

**KEDGE CONSTRUCTION CO.,
LTD. and Subsidiaries**

**Consolidated Financial Statements
and Independent Auditors' Report**

From January 1 to March 31, 2020 and 2019

Address: 6F., No. 131, Sec. 3, Heping E. Rd., Da'an Dist., Taipei City, Taiwan (R.O.C.)

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The reader is advised that these consolidated financial statements have been prepared originally in Chinese. In the event of a conflict between these financial statements and the original Chinese version or difference in interpretation between the two versions, the Chinese language financial statements shall prevail.

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Independent Auditors' Report

To the Board of Directors of Kedge Construction Co., Ltd.:

Introduction

We have audited the consolidated balance sheets of Kedge Construction Co., Ltd. as of March 31, 2020, and 2019, the consolidated statements of comprehensive income, changes in equity, and cash flows for the three-month periods from January 1 to March 31, 2020 and 2019 as well as notes to the consolidated financial statements (including a summary of significant accounting policies) for the period then ended. It is the management's responsibility to prepare a set of fairly presented consolidated financial reports in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and IAS 34 Interim Financial Reporting as endorsed, issued, and effected by the Financial Supervisory Commission (FSC). Our responsibility is to provide a conclusion on the consolidated financial reports based on our reviews.

Scope

We conducted our reviews in accordance with the Statement of Auditing Standards No. 65, "Review of Financial Information Performed by the Independent Auditor of the Entity" in the Republic of China. A review of the consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. Since a review is substantially less in scope than an audit, we might not be fully aware of all material matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our reviews, nothing has come to our attention that caused us to believe that the accompanying consolidated financial reports do not present fairly, in all material aspects of the consolidated financial position of the company as of March 31, 2020 and 2019 and its consolidated financial performance and its consolidated cash flows for the three-month periods then ended in accordance with the "Regulations Governing the Preparation of Financial Reports by Public Banks," "Regulations Governing the Preparation of Financial Reports by Securities Issuers," "and IAS 34 - Interim Financial Reporting approved and issued by FSC."

KPMG

Taipei, Taiwan

Republic of China

May 11, 2020

Notices to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions.

The standards, procedures and practices to audit such consolidated financial statements are those

generally applied in the Republic of China.

For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese language independent auditors' report and consolidated financial statements shall prevail.

As of March 31, 2020 and 2019, Only reviewed, not audited in accordance with the laws and regulations and generally accepted audit principles.

KEDGE CONSTRUCTION CO., LTD. and Subsidiaries

Consolidated Balance Sheets

March 31, 2020, December 31, 2019 and March 31, 2019

Unit: thousand NTD

		2020.3.31		2019.12.31		2019.3.31				2020.3.31		2019.12.31		2019.3.31	
Assets		Amount	%	Amount	%	Amount	%	Liabilities and equity		Amount	%	Amount	%	Amount	%
Current assets:															
1100	Cash and cash equivalents (Note 6(1) & (18))	\$ 3,083,571	35	2,526,409	31	1,915,842	28	2100	Short-term loans (Note 6(8), (18) & 8)	\$ 150,000	2	150,000	2	-	-
1110	Financial assets at fair value through profit or loss - current (Note 6(2) & (18))	36,044	-	74,118	1	68,950	1	2130	Contract liabilities - current (Note 6(15))	1,526,309	17	988,111	12	809,235	12
1140	Contract assets - current (Note 6(15) & (7))	1,927,497	23	1,594,708	19	1,526,963	23	2150	Notes payable (Note 6(18))	355,429	4	361,911	4	314,343	5
1170	Notes and accounts receivable - net amount (Note 6(4), (15) & (18))	755,981	9	1,127,588	14	429,137	6	2170	Accounts payable (Note 6(18))	3,608,122	41	3,599,351	43	2,606,246	39
1180	Notes and accounts receivable - affiliates net amount (Note 6(15), (18) & 7)	1,944,271	23	1,913,375	23	1,884,171	28	2200	Other payables (Note 6(12) & (18))	152,521	3	258,940	3	153,597	2
1410	Prepayments	180,849	2	205,683	2	149,045	2	2230	Current tax liabilities	75,476	1	50,362	1	115,480	1
1470	Other current assets	25,404	-	22,524	1	22,388	1	2300	Other current liabilities (Note 6(18))	15,340	-	18,850	-	3,102	-
1476	Other financial assets - current	281,398	3	243,636	3	297,484	5			5,883,197	68	5,427,525	65	4,002,003	59
		8,235,015	95	7,708,041	94	6,293,980	94	Non-current liabilities:							
Non-current assets:															
1550	Investments accounted for using equity method (Note 6(5))	20,226	-	20,506	-	20,256	-	2552	Warranty long-term provisions (Note 6(9))	101,903	1	102,482	1	80,327	1
1517	Equity instrument measured at fair value through other comprehensive income - non-current (Note 6(3) & (18))	246,377	3	344,872	4	218,142	3	2600	Other non-current liabilities (Note 6(18))	10,613	-	5,719	-	7,115	-
1600	Property, plant and equipment (Note 6(6) & 8)	78,077	1	63,116	1	63,347	1	2640	Net defined benefit liabilities - non-current	-	-	-	-	101	-
1755	Right-of-use assets	10,195	-	4,393	-	4,508	-			112,516	1	108,201	1	87,543	1
1760	Investment property (Note 6(7) & 8)	102,427	1	102,544	1	102,894	2	Total liabilities		5,995,713	69	5,535,726	66	4,089,546	60
1840	Deferred tax assets (Note 6(12))	23,642	-	24,060	-	21,305	-	Equity attributable to owners of the parent company (Note 6(13)):							
1975	Net defined benefit assets - non-current	1,308	-	1,361	-	-	-	3100	Share capital	1,060,357	12	1,060,357	13	1,060,357	16
1980	Other financial assets - non-current (Note 6(18))	7,561	-	7,955	-	9,249	-	3200	Capital surplus	518,305	6	518,241	6	518,241	8
		489,813	5	568,807	6	439,701	6	3300	Retained earnings	1,122,631	13	1,036,204	13	1,065,952	16
								3400	Other equity	27,687	-	126,159	2	(541)	-
Total assets		\$ 8,724,828	100	8,276,848	100	6,733,681	100		Total equity attributable to owners of the parent company	2,728,980	31	2,740,961	34	2,644,009	40
								36XX	Non-controlling interests	135	-	161	-	126	-
									Total equity	2,729,115	31	2,741,122	34	2,644,135	40
									Total liabilities and equity	\$ 8,724,828	100	8,276,848	100	6,733,681	100

(Please see the Notes to the Consolidated Financial Statements)

**Reviewed, not audited in accordance with the laws and regulations and generally accepted
audit principles.**

KEDGE CONSTRUCTION CO., LTD. and Subsidiaries

Consolidated Statements of Comprehensive Income

January 1 to March 31, 2020 and 2019

Unit: thousand NTD

		<u>Jan. - Mar. 2020</u>		<u>Jan. - Mar. 2019</u>	
		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
4000	Operating revenue (Note 6(10), (15) & 7)	\$ 2,772,204	100	2,731,765	100
5000	Operating costs (Note 6(11) & 12)	2,585,000	93	2,534,857	93
	Gross profit	<u>187,204</u>	7	<u>196,908</u>	7
	Operating expenses:				
6200	Administrative expenses (Note 6(11), (16), 7 & 12)	62,620	2	57,613	2
	Net operating profit	<u>124,584</u>	5	<u>139,295</u>	5
	Non-operating income and expenses:				
7010	Other income (Note 6(17))	2,696	-	2,576	1
7020	Other gains and losses (Note 6(17))	(14,170)	-	1,774	-
7050	Financial costs (Note 6(17))	(636)	-	(29)	-
7060	Share of profit and loss associates and joint ventures accounted for using the equity method (Note 6(5))	<u>(280)</u>	-	<u>(250)</u>	-
		<u>(12,390)</u>	-	<u>4,071</u>	1
	Profit before tax from continuing operating department	112,194	5	143,366	6
7950	Less: Income tax expense (Note 6(12))	25,770	1	28,467	1
	Net income	<u>86,424</u>	4	<u>114,899</u>	5
8300	Other comprehensive income:				
8310	Items that will not be reclassified to profit or loss				
8316	Unrealized profits and losses from investments in equity instruments measured at fair value through other comprehensive income	<u>(98,495)</u>	(4)	<u>(3,719)</u>	-
8300	Other comprehensive income (net amount after tax)	<u>(98,495)</u>	(4)	<u>(3,719)</u>	-
	Total comprehensive income (loss)	<u>\$ (12,071)</u>	-	<u>111,180</u>	<u>5</u>
	Net income attributable to:				
	Owners of the parent company	\$ 86,427	4	114,896	5
8620	Non-controlling interests	<u>(3)</u>	-	<u>3</u>	-
		<u>\$ 86,424</u>	<u>4</u>	<u>114,899</u>	<u>5</u>
	Total comprehensive income (loss) attributable to:				
	Owners of the parent company	\$ (12,045)	-	111,178	5
	Non-controlling interests	<u>(26)</u>	-	<u>2</u>	-
		<u>\$ (12,071)</u>	-	<u>111,180</u>	<u>5</u>
	Earnings per share (NTD) (Note 6(14))				
9750	Basic earnings per share (NTD)	<u>\$ 0.82</u>		<u>1.08</u>	
9850	Diluted earnings per share (NTD)	<u>\$ 0.81</u>		<u>1.08</u>	

