

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

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

**From January 1 to March 31, 2022 and 2021**

**Company Address: 6F., No. 131, Sec. 3, Heping E. Rd., Taipei City, Taiwan,  
R.O.C.**

**Telephone: (02) 23786789**

*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 March 31, 2022, and 2021, the consolidated statements of comprehensive income, changes in equity, and cash flows for the three-month periods from January 1 to March 31, 2022 and 2021 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 statements 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 statements 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 statements do not present fairly, in all material aspects of the consolidated financial position of Kedge Construction Co., Ltd. and its subsidiaries as of March 31, 2022 and 2021 and their consolidated financial performance and their consolidated cash flows for the three-month periods then ended in accordance with the "Regulations Governing the Preparation of Financial Reports by Public Banks," "Regulations Governing the Preparation of Financial Reports by Securities Issuers," and "IAS 34 - Interim Financial Reporting" approved and issued by FSC.

KPMG

Taipei, Taiwan

Republic of China

May 6, 2022

### 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' 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' report and consolidated financial statements shall prevail.*



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

**KEDGE CONSTRUCTION CO., LTD. and Subsidiaries  
Consolidated Statements of Comprehensive Income  
January 1 to March 31, 2022 and 2021**

**Unit: NT\$ thousand**

		<u>Jan. - Mar. 2022</u>		<u>Jan. - Mar. 2021</u>	
		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
4000	<b>Operating revenue (Note 6(10), (15) and 7)</b>	\$ 2,193,887	100	2,645,265	100
5000	<b>Operating costs (Note 6(11) and 12)</b>	1,958,196	89	2,445,620	92
	<b>Gross profit from operations</b>	235,691	11	199,645	8
	<b>Operating expenses:</b>				
6200	Administrative expenses (Note 6(11), (16), 7 and 12)	66,001	3	66,425	3
	<b>Net Operating Profit</b>	169,690	8	133,220	5
	<b>Non-operating income and expenses:</b>				
7100	Interest income (Note 6(17))	1,207	-	1,469	-
7010	Other income (Note 6(17))	8,271	-	132	-
7020	Other gains and losses (Note 6(17))	678	-	9,276	-
7050	Financial costs (Note 6(17))	(527)	-	(172)	-
7060	Share of profit and loss associates and joint ventures accounted for using the equity method (Note 6(5))	29	-	8	-
		9,658	-	10,713	-
	<b>Net income before tax from continuing operating department</b>	179,348	8	143,933	5
7950	<b>Less: Income tax expenses (Note 6(12))</b>	34,557	1	26,968	1
	<b>Profit</b>	144,791	7	116,965	4
8300	<b>Other comprehensive income:</b>				
8310	<b>Items that will not be reclassified to profit or loss</b>				
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	(19,157)	(1)	63,719	3
8300	<b>Other comprehensive income, net</b>	(19,157)	(1)	63,719	3
	<b>Total Comprehensive Income for the Current Period</b>	<b>\$ 125,634</b>	<b>6</b>	<b>180,684</b>	<b>7</b>
	<b>Net income attributable to:</b>				
	Owners of the parent company	\$ 144,791	7	116,962	4
8620	Non-controlling interests	-	-	3	-
		<b>\$ 144,791</b>	<b>7</b>	<b>116,965</b>	<b>4</b>
	<b>Total comprehensive income attributable to:</b>				
	Owners of the parent company	\$ 125,639	6	180,665	7
	Non-controlling interests	(5)	-	19	-
		<b>\$ 125,634</b>	<b>6</b>	<b>180,684</b>	<b>7</b>
	<b>Earnings per share (NT\$) (Note 6(14))</b>				
9750	<b>Basic earnings per share (NT\$)</b>	<b>\$ 1.37</b>		<b>1.10</b>	
9850	<b>Diluted earnings per share (NT\$)</b>	<b>\$ 1.35</b>		<b>1.10</b>	

**(Please see the Notes to the Consolidated Financial Statements)**

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

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

**Consolidated Statements of Changes in Equity**

**January 1 to March 31, 2022 and 2021**

**Unit: NT\$ thousand**

	Equity Attributable to the Owners of the Parent Company								
	Share Capital		Retained earnings			Other equity interest	Total equity attributable to owners of the parent company	Non-controlling interests	Total equity
	Common stock	Capital surplus	Legal reserve	Unappropriated earnings	Total	Unrealized gains (losses) from financial assets at fair value through other comprehensive income			
<b>Balance as of January 1, 2021</b>	\$ 1,060,357	518,294	282,311	1,063,494	1,345,805	144,653	3,069,109	169	3,069,278
Profit	-	-	-	116,962	116,962	-	116,962	3	116,965
Other Comprehensive Income in the Current Period	-	-	-	-	-	63,703	63,703	16	63,719
Total Comprehensive Income for the Current Period	-	-	-	116,962	116,962	63,703	180,665	19	180,684
<b>Balance as of March 31, 2021</b>	<b>\$ 1,060,357</b>	<b>518,294</b>	<b>282,311</b>	<b>1,180,456</b>	<b>1,462,767</b>	<b>208,356</b>	<b>3,249,774</b>	<b>188</b>	<b>3,249,962</b>
<b>Balance as of January 1, 2022</b>	\$ 1,060,357	518,401	345,082	1,357,896	1,702,978	229,197	3,510,933	206	3,511,139
Profit	-	-	-	144,791	144,791	-	144,791	-	144,791
Other Comprehensive Income in the Current Period	-	-	-	-	-	(19,152)	(19,152)	(5)	(19,157)
Total Comprehensive Income for the Current Period	-	-	-	144,791	144,791	(19,152)	125,639	(5)	125,634
Unclaimed dividends after effective period	-	139	-	-	-	-	139	-	139
<b>Balance as of March 31, 2022</b>	<b>\$ 1,060,357</b>	<b>518,540</b>	<b>345,082</b>	<b>1,502,687</b>	<b>1,847,769</b>	<b>210,045</b>	<b>3,636,711</b>	<b>201</b>	<b>3,636,912</b>

