



KD Holding Corporation

Handbook for the 2017 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 26, 2017

No. 127, Sec.7, Zhongshan N. Rd., Taipei,
Mellow Fields Hotel 505 Room

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KD Holding Corporation
Procedure for the 2017 Annual General
Meeting of Shareholders

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

Agenda of 2017 Annual General Meeting of Shareholders of KD Holding Corporation (Translation)

Time and Date of Meeting: 9:00 a.m., June 26, 2017

Place of Meeting: No. 127, Sec.7, Zhongshan N. Rd., Taipei,
Mellow Fields Hotel 505 Room

1. Report Items

- (1) The company's business report of 2016. (Please refer to page 10~page 11)
- (2) The audit committee's review report of 2016. (Please refer to page 24)
- (3) The directors' & employees' remuneration of 2016. (Please refer to page 36)
- (4) The Status of guarantees provided by the company as of the end of 2016
As of the end of 2016, the aggregate amount of guarantees provided by the company was NT\$667,708 thousands and the highest amount for a single enterprise was NT\$667,708 thousands which are all under its respective ceiling. (Please refer to page 37)

2. Ratification Items

- (1) Adoption of the Company's 2016 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 2016 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 35)

Resolved :

(2) Adoption of the Company's Distribution of 2016 earnings (Proposed by the Board of Directors)

Explanatory Notes :

- 1) The 2016 net income after tax is NT\$848,096,850, after setting aside legal reserve NT\$84,809,685, and remeasurement arising on defined benefit plans are recognized in retained earnings in 2016 NT\$6,188,895, adding the unappropriated retained earnings as of 2015 NT\$603,869,520, the retained earnings available for distribution in 2016 is NT\$1,360,967,790. The proposal is that NT\$757,172,620 will be cash dividends to common shareholders (NT\$11.37 per share based on common share outstanding is 66,593,898 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 2016 profit distribution proposal is referring to page 17.

Resolved :

3. Discussion Items (I)

- (1) To approve the amendment of the Company's "Procedure for Acquisition and Disposition of Assets" (Proposed by the Board of Directors)**

Explanatory Notes :

Please refer to page 38 to 47 for the comparison table between the existing provisions and amendments of "Procedure for Acquisition and Disposition of Assets".

Resolved :

(2) To approve the amendment of the company's "Articles of Incorporation" (Proposed by the Board of Directors)

Explanatory Notes :

Please refer to page 48 for the comparison table between the existing provisions and amendments of "Articles of Incorporation".

Resolved :

4. Election

(1) Election of the Company's 7th term Directors (Proposed by the Board of Directors)

Explanatory Notes :

- (1) The 6th term of the office of the directors will expire on June 22, 2017. It is proposed that the term of office of incumbent directors be extended until the time new directors have been elected and assumed their office.
- (2) Pursuant to Article 17 and 17-1 of the "Articles of Incorporation", it is proposed to elect 9 directors (including 3 independent directors) for the 7th term that is to be effective from June 26, 2017 to June 25, 2020.
- (3) The election is in accordance with "Rules Governing the Election of Directors".
- (4) Besides CTCI Corporation, no other shareholder owning more than 1% of outstanding shares was nominated as candidate for directors (including 3 independent directors) during the nomination period from April 7, 2017 to April 17, 2017.
- (5) The list of candidates has been approved by the Board of Directors of the Company on May 11, 2017. The relevant information is as follows :

Category	Candidate Name	Education	Experience	Present Position	Number of Shares held
Direct	CTCI Corporation Rep. : J. J. Liao	MBA, EMBA Program in Finance, National Taiwan University Master of Civil	Executive Vice President of KD Holding Corp. President of SESC	President of KD Holding Corp. Chairman of SESC Chairman of Leading Energy Corp. Chairman of Fortune Energy Corp.	38,457,105

		Engineering, National Central University		Chairman of HD Resource Management Corp. Chairman of Yuan Ding Resources Management Corp. Managing Director of Xing Ding Corp. Director of SINOGAL-Waste Services Co., Ltd. Chairman of G.D. Development Corporation Vice Chairman of BORETECH Resource Recovery Engineering Co., Ltd. (Cayman)	
Direct	CTCI Corporation Rep. : Y. P. Shih	M.S., Civil Engineering, University of Washington B.S., Environmental Engineering, National Chung Hsing University, Taiwan	Leader, Environmental Protection Administration, EY Technical Specialist, Environmental Protection Administration, EY	Vice President of KD Holding Corp. President of HD Resource Management Corp. President of Yuan Ding Resources Management Corp. Director of BORETECH Resource Recovery Engineering Co., Ltd. (Cayman)	38,457,105
Direct	Parkwell Investment Corp. Rep. : Kuan Shen Wang	Master in Management, S.M. of MIT Sloan School	Managing Director of United Capital Management	Director of KD Holding Corp. Independent Director of Quanta Storage Inc. Director of Gintech Energy Corporation Supervisor of Chime Ball Technology Co., Ltd.	1,060,000
Direct	Yangming Liu	Attorney at-law in Taiwan EMBA National Taiwan University L.L.B. Fujen Catholic University	Arbitrator for Chinese Arbitration Association	Director of KD Holding Corp. Senior Partner, LIU & Co. Law Offices Director, Sunshine Social Welfare Foundation Chief Legal Counsel for Beijing DHH Law Firm - Asian-Pacific Region Director, Association of Cross-Strait Legal Exchange	0
Direct	Wen Whe Pan	PhD. Polymer Fiber, North Carolina State University	Vice Chairman, So Yang Co. Enterprises, Ltd. Supervisor, Board of Director, Unimicron Corporation Engineering Leader, Laboratory Supervisor, Sumitomo Electric Industries Ltd.	Director of KD Holding Corp. President and COO, Gintech Energy Corporation Board of Director, Chung Wei Investment Co., Ltd Board of Director, Utech Solar Corporation Board of Director, G.D.	0

				Development Corporation	
Director	Eugene Chien	Ph. D. Aeronautics and Astronautics, New York University, USA	Minister of Foreign Affairs/Minister of Transportation and Communications Minister of the Environmental Protection Administration Representative, Taipei Representative Office in the U.K./Legislator, Legislative Yuan (Parliament) Professor and Dean, College of Engineering, Tamkang University	Independent Director of KD Holding Corp. Chairman, Taiwan Institute for Sustainable Energy(TAISE) Independent Director of EVA Airways Corporation Independent Director of Far Eastern Department Stores Ltd. Chairman, CTCI Education Foundation	0
Independent Director	Shean Bii Chiu	PH. D in Finance, University of Washington (Seattle) U.S.A. MBA, University of Washington (Seattle) U.S.A.	Chairman of Department of Finance, National Taiwan University Chairman of Pension Fund Association, R.O.C.	Independent Director of KD Holding Corp. Professor, Department of Finance, National Taiwan University Independent Director of Airmate (Cayman) International Co. -Limited Independent Director of Long Chen Paper Co., Ltd.	0
Independent Director	Shuh Woei Yu	Doctor of Engineering, Tulane University Bachelor of Science, Department of Chemical Engineering, National Taiwan University	Professor, Graduate Institute of Environmental Engineering, National Central University General Director, Center for Environmental Safety and Health Technology Development, Industrial Technology Research Institute General Director, Center for Industrial Safety and Health Technology /Development, Industrial Technology Research Institute Professor, Department of Chemical Engineering, National Central University	Chairman, Safety and Health Technology Center	0
Independent Director	James Tsai	Master in Accounting, Graduate Institute of Accounting, National Chengchi University Master in Law, College of Law, National Chengchi	Vice CEO, CEO Deputy Chairman, PricewaterhouseCoopers, Taiwan President, PricewaterhouseCoopers Management Consulting Company Ltd. Vice Chairman, Fuh Hwa Securities Investment Trust Co., Ltd. Managing Director, Accounting Research and	Board Director, Trans Globe Life Insurance Inc. Independent Director of the Board, Sunny Friend Environmental Technology Co., Ltd. Independent Director of the Board, Zenitron Corp. Independent Director of the Board, Star Travel	0

		University	Development Foundation, and Chairman, Auditing Standards Committee Director and Managing Director, Taiwan Corporate Governance Association Consultant, Public Service Pension Fund Supervisory Board	Corp. (Until June 10, 2017) Independent Director of the Board, Tanvex BioPharma, Inc. Board Director, Tuntex Incorporation Associate Professor, Department of Accounting, National Chengchi University	
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Result of the Election :

5. Discuss Item (II)

(1) To approve the lifting of newly-elected directors of non-competition restrictions (Proposed by the Board of Directors)

Explanatory Notes :

(1) Pursuant to Article 209 of the Company Act, a director who does anything for himself or on behalf of another person that is within the scope of the Company's business, shall explain to the meeting of shareholders the essential contents of such and act and secure its approval.

