



KD Holding Corporation

Handbook for the 2016 Annual General Meeting of Shareholders

(Translation)

Notice to readers

This English version handbook is a summary translation of the Chinese version and is not an official document of the shareholders' meeting. If there is any discrepancy between the English version and Chinese version, the Chinese version shall prevail.

June 21, 2016

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KD Holding Corporation

Procedure for the 2016 Annual General Meeting of Shareholders

1. Call Meeting to Order (Report of Number of Shares Represented by Attendees)
2. Chairman's Remarks
3. Discussion Items
4. Report Items
5. Proposals Items
6. Special Motions
7. Meeting Adjourned

Agenda of 2016 Annual General Meeting of Shareholders of KD Holding Corporation (Translation)

Time and Date of Meeting: 9:00 a.m., June 21, 2016

Place of Meeting: No. 113, Sec.7, Zhongshan N. Rd., Taipei,

Mellow Fields Hotel Tien-Mou Convention Center 202 Room

1. Discussion Items

- (1) Approval of the amendment to the company's "Articles of Incorporation". (Proposed by the Board of Directors)**

Explanatory Notes :

Please refer to page 6 to 8 for the comparison table between the existing provisions and amendments of "Articles of Incorporation".

Resolved :

- (2) Approval of the amendment to the company's "Rules Governing the Election of Directors". (Proposed by the Board of Directors)**

Explanatory Notes :

Please refer to page 9 for the comparison table between the existing provisions and amendments of "Rules Governing the Election of Directors".

Resolved :

2. Report Items

- (1) The company's business report of 2015. (Please refer to page 10~page 11)
- (2) The audit committee's review report of 2015. (Please refer to page 24)
- (3) The directors' & employees' remuneration of 2015. (Please refer to page 29)
- (4) As of the end of 2015, the aggregate amount of guarantees provided by the Company
As of the end of 2015, the aggregate amount of guarantees provided by the Company was NT\$629,076 thousands and the highest amount for a single enterprise was NT\$629,076 thousands which are all under its respective ceiling. (Please refer to page 30)

(5) Issue of domestic unsecured convertible bonds

November 15, 2010 issued the 1st domestic unsecured convertible bonds, to November 15, 2015 maturity, creditor conversion 4,985 sheets, unconverted 15 sheets.

3. Proposals

(1) Adoption of the Company's 2015 Business Report, Financial Statements and Consolidated Financial Statements. (Proposed by the Board of Directors)

Explanatory Notes :

The business report, financial statements and consolidated financial statements of the Company for the year of 2015 have been approved by the Board of Directors, with the financial statements having been audited and certified by Mr. Shyu-Rong Ueng and Ms. Shu-Chiung Chang, the CPA of the PricewaterhouseCoopers. The above-mentioned documents subsequently examined by Audit Committee pursuant to Article 228 of the Company Act. The Business Report and Financial Statements are hereby submitted for adoption. (Please refer to page 10~page 28)

Resolved :

(2) Adoption of the Company's Distribution of 2015 Profits. (Proposed by the Board of Directors)

Explanatory Notes :

1) The 2015 net income after tax is NT\$710,369,540. After setting aside legal reserve NT\$71,036,954, remeasurement arising on defined benefit plans are recognized in retained earnings in 2015 NT\$9,766,945, adding the unappropriated retained earnings as of 2014 NT\$607,943,699, remeasurement arising on defined benefit plans are recognized in retained earnings before 2014 NT\$ 5,712,136, the retained earnings available for distribution in 2015 is NT\$1,243,221,446. The proposal is that NT\$639,351,926 will be cash dividends to common shareholders (NT\$9.6934 per share based on common share outstanding is 65,957,448 shares).

- 2) Upon the approval of the Annual General Meeting of shareholders, it is proposed that the Board of Directors be authorized to determine the record date to distribute the cash dividends and other relevant issues.
- 3) In case that the total amount of common shares outstanding may change and the ultimate cash to be distributed to each common share may need to be adjusted, it is proposed that the Board of Directors be authorized to adjust the cash to be distributed to each common share.
- 4) Cash dividend distribution ratio is calculated and rounded to NT\$, the difference is recognized and balanced in other income or expense.
- 5) The 2015 profit distribution proposal is referring to page 17.

Resolved :

4. Special Motion

5. Meeting Adjourned

KD Holding Corporation

Table of Amendments to “Articles of Incorporation”

Article	Existing Provisions	Amendments
Article 17-1	<p>Two to three of the aforementioned directors shall be independent directors. The <u>candidates for independent directors shall be nominated and shall be elected from the list of candidates during the shareholders’ meeting.</u></p> <p>Professional qualification, number of shareholdings, restrictions regarding holding other jobs, nomination and election of independent directors and other compliance matters shall be governed by the relevant regulations set forth by the competent authority.</p>	<p>Two to three of the aforementioned directors shall be independent directors. The <u>directors (including independent directors) shall be elected by adopting the candidate nomination system specified in Article 192-1 of the ROC Company Law.</u></p> <p>Professional qualification, number of shareholdings, restrictions regarding holding other jobs, nomination and election of independent directors and other compliance matters shall be governed by the relevant regulations set forth by the competent authority.</p>
Article 29	<p><u>If there are net profits at the end of a fiscal year, the Company shall first pay the profit-seeking enterprise income taxes and offset its losses in previous years. After having paid the corporate taxes and off-set past losses, 10% of the profit earned by the Company of each fiscal year shall be set aside as statutory reserve, except where such reserve has reached the total authorized capital of the Company. Moreover, a special capital reserve in the amount equivalent to the balance of shareholders’ equity deficit of the current fiscal year shall be set aside. If there is recovery of the</u></p>	<p><u>When net profit occurs in the annual accounts, the Company may, after reserving a sufficient amount of the income before tax to cover the accumulated losses, with the resolution of the board of directors, distribute at least 0.01% of the income before tax to pay to the employees as remuneration, and distribute no more than 2% of the income before tax to pay to the board of directors as remuneration. The remuneration could be stock or cash, and the employee remuneration could be distributed to the employees of subsidiaries of the Company under certain conditions.</u></p>

	<p><u>balance of shareholders' equity deficit, the recovered amount shall be included in the distribution of the profit for the current year. The balance of the profit for the current fiscal year, together with the cumulative undistributed profit of the previous year shall be referred to as cumulative allocable profit, which shall be distributed according to shareholders' resolutions.</u></p>	<p><u>A report of the distribution of employee remuneration or the board of directors remuneration shall be submitted to the shareholders' meeting.</u></p>
<p><u>Article 30</u></p>	<p><u>In order to expand the business needs and in response to the growth of the industry, the Company shall set its priority on satisfying the future business needs and strengthening the financial structure of the Company in respect to its policy on distribution of dividends and the profits shall be distributed in accordance with the following percentage:</u></p> <ol style="list-style-type: none"> <u>(1) Employee bonus: 0.05% of the profit for the current year or more.</u> <u>(2) Directors' remuneration: Limited to 2% of the profit for the current year.</u> <u>(3) Shareholders' bonus: the remainder of cumulative allocable profit minus the amount under item (1) and (2), if any, shall be listed as shareholders' bonus.</u> <u>(4) In respect to the aforementioned amount of shareholders' bonus, cash dividend shall not be less than 20% of the total amount of</u> 	<p><u>The Company shall, after all taxes and dues have been paid and its losses have been covered and at the time of allocating surplus profits, first set aside ten percent of such profits as a legal reserve. However, when the legal reserve amounts to the authorized capital, this shall not apply.</u></p> <p><u>Furthermore, in accordance with the provisions of laws and regulations and the rules prescribed by the central competent authority, a special reserve shall be set aside. If there is recovery of the balance of special reserve, the recovered amount shall be included in the distribution of the profit for the current year.</u></p> <p><u>The allocable profit for the current year, which is the balance after the profit distribution and covering losses aforementioned as the preceding Paragraph, together with the undistributed retained earnings accrued from prior years shall be referred to as accumulated distributable earnings, which shall</u></p>

