

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

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

Third Quarter of 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 September 30, 2020, and 2019, the consolidated statements of comprehensive income for the three-month periods from July 1 to September 30, 2020 and 2019, and for the nine-month periods from January 1 to September 30, 2020 and 2019, and the consolidated statements of changes in equity and cash flows for the nine-month periods from January 1 to September 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 September 30, 2020, and 2019, its consolidated financial performance for the three-month periods from July 1 to September 30, 2020 and 2019, and for the nine-month periods from January 1 to September 30, 2020 and 2019, and its consolidated cash flows for the nine-month periods from January 1 to September 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
November 9, 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 4

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' review 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' review report and consolidated financial statements shall prevail.

As of September 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

September 30, 2020, December 31, 2019 and September 30, 2019

Expressed in thousands of New Taiwan Dollars

Assets	2020.9.30		2019.12.31		2019.9.30		Liabilities and equity	2020.9.30		2019.12.31		2019.9.30	
	Amount	%	Amount	%	Amount	%		Amount	%	Amount	%	Amount	%
Current assets:							Current liabilities:						
1100 Cash and cash equivalents (Note 6(1) and (18))	\$ 3,108,062	33	2,526,409	31	2,367,800	29	2100 Short-term loans (Note 6 (8), (18) and 8)	\$ 300,000	3	150,000	2	300,000	4
1110 Current financial assets at fair value through profit or loss (Note 6(2) and (18))	39,060	-	74,118	1	70,261	1	2130 Current contract liabilities (Note 6(15))	1,929,600	21	988,111	12	649,459	8
1140 Current contract assets (Note 6(15) and 7)	2,144,896	23	1,594,708	19	1,909,824	23	2150 Notes payable (Note 8 (18))	536,947	6	361,911	4	899,427	11
1170 Notes and accounts receivable, net (Note 6(4), (15) and (18))	400,735	5	1,127,588	14	288,715	4	2170 Accounts payable (Note 6(18))	3,225,269	34	3,599,351	43	3,347,574	41
1180 Notes and accounts receivable - related-parties, net (Note 6(15) and (18) and 7)	2,554,754	28	1,913,375	23	2,448,748	30	2200 Other payables (Note 6(12) and (18))	195,019	2	258,940	3	193,503	2
1410 Prepayments	110,079	1	205,683	2	352,061	4	2230 Current tax liabilities	64,420	1	50,362	1	39,124	1
1470 Other current assets	15,921	-	22,524	1	34,778	1	2300 Other current liabilities (Note 6(18))	5,890	-	18,850	-	12,239	-
1476 Other current financial assets (Note 6(18) and 8)	203,309	2	243,636	3	201,640	2		6,257,145	67	5,427,525	65	5,441,326	67
	8,576,816	92	7,708,041	94	7,673,827	94	Non-current liabilities:						
Non-current assets:							2552 Provisions for long-term warranties (Note 6(9))	100,039	1	102,482	1	98,829	1
1550 Investments accounted for using equity method (Note 6(5))	21,015	-	20,506	-	20,119	-	2600 Other non-current liabilities (Note 6(18))	10,425	-	5,719	-	5,750	-
1517 Non-current financial assets at fair value through other comprehensive income (Note 6(3) and (18))	429,911	5	344,872	4	296,022	4	2640 Net defined benefit liabilities, non-current	-	-	-	-	93	-
1600 Property, plant and equipment (Note 6(6) and 8)	138,472	1	63,116	1	63,165	1		110,464	1	108,201	1	104,672	1
1755 Right-of-use assets	10,168	-	4,393	-	4,431	-	Total liabilities	6,367,609	68	5,535,726	66	5,545,998	68
1760 Investment property, net (Note 6(7) and 8)	102,194	1	102,544	1	102,660	1	Equity attributable to owners of parent (Note 6(13)):						
1840 Deferred tax assets	23,509	-	24,060	-	23,794	-	3100 Share Capital	1,060,357	12	1,060,357	13	1,060,357	13
1975 Net defined benefit asset - non-current	1,309	-	1,361	-	-	-	3200 Capital surplus	518,294	6	518,241	6	518,241	6
1980 Other non-current financial assets (Note 6(18))	7,315	1	7,955	-	8,906	-	3300 Retained earnings	1,153,088	12	1,036,204	13	990,857	12
	733,893	8	568,807	6	519,097	6	3400 Other equity interest	211,178	2	126,159	2	77,321	1
Total assets	\$ 9,310,709	100	8,276,848	100	8,192,924	100	Total equity attributable to owners of parent	2,942,917	32	2,740,961	34	2,646,776	32
							Non-controlling interests	183	-	161	-	150	-
							Total equity	2,943,100	32	2,741,122	34	2,646,926	32
							Total liabilities and equity	\$ 9,310,709	100	8,276,848	100	8,192,924	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

July 1 to September 30, 2020 and 2019, and January 1 to September 30, 2020 and 2019