**(Please see the Notes to the Consolidated Financial Statements)**

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

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

**Consolidated Statements of Cash Flows**

**January 1 to March 31, 2022 and 2021**

**Unit: NT\$ thousand**

	<u>Jan. - Mar. 2022</u>	<u>Jan. - Mar. 2021</u>
<b>Cash flows from operating activities:</b>		
<b>Profit before tax</b>	\$ 179,348	143,933
<b>Adjustments:</b>		
Adjustments to reconcile profit (loss)		
Depreciation expense	3,648	4,841
Net gain on financial assets and liabilities measured at fair value through profit or loss	(678)	(9,243)
Interest expense	527	172
Interest income	(1,207)	(1,469)
Share of profit of associates and joint ventures using equity method recognition	(29)	(8)
Gains on disposal and scrap of property, plant and equipment	-	(33)
Total adjustments to reconcile profit (loss)	<u>2,261</u>	<u>(5,740)</u>
<b>Changes in operating assets and liabilities:</b>		
<b>Changes in operating assets:</b>		
Decrease (increase) in contract assets	159,429	(442,641)
Decrease in notes and accounts receivable	293,270	305,662
Notes and accounts receivable - decrease in related parties	48,125	1,043,399
Decrease (increase) in prepayments	(14,819)	10,618
Increase in other financial instruments - current	(77,124)	(17,622)
Decrease in other financial assets	107,832	12,804
Decrease in net defined benefit assets-non-current	48	50
Total changes in operating assets	<u>516,761</u>	<u>912,270</u>
<b>Total changes in operating liabilities:</b>		
Increase (decrease) in contract liabilities	1,413,439	(393,705)
Decrease in notes payable	(82,694)	(69,748)
(Decrease) increase in accounts payable	(446,046)	45,995
Decrease in other payables	(75,280)	(121,896)
Decrease in provisions	(3,163)	(1,222)
Increase in other current liabilities	2,063	25,402
Decrease in other non-current liabilities	(733)	(269)
Total changes in operating liabilities	<u>807,586</u>	<u>(515,443)</u>
Total changes in operating assets and liabilities	<u>1,324,347</u>	<u>396,827</u>
Total adjustments	<u>1,326,608</u>	<u>391,087</u>
Cash inflow generated from operations	1,505,956	535,020
Interests received	1,247	1,898
Interest payment	(527)	(172)
Income taxes paid	(117)	(184)
<b>Net cash flows from (used in) operating activities</b>	<u>1,506,559</u>	<u>536,562</u>
<b>Cash flows from investing activities:</b>		
Acquisition of property, plant and equipment	-	(2,864)
Disposal of property, plant and equipment	-	76
Decrease in other financial assets	573	514
<b>Net cash flows generated from (used in) investing activities</b>	<u>573</u>	<u>(2,274)</u>
<b>Cash flows from financing activities:</b>		
Increase in short-term loans	110,000	-
Decrease in short-term loans	(310,000)	(150,000)
Increase in short-term promissory notes payable	50,000	100,000
Decrease in short-term promissory notes payable	(50,000)	(100,000)
Repayment of lease principal amount	(443)	(618)
<b>Net cash outflows from financing activities</b>	<u>(200,443)</u>	<u>(150,618)</u>
Net increase in cash and cash equivalents	1,306,689	383,670
Opening balance of cash and cash equivalents of the period	4,024,912	4,108,192
Ending balance of cash and cash equivalents of the period	<u>\$ 5,331,601</u>	<u>4,491,862</u>

(Please see the Notes to the Consolidated Financial Statements)

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

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

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

**Notes to the Consolidated Financial Statements**

**From January 1 to March 31, 2022 and 2021**

**(Unless otherwise stated, the unit for all amounts is in NT\$ thousands.)**

**1. Company Overview**

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., Taipei City, Taiwan. The main business items of the Company and its subsidiaries (hereinafter referred to as "the Consolidated Company") are comprehensive construction and the development, lease, sale, etc. of housing and building.

**2. The Approval Date and Procedures of the Financial Report**

The consolidated financial statements were approved and issued on May 6, 2022 by the Board of Directors.

**3. Application of Newly Issued and Revised Standards and Interpretations**

(1) The Impact of Adopting Newly Released and Revised Standards and Interpretations Endorsed by the Financial Supervisory Commission

The group has adopted the newly recognized IFRSs specified above since January 1, 2022, and assessed that the application will not have a material impact on the consolidated financial statements.

- Amendments to IAS 16 "Property, Plant and Equipment - Proceeds before Intended Use"
- Amendments to IAS 37 "Onerous Contracts - Cost of Fulfilling a Contract"
- Annual Improvements to IFRS Standards during 2018-2020 Cycle
- Amendments to IFRS 3, "Reference to the Conceptual Framework"

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

For IFRSs issued by IASB but not yet endorsed by the FSC, the impact on the Consolidated Company are as follows:

New or amended standards	Main amendments to the content	The effective date of issuance by IASB
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	January 1, 2023



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

balance sheet.

The amendments also clarify the classification requirements for debts that may be repaid through convert into equity.

The Consolidated Company 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 Consolidated Company will disclose relevant impacts when the evaluation is completed.

The Consolidated Company expects that the following newly published and amended IFRS unendorsed will not result in a material impact on the consolidated financial statements.

- Amendments to IFRS 10 and IAS 28, "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"
- IFRS 17, "Insurance Contracts," and amendments to IFRS 17
- Amendments to IAS 1, "Disclosure of Accounting Policies"
- Amendments to IAS 8, "Definition of Accounting Estimates"
- Amendments to IAS 12 "Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction"

**4. Summary of Significant Accounting Policies**

(1) Compliance Statement

The consolidated financial statements 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 the FSC. The consolidated financial statements do not contain all necessary information that should be disclosed in the annual consolidated financial statements in accordance with the International Financial Reporting Standards, International Accounting Standard, and the explanations and interpretations endorsed by the FSC (hereinafter referred to as the "IFRSs endorsed by the FSC"). Apart from the matters described in the following paragraphs, the major accounting policies adopted by the consolidated financial statements are the same as those adopted by the 2021 consolidated financial statements. For related information, please refer to Note 4 to the 2021 consolidated financial statements.

(2) Foundation of Consolidation

1. Subsidiaries Included in the Consolidated Financial Statements

Name of investment company	Subsidiaries	Nature of business	Percentage of ownership			Explanation
			2022.3.31	2021.12.31	2021.3.31	
The Company	Guanqing Electromechani	Electrical equipment	99.96%	99.96%	99.96%	holds directly more than 50%

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

	cal Co., Ltd. (Guanqing Electromechani cal)	installation and fire safety equipment installation, etc.				of the issued voting share in the subsidiary.
The Company	Jiequn Investment Co., Ltd. (Jiequn Investment)	General Investment	99.98%	99.98%	99.98%	holds directly more than 50% of the issued voting share in the subsidiary.
Jointly held by Guanqing Electromec hanical and Jiequn Investment	Dingtian Construction Co., (Dingtian Construction)	The comprehensive construction industry, etc.	100.00%	100.00%	100.00%	holds indirectly more than 50% of the issued voting share in the subsidiary.

2. Subsidiaries not Included in the Consolidated Financial Statements: 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 income before tax for the period multiplies by the management's 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. The 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 Key Sources of Estimation and Assumption Uncertainty**

The preparation of the consolidated financial statements in conformity with IAS 34 - Interim Financial Reporting endorsed by the 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.

The actual results may differ from the 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 to the 2021 consolidated financial statements.

**6. Descriptions of Significant Accounting Items**

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

Apart from the matters described in the following paragraphs, the descriptions of significant accounting items in the consolidated financial statements bear no significant difference from those adopted by the 2021 consolidated financial statements. For related information, please refer to Note 6 to the 2021 consolidated financial statements.

(1) Cash and cash equivalents

	<u>2022.3.31</u>	<u>2021.12.31</u>	<u>2021.3.31</u>
Cash and petty cash	\$ 410	510	610
Demand deposits	3,735,179	2,210,307	116,196
Check deposits	787,501	1,078,350	607,836
Time deposits	826	-	-
Cash equivalents	<u>807,685</u>	<u>735,745</u>	<u>3,767,220</u>
Cash and cash equivalents	<u><b>\$ 5,331,601</b></u>	<u><b>4,024,912</b></u>	<u><b>4,491,862</b></u>

The aforementioned cash equivalents are short-term bills, whose maturity ranges are April in 2022, between January and February in 2022, and between April and June in 2021, and the interest rate ranges are 0.28%~0.40%, 0.25%~0.26% and 0.20%~0.25%, respectively.

