

**KINDOM DEVELOPMENT CO., LTD.
and Subsidiaries**

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

From January 1 to March 31, 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' Report

To the Board of Directors of Kindom Development Co., Ltd.:

Introduction

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

Scope

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

Conclusion

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

KPMG

Taipei, Taiwan

Republic of China

May 11, 2020

Notices to Readers

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

The standards ,procedures and practices to audit such consolidated financial statements are those generally applied in the Republic of China.

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

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

KINDOM DEVELOPMENT CO., LTD. and Subsidiaries

Consolidated Statements of Comprehensive Income

January 1 to March 31, 2020 and 2019

Expressed in thousand of New Taiwan Dollars

		Jan. - Mar. 2020		Jan. - Mar. 2019	
		Amount	%	Amount	%
4000	Operating revenue (Note 6(21))	\$ 3,897,274	100	3,036,345	100
5000	Operating costs (Note 6(5))	<u>2,892,721</u>	74	<u>2,294,683</u>	76
	Gross profit	<u>1,004,553</u>	26	<u>741,662</u>	24
	Operating expenses:				
6100	Selling and marketing expenses	78,112	2	57,975	2
6200	General and administrative expenses	<u>363,352</u>	9	<u>340,973</u>	11
		<u>441,464</u>	11	<u>398,948</u>	13
	Net operating profit	<u>563,089</u>	15	<u>342,714</u>	11
	Non-operating income and expenses:				
7010	Other income (Note 6(23))	4,470	-	3,689	-
7020	Other gains and losses (Note 6(23))	(10,495)	-	19,801	1
7050	Finance costs (Note 6(23))	(95,314)	(3)	(109,356)	(4)
7060	Share of profit and loss associates and joint ventures accounted for using the equity method	<u>(280)</u>	-	<u>(250)</u>	-
		<u>(101,619)</u>	(3)	<u>(86,116)</u>	(3)
	Profit before tax from continuing operating department	461,470	12	256,598	8
7950	Less: Income tax expense (Note 6(18))	<u>92,569</u>	2	<u>74,706</u>	2
	Net income	<u>368,901</u>	10	<u>181,892</u>	6
8300	Other comprehensive income:				
8310	Items that will not be reclassified subsequently to profit or loss:				
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	(1,034)	-	(181)	-
8360	Items that may be reclassified subsequently to profit or loss:				
8361	Exchange differences on translation of financial statements of foreign operations	<u>(257)</u>	-	<u>(10,370)</u>	-
8300	Other comprehensive loss (net of taxes)	<u>(1,291)</u>	-	<u>(10,551)</u>	-
	Total comprehensive income (loss) for the years	<u>\$ 367,610</u>	<u>10</u>	<u>171,341</u>	<u>6</u>
	Net income attributable to:				
8610	Owners of the parent company	\$ 302,534	8	125,036	4
8620	Non-controlling interest	<u>66,367</u>	2	<u>56,856</u>	2
		<u>\$ 368,901</u>	<u>10</u>	<u>181,892</u>	<u>6</u>
	Total comprehensive Income (loss) attributable to:				
8710	Owners of the parent company	\$ 301,422	8	116,143	4
8720	Non-controlling interests	<u>66,188</u>	2	<u>55,198</u>	2
		<u>\$ 367,610</u>	<u>10</u>	<u>171,341</u>	<u>6</u>
9750	Basic earnings per share (in NT\$) (Note 6(20))	<u>\$ 0.61</u>		<u>0.25</u>	
9850	Diluted earnings per share (in NT\$) (Note 6(20))	<u>\$ 0.61</u>		<u>0.25</u>	

(Please see the Notes to the Consolidated Financial Statements)

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

KINDOM DEVELOPMENT CO., LTD. and Subsidiaries

Consolidated Statements of Changes in Equity

January 1 to March 31, 2020 and 2019

Expressed in thousand of New Taiwan Dollars

	Equity attributable to shareholders of the company											
	Share capital						Other equity					
	Share capital of common stocks	Capital reserve	Legal reserve	Special reserve	Unappropriated earnings	Total	Exchange differences on translation of financial statements of foreign operations	Unrealized gain (loss) from financial assets measured at fair value through other comprehensive income	Treasury stock	Total equity attributable to owners of the parent company	Non-controlling interest	Total equity
Balance as of January 1, 2019	\$ 5,037,910	1,368,865	1,637,699	32,521	3,856,740	5,526,960	(25,910)	364	(71,196)	11,836,993	1,730,570	13,567,563
Net income for the period	-	-	-	-	125,036	125,036	-	-	-	125,036	56,856	181,892
Other comprehensive income (loss) for the period	-	-	-	-	-	-	(8,712)	(181)	-	(8,893)	(1,658)	(10,551)
Total comprehensive income (loss) for the period	-	-	-	-	125,036	125,036	(8,712)	(181)	-	116,143	55,198	171,341
Unclaimed dividends after effective period	-	382	-	-	-	-	-	-	-	382	22	404
Balance as of March 31, 2019	\$ 5,037,910	1,369,247	1,637,699	32,521	3,981,776	5,651,996	(34,622)	183	(71,196)	11,953,518	1,785,790	13,739,308
Balance as of January 1, 2020	\$ 5,037,910	1,379,873	1,688,423	25,546	4,592,752	6,306,721	(26,264)	460	(71,196)	12,627,504	1,785,405	14,412,909
Net income for the period	-	-	-	-	302,534	302,534	-	-	-	302,534	66,367	368,901
Other comprehensive income (loss) for the period	-	-	-	-	-	-	(216)	(896)	-	(1,112)	(179)	(1,291)
Total comprehensive income (loss) for the period	-	-	-	-	302,534	302,534	(216)	(896)	-	301,422	66,188	367,610
Unclaimed dividends after effective period	-	22	-	-	-	-	-	-	-	22	42	64
Balance as of March 31, 2020	\$ 5,037,910	1,379,895	1,688,423	25,546	4,895,286	6,609,255	(26,480)	(436)	(71,196)	12,928,948	1,851,635	14,780,583

