

KEDGE CONSTRUCTION CO., LTD.
and Subsidiaries

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

From January 1 to June 30, 2020 and 2019

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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' Review Report

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

Introduction

We have audited the consolidated balance sheets of Kedge Construction Co., Ltd. and its subsidiaries as of June 30, 2020, and 2019, the consolidated statements of comprehensive income for the three-month periods from April 1 to June 30, 2020 and 2019, and for the six-month periods from January 1 to June 30, 2020 and 2019, and the consolidated statements of changes in equity and cash flows for the six-month periods from January 1 to June 30, 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 June 30, 2020, and 2019, its consolidated financial performance for the three-month periods from April 1 to June 30, 2020 and 2019, and for the six-month periods from January 1 to June 30, 2020 and 2019, and its consolidated cash flows for the six-month periods from January 1 to June 30, 2020 and 2019 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

August 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 June 30, 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
June 30, 2020, December 31, 2019 and June 30, 2019

Expressed in thousands of New Taiwan Dollars

		2020.6.30		2019.12.31		2019.6.30				2020.6.30		2019.12.31		2019.6.30	
Assets		Amount	%	Amount	%	Amount	%			Amount	%	Amount	%	Amount	%
Current assets:															
1100	Cash and cash equivalents (Note 6(1) and (18))	\$ 2,877,363	31	2,526,409	31	2,550,260	35	2100	Short-term loans (Note 6(13) and (25))	\$ 150,000	2	150,000	2	-	-
1110	Current financial assets at fair value through profit or loss (Note 6(2) and (18))	41,375	-	74,118	1	69,935	1	2130	Current contract liabilities (Note 6(15))	1,445,329	15	988,111	12	895,172	12
1140	Current contract assets (Note 6(15) and 7)	2,106,256	23	1,594,708	19	1,831,239	25	2150	Notes payable (Note 6(18))	432,796	5	361,911	4	318,249	4
1170	Notes and accounts receivable, net (Note 6(4), (15) and (18))	1,355,471	14	1,127,588	14	287,560	4	2170	Accounts payable (Note 6(18))	3,850,101	41	3,599,351	43	2,852,339	39
1180	Notes and accounts receivable - related-parties, net (Note 6(15) and (18) and 7)	1,933,838	21	1,913,375	23	1,558,117	21	2200	Other payables (Note 6(12) and (18))	511,395	5	258,940	3	500,443	8
1410	Prepayments	139,327	2	205,683	2	185,224	3	2230	Current tax liabilities	85,680	1	50,362	1	70,010	1
1470	Other current assets	22,540	-	22,524	1	24,016	-	2300	Other current liabilities (Note 6(18))	73,022	1	18,850	-	2,771	-
1476	Other current financial assets (Note 6(18) and 8)	289,496	3	243,636	3	262,761	4			6,548,323	70	5,427,525	65	4,638,984	64
		<u>8,765,666</u>	<u>94</u>	<u>7,708,041</u>	<u>94</u>	<u>6,769,112</u>	<u>93</u>								
Non-current assets:															
1550	Investments accounted for using equity method (Note 6(5))	20,275	-	20,506	-	20,184	-	2552	Provisions for long-term warranties (Note 6(9))	101,489	1	102,482	1	91,971	1
1517	Non-current financial assets at fair value through other comprehensive income (Note 6(3) and (18))	335,459	4	344,872	4	303,443	4	2600	Other non-current liabilities (Note 6(18))	10,280	-	5,719	-	5,888	-
1600	Property, plant and equipment (Note 6(6) and 8)	116,718	1	63,116	1	63,256	1	2640	Net defined benefit liabilities, non-current	-	-	-	-	101	-
755	Right-of-use assets	9,849	-	4,393	-	4,469	-			111,769	1	108,201	1	97,960	1
1760	Investment property, net (Note 6(7) and 8)	102,310	1	102,544	1	102,818	1			6,660,092	71	5,535,726	66	4,736,944	65
1840	Deferred tax assets	23,692	-	24,060	-	22,939	1								
1975	Net defined benefit assets, non-current	1,308	-	1,361	-	-	-								
1980	Other non-current financial assets (Note 6(18))	7,295	-	7,955	-	9,333	-								
		<u>616,906</u>	<u>6</u>	<u>568,807</u>	<u>6</u>	<u>526,442</u>	<u>7</u>								
	Total assets	\$ 9,382,572	100	8,276,848	100	7,295,554	100								
Liabilities and equity															
Current liabilities:															
Non-current liabilities:															
Total liabilities															
Equity attributable to owners of parent (Note 6(13)):															
Total equity															
Total liabilities and equity															

