



K LASER TECHNOLOGY INC.

2021Annual Shareholders' Meeting

Meeting Handbook

(English Translation)

May 28, 2021

Table of Contents

I. Meeting Procedure	1
II. Meeting Agenda	2
1. Report Items	3
2. Ratification Items	4
3. Discussion Items.	4
4. Extraordinary Motions	6
5. Adjournment	6
III. Annex	
1. Annual Business Report	7
2. Audit Report of Audit Committee	8
3. CPA Audit Report and Consolidated Financial Statement in 2020	9
4. CPA Audit Report and Individual Financial Statement in 2020	21
5. Disposition of Net Profit in 2020	34
6. Provision Comparison Table Before/After Revision of Corporation Bylaws	35
7. Provision Comparison Table Before/After Rules of Procedure for Shareholder Meeting	37
8. Measures for the Issuance of New Shares Restricting Employees' Rights	41
IV. 、 Appendix	
1 、 Corporation by-laws	47
2 、 Rules of Procedure for Shareholder Meeting	52
3 、 Statement of Directors' Shareholdings.	57



K Laser Technology Inc.

Meeting Procedure of 2021 Annual General Meeting

1. Declare to Start Meeting
2. Chairman's Speech
3. Report Items
4. Ratification Items
5. Discussion Items
6. Extraordinary Motions
7. Adjournment



K LASER TECHNOLOGY INC.

Notice of 2021 Annual General Shareholders' Meeting

Time of Meeting : May 28, 2021(Friday) at 9:00 am
Location of Meeting : GIS HSP Convention Center
Edison, 2F, No.1, Gongye E. 2nd Rd., East Dist.,
Hsinchu City 300, Taiwan(R.O.C.)

AGENDA

1. Chairman to announce the commencement of meeting.

2. Report Items

- (1) To Report the business of 2020.
- (2) Audit Committee's review report.
- (3) To report 2020 employee's profit sharing bonus and directors' compensation.
- (4) To report 2020 cash dividend.
- (5) To report the issuing of domestic secured convertible corporate bonds.
- (6) To report the execution status of treasure stocks of 2020.

3. Ratification Items

- (1) To accept 2020 Business Report and Financial Statements.
- (2) To accept 2020 earnings distribution.

4. Discussion Items

- (1) To revise the Corporation Bylaws of the Company.
- (2) To revise the Rules of Procedure for Shareholders Meetings.
- (3) To approve the Issuance of restricted employee shares.

5. Extraordinary Motions

6. Adjournment

1. Report Items

(1). To Report the business of 2020.

Description: Please see Annex 1 “Annual Business Report” on Page 7 of this Meeting handbook.

(2). Audit Committee’s review report.

Description: Please see Annex 2 “Audit Report of Audit Committee” on Page 8 of this Meeting handbook.

(3). To report 2020 employee’s profit sharing bonus and directors’ compensation.

Description:

1. In accordance with Article 32 of the Corporation Bylaws, if the company makes profit in this year, it shall allocate 4% to 8% of the net profit before tax as remuneration for employees and no more than 2% as remuneration for directors, and the board of directors shall decide to distribute the case and submit it to the shareholders' meeting for report. However, if the company still has accumulated losses, it shall reserve the compensation amount in advance, and then allocate the remuneration of employees and directors according to the proportion mentioned in the preceding paragraph.
2. Through the resolution of the Board of Directors, 8% of employees' remuneration accrued as NT\$ 13,370 thousand in total and 2% of directors' remuneration accrued as NT\$ 3,342 thousand in 2020, were paid in cash.

(4). To report 2020 cash dividend.

Description:

1. The Corporation Bylaws of the Company authorize the board of directors to resolve to distribute profit in cash after the end of each quarter.
2. In the first 3 quarters of 2020, the Company did not distribute cash dividends. In the 4th quarter, the board of directors resolved that the cash dividends distributed to shareholders amounted to NT\$ 144,220 thousand, that is, NT\$ 0.96 per share.

(5). To report the issuing of domestic secured convertible corporate bonds.

Description: In order to repay the bank loans and strengthen the financial structure, the Company has issued NT\$ 600 million in total, and the number of issued shares is 6000, NT\$ 100,000 per share, which is issued at 101% of the face value. The 6th domestic secured convertible corporate bonds with an issue period of 5 years have been traded on the counter of securities firms since March 24, 2021.

(6). To report the execution status of treasure stocks of 2020.

Description: Please see the table below.

Item	Repurchase Purpose	Scheduled Repurchase Number of Shares	Repurchase Method	Scheduled Repurchase Interval Price	Actual Repurchase Period	Actual Repurchase Number of Shares	Actual Repurchase Total Amount	Average Cost of Actual Repurchase
The 27th times	Transfer Shares to Employee	6,000,000 Shares	Market Repurchase	9.10~ NT\$ 24.31	109/3/16~ 109/5/15	6,000,000 Shares	77,891,133	NT\$ 12.98

2. Ratification Items

- (1). To accept 2020 Business Report and Financial Statements.

“Board of Directors propose”

Description:

1. The Company's financial statements in 2020 have been approved by the Board of Directors and audited by CPA Huang Yimin and CPA Hsu Wenya of Deloitte & Touche. The above financial statements and business report have been submitted to the Audit Committee for checking and issuing an audit report for the record.
2. Please see Page 7 and Pages 9-33 of this Meeting handbook (Annex 1 and 3~4) for the Company's 2009 annual business report and financial statements.

Resolution:

- (2). To accept 2020 earnings distribution.

“Board of Directors propose”

Description: Please see page 34 (Annex 5) of this Meeting handbook for the Company's 2020 disposition of net profit.

Resolution:

3. Discussion Items

- (1). To revise the “Corporation Bylaws” of the Company

“Board of Directors propose”

Description: To cooperate with the practical needs of the Company, it is proposed to revise the Corporation Bylaws. Please see page 35~36 (Annex 6) of this Meeting handbook for the Provision Comparison Table Before/After Revision of Corporation Bylaws.

Resolution:

- (2). To revise the Rules of Procedure for Shareholders Meetings.

“Board of Directors propose”

Description: To cooperate with the practical needs of the Company, it is proposed to revise the Rules of Procedure for Shareholder Meeting. Please see page 37~40 (Annex 7) of this Meeting handbook for the Provision Comparison Table Before/After Rules of Procedure for Shareholder Meeting.

Resolution:

- (3). To approve the Issuance of restricted employee shares.

“Board of Directors propose”

Description:

1. In order to retain and attract the professional talents required by the Company, motivate employees and enhance the centripetal force of employees, and create the common interests of the Company and shareholders, the Company plans to issue new shares with restricted employees' rights in 2021 in accordance with Article 267 of the Company Law and the "Guidelines for the Offering and Issuance of Securities by Publisher" issued by the Financial Supervisory Commission.
2. This time, it is planned to issue no more than 5,000,000 common shares, NT\$ 10.00 per face value, and NT\$ 50,000,000 in total, which will be issued free of charge. The board of directors of the company has decided to issue new shares that restrict the rights of employees. The relevant explanations are as follows:
 - 2.1 An employee's continuous employment with the Company through the vesting dates, no violation on any terms of the Company's employment agreement, employee handbook, trust deed, Corporate Governance Best Practice Principles, Ethical Corporate Management Best Practice Principles, non-competition and PIM agreements, or the agreement of Restricted Stock Awards, and the achievement of the Company's operational objectives during the Performance Period are required to receive the vested shares.
 - 2.2 The employee have met the performance business objectives can be vested with on the vesting date each year:
 - (1)First year : 15%
 - (2)Second year: 15%
 - (3)Third year : 20%
 - (4)Fourth year: 20%
 - (5)Fifth year : 30%
 - 2.3 To protect shareholders' interests, the Company shall cautiously manage the Plan. Only the Company and its subsidiaries' regular employees who are already employed on the date that Restricted Stock Awards are granted and meet certain performance requirements shall be eligible for the Plan. The awards will be further limited to employees who are:
 - (1)highly related to the future strategy and development of the Company
 - (2)key technical talents.
 - 2.4 The number of granted shares shall be determined by seniority, position, performance, overall contribution, special contribution and other meaningful factors in management. The results of shares distribution shall be reviewed by Chairman and obtain approval in the meeting of the Board of Directors. However, for employees who are managerial officers or the Board members, the award of such shares is subject to approval by the Compensation Committee.
 - 2.5 Employees who possess over 10% of the Company common shares, all the members of the Compensation Committee, and members of the Board who are not employees of the Company shall not be eligible for the Plan.
 - 2.6 The total number of shares granted to each employee shall be in accordance with the applicable laws and regulations in ffering Regulations.
 - 2.7 Calculated expense amount:

The Company shall value the fair market value of shares and record expenses during the vesting period annually. The proposed number of Restricted Stock Awards in 2021 Annual Shareholders' General Meeting

shall not exceed 5,000,000 shares. The actual number of Restricted Stock Awards to be issued, under the estimated maximum expense of NT\$99,250K will be calculated with reference to the share price before the issuance. The actual number of Restricted Stock Awards to be issued will be calculated with reference to the share price before the issuance and subject to the Board of Directors' approval in accordance with the applicable laws and regulations and further announced accordingly. The amortized expenses are estimated to be in the amount of NT\$14,887K 、 NT\$14,888K 、 NT\$19,850K 、 NT\$19,850K 、 NT\$29,775K for 2021 、 2022 、 2023 、 2024 and 2025, respectively.

2.8 Dilution of the Company's earnings per share (EPS):

Based on the calculation of the Company's outstanding shares, the maximum dilution of the Company's EPS is estimated to be in the amount of NT\$0.0991, NT\$0.0991, NT\$0.1321, NT\$0.1321 and NT\$0.1982 for 2021, 2022, 2023 , 2024 and 2025, respectively. There is a limited dilution of the Company's future EPS, and there is no material impact on existing shareholders' equity.

2.9 Other matters affecting shareholder's equity:NA

3. The issuance of new shares with restricted employees' rights, related restrictions and important agreed matters or matters not covered shall be handled in accordance with relevant laws and regulations and the issuance method formulated by the Company. Please see Annex 8 (page 41~46) for the issuance method of new shares with restricted employees' rights.
4. If the issuance of new shares restricting employees' rights is instructed by the competent authority, amended by relevant laws and regulations, or the objective environment needs to be revised or amended, it is proposed to authorize the chairman of the board to handle it with full authority.

Resolution:

4. Extempore Motions

5. Adjournment

Business Report

“Annex 1”

To Shareholders Summary

For the full year 2020, the consolidated sales of K Laser Group grew 5% to 5.43 billion NT dollars. The annual gross profit margin was 24%, and the operating profit jumped more than six-fold to 229million NT dollars. Net profit of 2020 was 144million NT dollars, EPS 0.96.

It is remarkable that we were able to grow our sales revenue and net profit when COVID-19 rages worldwide. Thanks to the fact that we had kept sufficient stock in our channels worldwide, we were able to keep our sales activities going without being disrupted by the pandemic while the improvement of productivity had offset the cost increase resulted from the surge of shipping rates. In addition, with the completion of organization restructuring and the implementation of strict expense control, the expense ratio had decreased 3%. All the above had contributed to the improvement in our financial performance in 2020.

Technology Development

Over the years, we have kept on improving our true-seamless and wide-web products to meet the market demands. We have also strived to drive customer stickiness, and ultimately elevate our overall profit margin through the following practices.

1. We have dedicated ourselves to improve our design and origination capabilities to provide various unique products with security functions and help customers to achieve desired outcome.
2. We have directed our research and development efforts to create products that are eco-friendly, resistant to high temperature and humidity, and have high abrasion and folding endurance.
3. We have continued to embrace the latest technologies to ensure our competitiveness in the security label market.

Our Strategy and Global Situation

Our research and development efforts are influenced by these noteworthy trends.

- 1.) The plastic waste reduction policy has spurred more and more customers to use eco-friendly materials for packaging.
- 2.) The plastic waste reduction policy has spurred more and more customers to use eco-friendly materials for packaging.
- 3.) The plastic waste reduction policy has spurred more and more customers to use eco-friendly materials for packaging.
- 4.) The plastic waste reduction policy has spurred more and more customers to use eco-friendly materials for packaging.

In response to the above trends, we already had our products qualified for digital printing by customers. We have also been adjusting our production to exploit the demand for environmentally friendly products, and enhancing our technology integration capabilities to satisfy the appetite for multi-featured security solutions. Making an inventory strategy to move sales quickly will be one of our focuses going forward.

In terms of global situation, there is a growing prospect for a strong recovery of world economy as vaccination gets popular across countries. However, the treacherous political- economic relations among countries that exert forms of sanction any time at will may impact our business operations unpredictably. At such a time, we must take advantage of our production establishments and sales channels across the globe to keep our business thriving. We plan to enhance the function of some overseas subsidiaries to turn them into regional headquarters and have them support each other to achieve the greatest benefits for the Group.

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

Audit Report of Audit Committee

The Board of Directors prepared the Company's business report, financial statements and earnings distribution plan for 2020, among which the financial statements were audited by Deloitte & Touche, and the audit report was issued.

The above-mentioned business report, financial statements and disposition of net profit have been checked by the Audit Committee, and it is found that there is no discrepancy. The report is as above according to Article 14-4 of the Securities Exchange Act and Article 219 of the Company Law, so please verify it.

K Laser Technology Inc.

Convenor of Audit Committee: Huang Bixing

March. 23, 2021



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Independent Auditors’ Report

Submitted to K Laser Technology Inc.

Opinion

We have audited the accompanying consolidated financial statements of K Laser Technology Inc. and its subsidiaries, which comprise the consolidated balance sheets as of December 31, 2020 and 2019, the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements (including a summary of significant accounting policies).