Expressed in thousands of New Taiwan Dollars

	July - September 2020		July - September 2019		January - September 2020		January - September 2019	
	Amount	%	Amount	%	Amount	%	Amount	%
4000 Operating revenue (Note 6(10), (15) and 7)	\$ 3,426,253	100	2,825,935	100	10,234,106	100	8,309,487	100
5000 Operating costs (Note 6(11) and 12)	3,223,590	94	2,664,457	94	9,491,670	93	7,710,622	93
Gross profit from operations	202,663	6	161,478	6	742,436	7	598,865	7
Operating expenses:								
6200 Administrative expense (Note 6 (11), (16), 7 and 12)	66,933	2	58,716	2	197,242	2	178,601	2
6450 Expected credit loss (gains) (Note 6 (4))	-	-	-	-	11,383	-	-	-
Net operating income	135,730	4	102,762	4	533,811	5	420,264	5
Non-operating income and expenses:								
7100 Interest income (Note 6(17))	1,553	-	1,741	-	6,019	-	4,176	-
7010 Other income (Note 6(17))	19,023	-	13,907	-	20,297	-	17,832	-
7020 Other gains and losses (Note 6(17))	(2,316)	-	326	-	(11,155)	-	3,086	-
7050 Finance costs (Note 6(17))	(823)	-	(844)	-	(2,140)	-	(895)	-
7060 Share of profit (loss) of associates and joint ventures accounted for using equity method (Note 6(5))	740	-	(65)	-	509	-	(386)	-
	18,177	-	15,065	-	13,530	-	23,813	-
Net income before tax from continuing operating department	153,907	4	117,827	4	547,341	5	444,077	5
7950 Less: Income tax expenses (Note 6(12))	27,728	1	22,090	1	112,348	1	86,160	1
Net income	126,179	3	95,737	3	434,993	4	357,917	4
8300 Other comprehensive income:								
8310 Components of other comprehensive income that will not be reclassified to profit or loss								
8316 Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	94,452	3	(7,421)	-	85,039	1	74,161	1
8300 Other comprehensive income, net	94,452	3	(7,421)	-	85,039	1	74,161	1
Total comprehensive income	\$ 220,631	6	88,316	3	520,032	5	432,078	5
Net income attributable to:								
Owners of parent	\$ 126,176	3	95,733	3	434,991	4	357,908	4
8620 Non-controlling interests	3	-	4	-	2	-	9	-
	\$ 126,179	3	95,737	3	434,993	4	357,917	4
Total comprehensive income attributable to:								
Owners of parent	\$ 220,613	6	88,314	3	520,010	5	432,052	5
Non-controlling interests	18	-	2	-	22	-	26	-
	\$ 220,631	6	88,316	3	520,032	5	432,078	5
Earnings per share (in NT\$) (Note 6(14))								
9750 Basic earnings per share (in NT\$)	\$ 1.19		0.90		4.10		3.38	
9850 Diluted earnings per share (in NT\$)	\$ 1.19		0.90		4.10		3.37	

(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 September 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 the parent	Non-controlling interests	Total equity
	Share capital of ordinary share	Capital surplus	Legal reserve	Unappropriated earnings	Total	Unrealized profit or loss of financial assets measured at fair value through other comprehensive income			
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	-	-	-	357,908	357,908	-	357,908	9	357,917
Other comprehensive income	-	-	-	-	-	74,144	74,144	17	74,161
Total comprehensive income	-	-	-	357,908	357,908	74,144	432,052	26	432,078
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 September 30, 2019	\$ 1,060,357	518,241	241,986	748,871	990,857	77,321	2,646,776	150	2,646,926
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	-	-	-	434,991	434,991	-	434,991	2	434,993
Other comprehensive income	-	-	-	-	-	85,019	85,019	20	85,039
Total comprehensive income	-	-	-	434,991	434,991	85,019	520,010	22	520,032
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	-	53	-	-	-	-	53	-	53
Balance as of September 30, 2020	\$ 1,060,357	518,294	282,311	870,777	1,153,088	211,178	2,942,917	183	2,943,100

(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 Cash Flows
January 1 to September 30, 2020 and 2019**