(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

April 1 to June 30, 2020 and 2019, and January 1 to June 30, 2020 and 2019

Expressed in thousands of New Taiwan Dollars

	April - June 2020		April - June 2019		January - June 2020		January - June 2019	
	Amount	%	Amount	%	Amount	%	Amount	%
4000 Operating revenue (Note 6(10), (15) and 7)	\$ 4,035,649	100	2,751,787	100	6,807,853	100	5,483,552	100
5000 Operating costs (Note 6(11) and 12)	3,683,080	91	2,511,308	91	6,268,080	92	5,046,165	92
Gross profit from operations	<u>352,569</u>	<u>9</u>	<u>240,479</u>	<u>9</u>	<u>539,773</u>	<u>8</u>	<u>437,387</u>	<u>8</u>
Operating expenses:								
6200 Administrative expenses (Note 6(11), (16), 7 and 12)	67,689	2	62,272	2	130,309	2	119,885	2
6450 Expected credit loss (gains) (Note 6 (4))	11,383	-	-	-	11,383	-	-	-
Net operating income	<u>273,497</u>	<u>7</u>	<u>178,207</u>	<u>7</u>	<u>398,081</u>	<u>6</u>	<u>317,502</u>	<u>6</u>
Non-operating income and expenses:								
7100 Interest income (Note 6(17))	2,500	-	1,596	-	4,466	-	2,435	-
7010 Other income (Note 6(17))	544	-	2,188	-	1,274	-	3,925	-
7020 Other gains and losses (Note 6(17))	5,331	-	986	-	(8,839)	-	2,760	-
7050 Finance costs (Note 6(17))	(681)	-	(22)	-	(1,317)	-	(51)	-
7060 Share of profit (loss) of associates and joint ventures accounted for using equity method (Note 6(5))	49	-	(71)	-	(231)	-	(321)	-
	<u>7,743</u>	<u>-</u>	<u>4,677</u>	<u>-</u>	<u>(4,647)</u>	<u>-</u>	<u>8,748</u>	<u>-</u>
Profit before tax from continuing operating department	<u>281,240</u>	<u>7</u>	<u>182,884</u>	<u>7</u>	<u>393,434</u>	<u>6</u>	<u>326,250</u>	<u>6</u>
7950 Less: Income tax expenses (Note 6(12))	<u>58,850</u>	<u>1</u>	<u>35,603</u>	<u>1</u>	<u>84,620</u>	<u>1</u>	<u>64,070</u>	<u>1</u>
Net income	<u>222,390</u>	<u>6</u>	<u>147,281</u>	<u>6</u>	<u>308,814</u>	<u>5</u>	<u>262,180</u>	<u>5</u>
8300 Other comprehensive income:								
8310 Components of other comprehensive income that will not be reclassified to profit or loss								
8316 Unrealised gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	89,082	2	85,301	3	(9,413)	-	81,582	1
8300 Other comprehensive income, net	<u>89,082</u>	<u>2</u>	<u>85,301</u>	<u>3</u>	<u>(9,413)</u>	<u>-</u>	<u>81,582</u>	<u>1</u>
Total comprehensive income	<u>\$ 311,472</u>	<u>8</u>	<u>232,582</u>	<u>9</u>	<u>299,401</u>	<u>5</u>	<u>343,762</u>	<u>6</u>
Net income attributable to:								
Owners of parent	\$ 222,388	6	147,279	6	308,815	5	262,175	5
8620 Non-controlling interests	2	-	2	-	(1)	-	5	-
	<u>\$ 222,390</u>	<u>6</u>	<u>147,281</u>	<u>6</u>	<u>308,814</u>	<u>5</u>	<u>262,180</u>	<u>5</u>
Total comprehensive income attributable to:								
Owners of parent	\$ 311,442	8	232,560	9	299,397	5	343,738	6
Non-controlling interests	30	-	22	-	4	-	24	-
	<u>\$ 311,472</u>	<u>8</u>	<u>232,582</u>	<u>9</u>	<u>299,401</u>	<u>5</u>	<u>343,762</u>	<u>6</u>
Earnings per share (in NT\$) (Note 6(14))								
9750 Basic earnings per share (in NT\$)	<u>\$ 2.10</u>		<u>1.39</u>		<u>2.91</u>		<u>2.47</u>	
9850 Diluted earnings per share (in NT\$)	<u>\$ 2.10</u>		<u>1.39</u>		<u>2.91</u>		<u>2.47</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 June 30, 2020 and 2019

Expressed in thousands of New Taiwan Dollars

Equity attributable to owners of parent

	Share capital		Retained earnings			Other equity interest	Total equity attributable to owners of parent	Non-controlling interests	Total equity
	Share capital of ordinary share	Capital surplus	Legal reserve	Unappropriated 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
Profit	-	-	-	262,175	262,175	-	262,175	5	262,180
Other comprehensive income	-	-	-	-	-	81,563	81,563	19	81,582
Total comprehensive income	-	-	-	262,175	262,175	81,563	343,738	24	343,762
Appropriation and distribution of comprehensive income									
Legal reserve appropriated	-	-	40,751	(40,751)	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	(318,107)	(318,107)	-	(318,107)	-	(318,107)
Unclaimed dividends after effective period	-	33	-	-	-	-	33	-	33
Balance as of June 30, 2019	\$ 1,060,357	518,241	241,986	653,138	895,124	84,740	2,558,462	148	2,558,610
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
Profit	-	-	-	308,815	308,815	-	308,815	(1)	308,814
Other comprehensive income	-	-	-	-	-	(9,410)	(9,410)	(3)	(9,413)
Total comprehensive income	-	-	-	308,815	308,815	(9,410)	299,405	(4)	299,401
Appropriation and distribution of comprehensive income									
Legal reserve appropriated	-	-	40,325	(40,325)	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	(318,107)	(318,107)	-	(318,107)	-	(318,107)
Unclaimed dividends after effective period	-	64	-	-	-	-	64	-	64
Balance as of June 30, 2020	\$ 1,060,357	518,305	282,311	744,601	1,026,912	116,749	2,722,323	157	2,722,480

(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 June 30, 2020 and 2019

Expressed in thousands of New Taiwan Dollars

January - June 2020 January - June 2019

Cash flows from operating activities:		
Profit before tax	\$ 393,434	326,250
Adjustments:		
Adjustments to reconcile profit (loss)		
Depreciation expense	2,652	451
Expected credit loss	11,383	-
Net loss (gain) on financial assets and liabilities at fair value through profit or loss	8,759	(2,760)
Interest expense	1,317	51
Interest income	(4,466)	(2,435)
Dividend income	(412)	(330)
Share of profit (loss) of associates and joint ventures accounted for using equity method	231	321
Total adjustments to reconcile profit (loss)	19,464	(4,702)
Changes in operating assets and liabilities:		
Changes in operating assets:		
Decrease in financial assets mandatorily measured at fair value through profit or loss	23,984	-
Increase in contract assets	(511,548)	(621,515)
(Increase) decrease in notes and accounts receivable	(239,266)	469,701
(Increase) decrease in notes and accounts receivable - related parties	(20,463)	1,078,531
Decrease (increase) in prepayments	66,356	(6,924)
Increase in other current assets	(16)	(3,285)
(Increase) decrease in other financial assets	(46,122)	79,145
Decrease in net defined benefit assets, non-current-	53	-
Total changes in operating assets	(727,022)	995,653
Total changes in operating liabilities:		
Increase (decrease) in contract liabilities	457,218	(65,668)
Increase (decrease) in notes payable	70,885	(76,675)
Increase in accounts payable	250,750	195,941
Decrease in other payables	(65,588)	(64,535)
Decrease (increase) in provisions	(993)	12,710
Increase (decrease) in other current liabilities	52,971	(20,396)
Increase in net defined benefit liabilities	-	46
Increase (decrease) in other non-current liabilities	270	(1,197)
Total changes in operating liabilities	765,513	(19,774)
Total changes in operating assets and liabilities	38,491	975,879
Total adjustments	57,955	971,177
Cash inflow generated from operations	451,389	1,297,427
Interests received	4,876	2,436
Dividends received	264	330
Interest paid	(1,317)	(51)
Income taxes paid	(48,934)	(82,829)
Net cash flows from (used in) operating activities	406,278	1,217,313
Cash flows from (used in) investing activities:		
Acquisition of property, plant and equipment	(55,328)	-
Decrease (increase) in other financial assets	660	(90)
Net cash used in investing activities	(54,668)	(90)
Cash flows from (used in) financing activities:		
Increase in short-term loans	81,000	10,000
Decrease in short-term loans	(81,000)	(10,000)
Increase in short-term notes and bills payable	50,000	20,000
Decrease in short-term notes and bills payable	(50,000)	(20,000)
Payments of lease liabilities	(656)	-
Net cash flows used in financing activities	(656)	-
Net increase in cash and cash equivalents	350,954	1,217,223
Cash and cash equivalents at beginning of the period	2,526,409	1,333,037
Cash and cash equivalents at end of the period	\$ 2,877,363	2,550,260