In our opinion, based on our audits and the report of other auditors (as referred to in the Other Matters section), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of K Laser Technology Inc. and its subsidiaries as of December 31, 2020 and 2019 and their consolidated financial performance and consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audit of the consolidated financial statements for the year ended December 31, 2020 in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in the Republic of

China. We conducted our audit of the consolidated financial statements for the year ended December 31, 2019 in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants, the approval letter with Ref. No. 1090360805 issued by the Financial Supervisory Commission of the Republic of China on February 25, 2020 and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit section of the auditors' report. We are independent of K Laser Technology Inc. in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China and have fulfilled our other responsibilities in accordance with the Norm. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of K Laser Technology Inc. and its subsidiaries for the year ended December 31, 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Recognition of Sales Revenue

The sales revenue of K Laser Technology Inc. and its subsidiaries is mainly generated from the manufacture of laser films, anti-counterfeit labels, precision optical components and optical instruments, etc. The sales from the products sold during the year 2020 were significantly focused on one single customer. Since the sales revenue and the verification thereof were significant to the consolidated financial statements, we therefore identified the sales revenue from the said customer as a key audit matter for the year. Refer to Note 4 to the consolidated financial statements for the details on accounting policies related to revenue recognition.

Our key audit procedures performed in respect of the aforementioned key audit matters included understanding of the internal control procedures relevant to sale transactions, and confirmation and assessment of the effectiveness of internal controls related to sale transactions. In addition, we also sampled the

records of the transactions made with the major customers to review their external shipping documents and export declaration forms and verify that the payment recipients were consistent with the entities to which products were sold.

Other Matters

We did not audit the financial statements of some subsidiaries included in the consolidated financial statements of K Laser Technology Inc. and its subsidiaries, but such statements were instead audited by other auditors. Our opinion stated in the consolidated financial statements, insofar as it relates to the amounts included in the financial statements of some subsidiaries, is based solely on the report of other auditors. As of December 31, 2020 and 2019, the total assets of the aforementioned subsidiaries amounted to NT\$439,989 thousand and NT\$223,410 thousand, respectively, which accounted for 5.53% and 3.29% of the consolidated total assets, respectively. For the years ended December 31, 2020 and 2019, the net operating revenue of these subsidiaries were NT\$285,507 thousand and NT\$323,629 thousand, respectively, which accounted for 5.25% and 6.22% of the consolidated net operating revenue, respectively. The financial statements of some investee companies accounted for using the equity method were audited by other auditors. The amounts within the consolidated financial statements for those investee companies were based solely on the reports of other auditors. As of December 31, 2020 and 2019, investments of the aforementioned investee companies accounted for using the equity method were NT\$123,089 thousand and NT\$110,335 thousand, respectively, which accounted for 1.55% and 1.62% of the consolidated total assets, respectively. For the years ended December 31, 2020 and 2019, the amounts of investment gain recognized by the aforementioned investee companies and accounted for using the equity method were NT\$13,315 thousand and NT\$9,460 thousand, respectively, which accounted for 5.74% and (8.20)% of the consolidated net profit or loss before tax, respectively. Refer to Note 36 to the consolidated financial statements for relevant information of the above investee companies which we have not audited but were audited by other auditors.

We have also audited the financial statements of K Laser Technology Inc. as of and for the years ended December 31, 2020 and 2019 on which we have

issued an unqualified opinion and the auditors' report mentioned in the Other Matters section for reference.

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

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

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

Those charged with governance (including the audit committee) are responsible for overseeing the financial reporting process of K Laser Technology Inc. and its subsidiaries.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit, and also responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine that those matters of most significance in the audit of the consolidated financial statements for the year ended December 31, 2020 are the key audit matters. We describe these matters in our auditors' report unless any law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Deloitte & Touche

Huang Yi-Min, CPA

Hsu Wen-Ya, CPA

Financial Supervisory Commission Approval
No.:
Jin-Guan-Zheng-Shen-Zi-1030024438

Securities and Futures Bureau Approval No.:
Tai-Cai-Zheng-6-Zi-0920123784

March 23, 2021

K Laser Technology Inc. and its Subsidiaries

Consolidated Balance Sheet

December 31, 2020 and 2019

Unit: In Thousands of New Taiwan Dollars

Code	Assets	December 31, 2020		December 31, 2019	
		Amount	%	Amount	%
	Current assets				
1100	Cash and cash equivalents (Notes 4 and 6)	\$ 2,629,811	33	\$ 1,588,179	23
1110	Financial assets at fair value through profit or loss - current (Notes 4 and 7)	27,150	-	201,777	3
1150	Notes receivable (Notes 4 and 8)	35,457	1	105,839	2
1170	Trade receivables (Notes 4 and 8)	855,955	11	910,058	13
1180	Trade receivables from related parties (Notes 4, 8 and 30)	670,406	8	473,652	7
1200	Other receivables (Note 30)	58,048	1	36,358	1
1220	Current tax assets (Notes 4 and 24)	7,552	-	11,512	-
130X	Inventories (Notes 4 and 9)	993,440	13	914,826	14
1460	Current assets held for sale (Notes 4 and 10)	28,154	-	-	-
1470	Other current assets (Notes 6 and 19)	188,677	2	162,723	2
11XX	Total current assets	<u>5,494,650</u>	<u>69</u>	<u>4,404,924</u>	<u>65</u>
	Non-current assets				
1517	Financial assets at fair value through other comprehensive income — non-current (Notes 4 and 11)	118,244	2	102,466	1
1550	Investments accounted for using the equity method (Notes 4 and 13)	591,940	7	600,010	9
1600	Property, plant and equipment (Notes 4 and 14)	1,131,375	14	1,189,677	18
1755	Right-of-use assets (Notes 4 and 15)	263,580	3	249,659	4
1805	Goodwill (Notes 4, 17 and 27)	85,752	1	85,752	1
1821	Other intangible assets (Notes 4 and 18)	44,672	1	48,465	1
1840	Deferred tax assets (Notes 4 and 24)	21,094	-	27,887	-
1990	Other non-current assets (Notes 6 and 19)	208,183	3	77,624	1
15XX	Total non-current assets	<u>2,464,840</u>	<u>31</u>	<u>2,381,540</u>	<u>35</u>
1XXX	Total assets	<u>\$ 7,959,490</u>	<u>100</u>	<u>\$ 6,786,464</u>	<u>100</u>
	Liabilities and Equity				
	Current liabilities				
2100	Short-term borrowings (Note 20)	\$ 810,164	10	\$ 801,147	12
2110	Short-term notes and bills payable (Note 20)	299,917	4	169,943	2
2150	Notes payable	257,027	3	158,715	2
2170	Trade payables	507,491	7	442,698	7
2180	Trade payables to related parties (Note 30)	43,535	1	48,468	1
2200	Other payables	415,897	5	367,623	5
2220	Other payables to related parties (Note 30)	1,753	-	12,054	-
2230	Current tax liabilities (Notes 4 and 24)	13,559	-	22,463	-
2280	Lease liabilities — current (Notes 4 and 15)	51,244	1	38,882	1
2320	Current portion of long-term liabilities (Note 20)	100,000	1	10,000	-
2399	Other current liabilities	24,509	-	70,297	1
21XX	Total current liabilities	<u>2,525,096</u>	<u>32</u>	<u>2,142,290</u>	<u>31</u>
	Non-current liabilities				
2540	Long-term borrowings (Note 20)	1,250,000	16	1,180,000	18
2580	Lease liabilities — non-current (Notes 4 and 15)	199,582	2	195,155	3
2640	Net defined benefit liabilities — non-current (Notes 4 and 21)	18,888	-	25,498	-
25XX	Total non-current liabilities	<u>1,468,470</u>	<u>18</u>	<u>1,400,653</u>	<u>21</u>
2XXX	Total liabilities	<u>3,993,566</u>	<u>50</u>	<u>3,542,943</u>	<u>52</u>
	Equity (Note 22)				
	Share capital				
3110	Ordinary shares	1,593,246	20	1,593,246	23
3200	Capital reserve	585,347	7	551,531	8
	Retained earnings				
3310	Legal reserve	213,042	3	213,042	3
3320	Special reserve	200,987	2	201,090	3
3350	Unappropriated earnings	384,752	5	255,807	4
	Other equity				
3410	Exchange differences on translation of foreign financial statements	(287,085)	(4)	(278,472)	(4)
3420	Unrealized gain on financial assets at fair value through other comprehensive income	(30,403)	-	(33,033)	(1)
3500	Treasury shares	(118,736)	(1)	(102,122)	(1)
31XX	Total equity attributable to the Company	2,541,150	32	2,401,089	35
36XX	Non-controlling interests	1,424,774	18	842,432	13
3XXX	Total equity	<u>3,965,924</u>	<u>50</u>	<u>3,243,521</u>	<u>48</u>
	Total liabilities and equity	<u>\$ 7,959,490</u>	<u>100</u>	<u>\$ 6,786,464</u>	<u>100</u>

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

(Please refer to the Deloitte & Touche auditors' report dated March 23, 2021.)

Chairman: Kuo Wei-Wu

Manager: Kuo Wei-Wu

Accounting Manager: Hung Ya-Ching

K Laser Technology Inc. and its Subsidiaries
Consolidated Statement of Comprehensive Income
For the years ended December 31, 2020 and 2019

Unit: In Thousands of New Taiwan Dollars;
Earnings (Loss) Per Share: In New Taiwan Dollars

		2020		2019	
C o d e		Amount	%	Amount	%
4000	Operating revenue (Notes 4 and 30)	\$ 5,439,230	100	\$ 5,199,022	100
5110	Cost of goods sold (Notes 9 and 30)	<u>4,175,137</u>	<u>76</u>	<u>4,014,862</u>	<u>77</u>
5950	Gross profit	<u>1,264,093</u>	<u>24</u>	<u>1,184,160</u>	<u>23</u>
	Operating expenses (Notes 8 and 30)				
6100	Selling and marketing	328,332	6	317,144	6
6200	General and administrative	435,814	8	406,136	8
6300	Research and development	254,895	5	248,527	5
6450	Expected credit impairment loss	<u>16,330</u>	<u>-</u>	<u>181,335</u>	<u>3</u>
6000	Total operating expenses	<u>1,035,371</u>	<u>19</u>	<u>1,153,142</u>	<u>22</u>
6900	Profit from operations	<u>228,722</u>	<u>5</u>	<u>31,018</u>	<u>1</u>
	Non-operating income and expenses				
7060	Share of profit or loss of associates accounted for using the equity method (Note 13)	31,550	1	(103,825	(2)
7100	Interest income (Note 30)	10,175	-	13,871	-
7130	Dividend income	2,354	-	837	-
7190	Other income-others (Note 30)	42,242	1	15,042	-
7210	Gain (or loss) on disposal of property, plant and equipment	(2,212)	-	2,602	-
7230	Loss on foreign exchange	(23,648)	-	(11,795)	-
7235	Gain on financial assets (liabilities) at fair value through profit or loss	(31)	-	880	-
7510	Interest expense	(38,560)	(1)	(40,634)	(1)
7590	Miscellaneous expense	(32,425)	(1)	(68,147)	(1)
7625	Gain on disposal of investment	22,673	-	49,298	1
7670	Impairment loss	(8,739)	<u>-</u>	(4,539)	<u>-</u>
7000	Total non-operating income and expenses	<u>3,379</u>	<u>-</u>	<u>(146,410)</u>	<u>(3)</u>

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Code		2020		2019	
		Amount	%	Amount	%
7900	Profit (loss) before tax	\$ 232,101	5	(\$115,392)	(2)
7950	Income tax expense (Notes 4 and 28)	(40,962)	(1)	(43,317)	(1)
8200	Profit (loss) for the year	<u>191,139</u>	<u>4</u>	<u>(158,709)</u>	<u>(3)</u>
	Other comprehensive income (loss) (Note 21)				
8310	Items that will not be reclassified subsequently to profit or loss				
8311	Remeasurement of defined benefit plans	236	-	(4,228)	-
8316	Unrealized loss on investments in equity instruments at fair value through other comprehensive income	12,617	-	(24,763)	-
8360	Items that may be reclassified subsequently to profit or loss				
8361	Exchange differences on translation of foreign financial statements	(9,186)	-	(88,238)	(2)
8370	Share of other comprehensive loss of subsidiaries, associates and joint ventures accounted for using the equity method	(1,872)	-	(768)	-
8300	Total other comprehensive income (loss)	<u>1,795</u>	<u>-</u>	<u>(117,997)</u>	<u>(2)</u>
8500	Total comprehensive income (loss) for the year	<u>\$ 192,934</u>	<u>4</u>	<u>(\$276,706)</u>	<u>(5)</u>
	Net profit (loss) attributed to				
8610	Owners of the company	\$ 144,409	3	(\$119,835)	(2)
8620	Non-controlling interests	<u>46,730</u>	<u>1</u>	<u>(38,874)</u>	<u>(1)</u>
8600		<u>\$ 191,139</u>	<u>4</u>	<u>(\$158,709)</u>	<u>(3)</u>
	Total comprehensive income (loss) attributed to				
8710	Owners of the company	\$ 137,403	3	(\$234,732)	(4)
8720	Non-controlling interests	<u>55,531</u>	<u>1</u>	<u>(41,974)</u>	<u>(1)</u>
8700		<u>\$ 192,934</u>	<u>4</u>	<u>(\$276,706)</u>	<u>(5)</u>
	Earnings (loss) per share (Note 25)				
	From continuing operations				
9710	Basic	<u>\$ 0.96</u>		<u>(\$ 0.79)</u>	
9810	Diluted	<u>\$ 0.95</u>			

The accompanying notes are an integral part of the consolidated financial statements.
(Please refer to the Deloitte & Touche auditors' report dated March 23, 2021.)