Expressed in thousands of New Taiwan Dollars

	January - September 2020	January - September 2019
Cash flows from operating activities:		
Net income before tax	\$ 547,341	444,077
Adjustments:		
Adjustments to reconcile profit (loss)		
Depreciation expense	7,224	738
Expected credit loss	11,383	-
Net loss (gain) on financial assets and liabilities at fair value through profit or loss	11,074	(3,086)
Interest expense	2,140	895
Interest income	(6,019)	(4,176)
Dividend income	(18,130)	(12,870)
Share of profit (loss) of associates and joint ventures accounted for using equity method	(509)	386
Total adjustments to reconcile profit (loss)	7,163	(18,113)
Changes in operating assets and liabilities:		
Net changes in operating assets:		
Decrease in financial assets mandatorily measured at fair value through profit or loss	23,984	-
Increase in contract assets	(550,188)	(700,100)
Decrease in notes receivables and accounts receivables	715,470	468,546
(Increase) decrease in notes and accounts receivable - related parties	(641,379)	187,900
Decrease (increase) in prepayments	95,604	(173,761)
Decrease (increase) in other current assets	6,604	(14,047)
Decrease in other financial assets	39,924	140,237
Decrease in net defined benefit assets, non-current-	52	-
Total net changes in operating assets	(309,929)	(91,225)
Net changes in operating liabilities:		
Increase (decrease) in contract liabilities	941,489	(311,381)
Increase in notes payable	175,036	504,503
(Decrease) increase in accounts payable	(374,082)	691,176
Decrease in other payables	(63,868)	(53,308)
(Decrease) increase in provisions	(2,443)	19,568
Decrease in other current liabilities	(14,918)	(10,927)
Increase in net defined benefit liabilities	-	38
Increase (decrease) in other non-current liabilities	830	(1,304)
Total net changes in operating liabilities	662,044	838,365
Total net changes in operating assets and liabilities	352,115	747,140
Total adjustments	359,278	729,027
Cash inflow generated from operations	906,619	1,173,104
Interest received	6,422	4,165
Dividend received	18,130	12,870
Interest paid	(2,140)	(895)
Income tax paid	(97,739)	(136,620)
Net cash flows from (used in) operating activities	831,292	1,052,624
Cash flows from (used in) investing activities:		
Acquisition of property, plant and equipment	(80,717)	-
Decrease in other financial assets	640	336
Net cash (outflow) inflow from investing activities	(80,077)	336
Cash flows from (used in) financing activities:		
Increase in short-term loans	531,000	315,000
Decrease in short-term loans	(381,000)	(15,000)
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	(1,455)	(90)
Cash dividend paid	(318,107)	(318,107)
Net cash flows used in financing activities	(169,562)	(18,197)
Net increase in cash and cash equivalents	581,653	1,034,763
Cash and cash equivalents at beginning of the period	2,526,409	1,333,037
Cash and cash equivalents at end of the period	\$ 3,108,062	2,367,800

(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

Third Quarter of 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 November 9, 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.

(2) Impacts of IFRS Endorsed by FSC but yet to come into effect

The following new, revised, and amended standards and interpretations have been approved by the FSC and are applicable from 2021:

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

New, Revised or Amended Standards and Interpretations	Effective date of releases by IASB
Amendments to IFRS 4 "Temporary Exemption from Applying IFRS 9"	January 1, 2021

The group has evaluated and determined that the application of the abovementioned amendments will not have a material impact on the consolidated financial statements.

- (3) Newly issued and amended standards and interpretations yet to be endorsed by the FSC

The table below lists the issued and amended standards and interpretations by IASB yet 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
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 3 "Reference to the Conceptual Framework"	January 1, 2022
Amendments to IFRS 17 " Insurance Contracts"	January 1, 2023
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 "Interest Rate Benchmark Reform - Phase 2"	January 1, 2021

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"	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: <ul style="list-style-type: none"> • Incremental costs (for example, direct labor and materials).

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

Date of issuance	New or amended standards	Main amendments to the content
		<ul style="list-style-type: none"> • 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.

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 as 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			Description
			2020.9.30	2019.12.31	2019.9.30	
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., (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.

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

(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 income 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.

(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

	2020.9.30	2019.12.31	2019.9.30
Cash and petty cash	\$ 710	710	826
Demand deposits	268,176	522,875	693,807
Check deposits	738,332	202,841	781,995
Time deposits	353	-	3,760
Cash equivalents	2,100,491	1,799,983	887,412
Cash and cash equivalents	\$ 3,108,062	2,526,409	2,367,800

The aforementioned cash equivalents are short-term notes, the maturity date of which are in the periods, October - November 2020, January - March 2020, and December 2019, and the interest rate collars are 0.29%~0.32%, 0.53%~0.57%, and 0.56%~0.62%.

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

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).

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

	2020.9.30	2019.12.31	2019.9.30
Financial assets mandatorily measured at fair value through profit or loss:			
Non-derivative financial assets			
TWSE (or TPEX) listed company shares	\$ 39,060	44,054	42,217
Funds	-	30,064	28,044
Total	\$ 39,060	74,118	70,261

As of September 30, 2020, December 31, 2019 and September 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

	2020.9.30	2019.12.31	2019.9.30
Equity instrument measured at fair value through other comprehensive income:			
Domestic TWSE (or TPEX) listed company shares	\$ 424,487	338,952	291,668
Domestic non-TWSE (nor TPEX) listed company shares	5,424	5,920	4,354
Total	\$ 429,911	344,872	296,022

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 September 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 receivable

	2020.9.30	2019.12.31	2019.9.30
Accounts receivable	\$ 412,118	1,127,588	288,715
Less: Allowance for losses	(11,383)	-	-
	\$ 400,735	1,127,588	288,715