(Please see the Notes to the Consolidated Financial Statements)

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

KINDOM DEVELOPMENT CO., LTD. and Subsidiaries

Consolidated Statements of Cash Flows

January 1 to March 31, 2020 and 2019

Expressed in thousand of New Taiwan Dollars

	<u>Jan. - Mar. 2020</u>	<u>Jan. - Mar. 2019</u>
Cash flows from operating activities:		
Income before income tax	\$ 461,470	256,598
Adjustments:		
Adjustments to reconcile profit (loss)		
Depreciation	88,127	90,220
Amortization	2,646	4,066
Net loss (gain) on financial assets and liabilities measured at fair value through profit or loss	18,562	(1,244)
Interest expense	95,314	109,356
Interest income	(4,470)	(3,689)
Share of gains (loss) of associates and joint ventures accounted for using equity method	280	250
Amortization of prepaid lease	-	395
Total adjustments to reconcile profit (loss)	<u>200,459</u>	<u>199,354</u>
Changes in operating assets and liabilities:		
Changes in operating assets:		
Decrease in financial instruments measured at fair value through profit or loss	23,984	-
Increase in contract assets	(467,464)	(287,140)
Increase in notes receivable	(144)	(718)
Decrease in accounts receivable	626,604	922,719
Increase in inventory	(103,346)	(210,939)
Increase in prepayments	(20,511)	(7,205)
Increase in other current assets	(686)	(6,590)
Decrease (increase) in other financial assets - current	(935,691)	132,054
Increase in incremental costs of obtaining a contract	(10,661)	(8,301)
Decrease in defined benefit assets - non-current	53	-
Decrease (increase) in other non-current assets	(10)	1
Total changes in operating assets	<u>(887,872)</u>	<u>533,881</u>
Changes in operating liabilities:		
Increase (decrease) in contract liabilities	748,282	(112,364)
Increase (decrease) in notes payable	6,151	(78,719)
Decrease in accounts payable	(339,743)	(232,616)
Decrease in accounts payable - related parties	-	(307)
Decrease in other payables	(186,964)	(84,758)
Increase (decrease) in provisions for employee benefit - current	(1,520)	967

(Please see the Notes to the Consolidated Financial Statements)

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

KINDOM DEVELOPMENT CO., LTD. and Subsidiaries

Consolidated Statements of Cash Flows (continued)

January 1 to March 31, 2020 and 2019

Expressed in thousand of New Taiwan Dollars

	Jan. - Mar. 2020	Jan. - Mar. 2019
Increase (decrease) in provisions - current	(579)	1,066
Decrease in payments received in advance	(9)	(755)
Decrease in other current liabilities	(81,772)	(6,478)
Increases in net defined benefit liabilities	-	46
Decrease in other non-current liabilities	(8,169)	(7,515)
Total changes in operating liabilities	135,677	(521,433)
Total changes in operating assets and liabilities	(752,195)	12,448
Total adjustments	(551,736)	211,802
Cash inflow (outflow) generated from operations	(90,266)	468,400
Income taxes paid	(22,459)	(26,696)
Net cash inflow (outflow) generated from operating activities	(112,725)	441,704
Cash flows from investing activities:		
Acquisition of property, plant and equipment	(24,752)	(17,275)
Acquisition of intangible assets	(112)	(341)
Increase in other financial assets - non-current	(9,600)	(1,576)
Increase in prepayments for equipment	3,672	(971)
Interests received	4,895	3,699
Net cash outflow generated from investing activities	(25,897)	(16,464)
Cash flows from financing activities:		
Increase in short-term borrowings	2,092,564	1,779,916
Decrease in short-term borrowings	(1,502,727)	(956,014)
Increase in short-term notes	280,000	70,000
Decrease in short-term notes	(80,000)	(70,000)
Issuance of long-term debt	2,330,000	-
Redemption of long-term debt	(2,334,900)	(41,002)
Increase in guarantee deposits	3,888	5,854
Repayments of lease principal	(46,560)	(45,140)
Interests paid	(139,785)	(155,991)
Net cash inflow generated from financing activities	602,480	587,623
Effects of exchange rate changes on the balance of cash and cash equivalents	(257)	(10,370)
Net increase in cash and cash equivalents	463,601	1,002,493
Cash and cash equivalents at beginning of the period	6,229,385	5,539,557
Cash and cash equivalents at end of the period	\$ 6,692,986	6,542,050

(Please see the Notes to the Consolidated Financial Statements)

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

KINDOM DEVELOPMENT CO., LTD. and Subsidiaries

Notes to the Consolidated Financial Statements

From January 1 to March 31, 2020 and 2019

(In Thousands of New Taiwan Dollars, unless otherwise specified)

1. Company History

Kindom Development Co., Ltd. (hereinafter referred to as "the company") was incorporated on November, 1979, located at 2F., 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 the development of residential properties, the leases or sales of commercial buildings, comprehensive constructions, department stores, supermarkets, and international trading.