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

K Laser Technology Inc. and its Subsidiaries
Consolidated Statement of Changes in Equity
For the years ended December 31, 2020 and 2019

Unit: In Thousands of New Taiwan Dollars

		Equity Attributable to Shareholders of the Parent Company						Other equity			
Code		Ordinary shares	Capital reserve	Retained earnings			Exchange differences on translation of financial statements of foreign operations	Unrealized loss (gain) on financial assets at fair value through other comprehensive income	Transactions of Treasury shares	Non-controlling interests	Total equity
				Legal reserve	Special reserve	Unappropriated earnings					
A1	Balance at January 1, 2019	\$ 1,593,246	\$ 529,962	\$ 206,459	\$ 162,918	\$ 488,494	(\$ 195,571)	(\$ 5,574)	(\$ 93,118)	\$ 701,404	\$ 3,388,220
	Appropriation and distribution of 2018 earnings (Note 22)										
B1	Legal reserve	-	-	6,583	-	(6,583)	-	-	-	-	-
B3	Special reserve	-	-	-	38,226	(38,226)	-	-	-	-	-
B5	Cash dividends to shareholders of the Company	-	-	-	-	(62,043)	-	-	-	-	(62,043)
D1	Net profit (loss) for the year ended December 31, 2019	-	-	-	-	(119,835)	-	-	-	(38,874)	(158,709)
D3	Other comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	(4,228)	(82,979)	(27,690)	-	(3,100)	(117,997)
L1	Buy-back of treasury shares (Note 22)	-	-	-	-	-	-	-	(17,422)	-	(17,422)
L5	Acquisition of the parent company's shares by subsidiaries as treasury shares	-	-	-	-	-	-	-	(22,785)	(28,503)	(51,288)
N1	Share-based payment transactions (Note 26)	-	21,060	-	-	-	-	-	31,203	-	52,263
M5	Differences between equity purchase price and carrying amount arising from actual acquisition or disposal of subsidiaries	-	211	-	(54)	(177)	78	231	-	-	289
M7	Changes in percentage of ownership interests in subsidiaries	-	298	-	-	(1,595)	-	-	-	-	(1,297)
O1	Non-controlling interests	-	-	-	-	-	-	-	-	211,505	211,505
Z1	Balance at December 31, 2019	1,593,246	551,531	213,042	201,090	255,807	(278,472)	(33,033)	(102,122)	842,432	3,243,521
	Appropriation and distribution of 2019 earnings (Note 22)										
B1	Legal reserve	-	-	-	-	-	-	-	-	-	-
B5	Cash dividends to shareholders of the Company	-	-	-	-	-	-	-	-	-	-
D1	Net profit for the year ended December 31, 2020	-	-	-	-	144,409	-	-	-	46,730	191,139
D3	Other comprehensive income (loss) after tax for the year ended December 31, 2020	-	-	-	-	236	(8,874)	1,632	-	8,801	1,795
L1	Buy-back of treasury shares (Note 22)	-	-	-	-	-	-	-	(77,812)	-	(77,812)
L5	Acquisition of the parent company's shares by subsidiaries as treasury shares	-	(3,668)	-	-	-	-	-	22,785	25,153	44,270
N1	Share-based payment transactions	-	10,824	-	-	-	-	-	38,413	-	49,237
M5	Differences between equity purchase price and carrying amount arising from actual acquisition or disposal of subsidiaries	-	22,969	-	(103)	(11,200)	261	998	-	62,941	75,866
M7	Changes in percentage of ownership interests in subsidiaries	-	3,691	-	-	-	-	-	-	-	3,691
C7	Cchanges in associates accounted for using the equity method	-	-	-	-	(4,500)	-	-	-	-	(4,500)
O1	Non-controlling interests	-	-	-	-	-	-	-	-	438,717	438,717
Z1	Balance at December 31, 2020	\$ 1,593,246	\$ 585,347	\$ 213,042	\$ 200,987	\$ 384,752	(\$287,085)	(\$30,403)	(\$ 118,736)	\$ 1,424,774	\$ 3,965,924

The accompanying notes are an integral part of the consolidated financial statements.
(Please refer to the Deloitte & Touche auditors' report dated March 23, 2021.)

Chairman: Kuo Wei-Wu

Manager: Kuo Wei-Wu

Accounting Manager: Hung Ya-Ching

K Laser Technology Inc. and its Subsidiaries
Consolidated Statement of Cash Flows
For the years ended December 31, 2020 and 2019

Unit: In Thousands of New Taiwan Dollars

Code		2020	2019
	Cash flows from operating activities		
A10000	Profit (loss) before tax	\$ 232,101	(\$ 115,392)
A20010	Income and expense adjustments		
A20100	Depreciation expense	231,574	230,257
A20200	Amortization expense	5,028	3,903
A20300	Expected credit impairment loss	16,330	181,335
A20400	Net (gain) on financial assets at fair value through profit or loss	31	(880)
A20900	Interest expense	38,560	40,634
A21200	Interest income	(10,175)	(13,871)
A21300	Dividend income	(2,354)	(837)
A21900	Share-based compensation expense	9,301	23,002
A22300	Share of (profit) loss of associates and joint ventures accounted for using the equity method	(31,550)	103,825
A22500	Loss (gain) on disposal and write-down of property, plant and equipment	2,212	(2,602)
A23100	Gain on disposal of investment	(22,673)	(49,298)
A23700	Impairment loss recognized on non-financial asset	8,739	4,539
A23800	Loss on inventory valuation and obsolescence	126	27,886
A29900	Gain on lease modification	(246)	(5)
A30000	Net change in operating assets and liabilities		
A31130	Notes receivable	70,382	(65,450)
A31150	Trade receivables	31,956	239,889
A31160	Trade receivables from related parties	(201,462)	(100,796)
A31180	Other receivables	(27,680)	19,313
A31200	Inventories	(78,740)	50,017
A31240	Other current assets	(28,796)	50,890
A31990	Other non-current assets	(7,383)	(3,635)
A32130	Notes payable	98,312	(70,047)
A32150	Trade payables	64,793	(39,864)
A32160	Trade payables to related parties	(4,933)	3,725
A32180	Other payables	34,137	38,860
A32230	Other current liabilities	3,449	(13,061)
A32240	Net defined benefit liabilities — non-current	(<u>6,374</u>)	(<u>1,092</u>)

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Code		2020	2019
A33000	Cash generated from operations	\$ 424,665	\$ 541,245
A33100	Interest received	10,175	13,871
A33300	Interest paid	(38,435)	(40,859)
A33500	Income tax paid	(39,114)	(43,945)
AAAA	Net cash generated from operating activities	<u>357,291</u>	<u>470,312</u>
	Cash flows from investing activities		
B00010	Acquisition of financial assets at fair value through other comprehensive income	(3,000)	-
B00100	Acquisition of financial assets recognized initially at fair value through profit or loss	(584,470)	(878,342)
B00200	Disposal of financial assets recognized initially at fair value through profit or loss	764,621	759,139
B01800	Acquisition of long-term equity investment accounted for using the equity method	(9,005)	(76,906)
B01900	Proceeds from disposal of long-term equity investment accounted for using the equity method	19,762	8,375
B02000	Increase in prepayments for investment	-	(21,375)
B02700	Purchase of property, plant and equipment	(137,993)	(120,937)
B02800	Proceeds from disposal of property, plant and equipment	5,415	69,143
B03700	Decrease (increase) in refundable deposits	7,888	(8,644)
B04100	Decrease in other receivables	6,458	8,944
B04500	Purchase of intangible assets	(1,235)	(1,077)
B05000	Cash inflow due to merger	-	142,360
B06600	Decrease (increase) in other financial assets	(128,028)	631
B07600	Dividends received	<u>7,045</u>	<u>5,042</u>
BBBB	Net cash used in investing activities	(<u>52,542</u>)	(<u>113,647</u>)
	Cash flows from financing activities		
C00200	Increase (decrease) in short-term borrowings	9,017	(120,006)
C00500	Increase in short-term notes and bills payable	130,000	70,000
C01600	Long-term borrowings	250,000	920,000
C01700	Repayments of Long-term borrowings	(90,000)	(770,000)
C04500	Dividends paid to owners of the Company	-	(62,043)
C04900	Payments for buy-back of treasury shares	(77,812)	(17,422)
C05000	Disposal of treasury shares	45,507	-
C05100	Purchase of treasury shares by employees	-	81,141
C05400	Acquisition of interests in subsidiaries	(13,235)	(9,084)
C05500	Proceeds from sale of investments in subsidiaries	44,925	10,455

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Independent Auditors' Report

K Laser Technology Inc.

Opinion

We have audited the accompanying financial statements of K Laser Technology Inc., which comprise the balance sheets as of December 31, 2020 and 2019, the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements (including a summary of significant accounting policies).

In our opinion, based on our audits and the report of other auditors (as referred to in the Other Matters section), the accompanying financial statements present fairly, in all material respects, the financial position of K Laser Technology Inc. as of December 31, 2020 and 2019 and its financial performance and cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audit of the financial statements for the year ended December 31, 2020 in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in the Republic of China. We conducted our audit of the financial statements for the year ended December 31, 2019 in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants, the approval letter with Ref. No. 1090360805 issued by the Financial Supervisory Commission of the Republic of China on February 25, 2020 and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit section of the auditors' report. We are independent of K Laser Technology Inc. in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China and have fulfilled our other

responsibilities in accordance with the Norm. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of K Laser Technology Inc. for the year ended December 31, 2020. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Recognition of Sales Revenue

The sales revenue of K Laser Technology Inc. is mainly generated from the manufacture of laser films, anti-counterfeit labels, laser paper, etc., which has been affected by increasingly saturated market and competition within the industry. In addition to developing new products in recent years, acquiring new customers is also a key operational strategy. To meet the demand for sales to customers in this year, inventories are stored in overseas shipping warehouse whereby warehouse custodian is responsible for the checking, acceptance and storage of inventories, as well as sending out shipment information to K Laser Technology Inc. for verification. K Laser Technology Inc. recognized sales revenue based on the shipment information provided by warehouse custodian. Therefore, the validity of sales revenue transactions recognized from overseas shipping warehouse and timing of recognition were identified as key audit matters for the year ended December 31, 2020. Refer to Note 4 to the financial statements for the details on accounting policies related to revenue recognition. Our key audit procedure performed in respect of the aforementioned key audit matters comprised the following:

1. We understood the internal control procedures for the recognition of sales revenue from overseas shipping warehouse, tested and assessed the effectiveness of related internal controls.
2. We performed substantive tests of sales revenue transactions from overseas shipping warehouse.
3. We confirmed the ending inventories of overseas shipping warehouse by letter.

Other Matters

The financial statements of some investee companies accounted for using the equity method for the years dated December 31, 2020 and 2019 were audited by other auditors. Thus in our opinion expressed in the aforementioned financial report, the amounts within the financial statements for those investee companies were based solely on the reports of other auditors. As of December 31, 2020 and 2019, the aforementioned investments accounted for using the equity method were NT\$436,955 thousand and NT\$252,995 thousand, respectively, which accounted for 8.88% and 5.77% of the total assets, respectively. For the years ended December 31, 2020 and 2019, the amounts of investment gain recognized by the aforementioned investee companies and accounted for using the equity method were NT\$42,475 thousand and NT\$14,863 thousand, respectively, which accounted for (28.24)% and (12.62)% of the profit (loss) before tax, respectively. Refer to Note 35 to the financial statements for relevant information on the above investee companies which we have not audited but were audited by other auditors.

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

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

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

Those charged with governance (including the audit committee) are responsible for overseeing the financial reporting process of K Laser Technology Inc.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether

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

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

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal controls of K Laser Technology Inc.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of K Laser Technology Inc. to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions

may cause K Laser Technology Inc. to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the financial statements (including the disclosures) and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the segments within K Laser Technology Inc. to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the corporate audit, and also responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine that those matters of most significance in the audit of the financial statements for the year ended December 31, 2020 are the key audit matters. We describe these matters in our auditors' report unless any law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Deloitte & Touche

Huang Yi-Min, CPA

Hsu Wen-Ya, CPA

Financial Supervisory Commission

Approval No.:

Jin-Guan-Zheng-Shen-Zi-
1030024438

March 23, 2021

Securities and Futures Bureau

Approval No.:

Tai-Cai-Zheng-6-Zi-0920123784

K Laser Technology Inc.
Balance Sheet
December 31, 2020 and 2019

Unit: In Thousands of New Taiwan Dollars

Code	Assets	December 31, 2020		December 31, 2019	
		Amount	%	Amount	%
	Current assets				
1100	Cash and cash equivalents (Notes 4 and 6)	\$ 360,226	7	\$ 283,611	6
1110	Financial assets at fair value through profit or loss—current (Notes 4 and 7)	5,265	-	5,296	-
1150	Notes receivable (Notes 4 and 8)	5,323	-	3,233	-
1170	Trade receivables (Notes 4 and 8)	37,451	1	26,184	1
1180	Trade receivables from related parties (Notes 4, 8 and 28)	108,218	2	82,343	2
1200	Other receivables (Note 28)	9,991	-	13,444	-
1220	Current tax assets (Notes 4 and 23)	208	-	137	-
130X	Inventories (Notes 4 and 9)	83,398	2	36,711	1
1460	Current assets held for sale (Notes 4 and 10)	15,100	-	-	-
1470	Other current assets (Note 17)	16,781	1	4,647	-
11XX	Total current assets	<u>641,961</u>	<u>13</u>	<u>455,606</u>	<u>10</u>
	Non-current assets				
1517	Financial assets at fair value through other comprehensive income—non-current (Notes 4 and 11)	34,984	1	36,681	1
1550	Investments accounted for using the equity method (Notes 4 and 12)	3,807,614	77	3,559,130	81
1600	Property, plant and equipment (Notes 4, 13 and 28)	159,057	3	159,873	4
1755	Right-of-use assets (Notes 4 and 14)	73,629	2	79,680	2
1760	Net investment property (Notes 4 and 15)	37,869	1	49,908	1
1780	Other intangible assets (Notes 4 and 16)	2,393	-	3,009	-
1840	Deferred tax assets (Notes 4 and 23)	11,800	-	17,800	-
1990	Other non-current assets (Notes 6 and 17)	151,243	3	22,440	1
15XX	Total non-current assets	<u>4,278,589</u>	<u>87</u>	<u>3,928,521</u>	<u>90</u>
1XXX	Total assets	<u>\$ 4,920,550</u>	<u>100</u>	<u>\$ 4,384,127</u>	<u>100</u>
Code	Liabilities and Equity				
	Current liabilities				
2100	Short-term borrowings (Note 18)	\$ 430,000	9	\$ 234,000	5
2110	Short-term notes and bills payable (Note 18)	299,917	6	149,966	4
2170	Trade payables	36,164	1	21,049	1
2180	Trade payables to related parties (Note 28)	75,293	1	59,549	1
2200	Other payables (Notes 19 and 28)	83,268	2	52,905	1
2280	Lease liabilities—current (Notes 4 and 14)	6,023	-	6,227	-
2320	Current portion of long-term liabilities (Note 18)	100,000	2	-	-
2399	Other current liabilities	10,307	-	53,003	1
21XX	Total current liabilities	<u>1,040,972</u>	<u>21</u>	<u>576,699</u>	<u>13</u>
	Non-current liabilities				
2540	Long-term borrowings (Note 18)	1,250,000	26	1,120,000	25
2635	Lease liabilities—non-current (Notes 4 and 14)	68,598	1	73,993	2
2640	Net defined benefit liabilities (Notes 4 and 20)	18,888	-	25,498	1
2650	Credit balance for investments accounted for using the equity method (Notes 4 and 12)	-	-	185,906	4
2670	Other liabilities—others	942	-	942	-
25XX	Total non-current liabilities	<u>1,338,428</u>	<u>27</u>	<u>1,406,339</u>	<u>32</u>
2XXX	Total liabilities	<u>2,379,400</u>	<u>48</u>	<u>1,983,038</u>	<u>45</u>
	Equity (Note 21)				
	Share capital				
3110	Ordinary shares	1,593,246	32	1,593,246	36
3200	Capital reserve	585,347	12	551,531	13
	Retained earnings				
3310	Legal reserve	213,042	4	213,042	5
3320	Special reserve	200,987	4	201,090	4
3350	Unappropriated earnings	384,752	8	255,807	6
	Other equity				
3410	Exchange differences on translation of foreign financial statements	(287,085)	(6)	(278,472)	(6)
3420	Unrealized gain on financial assets at fair value through other comprehensive income	(30,403)	-	(33,033)	(1)
3500	Treasury shares	(118,736)	(2)	(102,122)	(2)
3XXX	Total equity	<u>2,541,150</u>	<u>52</u>	<u>2,401,089</u>	<u>55</u>
	Total liabilities and equity	<u>\$ 4,920,550</u>	<u>100</u>	<u>\$ 4,384,127</u>	<u>100</u>

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

(Please refer to the Deloitte & Touche auditors' report dated March 23, 2021.)

