



# KD Holding Corporation

## Handbook for the 2015 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 22, 2015

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KD Holding Corporation  
Procedure for the 2015 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. Proposals, Discussion and Election
5. Special Motions
6. Meeting Adjourned

# **Agenda of 2015 Annual General Meeting of Shareholders of KD Holding Corporation (Translation)**

**Time and Date of Meeting:** 9:00 a.m., June 22, 2015

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

**Mellow Fields Hotel Tien-Mou Convention Center 202 Room**

## **1. Report Items**

- (1) The company's business report of 2014. (Please refer to page 7~page 8)
- (2) The audit committee's review report of 2014. (Please refer to page 21)
- (3) Issue of domestic unsecured convertible bonds  
Issued the 1st unsecured convertible bond in Taiwan on Nov. 15, 2010, the Company processed 4,805 coupons converted by creditors up to the end of 2014, Outstanding balance of NT \$19.5 million.
- (4) As of the end of 2014, the aggregate amount of guarantees  
As of the end of 2014, the aggregate amount of guarantees provided by the Company was NT\$248,253 thousands and the highest amount for a single enterprise was NT\$248,253 thousands which are all under its respective ceiling. (Please refer to page 25)
- (5) Amendment The Company's "Ethical Corporate Management Best Practice Principles". (Please refer to page 26~page 38)

## **2. Proposals, Discussion and Election**

- (1) **Adoption of the Company's 2014 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 2014 have been approved by the Board of Directors, with the financial statements having been audited and certified by Mr. Huei-Shyang Wang 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 7~page 24)

### **Resolved:**

**(2) Adoption of the Company's Distribution of 2014 Profits. (Proposed by the Board of Directors)**

**Explanatory Notes:**

- 1) The 2014 net income after tax is NT\$674,036,132. After setting aside legal reserve NT\$67,403,613 , reversal of special reserve NT\$617,341 , adding the unappropriated retained earning as of 2013 NT\$607,943,694, the retained earnings available for distribution in 2014 is NT\$1,215,193,554. The proposal is that NT\$607,249,885 will be cash dividends to common shareholders (NT\$9.30324 per share based on common share outstanding is 65,272,899 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 2014 profit distribution proposal is referring to page 14.

**Resolved:**

**(3) The By-Election is to elect a new independent director of the 6<sup>th</sup> Board. (Proposed by the Board of Directors)**

**Explanatory Notes:**

- (1) Mr. Tan Ho-Chen, an independent directors of the Company resigned due to personal reasons since January 26, 2015.
- (2) Pursuant to "Securities and Exchange Act Article 14-4-2 : The audit committee shall be composed of the entire number of independent directors. It shall not be fewer than three persons in number" and "Securities and Exchange Act Article 14-2-5 : When an independent director is dismissed for any reason, resulting in a number of directors lower than that required under paragraph 1 or the company's articles of

incorporation, a by-election for independent director shall be held at the next following shareholders meeting.", by-election of an independent director will be held at the 2015 Annual General Meeting, that is to be effective from June 22, 2015 to June 22, 2017.

(3)The election is in accordance with "Rules Governing the Election of Directors" of the Company and "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies". ("Rules Governing the Election of Directors", Please refer to page 49~50)

(4)Except CTCI Corporation, no other shareholder owning more than 1% of outstanding shares was nominated as candidate for independent director during the nomination period from April 15, 2015 to April 24, 2015.

(5)The list of candidates has been approved by the Board of Directors of the Company. The relevant information is as follows:

Name	Education and Background	Present position	Number of Shares Held
Dr. Eugene Chien	Ph. D. Aeronautics and Astronautics, New York University, USA B.S. Mechanical Engineering, National Taiwan University	<ul style="list-style-type: none"> <li>- Chairman, Taiwan Institute for Sustainable Energy(TAISE)</li> <li>- Chairman, Telecommunication and Transportation Foundation(TTF)</li> <li>- Chairman, Taiwan Institute for Climate Change &amp; Energy (TICCE)</li> <li>- Managing Director, Ten Outstanding Young Persons' Foundation (TOYP)</li> <li>- Independent Director for Far Eastern Department Stores Ltd.</li> <li>- Independent Director for EVA Airways Corporation</li> </ul>	0

**Result of the Election :**

**(4) Approval of removing the non-competition restrictions on newly-elected independent director. (Proposed by the Board of Directors)**

(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 act and secure its approval.

(2) The newly-elected independent director 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 2015 Annual General Meeting to approve removing the non-competition restrictions on newly-elected independent director .

**Resolved:**

### **3. Special Motion**

### **4. Meeting Adjourned**

## KD HOLDING CORPORATION

### Business Report of 2014

#### 1、Business Performance:

For the year end of 2014, the standalone operating revenue was NT\$705,662 thousands, the consolidated operating revenue was NT\$3,925,027 thousands, and the consolidated profit after tax was NT\$674,036 thousands. Consolidated operating revenue breakdown is as follows:

(Unit : NT\$ thousands)

Waste Disposal Revenues	706,601
Tipping Fees Revenues	521,857
Sales of Electricity	1,283,105
Service Concession Revenues	621,292
Removal & Trans. Revenues	88,630
Others	703,542
Total	3,925,027

#### 2、Performance Review :

Compared to the year end of 2013, the year end of 2014 consolidated operating revenue of NT\$3,925,027 thousands has increased by NT\$174,651 thousands. The main reasons for the above changes are including the increases of Tipping Fees Revenues, Revenue from Sales of Electricity, which are based on the more amount of disposing; the increasing Removal & Trans. Revenues due to promoting, and other incomes from new businesses.

Standalone operating revenue of NT\$705,662 thousands has increased by NT\$47,445 thousands in 2014 relying on the promoting profits from Sino Environmental Services Corp., Leading Energy Corp., and HD Resource Management Corp.

(Unit : NT\$ thousands)

Consolidated Operating Revenues for 2014	3,925,027
Consolidated Operating Revenues for 2013	3,750,376
Increase from 2013 to 2014	174,651
Percentage of increase	4.66%
Operating Revenues for 2014	705,662
Operating Revenues for 2013	658,217
Increase from 2013 to 2014	47,445
Percentage of increase	7.21%
Net Profit After Tax for 2014	674,036
Net Profit After Tax for 2013	620,318
Increase from 2013 to 2014	53,718
Percentage of increase	8.66%



### 3、Business Prospect of Year 2015：

Looking back year 2014, KD fully demonstrated the fervent ambition on "Qualitative Change" for business promotion and implementation. In addition to the stable development of the existing business, KD also prospected with fully confidence on new business development. In the future, KD will endeavor on the following two directions to have Group's sustainable development internationally.

#### A. Keeping stable development on existed business territory and developing of new project

In Taiwan, KD has accumulated extensive experience, technologies and mature business models on waste to energy (WtE) BOT projects, O&M of WtE plants, waste management and photo voltaic power plant (PVPP); in China, KD is cooperating with partners on developing and being expanded PET bottle recycling business globally. In the future, the business development of KD will toward include duplication of successful WtE BOT model overseas, developing and expanding of PVPP market in Taiwan as well as overseas, diversifying the category of resource recycling, and the other business regarding with environmental protection, green energy and energy saving.

#### B. Actively advancing market of China, India and Southeast Asian countries

Accompanied with economic growth in emerging regions, waste treatment issue is becoming more severe for local government; consequently KD's development overseas is focused on the Asian countries. Through the efforts during these years, KD have been in China, India, Singapore, Thailand and Indonesia, joined bid, signed cooperation memorandum with government, and formed competitive team with local companies for the WtE business, such is not only for the present projects, but also ahead of the strategy layout in the plenty and potential market.