(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 June 30, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

1. 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 engages in comprehensive construction, as well as residence and buildings lease construction and development.

2. Approval Date and Procedures of the Financial Statements

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

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

(1) 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:

<u>New, Revised or Amended Standards and Interpretations</u>	<u>The effective date announced by the International Accounting Standards Board</u>
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
Amendments to IFRS 16 "COVID-19-Related Rent Concessions"	June 1, 2020

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

**Notes to the Consolidated Financial Statements of KEDGE CONSTRUCTION CO., LTD.
and Subsidiaries (continued)**

- (2) 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.

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date of releases by IASB</u>
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
Amendments to IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IAS 1 "Classify Liabilities as Current or Non-current"	January 1, 2023
Amendments to IAS 16 "Property, Plant and Equipment - Proceeds before Intended Use"	January 1, 2022
Amendments to IAS 37 "Onerous Contracts - Cost of Fulfilling a Contract"	January 1, 2022
Annual Improvements to IFRS Standards 2018 - 2020 Cycle-	January 1, 2022
Amendments to IFRS 17 " Insurance Contracts"	January 1, 2023

Possible impacts on the group are as follows:

<u>Date of issuance</u>	<u>New or amended standards</u>	<u>Main amendments to the content</u>
2020.1.23	Amendments to IAS 1 "Classify Liabilities as Current or Non-current"	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. The amendments also clarify the classification requirements for debts that may be repaid through convert into equity.
2020.5.14	Amendments to IAS 37 "Onerous Contracts - Cost of Fulfilling a Contract"	The amendments stated that the cost of fulfilling a contract comprises the costs that relate directly to the contract. The costs include: ·Incremental costs (for example, direct labor and materials). ·Allocations of costs that relate directly to contract activities (for example, depreciation property, plant and equipment used in fulfilling the contract, etc.)

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.

**Notes to the Consolidated Financial Statements of KEDGE CONSTRUCTION CO., LTD.
and Subsidiaries (continued)**

4. Summary of Significant Accounting Policies

(1) 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.

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.

(2) Basis of consolidation

1. Subsidiaries included in the consolidated financial statements:

Investor	Subsidiaries	Main business and products	Percentage of ownership			Explanation
			2020.6.30	2019.12.31	2019.6.30	
The company	Guanqing Electromechanical Co., Ltd. (Guanqing Electromechanical)	Electrical equipment installation and fire safety equipment installation industry, etc.	99.96%	99.96%	99.96%	The company holds directly more than 50% of the issued voting share in the subsidiary.
The company	Jiequn Investment Co., Ltd. (Jiequn Investment)	General Investment	99.98%	99.98%	99.98%	The company holds directly more than 50% of the issued voting share in the subsidiary.
Jointly held by Guanqing Electromechanical and Jiequn Investment	Dingtian Construction Co., Ltd. (Dingtian Construction)	The comprehensive construction industry, etc.	100.00%	100.00%	100.00%	The company holds indirectly more than 50% of the issued voting share in the subsidiary.

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

(3) 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 interim reporting period of the change in the tax rate.

**Notes to the Consolidated Financial Statements of KEDGE CONSTRUCTION CO., LTD.
and Subsidiaries (continued)**

(4) 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.

5. Significant Accounting Judgments and Major 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 statements, the significant judgments made by management when adopting the accounting policies of the group and the major sources of uncertainty over estimation are consistent with Note 5 of the 2019 consolidated financial statements.

6. Descriptions of Significant Accounting Items

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

(1) Cash and cash equivalents

	2020.6.30	2019.12.31	2019.6.30
Cash and petty cash	\$ 710	710	976
Demand deposits	516,507	522,875	966,957
Check deposits	380,436	202,841	283,419
Time deposits	440	-	2,631
Cash equivalents	1,979,270	1,799,983	1,296,277
Cash and cash equivalents	\$ 2,877,363	2,526,409	2,550,260

The aforementioned cash equivalents are short-term notes, the maturity date of which are in the periods, July - August 2020, January - March 2020, and July 2019, and the interest rate collars are 0.30%~0.35%, 0.53%~0.57%, and 0.56%~0.64%.

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).

**Notes to the Consolidated Financial Statements of KEDGE CONSTRUCTION CO., LTD.
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(2) Financial assets at fair value through profit and loss

	<u>2020.6.30</u>	<u>2019.12.31</u>	<u>2019.6.30</u>
Financial assets mandatorily measured at fair value through profit or loss:			
Non-derivative financial assets			
TWSE (or TPEX) listed company shares	\$ 41,375	44,054	43,575
Funds	-	30,064	26,360
Total	<u>\$ 41,375</u>	<u>74,118</u>	<u>69,935</u>

As of June 30, 2020, December 31, 2019 and June 30, 2019, none of the financial assets of the group has been pledged as collateral.

(3) Financial assets at fair value through other comprehensive income

	<u>2020.6.30</u>	<u>2019.12.31</u>	<u>2019.6.30</u>
Equity instrument measured at fair value through other comprehensive income:			
Domestic TWSE (or TPEX) listed company shares	\$ 329,920	338,952	298,575
Domestic non-TWSE (nor TPEX) listed company shares	5,539	5,920	4,868
Total	<u>\$ 335,459</u>	<u>344,872</u>	<u>303,443</u>

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 June 30, 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).