Chairman: Kuo Wei-Wu

Manager: Kuo Wei-Wu

Accounting Manager: Hung Ya-Ching

K Laser Technology Inc.
Statement of Comprehensive Income
For the years ended December 31, 2020 and 2019
Unit: In Thousands of New Taiwan Dollars;
Earnings (Loss) Per Share: In New Taiwan Dollar

Code		2020		2019	
		Amount	%	Amount	%
4100	Operating revenue (Notes 4 and 28)	\$ 810,550	100	\$ 650,286	100
5110	Cost of goods sold (Notes 9 and 28)	<u>666,235</u>	<u>82</u>	<u>542,114</u>	<u>83</u>
5900	Gross profit	144,315	18	108,172	17
5910	Unrealized sales profit	(13,202)	(2)	(13,622)	(2)
5920	Unrealized sales profit	<u>4,898</u>	<u>1</u>	<u>13,202</u>	<u>2</u>
5950	Gross profit	<u>136,011</u>	<u>17</u>	<u>107,752</u>	<u>17</u>
	Operating expenses (Note 28)				
6100	Selling and marketing	40,467	5	38,427	6
6200	General and administrative	75,524	9	79,938	12
6300	Research and development	77,842	10	62,515	10
6450	Expected credit impairment (gain on reversal) loss	(<u>694</u>)	<u>-</u>	<u>-</u>	<u>-</u>
6000	Total operating expenses	<u>193,139</u>	<u>24</u>	<u>180,880</u>	<u>28</u>
6900	Loss from operations	(<u>57,128</u>)	(<u>7</u>)	(<u>73,128</u>)	(<u>11</u>)
	Non-operating income and expenses				
7060	Share of profit or loss of subsidiaries and associates accounted for using the equity method (Note 12)	202,008	25	(105,154)	(16)
7100	Interest income (Note 28)	1,291	-	2,618	-
7190	Other income-others (Note 28)	45,592	6	53,245	8
7210	Loss on disposal of property, plant and equipment	(19)	-	(157)	-

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C o d e		2020		2019	
		Amount	%	Amount	%
7230	Loss on foreign exchange	(\$ 10,641)	(1)	(\$ 3,646)	-
7235	Gain on financial assets (liabilities) at fair value through profit or loss	(31)	-	301	-
7510	Interest expense	(25,562)	(3)	(21,406)	(3)
7590	Miscellaneous expense	(7,590)	(1)	(11,306)	(2)
7625	Gain on disposal of investment	2,489	-	45,383	7
7670	Impairment loss	<u>-</u>	<u>-</u>	(<u>4,539</u>)	(<u>1</u>)
7000	Total non-operating income and expenses	<u>207,537</u>	<u>26</u>	(<u>44,661</u>)	(<u>7</u>)
7900	Profit (loss) before tax	150,409	19	(117,789)	(18)
7950	Income tax expense (Notes 4 and 23)	(<u>6,000</u>)	(<u>1</u>)	(<u>2,046</u>)	<u>-</u>
8200	Profit (loss) for the year	<u>144,409</u>	<u>18</u>	(<u>119,835</u>)	(<u>18</u>)
	Other comprehensive income (loss) (Notes 20 and 21)				
8310	Items that will not be reclassified subsequently to profit or loss				
8311	Actuarial gain (loss) on defined benefit plan	236	-	(4,228)	(1)
8316	Unrealized gain (loss) on investments in equity instruments at fair value through othe comprehensive income	1,632	-	(27,690)	(4)
8360	Items that may be reclassified subsequently to profit or loss				
8361	Exchange differences on translation of foreign financial statements	(<u>8,874</u>)	(<u>1</u>)	(<u>82,979</u>)	(<u>13</u>)
8300	Total other comprehensive income (loss)	(<u>7,006</u>)	(<u>1</u>)	(<u>114,897</u>)	(<u>18</u>)
8500	Total comprehensive income (loss) for the year	<u>\$ 137,403</u>	<u>17</u>	(<u>\$ 234,732</u>)	(<u>36</u>)

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Code		2020		2019	
		Amount	%	Amount	%
	Earnings (loss) per share (Note 24)				
	From continuing operations				
9710	Basic	\$ 0.96		(\$ 0.79)	
9810	Diluted	\$ 0.95			

The accompanying notes are an integral part of the financial statements.
(Please refer to the Deloitte & Touche auditors' report dated March 23, 2021.)

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

K Laser Technology Inc.
Statement of Changes in Equity
For the years ended December 31, 2020 and 2019

Unit: In Thousands of New Taiwan Dollars

Code		Ordinary shares	Capital reserve	Retained earnings			Other equity		Transactions of Treasury shares	Total equity
				Legal reserve	Special reserve	Unappropriated earnings	Exchange differences on translation of financial statements of foreign operations	Unrealized loss (gain) on financial assets at fair value through other comprehensive income		
A1	Balance at January 1, 2019	\$ 1,593,246	\$ 529,962	\$ 206,459	\$ 162,918	\$ 488,494	(\$ 195,571)	(\$ 5,574)	(\$ 93,118)	\$ 2,686,816
	Appropriation and distribution of 2018 earnings (Note 21)									
B1	Legal reserve	-	-	6,583	-	(6,583)	-	-	-	-
B3	Special reserve	-	-	-	38,226	(38,226)	-	-	-	-
B5	Cash dividends to shareholders of the Company	-	-	-	-	(62,043)	-	-	-	(62,043)
D1	Net profit for the year ended December 31, 2019	-	-	-	-	(119,835)	-	-	-	(119,835)
D3	Other comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	(4,228)	(82,979)	(27,690)	-	(114,897)
L1	Buy-back of treasury shares (Note 21)	-	-	-	-	-	-	-	(17,422)	(17,422)
L5	Acquisition of the parent company' s shares by subsidiaries as treasury shares (Note 21)	-	-	-	-	-	-	-	(22,785)	(22,785)
N1	Share-based payment transactions (Note 25)	-	21,060	-	-	-	-	-	31,203	52,263
M5	Differences between equity purchase price and carrying amount arising from actual acquisition or disposal of subsidiaries	-	211	-	(54)	(177)	78	231	-	289
M7	Changes in percentage of ownership interests in subsidiaries	-	298	-	-	(1,595)	-	-	-	(1,297)
Z1	Balance at December 31, 2019	1,593,246	551,531	213,042	201,090	255,807	(278,472)	(33,033)	(102,122)	2,401,089
D1	Net profit for the year ended December 31, 2020	-	-	-	-	144,409	-	-	-	144,409
D3	Other comprehensive income (loss) after tax for the year ended December 31, 2020	-	-	-	-	236	(8,874)	1,632	-	(7,006)
L1	Buy-back of treasury shares (Note 21)	-	-	-	-	-	-	-	(77,812)	(77,812)
L7	Disposal of shares of the parent company by subsidiaries to be deemed as treasury share transactions	-	(3,668)	-	-	-	-	-	22,785	19,117
M5	Differences between equity purchase price and carrying amount arising from actual acquisition or disposal of subsidiaries	-	22,969	-	(103)	(11,200)	261	998	-	12,925
M7	Changes in percentage of ownership interests in subsidiaries	-	3,691	-	-	-	-	-	-	3,691
C7	Changes in associates accounted for using the equity method	-	-	-	-	(4,500)	-	-	-	(4,500)
N1	Share-based payment transactions	-	10,824	-	-	-	-	-	38,413	49,237
Z1	Balance at December 31, 2020	\$ 1,593,246	\$ 585,347	\$ 213,042	\$ 200,987	\$ 384,752	(\$ 287,085)	(\$ 30,403)	(\$ 118,736)	\$ 2,541,150

The accompanying notes are an integral part of the financial statements.
(Please refer to the Deloitte & Touche auditors' report dated March 23, 2021.)

Chairman: Kuo Wei-Wu

Manager: Kuo Wei-Wu

Accounting Manager: Hung Ya-Ching

K Laser Technology Inc.

Statement of Cash Flows

For the years ended December 31, 2020 and 2019

Unit: In Thousands of New Taiwan Dollars

Code		2020	2019
	Cash flows from operating activities		
A10000	Profit (loss) before tax	\$ 150,409	(\$ 117,789)
A20010	Incomes, expenses and losses not influencing cash flows		
A20100	Depreciation expense	33,113	34,107
A20200	Amortization expense	764	742
A20300	Expected credit (reversal) loss	(694)	-
A20400	Net (gain) on financial assets at fair value through profit or loss	31	(301)
A20900	Interest expense	25,562	21,406
A21200	Interest income	(1,291)	(2,618)
A21900	Share-based compensation expense	-	20,359
A22300	Share of (profit) loss of subsidiaries and associates accounted for using the equity method	(202,008)	105,154
A22500	Loss on disposal and write-down of property, plant and equipment	19	157
A23100	Gain on disposal of investment	(2,489)	(45,383)
A23700	Impairment loss recognized on financial assets	-	4,539
A23800	Gain on inventory valuation and reversal	(561)	(3,748)
A23900	Unrealized sales profit (loss) among associates	13,202	13,622
A24000	Realized sales profit (loss) among associates	(4,898)	(13,202)
A30000	Net change in operating assets and liabilities		
A31130	Notes receivable	(2,032)	(433)
A31150	Trade receivables	29,152	5,336
A31160	Trade receivables from related parties	(25,181)	6,244
A31180	Other receivables	3,452	(4,019)
A31200	Inventories	16,500	816
A31240	Other current assets	(10,970)	620
A31990	Other non-current assets	1,172	(1,554)
A32130	Notes payable	(612)	-
A32150	Trade payables	(16,177)	(3,745)
A32160	Trade payables to related parties	15,744	15,375
A32180	Other payables	(6,457)	2,467
A32230	Other current assets	5,897	2,078
A32240	Net defined benefit liabilities—current	(6,374)	(1,092)
A33000	Cash generated from operations	15,273	39,138
A33100	Interest received	1,291	2,618
A33300	Interest paid	(24,844)	(19,886)
A33500	Income tax paid	(71)	(5,563)
AAAA	Net cash generated from (used in) operating activities	(8,351)	16,307

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Code		2020	2019
	Cash flows from investing activities		
B00010	Acquisition of financial assets at fair value through other comprehensive income	(\$ 3,000)	\$ -
B00100	Acquisition of financial assets recognized initially at fair value through profit or loss	(3,015)	-
B01800	Acquisition of long-term equity investment accounted for using the equity method	(5,200)	(174,924)
B01900	Proceeds from disposal of long-term equity investment accounted for using the equity method	-	18,830
B00200	Disposal of financial assets recognized initially at fair value through profit or loss	3,309	-
B02200	Cash outflows from acquisition of subsidiaries	(246,557)	-
B02300	Cash inflows from disposal of subsidiaries	44,925	-
B02400	Refunds of share payment due to decrease in capital of investee companies accounted for using the equity method	-	138,054
B02600	Proceeds from disposal of assets held for sale	2,513	-
B02700	Purchase of property, plant and equipment	(10,505)	(8,620)
B02800	Proceeds from disposal of property, plant and equipment	70	13,479
B03700	Decrease (increase) in refundable deposits	3,272	(463)
B04500	Purchase of intangible assets	(149)	-
B05000	Cash and cash equivalents obtained the dissolved company due to business combination	36,464	-
B06600	Increase in other financial assets	(128,445)	-
B07600	Dividends received from subsidiaries and associates	<u>263,622</u>	<u>81,935</u>
BBBB	Net cash generated from (used in) investing activities	(<u>42,696</u>)	<u>68,291</u>
	Cash flows from financing activities		
C00200	Decrease in Short-term borrowings	(48,234)	(61,000)
C00600	Increase in short-term notes and bills payable	100,018	50,000
C01600	Long-term borrowings	250,000	870,000
C01700	Repayments of Long-term borrowings	(90,000)	(770,000)
C04200	Repayment of principal portion of lease liabilities	(6,310)	(6,189)
C04500	Dividends paid	-	(62,043)
C04900	Payments for buy-back of treasury shares	(77,812)	(17,422)
C05100	Purchase of treasury shares by employees	<u>-</u>	<u>81,141</u>
CCCC	Net cash generated from financing activities	<u>127,662</u>	<u>84,487</u>

EEEE	Increase in cash and cash equivalents for the year	76,615	169,085
E00100	Cash and cash equivalents at the beginning of the year	<u>283,611</u>	<u>114,526</u>
E00200	Cash and cash equivalents at the end of the year	<u>\$ 360,226</u>	<u>\$ 283,611</u>

The accompanying notes are an integral part of the financial statements.
(Please refer to the Deloitte & Touche auditors' report dated March 23, 2021.)