	<p><u>dividends. However, in the event of a sudden major investment plan and no other fund can be obtained in support thereof, the Company may reduce the distribution of cash dividend to at least 5%.</u></p> <p><u>The proposal for the aforementioned allocation of profit shall be drafted by the Board of Directors and submitted to the shareholders' meeting for resolution.</u></p>	<p><u>be distributed as dividends to shareholders according to shareholders' resolutions.</u></p> <p><u>In order to meet the requirements in business expansion and industry growth, fulfilling future operating needs and stabilizing financial structure is the priority of the Company's dividend policy.</u></p> <p><u>Thus, the distribution of the accumulated distributable earnings accords to the shareholders' resolutions. And, the amount of shareholders' bonus shall not be less than 20% of accumulated distributable earnings of the Company, and in particular cash dividend shall not be less than 5%.</u></p>
Article 34	<p>These Articles of Incorporation were enacted on December 8, 1999.</p> <p>...</p> <p>the sixth amendment on June 23, 2014.</p>	<p>These Articles of Incorporation were enacted on December 8, 1999.</p> <p>...</p> <p>the sixth amendment on June 23, 2014.</p> <p><u>the seventh amendment on June 21, 2016.</u></p>

KD Holding Corporation
Table of Amendments to "Rules Governing the Election of Directors"

Article	Existing provisions	Amendments
Article 2	<p>The directors shall be elected among people with legal capacity at the shareholders' meeting. The position number is defined by the Articles of Incorporation.</p> <p>The <u>independent</u> directors shall be elected by adopting the candidate nomination system specified in Article 192-1 of the ROC Company Law.</p>	<p>The directors shall be elected among people with legal capacity at the shareholders' meeting. The position number is defined by the Articles of Incorporation.</p> <p>The directors shall be elected by adopting the candidate nomination system specified in Article 192-1 of the ROC Company Law.</p>

KD HOLDING CORPORATION

Business Report of 2015

1、Business Performance:

For the year end of 2015, the standalone operating revenue was NT\$731,917 thousands, the consolidated operating revenue was NT\$4,078,753 thousands, and the consolidated profit after tax was NT\$710,370 thousands. Consolidated operating revenue breakdown is as follows:

(Unit : NT\$ thousands)

Waste Disposal Revenues	731,418
Tipping Fees Revenues	521,828
Sales of Electricity	1,295,926
Service Concession Revenues	611,354
Removal & Trans. Revenues	120,487
Others	797,740
Total	4,078,753

2、Performance Review :

Compared to the year end of 2014, the year end of 2015 consolidated operating revenue of NT\$4,078,753 thousands has increased by NT\$153,726 thousands. The main reasons for the above changes are including the increases of Tipping Fees Revenues, Revenue from Sales of Electricity, which are based on the more amount of disposing, and other incomes from new businesses.

Standalone operating revenue of NT\$731,917 thousands has increased by NT\$21,434 thousands in 2015 due to the promoting profits from Sino Environmental Services Corp., Leading Energy Corp., HD Resource Management Corp., and G.D. Development Corp.

(Unit : NT\$ thousands)

Consolidated Operating Revenues for 2015	4,078,753
Consolidated Operating Revenues for 2014	3,925,027
Increase from 2014 to 2015	153,726
Percentage of increase	3.92%
Operating Revenues for 2015	731,917
Operating Revenues for 2014	710,483
Increase from 2014 to 2015	21,434
Percentage of increase	3.02%
Net Profit After Tax for 2015	710,370
Net Profit After Tax for 2014	678,857
Increase from 2014 to 2015	31,513
Percentage of increase	4.64%

3、 Business Prospect of Year 2016 :

Looking back year 2015, KD fully demonstrated the fervent ambition on "Qualitative Change" for business promotion and execution. In addition to developing the existing business steadily, KD also prospected with fully confidence on new business development. In future, KD will endeavor on the following three business area to enhance sustainable development and expand abroad.

A. Waste to Energy Business

In addition to securing the existing projects, KD is keen to develop the business in ASEAN, India and China. By participating WtE bid, signing memorandum of cooperation with government or teaming up with local enterprise, KD will replicate successful PPP (BOT) business model to overseas market.

B. Solar Energy Business

In Taiwan, KD continuously and cautiously seeks for proper investment target, from roof-top type to ground-mounted type PVPP. For overseas market, KD is not only focusing on the existing project in the U.S. but also keen to search for proper target in other regions. Moreover, KD will consult with financial consultant for financing advice so as to expand business.

C. Resource Recycling Business

For PET bottle recycling, KD keeps working on plant upgrades, enhancing product competitiveness and improving process capability to providing food grade or customized products to client. In addition, KD actively develops other recycling business, such as precious metal recycling from electronic waste and so on.

KD HOLDING CORPORATION
NON-CONSOLIDATED BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)

Assets	Notes	December 31, 2015		(adjusted) December 31, 2014		(adjusted) January 1, 2014		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	
Current assets								
1100	Cash and cash equivalents	6(1)	\$ 409,354	9	\$ 200,043	5	\$ 578,629	14
1110	Financial assets at fair value	6(2)						
	through profit or loss - current		52,190	1	80,313	2	520	-
1125	Available-for-sale financial assets	6(3)						
	—							
	current		19,715	1	18,521	-	24,023	1
1200	Other receivables		1,179	-	1,003	-	1,050	-
1210	Other receivables - related parties	7	32,056	1	31,152	1	29,036	1
1410	Prepayments		-	-	11	-	17	-
11XX	Current Assets		<u>514,494</u>	<u>12</u>	<u>331,043</u>	<u>8</u>	<u>633,275</u>	<u>16</u>
Non-current assets								
1543	Financial assets carried at cost –	6(4)						
	noncurrent		475	-	632	-	848	-
1550	Investments accounted for using	6(5)						
	equity method		3,941,961	88	3,941,550	92	3,415,235	84
1840	Deferred income tax assets	6(14)	<u>666</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
15XX	Non-current assets		<u>3,943,102</u>	<u>88</u>	<u>3,942,182</u>	<u>92</u>	<u>3,416,083</u>	<u>84</u>
1XXX	Total assets		<u>\$ 4,457,596</u>	<u>100</u>	<u>\$ 4,273,225</u>	<u>100</u>	<u>\$ 4,049,358</u>	<u>100</u>

(Continued)

KD HOLDING CORPORATION
NON-CONSOLIDATED BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity	Notes	December 31, 2015		(adjusted) December 31, 2014		(adjusted) January 1, 2014	
		AMOUNT	%	AMOUNT	%	AMOUNT	%
Current liabilities							
2200	Other payables	\$ 14,639	-	\$ 18,264	-	\$ 17,367	-
2220	Other payables - related parties	7 1,074	-	1,053	-	1,789	-
2230	Current income tax liabilities	2,563	-	2,013	-	910	-
2300	Other current liabilities	6(6) -	-	19,224	1	33,200	1
21XX	Current Liabilities	<u>18,276</u>	<u>-</u>	<u>40,554</u>	<u>1</u>	<u>53,266</u>	<u>1</u>
Non-current liabilities							
2640	Accrued pension liabilities	6(7) 366	-	1,195	-	3,845	-
25XX	Non-current liabilities	<u>366</u>	<u>-</u>	<u>1,195</u>	<u>-</u>	<u>3,845</u>	<u>-</u>
2XXX	Total Liabilities	<u>18,642</u>	<u>-</u>	<u>41,749</u>	<u>1</u>	<u>57,111</u>	<u>1</u>
Share capital							
		6(9)					
3110	Common stock	658,394	15	648,708	15	635,464	16
3140	Capital collected in advance	233	-	1,157	-	4,131	-
Capital surplus							
		6(6)(8)(10)					
)					
3200	Capital surplus	2,069,266	46	1,977,434	46	1,871,722	46
Retained earnings							
		6(11)(14)					
3310	Legal reserve	371,649	9	304,245	7	242,213	6
3320	Special reserve	145	-	762	-	24,423	1
3350	Unappropriated retained earnings	1,314,258	30	1,287,692	30	1,215,056	30
Other equity interest							
3400	Other equity interest	25,009	-	11,478	1	(762)	-
3XXX	Total equity	<u>4,438,954</u>	<u>100</u>	<u>4,231,476</u>	<u>99</u>	<u>3,992,247</u>	<u>99</u>
Significant contingent liabilities and unrecognised contract commitments							
Significant events after the balance sheet date							
3X2X	Total liabilities and equity	<u>\$ 4,457,596</u>	<u>100</u>	<u>\$ 4,273,225</u>	<u>100</u>	<u>\$ 4,049,358</u>	<u>100</u>

The accompanying notes are an integral part of these non-consolidated financial statements.
See report of independent accountants dated March 16, 2016.