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

Assets	Notes	December 31, 2014		December 31, 2013	
		AMOUNT	%	AMOUNT	%
<b>Current assets</b>					
Cash and cash equivalents	6(1)	\$ 200,043	5	\$ 578,629	14
Financial assets at fair value through profit or loss - current	6(2)	80,313	2	520	-
Available-for-sale financial assets - current	6(3)	18,521	-	24,023	1
Other receivables		1,003	-	1,050	-
Other receivables - related parties	7	31,152	1	29,036	1
Prepayments		11	-	17	-
<b>Current Assets</b>		<b>331,043</b>	<b>8</b>	<b>633,275</b>	<b>16</b>
<b>Non-current assets</b>					
Financial assets carried at cost - noncurrent	6(4)	632	-	848	-
Investments accounted for under equity method	6(5)	3,936,982	92	3,427,990	84
<b>Non-current assets</b>		<b>3,937,614</b>	<b>92</b>	<b>3,428,838</b>	<b>84</b>
<b>Total assets</b>		<b>\$ 4,268,657</b>	<b>100</b>	<b>\$ 4,062,113</b>	<b>100</b>

(Continued)

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

Liabilities and Equity	Notes	December 31, 2014		December 31, 2013	
		AMOUNT	%	AMOUNT	%
<b>Current liabilities</b>					
Other payables		\$ 18,264	-	\$ 17,367	-
Other payables - related parties	7	1,053	-	1,789	-
Current income tax liabilities		2,013	-	910	-
Other current liabilities	6(6)	19,224	1	33,200	1
<b>Current Liabilities</b>		<b>40,554</b>	<b>1</b>	<b>53,266</b>	<b>1</b>
<b>Non-current liabilities</b>					
Accrued pension liabilities	6(7)	2,339	-	3,393	-
<b>Non-current liabilities</b>		<b>2,339</b>	<b>-</b>	<b>3,393</b>	<b>-</b>
<b>Total Liabilities</b>		<b>42,893</b>	<b>1</b>	<b>56,659</b>	<b>1</b>
<b>Equity</b>					
<b>Share capital</b>					
Common stock	6(9)	648,708	15	635,464	16
Capital collected in advance		1,157	-	4,131	-
<b>Capital surplus</b>					
Capital surplus	6(6)(8)(10)	1,977,434	46	1,871,722	46
<b>Retained earnings</b>					
Legal reserve	6(11)(14)	304,245	7	242,213	6
Special reserve		762	-	24,423	1
Unappropriated retained earnings		1,281,980	30	1,228,263	30
<b>Other equity interest</b>					
Other equity interest		11,478	1	(762)	-
<b>Total equity</b>		<b>4,225,764</b>	<b>99</b>	<b>4,005,454</b>	<b>99</b>
<b>Significant contingent liabilities and unrecognised contract commitments</b>	8				
<b>Significant events after the balance sheet date</b>	10				
<b>Total liabilities and equity</b>		<b>\$ 4,268,657</b>	<b>100</b>	<b>\$ 4,062,113</b>	<b>100</b>

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)

Items	Notes	Year ended December 31			
		2014		2013	
		AMOUNT	%	AMOUNT	%
<b>Operating revenue</b>	6(5)	\$ 705,662	100	\$ 658,217	100
<b>Gross profit</b>		705,662	100	658,217	100
<b>Operating expenses</b>					
General & administrative expenses	6(12)(13) and 7	( 51,988)	( 7)	( 50,502)	( 8)
<b>Total operating expenses</b>		( 51,988)	( 7)	( 50,502)	( 8)
<b>Operating profit</b>		653,674	93	607,715	92
<b>Non-operating income and expenses</b>					
Other income	7	27,391	4	17,025	3
Other gains and losses		( 3,000)	( 1)	391	-
Finance costs		( 492)	-	( 2,789)	( 1)
<b>Total non-operating income and expenses</b>		23,899	3	14,627	2
<b>Profit before income tax</b>		677,573	96	622,342	94
Income tax expense	6(14)	( 3,537)	( 1)	( 2,024)	-
<b>Profit for the year</b>		674,036	95	620,318	94
<b>Other comprehensive income</b>					
Currency translation differences of foreign operations		27,386	4	6,003	1
Unrealized (loss) gain on valuation of available-for-sale financial assets	6(3)	( 5,502)	( 1)	4,463	1
Total share of other comprehensive income of associates and joint ventures accounted for using equity method		( 9,644)	( 1)	13,195	2
<b>Other comprehensive income for the year</b>		12,240	2	23,661	4
<b>Total comprehensive income for the year</b>		\$ 686,276	97	\$ 643,979	98
<b>Basic earnings per share</b>					
Basic earnings per share from continuing operations	6(15)	\$ 10.47		\$ 10.06	
<b>Diluted earnings per share</b>					
Diluted earnings per share from continuing operations	6(15)	\$ 10.38		\$ 9.69	

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

**KD HOLDING CORPORATION**  
**PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY**  
(Expressed in thousands of New Taiwan dollars)

	Share Capital		Retained Earnings				Other equity interest		Total equity	
	Notes	Common stock	Capital collected in advance	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Cumulative translation differences of foreign operations		Unrealized gain or loss on available-for-sale financial assets
<b>For the year ended December 31, 2013</b>										
		\$ 605,149	\$ 2,072	\$ 1,533,613	\$ 180,312	\$ 14,692	\$ 1,226,960	(\$ 5,739)	(\$ 18,684)	\$ 3,538,375
Balance at January 1, 2013	6(9)	2,072	( 2,072 )	-	-	-	-	-	-	-
Capital collected in advance transferred to common stock	6(11)	-	-	-	-	-	-	-	-	-
Appropriation of 2012 earnings (Note 1)		-	-	-	-	-	-	-	-	-
Legal reserve		-	-	-	61,901	-	( 61,901 )	-	-	-
Special reserve		-	-	-	-	9,731	( 9,731 )	-	-	-
Cash dividends		-	-	-	-	-	( 547,383 )	-	-	( 547,383 )
Profit for the year		-	-	-	-	-	620,318	-	-	620,318
Convertible bonds transferred to common stock	6(9)	19,665	4,131	241,019	-	-	-	-	-	264,815
Share-based payment transaction		-	-	36,008	-	-	-	-	-	36,008
Employee stock options exercised	6(8)	8,578	-	61,082	-	-	-	-	-	69,660
Cumulative translation differences of foreign operations		-	-	-	-	-	-	6,003	-	6,003
Unrealized gain or loss on available-for-sale financial assets		-	-	-	-	-	-	-	17,658	17,658
Balance at December 31, 2013		\$ 635,464	\$ 4,131	\$ 1,871,722	\$ 242,213	\$ 24,423	\$ 1,228,263	\$ 264	(\$ 1,026)	\$ 4,005,454
<b>For the year ended December 31, 2014</b>										
		\$ 635,464	\$ 4,131	\$ 1,871,722	\$ 242,213	\$ 24,423	\$ 1,228,263	\$ 264	(\$ 1,026)	\$ 4,005,454
Balance at January 1, 2014	6(9)	4,131	( 4,131 )	-	-	-	-	-	-	-
Capital collected in advance transferred to common stock	6(11)	-	-	-	-	-	-	-	-	-
Appropriation of 2013 earnings (Note 2)		-	-	-	-	-	-	-	-	-
Legal reserve		-	-	-	62,032	-	( 62,032 )	-	-	-
Special reserve		-	-	-	-	( 23,661 )	23,661	-	-	-
Cash dividends		-	-	-	-	-	( 581,948 )	-	-	( 581,948 )
Profit for the year		-	-	-	-	-	674,036	-	-	674,036
Convertible bonds transferred to common stock	6(6)	193	1,157	12,938	-	-	-	-	-	14,288
Share-based payment transaction		-	-	19,598	-	-	-	-	-	19,598
Employee stock options exercised	6(8)	8,920	-	73,171	-	-	-	-	-	82,091
Cumulative translation differences of foreign operations		-	-	-	-	-	-	27,386	-	27,386
Unrealized gain or loss on available-for-sale financial assets		-	-	-	-	-	-	-	( 15,146 )	( 15,146 )
Adjustments due to capital transfer of investees		-	-	5	-	-	-	-	-	5
Balance at December 31, 2014		\$ 648,708	\$ 1,157	\$ 1,977,434	\$ 304,245	\$ 762	\$ 1,281,980	\$ 27,650	(\$ 16,172)	\$ 4,225,764

Note 1: The directors' and supervisors' remuneration of \$6,300 and the employees' bonus of \$565 for the year ended December 31, 2012 has been deducted from the statement of comprehensive income.  
Note 2: The directors' and supervisors' remuneration of \$6,300 and the employees' bonus of \$495 for the year ended December 31, 2013 has been deducted from the statement of comprehensive income.