(Please see the Notes to the Consolidated Financial Statements)

Reviewed, not audited in accordance with the laws and regulations and generally accepted audit principles.

KEDGE CONSTRUCTION CO., LTD. and Subsidiaries

Consolidated Statements of Changes in Equity

January 1 to March 31, 2020 and 2019

Unit: thousand NTD

	Equity attributable to shareholders of the company					Unrealized gain (loss) from financial assets measured at fair value through other comprehensive income	Total equity attributable to owners of the parent company	Non- controlling interest	Total equity
	Share capital of common stocks	Capital reserve	Legal reserve	Unappropri- ed earnings	Total				
Balance as of January 1, 2019	\$ 1,060,357	518,208	201,235	749,821	951,056	3,177	2,532,798	124	2,532,922
Net income for the period	-	-	-	114,896	114,896	-	114,896	3	114,899
Other comprehensive income (loss) for the period	-	-	-	-	-	(3,718)	(3,718)	(1)	(3,719)
Total comprehensive income (loss) for the period	-	-	-	114,896	114,896	(3,718)	111,178	2	111,180
Unclaimed cash dividends after effective period	-	33	-	-	-	-	33	-	33
Balance as of Mar. 31, 2019	\$ 1,060,357	518,241	201,235	864,717	1,065,952	(541)	2,644,009	126	2,644,135
Balance as of January 1, 2020	\$ 1,060,357	518,241	241,986	794,218	1,036,204	126,159	2,740,961	161	2,741,122
Net income for the period	-	-	-	86,427	86,427	-	86,427	(3)	86,424
Other comprehensive income (loss) for the period	-	-	-	-	-	(98,472)	(98,472)	(23)	(98,495)
Total comprehensive income (loss) for the period	-	-	-	86,427	86,427	(98,472)	(12,045)	(26)	(12,071)
Unclaimed cash dividends after effective period	-	64	-	-	-	-	64	-	64
Balance as of Mar. 31, 2020	\$ 1,060,357	518,305	241,986	880,645	1,122,631	27,687	2,728,980	135	2,729,115

(Please see the Notes to the Consolidated Financial Statements)

Reviewed, not audited in accordance with the laws and regulations and generally accepted audit principles.

KEDGE CONSTRUCTION CO., LTD. and Subsidiaries

Consolidated Statements of Cash Flows

January 1 to March 31, 2020 and 2019

Unit: thousand NTD

	<u>Jan. - Mar. 2020</u>	<u>Jan. - Mar. 2019</u>
Cash flows from operating activities:		
Income before income tax	\$ 112,194	143,366
Adjustments:		
Adjustments to reconcile profit (loss)		
Depreciation	738	245
Net loss (gain) on financial assets and liabilities measured at fair value through profit or loss	14,090	(1,774)
Interest expense	636	29
Interest income	(1,966)	(840)
Share of gains (loss) of associates and joint ventures accounted for using equity method	280	250
Total adjustments to reconcile profit (loss)	<u>13,778</u>	<u>(2,090)</u>
Changes in operating assets and liabilities:		
Changes in operating assets:		
Decrease in financial instruments mandatorily measured at fair value through profit or loss	23,984	-
Increase in contract assets	(332,789)	(317,239)
Decrease in notes receivable	371,607	328,124
Decrease (increase) in accounts receivable — related parties	(30,896)	752,477
Decrease in prepayments	24,834	29,255
Increase in other financial instruments - current	(2,880)	(1,657)
Decrease (increase) in other financial instruments - current	(38,193)	44,409
Decrease in net defined benefit assets-	53	-
Total changes in operating assets	<u>15,720</u>	<u>835,369</u>
Total changes in operating assets and liabilities:		
Increase (decrease) in contract liabilities	538,198	(151,605)
Decrease in notes payable	(6,482)	(80,581)
Increase (decrease) in accounts payable	8,771	(50,152)
Decrease in other payables	(106,355)	(93,244)
Increase (decrease) in liability reserve	(579)	1,066
Decrease in other current liabilities	(4,706)	(20,063)
Increases in net defined benefit liabilities	-	46
Increase in other non-current liabilities	270	-
Total changes in operating liabilities	<u>429,117</u>	<u>(394,533)</u>
Total changes in operating assets and liabilities	<u>444,837</u>	<u>440,836</u>
Total adjustments	<u>458,615</u>	<u>438,746</u>
Cash inflow generated from operations	<u>570,809</u>	<u>582,112</u>
Interest collection	2,397	851
Interest payment	(636)	(29)
Income tax payment	(238)	(122)
Cash inflow from operating activities	<u>572,332</u>	<u>582,812</u>
Cash flows from investing activities:		
Acquisition of property, plant and equipment	(15,236)	-
Decrease (increase) in other financial assets	394	(7)
Net cash outflow from investing activities	<u>(14,842)</u>	<u>(7)</u>
Cash flows from financing activities:		
Increase in short-term loans	1,000	10,000
Decrease in short-term loans	(1,000)	(10,000)
Increase in short-term promissory notes payable	-	20,000
Decrease in short-term promissory notes payable	-	(20,000)
Repayment of lease principal amount	(328)	-
Net cash outflows from financing activities	<u>(328)</u>	<u>-</u>
Current cash and cash equivalents increase	557,162	582,805
Opening balance of cash and cash equivalents of the period	2,526,409	1,333,037
Ending balance of cash and cash equivalents of the period	<u>\$ 3,083,571</u>	<u>1,915,842</u>

(Please see the Notes to the Consolidated Financial Statements)

**Reviewed, not audited in accordance with the laws and regulations and generally
accepted audit principles.**

KEDGE CONSTRUCTION CO., LTD. and Subsidiaries
Notes to the Consolidated Financial Statements
From January 1 to March 31, 2020 and 2019
(In Thousands of New Taiwan Dollars, unless otherwise specified)

I. Company History

Kedge Construction Co., Ltd. (hereinafter referred to as "the company") was incorporated on April 13, 1982, located at 6F., No. 131, Sec. 3, Heping E. Rd., Da'an Dist., Taipei City, Taiwan. The company and its subsidiaries (hereinafter referred to as "the group") primarily engage in comprehensive construction, as well as residence and buildings lease construction and development.

II. Approval Date and Procedures of the Financial Statements

The consolidated financial statements were approved and issued on May 11, 2020, by the Board of Directors.

III. Application of New, Amended, and Revised Standards and Interpretations

(I) Impact of adoption of new, revised or amended standards and interpretations endorsed by the Financial Supervisory Commission, R.O.C.

The group has adopted International Financial Reporting Standards endorsed by the Financial Supervisory Commission (hereinafter referred to as "FSC"), and effective from the year 2020 to prepare the consolidated financial statements. Summary of the new, revised or amended standards and interpretations is as follows:

New, Revised or Amended Standards and Interpretations	The effective date announced by the International Accounting Standards Board
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020
Amendments to IFRS 9, IAS 39, and IFRS 7 "Changes in Interest Rate Indicators"	January 1, 2020
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020

The group assessed that the application of the newly recognized IFRSs will not have a material impact on the consolidated financial statements.