Chairman: Kuo Wei-Wu

Manager: Kuo Wei-Wu

Accounting Manager: Hung Ya-Ching

K Laser Technology Inc.
Disposition of Net Profit
2020

“Annex 5”

		Unit: NT\$
Item	Amount	
Undistributed profits at the beginning of period		255,806,804
Profit after tax in 2020		144,408,982
Investment adjustment retained earnings using equity method		(4,500,010)
Retain profits due to long-term equity investment adjustment		(11,200,343)
Comprehensive income in 2020		236,049
Undistributed profits after adjustment		384,751,482
List 10% of legal profit reserves according to law		(12,894,468)
List special profit reserves according to law		(116,500,976)
Distributable Profit		255,356,038
Distribution Item		
Shareholders' Bonus - Cash (Each share distribute NT\$ 0.96) (Notes)		(144,220,446)
Undistributed profits at the end of period		111,135,592

Note 1: Shareholders' bonus is based on 150,229,631 outstanding shares in March 2021.

If the Company subsequently repurchase the Company's shares or transfers, converts and cancels the treasury shares, the corporate bond creditors execute the conversion rights and the employees execute the share subscription rights according to the share subscription method of the share option certificate, etc., resulting in the change of the outstanding shares and the need to adjust the dividend rate, the Chairman shall be authorized to take full measures.

Note 2: Authorize the chairman to handle the ex-dividend base date.

Chairman: Kuo Wei-Wu

Manager: Kuo Wei-Wu

Accounting Supervisor: Hung Ya-Ching

K Laser Technology Inc.
Provision Comparison Table Before/After Revision of Corporation Bylaws

Provision After Revision	Original Provision	Revision Description
Article 2: The businesses operated by the Company are as follows: <u>CC01080</u> Electronic Parts and Components Manufacturing <u>CC01100</u> Restrained Telecom Radio Frequency Equipments and Materials Manufacturing <u>CE01030</u> Photographic and Optical Equipment Manufacturing <u>G903010</u> <u>Telecommunications Enterprises</u> <u>I301010</u> Software Design Services <u>CA04010</u> <u>Surface Treatments</u> <u>F401010</u> <u>International Trade</u> 1. Research, Development, Design, Producing, Manufacturing and Sales: (1) <u>Hologram</u> (2) <u>Laser CD and Optical Disk</u>. (3) Photomagnetic Disk. (4) <u>Embossing Machine</u>. (5) <u>Electroforming System</u> , <u>Equipment and Material</u>. (6) <u>Embossing Material</u> (7) <u>Electro-Optics Apparatus and Instrument</u>. (8) <u>Precision Optical Element and Component</u> (9) <u>Optical Coating</u>. (10) <u>Smart Card, Security Card and Related Equipment</u>. (11) LCOS Projection Engine (12) Projector, Smart Projector and Optical touch module (13) Digital wireless public address system 2. Import and export trade of the above-mentioned related products.	Article 2: The businesses operated by the Company are as follows: 1. Research, Development, Design, Producing, Manufacturing and Sales: (1) HOLOGRAM. (2) LASER CD and OPTICAL DISK. (3) Photomagnetic Disk. (4) EMBOSSING MACHINE (5) ELECTROFORMING SYSTEM, EQUIPMENT AND MATERIAL. (6) EMBOSSING MATERIAL. (7) ELECTRO-OPTICS APPARATUS AND INSTRUMENT. (8) PRECISION OPTICAL ELEMENT AND COMPONENT. (9) OPTICAL COATING. (10) SMART CARD, SECURITY CARD AND RELATED EQUIPMENT. (11) Electronic Parts and Components Manufacturing (12) Restrained Telecom Radio Frequency Equipments and Materials Manufacturing (13) Photographic and Optical Equipment Manufacturing (14) Restrained Telecom Radio Frequency Equipments and Materials Import (15) Software Design Services (16) LCOS Projection Engine (17) Projector, Smart Projector and Optical touch module (18) Digital wireless public address system 2. Import and export trade of the above-mentioned related products.	Revise according to practical needs

Provision After Revision	Original Provision	Revision Description
Chapter 2 Share Article 5: The total capital of the Company is set at NT\$ 3 billion, which is divided into 300 million shares, with amount of each share is NT\$ 10.00, of which the unissued shares are authorized to be issued by the board of directors in several installments, and the shares with large face value may be issued due to business needs. Twenty million shares, accounting for NT\$ 200 million, are retained in the total capital referred to in the preceding paragraph, and the equity security, special shares with warrants or corporate bonds with warrants are used for the exercise of stock options.	Chapter 2 Share Article 5: The total capital of the Company is set at NT\$ 2 billion, which is divided into 200 million shares, with amount of each share is NT\$ 10.00, of which the unissued shares are authorized to be issued by the board of directors in several installments, and the shares with large face value may be issued due to business needs. Twenty million shares, accounting for NT\$ 200 million, are retained in the total capital referred to in the preceding paragraph, and the equity security, special shares with warrants or corporate bonds with warrants are used for the exercise of stock options.	Revise according to practical needs
Chapter 7 By-law (Ignored) The 25th revision on May.31, 2019. The 26th revision on May. 28, 2020. <u>The 27th revision on May.28, 2021</u>	Chapter 7 By-law (Ignored) The 25th revision on May.31, 2019. The 26th revision on May. 28, 2020.	Add revision date

Rules of Procedure for Shareholder Meeting

Provision Comparision Table Before/After Revision

Provision After Revision	Original Provision	Revision Description
Article 5: The shareholders' meeting of the Company shall be convened by the board of directors unless otherwise stipulated by laws and regulations. If the shareholders' meeting is convened by the board of directors, its chairman shall be the chairman. If the chairman takes leave or is unable to exercise his functions and powers for some reason, the chairman shall appoint one director to act for him. If the chairman fails to appoint an agent, the directors shall push one another to act for him. If the shareholders' meeting is convened by a convener other than the board of directors, its chairman shall be the convener. The Company shall, 30 days before the Annual General Meeting or 15 days before the temporary shareholders' meeting, make electronic files of the notice of shareholders' meeting, the paper of power of attorney, the case and explanatory materials of various proposals such as recognition cases, discussion cases, selection or dismissal of directors, etc., and send them to the public information observatory. In addition, 21 days before Annual General Meeting or 15 days before the temporary shareholders' meeting, the shareholders' meeting meeting handbook and meeting supplementary materials shall be made into electronic files and sent to the public information observatory. Fifteen days before the meeting of the shareholders' meeting, the minutes handbook and supplementary materials of the meeting shall be prepared for shareholders to consult at any time, and shall be displayed in the Company and the stock affairs agency appointed by the Company, and shall be distributed at the meeting site. The notice and announcement shall specify the reasons for convening; If the notification is approved by the opposite party, it can be made electronically. Selection or dismissal of directors, change of bylaws, capital reduction, application for suspension of public offering, non-competition permission of directors, transfer of profit to capital, transfer of reserve to capital, dissolution, merger, division of companies, or matters in paragraph 1 of Article 185 of the <u>Company Law</u>, <u>Articles 26-1, 43-6 of the Securities Exchange Act</u>, <u>Articles 56-1 and 60-2 of the Guidelines for Offering and Issuing Securities by Publisher</u> shall be listed in the convening reasons and their main contents shall be explained, without proposing by extempore motion. The reasons for convening the shareholders' meeting have stated the overall re-election of directors and the date of taking office. After the re-election of the shareholders' meeting is completed, the date of taking office may not be changed by temporary motion or other means at the	Article 5: The shareholders' meeting of the Company shall be convened by the board of directors unless otherwise stipulated by laws and regulations. If the shareholders' meeting is convened by the board of directors, its chairman shall be the chairman. If the chairman takes leave or is unable to exercise his functions and powers for some reason, the chairman shall appoint one director to act for him. If the chairman fails to appoint an agent, the directors shall push one another to act for him. If the shareholders' meeting is convened by a convener other than the board of directors, its chairman shall be the convener. The Company shall, 30 days before the Annual General Meeting or 15 days before the temporary shareholders' meeting, make electronic files of the notice of shareholders' meeting, the paper of power of attorney, the case and explanatory materials of various proposals such as recognition cases, discussion cases, selection or dismissal of directors, etc., and send them to the public information observatory. In addition, 21 days before Annual General Meeting or 15 days before the temporary shareholders' meeting, the shareholders' meeting meeting handbook and meeting supplementary materials shall be made into electronic files and sent to the public information observatory. Fifteen days before the meeting of the shareholders' meeting, the minutes handbook and supplementary materials of the meeting shall be prepared for shareholders to consult at any time, and shall be displayed in the Company and the stock affairs agency appointed by the Company, and shall be distributed at the meeting site. The notice and announcement shall specify the reasons for convening; If the notification is approved by the opposite party, it can be made electronically. Electing or dismissing directors, changing bylaws, reducing capital, applying to stop public offering, directors' non-competition permission, transferring profit to capital increase, transferring reserve to capital increase, company dissolution, merger, division, or various items in Item 1 of Article 185 shall be listed in the convening reasons and explain their main contents, and shall not be proposed by extempore motion; Its main contents may be placed on the website designated by the securities authority or the company, and its website address shall be stated in the notice. The reasons for convening the shareholders' meeting have stated the overall re-election of directors and the date of taking office. After the re-election of the shareholders' meeting is	According to the reference example of the revised "Rules of Procedure for the Shareholders' Meeting of oo Co., Ltd." issued by Taiwan Stock Exchange on January 28, 2021 (TZJGZZ No.1100014461), it is revised.

Provision After Revision	Original Provision	Revision Description
same meeting. Shareholders holding more than 1% of the total number of issued shares may submit a resolution of the Annual General Meeting to the Company, with only one resolution. Any resolution with more than one resolution shall not be included in the resolution. However, the shareholders' proposal is to urge the company to promote public interests or fulfill social responsibilities, and the board of directors may still include the proposal. In addition, if the proposal put forward by shareholders falls into one of the situations in Item 4 of Article 172-1 of the Company Law, the board of directors may not list it as a proposal. The Company shall announce the acceptance of shareholders' proposal, written or electronic acceptance method, acceptance place and acceptance period before the stock transfer stop date before the shareholders' regular meeting; The acceptance period shall not be less than ten days. The proposal put forward by shareholders is limited to 300 words, and if it exceeds 300 words, the proposal will not be included in the resolution; The shareholders of the proposal shall attend the shareholders' regular meeting in person or entrust others to participate in the discussion of the resolution. The Company shall notify the proposer shareholders of the processing results before the date of the notice of convening the shareholders' meeting, and list the proposals in accordance with the provisions of this Article in the notice of meeting. For shareholders' proposals that are not included in the resolution, the board of directors shall explain the reasons for not including them at the shareholders' meeting.	completed, the date of taking office may not be changed by temporary motion or other means at the same meeting. Shareholders holding more than 1% of the total number of issued shares may submit a resolution of the Annual General Meeting to the Company, with only one resolution. Any resolution with more than one resolution shall not be included in the resolution. However, the shareholders' proposal is to urge the company to promote public interests or fulfill social responsibilities, and the board of directors may still include the proposal. In addition, if the proposal put forward by shareholders falls into one of the situations in Item 4 of Article 172-1 of the Company Law, the board of directors may not list it as a proposal. The Company shall announce the acceptance of shareholders' proposal, written or electronic acceptance method, acceptance place and acceptance period before the stock transfer stop date before the shareholders' regular meeting; The acceptance period shall not be less than ten days. The proposal put forward by shareholders is limited to 300 words, and if it exceeds 300 words, the proposal will not be included in the resolution; The shareholders of the proposal shall attend the shareholders' regular meeting in person or entrust others to participate in the discussion of the resolution. The Company shall notify the proposer shareholders of the processing results before the date of the notice of convening the shareholders' meeting, and list the proposals in accordance with the provisions of this Article in the notice of meeting. For shareholders' proposals that are not included in the resolution, the board of directors shall explain the reasons for not including them at the shareholders' meeting.	According to the reference example of the revised "Rules of Procedure for the Shareholders' Meeting of oo Co., Ltd." issued by Taiwan Stock Exchange on January 28, 2021 (TZJGZZ No.1100014461), it is revised.
Article 8 When the meeting starts, the chairman shall announce the meeting to start immediately, <u>and at the same time announce the relevant information such as non-voting rights and attending shares.</u> However, if shareholders representing more than half of the total number of issued shares are not present, the chairman may announce the postponement of the meeting, and the times of postponements shall be limited to two, and the total postponement time shall not exceed one hour. If the delay for twice is still insufficient and shareholders representing more than 1/3 of the total issued shares are present, it may be deemed as a false resolution according to Item 1 of Article 175 of the Company Law. Before the end of the current meeting, if the number of shares represented by the shareholders present reaches more than half of the total issued shares, the chairman may make a false resolution and submit it to the General Assembly for voting in accordance with Article 174 of the Company Law.	Article 8 When the meeting starts, the chairman shall announce the meeting to start immediately. However, if shareholders representing more than half of the total number of issued shares are not present, the chairman may announce the postponement of the meeting, and the times of postponements shall be limited to two, and the total postponement time shall not exceed one hour. If the delay for twice is still insufficient and shareholders representing more than 1/3 of the total issued shares are present, it may be deemed as a false resolution according to Item 1 of Article 175 of the Company Law. Before the end of the current meeting, if the number of shares represented by the shareholders present reaches more than half of the total issued shares, the chairman may make a false resolution and submit it to the General Assembly for voting in accordance with Article 174 of the Company Law.	According to the reference example of the revised "Rules of Procedure for the Shareholders' Meeting of oo Co., Ltd." issued by Taiwan Stock Exchange on January 28, 2021 (TZJGZZ No.1100014461), it is revised.