2. Approval Date and Procedures of the Financial Statements

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

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

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

(2) The IFRSs issued by IASB but yet to be endorsed by the FSC

The table below lists the already released and modified standards and interpretations by IASB that are to be endorsed by FSC.

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

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

Possible impacts on the group are as follows:

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

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

4. Summary of Significant Accounting Policies

(1) Compliance Statement

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

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

(2) Basis of consolidation

1. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of investee	Main business and products	Percentage of ownership			Explanation
			2020.3.31	2019.12.31	2019.3.31	
The company	Kedge Construction Co., Ltd. (Kedge Construction)	The comprehensive construction industry, etc.	34.18%	34.18%	34.18%	The company has more than half of that company's director seats.
"	Global Mall Co., Ltd. (Global Mall)	Supermarkets, department stores, international trading, and wholesales and retails of medical equipment	84.02%	84.02%	84.02%	The subsidiary in which the company's voting share exceeds more than 50% of the subsidiary's issued shares.
Joint venture of the company and Global Mall	Guan Cheng Co., Ltd. (GLOBAL MALL BANQIAO STORE) (Guan Cheng)	Department stores, supermarkets, and non-store retailing	100.00%	100.00%	100.00%	The subsidiary in which the group's voting share exceeds more than 50% of the subsidiary's issued shares.

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

Name of investor	Name of investee	Main business and products	Percentage of ownership			Explanation
			2020.3.31	2019.12.31	2019.3.31	
Kedge Construction	Jiequn Investment Co., Ltd. (Jiequn Investment)	General Investment	99.98%	99.98%	99.98%	The subsidiary in which Kedge Construction's voting share exceeds more than 50% of the subsidiary's issued shares.
	Guanqing Electromechanical Co., Ltd. (Guanqing Electromechanical)	Electrical equipment installation and fire safety equipment installation industry, etc.	99.96%	99.96%	99.96%	The subsidiary in which Kedge Construction's voting share exceeds more than 50% of the subsidiary's issued shares.
Jointly held by Guanqing Electromechanical and Jiequn Investment	Dingtian Construction Co., Ltd. (Dingtian Construction)	The comprehensive construction industry, etc.	100.00%	100.00%	100.00%	The subsidiary in which the group's voting share exceeds more than 50% of the subsidiary's issued shares.
Global Mall	KGM International Investment Co., Ltd. (KGM)	Investment and operation of shopping mall in China, including master planning, supporting engineering consulting, and leasing planning and consulting	100.00%	100.00%	100.00%	The subsidiary in which Global Mall's voting share exceeds more than 50% of the subsidiary's issued shares.
"	Guan Hua Co., Ltd. (GLOBAL MALL NANGANG STORE) (Guan Hua)	Department stores, supermarkets, and non-store retailing	100.00%	100.00%	100.00%	The subsidiary in which Global Mall's voting share exceeds more than 50% of the subsidiary's issued shares.
KGM	Global Mall (Tianjin) Co., Ltd. (Note)	Business management (including rentals of commercial facilities) in wholesales, retails, and import/export of household items and appliances, sports goods, office supplies, watches, glasses, textiles, etc.; property management; business consulting; corporate marketing planning; conference services; exhibition services; parking lot operation and management.	100.00%	100.00%	100.00%	The subsidiary in which KGM's voting share exceeds more than 50% of the subsidiary's issued shares.
Joint venture of Global Mall and Guan Cheng	Guan You Co., Ltd. (GLOBAL MALL ZUOYING STORE) (Guan You)	Department stores, supermarkets, and non-store retailing	100.00%	100.00%	100.00%	The subsidiary in which the group's voting share exceeds more than 50% of the subsidiary's issued shares.

Note: Global Mall (Tianjin) Co., Ltd. ("Global Mall Tianjin") is a subsidiary of KGM, investments accounted for using the equity method. On May 31, 2019, KGM Tianjin signed with Tianjin Chongbei Property Management Co, Ltd. (lessor) an agreement in which the lease was terminated on the aforesaid agreement date. The lease was to be closed by July 2019. Refer to Note 9(1). 7 for more details of the related disclosure.

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

(3) Income Tax

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

Income tax expense is the best estimate of the amount that net profit before tax for the period multiplies by the management' best estimate of the annual effective tax rate. The income tax expense is fully recognized as current period tax expenses.

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

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

(4) Employee benefits

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

5. Significant Accounting Judgments and Major Sources of Estimation and Assumption Uncertainty

The preparation of the consolidated financial statements in conformity with IAS 34 - Interim Financial Reporting endorsed by FSC requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates. In preparing the consolidated financial report, 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. Description 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 report. For related information, please refer to Note 6 of the 2019 consolidated financial statements.