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

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:

	2020.9.30		
	Book value of notes and accounts receivable	Weighted average expected credit loss rate	Allowance for lifetime expected credit losses
Not past due	\$ 400,735	-	-
Past due 90 days and above	11,383	100%	11,383
	\$ 412,118		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	-	-

	2019.9.30		
	Book value of notes and accounts receivable	Weighted average expected credit loss rate	Allowance for lifetime expected credit losses
Not past due	\$ 288,715	-	-

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

	January - September 2020	January - September 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:

	2020.9.30	2019.12.31	2019.9.30
ReadyCom eServices Corp.	\$ 21,015	20,506	20,119

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

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

(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:

	Land	Buildings	Transport equipment	Others equipment	Total
Cost or deemed cost:					
Balance on January 1, 2020	\$ 62,430	14,969	1,930	407	79,736
Addition	-	21,344	-	59,373	80,717
Balance on September 30, 2020	\$ 62,430	36,313	1,930	59,780	160,453
Balance on January 1, 2019	\$ 62,430	14,969	1,930	407	79,736
Balance on September 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	-	768	8	4,585	5,361
Balance on September 30, 2020	\$ -	15,105	1,884	4,992	21,981
Balance on January 1, 2019	\$ -	14,068	1,823	407	16,298
Depreciation for the year	-	233	40	-	273
Balance on September 30, 2019	\$ -	14,301	1,863	407	16,571
Book value:					
January 1, 2020	\$ 62,430	632	54	-	63,116
September 30, 2020	\$ 62,430	21,208	46	54,788	138,472
January 1, 2019	\$ 62,430	901	107	-	63,438
September 30, 2019	\$ 62,430	668	67	-	63,165

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

(7) Investment property

	Land and buildings
Book value:	
January 1, 2020	\$ 102,544
September 30, 2020	\$ 102,194
January 1, 2019	\$ 103,010
September 30, 2019	\$ 102,660

There is no recognition or reversal regarding major acquisition, disposition and impairment of the group's investment property in the period from January 1 to September 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(7) of the 2019 annual consolidated financial statements.

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

As of September 30, 2020, December 31, 2019, and September 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:

	2020.9.30	2019.12.31	2019.9.30
Unsecured bank loans	<u>\$ 300,000</u>	<u>150,000</u>	<u>300,000</u>
Unused limit	<u>\$ 4,379,811</u>	<u>3,571,975</u>	<u>3,612,196</u>
Interest rate collars	<u>1.1%</u>	<u>1.6%</u>	<u>1.6%</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

	January - September 2020	January - September 2019
Balance of warranty provisions as of January 1	\$ 102,482	79,261
Additional provisions for the current period	345	23,131
Provisions used in the current period	(2,788)	(3,563)
Balance of warranty provisions as of September 30	<u>\$ 100,039</u>	<u>98,829</u>

The aforementioned provisions for warranties for the period January 1 to September 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 is listed as follows according to the non-discounted future cash flows of lease receivable after the reporting date:

	2020.9.30	2019.12.31	2019.9.30
Less than 1 year	\$ 3,555	6,074	3,555
1~2 years	1,264	2,715	2,715
2~3 years	-	580	1,264
Non-discounted future cash flows of lease	<u>\$ 4,819</u>	<u>9,369</u>	<u>7,534</u>

The rent income generated from investment property for the periods from July 1 to September 30, 2020 and 2019, and January 1 to September 30, 2020 and 2019 are NTD 1,525 thousand, NTD 1,526 thousand, NTD 4,558 thousand, and NTD 4,556 thousand, respectively. There have not been major maintenance or repair expenses incurred.

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

(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:

	July - September 2020	July - September 2019	January - September 2020	January - September 2019
Operating costs	\$ 123	94	529	343
Administrative expenses	42	25	145	107
Total	\$ 165	119	674	450

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.

	July - September 2020	July - September 2019	January - September 2020	January - September 2019
Operating costs	\$ 4,165	4,005	12,286	12,573
Administrative expenses	1,307	1,370	3,885	3,849
Total	\$ 5,472	5,375	16,171	16,422

3. Short-term compensated absence liabilities

Details on employee benefit liabilities are as follows:

	2020.9.30	2019.12.31	2019.9.30
Short-term compensated absence liabilities	\$ 14,198	14,543	13,683

(12) Income tax

Income tax expense is the best estimate of the amount that net income 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:

	July - September 2020	July - September 2019	January - September 2020	January - September 2019
Current income tax expenses				
Accrued in current year	\$ 27,546	22,061	110,148	88,926
Surtax on unappropriated retained earnings	-	-	3,554	3,380
Adjustments to income tax expenses of previous period	-	884	(1,904)	(3,337)
	27,546	22,945	111,798	88,969
Deferred income tax expense				
Occurrence and reversal of temporary differences	182	(855)	550	(2,809)
Income tax expenses	\$ 27,728	22,090	112,348	86,160

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

2. The tax fillings of the group were assessed by the tax collecting agencies for the year ended on December 31, 2018.

(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 September 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:

	2020.9.30	2019.12.31	2019.9.30
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	414	361	361
Others	1,437	1,437	1,437
	\$ 518,294	518,241	518,241

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 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

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 share dividends to be distributed in the current year.