(2) The newly-elected 7th-term directors may have the investment or manage other business of which the scope is the same or similar to the Company and hold the post of behavior of the director of corporation. It is proposed to submit to the 2017 Annual General Meeting to approve removing the non-competition restrictions on board directors newly-elected and their representatives.

Category	Candidate Name	Competitive conduct to be released
Director	CTCI Corporation Rep. : J. J. Liao	Chairman of SESC Chairman of Leading Energy Corp. Chairman of Fortune Energy Corp. Chairman of HD Resource Management Corp. Chairman of Yuan Ding Resources Management Corp. Managing Director of Xing Ding Corp. Director of SINO GAL-Waste Services Co., Ltd. Chairman of G.D. Development Corp. Vice Chairman of BORETECH Resource Recovery Engineering Co., Ltd. (Cayman)
Director	CTCI Corporation Rep. : Y. P. Shih	President of HD Resource Management Corp. President of Yuan Ding Resources Management Corp. Director of BORETECH Resource Recovery Engineering Co., Ltd. (Cayman)

Director	Parkwell Investment Corp. Rep. : Kuan Shen Wang	Independent Director of Quanta Storage Inc. Director of Gintech Energy Corporation
Director	Yangming Liu	Senior Partner, LIU & Co. Law Offices Director, Sunshine Social Welfare Foundation Chief Legal Counsel for Beijing DHH Law Firm - Asian-Pacific Region Director, Association of Cross-Strait Legal Exchange
Director	Wen Whe Pan	President and COO, Gintech Energy Corporation Board of Director, Chung Wei Investment Co., Ltd Board of Director, Utech Solar Corporation Board of Director, G.D. Development Corporation
Director	Eugene Chien	Chairman, Taiwan Institute for Sustainable Energy(TAISE) Independent Director of EVA Airways Corporation Independent Director of Far Eastern Department Stores Ltd. Chairman, CTCI Education Foundation
Independent Director	Shean Bii Chiu	Professor, Department of Finance, National Taiwan University Independent Director of Airmate (Cayman) International Co. -Limited Independent Director of Long Chen Paper Co., Ltd.
Independent Director	Shuh Woei Yu	Chairman, Safety and Health Technology Center
Independent Director	James Tsai	Board Director, Trans Globe Life Insurance Inc. Independent Director of the Board, Sunny Friend Environmental Technology Co., Ltd. Independent Director of the Board, Zenitron Corp. Independent Director of the Board, Star Travel Corp. (Until June 10, 2017) Independent Director of the Board, Tanvex BioPharma, Inc. Board Director, Tuntex Incorporation Associate Professor, Department of Accounting, National Chengchi University

Resolved :

6. Special Motion

7. Meeting Adjourned

KD HOLDING CORPORATION

Business Report of 2016

From 2016/01/01 to 2016/12/31

1、Business Performance:

For the year end of 2016, the standalone operating revenue was NT\$880,677 thousands, the consolidated operating revenue was NT\$4,955,565 thousands, and the consolidated profit after tax was NT\$848,097 thousands.

Consolidated operating revenue breakdown is as follows:

(Unit : NT\$ thousands)

Waste Disposal Revenues	1,352,508
Sales of Electricity	1,939,443
Concession Service Revenues	604,171
Waste Collection Revenues	123,040
Others	936,403
Total	4,955,565

2、Performance Review :

Compared to the year end of 2015, the year end of 2016 consolidated operating revenue of NT\$4,955,565 thousands has increased by NT\$876,812 thousands. The main reasons for the above change result from SINO GAL's electricity tariff adjustment after clarifying and approving by owner.

Standalone operating revenue of NT\$880,677 thousands has increased by NT\$148,760 thousands in 2016 due to the promoting profits from Sino Environmental Services Corp., Leading Energy Corp., and HD Resource Management Corp.

(Unit : NT\$ thousands)

Consolidated Operating Revenues for 2016	4,955,565
Consolidated Operating Revenues for 2015	4,078,753
Increase from 2015 to 2016	876,812
Percentage of increase	21.50%
Operating Revenues for 2016	880,677
Operating Revenues for 2015	731,917
Increase from 2015 to 2016	148,760
Percentage of increase	20.32%
Net Profit After Tax for 2016	848,097
Net Profit After Tax for 2015	710,370
Increase from 2015 to 2016	137,727
Percentage of increase	19.39%

3、 Business Prospect of Year 2017 :

Looking back year 2016, 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. Energy from Waste and Waste Management Business

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

B. Solar Power Business

Besides maintain stable operation of existing project, by following government's expansion policy KD will continuously and cautiously seeks opportunity for investing mega-scale project, including reclamation landfill and any other ground-mounted type PVPP project. For overseas market, KD is not only maintaining stable operation of existing project in the U.S. but also keen to search for proper target in other regions following Group development strategy. Moreover, in response to future funding needs KD will strategic alliance with different business sectors to expand funding channels and investment scale.

C. Circular Economy 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, by integrating the Group resource KD actively develops other recycling business, such as recycling valuable material from industrial waste, wastewater or household waste.

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

Assets	Notes	December 31, 2016		December 31, 2015		
		AMOUNT	%	AMOUNT	%	
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 203,309	4	\$ 175,511	4
1110	Financial assets at fair value	6(2)				
	through profit or loss - current		402,362	9	52,190	1
1125	Available-for-sale financial assets	6(3)				
	- current		15,259	-	19,715	1
1200	Other receivables		521	-	1,179	-
1210	Other receivables - related parties	7	32,128	1	32,056	1
1470	Other current assets		95,948	2	233,843	5
11XX	Current Assets		<u>749,527</u>	<u>16</u>	<u>514,494</u>	<u>12</u>
Non-current assets						
1543	Financial assets carried at cost -	6(4)				
	noncurrent		556	-	475	-
1550	Investments accounted for using	6(5)				
	equity method		3,956,490	84	3,941,961	88
1840	Deferred income tax assets	6(13)	-	-	666	-
15XX	Non-current assets		<u>3,957,046</u>	<u>84</u>	<u>3,943,102</u>	<u>88</u>
1XXX	Total assets		<u>\$ 4,706,573</u>	<u>100</u>	<u>\$ 4,457,596</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, 2016		December 31, 2015	
			AMOUNT	%	AMOUNT	%
Current liabilities						
2200	Other payables		\$ 19,717	1	\$ 14,639	-
2220	Other payables - related parties	7	1,041	-	1,074	-
2230	Current income tax liabilities		100	-	2,563	-
21XX	Current Liabilities		<u>20,858</u>	<u>1</u>	<u>18,276</u>	<u>-</u>
Non-current liabilities						
2640	Accrued pension liabilities	6(6)	3,658	-	366	-
25XX	Non-current liabilities		<u>3,658</u>	<u>-</u>	<u>366</u>	<u>-</u>
2XXX	Total Liabilities		<u>24,516</u>	<u>1</u>	<u>18,642</u>	<u>-</u>
Equity						
Share capital		6(8)				
3110	Common stock		664,614	14	658,394	15
3140	Capital collected in advance		-	-	233	-
Capital surplus		6(7)(9)				
3200	Capital surplus		2,126,850	45	2,069,266	46
Retained earnings		6(10)(13)				
3310	Legal reserve		442,686	9	371,649	9
3320	Special reserve		145	-	145	-
3350	Unappropriated retained earnings		1,445,777	31	1,314,258	30
Other equity interest						
3400	Other equity interest		1,985	-	25,009	-
3XXX	Total equity		<u>4,682,057</u>	<u>99</u>	<u>4,438,954</u>	<u>100</u>
Significant contingent liabilities		8				
and unrecognised contract						
commitments						
Significant events after the		10				
balance sheet date						
3X2X	Total liabilities and equity		<u>\$ 4,706,573</u>	<u>100</u>	<u>\$ 4,457,596</u>	<u>100</u>