KD HOLDING CORPORATION
NON-CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Expressed in thousands of New Taiwan dollars)

		Year ended December 31				
		2015		2014 (adjusted)		
Items	Notes	AMOUNT	%	AMOUNT	%	
4000	Operating revenue	6(5)	\$ 731,917	100	\$ 710,483	100
5900	Gross profit		731,917	100	710,483	100
	Operating expenses					
6200	General & administrative expenses	6(12)(13) and 7	(46,671)	(7)	(51,988)	(7)
6000	Total operating expenses		(46,671)	(7)	(51,988)	(7)
6900	Operating profit		685,246	93	658,495	93
	Non-operating income and expenses					
7010	Other income	7	27,022	4	27,391	4
7020	Other gains and losses		312	-	(3,000)	(1)
7050	Finance costs		(181)	-	(492)	-
7000	Total non-operating income and expenses		27,153	4	23,899	3
7900	Profit before income tax		712,399	97	682,394	96
7950	Income tax expense	6(14)	(2,029)	-	(3,537)	(1)
8200	Profit for the year		\$ 710,370	97	\$ 678,857	95
	Other comprehensive income					
	Components of other comprehensive income that will not be reclassified to profit or loss					
8311	Other comprehensive income, before tax, actuarial gains (losses) on defined benefit plans		\$ 1,222	-	\$ 1,596	-
8330	Total share of other comprehensive income of associates and joint ventures accounted for using equity method		(10,990)	(1)	12,502	2
	Components of other comprehensive income that will be reclassified to profit or loss					
8361	Cumulative translation differences of foreign operations		29,705	4	27,386	4
8362	Unrealized gain (loss) on valuation of available-for-sale financial assets	6(3)	1,194	-	(5,502)	(1)
8380	Total share of other comprehensive income of associates and joint ventures accounted for using equity method		(17,368)	(2)	(9,644)	(1)
8300	Other comprehensive income for the year		\$ 3,763	1	\$ 26,338	4
8500	Total comprehensive income for the year		\$ 714,133	98	\$ 705,195	99
	Basic earnings per share					
9710	Basic earnings per share from continuing operations	6(15)	\$ 10.84		\$ 10.55	
	Diluted earnings per share					
9810	Diluted earnings per share from continuing operations	6(15)	\$ 10.77		\$ 10.39	

The accompanying notes are an integral part of these non-consolidated financial statements.
See report of independent accountants dated March 16, 2016.

KD HOLDING CORPORATION
NON-CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Expressed in thousands of New Taiwan dollars)

	Notes	Capital			Retained Earnings			Other equity interest		Total equity
		Common stock	Capital collected in advance	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Cumulative translation differences of foreign operations	Unrealized gain or loss on available-for-sale financial assets	
For the year ended December 31, 2014										
Balance at January 1, 2014		\$ 635,464	\$ 4,131	\$ 1,871,722	\$ 242,213	\$ 24,423	\$ 1,228,263	\$ 264	(\$ 1,026)	\$ 4,005,454
The effects of retrospective application and restatement		-	-	-	-	-	(13,207)	-	-	(13,207)
Restated balance at 1 January		635,464	4,131	1,871,722	242,213	24,423	1,215,056	264	(1,026)	3,992,247
Capital collected in advance transferred to common stock	6(9)	4,131	(4,131)	-	-	-	-	-	-	-
Appropriation of 2013 earnings (Note 1)	6(11)	-	-	-	-	-	-	-	-	-
Legal reserve		-	-	-	62,032	-	(62,032)	-	-	-
Special reserve		-	-	-	-	(23,661)	23,661	-	-	-
Cash dividends		-	-	-	-	-	(581,948)	-	-	(581,948)
Profit for the year		-	-	-	-	-	678,857	-	-	678,857
Convertible bonds transferred to common stock	6(10)	193	1,157	12,938	-	-	-	-	-	14,288
Share-based payment transaction	6(10)	-	-	19,597	-	-	-	-	-	19,597
Employee stock options exercised	6(8)(10)	8,920	-	73,172	-	-	-	-	-	82,092
Cumulative translation differences of foreign operations		-	-	-	-	-	-	27,386	-	27,386
Unrealized gain or loss on available-for-sale financial assets		-	-	-	-	-	-	-	(15,146)	(15,146)
Adjustments due to capital transfer of investees	6(10)	-	-	5	-	-	-	-	-	5
Other comprehensive income for the year		-	-	-	-	-	14,098	-	-	14,098
Balance at December 31, 2014		<u>\$ 648,708</u>	<u>\$ 1,157</u>	<u>\$ 1,977,434</u>	<u>\$ 304,245</u>	<u>\$ 762</u>	<u>\$ 1,287,692</u>	<u>\$ 27,650</u>	<u>(\$ 16,172)</u>	<u>\$ 4,231,476</u>
For the year ended December 31, 2015										
Balance at January 1, 2015		\$ 648,708	\$ 1,157	\$ 1,977,434	\$ 304,245	\$ 762	\$ 1,287,692	\$ 27,650	(\$ 16,172)	\$ 4,231,476
Capital collected in advance transferred to common stock	6(9)	1,157	(1,157)	-	-	-	-	-	-	-
Appropriation of 2014 earnings (Note 2)	6(11)	-	-	-	-	-	-	-	-	-
Legal reserve		-	-	-	67,404	-	(67,404)	-	-	-
Special reserve		-	-	-	-	(617)	617	-	-	-
Cash dividends		-	-	-	-	-	(607,249)	-	-	(607,249)
Profit for the year		-	-	-	-	-	710,370	-	-	710,370
Convertible bonds transferred to common stock	6(6)(10)	1,502	233	16,063	-	-	-	-	-	17,798
Share-based payment transaction	6(10)	-	-	8,224	-	-	-	-	-	8,224
Employee stock options exercised	6(8)(10)	7,027	-	67,624	-	-	-	-	-	74,651
Cumulative translation differences of foreign operations		-	-	-	-	-	-	29,705	-	29,705
Unrealized gain or loss on available-for-sale financial assets		-	-	-	-	-	-	-	(16,174)	(16,174)
Adjustments due to capital transfer of investees	6(10)	-	-	(79)	-	-	-	-	-	(79)
Other comprehensive income for the year		-	-	-	-	-	(9,768)	-	-	(9,768)
Balance at December 31, 2015		<u>\$ 658,394</u>	<u>\$ 233</u>	<u>\$ 2,069,266</u>	<u>\$ 371,649</u>	<u>\$ 145</u>	<u>\$ 1,314,258</u>	<u>\$ 57,355</u>	<u>(\$ 32,346)</u>	<u>\$ 4,438,954</u>

Note 1: The directors' and supervisors' remuneration of \$6,300 and the employees' bonus of \$495 for the year ended December 31, 2013 has been deducted from the statement of comprehensive income.

Note 2: The directors' and supervisors' remuneration of \$5,721 and the employees' bonus of \$304 for the year ended December 31, 2014 has been deducted from the statement of comprehensive income.

The accompanying notes are an integral part of these non-consolidated financial statements.

See report of independent accountants dated March 16, 2016.

KD HOLDING CORPORATION
NON-CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in thousands of New Taiwan dollars)

	Notes	2015	2014
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax for the year		\$ 712,399	\$ 682,394
Adjustments to reconcile profit before tax to net cash (used in) provided by operating activities			
Income and expenses having no effect on cash flows			
Interest income		(3,246)	(4,935)
Dividend income		(12,570)	(10,547)
Salary expense-employee stock options	6(8)(13)	1,842	4,118
Gain on valuation of financial assets	6(2)	(277)	(68)
Share of profit of associates and joint ventures accounted for using equity method	6(5)	(731,917)	(710,483)
Discount on convertible bonds recognized as interest expense		181	492
Impairment loss	6(4)	157	216
Changes in assets/liabilities relating to operating activities			
Net changes in assets relating to operating activities			
Financial assets at fair value through profit or loss		28,293	(79,906)
Other receivables		(36)	(59)
Other receivables-related parties		(913)	(2,134)
Prepayments		11	6
Net changes in liabilities relating to operating activities			
Other payables		(3,625)	897
Other payables - related parties		21	(736)
Preference share liabilities-non-current		393	(1,054)
Cash used in operations		(9,287)	(121,799)
Interest received		2,651	4,577
Dividends received	6(5)	650,226	576,332
Income tax paid		(2,145)	(2,433)
Net cash provided by operating activities		<u>641,445</u>	<u>456,677</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Increase in investments accounted for using the equity method-subsiaries		-	(26,400)
Increase in investments accounted for using the equity method-nonsubsidiaries		(94,500)	(309,489)
Interest received		464	482
Proceeds from reduction of capital of investee company		196,000	-
Redemption of convertible bonds		(1,500)	-
Net cash provided by (used in) investing activities		<u>100,464</u>	<u>(335,407)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Employee stock options exercised	6(8)	74,651	82,092
Cash dividends paid	6(11)	(607,249)	(581,948)
Net cash used in financing activities		<u>(532,598)</u>	<u>(499,856)</u>
Increase (decrease) in cash and cash equivalents		209,311	(378,586)
Cash and cash equivalents at beginning of year		200,043	578,629
Cash and cash equivalents at end of year		<u>\$ 409,354</u>	<u>\$ 200,043</u>

The accompanying notes are an integral part of these non-consolidated financial statements.
See report of independent accountants dated March 16, 2016.