KEDGE CONSTRUCTION CO., LTD. and Subsidiaries (continued)

- (II) The IFRSs issued by IASB but yet to be endorsed by the FSC
The table below lists the already released and modified standards and interpretations by IASB that are to be endorsed by FSC.

New, Revised or Amended Standards and Interpretations	Effective date of releases by IASB
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be decided by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 "Classify Liabilities as Current or Non-current"	January 1, 2022

Possible impacts on the group are as follows:

Date of issuance	New or amended standards	Main amendments to the content
2020.1.23	Amendments to IAS 1 "Classify Liabilities as Current or Non-current"	<p>The amendments are intended to enhance the consistency of the application of the standard, in order to assist companies in determining whether debts or other liabilities with uncertain liquidation dates should be classified as current (or those that might expire within one year) or non-current on the balance sheet.</p> <p>The amendments also clarify the classification requirements for debts that may be repaid through convert into equity.</p>

The group is in the process of evaluating the impact on the consolidated financial position and performance of the adoption of the standards and interpretations mentioned above, and the group will disclose relevant impacts when the evaluation is completed.

IV. Summary of Significant Accounting Policies

- (I) Compliance Statement
- The consolidated financial reports are prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" (hereinafter "the Regulations") and the IAS 34 - Interim Financial Reporting approved and issued by FSC. The consolidated financial report does not contain all necessary information that should be disclosed in an annual consolidated financial report in accordance with International Financial Reporting Standards, International Accounting Standard, and the explanations and interpretations (hereinafter referred to as "IFRSs endorsed by FSC") endorsed by the FSC.

KEDGE CONSTRUCTION CO., LTD. and Subsidiaries (continued)

Apart from the matters described in the following paragraphs, the major accounting policies adopted by this consolidated financial report are the same those adopted by the 2019 consolidated financial report. For related information, please refer to Note 4 of the 2019 consolidated financial statements.

(II) Basis of consolidation

1. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of Investee	Main business and products	Percentage of ownership			Explanation
			2020.3.31	2019.12.31	2019.3.31	
The company	Guanqing Electromechanical Co., Ltd. (Guanqing Electromechanical)	Electrical equipment installation and fire safety equipment installation industry, etc.	99.96%	99.96%	99.96%	Subordinate companies directly holding more than 50% of the total issued voting shares
The company	Jiequn Investment Co., Ltd. (hereinafter referred to as Jiequn Investment)	General Investment	99.98%	99.98%	99.98%	Subordinate companies directly holding more than 50% of the total issued voting shares
Jointly held by Guanqing Electromechanical and Jiequn Investment	Dingtian Construction Co., Ltd. (hereinafter referred to as Dingtian Construction)	The comprehensive construction industry, etc.	100.00%	100.00%	100.00%	Subordinate companies directly holding more than 50% of the total issued voting shares

2. Subsidiaries not absorbed into the consolidated financial reports: None.

(III) Income Tax

The group measures and discloses the interim income tax expenses in accordance with Paragraph B12 of IAS 34 - Interim Financial Reporting.

Income tax expense is the best estimate of the amount that net profit before tax for the period multiplies by the management' best estimate of the annual effective tax rate.

The income tax expense is fully recognized as current period tax expenses.

When the income tax rate changes during the interim period, its impact on the deferred income tax is fully recognized during the mid-term reporting period of the change in the tax rate.

(IV) Employee benefits

The pension of defined benefit plan for the interim period is calculated based on the actuarial cost ratio determined by the actuarial calculation at the end of the previous fiscal year. Calculation term is from the beginning of the period to the end of the period, and adjustments will be made for post-period major market fluctuations, curtailment, settlement, or other significant one-time matters.

KEDGE CONSTRUCTION CO., LTD. and Subsidiaries (continued)

V. Significant Accounting Judgments and Key Sources of Estimation and Assumption Uncertainty

The preparation of the consolidated financial statements in conformity with IAS 34 - Interim Financial Reporting endorsed by FSC requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

In preparing the consolidated financial report, the significant judgments made by management when adopting the accounting policies of the group and the key sources of uncertainty over estimation are consistent with Note 5 of the 2019 consolidated financial statements.

VI. Description of Material Accounting Items

Apart from the matters described in the following paragraphs, the descriptions of material accounting items in this consolidated financial report bear no significant difference from those adopted by the 2019 consolidated financial report. For related information, please refer to Note 6 of the 2019 consolidated financial statements.

(I) Cash and cash equivalents

	<u>2020.3.31</u>	<u>2019.12.31</u>	<u>2019.3.31</u>
Cash and petty cash	\$ 710	710	1,226
Demand deposits	429,591	522,875	407,807
Check deposits	370,169	202,841	305,023
Time deposits	440	-	-
Cash equivalents	<u>2,282,661</u>	<u>1,799,983</u>	<u>1,201,786</u>
Cash and cash equivalents	<u>\$ 3,083,571</u>	<u>2,526,409</u>	<u>1,915,842</u>

The aforementioned cash equivalents are short-term notes with maturity date in the periods, Apr. - Jun. 2020, Jan. - Mar. 2020, and Apr. 2019, and the interest rate collars are 0.43%~0.54%, 0.53%~0.57% and 0.50%~0.53%.

For the disclosed information on the interest rate risk and sensitivity analysis of the financial assets and liabilities of the group, please refer to Note 6(18).

(II) Financial assets at fair value through profit and loss

	<u>2020.3.31</u>	<u>2019.12.31</u>	<u>2019.3.31</u>
Financial assets mandatorily measured at fair value through profit or loss:			
Non-derivative financial assets			
TWSE (or TPEX) listed company shares	\$ 36,044	44,054	43,361
Funds	-	30,064	25,589
Total	<u>\$ 36,044</u>	<u>74,118</u>	<u>68,950</u>

KEDGE CONSTRUCTION CO., LTD. and Subsidiaries (continued)

As of March 31, 2020, December 31, 2019 and March 31, 2019, none of the financial assets of the group has been pledged as collateral.

(III) Financial assets at fair value through other comprehensive income	2020.3.31	2019.12.31	2019.3.31
Equity instrument measured at fair value through other comprehensive income:			
Domestic TWSE (or TPEX) listed company shares	\$ 240,667	338,952	213,571
Domestic Non-TWSE (nor TPEX) listed company shares	5,710	5,920	4,571
Total	\$ 246,377	344,872	218,142

1. Equity instrument investments measured at fair value through other comprehensive income

The equity instrument investment held by the group is a long-term strategic investment and not held for trading purposes, so it has been designated to be measured at fair value through other comprehensive income.

2. The group did not dispose strategic investment in the period from January 1 to March 31, 2020 and 2019. The cumulated gains and losses in that period have not been transferred within the equity.

3. None of the financial assets of the group has been pledged as collateral.

4. For credit risk (including impairment of debt instrument investment) and market risk information, please refer to Note 6 (18).

(IV) Notes and accounts payable	2020.3.31	2019.12.31	2019.3.31
Accounts Receivable	\$ 755,981	1,127,588	429,137
Less: Allowance for losses	-	-	-
	\$ 755,981	1,127,588	429,137

The group adopts the simplified method to estimate the expected credit loss for all notes receivable and accounts receivable, that is, to measure lifetime expected credit losses. For this measuring purpose, the group considers the past default records of clients, the current financial circumstances, the industrial economic situation, and the industrial outlook at the same time. The analysis on the expected credit loss of notes receivable and accounts receivable of the group is as follows:

KEDGE CONSTRUCTION CO., LTD. and Subsidiaries (continued)

	2020.3.31		
	Book value of notes and accounts receivable	Weighted average expected credit loss rate	Allowance for lifetime expected credit losses
Not past due	<u>\$ 755,981</u>	-	<u>-</u>
	2019.12.31		
	Book value of notes and accounts receivable	Weighted average expected credit loss rate	Allowance for lifetime expected credit losses
Not past due	<u>\$ 1,127,588</u>	-	<u>-</u>
	2019.3.31		
	Book value of notes and accounts receivable	Weighted average expected credit loss rate	Allowance for lifetime expected credit losses
Not past due	<u>\$ 429,137</u>	-	<u>-</u>

There have not been significant changes in the aging analysis on accounts and notes receivable and allowance for losses. For relevant information, please refer to Note 6(4) attached to 2019 annual consolidated financial statements and Note 6(4) attached to the 2019 Q1 consolidated financial statements.