(4) Notes and accounts payable

	<u>2020.6.30</u>	<u>2019.12.31</u>	<u>2019.6.30</u>
Notes receivable	\$ -	-	110
Accounts receivable	1,366,854	1,127,588	287,450
Less: Allowance for losses	(11,383)	-	-
Total	<u>\$ 1,355,471</u>	<u>1,127,588</u>	<u>287,560</u>

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

**Notes to the Consolidated Financial Statements of KEDGE CONSTRUCTION CO., LTD.
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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:

	2020.6.30		
	Book value of notes and accounts receivable	Weighted average expected credit loss rate	Allowance for lifetime expected credit losses
Not past due	\$ 1,355,471	-	-
Past due 90 days and above	11,383	100%	11,383
	\$ 1,366,854		11,383

	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	\$ 1,127,588	-	-

	2019.6.30		
	Book value of notes and accounts receivable	Weighted average expected credit loss rate	Allowance for lifetime expected credit losses
Not past due	\$ 287,560	-	-

The changes of loss allowance of notes receivable and accounts receivable of the group is as follows:

	January - June 2020	January - June 2019
Beginning balance	\$ -	-
Impairment losses recognized	11,383	-
Ending balance	\$ 11,383	-

(5) Investments accounted for using equity method

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

	2020.6.30	2019.12.31	2019.6.30
ReadyCom eServices Corp.	\$ 20,275	20,506	20,184

As of June 30, 2020, December 31, 2019, and June 30, 2019, none of the investment using equity method of the group has been pledged as collateral.

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(6) Property, plant and equipment

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

	<u>Land</u>	<u>Buildings</u>	<u>Transport equipment</u>	<u>Others equipment</u>	<u>Total</u>
Cost or deemed cost:					
Balance on January 1, 2020	\$ 62,430	14,969	1,930	407	79,736
Addition	-	-	-	55,329	55,329
Balance on June 30, 2020	\$ 62,430	14,969	1,930	55,736	135,065
Balance on January 1, 2019	\$ 62,430	14,969	1,930	407	79,736
Balance on June 30, 2019	\$ 62,430	14,969	1,930	407	79,736
Depreciation and impairment losses					
Balance on January 1, 2020	\$ -	14,337	1,876	407	16,620
Depreciation for the year	-	38	5	1,684	1,727
Balance on June 30, 2020	\$ -	14,375	1,881	2,091	18,347
Balance on January 1, 2019	\$ -	14,068	1,823	407	16,298
Depreciation for the year	-	155	27	-	182
Balance on June 30, 2019	\$ -	14,223	1,850	407	16,480
Book value:					
January 1, 2020	\$ 62,430	632	54	-	63,116
June 30, 2020	\$ 62,430	594	49	53,645	116,718
January 1, 2019	\$ 62,430	901	107	-	63,438
June 30, 2019	\$ 62,430	746	80	-	63,256

As of June 30, 2020, December 31, 2019 and June 30, 2019, for information regarding the group's property, plant and equipment pledged as collaterals, please refer to Note 8.

(7) Investment property

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

	<u>Land and buildings</u>
Book value:	
January 1, 2020	\$ 102,544
June 30, 2020	\$ 102,310
January 1, 2019	\$ 103,010
June 30, 2019	\$ 102,818

There is no recognition or reversal regarding major acquisition, disposition and impairment of group's investment property in the period from January 1 to June 30, 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(17) of the 2019 annual consolidated financial statements.

**Notes to the Consolidated Financial Statements of KEDGE CONSTRUCTION CO., LTD.
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As of June 30, 2020, December 31, 2019, and June 30, 2019, for information regarding the group's investment property pledged as collaterals for credit line, please refer to Note 8.

(8) Short-term loans

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

	<u>2020.6.30</u>	<u>2019.12.31</u>	<u>2019.6.30</u>
Unsecured bank loans	\$ 150,000	150,000	-
Unused limit	<u>\$ 3,647,457</u>	<u>3,571,975</u>	<u>3,924,285</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.

(9) Provision

	<u>January - June 2020</u>	<u>January - June 2019</u>
Balance of warranty provisions as of January 1	\$ 102,482	79,261
Additional provisions for the current period	345	14,531
Provisions used in the current period	(1,338)	(1,821)
Balance of warranty provisions as of June 30	<u>\$ 101,489</u>	<u>91,971</u>

The aforementioned provisions for warranties for the period January 1 to June 30, 2020 and 2019 are mainly related to construction contracts and estimated based on the historical warranty claim data of various projects. These provisions are expected to be claimed within a year from the completion of construction projects.

(10) 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 on June 30, 2019 is listed as follows according to the non-discounted future cash flows of lease receivable after the reporting date:

	<u>2020.6.30</u>	<u>2019.12.31</u>	<u>2019.6.30</u>
Less than 1 year	\$ 4,395	6,074	4,395
1~2 years	1,949	2,715	2,715
2~3 years	-	580	1,948
Non-discounted future cash flows of lease	<u>\$ 6,344</u>	<u>9,369</u>	<u>9,058</u>

The rent income generated from investment property for the periods April 1 to June 30, 2020 and 2019, and January 1 to June 30, 2020 and 2019 are NTD 1,516 thousand, NTD 1,608 thousand, NTD 3,033 thousand, and NTD 3,030 thousand, respectively. There have not been major maintenance or repair expenses incurred.

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(11) 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 2018.

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

	April - June 2020	April - June 2019	January - June 2020	January - June 2019
Operating costs	\$ 132	107	406	249
Administrative expenses	36	36	103	82
Total	\$ 168	143	509	331

2. Defined contribution pension plan

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

	April - June 2020	April - June 2019	January - June 2020	January - June 2019
Operating costs	\$ 4,097	4,113	8,121	8,568
Administrative expenses	1,282	1,245	2,578	2,479
Total	\$ 5,379	5,358	10,699	11,047

3. Short-term compensated absence liabilities

	2020.6.30	2019.12.31	2019.6.30
Short-term compensated absence liabilities	\$ 13,696	14,543	13,081

(12) Income tax

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

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

	April - June 2020	April - June 2019	January - June 2020	January - June 2019
Current income tax expenses				
Accrued in current year	\$ 57,502	38,078	82,602	66,865
Surtax on unappropriated earnings	3,302	3,380	3,554	3,380
Adjustments to income tax expenses of previous period	(1,904)	(4,221)	(1,904)	(4,221)
	<u>58,900</u>	<u>37,237</u>	<u>84,252</u>	<u>66,024</u>
Deferred income tax expense				
Occurrence and reversal of temporary differences	(50)	(1,634)	368	(1,954)
Income tax expenses	\$ 58,850	35,603	84,620	64,070

2. The tax fillings of the group were assessed by the tax collecting agencies for the year

**Notes to the Consolidated Financial Statements of KEDGE CONSTRUCTION CO., LTD.
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ended on December 31, 2018; those of other entities of the group were assessed for the years ended on December 31, 2017.