(1) Cash and cash equivalents

	2020.3.31	2019.12.31	2019.3.31
Cash and petty cash	\$ 13,212	13,832	14,440
Bank deposits			
Check deposits	1,439,766	925,405	1,545,760
Demand deposits	1,199,300	2,162,225	1,648,212
Time deposits	440	-	-
Cash equivalents	4,040,268	3,127,923	3,333,638
	\$ 6,692,986	6,229,385	6,542,050

The maturity dates of the aforementioned cash equivalents are in the periods, Apr. - Jun. 2020, Jan. - Mar. 2020, and May. 2019, and the interest rate collars are 0.43%~0.54%, 0.52%~0.57% and 0.50%~0.60%.

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(24).

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

	2020.3.31	2019.12.31	2019.3.31
Financial assets mandatorily measured at fair value through profit or loss:			
TWSE (or TPEX) listed company shares	\$ 55,017	67,499	66,604
Funds	-	30,064	25,589
Total	\$ 55,017	97,563	92,193

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

	2019.3.31		
	Book value of notes and accounts receivable	Weighted average expected credit loss rate	Allowance for lifetime expected credit losses
Not past due	\$ 506,864	-	-

During the periods, January 1 to March 31, 2020 and 2019, there were no events of appropriation of bad debt allowance or writing off reversals.

(5) Inventory

	2020.3.31	2019.12.31	2019.3.31
Inventories - trading	\$ 20,968	15,105	24,996
Inventories - construction			
Prepayment for buildings and land	4,235	4,235	5,716
Land held for construction	1,269,327	1,239,027	4,683,217
Construction in progress	17,944,851	16,660,475	13,344,978
Buildings and land held for sale	13,335,170	14,502,566	14,458,435
Subtotal	32,553,583	32,406,303	32,492,346
Total	\$ 32,574,551	32,421,408	32,517,342

The amounts of the reversal of allowance for valuation loss written down due to sales of inventories were NTD 0 and NTD 9,837 thousand for the periods from January 1 to March 31, 2020 and 2019, respectively.

The group's construction in progress is calculated based on the capitalization rate of 1.96% and 2.13% for the periods from January 1 to March 31, 2020 and 2019, respectively. For the amount of capitalization, please refer to Note 6(23).

For the information on the group's inventories used as collateral, please refer to Note 8.

As of March 31, 2020, December 31, 2019 and March 31, 2019, the group entrusted the statutory parking spaces held for sale to other parties, which amounted to NTD 16,332 thousand in all periods.

(6) Subsidiaries with material non-controlling interests

Subsidiaries with material non-controlling interests to the group are as follows:

	Principal places of business/ Country of registration	Percentage of ownership interest and voting right of non-controlling interests		
Subsidiaries	Country of registration	2020.3.31	2019.12.31	2019.3.31
Kedge Construction Co., Ltd. and subsidiaries	Taiwan	65.82%	65.82%	65.82%

The following combined financial information, prepared in conformity with the Regulations and IFRSs approved by FSC, reflects any adjustments to the fair value at the acquisition date and adjustments to accounting policy differences. The amount of inter-company transactions before elimination are as follows:

Combined financial information on Kedge Construction Co., Ltd. and subsidiaries:

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

	<u>2020.3.31</u>	<u>2019.12.31</u>	<u>2019.3.31</u>
Current assets	\$ 8,235,015	7,708,041	6,293,980
Non-current assets	489,813	568,807	439,701
Current liabilities	(5,883,197)	(5,427,525)	(4,002,003)
Non-current liabilities	<u>(112,516)</u>	<u>(108,201)</u>	<u>(87,543)</u>
Net assets	<u>\$ 2,729,115</u>	<u>2,741,122</u>	<u>2,644,135</u>
Carrying amount of ending non-controlling interests	<u>\$ 1,112,121</u>	<u>1,055,980</u>	<u>1,110,468</u>
		<u>Jan. - Mar. 2020</u>	<u>Jan. - Mar. 2019</u>
Operating income		<u>\$ 2,772,204</u>	<u>2,731,765</u>
Net income for the period		\$ 86,424	114,899
Other comprehensive income		<u>(98,495)</u>	<u>(3,719)</u>
Total comprehensive income		<u>\$ (12,071)</u>	<u>111,180</u>
Net profit attributable to non-controlling interests in this period		<u>\$ 56,239</u>	<u>46,345</u>
Total comprehensive income attributable to non-controlling interests		<u>\$ 56,101</u>	<u>46,345</u>
Cash flows from operating activities		\$ 572,332	582,812
Cash flows from investing activities		(14,842)	(7)
Cash flows from financing activities		<u>(328)</u>	<u>-</u>
Net increase in cash and cash equivalents		<u>\$ 557,162</u>	<u>582,805</u>