(V) Investments accounted for using equity method

Investments of the group under equity method at reporting date are listed below:

	2020.3.31	2019.12.31	2019.3.31
ReadyCom eServices Corp.	<u>\$ 20,226</u>	<u>20,506</u>	<u>20,256</u>

As of March 31, 2020, December 31, 2019 and March 31, 2019, none of the financial assets of the group has been pledged as collateral.

(VI) Property, Plant and Equipment

Details of changes in cost, depreciation, and impairment loss of property, plant, and equipment of the group are as follows:

	Land	Buildings	Transport equipment	Other equipment	Total
Book value:					
Jan. 1, 2020	<u>\$ 62,430</u>	<u>632</u>	<u>54</u>	<u>-</u>	<u>63,116</u>
Mar. 31, 2020	<u>\$ 62,430</u>	<u>614</u>	<u>51</u>	<u>14,982</u>	<u>78,077</u>
Jan. 1, 2019	<u>\$ 62,430</u>	<u>901</u>	<u>107</u>	<u>-</u>	<u>63,438</u>
Mar. 31, 2019	<u>\$ 62,430</u>	<u>823</u>	<u>94</u>	<u>-</u>	<u>63,347</u>

KEDGE CONSTRUCTION CO., LTD. and Subsidiaries (continued)

There is no recognition or reversal regarding major acquisition, disposition and impairment of group's property, plant, and equipment in the period from Jan. 1 to Mar. 31, 2020 and 2019. For the amount of depreciation for the current period, please refer to Note 12(1). For other relevant information, please refer to Note 6(6) of the 2019 consolidated financial statements.

(VII) Investment property

Details of changes in cost, depreciation, and impairment loss of investment property of the group are as follows:

	Land and buildings
Book value:	
Jan. 1, 2020	<u>\$ 102,544</u>
Mar. 31, 2020	<u>\$ 102,427</u>
Jan. 1, 2019	<u>\$ 103,010</u>
Mar. 31, 2019	<u>\$ 102,894</u>

There is no recognition or reversal regarding major acquisition, disposition and impairment of group's investment property in the period from Jan. 1 to Mar. 31, 2020 and 2019. For the amount of depreciation for the current period, please refer to Note 12(1). For other relevant information, please refer to Note 6(7) of the 2019 consolidated financial statements.

There is no significant difference between the fair value or the investment property of the group and the information disclosed in Note 6(7) of the 2019 consolidated financial statements.

As of March 31, 2020, December 31, 2019 and March 31, 2019, for information regarding the group's investment property used as collateral, please refer to Note 8.

(VIII) Short-term borrowings

The details of the short-term loans of the group are as follows:

	2020.3.31	2019.12.31	2019.3.31
Unsecured bank loans	<u>\$ 150,000</u>	<u>150,000</u>	<u>-</u>
Unused limit	<u>\$ 3,997,717</u>	<u>3,571,975</u>	<u>3,445,240</u>
Interest rate collars	<u>1.6%</u>	<u>1.6%</u>	<u>-</u>

For details on interest rate risk and liquidity risk, please refer to Note 6(18).

For details on the group's assets used as pledge for bank loan, please refer to Note 8.

KEDGE CONSTRUCTION CO., LTD. and Subsidiaries (continued)

(IX) Provisions

	Jan. - Mar. 2020	Jan. - Mar. 2019
Balance of warranty provisions as of January 1	\$ 102,482	79,261
Additional provisions for the current period	-	2,478
Provisions used in the current period	(579)	(1,412)
Balance of warranty provisions as of March 31	\$ 101,903	80,327

For the periods Jan. 1 to March 31, 2020 and 2019, the warranty provisions of the group are mainly related to construction contracting. The warranty provisions are estimated based on the historical warranty data of various constructions. The group expects that the liability will occur mostly one year after the construction acceptance.

(X) Operating lease

Regarding the investment property leased by the group, the group does not transfer all risks and returns attached to the ownership of the underlying assets, so the tenancy agreement is classified as an operating lease. For details, please refer to Note 6(7) investment property.

The maturity analysis of the lease payment as of March 31, 2019 is listed as follows according to the non-discounted future cash flows of lease receivable after the reporting date:

	2020.3.31	2019.12.31	2019.3.31
Less than 1 year	\$ 5,235	6,074	5,324
1~2 years	2,625	2,715	2,715
2~3 years	-	580	2,626
Non-discounted future cash flows of lease	\$ 7,860	9,369	10,665

The rent income generated from investment property for the periods January 1 to March 31, 2020 and 2019 are NTD 1,517,000 and NTD 1,422,000, respectively. There has not been major maintenance or repair expenses incurred.

(XI) Employee benefits

1. Defined benefit plan

There were no major market fluctuations, significant reduction, liquidation or other one-time-only significant events in the previous fiscal year. Therefore, the group measures and discloses the interim period pension costs based on actuated amount on December 31, 2019 and 2027.

The details of the expenses recognized by the group are as follows:

	Jan. - Mar. 2020	Jan. - Mar. 2019
Operating cost	\$ 274	142
Administrative expenses	67	46
Total	\$ 341	188

KEDGE CONSTRUCTION CO., LTD. and Subsidiaries (continued)

2. Defined contribution pension plan

The pension expenses under the group's defined contribution plan are as follows, and has been appropriated to the Bureau of Labor Insurance.

	Jan. - Mar. 2020	Jan. - Mar. 2019
Operating cost	\$ 4,024	4,455
Administrative expenses	1,296	1,234
Total	\$ 5,320	5,689

3. Short-term compensated absence liabilities

The details of employee benefit liabilities of the group are as follows:

	2020.3.31	2019.12.31	2019.3.31
Short-term compensated absence liabilities	\$ 13,033	14,543	13,041

(XII) Income tax

Income tax expense is the best estimate of the amount that net profit before tax for the period multiplies by the management' best estimate of the annual effective tax rate.

1. The details of the group's income tax expenses are as follows:

	Jan. - Mar. 2020	Jan. - Mar. 2019
Current income tax expenses		
Accrued in current year	\$ 25,100	28,787
Additional tax on undistributed earnings	252	-
Deferred income tax expense		
Occurrence and reversal of temporary differences	418	(320)
Income tax expenses	\$ 25,770	28,467

2. The group's profit-seeking enterprise income tax declaration has been approved by the collection authority until 2017, while that of the Kedge Construction and Jiequn Investment have been approved up until 2017.

(XIII) Capital and other equity

Apart from the matters described in the following paragraphs, there is no major changes in the group's capital and equity in the periods from January 1 to March 31, 2020 and 2019. For relevant information, please refer to Note 6(14) of the 2019 consolidated financial statements.

KEDGE CONSTRUCTION CO., LTD. and Subsidiaries (continued)

1. Capital surplus

The details of capital reserve were as follows:

	<u>2020.3.31</u>	<u>2019.12.31</u>	<u>2019.3.31</u>
Shares premium	\$ 383,109	383,109	383,109
Premium on conversion of convertible bonds	130,766	130,766	130,766
Changes in equity of associates and joint ventures accounted for using equity method	2,568	2,568	2,568
Unclaimed dividends after effective period	425	361	361
Others	1,437	1,437	1,437
	<u>\$ 518,305</u>	<u>518,241</u>	<u>518,241</u>

In accordance with the Company Act, realized capital reserves can only be distributed to shareholders based on their original shareholding percentage as new shares or cash dividends after offsetting losses. The above-mentioned realized capital reserve includes proceeds from the issuance of shares in excess of the par value and acceptance of bestowal. In accordance with the processing standards regarding issuers' collection and issuance of negotiable securities, the capital reserve for capital has to be appropriated, and the total amount of appropriation every year shall not exceed 10% of the paid-in capital.

2. Retained earnings

In accordance with the company's Article of Incorporation, if there is a profit in the annual final accounts, besides making tax payment pursuant to the law, the company shall make up for the accumulated losses, set aside 10% to legal reserve, and then recognize or reverse amounts to special reserve in accordance with the law. The remaining may be then distributed as dividends. Shall there still be remaining, earning distribution will be proposed by the Board of Directors and submitted to the shareholders' meeting for resolution.