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

(2) Financial Assets at Fair Value through Profit or Loss

	<u>2022.3.31</u>	<u>2021.12.31</u>	<u>2021.3.31</u>
Financial assets mandatorily measured at fair value through profit or loss:			
Non-derivative financial assets			
TWSE (or TPEX) listed company shares	<u><b>\$ 81,400</b></u>	<u><b>80,722</b></u>	<u><b>53,282</b></u>

As of March 31, 2022, December 31, 2021, and March 31, 2021, none of the financial assets of the group has been pledged as collateral.

(3) Financial Assets at Fair Value through Other Comprehensive Income

	<u>2022.3.31</u>	<u>2021.12.31</u>	<u>2021.3.31</u>
Equity instruments measured at fair value through other comprehensive income			
Domestic TWSE (or TPEX) listed company shares - Kindom Development Co., Ltd.	\$ 422,037	441,328	420,236
Domestic stocks listed in TWSE or TPEX - Fubon Financial C Special	1,241	1,240	-
Domestic non-TWSE (nor TPEX) listed company shares -	6,766	6,633	6,853

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

Commonwealth Publishing Company			
Unlisted domestic stocks - Taiwan Calcom International Computer Graphic Co., Ltd.	-	-	-
Total	<u>\$ 430,044</u>	<u>449,201</u>	<u>427,089</u>

1. Equity instrument investments measured at fair value through other comprehensive income  
The equity instrument investment held by the Consolidated Company 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 periods from January 1 to March 31, 2022 and 2021. The accumulated gains and losses in that period have not been transferred within the equity.
  3. None of the financial assets of the Consolidated Company has been pledged as collateral.
  4. Please refer to Note 6 (18) for credit risk (including impairment of debt instrument investment) and market risk information.
- (4) Notes and accounts receivable

	<u>2022.3.31</u>	<u>2021.12.31</u>	<u>2021.3.31</u>
Accounts Receivable	\$ 719,143	1,012,413	633,782
Less: Loss allowance	<u>(7,551)</u>	<u>(7,551)</u>	-
	<u>\$ 711,592</u>	<u>1,004,862</u>	<u>633,782</u>

The Consolidated Company 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 Consolidated Company considers the past default records of clients, the current financial circumstances, the industrial economic situation, and the industrial outlook at the same time. The expected credit loss of notes receivable and accounts receivable of the Consolidated Company is analyzed as follows:

	<u>2022.3.31</u>		
	<b>The carrying amount of notes receivable and accounts receivable</b>	<b>Weighted average expected credit loss rate</b>	<b>Allowance of lifetime expected credit losses</b>
Not past due	\$ 711,592	-	-
Past due 90 days and above	<u>7,551</u>	100%	<u>7,551</u>
	<u>\$ 719,143</u>		<u>7,551</u>
	<u>2021.12.31</u>		

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

	<b>The carrying amount of notes receivable and accounts receivable</b>	<b>Weighted average expected credit loss rate</b>	<b>Allowance of lifetime expected credit losses</b>
Not past due	\$ 1,004,862	-	-
Past due 90 days and above	7,551	100%	7,551
	<b><u>\$ 1,012,413</u></b>		<b><u>7,551</u></b>

**2021.3.31**

	<b>The carrying amount of notes receivable and accounts receivable</b>	<b>Weighted average expected credit loss rate</b>	<b>Allowance of lifetime expected credit losses</b>
Not past due	<b><u>\$ 633,782</u></b>	-	-

Changes of loss allowance of notes receivable and accounts receivable of the Consolidated Company is as follows:

	<b>Jan. - Mar. 2022</b>	<b>Jan. - Mar. 2021</b>
Beginning balance (same as Ending Balance)	<b><u>\$ 7,551</u></b>	<b><u>-</u></b>

As of March 31, 2022, December 31, 2021, and March 31, 2021, none of the receivables of the group has been pledged as collateral.

(5) Investments accounted for using equity method

The investment of the Consolidated Company using the equity method on the reporting date is as follows:

	<b>2022.3.31</b>	<b>2021.12.31</b>	<b>2021.3.31</b>
ReadyCom eServices Corp.	<b><u>\$ 15,149</u></b>	<b><u>15,120</u></b>	<b><u>20,515</u></b>

As of March 31, 2022, December 31, 2021, and March 31, 2021, none of the investments accounted for using equity method of the group has been pledged as collateral.

(6) Property, Plant and Equipment

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

	<b>Land</b>	<b>Houses and buildings</b>	<b>Transportati on equipment</b>	<b>Others equipment</b>	<b>Total</b>
Cost or deemed cost:					
Balance as of January 1, 2022	\$ 62,430	36,313	-	63,033	161,776
Disposal	-	(21,345)	-	(4,044)	(25,389)

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

Reclassification	53,200	12,667	-	-	65,867
Balance as of March 31, 2022	<u>\$ 115,630</u>	<u>27,635</u>	-	<u>58,989</u>	<u>202,254</u>
Balance as of January 1, 2021	\$ 62,430	36,313	1,930	58,969	159,642
Additions	-	-	-	2,864	2,864
Disposal	-	-	(1,930)	-	(1,930)
Balance as of March 31, 2021	<u>\$ 62,430</u>	<u>36,313</u>	-	<u>61,833</u>	<u>160,576</u>
Depreciation and impairment losses:					
Balance as of January 1, 2022	\$ -	35,830	-	23,299	59,129
Depreciation for the year	-	77	-	3,065	3,142
Disposal	-	(21,345)	-	(4,044)	(25,389)
Reclassification	7,000	6,177	-	-	13,177
Balance as of March 31, 2022	<u>\$ 7,000</u>	<u>20,739</u>	-	<u>22,320</u>	<u>50,059</u>
Balance as of January 1, 2021	\$ -	16,190	1,887	7,826	25,903
Depreciation for the year	-	1,086	-	3,007	4,093
Disposal	-	-	(1,887)	-	(1,887)
Balance as of March 31, 2021	<u>\$ -</u>	<u>17,276</u>	-	<u>10,833</u>	<u>28,109</u>
Carrying amount:					
as of January 1, 2022	<u>\$ 62,430</u>	<u>483</u>	-	<u>39,734</u>	<u>102,647</u>
as of March 31, 2022	<u>\$ 108,630</u>	<u>6,896</u>	-	<u>36,669</u>	<u>152,195</u>
January 1, 2021	<u>\$ 62,430</u>	<u>20,123</u>	43	<u>51,143</u>	<u>133,739</u>
March 31, 2021	<u>\$ 62,430</u>	<u>19,037</u>	-	<u>51,000</u>	<u>132,467</u>

As of March 31, 2022, December 31, 2021, and March 31, 2021, for information regarding the group's property, plant and equipment pledged as collateral, please refer to Note 8.