**Notes to the Consolidated Financial Statements of KINDOM DEVELOPMENT CO.,
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(7) 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	Leasehold improvements	Other equipment (including transportation equipment, office equipment, machinery, other equipment and leased assets)	Construction in progress	Total
Cost or deemed cost:						
Balance on January 1, 2020	\$ 3,567,078	4,290,675	1,002,139	287,526	158	9,147,576
Addition	-	747	415	17,076	5,638	23,876
Balance on March 31, 2020	<u>\$ 3,567,078</u>	<u>4,291,422</u>	<u>1,002,554</u>	<u>304,602</u>	<u>5,796</u>	<u>9,171,452</u>
Balance on January 1, 2019	\$ 3,567,078	4,285,134	1,430,243	399,547	12,102	9,694,104
Addition	-	1,459	8,932	4,592	13,216	28,199
Reclassification from (to)	-	5,470	-	-	(5,470)	-
incomplete construction projects						
Disposal and scrap	-	-	-	(917)	-	(917)
Effect of foreign exchange	-	-	11,566	4,098	-	15,664
rate changes						
Balance on March 31, 2019	<u>\$ 3,567,078</u>	<u>4,292,063</u>	<u>1,450,741</u>	<u>407,320</u>	<u>19,848</u>	<u>9,737,050</u>
Depreciation and impairment						
Losses						
Balance on January 1, 2020	\$ -	1,626,374	621,320	196,088	-	2,443,782
Depreciation for the year	-	25,448	15,369	5,768	-	46,585
Balance on March 31, 2020	<u>\$ -</u>	<u>1,651,822</u>	<u>636,689</u>	<u>201,856</u>	<u>-</u>	<u>2,490,367</u>
Balance on January 1, 2019	\$ -	1,527,983	861,863	325,101	-	2,714,947
Depreciation for the year	-	25,132	18,562	6,033	-	49,727
Disposal and scrap	-	-	-	(917)	-	(917)
Effect of foreign exchange	-	-	11,566	4,098	-	15,664
rate changes						
Balance on March 31, 2019	<u>\$ -</u>	<u>1,553,115</u>	<u>891,991</u>	<u>334,315</u>	<u>-</u>	<u>2,779,421</u>
Carrying amount:						
Jan. 1, 2020	<u>\$ 3,567,078</u>	<u>2,664,301</u>	<u>380,819</u>	<u>91,438</u>	<u>158</u>	<u>6,703,794</u>
Mar. 31, 2020	<u>\$ 3,567,078</u>	<u>2,639,600</u>	<u>365,865</u>	<u>102,746</u>	<u>5,796</u>	<u>6,681,085</u>
Mar. 31, 2019	<u>\$ 3,567,078</u>	<u>2,738,948</u>	<u>558,750</u>	<u>73,005</u>	<u>19,848</u>	<u>6,957,629</u>

As of March 31, 2020, December 31, 2019 and March 31, 2019, for information regarding the details on the guarantees on long-term borrowings and financing amount limits, please refer to Note 8.

(8) Right-of-use assets

Details of changes in cost and depreciation of leased houses and buildings and transport equipment of the group are as follows:

	Buildings	Transport equipment	Total
Cost of right-of-use assets:			
Balance on January 1, 2020	2,943,262	5,214	2,948,476
Additions	\$ 6,148	-	6,148
Balance on March 31, 2020	<u>\$ 2,949,410</u>	<u>5,214</u>	<u>2,954,624</u>

**Notes to the Consolidated Financial Statements of KINDOM DEVELOPMENT CO.,
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	Buildings	Transport equipment	Total
Balance on January 1, 2019	\$ -	-	-
Effect of retrospective application of IFRS16	<u>2,910,619</u>	<u>872</u>	<u>2,911,491</u>
Balance on March 31, 2019	<u>\$ 2,910,619</u>	<u>872</u>	<u>2,911,491</u>
Depreciation and impairment losses of the right-of-use assets:			
Balance on January 1, 2020	158,544	677	159,221
Depreciation for the period	<u>\$ 39,943</u>	<u>471</u>	<u>40,414</u>
Balance on March 31, 2020	<u>\$ 198,487</u>	<u>1,148</u>	<u>199,635</u>
Balance on January 1, 2019	\$ -	-	-
Depreciation for the period	<u>39,256</u>	<u>109</u>	<u>39,365</u>
Balance on March 31, 2019	<u>\$ 39,256</u>	<u>109</u>	<u>39,365</u>
Carrying amount:			
Jan. 1, 2020	<u>\$ 2,784,718</u>	<u>4,537</u>	<u>2,789,255</u>
Mar. 31, 2020	<u>\$ 2,750,923</u>	<u>4,066</u>	<u>2,754,989</u>
Mar. 31, 2019	<u>\$ 2,871,363</u>	<u>763</u>	<u>2,872,126</u>

(9) Investment property

Details of the group's investment properties are as follows:

	Land and improvements	Buildings	Total
Book value:			
Jan. 1, 2020	<u>\$ 335,287</u>	<u>175,400</u>	<u>510,687</u>
Mar. 31, 2020	<u>\$ 335,287</u>	<u>174,272</u>	<u>509,559</u>
Jan. 1, 2019	<u>\$ 335,287</u>	<u>179,912</u>	<u>515,199</u>
Mar. 31, 2019	<u>\$ 335,287</u>	<u>178,784</u>	<u>514,071</u>

There is no recognition or reversal regarding major acquisition, disposition and impairment of group's investment property in the period from Jan. 1 to Mar. 31, 2020 and 2019. For the amount of depreciation for the current period, please refer to Note 12. For other relevant information, please refer to Note 6(10) 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(10) of the 2019 consolidated financial statements.