The company will develop towards contracting large-scale constructions and strive for growth and innovation. To continuously maintain sufficient capital to meet the needs of the business, and to take into account the cash required for shareholders, the company's future cash dividend ratio will be no less than 20% of the total cash and share dividends to be distributed in the current year.

(1) Legal reserve

When there is no loss in the company, the legal reserve will be used to issue new shares or cash dividends upon resolution by the Shareholders' Meeting, to the limit of the part of the reserve that has exceeded 25% of the paid-in capital.

KEDGE CONSTRUCTION CO., LTD. and Subsidiaries (continued)

(2) Distribution of retained Earnings

The 2019 and 2018 distribution of earnings were resolved at the Board Meeting and on Mar. 23, 2020, and at the Shareholders' Meeting on Jun. 17, 2019, respectively. The amount of dividends distributed to owners are as follows:

	2019		2018	
	Dividend rate (NTD)	Amount	Dividend rate (NTD)	Amount
Dividends to common shareholders:				
Cash dividend	\$ 3	318,107	3	318,107

3. Other Equity (net after tax)

	Unrealized financial assets profits at fair value through other comprehensive income
Balance on January 1, 2020	\$ 126,159
Unrealized valuation gains (losses) on financial assets at fair value through other comprehensive income	(98,472)
Balance on March 31, 2020	\$ 27,687
Balance on January 1, 2019	\$ 3,177
Unrealized valuation gains (losses) on financial assets at fair value through other comprehensive income	(3,718)
Balance on March 31, 2019	\$ (541)

(XIV) Earnings per share

The amounts of earnings per share and diluted earnings per share are as follows:

	Jan. - Mar. 2020	Jan. - Mar. 2019
Basic earnings per share		
Net income attributable to the holders of common shares of the company	\$ 86,427	114,896
Weighted average number of common shares outstanding	106,036	106,036
	\$ 0.82	1.08
Diluted earnings per share		
Net income attributable to the holders of common shares of the company	\$ 86,427	114,896
Weighted average number of common shares outstanding	106,036	106,036
Assumed conversion of dilutive potential ordinary shares		
Influence of employees' share bonus	175	196
Weighted average number of shares circulating outside for common stock (after adjusting the impact of diluting potential common stock)	106,211	106,232
	\$ 0.81	1.08

KEDGE CONSTRUCTION CO., LTD. and Subsidiaries (continued)

(XV) Revenue from contracts with customers

Disaggregation of revenue

	Jan. - Mar. 2020	Jan. - Mar. 2019
Timing of revenue recognition:		
Gradually transferred construction over time	\$ 2,770,687	2,730,343
Gradually transferred service over time	1,517	1,422
	\$ 2,772,204	2,731,765

2. Contract balances

	2020.3.31	2019.12.31	2019.3.31
Notes and accounts receivable (including affiliates)	\$ 2,700,252	3,040,963	2,313,308
Less: Allowance for losses	-	-	-
Total	\$ 2,700,252	3,040,963	2,313,308
Contract asset construction-	\$ 1,927,497	1,594,708	1,526,963
Less: Allowance for losses	-	-	-
Total	\$ 1,927,497	1,594,708	1,526,963
Contract liability construction-	\$ 1,526,309	988,111	809,235

For details of accounts receivable and their impairments, please refer to Note 6(4). The changes in contract assets and contract liabilities are mainly due to the difference between the time when the group transfers commodity or services to clients to meet the performance obligations and the time when clients pay. Therefore, there was no other material changes during the periods January 1 to March 31, 2020 and 2019.

(XVI) Remuneration to employees, Directors and Supervisors

The company's Articles of Incorporation stipulates that, after annual earnings first offset against any deficit, a minimum of 0.5% shall be allocated as employee remuneration and a maximum of 2% as directors' and supervisors' remuneration. However, profits must first be taken to offset against cumulative losses if any.

The estimated remunerations to employees amounted to NT\$1,152,000 and NT\$1,459,000, and the estimated remunerations to directors and supervisors amounted to NT\$2,304,000 and NT\$2,918,000 for the three-months periods then ended on March 31, 2020 and 2019, respectively. These amounts were calculated using the company's net income before tax without the remunerations to employees and directors for each period, multiplied by the percentage which is stated under the company's Article of Incorporation. These remunerations were expensed under operating costs or expenses for each period. If the actual distribution is different from the estimation, the difference will be accounted for as changes in accounting estimates and recognized in profit or loss for the following year.

KEDGE CONSTRUCTION CO., LTD. and Subsidiaries (continued)

The actual distribution of employee remuneration amounted to NT\$5,105,000 and NT\$5,272,000 and the actual distribution of director and supervisor remuneration amounted to NT\$10,209,000 and NT\$10,544,000 for the year 2019 and 2018. There is no difference between the estimation and the actual distribution. Please refer to MOPS for relevant information.

(XVII) Non-operating income and expenses

1. Other income

The details of other income of the group are as follows:

	Jan. - Mar. 2020	Jan. - Mar. 2019
Interest income		
Loans and receivables	\$ 1,930	804
Bank deposits	36	36
Rent income	3	3
Other income	727	1,733
	\$ 2,696	2,576

2. Other gains or losses

The details of other gains or losses of the group are as follows:

	Jan. - Mar. 2020	Jan. - Mar. 2019
Gains (or losses) on financial assets measured at fair value through profit or loss	\$ (14,090)	1,774
Miscellaneous disbursements	(80)	-
	\$ (14,170)	1,774

3. Financial costs

The details of financial costs of the group are as follows:

	Jan. - Mar. 2020	Jan. - Mar. 2019
Interest expense		
Bank borrowings	\$ 591	3
Others	45	26
	\$ 636	29

(XVIII) Financial instruments

Apart from the matters described in the following paragraphs, there is no major changes in the fair value of the group's financial instruments and matters exposed to credit risk, liquidity risk, and market risk due to financial instruments. For relevant information, please refer to Note 6(19) of the 2019 consolidated financial statements.

1. Liquidity Risk

The following table presents the due date of financial liability contract, including estimated interest to the exclusion of influence of net amount agreement.

KEDGE CONSTRUCTION CO., LTD. and Subsidiaries (continued)

	Book value	Contractual cash flows	Less than 1 year	1~3 years-	3~5 years-	Over 5 years
March. 31, 2020						
Non-derivative financial liabilities						
Unsecured bank loans	\$ 150,000	150,800	150,800	-	-	-
Notes payable	355,429	355,429	355,429	-	-	-
Accounts payable	3,608,122	3,608,122	2,075,066	1,533,056	-	-
Other payables	152,521	152,521	152,521	-	-	-
Other current liabilities (leases liabilities)	1,318	1,486	1,486	-	-	-
Other non-current liabilities (leases liabilities)	8,929	10,213	-	2,972	2,649	4,592
	<u>\$ 4,276,319</u>	<u>4,278,571</u>	<u>2,735,302</u>	<u>1,536,028</u>	<u>2,649</u>	<u>4,592</u>
Dec. 31, 2019						
Non-derivative financial liabilities						
Unsecured bank loans	\$ 150,000	151,400	151,400	-	-	-
Notes payable	361,911	361,911	361,911	-	-	-
Accounts payable	3,599,351	3,599,351	2,106,886	1,492,465	-	-
Other payables	74,167	74,167	74,167	-	-	-
Other current liabilities (leases liabilities)	122	197	197	-	-	-
Other non-current liabilities (leases liabilities)	4,305	5,427	-	393	393	4,641
	<u>\$ 4,189,856</u>	<u>4,192,453</u>	<u>2,694,561</u>	<u>1,492,858</u>	<u>393</u>	<u>4,641</u>
Mar. 31, 2019						
Non-derivative financial liabilities						
Notes payable	\$ 314,343	314,343	314,343	-	-	-
Accounts payable	2,606,246	2,606,246	1,432,347	1,173,899	-	-
Other payables	24,869	24,869	24,869	-	-	-
Other current liabilities (leases liabilities)	120	272	272	-	-	-
Other non-current liabilities (leases liabilities)	4,396	6,754	-	540	532	5,682
	<u>\$ 2,949,974</u>	<u>2,952,484</u>	<u>1,771,831</u>	<u>1,174,439</u>	<u>532</u>	<u>5,682</u>

The group does not expect that the occurrence timing of cash flow analyzed on due date would arrive significantly earlier, or the actual amount would significantly vary.