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

KD HOLDING CORPORATION
NON-CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Expressed in thousands of New Taiwan dollars, except earnings per share amounts)

		Year ended December 31			
		2016		2015	
Items	Notes	AMOUNT	%	AMOUNT	%
4000	Operating revenue	\$ 880,677	100	\$ 731,917	100
5900	Gross profit	880,677	100	731,917	100
Operating expenses					
6200	General & administrative expenses	(48,482)	(6)	(46,671)	(7)
6000	Total operating expenses	(48,482)	(6)	(46,671)	(7)
6900	Operating profit	832,195	94	685,246	93
Non-operating income and expenses					
7010	Other income	18,846	2	27,022	4
7020	Other gains	177	-	312	-
7050	Finance costs	-	-	(181)	-
7000	Total non-operating income and expenses	19,023	2	27,153	4
7900	Profit before income tax	851,218	96	712,399	97
7950	Income tax expense	(3,121)	-	(2,029)	-
8200	Profit for the year	\$ 848,097	96	\$ 710,370	97
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	(\$ 3,096)	-	\$ 1,222	-
8330	Total share of other comprehensive income of associates and joint ventures accounted for using equity method	(3,093)	-	(10,990)	(1)
Components of other comprehensive income that will be reclassified to profit or loss					
8361	Cumulative translation differences of foreign operations	(22,755)	(3)	29,705	4
8362	Unrealized (loss) gain on valuation of available-for-sale financial assets	(4,456)	-	1,194	-
8380	Total share of other comprehensive income of associates and joint ventures accounted for using equity method	4,187	-	(17,368)	(2)
8300	Other comprehensive (loss) income for the year	(\$ 29,213)	(3)	\$ 3,763	1
8500	Total comprehensive income for the year	\$ 818,884	93	\$ 714,133	98
9710	Basic earnings per share	\$	12.80	\$	10.84
9810	Diluted earnings per share	\$	12.75	\$	10.77

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

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

	Notes	Share 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, 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(8)	1,157	(1,157)	-	-	-	-	-	-	-
Appropriation of 2014 earnings (Note 1)	6(10)	-	-	-	-	-	-	-	-	-
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		1,502	233	16,063	-	-	-	-	-	17,798
Share-based payment transaction	6(9)	-	-	8,224	-	-	-	-	-	8,224
Employee stock options exercised	6(8)(9)	7,027	-	67,624	-	-	-	29,705	-	74,651
Cumulative translation differences of foreign operations		-	-	-	-	-	-	-	-	29,705
Unrealized gain or loss on available-for-sale financial assets		-	-	-	-	-	-	-	(16,174)	(16,174)
Adjustments due to capital transfer of investees		-	-	(79)	-	-	-	-	-	(79)
Other comprehensive loss for the year		-	-	-	-	-	(9,768)	-	-	(9,768)
Balance at December 31, 2015		\$ 658,394	\$ 233	\$ 2,069,266	\$ 371,649	\$ 145	\$ 1,314,258	\$ 57,355	(\$ 32,346)	\$ 4,438,954
For the year ended December 31, 2016										
Balance at January 1, 2016		\$ 658,394	\$ 233	\$ 2,069,266	\$ 371,649	\$ 145	\$ 1,314,258	\$ 57,355	(\$ 32,346)	\$ 4,438,954
Capital collected in advance transferred to common stock	6(8)	233	(233)	-	-	-	-	-	-	-
Appropriation of 2015 earnings (Note 2)	6(10)	-	-	-	-	-	-	-	-	-
Legal reserve		-	-	-	71,037	-	(71,037)	-	-	-
Cash dividends		-	-	-	-	-	(639,352)	-	-	(639,352)
Profit for the year		-	-	-	-	-	848,097	-	-	848,097
Share-based payment transaction		-	-	1,761	-	-	-	-	-	1,761
Employee stock options exercised	6(9)	5,987	-	55,823	-	-	-	-	-	61,810
Cumulative translation differences of foreign operations	6(8)(9)	-	-	-	-	-	-	(22,755)	-	(22,755)
Unrealized gain or loss on available-for-sale financial assets		-	-	-	-	-	-	-	(269)	(269)
Other comprehensive loss for the year		-	-	-	-	-	(6,189)	-	-	(6,189)
Balance at December 31, 2016		\$ 664,614	\$ 145	\$ 2,126,850	\$ 442,686	\$ 145	\$ 1,445,777	\$ 34,600	(\$ 32,615)	\$ 4,682,057

Note 1: The directors' and supervisors' remuneration of \$5,721 and the employees' compensation (bonus) of \$304 for the year ended December 31, 2014 has been deducted from the statement of comprehensive income.
Note 2: The directors' and supervisors' remuneration of \$5,200 and the employees' compensation (bonus) of \$228 for the year ended December 31, 2015 has been deducted from the statement of comprehensive income.

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

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

	Notes	Year ended December 31	
		2016	2015
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 851,218	\$ 712,399
Adjustments			
Adjustments to reconcile profit (loss)			
Interest income		(3,840)	(3,246)
Dividend income		(3,389)	(12,570)
Salary expense-employee stock options	6(7)(12)	422	1,842
Gain on valuation of financial assets	6(2)	(252)	(277)
Share of profit of associates and joint ventures accounted for under equity method	6(5)	(880,677)	(731,917)
Discount on convertible bonds recognized as interest expense		-	181
Impairment loss	6(4)	-	157
Other income	6(4)	(540)	-
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets at fair value through profit or loss		(349,919)	28,293
Other receivables		112	(36)
Other receivables-related parties		(69)	(913)
Prepayments		-	11
Changes in operating liabilities			
Other payables		5,078	(3,625)
Other payables - related parties		(33)	21
Net defined benefit liabilities-non-current		196	393
Cash outflow generated from operations		(381,693)	(9,287)
Interest received		3,921	2,651
Dividends received		653,215	650,226
Income tax paid		(4,919)	(2,145)
Net cash flows from operating activities		<u>270,524</u>	<u>641,445</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Interest received		462	464
Decrease (increase) in other current financial assets		137,895	(116,510)
Increase in investments accounted for using the equity method-nonsubsidiaries	6(5)	-	(94,500)
Proceeds from reduction of capital of investee company using the equity method	6(5)	196,000	196,000
Proceeds from capital reduction of investee company carried at cost	6(4)	540	-
Increase in financial assets carried at cost - noncurrent	6(4)	(81)	-
Redemption of convertible bonds		-	(1,500)
Net cash flows from (used in) investing activities		<u>334,816</u>	<u>(16,046)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Employee stock options exercised		61,810	74,651
Cash dividends paid	6(10)	(639,352)	(607,249)
Net cash flows used in financing activities		<u>(577,542)</u>	<u>(532,598)</u>
Net increase in cash and cash equivalents		27,798	92,801
Cash and cash equivalents at beginning of year		175,511	82,710
Cash and cash equivalents at end of year		<u>\$ 203,309</u>	<u>\$ 175,511</u>

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



KD HOLDING CORPORATION
Proposed Profit Distribution Table
Year 2016

Unit : NT\$

Item	Total
Unappropriated retained earnings of previous years	603,869,520
Less : Remeasurement arising on defined benefit plans is recognized in retained earnings in 2016.	-6,188,895
Add : Net income of 2016	848,096,850
Less : 10% legal reserve	-84,809,685
Retained earnings available for distribution as of December 31, 2016	1,360,967,790
Cash dividends (Based on 66,593,898 outstanding shares at 28/2/2017, NT\$11.37 per share)	-757,172,620
Unappropriated retained earnings	603,795,170