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

(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 common shareholders:				
Cash	\$ 3	<u>318,107</u>	3	<u>318,107</u>

3. Other equity (net after tax)

	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	
Balance on January 1, 2020	\$	126,159
Unrealized gain (loss) from financial assets measured at fair value through other comprehensive income		85,019
Balance on September 30, 2020	\$	<u>211,178</u>
Balance on January 1, 2019	\$	3,177
Unrealized gain (loss) from financial assets measured at fair value through other comprehensive income		74,144
Balance on September 30, 2019	\$	<u>77,321</u>

(14) Earnings per share

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

	July - September 2020	July - September 2019	January - September 2020	January - September 2019
Basic earnings per share				
Net income attributable to the holders of ordinary shares of the company	\$ <u>126,176</u>	<u>95,733</u>	<u>434,991</u>	<u>357,908</u>
Weighted average number of ordinary shares outstanding	<u>106,036</u>	<u>106,036</u>	<u>106,036</u>	<u>106,036</u>
	\$ <u>1.19</u>	<u>0.90</u>	<u>4.10</u>	<u>3.38</u>
Diluted earnings per share				
Net income attributable to the holders of ordinary shares of the company	\$ <u>126,176</u>	<u>95,733</u>	<u>434,991</u>	<u>357,908</u>
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	114	129	161	179

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

	<u>July - September 2020</u>	<u>July - September 2019</u>	<u>January - September 2020</u>	<u>January - September 2019</u>
Weighted average number of ordinary shares outstanding (after adjusting the impact of diluted potential ordinary shares)	106,150	106,165	106,197	106,215
	\$ 1.19	0.90	4.10	3.37

(15) Revenue from contracts with customers

1. Disaggregation of revenue

	<u>July - September 2020</u>	<u>July - September 2019</u>	<u>January - September 2020</u>	<u>January - September 2019</u>
Timing of revenue recognition:				
Gradually transferred construction over time	\$ 3,423,811	2,824,409	10,228,631	8,304,931
Gradually transferred service over time	2,442	1,526	5,475	4,556
	\$ 3,426,253	2,825,935	10,234,106	8,309,487

2. Contract balances

	<u>2020.9.30</u>	<u>2019.12.31</u>	<u>2019.9.30</u>
Notes and accounts receivable (incl. related party)	\$ 2,966,872	3,040,963	2,737,463
Less: Allowance for losses	(11,383)	-	-
Total	\$ 2,955,489	3,040,963	2,737,463
Contract asset construction-	\$ 2,144,896	1,594,708	1,909,824
Less: Allowance for losses	-	-	-
Total	\$ 2,144,896	1,594,708	1,909,824
Contract liabilities - construction-	\$ 1,929,600	988,111	649,459

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 September 30, 2020 and 2019.

(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 1,586 thousand, NTD 1,207 thousand, NTD 5,627 thousand, and NTD 4,525 thousand, and the estimated remunerations to directors and supervisors amounted to NTD 3,170 thousand, NTD 2,414 thousand, NTD 11,253 thousand, and NTD 9,049 thousand for the periods from July 1 to September 30, 2020 and 2019, and January 1 to September 30, 2020 and 2019, respectively. These

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

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:

	July - September 2020	July - September 2019	January - September 2020	January - September 2019
Loans and receivables	\$ 1,532	1,705	5,762	3,818
Bank deposits	21	36	257	358
	\$ 1,553	1,741	6,019	4,176

2. Other income

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

	July - September 2020	July - September 2019	January - September 2020	January - September 2019
Dividend income	\$ 17,718	12,540	18,130	12,870
Rent income	3	3	9	9
Other income	1,302	1,364	2,158	4,953
	\$ 19,023	13,907	20,297	17,832

3. Other gains or losses

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

	July - September 2020	July - September 2019	January - September 2020	January - September 2019
Gains (losses) on financial assets measured at fair value through profit or loss	\$ (2,315)	326	(11,074)	3,086
Miscellaneous disbursements	(1)	-	(81)	-
	\$ (2,316)	326	(11,155)	3,086

4. Financial costs

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

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

	July - September 2020	July - September 2019	January - September 2020	January - September 2019
Interest expense				
Bank loans	\$ 812	823	1,989	826
Others	11	21	151	69
	\$ 823	844	2,140	895

(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.