(7) Investment Property

	<u>Land, houses and buildings</u>
Cost or deemed cost:	
Balance as of January 1, 2022	\$ 127,549
Transferred to inventory and property, plant and equipment	(65,867)
Balance as of March 31, 2022	<u>\$ 61,682</u>
Balance as of January 1, 2021	\$ 127,549
Balance as of March 31, 2021	<u>\$ 127,549</u>
Depreciation and impairment losses:	
Balance as of January 1, 2022	\$ 25,938

**Notes to the Consolidated Financial Statements of KEDGE CONSTRUCTION CO., LTD.  
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Depreciation for the year	58
Transferred to inventory and property, plant and equipment	<u>(13,177)</u>
Balance as of March 31, 2022	<u><b>\$ 12,819</b></u>
Balance as of January 1, 2021	\$ 25,472
Depreciation for the year	<u>117</u>
Balance as of March 31, 2021	<u><b>\$ 25,589</b></u>
Carrying amount:	
as of January 1, 2022	<u><b>\$ 101,611</b></u>
as of March 31, 2022	<u><b>\$ 48,863</b></u>
January 1, 2021	<u><b>\$ 102,077</b></u>
March 31, 2021	<u><b>\$ 101,960</b></u>

There is no significant difference between the fair value or the investment property of the group and the information disclosed in Note 6(7) to the 2021 annual consolidated financial statements. As of March 31, 2022, December 31, 2021, and March 31, 2021, for information regarding the group's investment property pledged as collateral, please refer to Note 8.

(8) Short-term loans

Details on short-term loans of the Consolidated Company were as follows:

	<b>2022.3.31</b>	<b>2021.12.31</b>	<b>2021.3.31</b>
Unsecured bank loans	<u>\$ -</u>	<u>200,000</u>	<u>-</u>
Unused limit	<u><b>\$ 4,913,773</b></u>	<u><b>4,462,680</b></u>	<u><b>4,454,322</b></u>
Interest rate interval	<u>-</u>	<u><b>1.05%</b></u>	<u>-</u>

For details of the Consolidated Company's interest rate risk and liquidity risk, please refer to Note 6(18).

Please refer to Note 8 for details of the collateral of the Consolidated Company's asset pledged for bank loans.

(9) Provisions

	<b>Jan. - Mar. 2022</b>	<b>Jan. - Mar. 2021</b>
Balance of warranty provisions as of January 1	\$ 181,626	150,363
Provisions used in the current period	(2,163)	(1,222)
Reversal of provisions for the current period	<u>(1,000)</u>	<u>-</u>
Balance of warranty provisions as of March 31	<u><b>\$ 178,463</b></u>	<u><b>149,141</b></u>

For the periods from January 1 to March 31, 2022 and 2021, the warranty provisions of the group are mainly related to construction contracting. The warranty provisions are estimated based on the historical warranty data of various constructions. The group expects that the liability will occur mostly one year after the construction acceptance.

**Notes to the Consolidated Financial Statements of KEDGE CONSTRUCTION CO., LTD.  
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(10) Operating lease

For the periods from January 1 to March 31, 2022 and 2021, the group has no significant new contract of operating leases. For related information, please refer to Note 6(10) to the 2021 consolidated financial statements.

(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 the actuated amount on December 31, 2021 and 2020.

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

	<b>Jan. - Mar. 2022</b>	<b>Jan. - Mar. 2021</b>
Operating costs	\$ 106	153
Administrative expenses	91	796
Total	<b>\$ 197</b>	<b>949</b>

2. Defined Contribution Plan

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

	<b>Jan. - Mar. 2022</b>	<b>Jan. - Mar. 2021</b>
Operating costs	\$ 4,243	4,201
Administrative expenses	1,365	1,334
Total	<b>\$ 5,608</b>	<b>5,535</b>

3. Short-term compensated absences

Details of employee benefit liabilities of the Consolidated Company are as follows:

	<b>2022.3.31</b>	<b>2021.12.31</b>	<b>2021.3.31</b>
Short-term compensated absences	<b>\$ 11,755</b>	<b>13,842</b>	<b>11,539</b>

(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's best estimate of the annual effective tax rate.

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

	<b>Jan. - Mar. 2022</b>	<b>Jan. - Mar. 2021</b>
Current income tax expenses		
Accrued in current year	\$ 29,817	26,186
Surtax on unappropriated earnings	-	34



**Notes to the Consolidated Financial Statements of KEDGE CONSTRUCTION CO., LTD.  
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	29,817	26,220
Deferred tax expense		
Occurrence and reversal of temporary differences	4,740	748
Income tax expenses	<b>\$ 34,557</b>	<b>26,968</b>

2. The Consolidated Company's business income tax declaration has been approved by the collection authority until 2019, except that Kedge Construction has been approved to 2020.

(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 other equity in the periods from January 1 to March 31, 2022 and 2021. For relevant information, please refer to Note 6(13) to the 2021 consolidated financial statements.

1. Capital surplus

Details of capital surplus was as follows:

	2022.3.31	2021.12.31	2021.3.31
Shares premium	\$ 383,109	383,109	383,109
Premium on conversion of convertible bonds	130,766	130,766	130,766
Changes in the equity net value of associates and joint ventures recognized by the equity method	2,568	2,568	2,568
Unclaimed dividends after effective period	660	521	414
Others	1,437	1,437	1,437
	<b>\$ 518,540</b>	<b>518,401</b>	<b>518,294</b>

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 realized capital surplus referred to in the preceding paragraph includes the overage from the issuance of shares over the par value and the proceeds from the receipt of gifts. In accordance with the provisions of the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, the capital surplus may be capitalized, and the combined amount of any portions capitalized may not exceed 10% of the paid-in capital each year.

2. Retained earnings

The Company's Articles of Association 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

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

(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) Earnings distribution

The 2021 distribution of earnings were proposed by the Board meeting on March 25, 2022 and the 2020 distribution of earnings were resolved at the shareholders' meeting on July 1, 2021, respectively. The dividends distributed to owners are as follows:

	2021		2020	
	Dividend rate (NT\$)	Amount	Dividend rate (NT\$)	Amount
Dividends to common shareholders:				
Cash dividend	\$ 2.6	275,693	3.6	381,728
Stock	1.0	106,035	-	-
Total		<b>\$ 381,728</b>		<b>381,728</b>

3. Other equity interest (net after tax)

	<b>Unrealized gains and losses from financial assets at fair value through other comprehensive income</b>
Balance as of January 1, 2022	\$ 229,197
Unrealized gain (loss) from financial assets measured at fair value through other comprehensive income	(19,152)
Balance as of March 31, 2022	<b>\$ 210,045</b>

**Notes to the Consolidated Financial Statements of KEDGE CONSTRUCTION CO., LTD.  
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Balance as of January 1, 2021	\$	144,653
Unrealized gain (loss) from financial assets measured at fair value through other comprehensive income		63,703
Balance as of March 31, 2021	\$	<b>208,356</b>

(14) Earnings per Share

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

	<b>Jan. - Mar. 2022</b>	<b>Jan. - Mar. 2021</b>
<b>Basic earnings per share</b>		
Net profit attributable to ordinary equity holders of the Company	<b>\$ 144,791</b>	<b>116,962</b>
Weighted average number of ordinary shares outstanding	<b>106,036</b>	<b>106,036</b>
	<b>\$ 1.37</b>	<b>1.10</b>
<b>Diluted earnings per share</b>		
Net profit attributable to ordinary equity holders of the Company	<b>\$ 144,791</b>	<b>116,962</b>
Weighted average number of ordinary shares outstanding	106,036	106,036
<b>Impact of potential ordinary shares with the dilution effect</b>		
Influence of potentially diluted shares - employee compensation	958	726
Weighted average number of common shares outstanding (after adjusting the impact of diluting potential common shares)	<b>106,994</b>	<b>106,762</b>
	<b>\$ 1.35</b>	<b>1.10</b>