Notes :

1. Prior period retained earnings include:
 - (a) Unappropriated retained earnings of NT\$5,962 before and including 2012.
 - (b) IFRSs adjustment of NT\$567,526,461 beginning retained earnings in 2012.
 - (c) IFRSs parallel books adjustment of NT\$36,337,097 in 2012.
2. Distribution will be made primarily by 2016 retained earnings; the insufficient amount will be reimbursed by undistributed retained earnings before 2016.
3. For the proposed distribution date, shares for distribution are based on outstanding shares by the end of February 2017; 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, 2016		December 31, 2015		
		AMOUNT	%	AMOUNT	%	
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 1,229,944	17	\$ 1,231,547	16
1110	Financial assets at fair value	6(2)				
	through profit or loss - current		767,378	10	320,700	4
1125	Available-for-sale financial assets	6(3)				
	- current		99,660	1	132,388	2
1150	Notes receivable, net		138	-	529	-
1170	Accounts receivable, net	6(4)	847,258	12	906,575	12
1180	Accounts receivable, net - related	7				
	parties		84,531	1	138,457	2
1200	Other receivables		10,066	-	11,637	-
1210	Other receivables - related parties	7	269,308	4	47,151	1
130X	Inventories		52,287	1	54,325	1
1410	Prepayments		110,972	1	112,312	1
1470	Other current assets	6(6)	409,591	6	927,583	12
11XX	Current Assets		<u>3,881,133</u>	<u>53</u>	<u>3,883,204</u>	<u>51</u>
Non-current assets						
1543	Financial assets carried at cost -	6(5)				
	non-current		556	-	475	-
1550	Investments accounted for under	6(7)				
	equity method		594,024	8	618,183	8
1600	Property, plant and equipment,	6(8)				
	net		54,433	1	51,075	1
1840	Deferred income tax assets	6(23)	17,851	-	15,811	-
1900	Other non-current assets	6(9) and 8	2,773,230	38	3,087,366	40
15XX	Non-current assets		<u>3,440,094</u>	<u>47</u>	<u>3,772,910</u>	<u>49</u>
1XXX	Total assets		<u>\$ 7,321,227</u>	<u>100</u>	<u>\$ 7,656,114</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, 2016		December 31, 2015		
		AMOUNT	%	AMOUNT	%	
Current liabilities						
2170	Accounts payable	6(10)	\$ 700,941	9	\$ 772,390	10
2180	Accounts payable - related parties	7	27,604	-	27,196	1
2200	Other payables	6(11)	342,228	5	297,973	4
2220	Other payables - related parties	7	2,201	-	2,674	-
2230	Current income tax liabilities		131,283	2	74,794	1
2300	Other current liabilities	6(12)(13)	213,024	3	783,647	10
21XX	Current Liabilities		<u>1,417,281</u>	<u>19</u>	<u>1,958,674</u>	<u>26</u>
Non-current liabilities						
2540	Long-term borrowings	6(13)	180,000	3	356,000	5
2570	Deferred income tax liabilities	6(23)	171,185	2	161,105	2
2600	Other non-current liabilities	6(14)	287,987	4	268,687	3
25XX	Non-current liabilities		<u>639,172</u>	<u>9</u>	<u>785,792</u>	<u>10</u>
2XXX	Total Liabilities		<u>2,056,453</u>	<u>28</u>	<u>2,744,466</u>	<u>36</u>
Equity attributable to owners of parent						
Share capital 6(12)(17)						
3110	Common stock		664,614	9	658,394	9
3140	Capital collected in advance		-	-	233	-
Capital surplus 6(12)(18)						
3200	Capital surplus		2,126,850	29	2,069,266	26
Retained earnings 6(19)(23)						
3310	Legal reserve		442,686	6	371,649	5
3320	Special reserve		145	-	145	-
3350	Unappropriated retained earnings		1,445,777	20	1,314,258	17
Other equity interest						
3400	Other equity interest		1,985	-	25,009	1
31XX	Equity attributable to owners of the parent		<u>4,682,057</u>	<u>64</u>	<u>4,438,954</u>	<u>58</u>
36XX	Non-controlling interest		<u>582,717</u>	<u>8</u>	<u>472,694</u>	<u>6</u>
3XXX	Total equity		<u>5,264,774</u>	<u>72</u>	<u>4,911,648</u>	<u>64</u>
Significant contingent liabilities and unrecognised contract commitments 9						
Significant events after the balance sheet date 11						
3X2X	Total liabilities and equity		<u>\$ 7,321,227</u>	<u>100</u>	<u>\$ 7,656,114</u>	<u>100</u>

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

KD HOLDING CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Expressed in thousands of New Taiwan dollars, except earnings per share amount)

				Year ended December 31			
Items		Notes	2016		2015		
			AMOUNT	%	AMOUNT	%	
4000	Operating revenue	6(20) and 7	\$ 4,955,565	100	\$ 4,078,753	100	
5000	Operating costs	6(21)(22) and 7	(3,155,153)	(64)	(3,018,765)	(74)	
5900	Gross profit		<u>1,800,412</u>	<u>36</u>	<u>1,059,988</u>	<u>26</u>	
	Operating expenses	6(21)(22)					
6200	General & administrative expenses		(173,229)	(3)	(165,874)	(4)	
6000	Total operating expenses		<u>(173,229)</u>	<u>(3)</u>	<u>(165,874)</u>	<u>(4)</u>	
6900	Operating profit		<u>1,627,183</u>	<u>33</u>	<u>894,114</u>	<u>22</u>	
	Non-operating income and expenses						
7010	Other income		33,034	1	53,521	1	
7020	Other gains and losses		(3,361)	-	6,071	-	
7050	Finance costs		(5,823)	-	(10,114)	-	
7060	Share of profit of associates and joint ventures accounted for under equity method	6(7)	<u>7,093</u>	<u>-</u>	<u>25,287</u>	<u>1</u>	
7000	Total non-operating income and expenses		<u>30,943</u>	<u>1</u>	<u>74,765</u>	<u>2</u>	
7900	Profit before income tax		1,658,126	34	968,879	24	
7950	Income tax expense	6(23)	(227,458)	(5)	(130,320)	(3)	
8200	Profit for the period		<u>\$ 1,430,668</u>	<u>29</u>	<u>\$ 838,559</u>	<u>21</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(15)	(\$ 6,741)	-	(\$ 13,694)	-	
8320	Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss		(115)	-	969	-	
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(23)	620	-	2,578	-	
	Components of other comprehensive income that will be reclassified to profit or loss						
8361	Cumulative translation differences of foreign operations		(24,968)	(1)	32,259	1	
8362	Unrealized loss on valuation of available-for-sale financial assets	6(3)	(457)	-	(16,434)	(1)	
8300	Total other comprehensive (loss) income for the year		<u>(\$ 31,661)</u>	<u>(1)</u>	<u>\$ 5,678</u>	<u>-</u>	
8500	Total comprehensive income for the year		<u>\$ 1,399,007</u>	<u>28</u>	<u>\$ 844,237</u>	<u>21</u>	
	Profit attributable to:						
8610	Owners of the parent		\$ 848,097	17	\$ 710,370	18	
8620	Non-controlling interest		582,571	12	128,189	3	
	Total		<u>\$ 1,430,668</u>	<u>29</u>	<u>\$ 838,559</u>	<u>21</u>	
	Comprehensive income attributable to:						
8710	Owners of the parent		\$ 818,884	16	\$ 714,133	18	
8720	Non-controlling interest		580,123	12	130,104	3	
	Total		<u>\$ 1,399,007</u>	<u>28</u>	<u>\$ 844,237</u>	<u>21</u>	
	Earnings per share (in dollars):						
9750	Total basic earnings per share	6(24)	<u>\$ 12.80</u>		<u>\$ 10.84</u>		
9850	Total diluted earnings per share	6(24)	<u>\$ 12.75</u>		<u>\$ 10.77</u>		