Provision After Revision	Original Provision	Revision Description
Article 19 When there is a proposal to elect directors at the shareholders' meeting, it shall be handled in accordance with the relevant election standards set by the Company, and the election results shall be announced on the spot, including the list of elected directors and their election weights, and the list of unelected directors and supervisors and their obtained voting rights. The electoral votes for the electoral matters referred to in the preceding paragraph shall be sealed and signed by the scrutinizer, and shall be properly kept for at least one year. However, if the shareholder brings the lawsuit in accordance with Article 189 of the Company Law, it shall be kept until the end of the lawsuit.	Article 19 When there is resolution to elect directors in the shareholders' meeting, it shall be handled in accordance with the relevant selection standards set by the Company, and the election results shall be announced on the spot, including the list of elected directors and their election weights. The electoral votes for the electoral matters referred to in the preceding paragraph shall be sealed and signed by the scrutinizer, and shall be properly kept for at least one year. However, if the shareholder brings the lawsuit in accordance with Article 189 of the Company Law, it shall be kept until the end of the lawsuit.	According to the reference example of the revised "Rules of Procedure for the Shareholders' Meeting of oo Co., Ltd." issued by Taiwan Stock Exchange on January 28, 2021 (TZJGZZ No.1100014461), it is revised.

Provision After Revision	Original Provision	Revision Description
Article 24: By-laws Any matters not covered in this procedure shall be handled in accordance with relevant laws and regulations. This procedure was formulated on June. 21, 1998. The 1st revision on April.12, 2000. The 2nd revision on March. 28, 2001. The 3rd revision on May. 27, 2002. The 4th revision on May. 28, 2020. <u>The 5th revision on May. 28, 2021.</u>	Article 24: By-laws Any matters not covered in this procedure shall be handled in accordance with relevant laws and regulations. This procedure was formulated on June. 21, 1998. The 1st revision on April.12, 2000. The 2nd revision on March. 28, 2001. The 3rd revision on May. 27, 2002. The 4th revision on May. 28, 2020.	Add revision date.

2021 Measures for the issuance of new shares restricting employees' rights

Revision date of Board of Directors is March 23, 2021

Chapter 1: Issuance Purpose

In order to attract and accept key talents and achieve the company's medium and long-term goals, the Company can encourage employees to go all out to achieve the Company's operational goals, create a higher profit for the Company and shareholders, and ensure the combination of the interests of employees and shareholders, in accordance with Article 267, Item 9, of the Company Law and the relevant provisions of the "Guidelines for the Offering and Issuance of Securities by Publishers" (hereinafter referred to as the "Guidelines for Offering and Issuance"), the Company's Measures for the issuance of new shares restricting employees' rights (hereinafter referred to as the "Measures") are formulated.

Article 2: Issuance Period

It shall be reported once or in installments within one year from the date of the resolution of the shareholders' meeting, and shall be issued once or in installments according to actual needs within one year from the date of arrival of the effective notice of approval of the declaration by the competent authority, and the actual issuance date shall be determined by the chairman authorized by the board of directors.

Article 3: Issuance Condition

(i) Issuance Price: Free issuance, issuance price per share is NT\$ 0.

(ii) The types of shares issued and given to employees this time are ordinary shares and new shares, and their rights and obligations are the same as those of other common shares in circulation, except for the rights restricted before the vested conditions are met in accordance with Article 6.

(iii) Vesting Conditions

Employees are still in office on each vested day after being allocated new shares that restrict employees' rights, and during this period, the Company has determined that there has been no violation of the Company's labor contract, employee code of conduct, trust deed, corporate governance code of practice, code of good faith operation, working rules, code of non-competition and confidentiality, or contractual agreement with the Company, etc., and achieved the following operational objectives set by the Company:

(1) The 1st Year Expiration: The operating revenue of each individual hologram increased by more than 10% (included) compared with the previous year.

(2) The 2nd Year Expiration: The operating revenue of each individual hologram

increased by more than 15% (included) compared with the previous year.

(3) The 3rd Year Expiration: The operating revenue of each individual hologram increased by more than 16% (included) compared with the previous year.

(4) The 4th Year Expiration: The operating revenue of each individual hologram increased by more than 17% (included) compared with the previous year.

(5) The 15th Year Expiration: The operating revenue of each individual hologram increased by more than 17% (included) compared with the previous year.

The vested proportions on the vested days of each year are as follows. If the vesting conditions are not met, the Company will not take back the new shares with limited employee rights in that year and continue to deliver them to the trust for safekeeping. After the expiration of five years, when the employees meet the vesting conditions and the operating income of each individual in the fifth year expiration, it will be more than 100% (included) higher than that in 2020.

(1) The expiration of 1 year: 15%

(2) The expiration of 2 years: 15%

(3) The expiration of 3 years: 20%

(4) The expiration of 4 years: 20%

(5) The expiration of 5 years: 30%

(iv) Treatment of employees failing to reach vesting conditions

1. If an employee fails to meet the personal performance evaluation index and the company's operation target after being allocated with new shares restricting employees' rights, if he/she is absent from work on a vested day, violates the circumstances listed in Paragraph 1, Item 3, Article 3, etc., he/she will return the new shares restricting employees' rights without compensation and cancel them.

2. During the vested period, if an employee voluntarily leaves his position, dismisses or is laid off, the Company will take back the shares he/she has not vested without compensation and cancel them.

(v) When the following reasons occur, the new shares that have not been vested to restrict employees' rights shall be handled in the following ways:

1. Temporary leave without salary:

The rights and obligations of new shares that have not yet been vested to restrict employees' rights are not affected, but still need to be determined in accordance with these Measures; However, in addition to the vesting conditions stipulated in these Measures, the actual shares vested in each year shall be calculated according to the proportion of employees' actual working months in each operating target year. On the vested date, if it is in a state of temporary leave without salary, it will be deemed that the vesting conditions have not been met, and the Company will take back the new shares restricting employees' rights free of charge and cancel them.

2. Transfer related enterprise:

If a related enterprise is transferred upon its own request, the Company will take back the new shares which have not yet been vested and which restrict the rights of employees without compensation. If, due to the operational needs of the Company, it is approved by the Company to be transferred to a related enterprise, the rights and obligations of the new shares that have not yet been vested to restrict the rights of employees will not be affected, but still need to be determined in accordance with these Measures; The Company's operating objectives are calculated based on the achievement of the company's operating objectives, but the personal performance objectives need to be re-measured by the performance standards after being transferred to related enterprises; In addition, it is necessary to continue to work for related enterprises or the Company on the existing day, otherwise, it will be deemed that the vesting conditions are not met, and our company will take back the new shares that have not been vested and restrict the rights of employees without compensation and cancel them.

3. Retirement

The rights and obligations of new shares that have not yet been vested to restrict employees' rights are not affected, and still need to be determined in accordance with these Measures; However, in addition to the vesting conditions stipulated in these Measures, the actual shares vested in each year shall be calculated according to the proportion of employees' actual working months in each operating target year.

4. Unable to continue to hold office due to physical disability caused by occupational disaster:

New shares with limited employee rights that have not yet been vested can be vested on the date of departure, but for the vested years in which the Company's operation and personal performance goals have been confirmed, the actual shares vested in each year shall be calculated according to the vesting conditions stipulated in these Measures; For vested years when it is impossible to confirm the degree of achievement of the Company's operation and personal performance objectives, all the new shares that have not yet been vested and restrict employees' rights can be vested.

5. Common death or death due to occupational disaster:

When an employee dies, he has not vested new shares that restrict employee rights, and the heirs can apply to receive the shares they should inherit or the rights and interests that have been disposed of after completing the necessary legal procedures and providing relevant supporting documents. However, if an employee dies, the actual shares that can be acquired in each vested year for which the degree of achievement of the Company's operation and personal performance goals has been confirmed shall be calculated according to the acquired conditions set out in these Measures; For vested years when it is impossible to confirm the degree of achievement of the company's operation and personal performance objectives, all the new shares that have not yet been acquired and restrict employees' rights can be vested.

6. If the company makes organizational adjustment according to the M&A law, it has not

already restricted its employees

Rights new shares shall be regarded as having achieved the vesting conditions or failing to reach the vesting conditions and the ratio of the vesting conditions to the vested ones, and shall be approved by the board of directors.

7. In case of special circumstances, such as outstanding contributions of employees to the Company, when the employment relationship is terminated, the new shares that have not yet been vested to restrict employees' rights shall be deemed to have reached the vesting conditions or failed to reach the vesting conditions and the vested ratio, and the chairman shall be authorized to make individual approval according to the actual conditions, but the manager shall first obtain the approval of the remuneration committee.

(vi) The Company will cancel the new shares with restricted employees' rights which are recovered by the Company free of charge.

Article 4: Total Amount of Issuance

A total of 5,000,000 new shares of common stock were issued and granted to employees this time, with face value of NT\$ 10.00, and total amount of NT\$ 50,000,000.

Article 5: Qualification Condition of Employee

- (i) The full-time employees of the Company and controlled or subordinate companies that meet certain conditions have achieved certain performance and met the following principles on each vested day after being allocated new shares with limited employee rights:
1. It is highly related to the Company's future strategic development
 2. Core Key Technical Talent
- (ii) The number of new shares that can be allocated to restrict employees' rights shall be approved based on work years, position level, position, work performance, overall contribution, special achievement or other reference to management and other factors, by the chairman of the board of directors and then reported to the board of directors for approval. However, employees who are directors and managers should first obtain the approval of the Remuneration Committee.
- (iii) Individuals holding more than 10% of the issued common shares of the Company are not eligible for issuance. Remuneration Committee members and board members without employee status are not eligible for payment.
- (iv) The cumulative number of shares acquired by a single employee to restrict employees' rights plus the cumulative number of subscribed shares issued with employee stock options issued by the Company in accordance with Paragraph 1 of Article 56-1 of the Offering Standards shall not exceed three thousandth of the total issued shares of the Company, and the cumulative number of subscribed shares issued with employee stock options issued by the Company in accordance with Paragraph 1 of Article 56 of the Offering Standards shall not exceed one percent of the total issued shares of the Company. If the project is approved by the competent authority of each central purpose enterprise, the total number of employees'

share option certificates and new shares that restrict employees' rights obtained by a single employee may not be restricted by the preceding proportion. If the competent authority updates the relevant regulations, it shall comply with the updated laws and regulations of the competent authority.

Article 6: The rights restricted before the vesting conditions are met after the allocation of new shares

- (i) The employee shall not sell, pledge, transfer, give to others, set up, or divide the new shares that restrict the employee's rights in other ways, except for inheritance, before the vesting conditions are reached after being allocated with new shares.
- (ii) The rights of attending, proposing, speaking, voting and election rights of the shareholders' meeting are the same as those of the issued common shares of the Company, and shall be implemented in accordance with the trust custody contract.
- (iii) Before the vested conditions are met, the new shares allocated to employees in accordance with these Measures will not have the right to distribute profit (including but not limited to dividends, dividends, statutory reserves and the right to allocate capital reserves) and the right to cash capital increase.
- (iv) If it is returned to the present due to the capital reduction of the company during the vested period, the capital reduction refund that has not been vested due to the allocation shall be delivered to the trust, and when the vesting conditions and deadlines are reached, it shall be delivered to the employees without interest together with the vested shares; However, when the expiry date fails to meet the acquired conditions, the Company will recover the cash.
- (v) The transfer stop date of the company's free share allotment, cash dividend, cash capital increase and subscription, the transfer stop period of shareholders' meeting as stipulated in Paragraph 3, Article 165 of the Company Law, or other legal transfer stop period occurring according to the facts until the base date of rights distribution. For employees who meet the vested conditions during this period, the time and procedures for lifting the restrictions on their vested shares shall be implemented in accordance with the trust custody contract or relevant laws and regulations.

Article 7: Other Appointed Matters

- (i) After the issuance of new shares that restrict employees' rights, stock trust custody shall be handled. And before the vesting conditions are fulfilled, the employee shall not request the trustee to return the new shares that restrict the employee's rights for any reason or manner.
- (ii) During the period when the new shares with restricted employees' rights are delivered to the trust custody, the Company or the person designated by the Company shall have full authority to negotiate, sign, revise, extend, dissolve and terminate the trust custody contract with the stock trust custody institution, and give instructions on the delivery, use and disposition of the trust custody property.

Article 8: Signing Contract and Confidentiality

- (i) Employees who are allocated new shares with restricted employees' rights shall be deemed to have obtained new shares with restricted employees' rights only after signing the "Acceptance Agreement for New Shares with Restricted Employees' Rights" and handling relevant trust custody procedures according to the notice of the organizer of the company. If the signing of relevant documents is not completed according to regulations, it shall be deemed as giving up new shares restricting employees' rights.
- (ii) Employees and any owners who have obtained new shares and derivative rights that restrict employees' rights through these Measures shall abide by the provisions of these Measures and the "Consent for Receiving New Shares that Restrict Employees' Rights", and offenders shall be deemed to have failed to meet the vested conditions; In addition, the Company shall abide by the salary confidentiality regulations of the Company, and shall not inquire about others or disclose the relevant contents and quantity of the granted new shares with limited employee rights, or inform others of the relevant contents and personal rights of this case. In case of any violation, the Company has the right to recover and cancel the new shares with limited employee rights that have not yet reached the vested conditions without compensation.

Article 9: Tax

The taxes related to the new shares with restricted employee rights allocated in accordance with these Measures shall be handled in accordance with the regulations of the then ROC.

Article 10: Other Important Matters

- (i) These Measures shall come into effect after being attended by more than two-thirds of the directors of the board of directors and approved by more than one-half of the directors present, and reported to the competent authority after passing the resolution of the shareholders' meeting. If it is necessary to amend the regulations due to the revision of laws and regulations, the audit requirements of the competent authority and other factors, the chairman of the board of directors shall be authorized to amend the regulations, and then the regulations shall be submitted to the board of directors for ratification before issuance.
- (ii) If there are any matters not covered in these Measures, unless otherwise provided by laws and regulations, the board of directors or its authorized person shall be fully authorized to amend or implement them in accordance with relevant laws and regulations.

Corporation Bylaws of K Laser Technology Inc.