KD HOLDING CORPORATION
Proposed Profit Distribution Table
Year 2015

Unit : NT\$

Item	Total
Unappropriated retained earnings of previous years	607,943,669
Add : Remeasurement arising on defined benefit plans is recognized in retained earnings before 2014.	5,712,136
Less : Remeasurement arising on defined benefit plans is recognized in retained earnings in 2015.	-9,766,945
Add : Net income of 2015	710,369,540
Less : 10% legal reserve	-71,036,954
Retained earnings available for distribution as of December 31,2015	1,243,221,446
Cash dividends (Based on 65,957,448 outstanding shares at 29/2/2016, NT\$9.6934 per share)	-639,351,926
Unappropriated retained earnings	603,869,520

Notes : 1. Prior period retained earnings include:

- (a) Unappropriated retained earnings of NT\$25,302 before and including 2012.
 - (b) IFRSs adjustment of NT\$571,581,270 beginning retained earnings in 2012.
 - (c) IFRSs parallel books adjustment of NT\$36,337,097 in 2012.
2. Distribution will be made primarily by 2015 retained earnings; the insufficient amount will be reimbursed by undistributed retained earnings before 2015.
 3. For the proposed distribution date, shares for distribution are based on outstanding shares by the end of February 2016; the actual shares for distribution will be based on the actual outstanding shares on the record date.

KD HOLDING CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)

	Assets	Notes	December 31, 2015		(adjusted) December 31, 2014		(adjusted) January 1, 2014	
			AMOUNT	%	AMOUNT	%	AMOUNT	%
Current assets								
1100	Cash and cash equivalents	6(1)	\$ 2,159,130	28	\$ 1,830,051	25	\$ 2,004,685	29
1110	Financial assets at fair value	6(2)						
	through profit or loss - current		320,700	4	247,398	3	90,665	1
1125	Available-for-sale financial	6(3)						
	assets - current		132,388	2	150,109	2	104,013	2
1150	Notes receivable, net		529	-	690	-	1,038	-
1170	Accounts receivable, net	6(4)	906,575	12	823,338	11	788,628	11
1180	Accounts receivable, net -	7						
	related parties		138,457	2	118,742	2	80,886	1
1200	Other receivables		11,637	-	11,750	-	7,588	-
1210	Other receivables - related	7						
	parties		47,151	1	44,374	1	78,974	1
130X	Inventories		54,325	1	44,258	1	32,150	1
1410	Prepayments		112,312	1	52,506	1	29,682	-
11XX	Current Assets		<u>3,883,204</u>	<u>51</u>	<u>3,323,216</u>	<u>46</u>	<u>3,218,309</u>	<u>46</u>
Non-current assets								
1543	Financial assets carried at cost -	6(5)						
	non-current		475	-	632	-	848	-
1550	Investments accounted for using	6(6)						
	equity method		618,183	8	497,296	7	154,489	2
1600	Property, plant and equipment,	6(7)						
	net		51,075	1	60,915	1	52,927	1
1840	Deferred income tax assets	6(21)	15,811	-	12,529	-	19,307	-
1900	Other non-current assets	6(8)						
		and 8	<u>3,087,366</u>	<u>40</u>	<u>3,340,895</u>	<u>46</u>	<u>3,592,600</u>	<u>51</u>
15XX	Non-current assets		<u>3,772,910</u>	<u>49</u>	<u>3,912,267</u>	<u>54</u>	<u>3,820,171</u>	<u>54</u>
1XXX	Total assets		<u>\$ 7,656,114</u>	<u>100</u>	<u>\$ 7,235,483</u>	<u>100</u>	<u>\$ 7,038,480</u>	<u>100</u>

(Continued)

KD HOLDING CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity	Notes	December 31, 2015		(adjusted) December 31, 2014		(adjusted) January 1, 2014		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	
Current liabilities								
2170	Accounts payable	6(9)	\$ 772,390	10	\$ 601,942	8	480,950	7
2180	Accounts payable - related parties	7	27,196	1	29,933	1	30,616	-
2200	Other payables	6(10)	297,973	4	289,945	4	266,211	4
2220	Other payables - related parties	7	2,674	-	6,158	-	4,060	-
2230	Current income tax liabilities		74,794	1	67,100	1	50,062	1
2300	Other current liabilities	6(11)(12)	774,847	10	643,381	9	647,103	9
21XX	Current Liabilities		<u>1,949,874</u>	<u>26</u>	<u>1,638,459</u>	<u>23</u>	<u>1,479,002</u>	<u>21</u>
Non-current liabilities								
2540	Long-term borrowings	6(12)	364,800	5	523,200	7	737,147	11
2570	Deferred income tax liabilities	6(21)	161,105	2	161,872	2	153,876	2
2600	Other non-current liabilities	6(13)	268,687	3	227,161	3	237,780	3
25XX	Non-current liabilities		<u>794,592</u>	<u>10</u>	<u>912,233</u>	<u>12</u>	<u>1,128,803</u>	<u>16</u>
2XXX	Total Liabilities		<u>2,744,466</u>	<u>36</u>	<u>2,550,692</u>	<u>35</u>	<u>2,607,805</u>	<u>37</u>
Equity attributable to owners of parent								
Share capital								
		6(11)(16)						
3110	Common stock		658,394	9	648,708	9	635,464	9
3140	Capital collected in advance		233	-	1,157	-	4,131	-
Capital surplus								
		6(11)(17)						
3200	Capital surplus		2,069,266	26	1,977,434	28	1,871,722	27
Retained earnings								
		6(18)(21)						
3310	Legal reserve		371,649	5	304,245	4	242,213	4
3320	Special reserve		145	-	762	-	24,423	-
3350	Unappropriated retained earnings		1,314,258	17	1,287,692	18	1,215,056	17
Other equity interest								
3400	Other equity interest		25,009	1	11,478	-	(762)	-
31XX	Equity attributable to owners of the parent		<u>4,438,954</u>	<u>58</u>	<u>4,231,476</u>	<u>59</u>	<u>3,992,247</u>	<u>57</u>
36XX	Non-controlling interest		<u>472,694</u>	<u>6</u>	<u>453,315</u>	<u>6</u>	<u>438,428</u>	<u>6</u>
3XXX	Total equity		<u>4,911,648</u>	<u>64</u>	<u>4,684,791</u>	<u>65</u>	<u>4,430,675</u>	<u>63</u>
Significant contingent liabilities and unrecognised contract commitments								
3X2X	Total liabilities and equity		<u>\$ 7,656,114</u>	<u>100</u>	<u>\$ 7,235,483</u>	<u>100</u>	<u>\$ 7,038,480</u>	<u>100</u>

The accompanying notes are an integral part of these non-consolidated financial statements.

See report of independent accountants dated March 16, 2016.