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)

For the years December 31,

	Notes	2014	2013
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>			
Profit before tax for the year		\$ 677,573	\$ 622,342
Adjustments to reconcile net income to net cash (used in) provided by operating activities			
Income and expenses having no effect on cash flows			
Interest income		( 4,935 )	( 3,713 )
Dividend income		( 10,547 )	( 2,747 )
Salary expense-employee stock options	6(8)(13)	4,118	6,538
Gain on valuation of financial assets	6(2)	( 68 )	( 1,783 )
Share of profit of associates and joint ventures accounted for under equity method	6(5)	( 705,662 )	( 658,217 )
Gain on disposal of property, plant and equipment		-	( 22 )
Discount on convertible bonds recognized as interest expense		492	2,789
Impairment loss	6(4)	216	1,413
Other income		-	( 1,981 )
Changes in assets/liabilities relating to operating activities			
Net changes in assets relating to operating activities			
Financial assets at fair value through profit or loss		( 79,905 )	116,560
Other receivables		( 59 )	( 1,143 )
Other receivables-related parties		( 2,134 )	( 9,002 )
Prepayments		6	111
Net changes in liabilities relating to operating activities			
Other payables		897	1,211
Other payables - related parties		( 736 )	( 484 )
Accrued pension liabilities		( 1,054 )	683
Cash (used in) generated from operations		( 121,798 )	72,555
Interest received		4,577	3,531
Dividends received		576,332	730,552
Income tax paid		( 2,433 )	( 1,938 )
Net cash provided by operating activities		<u>456,678</u>	<u>804,700</u>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>			
Increase in investments using the equity method-subsiidiaries		( 26,400 )	( 523 )
Increase in investments using the equity method-nonsubsidiaries		( 309,489 )	( 45,490 )
Interest received		482	402
Proceeds from capital reduction of investee company		-	7,800
Proceeds from disposal of property, plant and equipment		-	196
Net cash used in investing activities		<u>( 335,407 )</u>	<u>( 37,615 )</u>
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>			
Employee stock options exercised		82,091	69,660
Cash dividends paid	6(11)	( 581,948 )	( 547,383 )
Net cash used in financing activities		<u>( 499,857 )</u>	<u>( 477,723 )</u>
(Decrease) increase in cash and cash equivalents		( 378,586 )	289,362
Cash and cash equivalents at beginning of year		578,629	289,267
Cash and cash equivalents at end of year		<u>\$ 200,043</u>	<u>\$ 578,629</u>

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



**KD HOLDING CORPORATION**  
Proposed Profit Distribution Table  
Year 2014

Unit : NT\$

Item	Amount	Total
Beginning retained earnings	674,036,132	607,943,694
Add : Net profit after tax of year 2014	-67,403,613	
Less : 10% legal reserve	617,341	
Add : Reversal of special reserve	607,249,860	
2014 distributable retained earnings		
Accumulated distributable retained earnings		1,215,193,554
Cash dividends (NT\$9.30324 per share based on the 65,272,899 shares outstanding)	-607,249,885	
Unappropriated retained earnings for next year		607,943,669
Notes :		
The NT\$303,625 employee bonus distribution, which is around 0.05% of 2014 distributable retained earnings is under the company article.		
The NT\$5,721,370 compensation of directors and supervisors distribution, which is around 0.94% of 2014 distributable retained earnings is under the company article.		

Notes : 1. The beginning retained earnings includes the following:

- (a) Unappropriated retained earnings of NT\$25,327 before and including 2013.
- (b) IFRSs adjustment of NT\$571,581,270 beginning retained earnings in 2012.
- (c) IFRSs parallel books adjustment of NT\$36,337,097 in 2012.

2. Distribution will be made primarily by 2014 retained earnings; the insufficient amount will be reimbursed by undistributed retained earnings before 2014.

3. For the proposed distribution date, shares for distribution are based on outstanding shares by the end of February 2015; 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, 2014		December 31, 2013	
		AMOUNT	%	AMOUNT	%
<b>Current assets</b>					
Cash and cash equivalents	6(1)	\$ 1,830,051	25	\$ 2,004,685	29
Financial assets at fair value through profit or loss - current	6(2)	247,398	3	90,665	1
Available-for-sale financial assets - current	6(3)	150,109	2	104,013	2
Notes receivable, net		690	-	1,038	-
Accounts receivable, net	6(4)	823,338	11	788,628	11
Accounts receivable, net - related parties	7	118,742	2	80,886	1
Other receivables		11,750	-	7,588	-
Other receivables - related parties	7	44,374	1	78,974	1
Inventories		44,258	1	32,150	1
Prepayments		52,506	1	29,682	-
<b>Current Assets</b>		<u>3,323,216</u>	<u>46</u>	<u>3,218,309</u>	<u>46</u>
<b>Non-current assets</b>					
Financial assets carried at cost - non-current	6(5)	632	-	848	-
Investments accounted for under equity method	6(6)	496,769	7	154,521	2
Property, plant and equipment, net	6(7)	60,915	1	52,927	1
Deferred income tax assets	6(21)	13,443	-	16,526	-
Other non-current assets	6(8) and 8	3,340,895	46	3,592,600	51
<b>Non-current assets</b>		<u>3,912,654</u>	<u>54</u>	<u>3,817,422</u>	<u>54</u>
<b>Total assets</b>		<u>\$ 7,235,870</u>	<u>100</u>	<u>\$ 7,035,731</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, 2014		December 31, 2013	
		AMOUNT	%	AMOUNT	%
<b>Current liabilities</b>					
Accounts payable	6(9)	\$ 601,942	8	\$ 480,950	7
Accounts payable - related parties	7	29,933	-	30,616	-
Other payables	6(10)	289,945	4	266,211	4
Other payables - related parties	7	6,158	-	4,060	-
Current income tax liabilities		67,100	1	50,062	1
Other current liabilities	6(11)(12)	643,381	9	647,103	9
<b>Current Liabilities</b>		<u>1,638,459</u>	<u>22</u>	<u>1,479,002</u>	<u>21</u>
<b>Non-current liabilities</b>					
Long-term borrowings	6(12)	523,200	7	737,147	11
Deferred income tax liabilities	6(21)	161,872	3	153,876	2
Other non-current liabilities	6(13)	233,685	3	220,970	3
<b>Non-current liabilities</b>		<u>918,757</u>	<u>13</u>	<u>1,111,993</u>	<u>16</u>
<b>Total Liabilities</b>		<u>2,557,216</u>	<u>35</u>	<u>2,590,995</u>	<u>37</u>
<b>Equity attributable to owners of parent</b>					
<b>Share capital</b>	6(11)(16)				
Common stock		648,708	9	635,464	9
Capital collected in advance		1,157	-	4,131	-
<b>Capital surplus</b>	6(11)(17)				
Capital surplus		1,977,434	28	1,871,722	27
<b>Retained earnings</b>	6(18)(21)				
Legal reserve		304,245	4	242,213	3
Special reserve		762	-	24,423	-
Unappropriated retained earnings		1,281,980	18	1,228,263	18
<b>Other equity interest</b>					
Other equity interest		11,478	-	(762)	-
<b>Equity attributable to owners of the parent</b>		<u>4,225,764</u>	<u>59</u>	<u>4,005,454</u>	<u>57</u>
<b>Non-controlling interest</b>		<u>452,890</u>	<u>6</u>	<u>439,282</u>	<u>6</u>
<b>Total equity</b>		<u>4,678,654</u>	<u>65</u>	<u>4,444,736</u>	<u>63</u>
<b>Significant contingent liabilities and unrecognised contract commitments</b>	9				
<b>Significant events after the balance sheet date</b>	11				
<b>Total liabilities and equity</b>		<u>\$ 7,235,870</u>	<u>100</u>	<u>\$ 7,035,731</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)