	Book value	Contract cash flow	Less than 1 year	1-3 years-	3-5 years-	Over 5 years
September 30, 2020						
Non-derivative financial liabilities						
Unsecured bank loans	\$ 300,000	303,025	303,025	-	-	-
Notes payable	536,947	536,947	536,947	-	-	-
Accounts payable	3,225,269	3,225,269	1,194,157	2,031,112	-	-
Other payables	195,019	195,019	195,019	-	-	-
Other current liabilities (lease liabilities)	2,081	2,652	2,652	-	-	-
Other non-current liabilities (lease liabilities)	8,180	9,471	-	2,972	2,005	4,494
	\$ 4,267,496	4,272,383	2,231,800	2,034,084	2,005	4,494
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
	\$ 4,189,856	4,192,453	2,694,561	1,492,858	393	4,641
September 30, 2019						
Non-derivative financial liabilities						
Unsecured bank loans	\$ 300,000	304,000	304,000	-	-	-
Notes payable	899,427	899,427	899,427	-	-	-
Accounts payable	3,347,574	3,347,574	1,831,455	1,516,119	-	-
Other payables	18,018	18,018	18,018	-	-	-
Other current liabilities (lease liabilities)	121	197	197	-	-	-
Other non-current liabilities (lease liabilities)	4,335	5,476	-	393	393	4,690
	\$ 4,569,475	4,574,692	3,053,097	1,516,512	393	4,690

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.

**Notes to the Consolidated Financial Statements of KEDGE CONSTRUCTION CO.,
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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 - September 2020		January - September 2019	
	After-tax other comprehensive		After-tax other comprehensive	
	income	After-tax profit or loss	income	After-tax profit or loss
Increased by 10%	\$ 42,449	3,906	29,602	4,222
Decreased by 10%	\$ (42,449)	(3,906)	(29,602)	(4,222)

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 revealed according to provisions) are listed as follows:

	2020.9.30				
	Book value	Fair 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	\$ 39,060	39,060	-	-	39,060
Financial assets at fair value through other comprehensive income	\$ 429,911	424,487	-	5,424	429,911
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 3,108,062	-	-	-	-
Notes and accounts receivable (incl. related party)	2,955,489	-	-	-	-
Other financial assets - current-	203,309	-	-	-	-
Other financial assets - non-current-	7,315	-	-	-	-
Subtotal	6,274,175	-	-	-	-
Total	\$ 6,743,146	463,547	-	5,424	468,971
Financial liabilities measured at amortized cost					
Short-term loans	\$ 300,000	-	-	-	-
Notes and accounts payables	3,762,216	-	-	-	-
Other current liabilities (lease liabilities)	2,081	-	-	-	-
Other non-current liabilities (lease	8,180	-	-	-	-

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

		2020.9.30				
		Fair value				
	Book value	Level 1	Level 2	Level 3	Total	
liabilities)						
Other payables	195,019	-	-	-	-	
Total	\$ 4,267,496	-	-	-	-	
		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	-	-	-	-	
		2019.9.30				
		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	\$ 70,261	70,261	-	-	70,261	
Financial assets at fair value through other comprehensive income	\$ 296,022	291,668	-	4,354	296,022	
Financial assets measured at amortized cost						
Cash and cash equivalents	\$ 2,367,800	-	-	-	-	
Notes and accounts receivable (incl. related party)	2,737,463	-	-	-	-	
Other financial assets - current-	201,640	-	-	-	-	
Other financial assets -	8,906	-	-	-	-	

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

	2019.9.30				
	Book value	Fair value			
		Level 1	Level 2	Level 3	Total
non-current-Subtotal	5,315,809	-	-	-	-
Total	<u>\$ 5,682,092</u>	<u>361,929</u>	<u>-</u>	<u>4,354</u>	<u>366,283</u>
Financial liabilities measured at amortized cost					
Short-term loans	\$ 300,000	-	-	-	-
Notes and accounts payables	4,247,001	-	-	-	-
Other payables	18,018	-	-	-	-
Other current liabilities (lease liabilities)	121	-	-	-	-
Other non-current liabilities (lease liabilities)	4,335	-	-	-	-
Total	<u>\$ 4,569,475</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

(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
September 30, 2020	\$ 5,424	-	5,424
January 1, 2019	\$ 4,571	-	4,571
September 30, 2019	\$ 4,354	-	4,354

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 September 30, 2020 and 2019 are as follows:

	July - September 2020	July - September 2019	January - September 2020	January - September 2019
Total profit or loss				
Recognized in other comprehensive income (reported in "Unrealized loss on valuation of financial assets measured at fair value through other comprehensive income")	\$ (115)	(514)	(496)	(217)

(3) There were no matters of transfer between levels in the periods from January 1 to September 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

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

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:

	2020.9.30	2019.12.31	2019.9.30
Total liabilities	\$ 6,367,609	5,535,726	5,545,998
Less: Cash and cash equivalents	(3,108,062)	(2,526,409)	(2,367,800)
Net liabilities	3,259,547	3,009,317	3,178,198
Total equity	2,943,100	2,741,122	2,646,926
Adjusted capital	\$ 6,202,647	5,750,439	5,825,124
Debt-to-capital ratio	53%	52%	55%

7. Related-Party Transactions

(1) 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.