2. Other price risk

If the equity securities price changes on the reporting date (the same basis is adopted for the analysis for both periods, with the assumption that other variable factors remain unchanged), the impacts on the comprehensive gains or losses are as follows:

Securities price on the reporting date	Jan. - Mar. 2020		Jan. - Mar. 2019	
	After-tax other comprehensive income	After-tax profit or loss	After-tax other comprehensive income	After-tax profit or loss
Increased by 10%	<u>\$ 24,067</u>	<u>3,604</u>	<u>21,814</u>	<u>4,336</u>
Decreased by 10%	<u>\$ (24,067)</u>	<u>(3,604)</u>	<u>(21,814)</u>	<u>(4,336)</u>

KEDGE CONSTRUCTION CO., LTD. and Subsidiaries (continued)

3. Fair value information

(1) Type and fair value of financial instruments

Financial assets and liabilities measured at fair value through profit or loss and financial assets measured at fair value through other comprehensive income are measured at fair value on a repeatability basis. The carrying amount and fair value of various financial assets and financial liabilities (including fair value level information; the carrying amount of financial instruments not measured at fair value is the reasonable approximate of fair value, and the fair value information of equity instruments investment without quotation at active market that cannot be reliably measured at fair value does not have to be revealed according to provisions) are listed as follows:

	2020.3.31				
	Book value	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit and loss					
Financial assets mandatorily measured at fair value through profit or loss	\$ 36,044	36,044	-	-	36,044
Financial assets at fair value through other comprehensive income	\$ 246,377	240,667	-	5,710	246,377
Financial assets measured at cost after amortization					
Cash and cash equivalents	\$ 3,083,571	-	-	-	-
Notes and accounts receivable (including affiliates)	2,700,252	-	-	-	-
Other financial assets - current-	281,398	-	-	-	-
Other financial assets - non-current-	7,561	-	-	-	-
Subtotal	6,072,782	-	-	-	-
Total	\$ 6,355,203	276,711	-	5,710	282,421
Financial liabilities measured at amortized cost					
Short-term borrowings	\$ 150,000	-	-	-	-
Note and account payables	3,963,551	-	-	-	-
Other current liabilities (leases liabilities)	1,318	-	-	-	-
Other non-current liabilities (leases liabilities)	8,929	-	-	-	-
Other payables	152,521	-	-	-	-
Total	\$ 4,276,319	-	-	-	-

KEDGE CONSTRUCTION CO., LTD. and Subsidiaries (continued)

		2019.12.31			
		Fair value			
	Book value	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit and loss					
Financial assets mandatorily measured at fair value through profit or loss	\$ 74,118	74,118	-	-	74,118
Financial assets at fair value through other comprehensive income	\$ 344,872	338,952	-	5,920	344,872
Financial assets measured at cost after amortization					
Cash and cash equivalents	\$ 2,526,409	-	-	-	-
Notes and accounts receivable (including affiliates)	3,040,963	-	-	-	-
Other financial assets - current-	243,636	-	-	-	-
Other financial assets - non-current-	7,955	-	-	-	-
Subtotal	5,818,963	-	-	-	-
Total	\$ 6,237,953	413,070	-	5,920	418,990
Financial liabilities measured at amortized cost					
Short-term borrowings	\$ 150,000	-	-	-	-
Note and account payables	3,961,262	-	-	-	-
Other current liabilities (leases liabilities)	122	-	-	-	-
Other non-current liabilities (leases liabilities)	4,305	-	-	-	-
Other payables	74,167	-	-	-	-
Total	\$ 4,189,856	-	-	-	-
		2019.3.31			
		Fair value			
	Book value	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit and loss					
Financial assets mandatorily measured at fair value through profit or loss	\$ 68,950	68,950	-	-	68,950
Financial assets at fair value through other comprehensive income	\$ 218,142	213,571	-	4,571	218,142
Financial assets measured at cost after amortization					
Cash and cash equivalents	\$ 1,915,842	-	-	-	-
Notes and accounts receivable (including affiliates)	2,313,308	-	-	-	-
Other financial assets - current-	297,484	-	-	-	-
Other financial assets - non-current-	9,249	-	-	-	-
Subtotal	4,535,883	-	-	-	-
Total	\$ 4,822,975	282,521	-	4,571	287,092
Financial liabilities measured at amortized cost					
Note and account payables	\$ 2,920,589	-	-	-	-
Other current liabilities (leases liabilities)	120	-	-	-	-
Other non-current liabilities (leases liabilities)	4,396	-	-	-	-
Other payables	24,869	-	-	-	-
Total	\$ 2,949,974	-	-	-	-

KEDGE CONSTRUCTION CO., LTD. and Subsidiaries (continued)

(2) Changes in Level 3 financial assets

	Measured at fair value through other		
	Equity instruments without public quotes	Bond investment	Total
	Jan. 1, 2020	\$ 5,920	-
Mar. 31, 2020	\$ 5,710	-	5,710
Jan. 1, 2019	\$ 4,571	-	4,571
Mar. 31, 2019	\$ 4,571	-	4,571

The above total profit or loss is reported in "unrealized valuation profit (loss) of financial assets measured at fair value through other comprehensive income."

Among them, the assets still held on March 31, 2020 and 2019 are as follows:

	Jan. - Mar. 2020	Jan. - Mar. 2019
Total profit or loss		
Recognized in other comprehensive income (reported in "Unrealized gain (loss) on valuation of financial assets measured at fair value through other comprehensive income")	\$ (210)	-

(3) There is no matter of transfers between each levels during the periods January 1 to March 31, 2020 and 2019.

(XIX) Financial risk management

There is no significant difference between the goals and policies of the group's financial risk management and the information disclosed in Note 6(20) of the 2019 consolidated financial statements.

(XX) Capital management

The goals, policies and procedures of the group's capital management are in line with the information disclosed in Note 6(21) of the 2019 consolidated financial statements. The aggregated quantitative data of the projects used as capital management in this period are as follows:

	2020.3.31	2019.12.31	2019.3.31
Total liabilities	\$ 5,995,713	5,535,726	4,089,546
Less: Cash and cash equivalents	(3,083,571)	(2,526,409)	(1,915,842)
Net liabilities	2,912,142	3,009,317	2,173,704
Total equity	2,729,115	2,741,122	2,644,135
Adjusted capital	\$ 5,641,257	5,750,439	4,817,839
Debt-to-capital ratio	52%	52%	45%

KEDGE CONSTRUCTION CO., LTD. and Subsidiaries (continued)

VII. Related-Party Transactions

(I) The parent company and the ultimate controlling party Kindom Development Co., Ltd. is the parent company of the group and the ultimate controller of the group to which it belongs and holds 34.18% of the outstanding ordinary shares of the group. Kindom Development Co., Ltd. has prepared consolidated financial statements for public use.

(II) Names and relation of affiliates
The affiliates which have trading with the group within the period of the financial report are as follows:

Name	Relationship
Kindom Development Co., Ltd.	The parent company of the company
Kindom Yu San Education Foundation	The Director and the Chairman of the company are first-degree relatives

(III) Significant transactions with related parties

1. Sales of services to affiliates

The substantial sales amount of the group to related party were as follows:

		Jan. - Mar. 2020			
Nature		Total contract amount	Valuated amount	Current valuation amount	Income recognized in the current period
Parent company - Kindom Development Co., Ltd.	Engineering construction	<u>\$ 16,868,943</u>	<u>7,120,261</u>	<u>1,261,826</u>	<u>946,849</u>

		Jan. - Mar. 2019			
Nature		Total contract amount	Valuated amount	Current valuation amount	Income recognized in the current period
Parent company - Kindom Development Co., Ltd.	Engineering construction	<u>\$ 18,327,530</u>	<u>6,273,349</u>	<u>1,114,831</u>	<u>1,386,450</u>

(1) The constructions contracted by the group from the affiliates are compliant to the outsourcing regulations of the affiliates, plus a reasonable management fee and profit in accordance with the project budget, and after the price comparison and negotiation procedures, the contract prices are determined after they are submitted to the supervisors for approval.

(2) From January 1 to March 31, 2020 and 2019, the gross profit margin of the constructions contracted by the group from non-affiliates was approximately 3.96% ~ 12.59% and (1.97)% ~ 18.55%. That of the affiliates is about 3.85% ~ 4.94% and 3.85% ~ 4.94%, respectively.