KD HOLDING CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Expressed in thousands of New Taiwan dollars)

Items	Notes	Year ended December 31				
		2015		2014 (adjusted)		
		AMOUNT	%	AMOUNT	%	
4000	Operating revenue	7	\$ 4,078,753	100	\$ 3,925,027	100
5000	Operating costs	6(19)(20) and 7	(3,018,765)	(74)	(2,891,796)	(74)
5900	Gross profit		<u>1,059,988</u>	<u>26</u>	<u>1,033,231</u>	<u>26</u>
	Operating expenses	6(19)(20)				
6200	General & administrative expenses		(165,874)	(4)	(170,399)	(4)
6000	Total operating expenses		<u>(165,874)</u>	<u>(4)</u>	<u>(170,399)</u>	<u>(4)</u>
6900	Operating profit		<u>894,114</u>	<u>22</u>	<u>862,832</u>	<u>22</u>
	Non-operating income and expenses					
7010	Other income		53,521	1	56,225	1
7020	Other gains and losses		6,071	-	5,973	-
7050	Finance costs		(10,114)	-	(14,388)	-
7060	Share of profit of associates and joint ventures accounted for using equity method	6(6)	<u>25,287</u>	<u>1</u>	<u>21,853</u>	<u>1</u>
7000	Total non-operating income and expenses		<u>74,765</u>	<u>2</u>	<u>69,663</u>	<u>2</u>
7900	Profit before income tax		<u>968,879</u>	<u>24</u>	<u>932,495</u>	<u>24</u>
7950	Income tax expense	6(21)	(130,320)	(3)	(135,809)	(4)
8200	Profit for the year		<u>\$ 838,559</u>	<u>21</u>	<u>\$ 796,686</u>	<u>20</u>
	Other comprehensive income					
	Components of other comprehensive income that will not be reclassified to profit or loss					
8311	Other comprehensive income, before tax, actuarial gains on defined benefit plans	6(14)	(\$ 13,694)	-	\$ 17,133	-
8320	Total share of other comprehensive income of associates and joint ventures accounted for using equity method		969	-	538	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(21)	2,578	-	(2,641)	-
	Components of other comprehensive income that will be reclassified to profit or loss					
8361	Cumulative translation differences of foreign operations		32,259	1	34,117	1
8362	Unrealized loss on valuation of available-for-sale financial assets	6(3)	(16,434)	(1)	(15,674)	-
8300	Total other comprehensive income for the year		<u>\$ 5,678</u>	<u>-</u>	<u>\$ 33,473</u>	<u>1</u>
8500	Total comprehensive income for the year		<u>\$ 844,237</u>	<u>21</u>	<u>\$ 830,159</u>	<u>21</u>
	Profit attributable to:					
8610	Owners of the parent		\$ 710,370	18	\$ 678,857	17
8620	Non-controlling interest		128,189	3	117,829	3
	Total		<u>\$ 838,559</u>	<u>21</u>	<u>\$ 796,686</u>	<u>20</u>
	Comprehensive income attributable to:					
8710	Owners of the parent		\$ 714,133	18	\$ 705,195	18
8720	Non-controlling interest		130,104	3	124,964	3
	Total		<u>\$ 844,237</u>	<u>21</u>	<u>\$ 830,159</u>	<u>21</u>
	Earnings per share (in dollars):					
9750	Total basic earnings per share	6(22)	<u>\$ 10.84</u>		<u>\$ 10.55</u>	
9850	Total diluted earnings per share	6(22)	<u>\$ 10.77</u>		<u>\$ 10.39</u>	

The accompanying notes are an integral part of these non-consolidated financial statements.
See report of independent accountants dated March 16, 2016.

KD HOLDING CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Expressed in thousands of New Taiwan dollars)

	Equity attributable to owners of the parent											
	Capital			Retained earnings				Other equity interest				
	Notes	Common stock	Capital collected in advance	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Cumulative translation differences of foreign operations	Unrealized gain or loss on available-for-sale financial assets	Total	Non-controlling interest	Total equity
For the year ended December 31, 2014												
Balance at January 1, 2014		\$ 635,464	\$ 4,131	\$ 1,871,722	\$ 242,213	\$ 24,423	\$ 1,228,263	\$ 264	(\$ 1,026)	\$ 4,005,454	\$ 439,282	\$ 4,444,736
The effects of retrospective application and restatement		-	-	-	-	-	(13,207)	-	-	(13,207)	(854)	(14,061)
Balance at 1 January (Restated)		635,464	4,131	1,871,722	242,213	24,423	1,215,056	264	(1,026)	3,992,247	438,428	4,430,675
Capital collected in advance transferred to common stock		4,131	(4,131)	-	-	-	-	-	-	-	-	-
Appropriation of 2013 earnings												
Legal reserve		-	-	-	62,032	(62,032)	-	-	-	-	-	-
Special reserve		-	-	-	-	(23,661)	23,661	-	-	-	-	-
Cash dividends		-	-	-	-	(581,948)	-	-	(581,948)	(111,249)	(693,197)	-
Profit for the year		-	-	-	-	678,857	-	-	678,857	117,829	796,686	-
Convertible bonds transferred to common stock	6(17)	193	1,157	12,938	-	-	-	-	-	14,288	-	14,288
Share-based payment transactions	6(17)	-	-	19,597	-	-	-	-	-	19,597	1,172	20,769
Employee stock options exercised	6(16)(17)	8,920	-	73,172	-	-	-	-	-	82,092	-	82,092
Cumulative translation differences of foreign operations		-	-	-	-	-	-	27,386	-	27,386	6,731	34,117
Unrealized gain or loss on available-for-sale financial assets	6(3)	-	-	-	-	-	-	-	(15,146)	(15,146)	(528)	(15,674)
Other comprehensive income for the year		-	-	-	-	14,098	-	-	-	14,098	932	15,030
Adjustments due to capital transfer of investees		-	-	5	-	-	-	-	5	-	-	5
Balance at December 31, 2014		\$ 648,708	\$ 1,157	\$ 1,977,434	\$ 304,245	\$ 762	\$ 1,287,692	\$ 27,650	(\$ 16,172)	\$ 4,231,476	\$ 453,315	\$ 4,684,791
For the year ended December 31, 2015												
Balance at January 1, 2015		\$ 648,708	\$ 1,157	\$ 1,977,434	\$ 304,245	\$ 762	\$ 1,287,692	\$ 27,650	(\$ 16,172)	\$ 4,231,476	\$ 453,315	\$ 4,684,791
Capital collected in advance transferred to common stock		1,157	(1,157)	-	-	-	-	-	-	-	-	-
Appropriation of 2014 earnings												
Legal reserve		-	-	-	67,404	(67,404)	-	-	-	-	-	-
Special reserve		-	-	-	-	(617)	617	-	-	-	-	-
Cash dividends		-	-	-	-	(607,249)	-	-	(607,249)	(111,214)	(718,463)	-
Profit for the year		-	-	-	-	710,370	-	-	710,370	128,189	838,559	-
Convertible bonds transferred to common stock	6(11)(16)(17)	1,502	233	16,063	-	-	-	-	-	17,798	-	17,798
Share-based payment transactions	6(15)(17)	-	-	8,224	-	-	-	-	-	8,224	489	8,713
Employee stock options exercised	6(16)(17)	7,027	-	67,624	-	-	-	-	-	74,651	-	74,651
Cumulative translation differences of foreign operations		-	-	-	-	-	-	29,705	-	29,705	2,554	32,259
Unrealized gain or loss on available-for-sale financial assets	6(3)	-	-	-	-	-	-	-	(16,174)	(16,174)	(260)	(16,434)
Other comprehensive income for the year		-	-	-	-	(9,768)	-	-	(9,768)	(379)	(10,147)	-
Adjustments due to capital transfer of investees		-	-	(79)	-	-	-	-	(79)	-	-	(79)
Balance at December 31, 2015		\$ 658,394	\$ 233	\$ 2,069,266	\$ 371,649	\$ 145	\$ 1,314,258	\$ 57,355	(\$ 32,346)	\$ 4,438,954	\$ 472,694	\$ 4,911,648

The accompanying notes are an integral part of these non-consolidated financial statements.

See report of independent accountants dated March 16, 2016.