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

**Notes to the Consolidated Financial Statements of KINDOM DEVELOPMENT CO.,
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(10) Intangible assets

	<u>Franchise</u>	<u>Trademarks and patents</u>	<u>Computer software</u>	<u>Total</u>
Carrying amount:				
Jan. 1, 2020	\$ 27,994	33	14,803	42,830
Mar. 31, 2020	\$ 27,130	21	13,428	40,579
Jan. 1, 2019	\$ 31,442	83	20,687	52,212
Mar. 31, 2019	\$ 30,580	70	18,052	48,702

There is no recognition or reversal regarding major acquisition, disposition and impairment of group's intangible assets in the period from Jan. 1 to Mar. 31, 2020 and 2019. For the amount of amortization for the current period, please refer to Note 12. For other relevant information, please refer to Note 6(11) of the 2019 consolidated financial statements.

None of the intangible assets of the group has been pledged as collateral.

(11) Other financial assets - current and incremental costs of obtaining a contract

	<u>2020.3.31</u>	<u>2019.12.31</u>	<u>2019.3.31</u>
Other financial assets - current	\$ 4,440,585	3,530,868	2,197,970
Incremental costs of obtaining a contract	155,186	144,525	111,651
	<u>\$ 4,595,771</u>	<u>3,675,393</u>	<u>2,309,621</u>

1. Other financial assets - current

For details on collateral pledged on restricted assets (reserve accounts and trust) and refundable deposits on constructions, please refer to Note 8.

2. Incremental costs of obtaining a contract - current

The group expected to recover the commissions paid to third-party real estate agent and bonus paid to internal sales department and thus recognized these costs as assets. These are amortized when sales revenue is recognized. In the periods January 1 to March 31, 2020 and 2019, the amortization costs recognized were NTD 48,210 thousand and NTD 7,598 thousand respectively.

(12) Short and long-term borrowings/short-term notes and bills payable/long-term borrowings due within one year or one operating cycle

The details, conditions and terms for long-term loan of the group were as follows:

	<u>2020.3.31</u>			
	<u>Currency</u>	<u>Interest rate collars</u>	<u>Maturity year</u>	<u>Amount</u>
Secured bank loans	NTD	1.44%~2.15%	2020~2027	\$ 16,865,211
Unsecured bank loans	NTD	1.40%~2.55%	2020~2023	5,015,000
Short-term notes and bills payable	NTD	1.64%	2020	200,000
Total				<u>\$ 22,080,211</u>
Current				\$ 19,705,211
Non-current				2,375,000
Total				<u>\$ 22,080,211</u>

**Notes to the Consolidated Financial Statements of KINDOM DEVELOPMENT CO.,
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2019.12.31				
	Currency	Interest rate collars	Maturity year	Amount
Secured bank loans	NTD	1.75%~2.20%	2020~2026	\$ 16,575,399
Unsecured bank loans	NTD	1.40%~2.55%	2020~2023	4,715,000
Total				<u><u>\$ 21,290,399</u></u>
Current				\$ 19,105,824
Non-current				2,184,575
Total				<u><u>\$ 21,290,399</u></u>

2019.3.31				
	Currency	Interest rate collars	Maturity year	Amount
Secured bank loans	NTD	1.80%~4.02%	2019~2026	\$ 19,827,412
Unsecured bank loans	NTD	1.45%~2.55%	2019~2023	3,365,000
Total				<u><u>\$ 23,192,412</u></u>
Current				\$ 20,501,964
Non-current				2,690,448
Total				<u><u>\$ 23,192,412</u></u>

1. Issuance and repayment of loans

In the periods from January 1 to March 31, 2020 and 2019, the increases in loans were NTD 4,702,564 thousand and NTD 1,779,916 thousand; and the amount of repayments were NTD 3,917,627 thousand and NTD 997,016 thousand, respectively.

2. Collaterals

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

3. Syndicated loans

- The subsidiaries entered into a syndicated loan agreement with the Land Bank of Taiwan (the lead bank of the syndicated loan) and three other banks in May 2011, in the amount of NTD 4,500,000 thousand over fifteen years, divided into 15 terms, with one term being one year.
- According to the syndicated loan agreements: (1) for the long-term secured loan, revolving credits are disallowed; the first repayment starts a year from the date of initial withdrawal, and the subsequent repayments are scheduled every year for the next fifteen years; (2) for the middle-term secured loan of NTD 500,000 thousand, revolving credits are permitted within a period of five years. The effective rate is benchmark interest rate announced by the Land Bank of Taiwan plus an annual interest rate of 0.90% and 1.00%. Payments are due monthly.
- Restricted by the syndicated loan agreement, subsidiaries are required to maintain certain financial ratios, calculated based on its financial statements, as follows:
 - (1) Total liabilities to total assets: not exceeding 150%.
 - (2) Interest coverage ratio: at or above 2.00.
 - (3) Shareholders' interest: NTD 3 billion or above.

**Notes to the Consolidated Financial Statements of KINDOM DEVELOPMENT CO.,
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Compliance with the syndicated loan agreement is audited by the borrower's CPAs based on the financial audit report for the year. Any violations of the loan agreement terms or the financial ratios are to be corrected within a year starting on June 1 of the fiscal year following the year of the audit report. If corrections are not made within the allowed time, the remaining amount of the principal, penalty and the interests incurred therefrom are due to the lead bank of the syndicated loan.