KEDGE CONSTRUCTION CO., LTD. and Subsidiaries (continued)

2. Receivables from affiliates and contract assets

The group's receivables from affiliates and contract assets are as follows:

<u>Account titles in book</u>	<u>Type of affiliates</u>	<u>2020.3.31</u>	<u>2019.12.31</u>	<u>2019.3.31</u>
Notes receivable	Parent company - Kindom Development Co., Ltd.	\$ 1,324,917	1,287,602	1,221,680
Accounts receivable	Parent company - Kindom Development Co., Ltd.	619,354	625,773	662,491
Contract asset	Parent company - Kindom Development Co., Ltd.	283,430	375,043	234,082
Contract asset (retention receivables)	Parent company - Kindom Development Co., Ltd.	<u>20,549</u>	<u>21,494</u>	<u>42,943</u>
		<u>\$ 2,248,250</u>	<u>2,309,912</u>	<u>2,161,196</u>

The collection period of the group for the affiliate is 100% payment with 90-day promissory notes. One or two assessments are performed on general cases on in a month, 100% on spot, or 100% for 30-day, or 100% for 90-day.

3. Endorsements/guarantees

On Mar. 31, 2020, Dec. 31, 2019, and Mar. 31, 2019, the group is the joint partner and joint debtor of parent company - Kindom Development Co., Ltd. for cooperative development and construction, with the amount of NT\$28,384,000.

4. Leases

For the three month period ended March 31, 2020 and 2019, the group leased to parent company - Kindom Development Co., Ltd. office building and signed a tenancy agreement, taking into account the rental market prices of offices in neighboring areas. The total contract value is NT\$294,000 per month. The rent income is NT\$840,000 for each of the periods January 1 to March 31, 2020 and 2019.

In addition, the group jointly rents office building with the parent company - Kindom Development Co., Ltd., and recognized interest expenses of NT\$19,000 for each of the periods January 1 to March 31, 2020 and 2019. As of March 31, 2020, the balance of lease liabilities was NT\$4,396,000, and the amount is listed separately in current and non-current other liabilities based on the maturity date.

5. Others

The group donated a total of NT\$1,375,000 to Kindom Yu San Education Foundation in the period Jan 1, to Mar. 31, 2020 for the promotion of foundation affairs.

(IV) Key management personnel transactions

Remuneration to key management personnel includes:

	<u>Jan. - Mar. 2020</u>	<u>Jan. - Mar. 2019</u>
Short-term employee benefits	\$ 30,687	27,262
Benefits after retirement	46	50
	<u>\$ 30,733</u>	<u>27,312</u>

KEDGE CONSTRUCTION CO., LTD. and Subsidiaries (continued)

VIII. Pledged Assets

The details of carrying value of pledged assets by the group are as follows:

Name of assets	Pledge guarantee object	2020.3.31	2019.12.31	2019.3.31
Other financial assets - current	Loan collaterals and construction guarantees	\$ 265,016	224,488	254,607
Property, plant, and equipment - net	Loan collaterals	53,200	53,200	53,335
Investment property - net	Loan collaterals	95,527	95,585	102,759
		<u>\$ 413,743</u>	<u>373,273</u>	<u>410,701</u>

IX. Significant Contingent Liabilities and Unrecognized Contract Commitments

(I) Significant unrecognized contract commitments:

1. The major construction undertaking by the group as of March 31, 2020, December 31, 2019 and March 31, 2019 amounted to NT\$42,272,858,000, NT\$34,837,049,000 and NT\$38,328,759,000, respectively. The group has collected NT\$15,493,618,000, NT\$12,491,856,000, and NT\$16,151,739,000 based on the contracts.
2. It is passed by the Board Meeting on December 20, 2019 and December 21, 2018 that the group promises to donate NT\$5,500,000 and NT\$4,000,000 in 2020 and 2019 respectively to Kindom Yu San Education Foundation. The company has donated NT\$1,375,000 and NT\$4,000,000 in years 2020 and 2019 respectively for the promotion of foundation affairs.

(II) Contingent liability

1. Regarding the construction 041A contracted by the company, the neighboring manufacturer claimed that due to the improper construction of the company, its plant structure and floor were damaged. Two parties failed to reconcile, so the neighboring manufacturer sued the company for joint liability and claimed NT\$15,665,000 for the damage indemnity. The company will continue to deal with this matter according to the judgment result.
2. The company was sued for the construction contracts and claimed to an amount of NT\$2,032,000 for goods. The company will continue to deal with this matter according to the judgment result.

KEDGE CONSTRUCTION CO., LTD. and Subsidiaries (continued)

X. Significant Disaster Loss

XI. Significant Events after the End of the Financial Reporting Period: None.

XII. Others

(I) The employee benefits, depreciation, depletion, and amortization expenses is summarized by function as follows:

Function Nature	Jan. - Mar. 2020			Jan. - Mar. 2019		
	Operating costs	Operating expense	Total	Operating costs	Operating expense	Total
Employee benefits expenses						
Salaries and wages	\$ 123,197	41,770	164,967	121,715	40,670	162,385
Labor insurance and national health insurance	8,874	2,298	11,172	9,902	2,206	12,108
Pension expenses	4,298	1,363	5,661	4,597	1,280	5,877
Other employee benefits expenses	518	1,016	1,534	238	1,390	1,628
Depreciation expenses	117	621	738	116	129	245
Depletion expenses	-	-	-	-	-	-
Amortization expenses	-	-	-	-	-	-

(II) Seasonality of operation: The operation of the group is not affected by seasonal or periodic factors.

XIII. Additional Disclosures

(I) Information on significant transactions

In the period Jan 1, to Mar. 31, 2020, the group shall disclose information related to material transactions pursuant to the "Regulations Governing the Preparation of Financial Reports by Securities Issuers." Such information is as follows:

1. Financings provided: None.

KEDGE CONSTRUCTION CO., LTD. and Subsidiaries (continued)

2. Endorsement/guarantees for others:

Unit: thousand NTD

No	Name of endorsement/guarantee provider	Subject of endorsements/guarantees		Limit on endorsements/guarantees provided for a single party (Note 2)	Maximum balance for this period	Closing balance of endorsement/guarantees	Actual amount used	Amount of endorsement/guarantees collateralized with assets	Ratio of accumulated endorsement/guarantees to net equity per latest financial statements	Maximum endorsement/guarantee amount (Note 2)	Endorsement/guarantees provided by parent company to subsidiaries	Endorsement/guarantees provided by subsidiaries to parent company	Endorsement/guarantees to entities in Mainland China
		Company name	Relation (Note 1)										
0	Kedge Construction	Kindom Development	Parent company and subsidiary	5,457,960	14,192	14,192	14,192	-	0.52%	5,457,960	-	Y	-
1	Dingtian Construction	Kindom Development	Parent company and subsidiary	52,586	14,192	14,192	14,192	-	26.99%	52,586	-	Y	-
1	-	Kedge Construction	-	7,887,826	1,376,500	1,376,500	1,376,500	-	2,617.62%	15,775,651	-	Y	-

Note 1: Listed below are the 7 types of companies to which the company may provide endorsement/guarantees:

- (1) A company with which the company has business relationship.
- (2) A company in which the company directly or indirectly holds more than 50% of the voting shares.
- (3) A company that directly or indirectly holds more than 50% of the voting shares in the company.
- (4) Between the companies in which the company directly or indirectly holds more than 90% of the voting shares.
- (5) A company fulfills its contractual obligations by providing mutual endorsement/guarantee for another company in the same industry or for joint builders for purposes of undertaking a construction project.
- (6) All capital contributing shareholders make endorsement/guarantee for their jointly invested company in proportion to their shareholding percentages.
- (7) Companies in the same industry provide among themselves joint and several security for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act for each other.

Note 2: 1. The aggregate balance of endorsement/guarantees provided by the company shall not exceed 200% of the company's net worth stated in the most recent financial statements, and the amount of endorsement/guarantees provided by the company for any single entity shall not exceed 200% of the company's net worth stated in the most recent financial statement. Nevertheless, the total guarantee amount for construction projects shall not exceed 10 times the company's net worth stated in the most recent financial statements, and the total guarantee amount for construction projects of a single enterprise shall not exceed 5 times the company's net worth stated in the most recent financial statements.