Items	Notes	Year ended December 31			
		2014		2013	
		AMOUNT	%	AMOUNT	%
<b>Operating revenue</b>	7	\$ 3,925,027	100	\$ 3,750,376	100
<b>Operating costs</b>	6(19)(20) and 7	( 2,897,443)	( 74)	( 2,760,233)	( 74)
<b>Gross profit</b>		<u>1,027,584</u>	<u>26</u>	<u>990,143</u>	<u>26</u>
<b>Operating expenses</b>	6(19)(20)				
General & administrative expenses		( 170,953)	( 4)	( 164,395)	( 4)
<b>Total operating expenses</b>		<u>( 170,953)</u>	<u>( 4)</u>	<u>( 164,395)</u>	<u>( 4)</u>
<b>Operating profit</b>		<u>856,631</u>	<u>22</u>	<u>825,748</u>	<u>22</u>
<b>Non-operating income and expenses</b>					
Other income		56,225	1	27,754	1
Other gains and losses		5,973	-	5,696	-
Finance costs		( 14,388)	-	( 22,727)	( 1)
Share of profit of associates and joint ventures accounted for under equity method	6(6)	21,832	1	12,526	-
<b>Total non-operating income and expenses</b>		<u>69,642</u>	<u>2</u>	<u>23,249</u>	<u>-</u>
<b>Profit before income tax</b>		<u>926,273</u>	<u>24</u>	<u>848,997</u>	<u>22</u>
Income tax expense	6(21)	( 134,755)	( 4)	( 120,178)	( 3)
<b>Profit for the year</b>		<u>791,518</u>	<u>20</u>	<u>728,819</u>	<u>19</u>
<b>Other comprehensive income</b>					
Cumulative translation differences of foreign operations		34,117	1	8,193	-
Unrealized (loss) gain on valuation of available-for-sale financial assets	6(3)	( 15,674)	-	18,163	1
<b>Total other comprehensive income for the year</b>		<u>18,443</u>	<u>1</u>	<u>26,356</u>	<u>1</u>
<b>Total comprehensive income for the year</b>		<u>\$ 809,961</u>	<u>21</u>	<u>\$ 755,175</u>	<u>20</u>
<b>Profit attributable to:</b>					
Owners of the parent		\$ 674,036	17	\$ 620,318	16
Non-controlling interest		117,482	3	108,501	3
<b>Total</b>		<u>\$ 791,518</u>	<u>20</u>	<u>\$ 728,819</u>	<u>19</u>
<b>Comprehensive income attributable to:</b>					
Owners of the parent		\$ 686,276	18	\$ 643,979	17
Non-controlling interest		123,685	3	111,196	3
<b>Total</b>		<u>\$ 809,961</u>	<u>21</u>	<u>\$ 755,175</u>	<u>20</u>
<b>Total basic earnings per share</b>	6(22)	\$	10.47	\$	10.06
<b>Total diluted earnings per share</b>	6(22)	\$	10.38	\$	9.69

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)

	Equity attributable to owners of the parent					Other equity interest			Total	Non-controlling interest	Total equity	
	Share Capital	Common stock	Capital collected in advance	Capital surplus	Retained Earnings	Cumulative translation differences of foreign operations	Unrealized gain or loss on available-for-sale financial assets	Total				
<b>For the year ended December 31, 2013</b>												
Balance at January 1, 2013	\$ 605,149	\$ 2,072	\$ 2,072	\$ 1,533,613	\$ 180,312	\$ 14,692	\$ 1,226,960	(\$ 5,739)	(\$ 18,684)	\$ 3,538,375	\$ 423,660	\$ 3,962,035
Capital collected in advance transferred to common stock	2,072	( 2,072)										
Appropriation of 2012 earnings												
Legal reserve					61,901	( 61,901)						
Special reserve					9,731	( 9,731)						
Cash dividends						( 547,383)					( 97,789)	( 645,172)
Profit for the period							620,318				108,501	728,819
Convertible bonds transferred to common stock	19,665		4,131	241,019								264,815
Share-based payment transaction				36,008								38,223
Employee stock options exercised	8,578			61,082								69,660
Cumulative translation differences of foreign operations								6,003				6,003
Unrealized gain or loss on available-for-sale financial assets									17,658			17,658
Balance at December 31, 2013	<u>\$ 635,464</u>	<u>\$ 4,131</u>	<u>\$ 4,131</u>	<u>\$ 1,871,722</u>	<u>\$ 242,213</u>	<u>\$ 24,423</u>	<u>\$ 1,228,263</u>	<u>\$ 264</u>	<u>(\$ 1,026)</u>	<u>\$ 4,005,454</u>	<u>\$ 439,282</u>	<u>\$ 4,444,736</u>
<b>For the year ended December 31, 2014</b>												
Balance at January 1, 2014	\$ 635,464	\$ 4,131	\$ 4,131	\$ 1,871,722	\$ 242,213	\$ 24,423	\$ 1,228,263	\$ 264	(\$ 1,026)	\$ 4,005,454	\$ 439,282	\$ 4,444,736
Capital collected in advance transferred to common stock	4,131	( 4,131)										
Appropriation of 2013 earnings												
Legal reserve					62,032	( 62,032)						
Special reserve						( 23,661)						
Cash dividends						( 581,948)					( 111,249)	( 693,197)
Profit for the period							674,036				117,482	791,518
Convertible bonds transferred to common stock	193		1,157	12,938								14,288
Share-based payment transaction				19,598								20,770
Employee stock options exercised	8,920			73,171								82,091
Cumulative translation differences of foreign operations								27,386				27,386
Unrealized gain or loss on available-for-sale financial assets									( 15,146)			( 15,146)
Adjustments due to capital transfer of investees												
Balance at December 31, 2014	<u>\$ 648,708</u>	<u>\$ 1,157</u>	<u>\$ 1,157</u>	<u>\$ 1,977,434</u>	<u>\$ 304,245</u>	<u>\$ 762</u>	<u>\$ 1,281,980</u>	<u>\$ 27,650</u>	<u>(\$ 16,172)</u>	<u>\$ 4,225,764</u>	<u>\$ 452,890</u>	<u>\$ 4,678,654</u>

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)

	<u>Notes</u>	<u>2014</u>	<u>2013</u>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>			
Consolidated profit before tax for the year		\$ 926,273	\$ 848,997
Adjustments to reconcile profit before tax to net cash (used in) provided by operating activities			
Income and expenses having no effect on cash flows			
Depreciation	6(7)(19)	16,844	18,189
Amortization	6(19)	14,409	14,835
Interest expense		13,896	19,938
Interest income		( 25,800 )	( 13,359 )
Dividend income		( 13,551 )	( 5,459 )
Salary expense-employee stock options	6(15)	20,747	38,031
Gain on valuation of financial assets	6(2)	( 1,299 )	( 5,074 )
Gain on disposal of investment		-	( 533 )
Share of profit of associates and joint ventures accounted for under equity method	6(6)	( 21,832 )	( 12,526 )
Loss on disposal of property, plant and equipment		784	411
Discount on convertible bonds recognized as interest expense		492	2,789
Impairment loss		216	1,413
Other income		-	( 1,981 )
Changes in assets/liabilities relating to operating activities			
Net changes in assets relating to operating activities			
Financial assets at fair value through profit or loss		( 146,356 )	371,184
Notes receivable, net		348	7,595
Accounts receivable, net		( 34,710 )	( 61,152 )
Accounts receivable, net - related parties		( 37,856 )	16,442
Other receivables		1,296	( 2,650 )
Other receivables-related parties		34,582	( 10,635 )
Inventories		( 12,108 )	( 7,045 )
Prepayments		( 22,824 )	38,189
Other non-current assets		237,820	223,876
Net changes in liabilities relating to operating activities			
Accounts payable		120,992	15,854
Accounts payable - related parties		( 683 )	( 5,767 )
Other payables		24,217	21,248
Other payables - related parties		2,098	( 2,656 )
Other current liabilities		165,800	115,066
Other non-current liabilities		8,479	5,385
Cash generated from operations		1,272,274	1,630,605
Interest received		19,878	10,576
Dividends received		26,279	17,480
Interest paid		( 14,380 )	( 21,607 )
Income tax paid		( 107,020 )	( 132,436 )
Net cash provided by operating activities		<u>1,197,031</u>	<u>1,504,618</u>