(2) Name of related parties and relations

The affiliates which have trading with the group within the period of the financial report are as follows:

Name	Relationship
Kindom Development Co., Ltd.	Parent company of the company
Kindom Yu San Education Foundation	The entity's chairman is the first-degree relatives of the company's director

(3) Major transactions with related parties

1. Sales of services to related parties

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

		July - September 2020			
	Nature	Total contract amount	Valuated amount	Current valuation amount	Income recognized in the current period
Parent company - Kindom Development Co., Ltd.	Engineering construction	\$ 16,989,139	1,844,547	1,844,548	1,198,275
		July - September 2019			
	Nature	Total contract amount	Valuated amount	Current valuation amount	Income recognized in the current period
Parent company - Kindom Development Co., Ltd.	Engineering construction	\$ 18,327,530	1,829,233	1,829,233	1,716,839
		January - September 2020			
	Nature	Total contract amount	Valuated amount	Current valuation amount	Income recognized in the current period
Parent company - Kindom Development Co., Ltd.	Engineering construction	\$ 16,989,139	10,220,408	4,361,974	3,572,538

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

		January - September 2019			
		Total contract amount	Valuated amount	Current valuation amount	Income recognized in the current period
Parent company - Kindom Development Co., Ltd.	Nature				
	Engineering construction	\$ 18,327,530	8,999,958	3,841,440	4,257,002

(1) The constructions contracted by the group from the related parties are compliant to the outsourcing regulations of the related parties, 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 September 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 (1.97)% ~ 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	2020.9.30	2019.12.31	2019.9.30
Notes receivable	Parent company - Kindom Development Co., Ltd.	\$ 2,077,013	1,287,602	1,307,764
Accounts receivable	Parent company - Kindom Development Co., Ltd.	477,741	625,773	1,140,984
Contract assets	Parent company - Kindom Development Co., Ltd.	222,428	375,043	337,589
Contract assets (retention receivables)	Parent company - Kindom Development Co., Ltd.	20,261	21,494	30,108
		\$ 2,797,443	2,309,912	2,816,445

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 September 30, 2020, December 31, 2019, and September 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 nine-month period ended September 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.

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

The total contract value is NTD 294 thousand per month. The rent income was for the periods July 1 to September 30, 2020 and 2019, and January 1 to September 30, 2020 and 2019 are NTD 840 thousand, NTD 840 thousand, NTD 2,520 thousand, and NTD 2,520 thousand.

In addition, the group jointly rents office building with the parent company - Kindom Development Co., Ltd., and recognized interest expenses of NTD 18 thousand, NTD 19 thousand, NTD 56 thousand, and NTD 57 thousand for the periods from July 1 to September 30, 2020 and 2019, and January 1 to September 30, 2020 and 2019. As of September 30, 2020, the balance of lease liabilities was NTD 4,335 thousand, and the amount is listed separately in current and non-current other liabilities based on the maturity date.

5. Others

(1) The group donated a total of NTD 4,125 thousand and NTD 3,000 thousand to Kindom Yu San Education Foundation in the period January 1 to September 30, 2020 and 2019 for the promotion of foundation affairs.

(2) The group entered into a professional service contract with Kindom Development Co., Ltd., the parent company, for the provision of engineering research, recommendation, and education by the group at a total contract price of NTD 963 thousand, which was fully settled as at 30 September, 2020.

(4) Major management personnel transactions

Remuneration to major management personnel includes:

	July - September 2020	July - September 2019	January - September 2020	January - September 2019
Short-term employee benefits	\$ 1,633	5,429	50,992	46,412
Benefits after retirement	46	37	139	136
	\$ 1,679	5,466	51,131	46,548

8. Pledged Assets

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

Name of assets	Pledge guarantee object	2020.9.30	2019.12.31	2019.9.30
Other financial assets - current	Loan collaterals and construction guarantees	\$ 169,637	224,488	183,244
Property, plant and equipment, net	Loan collaterals	53,200	53,200	53,218
Investment property, net	Loan collaterals	95,411	95,585	95,643
		\$ 318,248	373,273	332,105

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

9. Significant Contingent Liabilities and Unrecognized Contract Commitments

(1) Significant unrecognized contract commitments:

1. The major construction undertaking by the group as of September 30, 2020, December 31, 2019, and September 30, 2019 amounted to NTD 50,216,647 thousand, NTD 34,837,049 thousand, and NTD 32,367,944 thousand, respectively. The group has collected NTD 23,115,472 thousand, NTD 12,491,856 thousand, and NTD 11,169,978 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 4,125 thousand and NTD 4,000 thousand in 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. As both parties were not able to settle the issue in mediation, the group and the landlord were 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.