(15) Revenue from Contracts with Clients

1. Disaggregation of revenue

	<b>Jan. - Mar. 2022</b>	<b>Jan. - Mar. 2021</b>
Timing of revenue recognition:		
Gradually transferred constructions over time	\$ 2,193,058	2,643,754
Gradually transferred services over time	829	1,511
	<b>\$ 2,193,887</b>	<b>2,645,265</b>

2. Contract balances

	<b>2022.3.31</b>	<b>2021.12.31</b>	<b>2021.3.31</b>
Notes and accounts receivable (including related parties)	\$ 1,491,027	1,832,422	1,479,239
Less: Loss allowance	(7,551)	(7,551)	-

**Notes to the Consolidated Financial Statements of KEDGE CONSTRUCTION CO., LTD.  
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Total	<u>\$ 1,483,476</u>	<u>1,824,871</u>	<u>1,479,239</u>
Contract asset-construction	\$ 1,999,616	2,159,046	1,883,803
Less: Loss allowance	-	-	-
Total	<u>\$ 1,999,616</u>	<u>2,159,046</u>	<u>1,883,803</u>
Contract liability-construction	<u>\$ 1,858,096</u>	<u>444,657</u>	<u>1,131,636</u>

Please refer to Note 6 (4) for the disclosure of accounts receivable and their impairment.

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 were no other material changes during the periods from January 1 to March 31, 2022 and 2021.

**(16) Remuneration to employees, Directors and Supervisors**

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

The estimated compensation to employees amounted to NT\$7,246 thousand and NT\$6,106 thousand, respectively, and the estimated remunerations to directors amounted to NT\$3,623 thousand and NT\$3,053 thousand for the three months ended March 31, 2022 and 2021, 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 Articles 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 NT\$49,810 thousand and NT\$33,223 thousand, respectively, and the actual distribution of director and supervisor remuneration amounted to NT\$19,602 thousand and NT\$16,611 thousand for the years of 2021 and 2020, respectively. There is no difference between the estimation and the actual distribution. Please refer to the MOPS for relevant information.

**(17) Non-operating income and expenses**

1. Interest income

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

	<u>Jan. - Mar. 2022</u>	<u>Jan. - Mar. 2021</u>
Loans and receivables	\$ 451	1,442

**Notes to the Consolidated Financial Statements of KEDGE CONSTRUCTION CO., LTD.  
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Bank deposits	756	27
	<b>\$ 1,207</b>	<b>1,469</b>

2. Other income

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

	<b>Jan. - Mar. 2022</b>	<b>Jan. - Mar. 2021</b>
Rental income	\$ 3	3
Other income	8,268	129
	<b>\$ 8,271</b>	<b>132</b>

3. Other gains or losses

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

	<b>Jan. - Mar. 2022</b>	<b>Jan. - Mar. 2021</b>
Gains on financial assets measured at fair value through profit or loss	\$ 678	9,243
Gains on disposal of property, plant and equipment	-	33
	<b>\$ 678</b>	<b>9,276</b>

4. Financial costs

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

	<b>Jan. - Mar. 2022</b>	<b>Jan. - Mar. 2021</b>
Interest expense		
Bank loans	\$ 488	104
Others	39	68
	<b>\$ 527</b>	<b>172</b>

(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(18) to the 2021 consolidated financial statements.

1. Liquidity risk

The following table shows the contractual maturity of financial liabilities, including estimated interest but excluding the impact of net amount agreements.

	Carrying amount	Contractual cash flows	Within 1 year	1-3 years	3-5 years	Over 5 years
March 31, 2022						

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Non-derivative financial liabilities							
Notes payable	\$	201,197	201,197	201,197	-	-	-
Accounts payable		3,696,841	3,696,841	1,998,161	1,698,680	-	-
Other payables		219,819	219,819	219,819	-	-	-
Other current liabilities (leases liabilities)		1,853	1,877	1,877	-	-	-
Other non-current liabilities (leases liabilities)		4,664	5,716	-	1,124	393	4,199
	<b>\$</b>	<b>4,124,374</b>	<b>4,125,450</b>	<b>2,421,054</b>	<b>1,699,804</b>	<b>393</b>	<b>4,199</b>

**December 31, 2021**

Non-derivative financial liabilities							
Unsecured bank loans	\$	200,000	201,400	201,400	-	-	-
Notes payable		283,891	283,891	283,891	-	-	-
Accounts payable		4,142,887	4,142,887	2,176,173	1,966,714	-	-
Other payables		295,238	295,238	295,238	-	-	-
Other current liabilities (leases liabilities)		1,854	1,877	1,877	-	-	-
Other non-current liabilities (leases liabilities)		5,106	6,184	-	1,543	393	4,248
	<b>\$</b>	<b>4,928,976</b>	<b>4,931,477</b>	<b>2,958,579</b>	<b>1,968,257</b>	<b>393</b>	<b>4,248</b>

**March 31, 2021**

Non-derivative financial liabilities							
Notes payable	\$	265,499	265,499	265,499	-	-	-
Accounts payable		3,795,894	3,795,894	1,919,967	1,875,927	-	-
Other payables		193,785	193,785	193,785	-	-	-
Other current liabilities (leases liabilities)		2,621	2,652	2,652	-	-	-
Other non-current liabilities (leases liabilities)		8,642	9,938	-	4,182	1,360	4,396
	<b>\$</b>	<b>4,266,441</b>	<b>4,267,768</b>	<b>2,381,903</b>	<b>1,880,109</b>	<b>1,360</b>	<b>4,396</b>

The Consolidated Company 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

On the reporting date, if the price of equity securities fluctuates (two periods of analysis are based on the same basis, assuming that other variable factors remain unchanged), the impact on the comprehensive profit and loss items is as follows:

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	Jan. - Mar. 2022		Jan. - Mar. 2021	
	After-tax other comprehensiv e income	After-tax profit or loss	After-tax comprehensi ve income	After-tax profit or loss
Securities price on the reporting date				
Up by 10%	\$ 42,328	8,140	42,024	5,328
Down by 10%	\$ (42,328)	(8,140)	(42,024)	(5,328)

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 types of financial assets and financial liabilities (including fair value level information, then again the carrying amount of financial instruments not measured by fair value is a reasonable approximation, and the fair value of equity instrument investment lease liabilities without quotation in the active market that cannot be reliably measured, the fair value is not required to be disclosed according to regulations) are listed as follows:

	2022.3.31				
	Carrying amount	Fair value			Total
	Level 1	Level 2	Level 3		
Financial Assets at Fair Value through Profit or Loss					
Financial assets mandatorily measured at fair value through profit or loss	\$ 81,400	81,400	-	-	81,400
Financial Assets at Fair Value through Other Comprehensive Income	\$ 430,044	423,278	-	6,766	430,044
Financial Assets Measured at Amortized Cost					
Cash and cash equivalents	\$ 5,331,601	-	-	-	-
Notes receivable and accounts receivable (including related parties)	1,483,476	-	-	-	-
Other financial assets-current	204,487	-	-	-	-
Other financial assets-non-current	19,532	-	-	-	-
Subtotal	7,039,096	-	-	-	-
Total	<u>\$ 7,550,540</u>	<u>504,678</u>	<u>-</u>	<u>6,766</u>	<u>511,444</u>
Financial liabilities measured at amortized cost					
Notes payable and accounts payable	\$ 3,898,038	-	-	-	-
Other current liabilities (leases liabilities)	1,853	-	-	-	-