(Continued)

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

	Notes	2014	2013
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>			
(Increase) decrease in available-for-sale financial assets-current		(\$ 60,294 )	\$ 4,871
Increase in investments under equity method-non-subsidiaries		( 309,489 )	( 45,500 )
Interest received		482	402
Proceeds from disposal of investee company		-	7,800
Acquisition of property, plant and equipment	6(7)	( 25,962 )	( 10,768 )
Proceeds from disposal of property, plant and equipment		486	364
Increase in refundable deposits received		( 524 )	( 2,811 )
Net cash used in investing activities		( 395,301 )	( 45,642 )
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>			
Repayment of long-term loans		( 369,494 )	( 413,946 )
Increase in deposits received		4,236	1,719
Employee stock options exercised		82,091	69,660
Cash dividends paid	6(18)	( 693,197 )	( 645,172 )
Net cash used in financing activities		( 976,364 )	( 987,739 )
(Decrease) increase in cash and cash equivalents		( 174,634 )	471,237
Cash and cash equivalents at beginning of year		2,004,685	1,533,448
Cash and cash equivalents at end of year		<u>\$ 1,830,051</u>	<u>\$ 2,004,685</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 2014 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 Chou



Dated March 16<sup>th</sup>, 2015.



## REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

To the Board of Directors and Stockholders of  
KD Holding Corporation

We have audited the accompanying non-consolidated balance sheets of KD Holding Corporation as of December 31, 2014 and 2013, and the related non-consolidated statements of comprehensive income, of changes in stockholders' equity and of cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the non-consolidated financial statements referred to above present fairly, in all material respects, the financial position of KD Holding Corporation as of December 31, 2014 and 2013, and the results of its financial performance and cash flows for the years then ended, in conformity with the "Rules Governing the Preparation of Financial Statements by Securities Issuers".

*PricewaterhouseCoopers, Taiwan*

March 16, 2015  
Taipei, Taiwan  
Republic of China

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

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

REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

To the Board of Directors and Stockholders of  
KD Holding Corporation

We have audited the accompanying consolidated balance sheets of KD Holding Corporation and its subsidiaries as of December 31, 2014 and 2013, and the related consolidated statements of comprehensive income, of changes in stockholders' equity and of cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the consolidated financial statement referred to above present fairly, in all material respects, the financial position of KD Holding Corporation and its subsidiaries as of December 31, 2014 and 2013, and the results of their financial performance and cash flows for the years then ended in conformity with the "Rules Governing the Preparation of Financial Statements by Securities Issuers" and International Financial Reporting Standards, International Accounting Standards, IFRIC interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.





資誠

We have also audited the parent company only financial statements of KD Holding Corporation, not presented herein, as of and for the years ended December 31, 2014 and 2013, and have expressed an unqualified opinion on such financial statements.

*Pricewaterhousecoopers, Taiwan*

March 16, 2015

Taipei, Taiwan

Republic of China

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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**  
**The Status of Guarantees and Endorsements**  
**Provided by the Company**

December 31, 2014

Unit : NT\$ thousand

Target \ Item	Guarantees and Endorsements	
	As of the end of 2014	As of the end of 2013
GD Development Corporation	248,253	254,853
Total	248,253	254,853
Note : 1. The ceiling on the total amount of endorsements or guarantees made by the Company is NT\$ 12,677,292 thousand. 2. The ceiling on the total amount of endorsements or guarantees for any single entity is NT\$ 8,451,528 thousand.		

Explanatory:

The net current asset value of the Company on December 31, 2014 is NT\$ 4,225,764 thousand.

According the Rules Governing Procedure for Guarantees and Endorsements Article 2, the ceiling on the total amount of endorsements or guarantees made by the Company is three times of the net current worth. The ceiling on the total amount of endorsements or guarantees for any single entity is two times of the net current worth.

1. The ceiling on the total amount of endorsements or guarantees made by the Company is  $\text{NT\$ } 4,225,764,000 \times 3 = 12,677,292$  thousand
2. The ceiling on the total amount of endorsements or guarantees for any single entity is  $\text{NT\$ } 4,225,764,000 \times 2 = 8,451,528$  thousand

**KD Holding Corporation**  
**Table of Amendments to “Ethical Corporate Management Best Practice Principles “**

Article	Existing Provisions	Amendments
Article 2	<p>(Prevention of unethical conduct)            When engaging in commercial activities, directors, supervisors, managers, employees of the Company or persons having substantial control over it ("substantial controllers") shall not directly or indirectly offer, promise to offer, request or accept any improper benefits, nor commit unethical acts including breach of ethics, illegal acts, or breach of fiduciary duty ("unethical conduct") for purposes of acquiring or maintaining benefits.</p> <p>Parties referred to in the preceding paragraph include civil servants, political candidates, political parties or members of political parties, state-run or private-owned businesses or institutions, and their directors, supervisors, managers, employees or substantial controllers or other interested parties.</p>	<p>(Prevention of unethical conduct)            When engaging in commercial activities, directors, supervisors, managers, employees of the Company, the <u>mandataries</u>, or persons having substantial control over it ("substantial controllers") shall not directly or indirectly offer, promise to offer, request or accept any improper benefits, nor commit unethical acts including breach of ethics, illegal acts, or breach of fiduciary duty ("unethical conduct") for purposes of acquiring or maintaining benefits.</p> <p>Parties referred to in the preceding paragraph include civil servants, political candidates, political parties or members of political parties, state-run or private-owned businesses or institutions, and their directors, supervisors, managers, employees or substantial controllers or other interested parties.</p>
Article 6	<p>(Prevention program)            The Company is advised to, <u>in accordance with the operational philosophies and policies prescribed in the preceding article</u>, establishes in its own ethical corporate management best practice principle <u>comprehensive programs to forestall unethical conduct ("prevention program")</u>, including operational procedures, guidelines, and training.</p> <p>When establishing the prevention program, the Company shall comply with relevant laws and regulations of the territory where</p>	<p>(Prevention program)            The Company is advised to establish its own ethical corporate management best practice principle <u>policies specifying clearly the detailed practice of ethical management as well as the unethical conduct prevention program ("prevention program")</u>, including operational procedures, guidelines, and training.</p> <p>When establishing the prevention program, the Company shall comply with relevant laws and regulations of the territory where</p>

Article	Existing Provisions	Amendments
	the company and its Business Group are operating.	the company and its Business Group are operating.
Article 7	<p>(Scope of prevention program) When establishing the prevention program, the Company shall analyze which business activities within their business scope which may be at a higher risk of being involved in an unethical conduct, and strengthen the preventive measures.</p> <p>The prevention program established by the Company shall at least include preventive measures against the following:</p> <ol style="list-style-type: none"> <li>1. Offering and acceptance of bribes.</li> <li>2. Illegal political donations.</li> <li>3. Improper charitable donations or sponsorship.</li> <li>4. Offering or acceptance of unreasonable presents or hospitality, or other improper benefits.</li> </ol>	<p>(Scope of prevention program) When establishing the prevention program, the Company shall analyze which business activities within their business scope which may be at a higher risk of being involved in an unethical conduct, and strengthen the preventive measures.</p> <p>The prevention program established by the Company shall at least include preventive measures against the following:</p> <ol style="list-style-type: none"> <li>1. Offering and acceptance of bribes.</li> <li>2. Illegal political donations.</li> <li>3. Improper charitable donations or sponsorship.</li> <li>4. Offering or acceptance of unreasonable presents or hospitality, or other improper benefits.</li> <li>5. <u>Infringement of trade secrets, ownership of trademarks, patent rights, copyrights, and other types of intellectual property rights.</u></li> <li>6. <u>Engagement of unfair competitions</u></li> <li>7. <u>Direct or indirect infringement of the rights, health and safety of consumers or other interested parties during the process of research &amp; development, procurement, fabrication, supply and selling for products or services.</u></li> </ol>
Article 8	<p>(Undertaking and enforcement) The Company and its respective Business Group shall clearly specify ethical corporate management policies in their rules and external documents. <u>The management level</u></p>	<p>(Undertaking and enforcement) The Company and its respective Business Group shall clearly specify ethical corporate management policies <u>and the commitment of the management level for a rigorous</u></p>