KD HOLDING CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in thousands of New Taiwan dollars)

	Notes	For the years ended December 31,	
		2015	2014
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Consolidated profit before tax for the year		\$ 968,879	\$ 932,495
Adjustments to reconcile profit before tax to net cash provided by operating activities			
Income and expenses having no effect on cash flows			
Depreciation	6(7)(19)	16,470	16,844
Amortization	6(19)	14,274	14,409
Interest expense		9,933	13,896
Interest income		(29,196)	(25,800)
Dividend income		(15,823)	(13,551)
Salary expense-employee stock options	6(15)	8,713	20,747
Gain on valuation of financial assets	6(2)	(1,524)	(1,299)
Share of profit of associates and joint ventures accounted for using equity method	6(6)	(25,287)	(21,853)
Loss on disposal of property, plant and equipment		286	784
Discount on convertible bonds recognized as interest expense		181	492
Impairment loss	6(5)	157	216
Changes in assets/liabilities relating to operating activities			
Net changes in assets relating to operating activities			
Financial assets at fair value through profit or loss		(63,344)	(146,356)
Notes receivable, net		161	348
Accounts receivable, net		(83,237)	(34,710)
Accounts receivable, net - related parties		(19,715)	(37,856)
Other receivables		(2,335)	1,296
Other receivables-related parties		(2,786)	34,582
Inventories		(10,067)	(12,108)
Prepayments		(59,806)	(22,824)
Other non-current assets		241,594	237,820
Net changes in liabilities relating to operating activities			
Accounts payable		170,448	120,992
Accounts payable - related parties		(2,737)	(683)
Other payables		7,487	24,217
Other payables - related parties		(984)	2,098
Other current liabilities		150,689	165,800
Other non-current liabilities		10,541	2,277
Cash generated from operations		1,282,972	1,272,273
Interest received		31,189	19,878
Dividends received		40,753	26,279
Interest paid		(9,392)	(14,380)
Income tax paid		(124,489)	(107,020)
Net cash provided by operating activities		<u>1,221,033</u>	<u>1,197,030</u>

(Continued)

KD HOLDING CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in thousands of New Taiwan dollars)

	<u>Notes</u>	<u>For the years ended December 31,</u>	
		<u>2015</u>	<u>2014</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Increase in available-for-sale financial assets-current		\$ -	(\$ 60,294)
Increase in investments accounted for using equity method-non-subsidiaries	6(6)	(94,500)	(309,489)
Interest received		464	482
Acquisition of property, plant and equipment	6(7)	(9,322)	(25,962)
Proceeds from disposal of property, plant and equipment		164	486
Increase in refundable deposits		(2,339)	(524)
Payments for redemption of bonds payable		(1,500)	-
Net cash used in investing activities		<u>(107,033)</u>	<u>(395,301)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Repayment of long-term loans		(158,400)	(369,494)
Increase in deposits received (shown in other non-current liabilities)		17,291	4,236
Employee stock options exercised		74,651	82,092
Cash dividends paid		(718,463)	(693,197)
Net cash used in financing activities		<u>(784,921)</u>	<u>(976,363)</u>
Increase (decrease) in cash and cash equivalents		329,079	(174,634)
Cash and cash equivalents at beginning of year		<u>1,830,051</u>	<u>2,004,685</u>
Cash and cash equivalents at end of year		<u>\$ 2,159,130</u>	<u>\$ 1,830,051</u>

The accompanying notes are an integral part of these non-consolidated financial statements.
See report of independent accountants dated March 16, 2016.

Audit Committee's Review Report

The Board of Directors has prepared the Company's 2015 Business Report, Financial Statements (both consolidated and individual), and proposal for allocation of profits. The CPA firm of PriceWaterhouseCoopers was retained to audit KD Holding Corporation's Financial Statements and has issued an audit report relating to the Financial Statements. The Business Report, Financial Statements, and profit allocation proposal have been reviewed and determined to be correct and accurate by the Audit Committee members of KD Holding Corporation. According to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, we hereby submit this report.

KD Holding Corporation.

Chairman of the Audit Committee: Sidney Hsin Huai Chow



Dated March 16th, 2016.



To the Board of Directors and Stockholders of KD Holding Corporation

We have audited the accompanying non-consolidated balance sheets of KD Holding Corporation as of December 31, 2015, December 31, 2014 and January 1, 2014, and the related non-consolidated statements of comprehensive income, of changes in stockholders' equity and of cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the "Regulations Governing Auditing and Attestation of Financial Statement by Certified Public Accountants" and generally accepted auditing standards in the Republic of China. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the non-consolidated financial statements referred to above present fairly, in all material respects, the financial position of KD Holding Corporation as of December 31, 2015, December 31, 2014 and January 1, 2014, and the results of its financial performance and cash flows for the years then ended, in conformity with the "Rules Governing the Preparation of Financial Statements by Securities Issuers".



資誠

As described in Note 3(1), KD Holding Corporation and its subsidiaries adopted the “2013 version of IFRS” as endorsed by the Financial Supervisory Commission (“FSC”) commencing 2015, and accordingly, the financial statements for the prior periods were retroactively adjusted.

PricewaterhouseCoopers, Taiwan

March 16, 2016
Taipei, Taiwan
Republic of China

The accompanying non-consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying non-consolidated financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.



REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

To the Board of Directors and Stockholders of KD Holding Corporation

We have audited the accompanying consolidated balance sheets of KD Holding Corporation and its subsidiaries as of December 31, 2015, December 31, 2014 and January 1, 2014, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years ended December 31, 2015 and 2014. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these financial statements based on our audits.

We conducted our audits in accordance with the "Regulations Governing Auditing and Attestation of Financial Statement by Certified Public Accountants" and generally accepted auditing standards in the Republic of China. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of KD Holding Corporation and its subsidiaries as of December 31, 2015, December 31, 2014 and January 1, 2014, and the results of their financial performance and cash flows for the years ended December 31, 2015 and 2014 in conformity with the "Rules Governing the Preparation of Financial Statements by Securities Issuers" and International Financial Reporting Standards, International Accounting Standards, IFRIC interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.



We have also audited the parent company only financial statements of KD Holding Corporation, not presented herein, as of and for the years ended December 31, 2015 and 2014, and have expressed a modified unqualified opinion on such financial statements.

As described in Note 3(1), KD Holding Corporation and its subsidiaries adopted the “2013 version of IFRS” as endorsed by the Financial Supervisory Commission commencing 2015, and accordingly, the financial statements for the prior periods were retroactively adjusted.

PricewaterhouseCoopers, Taiwan

March 16, 2016
Taipei, Taiwan
Republic of China

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

KD HOLDING CORPORATION
2015 Directors' and Employees' Remuneration Distribution

- (1) Executed in accordance with Article 29 of the revised company "Articles of Incorporation"
- (2) The 2015 pre-tax profit before remuneration distribution amounts to NT \$717,826,444. The Board of Directors proposed remuneration distribution of NT\$ 5,200,000 for the directors' and NT\$ 227,914 for the employees'. All paid for in cash, identical with no difference to the accounting records.

KD Holding Corporation Guarantee List

2015/12/31

unit : TWD Thousand

Target \ Item	Guarantees and Endorsements	
	as of 2015/12/31	as of 2014/12/31
GD Development Corp.	629,076	248,253
Total	629,076	248,253
Note : 2015.12.31 Net worth : 4,438,954 thousand 1.Ceiling on total guarantee amount : 13,316,862thousand 2.Ceiling on guarantee amount for single enterprise : 8,877,908 thousand		

KD Holding Corporation
Articles of Incorporation
(Before Amendment)

Amended on June 23, 2014

Chapter I General

Article 1 This company is incorporated under the Company Act of the Republic of China, in the name of “KD Holding Corporation” (hereinafter the “Company”).

Article 2 Scope of the Company’s business activities include the following:
H201010 Investment

Article 3 The Company has established its headquarter in Taipei, R.O.C., and may establish branches within or outside of the territory of R.O.C. upon the board’s resolution when necessary.

Article 4 Public announcement of the Company shall be made in accordance with Article 28 of the Company Act.

Upon the Company goes public, the public announcement of the Company shall be made in accordance with the relevant rules and regulations as established by the competent authority.

Article 4-1 To the extent of the necessary practice, the Company may make endorsement and guarantee according to the rules governing procedure for making of endorsements or guarantees.

Chapter II Capitals

Article 5 The Company has an authorized capital of NT\$800,000,000, divided into 80,000,000 shares at NT\$10 dollars par value per share. The Company hereby authorizes the Board of Directors to issue the said shares in installments.

In respect to the aforementioned capital, a total of NT\$60,000,000, divided into 6,000,000 shares at NT\$10 dollars par value per share, shall be reserved for issuing employee stock options in installments pursuant to the Company’s board resolution.

Article 6 The total amount of the Company’s reinvestment is not be subject to the restriction of not more than forty percent of the Company’s paid-up capital as provided in Article 13 of the Company Act. Any matters regarding the reinvestment shall be resolved in accordance with the

resolutions of the Board of Directors.

Article 7 The shares of the Company shall be name-bearing shares duly signed and sealed by a minimum of three directors, assigned serial numbers and clearly identified all items as required under Article 162 of the Company Law and issued after having been authenticated by the competent authority or the registration institution issuing the shares.