(13) Capital and other equity

Apart from the matters described in the following paragraphs, there were no major changes in the group's capital and equity in the periods from January 1 to June 30, 2020 and 2019. For relevant information, please refer to Note 6(14) of the 2019 consolidated financial statements.

1. Capital surplus

The details of capital surplus was as follows:

	<u>2020.6.30</u>	<u>2019.12.31</u>	<u>2019.6.30</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 surplus 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 surplus 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 surplus 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

The company's Articles of Incorporation stipulates that the company's earnings should first be used to offset the prior years' deficits, if any, before paying any income taxes. Of the remaining balance, 10% is to be appropriated as legal reserve, and a special reserve shall be set aside in accordance with applicable laws and regulations. The remaining balance, if any, can be distributed to the shareholders as dividends, and bonus dividends according to the distribution plan proposed by the Board of Directors and submitted to the shareholders' meeting for approval.

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

**Notes to the Consolidated Financial Statements of KEDGE CONSTRUCTION CO., LTD.
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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.

(2) Distribution of retained earnings

The 2019 and 2018 distributions of earnings were resolved at the shareholders' meetings on June 15, 2020 and June 17, 2019, respectively. The dividends distributed to owners are as follows:

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

3. Other equity (net after tax)

	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	
Balance on January 1, 2020	\$	126,159
Unrealised gain (loss) from financial assets measured at fair value through other comprehensive income		(9,410)
Balance on June 30, 2020	\$	116,749
Balance on January 1, 2019	\$	3,177
Unrealised gain (loss) from financial assets measured at fair value through other comprehensive income		81,563
Balance on June 30, 2019	\$	84,740

**Notes to the Consolidated Financial Statements of KEDGE CONSTRUCTION CO., LTD.
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(14) Earnings per share

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

	April - June 2020	April - June 2019	January - June 2020	January - June 2019
Basic earnings per share				
Net income attributable to the holders of ordinary shares of the company	\$ 222,388	147,279	308,815	262,175
Weighted average number of ordinary shares outstanding	106,036	106,036	106,036	106,036
	<u>\$ 2.10</u>	<u>1.39</u>	<u>2.91</u>	<u>2.47</u>
Diluted earnings per share				
Net income attributable to the holders of ordinary shares of the company	\$ 222,388	147,279	308,815	262,175
Weighted average number of ordinary shares outstanding	106,036	106,036	106,036	106,036
Assumed conversion of dilutive potential ordinary shares				
Influence of employees' share bonus	95	85	165	160
Weighted average number of ordinary shares outstanding (after adjusting the impact of diluted potential ordinary shares)	<u>106,131</u>	<u>106,121</u>	<u>106,201</u>	<u>106,196</u>
	<u>\$ 2.10</u>	<u>1.39</u>	<u>2.91</u>	<u>2.47</u>

(15) Revenue from contracts with customers

1. Disaggregation of revenue

	April - June 2020	April - June 2019	January - June 2020	January - June 2019
Timing of revenue recognition:				
Gradually transferred construction over time	\$ 4,034,133	2,750,179	6,804,820	5,480,522
Gradually transferred service over time	1,516	1,608	3,033	3,030
	<u>\$ 4,035,649</u>	<u>2,751,787</u>	<u>6,807,853</u>	<u>5,483,552</u>

2. Contract balances

	2020.6.30	2019.12.31	2019.6.30
Notes and accounts receivable (incl. related party)	\$ 3,300,692	3,040,963	1,845,677
Less: Allowance for losses	(11,383)	-	-
Total	<u>\$ 3,289,309</u>	<u>3,040,963</u>	<u>1,845,677</u>
Contract asset -construction	\$ 2,106,256	1,594,708	1,831,239
Less: Allowance for losses	-	-	-
Total	<u>\$ 2,106,256</u>	<u>1,594,708</u>	<u>1,831,239</u>
Contract liabilities - construction	<u>\$ 1,445,329</u>	<u>988,111</u>	<u>895,172</u>

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. There are no major changes in the periods from January 1 to June 30, 2020 and 2019.

**Notes to the Consolidated Financial Statements of KEDGE CONSTRUCTION CO., LTD.
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(16) Remunerations to employees and directors

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 NTD 2,889 thousand, NTD 1,859 thousand, NTD 4,041 thousand, and NTD 3,318 thousand, and the estimated remunerations to directors and supervisors amounted to NTD 5,779 thousand, NTD 3,717 thousand, NTD 8,083 thousand, and NTD 6,635 thousand for the periods from April 1 to June 30, 2020 and 2019, and January 1 to June 30, 2020 and 2019, respectively. These amounts were calculated using the company's net income before tax without the remunerations to employees and directors and supervisors for each period, multiplied by the percentage which is stated under the company's Article of Incorporation. These remunerations were expensed under operating costs and operating 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.

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

(17) Non-operating income and expenses

1. Interest income

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

	April - June 2020	April - June 2019	January - June 2020	January - June 2019
Loans and receivables	\$ 2,300	1,310	4,230	2,113
Bank deposits	200	286	236	322
	\$ 2,500	1,596	4,466	2,435

2. Other income

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

	April - June 2020	April - June 2019	January - June 2020	January - June 2019
Dividend income	\$ 412	330	412	330
Rent income	3	3	6	6
Other income	129	1,855	856	3,589
	\$ 544	2,188	1,274	3,925

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3. Other gains or losses

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

	<u>April - June 2020</u>	<u>April - June 2019</u>	<u>January - June 2020</u>	<u>January - June 2019</u>
Gains (losses) on financial assets measured at fair value through profit or loss	\$ 5,331	986	(8,759)	2,760
Miscellaneous disbursements	-	-	(80)	-
	<u>\$ 5,331</u>	<u>986</u>	<u>(8,839)</u>	<u>2,760</u>

4. Financial costs

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

	<u>April - June 2020</u>	<u>April - June 2019</u>	<u>January - June 2020</u>	<u>January - June 2019</u>
Interest expense				
Bank loans	\$ 586	-	1,177	3
Others	95	22	140	48
	<u>\$ 681</u>	<u>22</u>	<u>1,317</u>	<u>51</u>

(18) Financial Instruments

Apart from the matters described in the following paragraphs, there are 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.