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

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

Notes	Equity attributable to owners of the parent										Total	Non-controlling interest	Total equity
	Share Capital			Retained Earnings				Other equity interest					
	Common stock	Capital collected in advance	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statement differences of foreign operations	Unrealized gain or loss on valuation of available-for-sale financial assets	Total				
	\$ 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		
Balance at January 1, 2015	1,157	(1,157)	-	-	-	-	-	-	-	-	-	-	
Capital collected in advance transferred to common stock	-	-	-	67,404	-	(67,404)	-	-	-	-	-	-	
Appropriation of 2014 earnings	-	-	-	(617)	-	617	-	-	-	-	-	-	
Legal reserve	-	-	-	-	-	(607,249)	-	-	(607,249)	-	(718,463)	-	
Cash dividends	-	-	-	-	-	710,370	-	-	710,370	-	838,559	-	
Profit for the year	-	-	-	-	-	-	-	-	-	-	-	-	
Convertible bonds transferred to common stock	1,502	233	16,063	-	-	-	-	-	17,798	-	17,798	-	
Share-based payment transactions	-	-	8,224	-	-	-	-	-	8,224	489	8,713	-	
Employee stock options exercised	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 valuation of available-for-sale financial assets	-	-	-	-	-	-	-	(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		
For the year ended December 31, 2016	658,394	233	2,069,266	371,649	145	1,314,258	57,355	32,346	4,438,954	472,694	4,911,648		
Capital collected in advance transferred to common stock	233	(233)	-	-	-	-	-	-	-	-	-	-	
Appropriation of 2015 earnings	-	-	-	71,037	-	(71,037)	-	-	-	-	-	-	
Legal reserve	-	-	-	-	-	(639,352)	-	-	(639,352)	(470,202)	(1,109,554)	-	
Cash dividends	-	-	-	-	-	848,097	-	-	848,097	582,571	1,430,668	-	
Profit for the year	-	-	-	-	-	-	-	-	-	102	1,863	-	
Share-based payment transactions	5,987	-	1,761	-	-	-	-	-	1,761	-	1,863	-	
Employee stock options exercised	-	-	55,823	-	-	-	-	-	61,810	-	61,810	-	
Cumulative translation differences of foreign operations	-	-	-	-	-	-	(22,755)	-	(22,755)	(2,213)	(24,968)	-	
Unrealized gain or loss on valuation of available-for-sale financial assets	-	-	-	-	-	-	-	(269)	(269)	(188)	(457)	-	
Other comprehensive income for the year	-	-	-	-	-	(6,189)	-	-	(6,189)	(47)	(6,236)	-	
Balance at December 31, 2016	\$ 664,614	\$ -	\$ 2,126,850	\$ 442,686	\$ 145	\$ 1,445,777	\$ 34,600	\$ 32,615	\$ 4,682,057	\$ 582,717	\$ 5,264,774		

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

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

	Notes	Year ended December 31,	
		2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		\$ 1,658,126	\$ 968,879
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(8)(21)	15,246	16,470
Amortization	6(21)	13,936	14,274
Interest expense		5,823	9,933
Interest income		(17,567)	(29,196)
Dividend income		(5,128)	(15,823)
Salary expense-employee stock options	6(16)	1,863	8,713
Gain on valuation of financial assets	6(2)	(932)	(1,524)
Loss on disposal of investment		129	-
Share of profit of associates and joint ventures accounted for under equity method	6(7)	(7,093)	(25,287)
(Gain) loss on disposal of property, plant and equipment		(2,607)	286
Discount on convertible bonds recognized as interest expense		-	181
Impairment loss	6(5)	-	157
Other income	6(5)	(540)	-
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets at fair value through profit or loss		(449,335)	(63,344)
Notes receivable, net		391	161
Accounts receivable, net		59,317	(83,237)
Accounts receivable, net - related parties		53,926	(19,715)
Other receivables		(2,820)	(2,335)
Other receivables-related parties		(17,768)	(2,786)
Inventories		2,038	(10,067)
Prepayments		1,340	(59,806)
Other non-current assets		303,485	241,594
Changes in operating liabilities			
Accounts payable		(71,449)	170,448
Accounts payable - related parties		408	(2,737)
Other payables		45,245	7,487
Other payables - related parties		(473)	(984)
Other current liabilities		(579,422)	150,689
Other non-current liabilities		501	10,541
Cash inflow generated from operations		1,006,640	1,282,972
Interest received		19,293	31,189
Dividends received		16,842	40,753
Interest paid		(6,813)	(9,392)
Income tax paid		(161,722)	(124,489)
Net cash flows from operating activities		874,240	1,221,033

(Continued)

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

	Notes	Year ended December 31,	
		2016	2015
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Decrease in available-for-sale financial assets-current		\$ 29,771	\$ -
Increase in other receivables-related parties		(204,188)	-
Interest received		2,464	464
Decrease (increase) in current assets	6(6)	517,992	(22,053)
Increase in financial assets at cost	6(5)	(81)	-
Proceeds from disposal of investee company	6(5)	540	-
Increase in investments accounted for under equity method-non-subsidiaries	6(7)	-	(94,500)
Acquisition of property, plant and equipment	6(8)	(19,530)	(9,322)
Proceeds from disposal of property, plant and equipment		3,360	164
Increase in refundable deposits		(3,285)	(2,339)
Payments for redemption of bonds payable		-	(1,500)
Net cash flows from (used in) investing activities		<u>327,043</u>	<u>(129,086)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Repayment of long-term loans		(167,200)	(158,400)
Increase in deposits received (shown in other non-current liabilities)		12,058	17,291
Employee stock options exercised		61,810	74,651
Cash dividends paid		(1,109,554)	(718,463)
Net cash flows used in financing activities		<u>(1,202,886)</u>	<u>(784,921)</u>
Net (decrease) increase in cash and cash equivalents		(1,603)	307,026
Cash and cash equivalents at beginning of year		<u>1,231,547</u>	<u>924,521</u>
Cash and cash equivalents at end of year		<u>\$ 1,229,944</u>	<u>\$ 1,231,547</u>

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

Audit Committee's Review Report

The Board of Directors has prepared the Company's 2016 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 15th, 2017



資誠

REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of KD HOLDING CORPORATION

Opinion

We have audited the accompanying non-consolidated balance sheets of KD HOLDING CORPORATION (the “Company”) as at December 31, 2016 and 2015, and the related non-consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the non-consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying non-consolidated financial statements present fairly, in all material respects, the non-consolidated financial position of the Company as at December 31, 2016 and 2015, and its non-consolidated financial performance and its non-consolidated cash flows for the years then ended in accordance with the “Regulations Governing the Preparations of Financial Reports by Securities Issuers”.

Basis for opinion

We conducted our audits in accordance with the “Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants” and generally accepted auditing standards in the Republic of China (ROC GAAS). Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Non-consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. 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 non-consolidated financial statements of the current period. These matters were addressed in the context of our audit of the non-consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters Investments accounted for using equity method- Leading Energy Corp., Sino Environmental Services Corp., HD Resources Management Corp., Fortune Energy Corp., and SINO GAL-Waste Services Co., Ltd.

On December 31, 2016, the investments in subsidiaries, Leading Energy Corp., Sino Environmental Services Corp., HD Resources Management Corp., Fortune Energy Corp., and SINO GAL-Waste Services Co., Ltd., were accounted for using equity method and amounted to \$3,403,744, representing 72% of total assets and are material to financial statements, Thus, we consider the investments accounted for using equity method- service revenue and the accuracy of electricity sales adjustment a key audit matter.

A. Description

Please refer to Note 4(26) for accounting policies on operating revenue.

The operating revenue of subsidiaries mainly arise from service revenue and electricity sales revenue. The service revenue (including waste disposal revenue, part of electricity sales revenue and service concession revenue) arises mainly from contracts entered into with certain governments (grantors) that involves charging for the service per unit in accordance with contracts. As the relevant revenue is the main operating income of each subsidiary and also material to investment income and losses, thus we consider the accuracy of service revenue of subsidiaries a key audit matter.