Chapter I. General Principle

“Appendix 1”

Article 1: The Company is organized as a joint stock company in accordance with the company law of the Republic of China, and its name is Quanqun Laser Technology Co., Ltd., and its English name is Klaser Technology Inc.

Article 2: The businesses operated by the Company are as follows:

1. Research, Development, Design, Producing, Manufacturing and Sales:
 - (1) HOLOGRAM.
 - (2) LASER CD and OPTICAL DISK.
 - (3) Photomagnetic Disk.
 - (4) EMBOSSING MACHINE
 - (5) ELECTROFORMING SYSTEM, EQUIPMENT AND MATERIAL.
 - (6) EMBOSSING MATERIAL.
 - (7) ELECTRO-OPTICS APPARATUS AND INSTRUMENT.
 - (8) PRECISION OPTICAL ELEMENT AND COMPONENT.
 - (9) OPTICAL COATING.
 - (10) SMART CARD, SECURITY CARD AND RELATED EQUIPMENT.
 - (11) Electronic Parts and Components Manufacturing.
 - (12) Restrained Telecom Radio Frequency Equipments and Materials Manufacturing.
 - (13) Photographic and Optical Equipment Manufacturing.
 - (14) Restrained Telecom Radio Frequency Equipments and Materials Import.
 - (15) Software Design Services.
 - (16) LCOS Projection Engine.
 - (17) Projector 、 Smart Projector 、 Optical touch module.
 - (18) Digital wireless public address system.
2. Import and export trade of the above-mentioned related products.

Article 3: The Company has its head office in Hsinchu Science and Technology Industrial Park, and if necessary, it will set up branches inside and outside after being approved by the Board of Directors and submitted to the competent authority.

Article 4: This Company may provide guarantee for relevant enterprises.

The total reinvestment of the Company shall exceed 40% of the paid-in share capital.

Chapter 2 Share

Article 5: The total capital of the Company is set at NT\$ 2 billion, which is divided into 200 million shares, with an amount of NT\$ 10.00 per share, of which the unissued shares are authorized to be issued by the board of directors in several installments, and large denomination shares may be issued due to business needs. Twenty million shares, accounting for NT\$ 200 million, are retained in the total capital referred to in the preceding paragraph, and the equity security, special shares with warrants or corporate bonds with warrants are used for the exercise of stock options.

Article 6: Deleted

Article 7: All the shares of the Company are registered, signed or sealed by the directors on behalf of the Company, and issued after being certified by a bank who can act as the issuer of shares according to law. The shares issued by this Company may be exempted from printing stocks, but it shall be registered with a centralized securities depository institution.

Article 8: Deleted

Article 9: Except as otherwise provided by laws and securities regulations, the Company's stock affairs shall be handled in accordance with the "Standards for Handling Stock Affairs of Companies Offering Shares to the Public".

Article 10: Treasury stocks bought by the Company shall be transferred to employees of controlled and subordinate companies who meet certain conditions, and their conditions and transfer methods shall be authorized by the board of directors to decide.

The employees' share option certificates of the Company are issued to employees of controlled and subordinate companies who meet certain conditions, and the conditions and issuing methods authorize the board of directors to make resolutions.

When the Company issues new shares, the employees who take over the shares include employees of controlled and subordinate companies who meet certain conditions, and their conditions and methods of taking over are authorized by the Board of Directors.

The objective of issuing new shares to restrict employees' rights include employees of controlled and subordinate companies who meet certain conditions, and their conditions and distribution methods are authorized by the board of directors for resolution.

Chapter 3 Shareholder Meeting

Article 11: Within 60 days before the Annual General Meeting, 30 days before the temporary shareholders' meeting, or 5 days before the benchmark date when the company decides to distribute dividends and bonuses or other benefits, the transfer of shares will stop.

Article 12: There are 2 types of shareholders' meeting: annual general meeting and temporary shareholders meeting.

The general meeting shall be convened by the board of directors within 6 months after the end of the fiscal year.

Temporary shareholders' meeting shall be convened in accordance with relevant laws and regulations when necessary.

Article 13: Shareholders shall be notified 30 days before the convening of the shareholders' meeting, and shareholders shall be notified 15 days before the convening of the temporary shareholders' meeting.

The reasons for convening shall be stated in the notice and announcement.

Article 14: Unless otherwise provided by laws and regulations, the shareholders of the Company shall have one vote per share.

Article 15: Where shareholders representing more than half of the total issued shares or their authorized representatives are present at the shareholders' meeting, a quorum shall be present. The resolutions of the shareholders' meeting shall be carried out with the consent of more than half of the voting rights of the shareholders present. However, changes to the corporation bylaws, capital increase, capital reduction, dissolution or merger for the acts listed in Article 185 of the Company Law shall be made in accordance with Articles 185, 277 and 316 of the Company Law respectively.

Article 16: If a shareholder is unable to attend the meeting, he may issue a power of attorney issued by the Company, stating the scope of authorization to entrust an agent to attend the meeting. However, when one person is entrusted by two or more shareholders at the same time, the voting rights of his proxy shall not exceed 3% of the total voting number of issued shares.

Unless otherwise stipulated in the Company Law, the method of proxy attendance by shareholders shall be handled in accordance with the Rules for Public Companies to Use Power of Attorney to Attend Shareholders' Meetings promulgated by the competent authority.

Article 17: The chairman shall be the chairman of the shareholders' meeting. If the chairman is absent, the chairman shall appoint one director to act as his agent. If the chairman fails to appoint a director to act as his agent, the directors shall push each other to be the chairman.

Article 18: Minutes of the resolutions of the shareholders' meeting shall be made, signed or sealed by the chairman,

and distributed to all shareholders within 20 days after the meeting.

The minutes of the preceding paragraph may be distributed by public announcement.

The minutes shall record the year, month, day and place of the meeting, the name of the chairman, the resolution method, the essentials of the proceedings and their results, and shall be kept permanently during the Company's existence.

The signature book of attending shareholders and the power of attorney for proxy attendance shall be kept for at least one year. However, if the shareholder brings the lawsuit in accordance with Article 189 of the Company Law, it shall be kept until the end of the lawsuit.

Chapter 4 Board of Directors and Audit Committee

Article 19: The Company shall have 7 to 9 directors, who shall be selected by the shareholders' meeting from the list of candidates in accordance with Article 192-1 of the Company Law, with a term of three years, and shall be eligible for re-election. The total shares of registered shares of the Company held by all directors are determined in accordance with the standards stipulated in the Rules for the Implementation of Share Percentage and Auditing of Directors and Supervisors of Public Companies promulgated by the Financial Regulatory Commission of the Executive Yuan.

Among the number of directors mentioned in the preceding paragraph, the number of independent directors shall be at least three, and shall not be less than 1/5 of the number of directors, and their qualifications shall be prescribed by the competent authority.

Article 19-1: The Company may purchase liability insurance for directors' compensation liabilities in accordance with the law during their term of office.

Article 19-2: When the directors of the Company perform their duties in the Company, regardless of the operating profit or loss of the Company, the Company may pay remuneration, and the remuneration shall be authorized by the Board of Directors to negotiate on the basis of their participation in the operation of the Company and the value of their contribution, and according to the common standards of their peers. If the Company has profit, the remuneration shall be distributed according to Article 32.

Article 20: The convening of the board of directors shall specify the reasons and notify all directors 7 days in advance, but it may be convened at any time in case of emergency. The convening of the board of directors of the Company may be notified to each director in writing, by email or by fax.

Article 21: The directors of the Company shall elect one person from among themselves as the chairman. The chairman is the chairman of the board meeting and represents the company externally. If the chairman is unable to exercise his functions and powers for some reason, the chairman shall appoint one director to act for him. If the chairman does not appoint an agent, the directors shall push one another to act for him.

Article 22: When the board of directors is informed that more than half of the directors are present at the meeting, it is a quorum. However, in order to act as stipulated in Article 185 of the Company Law and elect the chairman, more than 2/3 of the directors should be present to form a quorum, and the actions of the board of directors must at least have the consent of the majority of the directors present.

Article 23: The duties of the board of directors are as follows:

1. Approve important rules and regulations.
2. Approve the business plan.
3. Review the budget and final accounts.
4. Appoint and dismiss the manager of the company.
5. Propose the resolution of distributing profit or making up losses.
6. Propose the resolution to increase or decrease capital.

7. Other functions and powers according to the Company Law or resolutions of the shareholders' meeting.

Article 24: When the board of directors meets, the directors shall attend the meeting in person or by video. The directors who are unable to attend may authorize other directors to attend in writing, but each director can only represent one director who is unable to attend.

Article 25: The board of directors may appoint a secretary to handle the company's clerical business according to the instructions of the board of directors.

Article 26: The board of directors of the Company may set up functional committees, whose membership, exercise of authority and related matters shall be handled in accordance with relevant laws and regulations, and shall be separately determined by the board of directors.

The Company has set up an audit committee to replace the supervisor.

The Audit Committee is composed of all independent directors, with no less than three of them, one of whom is the convener.

Article 27: Deleted

Article 28: Deleted

Chapter 5 Manager

Article 29: The establishment of managers in this Company shall be handled in accordance with the organizational rules.

Article 30: The general manager shall be nominated by the chairman and elected by the board of directors. The dismissal of the general manager shall also be carried out by the board of directors. Other managers shall be nominated by the general manager and appointed or removed by resolution of the board of directors.

Chapter 6 Accounting

Article 31: The fiscal year of the Company adopts the calendar year system, from January 1st to December 31st of the same year, and the final accounts shall be handled at the end of each fiscal year. After the annual final accounts, the board of directors shall prepare the following statements in accordance with the provisions of the Company Law, and submit them to the shareholders' regular meeting for recognition according to law.

1. Business Report.

2. Financial Statement.

3. Resolution of Disposition of Net Profit and Making Up Losses

Article 32: If the company makes a profit in a year (before deducting the current pre-tax benefits of employees' remuneration and directors' remuneration), it shall allocate 4% to 8% of the pre-tax net profit as employees' remuneration and no more than 2% of directors' remuneration, which shall be distributed by the board of directors and reported to the shareholders' meeting. However, if the company still has accumulated losses (including adjustment of undistributed profit amount), it shall reserve the compensation amount in advance, and then allocate employee compensation and director compensation according to the ratio mentioned in the preceding paragraph.

The employees' remuneration referred to in the preceding paragraph shall be paid to the objects of stock or cash, including employees of controlled or subordinate companies who meet certain conditions, and the conditions shall be authorized by the board of directors to set.

Article 32-1: The Company's profit distribution or loss appropriation may be made after the end of each quarter. If there is profit in the final accounts of each quarter, tax shall be paid first, accumulated losses shall be

made up, employees' remuneration shall be reserved, and 10% shall be raised as statutory surplus reserve (except when the accumulated statutory profit reserve has reached the total capital of the Company). In addition, special profit reserves shall be allocated or reversed according to laws or regulations of the competent authority. If there is surplus, the accumulated undistributed profit in each quarter shall be added to the balance to become the accumulated distributable surplus, and the board of directors shall draw up a surplus distribution plan.

When the above-mentioned profit distribution case is made by issuing new shares, it shall be submitted to the shareholders' meeting for resolution before distribution; When cash is used, it shall be distributed after the resolution of the board of directors and submitted to the shareholders' meeting.

If the Company distributes dividends and bonuses, or all or part of statutory surplus reserves and capital reserves in the form of cash, the Board of Directors is authorized to attend by more than 2/3 of the directors, with the consent of more than half of the directors present, and report to the shareholders' meeting.

The dividend policy of the Company is determined in accordance with the Company Law and the Articles of Association of the Company, as well as the capital and financial structure, operating conditions, earnings, industry characteristics and cycle of the Company, etc., and is distributed on a prudent basis to promote the sustainable business development of the Company. Shareholders' dividends shall be allocated for the accumulated distributable surplus. Depending on the future capital expenditure and working capital planning, cash dividends shall be given priority, and stock dividends shall also be distributed, but the distribution ratio of stock dividends shall not exceed 50% of the total dividends. The aforementioned conditions, timing, amount and types of retained earnings and dividends may be adjusted at an appropriate time based on the necessity of responding to changes in economic and industrial prosperity and considering the future development needs and profitability of the company.

Chapter 7 By-law

Article 33: The organizational rules of the Company may be separately formulated by the board of directors.

Article 34: Matters not covered in the Corporation Bylaws shall be handled in accordance with the Company Law and other relevant laws and regulations.

Article 35: The Corporation Bylaws of the Company shall come into force on April 15, 1988, after being approved by the sponsors' meeting or the shareholders' meeting, and the same shall apply when it is amended.

The 1st revision on April. 10, 1991

The 14th revision on May. 17, 2002

The 2nd revision on September.15, 1991

The 15th revision on January. 19, 2004

The 3rd revision on June. 21, 1992

The 16th revision on June. 9, 2006

The 4th revision on May. 16, 1993

The 17th revision on June. 15, 2007

The 5th revision on December. 25, 1993

The 18th revision on June. 13, 2008

The 6th revision on February. 27, 1994

The 19th revision on June. 19, 2009

The 7th revision on September. 11, 1994

The 20th revision on June. 18, 2010

The 8th revision on May. 21, 1995

The 21st revision on June. 17, 2011

The 9th revision on April. 18, 1996

The 22nd revision on June. 21, 2012

The 10th revision on June. 22, 1997

The 23rd revision on May. 27, 2016.

The 11th revision on June. 21, 1998

The 24th revision on May. 26, 2017.

The 12th revision on April. 12, 2000

The 25th revision on May.31, 2019.

The 13th revision on March. 28, 2001

The 26th revision on May. 28, 2020.