**Notes to the Consolidated Financial Statements of KEDGE CONSTRUCTION CO., LTD.  
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Other non-current liabilities (leases liabilities)	4,664	-	-	-	-
Other payables	219,819	-	-	-	-
<b>Total</b>	<b>\$ 4,124,374</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>2021.12.31</b>					
	<b>Carrying amount</b>	<b>Fair value</b>			<b>Total</b>
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
Financial Assets at Fair Value through Profit or Loss					
Financial assets mandatorily measured at fair value through profit or loss	\$ 80,722	80,722	-	-	80,722
Financial assets measured at fair value through other comprehensive income	\$ 449,201	442,568	-	6,633	449,201
Financial Assets Measured at Amortized Cost					
Cash and cash equivalents	\$ 4,024,912	-	-	-	-
Notes receivable and accounts receivable (including related parties)	1,824,871	-	-	-	-
Other financial assets-current	310,140	-	-	-	-
Other financial assets-non-current	22,324	-	-	-	-
Subtotal	6,182,247	-	-	-	-
<b>Total</b>	<b>\$ 6,712,170</b>	<b>523,290</b>	<b>-</b>	<b>6,633</b>	<b>529,923</b>
Financial liabilities measured at amortized cost					
Short-term loans	\$ 200,000	-	-	-	-
Notes payable and accounts payable	4,426,778	-	-	-	-
Other current liabilities (leases liabilities)	1,854	-	-	-	-
Other non-current liabilities (leases liabilities)	5,106	-	-	-	-
Other payables	295,238	-	-	-	-
<b>Total</b>	<b>\$ 4,928,976</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>2021.3.31</b>					
	<b>Carrying amount</b>	<b>Fair value</b>			<b>Total</b>
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
Financial Assets at Fair Value through Profit or Loss					
Financial assets mandatorily measured at fair value through profit or loss	\$ 53,282	53,282	-	-	53,282
Financial assets measured at fair value through other comprehensive income	\$ 427,089	420,236	-	6,853	427,089
Financial Assets Measured at Amortized Cost					
Cash and cash equivalents	\$ 4,491,862	-	-	-	-
Notes receivable and accounts receivable (including related	1,479,239	-	-	-	-



**Notes to the Consolidated Financial Statements of KEDGE CONSTRUCTION CO., LTD.  
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parties)					
Other financial assets-current	188,552	-	-	-	-
Other financial assets-non-current	10,657	-	-	-	-
Subtotal	6,170,310	-	-	-	-
Total	<u>\$ 6,650,681</u>	<u>473,518</u>	-	<u>6,853</u>	<u>480,371</u>
Financial liabilities measured at amortized cost					
Notes payable and accounts payable	\$ 4,061,393	-	-	-	-
Other current liabilities (leases liabilities)	2,621	-	-	-	-
Other non-current liabilities (leases liabilities)	8,642	-	-	-	-
Other payables	193,785	-	-	-	-
Total	<u>\$ 4,266,441</u>	-	-	-	-

(2) Details of changes in Level 3

	<b>Measured at fair value through other comprehensive income</b>
	<b>Equity instruments without public quotes</b>
January 1, 2022	<u>\$ 6,633</u>
March 31, 2022	<u>\$ 6,766</u>
January 1, 2021	<u>\$ 5,825</u>
March 31, 2021	<u>\$ 6,853</u>

The above total profit or loss is reported in "unrealized valuation profit (loss) of financial assets measured at fair value through other comprehensive income." Among them, the assets still held on March 31, 2022 and 2021 are as follows:

	<u>Jan. - Mar. 2022</u>	<u>Jan. - Mar. 2021</u>
Total profit or loss		
Recognized in other comprehensive income (under unrealized valuation gains and losses from "financial assets at fair value through other comprehensive income")	<u>\$ 133</u>	<u>1,028</u>

(3) There was no matter of transfer between each level during the periods from January 1 to March 31, 2022 and 2021.

(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(19) to the 2021 consolidated financial

**Notes to the Consolidated Financial Statements of KEDGE CONSTRUCTION CO., LTD.  
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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(20) to the 2021 consolidated financial statements. The aggregated quantitative data of the projects used as capital management in the current period is as follows:

	<b>2022.3.31</b>	<b>2021.12.31</b>	<b>2021.3.31</b>
Total Liabilities	\$ 6,403,316	5,766,604	5,724,353
Less: Cash and cash equivalents	(5,331,601)	(4,024,912)	(4,491,862)
Net liabilities	1,071,715	1,741,692	1,232,491
Total Equity	3,636,912	3,511,139	3,249,962
Adjusted capital	<b>\$ 4,708,627</b>	<b>5,252,831</b>	<b>4,482,453</b>
Debt-to-capital ratio	<b>23%</b>	<b>33%</b>	<b>27%</b>

**7. Related-Party Transactions**

(1) The parent company and the ultimate controlling party

Kindom Development Co., Ltd. is the parent company of the Consolidated Company and the ultimate controller of the Group to which it belongs and holds 34.18% of the outstanding ordinary shares of the Consolidated Company. Kindom Development Co., Ltd. has prepared consolidated financial statements for public use.

(2) Names and relation of related parties

The related parties which have trading with the Consolidated Company within the period of the financial report are as follows:

<b>Name of related parties</b>	<b>Relationship with the Consolidated Company</b>
Kindom Development Co., Ltd.	The parent company of the Company
ReadyCom eServices Corp.	Associates
Kindom Yu San Education Foundation	The entity's chairman is the first-degree relatives of the Company's Directors

(3) Significant transactions with related parties

1. Sales of services to related parties

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

<b>Jan. - Mar. 2022</b>					
	<b>Nature</b>	<b>Total contract amount</b>	<b>Valuated amount</b>	<b>Current valuation amount</b>	<b>Income recognized in the current period</b>
Parent company - Kindom Development	Engineering	\$ 9,957,974	2,863,743	464,290	387,927

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

	Nature	Jan. - Mar. 2021			
		Total contract amount	Valuated amount	Current valuation amount	Income recognized in the current period
Parent company - Kindom Development Co., Ltd.	Engineering construction	\$ 11,031,066	5,537,716	624,043	631,569

(1) The constructions contracted by the Consolidated Company 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 March 31, 2022 and 2021, the gross profit margin of the constructions contracted by the group from non-affiliates was approximately 5.50%~25.87% and 1.92%~19.90%, respectively; that of the affiliates were both 3.74%~4.64%.