How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

- (A) Obtained an understanding of the procedures of waste treatment and tested relevant internal controls, including randomly checking the actual amount of disposals that are treated at the waste treatment plant monthly, the consistency of monthly statements that management used in calculating revenue, and the consistency between service fees per unit and contract.
- (B) Verified the accuracy of statements that management used in calculating revenue, including the amount of disposals treated and the service fees per unit, recalculating the accuracy of cash amount and ascertained whether it is in agreement with recorded revenue.

Please refer to Note 6(12) for details of electricity sales adjustment.

SINOGAL-Waste Services Co.,Ltd., which was reinvested by the Company, entered into a contract, “Provision of Services for Operation and Maintenance of the Macao Refuse Incineration Plant”, with Região Administrativa Especial de Macau (“referred herein as the owner”). Due to the change in the electricity sales calculation which was specified in the contract, after clarification and approval by the owner, since the result of the calculation formula of adjustment of electricity sales is a loss, the adjustment of electricity sales was transferred from other current liabilities to operating revenue, and causing the increase in share of profit accounted for using equity method amounted to NT\$ 159,105 thousand.

How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

- (A) Obtained and examined contracts, and discussing relevant calculation with management.
- (B) Obtained the clarification letter which was replied by the owner about the compensation of “Provision of Services for Operation and Maintenance of the Macao Refuse Incineration Plant” service agreement.
- (C) Obtained the details of other current liabilities, randomly checking and verified the cash amounts based on relevant evidence with the carrying amounts, and examined the consistency of calculation between original contract and clarification letter.

Responsibilities of management and those charged with governance for the non-consolidated financial statements

Management is responsible for the preparation and fair presentation of the non-consolidated financial statements in accordance with the “Regulations Governing the Preparations of Financial Reports by Securities Issuers” and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission, and for such internal control as management determines is necessary to enable the preparation of non-consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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



Those charged with governance, including audit committee, are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the non-consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the non-consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 ROC GAAS 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 non-consolidated financial statements.

As part of an audit in accordance with ROC GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

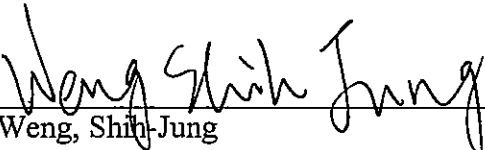
1. Identify and assess the risks of material misstatement of the non-consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk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

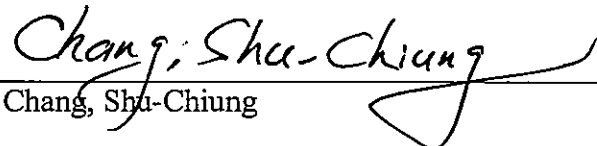
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the non-consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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


Weng, Shih-Jung


Chang, Shu-Chiung

For and on behalf of PricewaterhouseCoopers, Taiwan

March 15, 2017

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 Shareholders of KD HOLDING CORPORATION AND SUBSIDIARIES

Opinion

We have audited the accompanying consolidated balance sheets of KD Holding Corporation and its subsidiaries (the “Group”) as at December 31, 2016 and 2015, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2016 and 2015, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the “Regulations Governing the Preparations of Financial Reports by Securities Issuers”, and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

Basis for opinion

We conducted our audits in accordance with the “Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants” and generally accepted auditing standards in the Republic of China (ROC GAAS). Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



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Key audit matters

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

Accuracy of service revenue

A. Description

Please refer to Note 4(26) for accounting policies on operating revenue, and Note 6(20) for details of service revenue.

Operating revenue mainly arise from service revenue and electricity sales revenue. The service revenue mainly arises from contracts entered into with certain governments (grantors) that involve charging for the service per unit in accordance with contracts. The cash amount of service revenue (including waste disposal revenue, part of electricity sales revenue and service concession revenue) was NT\$ 2,443,535 thousand for the year ended December 31, 2016, presenting 49% of operating revenue for the year ended December 31, 2016. Thus, we consider the accuracy of service revenue a key audit matter.

How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

- (A) Obtained understanding of the procedures of waste treatment and tested relevant internal controls, including randomly checking the actual amount of disposals that are treated at the waste treatment plant monthly, the consistency of monthly statements that management used in calculating revenue, and the consistency between service fees per unit and contract.
- (B) Verified the accuracy of statements that management used in calculating revenue, including the amount of disposals treated and the service fees per unit, recalculating the accuracy of cash amount and ascertained whether it was in agreement with recorded revenue.



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Electricity sales adjustment

B. Description

Please refer to Note 6(12) for details of electricity sales adjustment.

SINOGAL-Waste Services Co.,Ltd., which was reinvested by the Company, entered into a contract, “Provision of Services for Operation and Maintenance of the Macao Refuse Incineration Plant”, with Região Administrativa Especial de Macau (“referred herein as the owner”). Due to the change in the electricity sales calculation which was specified in the contract, after clarification and approval by the owner, since the result of the calculation formula of adjustment of electricity sales is a loss, the adjustment of electricity sales was transferred from other current liabilities to operating revenue, and the amount is NT\$ 569,291, representing 34% of profit before tax. We consider the accuracy of relevant revenue recognition a key audit matter.

How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

- (A) Obtaining and examining contracts, and discussing relevant calculation with management.
- (B) Obtaining the clarification letter which was replied by the owner about the compensation of “Provision of Services for Operation and Maintenance of the Macao Refuse Incineration Plant” service agreement.
- (C) Obtaining the detail of other current liability, randomly checking and verifying the cash amounts on relevant evidence against with the carrying amounts, and examining the consistence of calculation between original contract and clarification letter.

Other matter – Non-consolidated financial statements

We have audited and expressed an unqualified opinion on the non-consolidated financial statements of KD Holding Corporation as at and for the years ended December 31, 2016 and 2015.



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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 Preparations of Financial Reports by Securities Issuers” and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission, 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 Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including audit committee, are responsible for overseeing the Group’s financial reporting process.

Auditor’s 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 auditor’s 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 ROC GAAS 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.



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As part of an audit in accordance with ROC GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- A. 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.
- B. 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 Group's internal control.
- C. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- D. 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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- E. 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.
- F. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities 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. We remain solely responsible for our audit opinion.

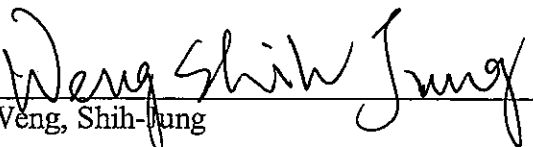


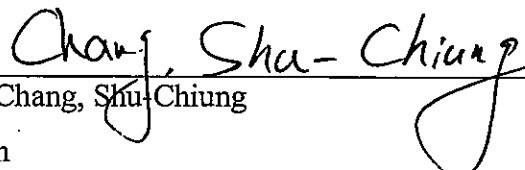
資誠

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

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

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


Weng, Shih-lung


Chang, Shu-Chiung

For and on behalf of PricewaterhouseCoopers, Taiwan

March 15, 2017

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
2016 Directors' and Employees' Remuneration Distribution

- (1) Executed in accordance with Article 29 of the revised company "Articles of Incorporation"
- (2) The 2016 pre-tax profit before remuneration distribution amounts to NT \$856,893,242. The Board of Directors proposed remuneration distribution of NT\$ 5,200,000(0.61%) for the directors' and NT\$ 475,477(0.06%) for the employees'. All paid for in cash, identical with no difference to the accounting records.