Article	Existing Provisions	Amendments
	<p><u>shall undertake to rigorously and thoroughly enforce such policies for internal management and external commercial activities.</u></p>	<p><u>and thorough enforcement of such policies in their rules and external documents for internal management and commercial activities.</u></p>
Article 9	<p>(Ethical engagement in commercial activities) The Company shall engage in commercial activities in a fair and transparent manner.</p> <p>Prior to any commercial transactions, the Company shall take into consideration the legality of its agents, suppliers, clients or other trading counterparties, and their records of unethical conduct, if any. <u>It is advisable not to have any dealings with persons who have any records of unethical conduct.</u></p> <p>When entering into contracts with <u>other parties</u>, the Company shall include in such contracts provisions demanding ethical corporate management policy compliance and that in the event the trading counterparties are suspected of <u>engaging</u> in unethical conduct, the Company may at any time terminate or cancel the contracts.</p>	<p>(Ethical engagement in commercial activities) The Company shall engage in commercial activities in a fair and transparent manner <u>based on the ethical corporate management policies.</u></p> <p>Prior to any commercial transactions, the Company shall take into consideration the legality of its agents, suppliers, clients or other trading counterparties, and their records of unethical conduct, if any <u>of such conduct is involved.</u> <u>Any dealings with persons who may be involved in any records of unethical conduct should be avoided.</u></p> <p>When entering into contracts with <u>the agents, suppliers, clients or other trade parties in business interactions</u>, the Company should include in such contracts provisions demanding ethical corporate management policy compliance and that in the event the trading counterparties are suspected of <u>involving</u> in unethical conduct, the Company may at any time terminate or cancel the contracts.</p>
Article 10	<p>(Prevention of benefits offering and accepting) When conducting business, the Company and its directors, supervisors, managers, employees and substantial controllers, shall not directly or indirectly offer, promise to offer, request or accept any improper benefits, <u>including rebates, commissions, grease payments, or offer or accept</u></p>	<p>(Prevention of benefits offering and accepting) When conducting business, the Company and its directors, supervisors, managers, employees, <u>mandataries</u> and substantial controllers shall not directly or indirectly offer, promise to offer, request or accept any improper benefits to or from clients, agents, contractors, suppliers, public</p>

Article	Existing Provisions	Amendments
	<p><u>improper benefits in other ways to or from clients, agents, contractors, suppliers, public servants, or other interested parties, unless the laws of the territories where the Company operates permit so.</u></p>	<p>servants, or other interested parties.</p>
Article 11	<p>(Prevention of unauthorized political donations) When directly or indirectly offering a donation to political parties or organizations or individuals participating in political activities, the Company and its directors, supervisors, managers, employees and substantial controllers, shall comply with the Political Donations Act and its own relevant internal operational procedures, and shall not make such donations in exchange for commercial gains or business advantages.</p>	<p>(Prevention of unauthorized political donations) When directly or indirectly offering a donation to political parties or organizations or individuals participating in political activities, the Company and its directors, supervisors, managers, employees, <u>mandataries</u> and substantial controllers, shall comply with the Political Donations Act and its own relevant internal operational procedures, and shall not make such donations in exchange for commercial gains or business advantages.</p>
Article 12	<p>(Prevention of improper donations and sponsorship) When making or offering donations and sponsorship, the Company and its directors, supervisors, managers, employees and substantial controllers shall comply with relevant laws and regulations and internal operational procedures, and shall not surreptitiously engage in bribery.</p>	<p>(Prevention of improper donations and sponsorship) When making or offering donations and sponsorship, the Company and its directors, supervisors, managers, employees, <u>mandataries</u> and substantial controllers shall comply with relevant laws and regulations and internal operational procedures, and shall not surreptitiously engage in bribery.</p>
Article 13	<p>(Prevention of unreasonable presents, hospitality or other improper benefits) The Company and its directors, supervisors, managers, employees and substantial controllers shall not directly or indirectly offer or accept any unreasonable presents, hospitality or other improper benefits to establish business relationship or influence commercial transactions.</p>	<p>(Prevention of unreasonable presents, hospitality or other improper benefits) The Company and its directors, supervisors, managers, employees, <u>mandataries</u> and substantial controllers shall not directly or indirectly offer or accept any unreasonable presents, hospitality or other improper benefits to establish business relationship or influence commercial transactions.</p>

Article	Existing Provisions	Amendments
Article 14		<p><u>(Prevention for Infringement of Intellectual Property Right)</u>  <u>The Company and its directors, supervisors, managers, employees, mandataries and substantial controllers shall abide by the laws related to intellectual property rights, internal corporate operational procedures and contractual requirements. Without the prior consent of the owners, no using, disclosing, handling, damaging or other acts infringing the intellectual property is allowed.</u></p>
Article 15		<p><u>(Unfair Competition Prevention)</u>  <u>The Company shall conduct business activities based on related laws governing business competitions and shall not engage in unfair practices, including price fixing, bid rigging, production and quotas restricting or sharing customers, suppliers, operation regions and types of business for market sharing and dividing.</u></p>
Article 16		<p><u>(Prevention for Rights Violation Caused by Products or Services for Interested Parties)</u>  <u>The Company and its directors, supervisors, managers, employees, mandataries and substantial controllers shall abide by related laws and international norms to ensure information transparency and safety of products and services provided during the whole process of research &amp; development, procurement, fabrication, supply or sales, regulate and expose protection acts for consumers and other interested parties with such practices carried out in operation activities so as to prevent from directly or indirectly violating the rights, health and safety of</u></p>

Article	Existing Provisions	Amendments
		<u>consumers and other interested parties. Products or Services, which may endanger consumers or other interested parties or pose health risk according to the known facts, should in principle recalled or suspended.</u>
<p>Article 17 (Former Article 14)</p>	<p>(Organization and responsibility) The board of directors of the Company shall exercise the due care of good administrators to urge the company to prevent unethical conduct, always review the results of the preventive measures and continually make adjustments so as to ensure thorough implementation of its ethical corporate management policies.</p> <p>To achieve sound ethical corporate management, the Company <u>is advised to form a dedicated unit to be in charge of establishing and enforcing the ethical corporate management policies and prevention program and reporting to the board of directors on a regular basis.</u></p>	<p>(Organization and responsibility) The board of directors, <u>supervisors, managers, employees, mandataries and substantial controllers</u> of the Company shall exercise the due care of good administrators to urge the company to prevent unethical conduct, always review the results of the preventive measures and continually make adjustments so as to ensure thorough implementation of its ethical corporate management policies.</p> <p>To achieve sound ethical corporate management, the Company <u>may form a dedicated unit under the board of directors to be in charge of establishing and enforcing the ethical corporate management policies and prevention program and its detailed responsibilities are as follows:</u></p> <ol style="list-style-type: none"> <li>1. <u>To assist in incorporating the ethical and moral values into corporate management strategies, and stipulating preventive measures against corruption based on the related laws and regulations to ensure ethical management.</u></li> <li>2. <u>To regulate prevention programs for unethical conducts, within which related standard operating procedures and behavioral guidelines are specified.</u></li> <li>3. <u>To plan internal organization, structures, and duties; to</u></li> </ol>