Rules of Procedure for Shareholder Meeting

- Article 1 : Unless otherwise provided by laws and regulations, the shareholders' meeting of the Company shall be handled in accordance with these Rules.
- Article 2 : The Company shall specify in the notice of the meeting the time and place of registration of the accepting shareholders, and other matters needing attention.
- The time for accepting the registration of shareholders mentioned in the preceding paragraph shall be at least 30 minutes before the start of the meeting; The newspaper should be clearly marked everywhere, and appropriate personnel should be assigned to handle it.
- Shareholders themselves or agents entrusted by shareholders (hereinafter referred to as shareholders) shall attend the shareholders' meeting with attendance cards, attendance cards or other attendance documents, be solicitors of power of attorney, and carry identity documents for verification.
- The Company shall set up a signature book for the attending shareholders to sign in, or the attending shareholders shall submit the sign-in card instead of signing in.
- The Company shall deliver the proceedings manual, annual report, attendance card, speech bar, voting votes and other meeting materials to the shareholders attending the shareholders' meeting; If there are directors to be elected, an election ticket shall be attached.
- Shareholders may issue a power of attorney issued by the Company at each shareholders' meeting, stating the scope of authorization, and entrusting an agent to attend the shareholders' meeting.
- A shareholder shall send a power of attorney to the Company five days before the meeting of the shareholders' meeting. In case of any duplicate power of attorney, the first one shall prevail. However, this restriction shall not apply to those who declare to revoke the former principal.
- If a shareholder wants to attend the shareholders' meeting in person or exercise voting rights by written or electronic means after the power of attorney is delivered to the Company, he/she shall notify the Company in writing of revocation of the power of attorney two days before the shareholders' meeting. In case of cancellation within the time limit, the voting rights exercised by the entrusted agent shall prevail.
- Article 3 : The attendance and voting of shareholders' meeting shall be based on shares. The number of shares attending shall be calculated according to the signature book or sign-in card, plus the number of shares exercising voting rights in writing or electronically.
- In the resolution of the shareholders' meeting, the number of shares of non-voting shareholders shall not be counted into the total number of issued shares.
- When shareholders have their own interests in matters of the meeting, which may be harmful to the interests of the Company, they shall not participate in the voting and shall not exercise their voting rights on behalf of other shareholders.
- The number of shares that cannot exercise voting rights in the preceding paragraph shall not be counted as the number of voting rights of shareholders present.
- Except for a trust enterprise or a stock affairs agency approved by the securities authority, when one person is entrusted by two or more shareholders at the same time, the voting rights of the agent shall not exceed 3% of the total voting rights of the issued shares, and the excess voting rights shall not be calculated if it exceeds the voting rights.
- Shareholders have one voting right per share; However, those who are restricted or have no voting rights as listed in Item 2 of Article 179 of the Company Law shall not be subject to this restriction.
- When the Company holds a shareholders' meeting, it may exercise its voting rights electronically or in writing; When exercising voting rights in written or electronic form, the method of exercising voting rights shall be stated in the notice of convening shareholders' meeting. Shareholders who exercise voting rights in writing or electronically shall be deemed

to attend the shareholders' meeting in person. However, the amendment to the extempore motion and the original motion of the shareholders' meeting shall be deemed as abstention.

Where the voting rights are exercised in writing or electronically as mentioned in the preceding paragraph, the meaning expression shall be delivered to the company two days before the meeting of the shareholders' meeting. In case of any duplication of the meaning expression, the first one shall prevail. However, this restriction shall not apply to the declaration of intention before revocation.

If shareholders want to attend the shareholders' meeting in person after exercising their voting rights in writing or electronically, they should cancel the aforesaid expression of voting rights in the same way as exercising voting rights two days before the shareholders' meeting; If the cancellation is overdue, the voting rights exercised in written or electronic form shall prevail. If voting rights are exercised in writing or electronically and an agent is entrusted to attend the shareholders' meeting by proxy, the voting rights exercised by the entrusted agent shall prevail. The vote counting operation of the voting or election proposal of the shareholders' meeting shall be conducted openly in the shareholders' meeting, and the voting result shall be announced on the spot after the vote counting is completed, including the statistical weights, and recorded.

Article 4 : The meeting of shareholders shall be held at the company's location or at a place convenient for shareholders to attend and suitable for the meeting. The meeting shall start no earlier than 9: 00 a.m. or later than 3: 00 p.m., and the opinions of independent directors shall be fully considered in the place and time of the meeting.

Article 5 : The shareholders' meeting of the Company shall be convened by the board of directors unless otherwise stipulated by laws and regulations.

If the shareholders' meeting is convened by the board of directors, its chairman shall be the chairman. If the chairman takes leave or is unable to exercise his functions and powers for some reason, the chairman shall appoint one director to act for him. If the chairman fails to appoint an agent, the directors shall push one another to act for him. If the shareholders' meeting is convened by a convener other than the board of directors, its chairman shall be the convener.

The Company shall, 30 days before the Annual General Meeting or 15 days before the temporary shareholders' meeting, make electronic files of the notice of shareholders' meeting, the paper of power of attorney, the case and explanatory materials of various proposals such as recognition cases, discussion cases, selection or dismissal of directors, etc., and send them to the public information observatory. In addition, 21 days before Annual General Meeting or 15 days before the temporary shareholders' meeting, the shareholders' meeting meeting handbook and meeting supplementary materials shall be made into electronic files and sent to the public information observatory. Fifteen days before the meeting of the shareholders' meeting, the minutes handbook and supplementary materials of the meeting shall be prepared for shareholders to consult at any time, and shall be displayed in the Company and the stock affairs agency appointed by the Company, and shall be distributed at the meeting site.

The notice and announcement shall specify the reasons for convening; If the notification is approved by the opposite party, it can be made electronically.

Electing or dismissing directors, changing bylaws, reducing capital, applying to stop public offering, directors' non-competition permission, transferring profit to capital increase, transferring reserve to capital increase, company dissolution, merger, division, or various items in Item 1 of Article 185 shall be listed in the convening reasons and explain their main contents, and shall not be proposed by extempore motion; Its main contents may be placed on the website designated by the securities authority or the company, and its website address shall be stated in the notice.

The reasons for convening the shareholders' meeting have stated the overall re-election of directors and the date of taking office. After the re-election of the shareholders' meeting is completed, the date of taking office may not be changed by temporary motion or other means at the same meeting.

Shareholders holding more than 1% of the total number of issued shares may submit a

resolution of the Annual General Meeting to the Company, with only one resolution. Any resolution with more than one resolution shall not be included in the resolution. However, the shareholders' proposal is to urge the company to promote public interests or fulfill social responsibilities, and the board of directors may still include the proposal. In addition, if the proposal put forward by shareholders falls into one of the situations in Item 4 of Article 172-1 of the Company Law, the board of directors may not list it as a proposal.

The Company shall announce the acceptance of shareholders' proposal, written or electronic acceptance method, acceptance place and acceptance period before the stock transfer stop date before the shareholders' regular meeting; The acceptance period shall not be less than ten days. The proposal put forward by shareholders is limited to 300 words, and if it exceeds 300 words, the proposal will not be included in the resolution; The shareholders of the proposal shall attend the shareholders' regular meeting in person or entrust others to participate in the discussion of the resolution.

The Company shall notify the proposer shareholders of the processing results before the date of the notice of convening the shareholders' meeting, and list the proposals in accordance with the provisions of this Article in the notice of meeting. For shareholders' proposals that are not included in the resolution, the board of directors shall explain the reasons for not including them at the shareholders' meeting.

Article 6 : Lawyers, accountants or related personnel appointed by the Company may attend the shareholders' meeting as nonvoting delegates.

Article 7 : The whole process of the shareholders' meeting shall be recorded or videotaped and kept for at least one year.

Article 8 : When the meeting starts, the chairman shall announce the meeting to start immediately. However, if shareholders representing more than half of the total number of issued shares are not present, the chairman may announce the postponement of the meeting, and the times of postponements shall be limited to two, and the total postponement time shall not exceed one hour. If the delay for twice is still insufficient and shareholders representing more than 1/3 of the total issued shares are present, it may be deemed as a false resolution according to Item 1 of Article 175 of the Company Law. Before the end of the current meeting, if the number of shares represented by the shareholders present reaches more than half of the total issued shares, the chairman may make a false resolution and submit it to the General Assembly for voting in accordance with Article 174 of the Company Law.

Article 9 : If the shareholders' meeting is convened by the board of directors, its agenda shall be set by the board of directors, and relevant proposals (including extempore motions and amendments to the original proposals) shall be voted on a case-by-case basis. The meeting shall be conducted according to the scheduled agenda, and shall not be changed without the resolution of the shareholders' meeting.

If the shareholders' meeting is convened by a person with convening power other than the board of directors, the provisions of the preceding paragraph shall apply mutatis mutandis.

Before the proceedings (including extempore motions) are concluded, the Chairman shall not declare the meeting closed without a resolution.

After the meeting is adjourned, the shareholders shall not elect another chairman to continue the meeting at the original site or find another place.

Article 10 : Before attending a shareholder's speech, you must fill in a speech paper to state the speech gist, shareholder's account number (or attendance card number) and account name, and the chairman shall decide the order of his/her speech.

If the shareholders present only mention the speech paper but do not speak, it shall be deemed as not speaking. In case of any discrepancy between the content of the speech and the record in the speech strip, the content of the speech shall prevail.

When attending a shareholder's speech, other shareholders shall not interfere with the speech unless they obtain the consent of the chairman and the speaking shareholder, and the violator shall be stopped by the chairman.

Article 11 : Each shareholder's speech on the same proposal shall not exceed 2 times without the consent of the chairman, and each time shall not exceed 5 minutes.

- If a shareholder's speech violates the provisions of the preceding paragraph or goes beyond the scope of the topic, the chairman may stop his speech.
- Article 12 : When the government or legal person is a shareholder, there may be no more than one representative present at the shareholders' meeting.
- When a legal person is entrusted to attend the shareholders' meeting, the legal person may only appoint one representative to attend.
- When institutional shareholders appoints two or more representatives to attend the shareholders' meeting, only one person can speak on the same proposal.
- Article 13 : After attending the shareholders' speeches, the chairman may reply in person or designate relevant personnel.
- Article 14 : When the chairman considers that the discussion of the motion has reached the level of voting, he may announce that the discussion will be stopped and put to a vote.
- Article 15 : The voting supervisor and counting personnel shall be appointed by the chairman, but the supervisor shall have the status of shareholder. The results of voting shall be reported on the site and recorded.
- Article 16 : During the meeting, the chairman may announce a break at his discretion. In case of force majeure, the chairman may decide to suspend the meeting temporarily and announce the time for resuming the meeting as appropriate.
- If the agenda scheduled by the shareholders' meeting is not finished before the proceedings (including the extempore motion), and the venue for the meeting can not be used at that time, the shareholders' meeting may decide to find another venue to continue the meeting.
- The shareholders' meeting may, in accordance with Article 182 of the Company Law, decide to postpone or resume the meeting within five days.
- Article 17 : Unless otherwise provided in the Company Law and the Corporation Bylaws, the voting of the proposal shall be approved by a majority of the voting rights of the shareholders present.
- When voting, if there is no objection after consultation by the chairman, it shall be deemed as passed, and its effect shall be the same as that of voting.
- Article 18 : When there are amendments or substitutes to the same motion, the president shall decide the voting order with the original motion. If one of the bills has been passed, the other bills will be deemed rejected, and no further voting is required.
- Article 19 : When there is resolution to elect directors in the shareholders' meeting, it shall be handled in accordance with the relevant selection standards set by the Company, and the election results shall be announced on the spot, including the list of elected directors and their election weights.
- The electoral votes for the electoral matters referred to in the preceding paragraph shall be sealed and signed by the scrutinizer, and shall be properly kept for at least one year. However, if the shareholder brings the lawsuit in accordance with Article 189 of the Company Law, it shall be kept until the end of the lawsuit.
- Article 20 : Minutes of the deliberations of the shareholders' meeting shall be made, signed or sealed by the chairman, and distributed to all shareholders within 20 days after the meeting. The production and distribution of the minutes can be done electronically.
- The distribution of the minutes referred to in the preceding paragraph may be carried out by this Corporation by inputting the announcement method of the public information observatory.
- The minutes of the meeting shall be recorded according to the year, month, day, place, chairman's name, resolution method, essentials of the proceedings and voting results (including statistical weights). If there is an election proposal, the election results shall be disclosed.
- Article 21 : The number of shares acquired by the solicitors and the number of shares represented by the entrusted agents shall be clearly disclosed in the shareholders' meeting on the day of the meeting of the shareholders' meeting by the Company in a statistical table in the prescribed format.
- If there is any significant information on the matters resolved by the shareholders' meeting as stipulated by laws and regulations and Taiwan Stock Exchange Co., Ltd., the Company shall transmit the contents to the public information observatory within the specified time.

- Article 22 : Personnel handling meetings of shareholders' meeting should wear identification cards or armbands.
The chairman may command pickets (or security personnel) to help maintain order at the meeting place. The picket (or security personnel) should wear the armband or identification card with the word "picket" when they are present to help maintain order.
If a shareholder disobeys the chairman's correction in violation of the rules of procedure and obstructs the meeting, the chairman may direct the picket or security personnel to ask him to leave the meeting.
- Article 23 : These Rules shall come into force after they are approved by the shareholders' meeting, and the same shall apply when they are revised.
- Article 24 : By-laws
Any matters not covered in this procedure shall be handled in accordance with relevant laws and regulations.
This procedure was formulated on June. 21, 1998.
The 1st revision on April. 12, 2000.
The 2nd revision on March. 28, 2001.
The 3rd revision on May. 27, 2002.
The 4th revision on May. 28, 2020.

K Laser Technology Inc.

Statement of directors' shareholdings

“Appendix 3”

Base Day: March.30, 2021

Title	Name	Number of Current Shareholding		
		Type	Number of Share	Percentage of Issuance at that time
Chairman	Guo Weiwu	Common Share	10,997,756	6.90
Director	Guo Weibin	Common Share	818,254	0.51
Director	Xu Yuzhen	Common Share	1,099,194	0.69
Director	Guo Qinglong	Common Share	—	—
Independent Director	Huang Bixing	Common Share	—	—
Independent Director	Liu Renyang	Common Share	—	—
Independent Director	Zhangxie Jinsen	Common Share	—	—
Total			12,915,204	8.10

Note: The total number of shares issued by the Company on May 28, 2021: 159,324,631 shares (including 9,095,000 treasury shares)

The number of shares legally held by all directors of the Company is 9,559,477, and as of March 30, 2021, the number of shares held by all directors is 12,915,204