	<u>Book value</u>	<u>Contractual cash flows</u>	<u>Less than 1 year</u>	<u>1-3 years-</u>	<u>3-5 years-</u>	<u>Over 5 years</u>
June 30, 2020						
Non-derivative financial liabilities						
Unsecured bank loans	\$ 150,000	150,200	150,200	-	-	-
Notes payable	432,796	432,796	432,796	-	-	-
Accounts payable	3,850,101	3,850,101	2,221,857	1,628,244	-	-
Other payables	511,395	511,395	511,395	-	-	-
Other current liabilities (lease liabilities)	1,323	1,486	1,486	-	-	-
Other non-current liabilities (lease liabilities)	8,595	9,842	-	2,972	2,327	4,543
	<u>\$ 4,954,210</u>	<u>4,955,820</u>	<u>3,317,734</u>	<u>1,631,216</u>	<u>2,327</u>	<u>4,543</u>
December 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 (lease liabilities)	122	197	197	-	-	-
Other non-current liabilities (lease 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>
June 30, 2019						
Non-derivative financial liabilities						
Notes payable	\$ 318,249	318,249	318,249	-	-	-
Accounts payable	2,852,339	2,852,339	1,484,051	1,368,288	-	-
Other payables	28,637	28,637	28,637	-	-	-
Other current liabilities (lease liabilities)	120	272	272	-	-	-
Other non-current liabilities (lease liabilities)	4,366	6,686	-	539	530	5,617
	<u>\$ 3,203,711</u>	<u>3,206,183</u>	<u>1,831,209</u>	<u>1,368,827</u>	<u>530</u>	<u>5,617</u>

**Notes to the Consolidated Financial Statements of KEDGE CONSTRUCTION CO., LTD.
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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	January - June 2020		January - June 2019	
	After-tax other comprehensive income	After-tax profit or loss	After-tax other comprehensive income	After-tax profit or loss
Increased by 10%	\$ 32,992	4,138	30,344	4,358
Decreased by 10%	\$ (32,992)	(4,138)	(30,344)	(4,358)

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 lease liabilities of equity investments that are not quoted in an active market and whose fair value cannot be reliably measured do not have to be revealed according to provisions) are listed as follows:

	2020.6.30				Total
	Book value	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	\$ 41,375	41,375	-	-	41,375
Financial assets at fair value through other comprehensive income	\$ 335,459	329,920	-	5,539	335,459
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 2,877,363	-	-	-	-
Notes and accounts receivable (incl. related party)	3,289,309	-	-	-	-
Other financial assets - current-	289,496	-	-	-	-
Other financial assets - non-current-	7,295	-	-	-	-
Subtotal	6,463,463	-	-	-	-
Total	\$6,840,297	371,295	-	5,539	376,834
Financial liabilities measured at amortized cost					
Short-term loans	\$ 150,000	-	-	-	-
Notes and accounts payables	4,282,897	-	-	-	-
Other current liabilities (lease liabilities)	1,323	-	-	-	-
Other non-current liabilities (lease liabilities)	8,595	-	-	-	-
Other payables	511,395	-	-	-	-
Total	\$ 4,954,210	-	-	-	-

**Notes to the Consolidated Financial Statements of KEDGE CONSTRUCTION CO., LTD.
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		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 amortized cost					
Cash and cash equivalents	\$ 2,526,409	-	-	-	-
Notes and accounts receivable (incl. related party)	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 loans	\$ 150,000	-	-	-	-
Notes and accounts payables	3,961,262	-	-	-	-
Other current liabilities (lease liabilities)	122	-	-	-	-
Other non-current liabilities (lease liabilities)	4,305	-	-	-	-
Other payables	74,167	-	-	-	-
Total	\$ 4,189,856	-	-	-	-
		2019.6.30			
		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	\$ 69,935	69,935	-	-	69,935
Financial assets at fair value through other comprehensive income	\$ 303,443	298,575	-	4,868	303,443
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 2,550,260	-	-	-	-
Notes and accounts receivable (incl. related party)	1,845,677	-	-	-	-
Other financial assets - current-	262,761	-	-	-	-
Other financial assets - non-current-	9,333	-	-	-	-
Subtotal	4,668,031	-	-	-	-
Total	\$ 5,041,409	368,510	-	4,868	373,378
Financial liabilities measured at amortized cost					
Notes and accounts payables	\$ 3,170,588	-	-	-	-
Other payables	28,637	-	-	-	-
Total	\$ 3,199,225	-	-	-	-

**Notes to the Consolidated Financial Statements of KEDGE CONSTRUCTION CO., LTD.
and Subsidiaries (continued)**

(2) Changes in Level 3 financial assets

**Measured at fair value through other
comprehensive income**

	Equity instruments		Total
	without public quotes	Bond investment	
January 1, 2020	\$ 5,920	-	5,920
June 30, 2020	\$ 5,539	-	5,539
January 1, 2019	\$ 4,571	-	4,571
June 30, 2019	\$ 4,868	-	4,868

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

Among them, the assets still held on June 30, 2020 and 2019 are as follows:

	April - June 2020	April - June 2019	January - June 2020	January - June 2019
Total profit or loss Recognized in other comprehensive income (reported in "Unrealised loss on valuation of financial assets measured at fair value through other comprehensive income")	\$ (171)	297	(381)	297

(3) There were no matters of transfer between levels in the periods from January 1 to June 30, 2020 and 2019.

(19) 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 annual consolidated financial statements.

(20) 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 annual consolidated financial report. The aggregated quantitative data of the projects used as capital management in the current period is as follows:

	2020.6.30	2019.12.31	2019.6.30
Total liabilities	\$ 6,660,092	5,535,726	4,736,944
Less: Cash and cash equivalents	(2,877,363)	(2,526,409)	(2,550,260)
Net liabilities	3,782,729	3,009,317	2,186,684
Total equity	2,722,480	2,741,122	2,558,610
Adjusted capital	\$ 6,505,209	5,750,439	4,745,294
Debt-to-capital ratio	58%	52%	46%

**Notes to the Consolidated Financial Statements of KEDGE CONSTRUCTION CO., LTD.
and Subsidiaries (continued)**

after they are submitted to the supervisors for approval.