2. Status of claims and debts, contract assets, contract liabilities

The group's claims and debts and contract assets from related parties are as follows:

Accounting items	Type of related parties	2022.3.31	2021.12.31	2021.3.31
Notes receivable	Parent company - Kindom Development Co., Ltd.	\$ -	-	208,415
Accounts Receivable	Parent company - Kindom Development Co., Ltd.	771,884	820,009	637,042
Other financial assets - current	Parent company - Kindom Development Co., Ltd.	882	-	-
Other payables	Associates— ReadyCom eServices Corp.	150	-	-
Contract assets	Parent company - Kindom	166,508	205,758	124,158

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

	Development Co., Ltd.			
Contract assets (retention receivables)	Parent company - Kindom Development Co., Ltd.	16,180	16,746	43,299
Contract liabilities	Parent company - Kindom Development Co., Ltd.	26,809	-	-
		<b>\$ 982,413</b>	<b>1,042,513</b>	<b>1,012,914</b>

For 2022 and 2021, the collection period of the group from related parties was 50% due immediately, 50% due in 60 days; one assessment was performed on general cases in a month, 100% due immediately, or 100% due in 30 days, or 100% due in 90 days.

3. Endorsements/guarantees

On March 31, 2022, December 31, 2021, and March 31, 2021, the group was the joint partner and joint debtor of the parent company - Kindom Development Co., Ltd. for cooperative development and construction, with the amount of NT\$28,384 thousand.

4. Leases

For the three-month periods ended March 31, 2022 and 2021, the group leased to the 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 was NT\$294 thousand per month. The rent income was NT\$840 thousand for each of the periods from January 1 to March 31, 2022 and 2021.

The group leased the office building from its parent company, Kindom Development Co., Ltd., with a total contract value of NT\$575 thousand per month both from January 1 to March 31, 2022 and 2021. The rent expenses was NT\$1,643 thousand for each of the periods from January 1 to March 31, 2022 and 2021.

5. Others

(1) The group donated a total of NT\$2,250 thousand and NT\$1,500 thousand to Kindom Yu San Education Foundation in the periods from January 1 to March 31, 2022 and 2021, respectively, for the promotion of foundation affairs.

(2) The group signed the information project consultancy service contract with ReadyCom eServices Corp. with a total contract value of NT\$50 thousand per month in December 2021.

(4) Key management personnel transactions

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

Remuneration to major management personnel includes:

	<b>Jan. - Mar. 2022</b>	<b>Jan. - Mar. 2021</b>
Short-term Employee Benefits	\$ 34,132	33,727
Benefits after retirement	68	47
	<b>\$ 34,200</b>	<b>33,774</b>

**8. Pledged Assets**

Details of the carrying value of pledged assets by the Consolidated Company were as follows:

Name of assets	Pledge guarantee object	2022.3.31	2021.12.31	2021.3.31
Other financial assets - current	Loan facilities collaterals and construction guarantees	\$ 184,635	179,276	160,332
Property, plant, and equipment - net	Loan facilities collaterals	99,400	53,200	53,200
Net amount of investment property	Loan facilities collaterals	48,863	95,121	95,295
		<b>\$ 332,898</b>	<b>327,597</b>	<b>308,827</b>

**9. Significant Contingent Liabilities and Unrecognized Contract Commitments**

(1) Significant unrecognized contract commitments:

1. As of March 31, 2022, December 31, 2021 and March 31, 2021, the total amounts of material construction contracts by the group were NT\$49,724,659 thousand, NT\$46,613,096 thousand, and NT\$44,225,291 thousand, respectively, and the payments received according to the contract were NT\$10,631,360 thousand, NT\$7,741,953 thousand, and NT\$21,762,297 thousand, respectively.
2. Approved by the Board of Directors on December 27, 2021, and December 30, 2020, the Consolidated Company committed to donate NT\$9,000,000 and NT\$6,000,000 to the Kindom Yu San Education Foundation in 2022 and 2021 for the promotion of the foundation's business.

(2) Contingent liability

In relation to the construction project under Project Code 061M, the Company was asked for the joint damages amounted to NT\$ 20,131 thousand; however, due to the lack of evidence, the case is currently undergoing mediation procedures.

**10. Significant Disaster Loss: None.**

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

**12. Others**

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

(1) The function of employee benefits, depreciation, depletion, and amortization are summarized as follows:

Function Nature	Jan. - Mar. 2022			Jan. - Mar. 2021		
	Operatin g costs	Operatin g expenses	Total	Operatin g costs	Operatin g expenses	Total
Employee benefits expenses						
Salaries and wages	\$ 118,290	44,190	162,480	125,768	44,756	170,524
Labor insurance and national health insurance	9,438	2,456	11,894	9,444	2,516	11,960
Pension expenses	4,349	1,456	5,805	4,354	2,130	6,484
Other employee benefits expenses	582	1,554	2,136	570	574	1,144
Depreciation expense	1,035	2,613	3,648	1,723	3,118	4,841
Depletion expenses	-	-	-	-	-	-
Amortization expenses	-	-	-	-	-	-

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

**13. Disclosure Notes**

(1) Information on Material Transactions

In the period from January 1 to March 31, 2022, the group shall disclose information related to significant transactions pursuant to the "Regulations Governing the Preparation of Financial Reports by Securities Issuers." Such information is as follows:

1. Loan of funds to others: none.
2. Endorsement/guarantees for others:

Unit: NT\$ thousand

No.	Name of endorsement/guarantee provider	Subject of endorsements/guarantees		Limit on endorsement/guarantees provided for a single party (Note 2)	Maximum balance for this period	Outstanding Endorsements/guarantees - Ending	Actual expenditure	Endorsement guarantee amount secured by the property	The ratio of accumulated endorsement guarantee amount to the net value of the latest financial statements	Maximum endorsement/guarantee amount (Note 2)	Endorsement/guarantees provided by subsidiaries to parent company	Endorsement/guarantees provided by parent company to subsidiaries	Endorsement/guarantee provided to subsidiary in China
		Company name	Relationship (Note 1)										
0	Kedge Construction Co., Ltd.	Kindom Development Co., Ltd.	Parent/Subsidiary Company	\$ 7,273,422	14,192	14,192	14,192	-	0.39%	7,273,422	-	Y	-
1	Dingtian Construction Co., Ltd.	Kindom Development Co., Ltd.	Parent/Subsidiary Company	47,413	14,192	14,192	14,192	-	29.93%	47,413	-	Y	-
	"	Kedge Construct	"	7,111,958	1,376	1,376,500	1,376	-	2,903	14,223,9	-	Y	-

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

	ion Co., Ltd.			500		500	21%	16				
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Note 1. Listed below are 7 types of relationship between the endorser and the endorsee, simply indicating the type will do:

- (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) Companies in which the Company holds directly or indirectly 90% or more of the voting rights.
- (5) Where a company fulfills its contractual obligations by providing mutual endorsements for another company in the same industry or for joint builders for purposes of undertaking a construction project.
- (6) Where all capital contributing shareholders make endorsements for their jointly invested company in proportion to their shareholding percentages.
- (7) Where companies in the same industry provide among themselves joint and several securities for a performance bond of a sales contract for pre-construction homes pursuant to the Consumer Protection Act for each other.

Note 2. 1. the Company's endorsement method is that the total amount of external endorsements shall not exceed 200% of the net value of the Company's latest financial statements, and the endorsement amount for a single enterprise shall not exceed 200% of the net value of the Company's latest financial statements. 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. The endorsement method of Dingtian Construction Co., Ltd. is that the total amount of external endorsement shall not exceed 100% of the net value of the latest financial statements of the Company, and the endorsement amount for a single enterprise shall not exceed 100% of the net value of the latest financial statements of the Company. 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 transactions have been written off at the time of preparation of the consolidated financial statements.