Article	Existing Provisions	Amendments
		<p><u>establish a supervisory mechanism for check and balance for operating activities which may at a higher risk of being involved in an unethical conduct within the scope of business.</u></p> <p>4. <u>To implement and coordinate related training for ethical policies advocacy.</u></p> <p>5. <u>To plan reporting mechanism of unethical conducts and to ensure the effective execution.</u></p> <p>6. <u>To assist the board of directors and the management level in checking and assessing if the preventive measures established for ethical corporate management work effectively. To regularly appraise the regulatory compliance according to related business process and to make reports.</u></p>
Article 18 (Former Article 15)	(Compliance with laws and regulations for business conducting) The Company and its directors, supervisors, managers, employees and substantial controllers shall comply with laws and regulations and the prevention program when conducting business.	(Compliance with laws and regulations for business conducting) The Company and its directors, supervisors, managers, employees, <u>mandataries</u> and substantial controllers shall comply with laws and regulations and the prevention program when conducting business.
Article 19 (Former Article 16)	(Prevention of interests conflicts <u>for directors, supervisors and managers</u> ) The Company shall promulgate policies for preventing conflicts of interests and offer appropriate means for directors, supervisors and managers to voluntarily explain whether their interests would potentially conflict with those of the Company.	(Prevention of interests conflicts)  The Company shall promulgate policies for preventing conflicts of interests <u>to thereby distinguish, supervise and manage risks of unethical conducts which may be caused by interests conflicts</u> and offer appropriate means for directors, supervisors, managers, <u>and other interested parties who are either required or optional attendees of the board of directors to voluntarily explain whether their</u>

Article	Existing Provisions	Amendments
	<p><u>The Company's directors shall exercise a high degree of self-discipline, a director may present his opinion and answer relevant questions but is prohibited from participating in discussion of or voting on any proposal where the director or the juristic person that the director represents is an interested party, and such participation is likely to prejudice the interests of the company; neither shall a director vote on such proposal as a proxy of another director in such circumstances.</u> The directors shall practice self-discipline and must not support one another in improper dealings.</p> <p>The Company's directors, supervisors and managers shall not take advantage of their positions in the Company to obtain improper benefits for themselves, their spouses, parents, children or any other person.</p>	<p>interests would potentially conflict with those of the Company.  <u>The Company's directors, supervisors, managers, and other interested parties who are either required or optional attendees of the board of directors shall detail the immediate or vital interests in the board meeting where he/she or the juristic person that he/she represents is an interested party, and such participation is likely to prejudice the interests of the company. He/she is prohibited from participating in discussion of or voting on any proposal; neither shall he/she vote on such proposal as a proxy of another director in such circumstances.</u> The directors shall practice self-discipline and must not support one another in improper dealings.</p> <p>The Company's directors, supervisors, managers, <u>mandataries and substantial controller</u> shall not take advantage of their positions in the Company <u>or their power</u> to obtain improper benefits for themselves, their spouses, parents, children or any other person.</p>
<p>Article 20 (Former Article 17)</p>	<p>(Accounting and internal control systems)  The Company shall establish effective accounting systems and internal control systems for business activities which may at a higher risk of being involved in an unethical conduct, not have under-the-table accounts or keep secret accounts, and conduct reviews regularly so as to ensure that the design and enforcement of the systems are showing results.  <u>Internal auditors</u> of the Company shall periodically examine the</p>	<p>(Accounting and internal control systems)  The Company shall establish effective accounting systems and internal control systems for business activities which may at a higher risk of being involved in an unethical conduct, not have under-the-table accounts or keep secret accounts, and conduct reviews regularly so as to ensure that the design and enforcement of the systems are showing results.  <u>Internal auditory units</u> of the Company shall periodically examine</p>

Article	Existing Provisions	Amendments
	company's compliance with the foregoing and prepare audit reports and submit the same to the board of directors.	the company's compliance with the foregoing and prepare audit reports and submit the same to the board of directors; <u>accountants may be commissioned to conduct auditing and if necessary, professionals may be consulted.</u>
Article 21 (Former Article 18)	(Operational procedures and guidelines) The Company shall establish prevention program in accordance with Article 6 hereof to guide directors, supervisors, managers, employees, and substantial controllers on how to conduct business. The procedures and guidelines should at least contain the following matters: 1. Standards for determining whether improper benefits have been offered or accepted. 2. Procedures for offering legitimate political donations. 3. Procedures and the standard rates for offering charitable donations or sponsorship. 4. Rules for avoiding work-related conflicts of interests and how they should be reported and handled. 5. Rules for keeping confidential trade secrets and sensitive business information obtained in the ordinary course of business. 6. Regulations and procedures for dealing with suppliers, clients and business transaction counterparties suspected of unethical conduct. 7. Handling procedures for violations of the Principles. 8. Disciplinary measures on offenders.	(Operational procedures and guidelines) The Company shall establish prevention program in accordance with Article 6 hereof to guide directors, supervisors, managers, employees, <u>mandataries</u> , and substantial controllers on how to conduct business. The procedures and guidelines should at least contain the following matters: 1. Standards for determining whether improper benefits have been offered or accepted. 2. Procedures for offering legitimate political donations. 3. Procedures and the standard rates for offering charitable donations or sponsorship. 4. Rules for avoiding work-related conflicts of interests and how they should be reported and handled. 5. Rules for keeping confidential trade secrets and sensitive business information obtained in the ordinary course of business. 6. Regulations and procedures for dealing with suppliers, clients and business transaction counterparties suspected of unethical conduct. 7. Handling procedures for violations of the Principles. 8. Disciplinary measures on offenders.
Article 22 (Former	(Training and performance appraisal system)	(Training and performance appraisal system)

Article	Existing Provisions	Amendments
Article 19)	<p>The Company shall periodically organize training and awareness programs for directors, supervisors, managers, employees, and substantial controllers and invite the companies' commercial transaction counterparties so they understand the company's resolve to implement ethical corporate management, the related policies, prevention program and the consequences of committing unethical conduct.</p> <p>The Company shall apply the policies of ethical corporate management when creating its employee performance appraisal system and human resource policies to establish a clear and effective reward and discipline system.</p>	<p><u>The Chairman, President, or top managements of the Company shall periodically convey the importance of ethical values to the directors, employees and mandataries.</u></p> <p>The Company shall periodically organize training and awareness programs for directors, supervisors, managers, employees, <u>mandataries</u>, and substantial controllers and invite the companies' commercial transaction counterparties so they understand the company's resolve to implement ethical corporate management, the related policies, prevention program and the consequences of committing unethical conduct.</p> <p>The Company shall apply the policies of ethical corporate management when creating its employee performance appraisal system and human resource policies to establish a clear and effective reward and discipline system.</p>
Article 23 (Former Article 20)	<p>(Unethical conducts reporting and <u>disciplinary system</u>)</p> <p><u>The Company shall have in place a formal channel for receiving reports on unethical conduct and keep the reporter's identity and content of the report confidential.</u></p>	<p>(Unethical conducts reporting system)</p> <p><u>The Company shall stipulate a formal reporting system for unethical conduct and enforce strictly; the scope of reporting shall at least covers the following:</u></p> <ol style="list-style-type: none"> <li>1. <u>To establish and expose independent internal reporting mailbox or dedicated hotline or to commission an independent external agency to provide such channels to internal and external personnel.</u></li> <li>2. <u>To assign persons or unit in charge of reporting unethical conducts; to submit such report to an independent director if the situations reported involve directors or top management,</u></li> </ol>