The group has made a prepayment to the aforementioned syndicated loans in March 2020.

- (13) Bonds payable and convertible corporate bond due within one year or one operating cycle, and current portion of convertible corporate bond

Details on bonds payable are as follows:

	2020.3.31	2019.12.31	2019.3.31
Secured ordinary bond	\$ 4,500,000	4,500,000	4,500,000
Less: Current portion	-	-	(1,000,000)
Bonds payable - non-current	<u>\$ 4,500,000</u>	<u>4,500,000</u>	<u>3,500,000</u>

1. In the periods from January 1 to March 31, 2020 and 2019, the group did not issue, repurchase or repay bonds payable. For relevant information, please refer to Note 6(14) of the 2019 consolidated financial statements.

2. For details on the aforementioned secured ordinary bonds, please refer to Note 8.

- (14) Lease liabilities

The carrying amount of lease liability is as follows:

	2020.3.31	2019.12.31	2019.3.31
Current	<u>\$ 128,446</u>	<u>129,914</u>	<u>122,386</u>
Non-current	<u>\$ 2,675,873</u>	<u>2,714,817</u>	<u>2,798,376</u>

For the details on the analysis of maturity profile of the lease liabilities, please refer to Note 6(24).

The amount of lease liability recognized in income is as follows:

	Jan. - Mar. 2020	Jan. - Mar. 2019
Interest expense on lease liability	<u>\$ 12,632</u>	<u>13,122</u>

The amount of lease liability recognized in statements of cash flows is as follows:

	Jan. - Mar. 2020	Jan. - Mar. 2019
Variable lease payments not accounted for in lease liability	<u>\$ 78,063</u>	<u>118,430</u>
Total cash outflow for lease	<u>\$ 137,255</u>	<u>176,692</u>

1. Lease of buildings and constructions

(1) The land on Gongyuan Road in Pingtung City is leased from Pingtung Irrigation Association. The lease term was thirty years and the lease payment was of a certain percentage of the land assessed by the Government. In the second half of 2011, the lease was extended for another ten years. A loyalty fee of NTD 16,000 thousand was paid to obtain the right of first refusal in the two years prior to the lease expiration date and to renew the lease with pre-negotiated terms and conditions.

**Notes to the Consolidated Financial Statements of KINDOM DEVELOPMENT CO.,
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- (2) The mall in Zuoying HSR station is leased from Taiwan Railways Administration of the Ministry of Transportation and Communications (MOTC) under a service concession contract. The term is thirteen years (including a year for leasehold improvement) and the operation will be handed over to Taiwan Railways Administration at the lease expiration date. The lease payment, or the annual concession fee, includes both a flat amount and a percentage of retail sales revenue.
- (3) The mall in Banqiao HSR station is leased from Taiwan Railways Administration, MOTC under a service concession contract. The lease term is sixteen years (including a year for leasehold improvement) and the lease payment, or the annual concession fee, is a fixed loyalty fee for the first four years with a 3% increment each year after. Certain proportion of the lease payments is determined based on the sales amount of the stores of the group during the lease period.
- (4) The Group entered into a lease agreement of shopping malls under development by Tianjin Chongbei Property Management Co., Ltd. and Tianjin River Property Management Co., Ltd. (the "Lessors"). The lease term was twenty years after the transfer of the identified lease asset. When the rescission was probably, the related losses were recognized for the year ended on December 31, 2018. The lease was rescinded per the arbitration on June 28, 2019.
- (5) The mall in Nangang HSR station is leased from Taiwan Railways Administration, MOTC under a service concession contract. The lease term is sixteen years (including a year for leasehold improvement), and the lease payment, or the annual concession fee, includes both a flat amount and a percentage of retail sales revenue.
- (6) The mall in A9 Linkou Station of MRT Taoyuan Airport Line is leased from Railway Bureau, MOTC under a service concession contract. The lease term is twenty years starting from the contract commencement date, and the lease payment is the greater of the flat concession fee committed in the contract or a variable concession fee. The variable concession fee is a percentage of retail sales revenue and non-operating income of actual operation, plus lease payments on the land and buildings.
- (7) The mall and parking lot in Linkou A8 Chang Gung Memorial Hospital Station of MRT Taoyuan Airport Line is leased from Asia Pacific Development Co. The lease term is twenty years starting from the first date of operation, and the lease payment on the mall is the greater of a flat fee or a percentage of retail sales revenue.

(15) Provision

	2020.3.31	2019.12.31	2019.3.31
Warranty provision	<u>\$ 101,903</u>	<u>102,482</u>	<u>80,327</u>

There are no major changes in the group's provision in the periods from January 1 to March 31, 2020 and 2019. For relevant information, please refer to Note 6(16) of the 2019 consolidated financial statements.

The aforementioned provisions for warranties are mainly related to construction contracts and estimated based on the historical warranty claim data of various projects.

**Notes to the Consolidated Financial Statements of KINDOM DEVELOPMENT CO.,
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These provisions are expected to be claimed within a year from the completion of construction projects.