The stock certificates of the Company may be made without physical certificates. However, the stock of the Company shall be registered with the securities centralized depository institution.

Article 8 Unless otherwise provided by the law and securities regulations, the shareholders' handling of stock affairs and exercise of their rights shall be governed by "Criteria Governing Handling of Stock Affairs by Public Companies."

Article 9 Deleted.

Article 10 Changes to the shareholders roster shall be made in accordance with Article 165 of the Company Act.

Chapter III Shareholders' Meeting

Article 11 There are two types of shareholders' meeting:

- (1) General shareholders' meeting, which shall be convened at least once a year within six months after the end of each fiscal year by the Board of Directors.
- (2) Special shareholders' meeting, which shall be convened when necessary.

Article 12 The shareholders' meeting shall be chaired by the chairman. In the event where the chairman is absent or cannot exercise its duties for any reasons, Article 208 of the Company Act shall govern.

Article 13 Notice to convene a shareholders' meeting shall be made pursuant to Article 172 of the Company Act.

Shareholders' proposals shall be made in accordance with Article 172-1 of the Company Act.

Article 14 Where a shareholder cannot attend the shareholders' meeting for any reasons, he or she may appoint a representative to attend the meeting and exercise his or her rights on his or her behalf pursuant to Article 177 of the Company Act.

Article 15 Except as provided in Article 157 Item 3 and Article 179 Paragraph 2 of the Company Act, the shareholder shall have one voting right for each share owned in the Company.

When the Company convenes a shareholders' meeting, the shareholders may exercise its voting right in writing or electronically.

Article 16 Except as provided in the Company Act and other relevant rules and regulations, the shareholders' resolution shall be adopted at the meeting with the concurrence of a majority of the votes held by shareholders present at the meeting representing more than half of the total number of issued shares.

Resolutions adopted at the shareholders' meeting shall be recorded in the meeting minutes and items recorded therein shall be made in accordance with the relevant laws and regulations.

Article 16-1 In the event where the Company needs to withdraw from public offering, the Company shall submit such issue to the shareholders' meeting for resolution. This provision shall not be amended during the period when the Company is being publicly traded over the counter or in the stock exchange market.

Chapter IV Directors and Audit Committee

Article 17 The Company shall have five to nine directors, who shall hold the office for a term of three years and be elected from people with legal capacity at the shareholders' meeting. Directors are eligible for reelection. The election of directors shall be made in cumulative vote by open ballots. Each share shall enjoy as many votes as the number of directors' positions up for election. Shareholders may concentrate their full share of votes on one or several candidates. Candidates who receive the most votes shall be elected as directors. Where it is necessary to amend the aforementioned method of election, in addition to complying with Article 172 of the Company Act, the Company shall include such matter in the notice of convening shareholders' meeting and explain the key contents thereof.

The total amount of the nominated shares held by all directors shall be determined in accordance with the regulations set forth by the competent authority.

Article 17-1 Two to three of the aforementioned directors shall be independent directors. The candidates for independent directors shall be nominated

and shall be elected from the list of candidates during the shareholders' meeting. Professional qualification, number of shareholdings, restrictions regarding holding other jobs, nomination and election of independent directors and other compliance matters shall be governed by the relevant regulations set forth by the competent authority.

Article 17-2 In compliance with Article 14-4 of the Securities and Exchange Act, the Company shall establish an Audit Committee, which shall consist of the entire number of independent directors. The Audit Committee or the members of Audit Committee shall be delegated the power as set forth in the provisions regarding supervisors in the Company Act, the Securities and Exchange Act, and other laws and regulations.

Article 18 The Board of Directors shall have the authority to perform the followings:

- (1) Set out business guidelines
- (2) Draft proposals for distribution of profits, loss recovery, amendment of Articles of Incorporation, changes to the authorized capital and dissolution or mergers of the Company
- (3) Resolve matters related to the offering, issuance or private placement of equity-type securities
- (4) Approve important bylaws related to internal control mechanisms and material business or financial contracts of the Company
- (5) Appoint or remove financial officers, accounting officers, internal auditing officers and other executing officers
- (6) Resolve matters related to the appointment, removal or remuneration of the certified public accountant of the Company
- (7) Amend guidelines and procedure regarding material financial and business conducts of the Company such as acquisition and disposal of assets, derivatives trading, lending of capital, endorsements and guarantees and disclosure of financial forecasts, etc.
- (8) Establish or dissolve branches
- (9) Provide budget and financial reports
- (10) Other authority as granted by the Company Act or by the shareholders' resolution

Article 19 A Board of Directors' meeting shall be attended by more than half of the directors and the directors shall elect amongst themselves a chairman. The chairman shall externally represent the Company

Article 20 Unless otherwise provided by the Company Act, the Board of Directors' meeting shall be convened by the chairman and the directors shall attend the meeting in person. If the Board of Directors' meeting is convened by video conference, a director attending the meeting by video conference shall be deemed to have attended the meeting in person.

In calling a meeting of the Board of Directors, a notice setting forth therein the subject(s) to be discussed at the meeting shall be given to each director, by means of written document, email or facsimile, no later than 7 days prior to the scheduled meeting date. However, in case of emergency, a meeting may be convened at any time.

Unless otherwise provided by the Company Act, the board resolution shall be adopted with the concurrence of the majority of the directors present at the meeting representing more than half of the directors.

Article 20-1 The Company may set up various functional committees under the Board of Directors. Each functional committee shall stipulate the operating rules for its functioning and such operating rules shall only take effect after the approval of the Board of Directors.

Article 21 The board meeting shall be chaired by the chairman. In the event where the chairman is absent or cannot exercise its duties for any reasons, Article 208 of the Company Act shall govern.

A director may, by a written proxy, appoint another director to attend the board meeting on its behalf and to vote on his or her behalf within the scope of authority granted; provided that a director may only act as proxy on behalf of one other director.

Resolutions adopted at the Board of Directors' meeting shall be recorded in the meeting minutes duly signed or sealed by the chairman.

Article 22 Deleted.

Article 23 The Company hereby authorizes the Board of Directors to determine the remuneration of the directors and chairman of the Company in accordance with the level of contribution to the Company made by each of the said directors and chairman and with reference to the industry standards.

Chapter V Human Resources

Article 24 The Company may establish several managers. The appointment, removal and remuneration of managers of the Company shall be made in accordance to Article 29 of the Company Act.

Article 25 Deleted.

Chapter VI Financial Reports

Article 26 The fiscal year of the Company shall commence on January 1 of each year until December 31 of the same year. At the end of each fiscal year, the Board of Directors shall prepare the following documents to be audited by the Audit Committee and submitted them for the shareholders' approval at the general meeting of the shareholders:

- (1) Business report
- (2) Financial statements
- (3) Proposal for profit distribution or covering of losses

Article 27 Deleted.

Chapter VII Profit Allocation

Article 28 The allocation of dividends and bonuses shall be made in accordance with the shareholding ratio of each shareholder. Where the Company did not earn any profit, the Company shall not allocate dividends and bonuses.

Article 29 If there are net profits at the end of a fiscal year, the Company shall first pay the profit-seeking enterprise income taxes and offset its losses in previous years. After having paid the corporate taxes and off-set past losses, 10% of the profit earned by the Company of each fiscal year shall be set aside as statutory reserve, except where such reserve has reached the total authorized capital of the Company. Moreover, a special capital reserve in the amount equivalent to the balance of shareholders' equity deficit of the current fiscal year shall be set aside. If there is recovery of the balance of shareholders' equity deficit, the recovered amount shall be included in the distribution of the profit for the current year. The balance of the profit for the current fiscal year, together with the cumulative undistributed profit of the previous year shall be referred to as cumulative allocable profit, which shall be distributed according to shareholders' resolutions.

Article 30 In order to expand the business needs and in response to the growth of the industry, the Company shall set its priority on satisfying the future business needs and strengthening the financial structure of the Company in respect to its policy on distribution of dividends and the profits shall be distributed in accordance with the following percentage:

- (1) Employee bonus:
0.05% of the profit for the current year or more
- (2) Directors' remuneration:
Limited to 2% of the profit for the current year.
- (3) Shareholders' bonus:
The remainder of cumulative allocable profit minus the amount under item (1) and (2), if any, shall be listed as shareholders' bonus.
- (4) In respect to the aforementioned amount of shareholders' bonus, cash

dividend shall not be less than 20% of the total amount of dividends. However, in the event of a sudden major investment plan and no other fund can be obtained in support thereof, the Company may reduce the distribution of cash dividend to at least 5%.

