	(2,076)	(338)	(0.03)
Optivision Tech Inc.	482,996	1,245,590	493,453	752,137	1,194,662	(108,498)	(88,678)	(1.84)
Bright Triumph Limited	242,173	130,589	-	130,589	-	-	21,384	N/A
Ningbo Guangyao Optivision Technology CO., Ltd.	150,401	220,779	142,210	78,569	381,858	21,255	19,090	N/A
Everest display Inc.	164,000	518,294	442,309	75,985	506,823	30,254	(9,247)	(0.56)
Guang Feng Internation Limited	209,501	(13,783)	7,037	(20,820)	316	-	(42,452)	(6.22)

Exchange Rate :

\$ 1 USD=\$ 30.715 NT

\$ 1 EUR=\$ 35.20 NT

\$ 1 HKD=\$ 3.9210 NT

\$ 1 RMB=\$ 4.4720 NT

\$ 1 JPY=\$ 0.2782 NT

\$ 1 DHS=\$ 8.3677 NT

\$ 1 THB=\$ 0.9532 NT

\$ 1 KRW=\$ 0.0278 NT

\$ 1 INR =\$ 0.4390 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