2. The aggregate balance of endorsement/guarantees provided by Dingtian Construction shall not exceed 100% of Dingtian Construction's net worth stated in the most recent financial statements, and the amount of endorsement/guarantees provided by Dingtian Construction for any single entity shall not exceed 100% of Dingtian Construction's net worth stated in the most recent financial statement. Nevertheless, the total guarantee amount for construction projects shall not exceed 300 times of Dingtian Construction's net worth stated in the most recent financial statements, and the total guarantee amount for construction projects of a single enterprise shall not exceed 150 times of Dingtian Construction's net worth stated in the most recent financial statements.

Note 3: The above-mentioned transactions have been written-off at the preparation of the consolidated financial report.

KEDGE CONSTRUCTION CO., LTD. and Subsidiaries (continued)

3. Marketable securities held at the end of the period (excluding investment in subsidiaries, associates and joint ventures):

Unit: thousand NTD

Holding company	Types and names of securities	Relationship with the securities issuer	Account titles in book	End of period				Remarks
				Number of shares (thousand shares)	Book value	Percentage of shareholding	Fair value	
Kedge Construction	Shares - Kindom Development Co., Ltd.	Kedge Construction Co., Ltd. is a subsidiary of that company.	Financial assets at fair value through other comprehensive income - non-current	500	\$ 11,325	0.10 %	11,325	
Jiequn Investment Co., Ltd.	Shares - Fubon Financial Holding Co., Ltd.	-	Financial assets at fair value through profit or loss - current	472	17,870	-	17,870	
"	Shares - SinoPac Financial Holdings Co., Ltd.	-	"	211	2,302	-	2,302	
"	Shares - Kindom Development Co., Ltd.	Jiequn Investment Co., Ltd. is the second-tier subsidiary of that company.	Financial assets at fair value through other comprehensive income - non-current	8,518	192,943	1.69 %	192,943	
"	Shares - Taiwan Calcom International Computer Graphic Co., Ltd.	-	"	405	-	0.78 %	-	
Guanqing Electromechanical Co., Ltd.	Shares - Kindom Development Co., Ltd.	Guanqing Electromechanical Co., Ltd. is the second-tier subsidiary of that company.	"	1,607	36,399	0.32 %	36,399	
"	Shares - Global Views - Commonwealth Publishing Co.	-	"	132	5,710	0.59 %	5,710	
"	Shares - Fubon Financial Holding Co., Ltd.	-	Financial assets at fair value through profit or loss - current	419	15,872	-	15,872	

4. Accumulated to buy or sell the same marketable securities amount to NT\$300 million or more than 20% of the paid-up capital: None.

5. Acquisition of individual real estate properties at costs of at least NT\$300 million or 20% of the paid-in capital: None.

6. Disposal of individual real estate properties at prices of at least NT\$300 million or 20% of the paid-in capital: None.

7. The amount of purchase and sales with related parties amounts to NT\$100 million or more than 20% of the paid-up capital:

Unit: thousand NTD

Company Name	Name of transaction counterpart	Relationship	Transaction details				Situation and reason of why trading conditions are different from general trading		Notes/accounts receivable (or payable)		Remarks
			Purchases/sales	Amount (Note)	As a percentage of total purchase (sales)	Loan period	Unit price	Loan period	Balance	As a percentage of total notes/accounts receivable (or payable)	
Kedge Construction	Kindom Development	An investment company that evaluates Kedge Construction by the equity method	041B, and etc.	\$ (1,261,826)	(42.01)%	Payment by installment in accordance with the contract, which is equivalent to a general transaction.	Equivalent	Slightly longer than normal	1,959,650	57.66%	

Note: It refers to the current valuation amount.

KEDGE CONSTRUCTION CO., LTD. and Subsidiaries (continued)

8. Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital:

Unit: thousand NTD

The companies that record such transactions as receivables	Name of transaction counterpart	Relationship	Balance of receivables from related parties	Turnover	Overdue receivables from related parties		Amounts received in subsequent period	Allowance for loss appropriated
					Amount	Action taken		
Kedge Construction	Kindom Development	An investment company that evaluates Kedge Construction by the equity method	\$ 1,959,650	1.95	-	-	383,080	-

9. Derivative financial instrument transactions: None.

10. Business relationship and significant transactions between parent company and subsidiaries:

No.	Trader's name	Counterparty	Relationship with trader	Transactions			
				Items	Amount	Terms and conditions	As a percentage of consolidated revenue or total assets
0	Kedge Construction Co., Ltd.	Guanqing Electromechanical Co., Ltd.	1	Contract liabilities	\$ 17,216	Equivalent to general transactions	0.20%
0	"	"	1	Notes and accounts payable	67,011	"	0.77%
0	"	"	1	Operating cost	31,842	"	1.15%
0	"	Dingtian Construction Co., Ltd.	1	Contract liabilities	19,434	"	0.22%
0	"	"	1	Notes and accounts payable	17,367	"	0.20%
0	"	"	1	Operating cost	54,727	"	1.97%
1	Guanqing Electromechanical Co., Ltd.	Kedge Construction Co., Ltd.	2	Contract asset	17,216	"	0.20%
1	"	"	2	Notes and accounts receivable	67,011	"	0.77%
1	"	"	2	Operating income	31,842	"	1.15%
2	Dingtian Construction Co., Ltd.	"	2	Contract asset	19,434	"	0.22%
2	"	"	2	Notes and accounts receivable	17,367	"	0.20%
2	"	"	2	Operating income	54,727	"	1.97%

Note 1: Instruction for numbering.

1. The parent company is numbered 0.
2. Subsidiaries are numbered from number 1.

Note 2: The type of relations with transaction party is marked as follows:

1. Parent company to subsidiary.
2. Subsidiary to parent company.

Note 3: The above-mentioned transactions have been written-off at the preparation of the consolidated financial report.

KEDGE CONSTRUCTION CO., LTD. and Subsidiaries (continued)

(II) Information on investees

The information on the group's investees in the period Jan. 1 to Mar. 31, 2020 is as follows:

Unit: thousand NTD/thousand shares

Investor	Name of investee	Location	Principal business	Original investment amount		Ending shareholding			Net income (loss) of the investee	Share of profit/loss of investee	Remarks
				End of the period	End of last year	No. of shares	Percentage	Book value			
Kedge Construction	Jiequn Investment Co., Ltd.	Taiwan	General Investment	\$ 163,935	163,935	16,396	99.98%	284,845	(6,179)	(6,178)	Subsidiaries
Kedge Construction	Guanqing Electromechanical Co., Ltd.	Taiwan	Electrical equipment installation and fire safety equipment installation industry, etc.	81,326	81,326	7,747	99.96%	184,703	(3,434)	(3,433)	"
Jiequn Investment Co., Ltd.	Dingtian Construction	Taiwan	The comprehensive construction industry, etc.	16,500	16,500	-	30.00%	15,776	(845)	(253)	Second-tier subsidiary
Guanqing Electromechanical Co., Ltd.	Dingtian Construction	Taiwan	The comprehensive construction industry, etc.	11,105	11,105	-	70.00%	36,810	(845)	(592)	"
Dingtian Construction	ReadyCom eServices Corp.	Taiwan	Information software services and management consultants, etc.	15,000	15,000	1,400	46.67%	20,226	(599)	(280)	Investments accounted for using equity method

Note : The above-mentioned transactions of the subsidiaries and second-tier subsidiaries have been written-off at the preparation of the consolidated financial report.

(III) Information on Investments in mainland China:

1. Relevant information incl. names and principal business of investees in Mainland China
2. Limit of investment in Mainland China: None.
3. Material transactions with investees in Mainland China: None

(IV) Information on major shareholders:

Name of major shareholder	Shareholding No. of shares held	Percentage of shareholding
Kindom Development Co., Ltd.	36,247,768	34.18%
Yute Investment Co., Ltd.	8,785,536	8.28%

XIV. Segment Information

The operation department of the group which should be reported is only the construction segment. The construction segment is mainly responsible for the integrated operation and maintenance of construction, management, and other overall works. The information on segment profit and loss, segment assets, and segment liabilities are consistent with the financial statements. Please refer to the consolidated balance sheets and consolidated statements of comprehensive income for details.