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 Type	July - September 2020			July - September 2019		
	Operating cost	Operating expense	Total	Operating cost	Operating expense	Total
Employee benefits expenses						
Salaries and wages	\$ 123,024	44,173	167,197	107,170	40,346	147,516
Labor insurance and national health insurance	9,220	2,305	11,525	6,797	2,431	9,228
Pension expense	4,288	1,349	5,637	4,098	1,396	5,494
Other employee benefits expenses	405	3,053	3,458	(6)	2,011	2,005
Depreciation expense	1,362	3,210	4,572	158	129	287
Depletion	-	-	-	-	-	-
Amortization	-	-	-	-	-	-

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

Function Type	January - September 2020			January - September 2019		
	Operating cost	Operating expense	Total	Operating cost	Operating expense	Total
Employee benefits expenses						
Salaries and wages	\$ 353,717	128,196	481,913	312,244	120,387	432,631
Labor insurance and national health insurance	27,216	6,919	34,135	26,102	6,791	32,893
Pension expense	12,815	4,030	16,845	12,915	3,957	16,872
Other employee benefits expenses	1,091	7,274	8,365	232	5,607	5,839
Depreciation expense	2,033	5,191	7,224	350	388	738
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 January 1, to September 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	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	Endorsement/guarantees provided by parent company to subsidiaries	Endorsement/guarantee provided to subsidiary in China
		Company name	Relation (Note 1)										
0	Kedge Construction	Kindom Development	Parent company and subsidiary	\$ 5,885,834	14,192	14,192	14,192	-	0.48%	5,885,834	-	Y	-
1	Dingtian Construction	Kindom Development	Parent company and subsidiary	54,696	14,192	14,192	14,192	-	25.95%	54,696	-	Y	-
1	"	Kedge Construction	"	8,204,412	1,376,500	1,376,500	1,376,500	-	2,516.64%	16,408,824	-	Y	-

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.

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

(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 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	\$ 19,975	0.10 %	19,975	
Jiequn Investment	Shares - Fubon Financial Holding Co., Ltd.	-	Financial assets at fair value through profit or loss - current	472	19,473	- %	19,473	
"	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	340,312	1.69 %	340,312	
"	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	64,200	0.32 %	64,200	
"	Shares - Global Views - Commonwealth Publishing Co.	-	"	132	5,424	0.59 %	5,424	
"	Shares - Fubon Financial Holding Co., Ltd.	-	Financial assets at fair value through profit or loss - current	419	17,296	- %	17,296	

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:

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

Expressed in thousands of New Taiwan Dollars

Company Name	Name of transaction counterpart	Relation	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.	\$ (4,361,974)	(40.28)%	Payment by installment per contract or equivalent to a general transaction	Equivalent to other transactions	Slightly longer than normal	2,575,015	65.11%	

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	Relation	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	\$ 2,575,015	2.11	-	-	559,988	-

9. Derivative financial instrument transactions: None.

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

No.	Trader's name	Counterparty	Nature of Relationship	Transactions			As a percentage of consolidated revenue or total assets
				Account	Amount	Terms and conditions	
0	Kedge Construction	Guanqing Electromechanical	1	Contract liabilities	\$ 8,670	Equivalent to a general transactions	0.09%
0	"	"	1	Notes and accounts payables	34,981	"	0.38%
0	"	"	1	Operating costs	107,030	"	1.05%
0	"	Dingtian Construction	1	Contract liabilities	12,636	"	0.14%
0	"	"	1	Notes and accounts payables	17,039	"	0.18%
0	"	"	1	Operating costs	145,838	"	1.43%
1	Guanqing Electromechanical	Kedge Construction	2	Contract assets	8,670	"	0.09%
1	"	"	2	Notes and accounts receivable	34,981	"	0.38%
1	"	"	2	Operating revenue	107,030	"	1.05%
2	Dingtian Construction	"	2	Contract assets	12,636	"	0.14%
2	"	"	2	Notes and accounts receivable	17,039	"	0.18%
2	"	"	2	Operating revenue	145,838	"	1.43%

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

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

the consolidated financial report.

(2) Information on investees

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

Expressed in thousands of New Taiwan Dollars/thousands shares

Investor	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%	446,744	8,386	8,384	Subsidiaries
Kedge Construction	Guangjing Electromechanical	Taiwan	Electrical equipment installation and fire safety equipment installation industry, etc.	81,326	81,326	7,747	99.96%	217,108	1,469	1,468	"
Jiequn Investment	Dingtian Construction	Taiwan	The comprehensive construction industry, etc.	16,500	16,500	-	30.00%	16,409	1,266	380	Second-tier subsidiary
Guangjing Electromechanical	Dingtian Construction	Taiwan	The comprehensive construction industry, etc.	11,105	11,105	-	70.00%	38,287	1,266	886	"
Dingtian Construction	ReadyCom eServices Corp.	Taiwan	Information software services and management consultants, etc.	15,000	15,000	1,400	46.67%	21,015	1,090	509	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.