- (2) From January 1 to June 30, 2020 and 2019, the gross profit margin of the constructions contracted by the group from non-related parties was approximately 3.96% ~ 19.90% and (1.82)% ~ 22.92%. That of the related parties is about 3.85% ~ 4.89% and 3.85% ~ 4.94%, respectively.

2. Receivables from related parties and contract assets

Details on the group's receivables from related parties and contract assets are as follows:

Account titles in book	Type of related parties	2020.6.30	2019.12.31	2019.6.30
Notes receivable	Parent company - Kindom Development Co., Ltd.	\$ 1,321,094	1,287,602	1,008,724
Accounts receivable	Parent company - Kindom Development Co., Ltd.	612,744	625,773	549,393
Contract assets	Parent company - Kindom Development Co., Ltd.	393,100	375,043	403,791
Contract assets (retention receivables)	Parent company - Kindom Development Co., Ltd.	20,153	21,494	44,193
		\$ 2,347,091	2,309,912	2,006,101

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

3. Endorsement/guarantees for others

On June 30, 2020, December 31, 2019, and June 30, 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 NTD 28,384 thousand.

4. Lease liabilities

For the six-month period ended June 30, 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 NTD 294 thousand per month. The rent income was for the periods April 1 to June 30, 2020 and 2019, and January 1 to June 30, 2020 and 2019 are NTD 840 thousand, NTD 840 thousand, NTD 1,680 thousand, and NTD 1,680 thousand.

In addition, the group jointly rents office building with the parent company - Kindom Development Co., Ltd., and recognized interest expenses of NTD 19 thousand, NTD 19 thousand, NTD 38 thousand, and NTD 38 thousand for the periods from April 1 to

**Notes to the Consolidated Financial Statements of KEDGE CONSTRUCTION CO., LTD.
and Subsidiaries (continued)**

June 30, 2020 and 2019, and January 1 to June 30, 2020 and 2019. As of June 30, 2020, the balance of lease liabilities was NTD 4,366 thousand, 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 NTD 2,750 thousand and NTD 2,000 thousand to Kindom Yu San Education Foundation in the period January 1 to June 30, 2020 and 2019 for the promotion of foundation affairs.

(4) Major management personnel transactions

Remuneration to major management personnel includes:

	April - June 2020	April - June 2019	January - June 2020	January - June 2019
Short-term employee benefits	\$ 18,672	13,721	49,359	40,983
Benefits after retirement	47	49	93	99
	\$ 18,719	13,770	49,452	41,082

8. Pledged Assets

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

Name of assets	Pledge guarantee object	2020.6.30	2019.12.31	2019.6.30
Other financial assets - current	Loan collaterals and construction guarantees	\$ 264,260	224,488	243,174
Property, plant and equipment, net	Loan collaterals	53,200	53,200	53,276
Investment property, net	Loan collaterals	95,469	95,585	102,818
		\$ 412,929	373,273	399,268

9. Significant Contingent Liabilities and Unrecognized Contract Commitments

(1) Significant unrecognized contract commitments:

1. The major construction undertaking by the group as of June 30, 2020, December 31, 2019, and June 30, 2019 amounted to NTD 47,361,600 thousand, NTD 34,837,049 thousand, and NTD 35,673,317 thousand, respectively. The group has collected NTD 19,088,493 thousand, NTD 12,491,856 thousand, and NTD 12,865,027 thousand 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 NTD 5,500 thousand and NTD 4,000 thousand in 2020 and 2019 respectively to Kindom Yu San Education Foundation. The group has donated NTD 2,750 thousand and NTD 4,000 thousand in years 2020 and 2019 respectively for the promotion of foundation affairs.

(2) Contingent liability

In relation to the construction project under Project Code 041A, the neighbor manufacturer alleged that the structural damages on the manufacturer's plants and land were as a result of the company's construction. Both parties were not able to settle the issue in mediation, so the group was sued by the neighbor manufacturer, in the amount of NTD 15,665 thousand. The company has yet to assess any contingent liability for this litigation.

**Notes to the Consolidated Financial Statements of KEDGE CONSTRUCTION CO., LTD.
and Subsidiaries (continued)**

10. Significant Disaster Loss: None.

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

12. Others

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

Function Nature	April - June 2020			April - June 2019		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expenses						
Salaries and wages	\$ 107,496	42,253	149,749	97,710	39,371	137,081
Labor insurance and national health insurance	9,122	2,316	11,438	9,403	2,154	11,557
Pension expenses	4,229	1,318	5,547	4,220	1,281	5,501
Other employee benefits expenses	168	3,205	3,373	-	2,206	2,206
Depreciation	554	1,360	1,914	76	130	206
Depletion	-	-	-	-	-	-
Amortization	-	-	-	-	-	-

Function Nature	January - June 2020			January - June 2019		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expenses						
Salaries and wages	\$ 230,693	84,023	314,716	219,493	80,041	299,534
Labor insurance and national health insurance	17,996	4,614	22,610	19,305	4,360	23,665
Pension expenses	8,527	2,681	11,208	8,817	2,561	11,378
Other employee benefits expenses	686	4,221	4,907	238	3,596	3,834
Depreciation	671	1,981	2,652	192	259	451
Depletion	-	-	-	-	-	-
Amortization	-	-	-	-	-	-

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

13. Supplementary Disclosures

- (1) Information on significant transactions

In the period Jan. 1, to June 30, 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.
2. Endorsement/guarantees for others:

Expressed in thousands of New Taiwan Dollars

No.	Name of endorsement/guarantee provider Name of certifier company	Subject of endorsements/guarantees Company name Relation (Note 1)	Limit on endorsements/guarantees provided for a single party Endorsement or guarantee limit (Note 2)	Maximum balance for this period	Closing balance of endorsement/guarantees	Actual amount used Outgoing amount	Amount of endorsement/guarantees collateralized with assets Endorsement or guarantee amount	Ratio of accumulated endorsement/guarantees to net equity per latest financial statements Ratio in net value of latest financial statement	Maximum endorsement/guarantee amount (Note 2)	Endorsement/guarantees provided by parent company to subsidiaries	Endorsement/guarantees provided by subsidiaries to parent company	Endorsement/guarantee provided to subsidiary in China
0	Kedge Construction	Kindom Development Parent company and subsidiary	\$ 5,444,646	14,192	14,192	14,192	-	0.52%	5,444,646	-	Y	-
1	Dingtian Construction	Kindom Development Parent company and subsidiary	53,219	14,192	14,192	14,192	-	26.67%	53,219	-	Y	-
1	"	Kedge Construction	7,982,815	1,376,500	1,376,500	1,376,500	-	2,586.48%	15,965,630	-	Y	-

**Notes to the Consolidated Financial Statements of KEDGE CONSTRUCTION CO., LTD.
and Subsidiaries (continued)**

Note 1. The relationships between the endorsement and guarantee provider and subject are listed as follows. Identify the type only.