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

Unit: NT\$ thousand

Holding company	Types and names of securities	Relationship with the securities issuer	Accounting item	End of period				Remarks
				Number of shares (thousand shares)	Carrying amount	Shareholding Ratio	Fair value	
Kedge Construction Co., Ltd.	Shares - Kindom Development Co., Ltd.	Kedge Construction Co., Ltd. is its subsidiary	Financial assets measured at fair value through other comprehensive income - non-current	550	\$ 19,855	0.10 %	19,855	
Jiequn Investment Co., Ltd.	Shares - Fubon Financial Holding Co., Ltd.	-	Financial assets at fair value through profit or loss - current	537	41,052	-	41,052	
"	Shares - SinoPac Financial Holdings Co., Ltd.	-	"	211	3,885	-	3,885	
"	Shares - Kindom	Jiequn Investment	Financial assets measured	9,373	338,368	1.69 %	338,368	

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

	Development Co., Ltd.	is the second-tier subsidiary of that company.	at fair value through other comprehensive income - non-current					
"	Shares - Fubon Financial C Special	-	"	11	657	- %	657	
"	Shares - Taiwan Calcom International Computer Graphic Co., Ltd.	-	"	405	-	0.78 %	-	
Guanqing Electromechanical Co., Ltd.	Shares - Kindom Development Co., Ltd.	Guanqing Electromechanical is the second-tier subsidiary of that company.	"	1,768	63,814	0.32 %	63,814	
"	Shares - Fubon Financial C Special	-	"	10	584	- %	584	
Guanqing Electromechanical Co., Ltd.	Shares - Global Views-Commonwealth Publishing Co.	-	Financial assets measured at fair value through other comprehensive income - non-current	145	6,766	0.59 %	6,766	
"	Shares - Fubon Financial Holding Co., Ltd.	-	Financial assets at fair value through profit or loss - current	477	36,463	- %	36,463	

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. The amount of property acquired reaches NT\$300 million or more than 20% of the paid-in capital: none.
6. The amount of property disposal reaches NT\$300 million or more than 20% of the paid-in capital: none.
7. Where the amount of goods purchased or sold with related parties reaches NT\$100 million or more than 20% of the paid-in capital: none.

Unit: NT\$ thousand

Purchases (Sales) Company	Name of transaction counterpart	Relationship	Transaction situation				The situation and reason for the difference between the transaction terms and the general transaction		Notes/accounts receivable (or payable)		Remarks
			Purchases/sales	Amount (Note)	As a percentage of total purchase (sales)	Loan period	Unit Price	Loan period	Balance	Ratio to total notes and accounts receivable (payable)	
Kedge Construction Co., Ltd.	Kindom Development Co., Ltd.	An investment company that evaluates Kedge Construction Co., Ltd. by the equity method	Contracting	\$ (464,290)	(12.58)%	Payment by installment following the contract is equivalent to the general transaction.	Equivalent to other transactions	Slightly longer than normal	788,064	32.70%	

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-



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

in capital:

Unit: NT\$ thousand

The companies that record such transactions as receivables	Name of transaction counterpart	Relationship	Balance of receivables from related parties	Turnover rate	Overdue receivables from related parties		Recovery amount of receivables from related parties after the period	Provisions for loss allowance
					Amount	Treatment Method		
Kedge Construction Co., Ltd.	Kindom Development Co., Ltd.	An investment company that evaluates Kedge Construction Co., Ltd. by the equity method	\$ 788,064	1.91	-	-	65,446	-

9. Derivative financial instrument transactions: None.

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

No.	Trader's name	Name of the transaction counterpart	Nature of Relationship	Transactions			
				Account	Amount	Terms of transaction	Ratio to consolidated total operating revenue or total assets
0	Kedge Construction Co., Ltd.	Guanqing Electromechanical Co., Ltd.	1	Contract liabilities	\$ 2,905	Equivalent to general transactions	0.03%
0	"	"	1	Notes and accounts payables	46,286	"	0.46%
0	"	"	1	Operating costs	7,909	"	0.36%
0	"	Dingtian Construction Co., Ltd.	1	Contract liabilities	6,454	"	0.06%
0	"	"	1	Notes and accounts payables	18,383	"	0.18%
0	"	"	1	Operating costs	9,794	"	0.45%
1	Guanqing Electromechanical Co., Ltd.	Kedge Construction Co., Ltd.	2	Contract assets	2,905	"	0.03%
1	"	"	2	Notes and accounts receivable	46,286	"	0.46%
1	"	"	2	Operating revenue	7,909	"	0.36%
2	Dingtian Construction Co., Ltd.	"	2	Contract assets	6,454	"	0.06%
2	"	"	2	Notes and accounts receivable	18,383	"	0.18%
2	"	"	2	Operating revenue	9,794	"	0.45%

Note 1. Instruction for numbering.

1. The parent company is numbered 0.
2. Subsidiaries are numbered in sequence, starting with Arabic numeral 1 according to company type.

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 transactions have been written off at the time of preparing the consolidated financial report.

(2) Information on Reinvestment

The information on the group's investees in the period from January 1 to March 31, 2022 is as follows:

Unit: thousand NTD/thousand shares

Name of investment	Investee	Location	Principal business	Original investment amount	Holdings at the end of the period	Net income (loss) of the	Share of profit/loss of	Remarks
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**Notes to the Consolidated Financial Statements of KEDGE CONSTRUCTION CO., LTD.  
and Subsidiaries (continued)**

company				End of this period	End of last year	Number of Shares	Ratio	Carrying amount	investee	investee	
Kedge Construction Co., Ltd.	Jiequn Investment Co., Ltd.	Taiwan	General Investment	\$ 163,935	163,935	16,396	99.98%	485,269	287	287	Subsidiary
Kedge Construction Co., Ltd.	Guanqing Electromechanical Co., Ltd.	Taiwan	Electrical equipment installation and fire safety equipment installation, etc.	81,326	81,326	7,747	99.96%	240,279	(1,254)	(1,254)	"
Jiequn Investment Co., Ltd.	Dingtian Construction Co., Ltd.	Taiwan	The comprehensive construction industry, etc.	16,500	16,500	-	30.00%	14,224	(660)	(198)	Second-tier subsidiary
Guanqing Electromechanical Co., Ltd.	Dingtian Construction Co., Ltd.	Taiwan	The comprehensive construction industry, etc.	11,105	11,105	-	70.00%	33,189	(660)	(462)	"
Dingtian Construction Co., Ltd.	ReadyCom eServices Corp.	Taiwan	Information software services and management consultants, etc.	15,000	15,000	1,400	46.67%	15,149	62	29	Investments accounted for using equity method

Note: The transactions of the above subsidiaries and second-tier subsidiaries have been written off at the time of preparing the consolidated financial statements.

(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 investee companies in Mainland China: None.

(4) Information on Major Shareholders:

Expressed in shares

Name of Major Shareholders	Shareholding (shares)	Shareholding Ratio
Kindom Development Co., Ltd.	36,247,768	34.18%
Yute Investment Co., Ltd.	8,785,536	8.28%

**14. Segment Information**

The operation department of the Consolidated Company 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.