The proposal for the aforementioned allocation of profit shall be drafted by the Board of Directors and submitted to the shareholders' meeting for resolution.

Article 31 Deleted.

Chapter VIII Miscellaneous

Article 32 The internal organizational bylaws and procedural rules shall be set out separately.

Article 33 All matters that are not provided for herein shall be subject to the Company Act and other applicable laws and regulations.

Article 34 These Articles of Incorporation were approved at the promoters' meeting by all promoters on December 8, 1999.

The first amendment was approved on June 27, 2002,
Article 17-1 of this Articles of Incorporation was amended in accordance with Article 183 of the Securities and Exchange Act,
the second amendment on June 20, 2007,
the third amendment on June 26, 2009,
the fourth amendment on June 17, 2010,
the fifth amendment on June 25, 2013,
the sixth amendment on June 23, 2014

Article 35 This Articles of Incorporation shall become effective upon the approval by the shareholders' meeting. The same shall apply to the amendment hereto.

KD Holding Corporation
Chairman John Lin

KD Holding Corporation

Rules Governing Procedure for Shareholders' Meetings

Amended on June 26, 2009

- Article 1 Unless otherwise provided by laws, regulations or Articles of Incorporation , the shareholders' meeting shall be governed by the Rules.
- Article 2 The Company shall prepare an attendance sheet for the attending shareholders or the proxies to sign or the attending shareholders shall hand in an attending card to indicate their presence. The number of the shares present at the shareholders' meeting shall be calculated based on the attendance sheet or the attending cards handed in.
- Article 3 The attendance of and voting at the shareholders' meeting shall be calculated based on shares.
- Article 4 The shareholders' meeting shall be held at the location of the Company or at the location that is convenient for the shareholders to attend and appropriate for convening shareholders' meeting thereat. The time of the meeting shall not be earlier than 9am or later than 3pm.
- Article 5 If the shareholders' meeting is convened by the board of directors, the shareholders' meeting shall be chaired by the chairman. If the chairman is absent or cannot exercise its duties for any reasons, the chairman shall appoint a director to represent him or her at the shareholders' meeting. Where the chairman did not appoint any representative, the directors shall choose a person among them to do so.
- Article 6 The Company may appoint its attorneys, accountants or other related persons to attend the shareholders' meeting as non-voting observers.
- Article 7 The entire proceedings of the shareholders' meeting shall be recorded on audio or video tape. Such audio or video tape shall be kept for at least 1 year.
- Article 8 The chair of the shareholders' meeting shall immediately announce the commencement of the shareholders' meeting when it is time to commence, provided that where shareholders representing more than half of the total issued shares are absent from the shareholders' meeting, the chair may announce the postponement of the shareholders' meeting. However, the shareholders' meeting can only be postponed twice and the total period of postponement cannot exceed one hour. If, after two postponements, the quorum is still not satisfied, but the attending shareholders represent more than one third of the total issued shares, a provisional resolution may be made pursuant to Paragraph 1 of Article 175 of the Company Act. Before the closing of that shareholders' meeting, if the attending shareholders represent more than half of the total issued shares, the chair may submit the provisional resolution to the shareholders' meeting for voting in accordance with Article 174 of the Company Act.
- Article 9 If the shareholders' meeting is convened by the board of directors, the agenda of the meeting shall be determined by the board of directors. The shareholders' meeting shall proceed in the order of proposed agenda. Such order shall not be

changed without the approval of the shareholders' meeting.

The above provision applies is also applicable to the Meeting which is convened by the person who does not belong to the Board of Directors.

Before the proposed agenda (including extempore motions) is decided, without the approval of the shareholders' meeting, the chair shall not announce the adjournment of the shareholders' meeting.

Members of the board shall provide help to shareholders to vote a Chairman with majority of present shareholders in accordance of the statutory process when the Chairman adjourn the Meeting in violation of Rules and Procedures.

After the adjournment of the shareholders' meeting, the shareholders shall not elect another chair to continue the shareholders' meeting at the same location or at another location.

Article 10 Before an attending shareholder makes a statement, he or she shall first fill out a statement slip indicating the subject of his or her statement, the shareholder's account number (or the attendance identification number) and the shareholder's name. The chair shall determine the order in which the shareholders shall make the statement.

Where an attending shareholder only submits a statement slip but did not make any statement, he or she shall be deemed to have not spoken. Where the content of the oral statement is different from that indicated on the statement slip, the content of the oral statement shall prevail.

When an attending shareholder is making a statement, the other shareholders shall not interrupt unless otherwise agreed to by the chair and the speaking shareholder. In case of violation, the chair shall stop the disturbance.

Article 11 For every proposal discussed, unless otherwise agreed to by the chair of the shareholders' meeting, each shareholder shall not speak for more than twice and each time shall not exceed 5 minutes. Any shareholder violating the abovementioned rule or whose statement exceeds the scope of the proposal, the chair may interrupt and stop such shareholder from speaking.

Article 12 Where a juristic person is delegated to attend the shareholders' meeting, such juristic person can only appoint one person to attend the shareholders' meeting. Where a juristic person appoints more than 2 representatives to attend the shareholders' meeting, only one of such representatives may speak for each proposal.

Article 13 When an attending shareholder speaks, the chair may answer such shareholder directly or appoint a related person to answer.

Article 14 With respect to the discussion of a proposal, where the chair is of the opinion that a matter has been sufficiently discussed to the extent that a vote may proceed, he or she may conclude the discussion and bring the matter to vote.

Article 15 People supervise and count the votes for the voting of a proposal shall be appointed by the chair, provided that the person supervising the vote shall be a shareholder of the Company. The result of the vote shall be announced on site and shall be recorded in the meeting minutes.

Article 16 During the course of the shareholders' meeting, the chair may announce a break at the times that he or she deems appropriate.

Article 17 Unless otherwise provided by the Company Act or by the Articles of

Incorporation, a proposal shall be adopted by a majority vote of the shareholders present. When voting for a proposal, if no objection is expressed when the chair puts the matter before the shareholders present at the shareholders' meeting, the proposal shall be deemed to have been adopted. The effect of such adoption shall be the same as adoption by votes.

If there's any objection, shareholder shall vote for it in accordance of above rules.

Article 18 Where there is an amendment proposal or alternative proposal for the same issue, the chair shall determine the order of voting of such proposals together with the original proposal for the same issue. However, if a proposal has been approved, the other proposals shall be deemed to have been vetoed and need not be voted again.

Article 19 The chair may direct the rectifiers (or security personnel) to assist in maintaining order at the shareholders' meeting. When the rectifiers (or security personnel) provide assistance to maintain the order at the shareholders' meeting, they shall wear the badge indicating that they are the rectifiers.

Article 20 The Rules shall come into force upon the adoption by the shareholders' meeting. The same shall apply to the amendment hereof.

KD Holding Corporation Shareholdings of All Directors

Record Date: April 23, 2016

Title	Name	Shares	%	Representative
Chairman	CTCI Corporation	38,457,105	58.05	John H. Lin
Director	CTCI Corporation			Michael Yang
Director	CTCI Corporation			Ming-Cheng Hsiao
Director	Parkwell Investment Limited	1,060,000	1.60	Kuan Shen Wang
Independent Director	Sidney Hsin Huai Chow	0	0.00	NA
Independent Director	Shean-Bii Chiu	0	0.00	NA
Independent Director	Eugene Chien	0	0.00	NA
Director	Douglas Liu	0	0.00	NA
Director	Wen-whe Pan	0	0.00	NA
Total number of shares held by all Directors		39,517,105	59.65	

(1) Total shares issued as of April 23, 2016: 66,245,148 Common Shares.

(2) The minimum required combined shareholding of all Directors by law: 5,299,611 shares.

Others

- 1、 The process of proposals raised by shareholders during this annual general meeting:
 - 1) According to Article 172-1 of The Company Act, shareholders with more than 1% ownership interest are entitled to raise a maximum of one proposal less than 300 words to the company in writing, which will be addressed during the annual general meeting.
 - 2) This year's annual general meeting was open to shareholders' proposals from April 13 to April 22, 2016, and these dates have been published on the Market Observation Post System in compliance with the relevant regulations.
 - 3) The Company did not receive any proposals from shareholders.