- (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. Per Kedge Construction's policies and procedures on endorsements/guarantees, the maximum aggregate amount allowable for endorsements/guarantees to third parties shall not exceed 200% of its net equity as stated in its latest financial statement, and limits on endorsements/guarantees provided to a single entity shall not exceed 200% of its net equity as stated in its latest financial statement. The aggregate amount of endorsements/guarantees on all construction projects shall not exceed 10 times of its net equity as stated in its latest financial statement, and the aggregate amount of endorsements/guarantees on a single construction project shall not exceed 5 times of its net equity as stated in its latest financial statements.

2. Per Dingtian's policies and procedures on endorsements/guarantees, the maximum aggregate amount allowable for endorsements/guarantees to third parties shall not exceed 100% of its net equity as stated in its latest financial statement, and limits on endorsements/guarantees provided to a single entity shall not exceed 100% of its net equity as stated in its latest financial statement. The aggregate amount of endorsements/guarantees on all construction projects shall not exceed 300 times of its net equity as stated in its latest financial statement, and the aggregate amount of

**Notes to the Consolidated Financial Statements of KEDGE CONSTRUCTION CO., LTD.
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endorsements/guarantees on a single construction project shall not exceed 150 times of its net equity as stated in its latest financial statements.

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

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

Expressed in thousands of New Taiwan Dollars

Holding company	Types and names of securities	Relationship with the securities issuer	Account titles in book	End of period				Remarks
				No. of shares (thousand shares)	Book value	Percentage of shareholding	Fair value	
Kedge Construction	Shares - Kindom Development	Kedge Construction Co., Ltd. is its subsidiary	Financial assets at fair value through other comprehensive income - non-current	500	\$ 15,525	0.10 %	15,525	
Jiequn Investment	Shares - Fubon Financial Holding Co., Ltd.	-	Financial assets at fair value through profit or loss - current	472	20,699	- %	20,699	
"	Shares - SinoPac Financial Holdings Co., Ltd.	-	"	211	2,291	- %	2,291	
"	Shares - Kindom Development	Jiequn Investment is the second-tier subsidiary of that company.	Financial assets at fair value through other comprehensive income - non-current	8,518	264,498	1.69 %	264,498	
"	Shares - Taiwan Calcom International Computer Graphic Co., Ltd.	-	"	405	-	0.78 %	-	
Guanqing Electromechanical	Shares - Kindom Development	Guanqing Electromechanical is the second-tier subsidiary of that company.	"	1,607	49,897	0.32 %	49,897	
"	Shares - Global Views - Commonwealth Publishing Co.	-	"	132	5,539	0.59 %	5,539	
"	Shares - Fubon Financial Holding Co., Ltd.	-	Financial assets at fair value through profit or loss - current	419	18,385	- %	18,385	

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:

Expressed in thousands of New Taiwan Dollars

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.	\$ (2,517,426)	(36.93)%	Payment by installment per contract or equivalent to a general transaction	Equivalent to other transactions	Slightly longer than normal	1,951,278	47.60%	

**Notes to the Consolidated Financial Statements of KEDGE CONSTRUCTION CO., LTD.
and Subsidiaries (continued)**

Note: Refers to the valuation amount for current period.

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

Expressed in thousands of New Taiwan Dollars

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	\$ 1,951,278	4.63	-	-	398,186	-

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 Relationship with trader	Transactions			As a percentage of consolidated revenue or total assets
				Account	Amount	Terms and conditions	
0	Kedge Construction	Guanqing Electromechanical	1	Contract liabilities	\$ 14,784	Equivalent to a general transactions	0.16%
0	"	"	1	Notes and accounts payables	62,798	"	0.67%
0	"	"	1	Operating costs	74,785	"	1.10%
0	"	Dingtian	1	Contract liabilities	12,875	"	0.14%
0	"	"	1	Notes and accounts payables	17,211	"	0.18%
0	"	"	1	Operating costs	104,395	"	1.53%
1	Guanqing Electromechanical	Kedge Construction	2	Contract assets	14,784	"	0.16%
1	"	"	2	Notes and accounts receivable	62,798	"	0.67%
1	"	"	2	Operating revenue	74,785	"	1.10%
2	Dingtian	"	2	Contract assets	12,875	"	0.14%
2	"	"	2	Notes and accounts receivable	17,211	"	0.18%
2	"	"	2	Operating revenue	104,395	"	1.53%

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.

**Notes to the Consolidated Financial Statements of KEDGE CONSTRUCTION CO., LTD.
and Subsidiaries (continued)**

(2) Information on investees

The information on the group's investees in the period January 1 to June, 2020 is as follows:

Expressed in thousands of New Taiwan Dollars/thousands 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	Taiwan	General Investment	\$ 163,935	163,935	16,396	99.98%	358,524	(4,039)	(4,038)	Subsidiaries
Kedge Construction	Guanqing Electromechanical	Taiwan	Electrical equipment installation and fire safety equipment installation industry, etc.	81,326	81,326	7,747	99.96%	200,127	(1,331)	(1,330)	"
Jiequn Investment	Dingtian Construction	Taiwan	The comprehensive construction industry, etc.	16,500	16,500	-	30.00%	15,966	(212)	(64)	Second-tier subsidiary
Guanqing Electromechanical	Dingtian Construction	Taiwan	The comprehensive construction industry, etc.	11,105	11,105	-	70.00%	37,253	(212)	(148)	"
Dingtian Construction	ReadyCom eServices Corp.	Taiwan	Information software services and management consultants, etc.	15,000	15,000	1,400	46.67%	20,275	(495)	(231)	Investments accounted for using equity method

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

(3) Information on Investments in Mainland China:

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

(4) Information on major shareholders:

Expressed in shares

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

14. 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.