**KD Holding Corporation
Guarantee List**

2016/12/31

unit : TWD Thousand

Target \ Item	Guarantees and Endorsements	
	as of 2016/12/31	as of 2015/12/31
GD Development Corp.	667,708	629,076
Total	667,708	629,076
註：2016.12.31 Net worth：4,682,057 thousand 1.Ceiling on total guarantee amount：14,046,171 thousand 2.Ceiling on guarantee amount for single enterprise：9,364,114 thousand		

KD Holding Corporation
Table of Amendments to “The procedure for acquisition and disposition of assets”

Article	Existing Provisions	Amendments	Explanation
7.1 Procedure for the acquisition or disposition of real estate or equipment	7.1.1 Evaluation Procedure A... B. Except for transaction with the <u>government agency</u> , engaging others to build on the Company’s own land, engaging others to build on leased land, or acquisition or disposal of equipment for the use of business, where the transaction amount for acquiring or disposing the real property or equipment exceeds 20% of the Company’s paid-in capital or NT\$300,000,000 inclusively, the Company shall obtain an appraisal report from a Professional Appraiser before the date of occurrence.(the appraisal report shall include matters as set forth in Attachment 1 hereto) and shall comply with the followings: a.... b....	7.1.1 Evaluation Procedure A... B. Except for transaction with the <u>government authority</u> , engaging others to build on the Company’s own land, engaging others to build on leased land, or acquisition or disposal of equipment for the use of business, where the transaction amount for acquiring or disposing the real property or equipment exceeds 20% of the Company’s paid-in capital or NT\$300,000,000 inclusively, the Company shall obtain an appraisal report from a Professional Appraiser before the date of occurrence.(the appraisal report shall include matters as set forth in Attachment 1 hereto) and shall comply with the followings: a.... b....	Follow FSC amendment.

Article	Existing Provisions	Amendments	Explanation
	c.... d....	c.... d....	
7.3 Procedure for the acquisition or disposition of memberships or intangible assets	7.3.1 Evaluation Procedure A.... B. Where the Company acquires or disposes of memberships or intangible assets and the amount of transaction price exceeds 20% of the Company's paid-in capital or NT\$300,000,000 inclusively, unless transacting with a <u>government agency</u> , an accountant shall be engaged to provide opinions on the reasonableness of the transaction price before the date of occurrence. The accountant shall comply with the Statement of Auditing Standards No. 20 as published by the ARDF.	7.3.1 Evaluation Procedure A.... B. Where the Company acquires or disposes of memberships or intangible assets and the amount of transaction price exceeds 20% of the Company's paid-in capital or NT\$300,000,000 inclusively, unless transacting with a <u>government authority</u> , an accountant shall be engaged to provide opinions on the reasonableness of the transaction price before the date of occurrence. The accountant shall comply with the Statement of Auditing Standards No. 20 as published by the ARDF	Follow FSC amendment.
7.4 Procedure for transactions with related parties	7.4.2 When the Company acquires or disposes real property from or to a Related Party, or acquires or disposes other assets from or to a Related party and the amount of transaction price	7.4.2 When the Company acquires or disposes real property from or to a Related Party, or acquires or disposes other assets from or to a Related party and the amount of transaction price	Follow FSC amendment.

Article	Existing Provisions	Amendments	Explanation
	reaches 20% or more of Company's paid-in capital, reaches 10% or more of the Company's total assets, or reaches NT\$300,000,000 or more, except for the trading of government bonds, bonds under repurchase or reverse repurchase agreements, and <u>domestic money market funds</u> , the Company shall submit the following materials for the audit committee's approval by more than half of its members, and then for the board of directors' resolution before the Company sign the contract and pay the payment for the transaction:	reaches 20% or more of Company's paid-in capital, reaches 10% or more of the Company's total assets, or reaches NT\$300,000,000 or more, except for the trading of government bonds, bonds under repurchase or reverse repurchase agreements, and <u>money market funds issued by domestic securities investment trust enterprises</u> , the Company shall submit the following materials for the audit committee's approval by more than half of its members, and then for the board of directors' resolution before the Company sign the contract and pay the payment for the transaction:	
7.7 Procedures for Engaging in Derivatives Transactions	7.7.2 In engaging in derivative transactions, the Company shall adopt the following risk management measures: A. Scope of risk management: a.... b.... c....	7.7.2 In engaging in derivative transactions, the Company shall adopt the following risk management measures: A. Scope of risk management: a.... b.... c....	Insert paragraph to control the cash flow risk.

Article	Existing Provisions	Amendments	Explanation
	<p>d....</p> <p>e....</p>	<p>d....</p> <p>e....</p> <p><u>f. Cash flow risk:</u> <u>Maintain adequate</u> <u>level of cash</u> <u>balance to meet</u> <u>the settlement</u> <u>requirement.</u></p>	
<p>7.8 Mergers, Spin-off, Acquisition and Transfer of Shares by Corporations</p>	<p>7.8.1 When engaging in a merger, spin-off, acquisition or transfer of shares, prior to convening the board of directors' meeting, the Company shall engage a CPA, attorney, or securities underwriter to give an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders and submit it to the board of directors for resolution.</p>	<p>7.8.1 When engaging in a merger, spin-off, acquisition or transfer of shares, prior to convening the board of directors' meeting, the Company shall engage a CPA, attorney, or securities underwriter to give an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders and submit it to the board of directors for resolution. , <u>unless the company merge its subsidiary which is 100% hold by the company, or the subsidiary of the company merge another subsidiary of the company which are all 100% hold by the company</u></p>	<p>Follow FSC amendment.</p>
<p>7.9 Public Announcement and</p>	<p>7.9.1 In the event where any of the followings occurs, in acquiring or</p>	<p>7.9.1 In the event where any of the followings occurs, in acquiring or</p>	<p>Follow FSC amendment.</p>

Article	Existing Provisions	Amendments	Explanation
Reporting	<p>disposing the assets, the Company shall announce and report the relevant information on the website designated by the FSC in the appropriate format as prescribed by regulations within 2 days from the day of occurrence of the facts:(the announcement on the designated website should be in accordance with the format stipulated by Supervisory Organization):</p> <p>A. Acquisition or disposition of real property from a Related Party or other assets, which the amount of transaction price reaches 20% or more of Company's paid-in capital, reaches 10% or more of Company's total assets, reaches or more than NT\$300,000,000. But the trading of government bonds, bonds under repurchases or reverses repurchase</p>	<p>disposing the assets, the Company shall announce and report the relevant information on the website designated by the FSC in the appropriate format as prescribed by regulations within 2 days from the day of occurrence of the facts:(the announcement on the designated website should be in accordance with the format stipulated by Supervisory Organization):</p> <p>A. Acquisition or disposition of real property from a Related Party or other assets, which the amount of transaction price reaches 20% or more of Company's paid-in capital, reaches 10% or more of Company's total assets, reaches or more than NT\$300,000,000. But the trading of government bonds, bonds under repurchases or reverses repurchase</p>	

Article	Existing Provisions	Amendments	Explanation
	<p>agreements, and <u>domestic money market funds</u>.</p> <p>B. Merger, spin-off, acquisition or transfer of shares.</p> <p>C. Losses from engaging in derivative transaction exceeding the maximum limitation on aggregate losses or on individual contract losses set out in the Procedures adopted by the Company.</p> <p><u>D.</u> For transactions of assets that doesn't fall under the above <u>three</u> situations and investment in Mainland China, where the amount of the transaction price exceeds 20% of the Company's paid-in capital or NT\$300,000,000 inclusively. However, this provision shall not apply to the followings :</p> <p>a. Sale and purchase</p>	<p>agreements, and <u>domestic money market funds issued by domestic securities investment trust enterprises</u>.</p> <p>B. Merger, spin-off, acquisition or transfer of shares.</p> <p>C. Losses from engaging in derivative transaction exceeding the maximum limitation on aggregate losses or on individual contract losses set out in the Procedures adopted by the Company.</p>	

Article	Existing Provisions	Amendments	Explanation
	<p>of government bonds.</p> <p>b. Securities trading by investment professionals on foreign or domestic securities exchanges and business locations of securities brokerages.</p> <p>c. Trading of bonds under repurchase or resale agreements and <u>domestic money market funds</u>.</p> <p>d. Where the type of assets acquired or disposed of is the equipment for the use of businesses and where the party to the transaction is not a Related Party, the amount of transaction is <u>less than NT\$500,000,000</u>.</p>	<p>D. Where the type of assets acquired or disposed of is the equipment for the use of businesses and where the party to the transaction is not a Related Party, the amount of transaction is as below:</p> <p>a. <u>The amount of the transaction is more than NT\$500,000,000 if the paid- in capital is less than NT\$10,000,000,000.</u></p> <p>b. <u>The amount of the transaction is more than NT\$1,000,000,000 if the paid- in</u></p>	