Article	Existing Provisions	Amendments
	<p><u>The Company shall establish a well-defined disciplinary and complaint system to handle violation of the ethical corporate management rules, and immediately disclose on the company's internal website the offender's job title, name, date the violation was committed, violating act and how the matter was handled.</u></p>	<p><u>with the type of violations and standard operating procedures for investigation specified.</u></p> <ol style="list-style-type: none"> <li>3. <u>To record and keep files of the report acceptance, investigation process and results, and related documents.</u></li> <li>4. <u>To maintain secrecy regarding the informant's identity and the activity reported.</u></li> <li>5. <u>To protect the informant from subjecting to improper treatment for the act of report.</u></li> <li>6. <u>To draw up reward measures for the informant.</u></li> </ol> <p><u>Upon investigation by the internal persons/unit in charge of reporting unethical conducts, if significant unlawful acts or situations that may cause material damages to the Company are detected, a report shall be made right away and a written notice shall be submitted to the independent director.</u></p>
<p>Article 24 (Former Article 20, Paragraph 2)</p>		<p><u>The Company shall establish a well-defined disciplinary and complaint system to handle violation of the ethical corporate management rules, and immediately disclose on the company's internal website the offender's job title, name, date the violation was committed, violating act and how the matter was handled.</u></p>
<p>Article 25</p>	<p>(Information disclosure)</p>	<p>(Information disclosure)</p>

Article	Existing Provisions	Amendments
(Former Article 21)	<p><u>The Company shall disclose the status of the enforcement of its own ethical corporate management best practice principles on its company website, annual report and prospectus.</u></p>	<p><u>The Company shall establish quantifiable data for the promotion of ethical corporate management to continuously analyze the effectiveness of related policy implementation, and disclose the measures adopted, status of fulfillment, the aforementioned data and effectiveness of its own ethical corporate management best practice principles on its company website, annual report and prospectus and disclose the content of its Ethical Corporate Management Best Practice Principles on the Market Observation Post System.</u></p>
Article 26 (Former Article 22)	<p>(Review and Improvement in ethical corporate management <u>best practice principles</u>) The Company shall at all times monitor the development of relevant local and international regulations concerning ethical corporate management, and encourage directors, supervisors, managers and employees to make suggestions so as to review and improve its ethical corporate management <u>best practice principles and achieve better results from implementing the principles.</u></p>	<p>(Review and improvement in ethical corporate management <u>policies and measures</u>) The Company shall at all times monitor the development of relevant local and international regulations concerning ethical corporate management, and encourage directors, supervisors, managers and employees to make suggestions so as to review and improve its ethical corporate management <u>policies and implementation measures and achieve better results from fulfilling them.</u></p>
Article 27 (Former Article 23)	<p>(Implementation) The Principles shall be implemented after the board of directors grants the approval, and shall be reported at a shareholders' meeting. The same procedure shall be followed when the Principles have been amended.</p>	<p>(Implementation) The Principles shall be implemented after the board of directors grants the approval, and shall be reported at a shareholders' meeting. The same procedure shall be followed when the Principles have been amended. <u>The Company shall fully consider opinions of the independent directors when submitting the Ethical Corporate Management Best Practice Principles for the director of</u></p>

Article	Existing Provisions	Amendments
		<p><u>board's approval as per the aforementioned requirement; any opposition or reservation of the directors shall be recorded in the Certificate of Board Resolution. In case that the independent director cannot personally state opposition or reservation in the board meeting, except when there is a justifiable reason, he/she shall provide written comments beforehand and state in the Certificate of Board Resolution. The regulation governing supervisors in the Principle shall apply mutatis mutandis to an audit committee.</u></p>

## KD Holding Corporation Articles of Incorporation

Amended on June 23, 2014

### Chapter I General

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

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

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

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

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

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

### Chapter II Capitals

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

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

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



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

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

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

Article 9 Deleted.

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

### **Chapter III Shareholders' Meeting**

Article 11 There are two types of shareholders' meeting:

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

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

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

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

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

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

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

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

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

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

#### **Chapter IV Directors and Audit Committee**

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

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

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

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

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

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

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

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

Article 20 Unless otherwise provided by the Company Act, the Board of Directors' meeting shall be convened by the chairman and the directors shall attend the meeting in person. If the Board of Directors' meeting is

convened by video conference, a director attending the meeting by video conference shall be deemed to have attended the meeting in person.

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

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

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

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

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

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

Article 22 Deleted.

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

## **Chapter V Human Resources**

Article 24 The Company may establish several managers. The appointment, removal and remuneration of managers of the Company shall be made

in accordance to Article 29 of the Company Act.

Article 25 Deleted.

#### **Chapter VI Financial Reports**

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

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

Article 27 Deleted.

#### **Chapter VII Profit Allocation**

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

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

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

- (1) Employee bonus:  
0.05% of the profit for the current year or more

- (2) Directors' remuneration:  
Limited to 2% of the profit for the current year.
- (3) Shareholders' bonus:  
The remainder of cumulative allocable profit minus the amount under item (1) and (2), if any, shall be listed as shareholders' bonus.
- (4) In respect to the aforementioned amount of shareholders' bonus, cash dividend shall not be less than 20% of the total amount of dividends. However, in the event of a sudden major investment plan and no other fund can be obtained in support thereof, the Company may reduce the distribution of cash dividend to at least 5%.

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

Article 31 Deleted.

#### **Chapter VIII Miscellaneous**

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

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

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

The first amendment was approved on June 27, 2002,

Article 17-1 of this Articles of Incorporation was amended in accordance with Article 183 of the Securities and Exchange Act,

the second amendment on June 20, 2007,

the third amendment on June 26, 2009,

the fourth amendment on June 17, 2010,

the fifth amendment on June 25, 2013,

the sixth amendment on June 23, 2014

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

KD Holding Corporation  
Chairman John Lin

## KD Holding Corporation

### Rules Governing Procedure for Shareholders' Meetings

Amended on June 26, 2009

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

order shall not be changed without the approval of the shareholders' meeting.

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

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

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

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

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

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

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

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

Article 12 Where a juristic person is delegated to attend the shareholders' meeting, such juristic person can only appoint one person to attend the shareholders' meeting.

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

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

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

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



on site and shall be recorded in the meeting minutes.

- Article 16 During the course of the shareholders' meeting, the chair may announce a break at the times that he or she deems appropriate.
- Article 17 Unless otherwise provided by the Company Act or by the Articles of Incorporation, a proposal shall be adopted by a majority vote of the shareholders present. When voting for a proposal, if no objection is expressed when the chair puts the matter before the shareholders present at the shareholders' meeting, the proposal shall be deemed to have been adopted. The effect of such adoption shall be the same as adoption by votes. If there's any objection, shareholder shall vote for it in accordance of above rules.
- Article 18 Where there is an amendment proposal or alternative proposal for the same issue, the chair shall determine the order of voting of such proposals together with the original proposal for the same issue. However, if a proposal has been approved, the other proposals shall be deemed to have been vetoed and need not be voted again.
- Article 19 The chair may direct the rectifiers (or security personnel) to assist in maintaining order at the shareholders' meeting. When the rectifiers (or security personnel) provide assistance to maintain the order at the shareholders' meeting, they shall wear the badge indicating that they are the rectifiers.
- Article 20 The Rules shall come into force upon the adoption by the shareholders' meeting. The same shall apply to the amendment hereof.

## KD Holding Corporation Rules Governing the Election of Directors

Amended on June 23, 2014

Issued on June 12, 2006

- 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 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 held 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 24, 2015

Title	Name	Shares	%	Representative
Chairman	CTCI Corporation	38,457,105	58.77	John H. Lin
Director	CTCI Corporation			Michael Yang
Director	CTCI Corporation			M. H. Wang
Director	Parkwell Investment Limited	1,060,000	1.62	Kuan Shen Wang
Independent Director	Sidney Hsin Huai Chow	0	0.00	NA
Independent Director	Shean-Bii Chiu	0	0.00	NA
Director	Douglas Liu	0	0.00	NA
Director	Wen-whe Pan	0	0.00	NA
Total number of shares held by all Directors		39,517,105		

(1) Total shares issued as of April 24, 2015: 65,441,899 Common Shares.

(2) The minimum required combined shareholding of all Directors by law: 5,235,352 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 15 to April 24, 2015, 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.
- 2、 The impact on the Company's business performance and earnings per share from stock dividends proposed by this annual general meeting: Because the Company proposed to allocate the cash dividends in total, it is not applicable.