Article	Existing Provisions	Amendments	Explanation
	<p>e. Where real property is acquired by engaging others to build on the Company's own land, engaging others to build on the Company's rented land, joint construction with allocation of housing units, joint construction with allocation of ownership percentages or joint construction with partition by sale, the estimated amount of transaction price to be invested in by the Company is <u>less than</u> NT\$500,000,000.</p>	<p><u>capital is more than</u> NT\$10,000,000,000.</p> <p>E. Where real property is acquired by engaging others to build on the Company's own land, engaging others to build on the Company's rented land, joint construction with allocation of housing units, joint construction with allocation of ownership percentages or joint construction with partition by sale, the estimated amount of transaction price to be invested in by the Company is <u>more than</u> NT\$500,000,000</p> <p><u>F.</u> For transactions of assets that doesn't fall under the above <u>five situations</u>, a <u>disposal of receivables by a financial institution</u> or investment in Mainland China, where the amount of</p>	

Article	Existing Provisions	Amendments	Explanation
	<p>7.9.2...</p> <p>7.9.3...</p> <p>7.9.4 When the Company makes an error or omission regarding an item that must be included in the public announcement as</p>	<p>the transaction price exceeds 20% of the Company's paid-in capital or NT\$300,000,000 inclusively. However, this provision shall not apply to the followings :</p> <ul style="list-style-type: none"> a. Sale and purchase of government bonds. b. Securities trading by investment professionals on foreign or domestic securities exchanges and business locations of securities brokerages. c. Trading of bonds under repurchase or resale agreements and <u>domestic money market funds issued by domestic securities investment trust enterprises.</u> <p>7.9.2...</p> <p>7.9.3...</p> <p>7.9.4 When the Company makes an error or omission regarding an item that must be included in the public announcement as</p>	

Article	Existing Provisions	Amendments	Explanation
	<p>required by laws and regulations at the time of public announcement, such error or omission must be rectified and all items must be publicly announced and reported again in their entirety.</p>	<p>required by laws and regulations at the time of public announcement, such error or omission must be rectified and all items must be publicly announced and reported again in their entirety <u>in two days since the company be informed the error or omission.</u></p>	

KD Holding Corporation
Table of Amendments to “Articles of Incorporation”

Article	Existing Provisions	Amendments
Article 1	This company is incorporated under the Company Act of the Republic of China, in the name of “ <u>KD Holding Corporation</u> ” (hereinafter the “Company”).	This company is incorporated under the Company Act of the Republic of China, in the name of “ <u>ECOVE Environment Corporation</u> ” (hereinafter the “Company”).
Article 34	These Articles of Incorporation were enacted on December 8, 1999. ... the seventh amendment on June 21, 2016.	These Articles of Incorporation were enacted on December 8, 1999. ... the seventh amendment on June 21, 2016. <u>The eighth amendment on June 26, 2017</u>

KD Holding Corporation
Articles of Incorporation
(Before Amendment)

Amended on June 21, 2016

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 directors (including independent directors) shall be elected by adopting the candidate nomination system specified in Article 192-1 of the ROC Company Law.

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 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. A report of the distribution of employee remuneration or the board of directors remuneration shall be submitted to the shareholders' meeting.

Article 30 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. 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.

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 be distributed as dividends to shareholders according to shareholders' resolutions.

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. 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%.

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
the seventh amendment on June 21, 2016
- 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 Rules Governing the Election of Directors

Issued on June 12, 2006
Amended on June 23, 2014
Amended on June 21, 2016

- Article 1 Unless otherwise provided in other laws and regulations or the Articles of Incorporation, or any material matters as prescribed by the competent authority, the directors of this Company shall be elected in accordance with rules specified herein.
- Article 2 The directors shall be elected among people with legal capacity at the shareholders' meeting. The position number is defined by the Articles of Incorporation.
The directors (including independent directors) shall be elected by adopting the candidate nomination system specified in Article 192-1 of the Company Law.
- Article 3 The voting of independent directors and non-independent directors shall be hold in the lump while elected separately. The persons with the most votes shall be elected respectively for the positions.
Independent directors shall possess professional knowledge and maintain independence within the scope of their directorial duties, and may not have any direct or indirect interest in the company. Their professional qualifications, shareholdings, the positions they may concurrently hold, independence and other matters they shall follow are ruled by Laws and regulations.
- Article 4 The election of directors shall be made in cumulative vote, voters may have their ballots casted in their attendance card number. 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.
The board of directors shall prepare the ballot with the amount equals to the number of positions of directors. The ballot shall be marked with Company's chops and the number of voting rights of each voter, and dealt to shareholders who attend the board.
- Article 5 If two or more persons acquire the same number of votes and the number of such persons exceeds the specified seats available, such persons acquiring the same votes shall draw lots to decide who should win the seats available and the Chairman shall draw lots on behalf of the candidate who is not present.
- Article 6 Before the voting process commences, the chair shall appoint a number of supervising personnel and vote counting personnel to handle the relevant matters.

- Article 7 The ballot box shall be prepared by the board of directors and shall be inspected by the supervising personnel before the voting process in front of all attending shareholders.
- Article 8 The voter shall indicate the shareholder account name and account number if the candidate is a shareholder, national identity card number and name if the candidate is not a shareholder on each ballot. Where the candidate is a government agency or a juristic person, the column of the candidate on the ballot shall include the name of the government agency or juristic person and the name of the representatives of the said government or juristic person may also be included therein. Where there are more than one representative, the voter shall specify the name of the representative additionally.
- Article 9 Where any of the following events occurs, the vote shall be deemed null and void:
1. Votes that are not made in accordance with the Rules.
 2. Unwritten blank votes put in the ballot box.
 3. Illegible writing that cannot be recognized or writings that have been altered.
 4. The name, shareholder account number or the national identity card number of the candidate written on the ballot and any items of the number of allocated voting rights have been altered.
 5. If the candidate is a shareholder, when its shareholder account number and name are different from those indicated on the shareholders' roster. If the candidate is not a shareholder, when the name and national identity card number are incorrect upon verification.
 6. Where the name of the candidate written on the ballot is the same as another shareholder, failure to inscribe the shareholder account number or national identity card number.
 7. In addition to the name, shareholder account number or national identity card number and the number of allocated voting rights, the ballot includes other drawings or writing.
 8. The number of candidate inscribed on the ballot exceeds the number of position available for election, or indication of two or more candidates on the same ballot.
 9. Where the total number of allocated voting rights exceeds the number of voting rights entitled to by the said shareholder.
- Article 10 When the total number of votes is less than the number of the allocated voting rights, the difference in number shall be deemed as waivers of right to vote.

- Article 11 The votes shall be opened at the shareholders' meeting after the votes are completed. The result shall be announced by the chair at the shareholders' meeting.
The Company shall issue a notice of election to the elected directors respectively.
- Article 12 Matters that are not provided for in the Rules shall be governed by the Law and by the Company's Articles of Incorporation.
- Article 13 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 28, 2017

Title	Name	Shares	%	Representative
Chairman	CTCI Corporation	38,457,105	57.58	John H. Lin
Director	CTCI Corporation			Michael Yang
Director	CTCI Corporation			Ming-Cheng Hsiao
Director	Parkwell Investment Limited	1,060,000	1.59	Kuan Shen Wang
Director	Yangming Liu	0	0.00	NA
Director	Wen whe Pan	0	0.00	NA
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
Total number of shares held by all Directors		39,517,105	59.17	

(1) Total shares issued as of April 28, 2017: 66,783,648 Common Shares.

(2) The minimum required combined shareholding of all Directors by law: 5,342,692 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 7 to April 17, 2017, 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.