(16) Operating lease (lessor)

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(9) 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:

	2020.3.31	2019.12.31	2019.3.31
Less than 1 year	\$ 13,241	13,238	10,526
1~2 years	13,241	13,238	10,526
2~3 years	5,068	7,234	10,526
4~4 years	4,571	4,571	5,068
4~5 years	4,648	4,590	4,571
Above 5 years	8,240	9,440	14,030
Non-discounted future cash flows of lease	\$ 49,009	52,311	55,247

The rent income generated from investment property for the periods January 1 to March 31, 2020 and 2019 are NTD 3,308 thousand and NTD 2,693 thousand, respectively. There has not been major maintenance or repair expenses incurred.

(17) Employee benefits

1. Defined benefit plan

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

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

	Jan. - Mar. 2020	Jan. - Mar. 2019
Operating cost	\$ 274	142
Operating expenses	\$ 122	94

2. Defined contribution pension plan

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

	Jan. - Mar. 2020	Jan. - Mar. 2019
Operating cost	\$ 4,024	4,455
Operating expenses	\$ 4,659	4,466

3. Short-term compensated absence liabilities

	2020.3.31	2019.12.31	2019.3.31
Short-term compensated absence liabilities	\$ 20,013	21,533	19,483

**Notes to the Consolidated Financial Statements of KINDOM DEVELOPMENT CO.,
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(18) Income tax

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

	Jan. - Mar. 2020	Jan. - Mar. 2019
Current income tax expenses		
Accrued in current year	\$ 70,124	56,551
Land revaluation increment tax	22,027	18,475
Deferred income tax expense		
Occurrence and reversal of temporary differences	418	(320)
Income tax expenses on units in continuing operation	\$ 92,569	74,706

2. The tax fillings of Guanqing Electromechanical, Dingtian Construction and Guan Hua were assessed by the tax collecting agencies for the year ended on December 31, 2017; those of other entities of the group were assessed for the years ended on December 31, 2018.

(19) Capital and other equity

Apart from the matters described in the following paragraphs, there is no major changes in the group's capital and equity in the periods from January 1 to March 31, 2020 and 2019. For relevant information, please refer to Note 6(20) of the 2019 consolidated financial statements.

1. Capital surplus

The details of capital reserve were as follows:

	2020.3.31	2019.12.31	2019.3.31
Shares premium	\$ 827,906	827,906	827,906
Premium on conversion of convertible bonds	236,408	236,408	236,408
Treasury stock transactions	254,535	254,535	243,909
Gains on disposal of assets	34,912	34,912	34,912
Others	26,134	26,112	26,112
	\$ 1,379,895	1,379,873	1,369,247

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

2. Retained earnings

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.

**Notes to the Consolidated Financial Statements of KINDOM DEVELOPMENT CO.,
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(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) Special reserve

A portion of current-period earnings and undistributed prior-period earnings shall be reclassified as special earnings reserve during earnings distribution. The amount to be reclassified should equal the current-period total net reduction of other shareholders' equity. Similarly, a portion of undistributed prior-period earnings shall be reclassified as special earnings reserve (and does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods. If the amount debited to the other shareholders' equity is reversed subsequently, the reversed amount may be distributed. As of March 31, 2019, the balance of special reserve is NTD 25,546 thousand.

(3) Distribution of retained earnings

The 2019 and 2018 distribution of earnings were proposed by the Board Meeting and on Mar. 23, 2020, and at the Shareholders' Meeting on Jun. 10, 2019, respectively. The dividends distributed to owners are as follows:

	2019		2018	
	Dividend rate	Amount	Dividend rate	Amount
	(NTD)		(NTD)	
Dividends to common shareholders:				
Cash dividend	\$ 1.50	<u>755,687</u>	1.00	<u>503,791</u>

3. Treasury stock

As of March 31, 2020 and 2019, the company's common stock held by the group were as follows:

Name of Investee	Unit: thousand shares					
	2020.3.31			2019.3.31		
	No. of shares	Carrying amount	Market value	No. of shares	Carrying amount	Market value
Kedge Construction	500	\$ 1,222	11,325	500	1,222	10,050
Jiequn Investment Co., Ltd.	8,518	55,384	192,943	8,518	55,384	171,221
Guanqing Electromechanical Co., Ltd.	1,607	14,590	36,399	1,607	14,590	32,301
	<u>10,625</u>	<u>\$ 71,196</u>	<u>240,667</u>	<u>10,625</u>	<u>71,196</u>	<u>213,572</u>

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4. Other equity (net after tax)

	Exchange differences on translation of financial statements of foreign operations	Unrealized financial assets profits at fair value through other comprehensive income	Non- controlling interest	Total
Balance on January 1, 2020	\$ (26,264)	460	(5,049)	(30,853)
The exchange differences yielded by net assets of overseas operating institutions	(216)	-	(41)	(257)
Unrealized gain (loss) from financial assets measured at fair value through other comprehensive income	-	(896)	(138)	(1,034)
Balance on March 31, 2020	<u>\$ (26,480)</u>	<u>(436)</u>	<u>(5,228)</u>	<u>(32,144)</u>
Balance on January 1, 2019	\$ (25,910)	364	(5,870)	(31,416)
The exchange differences yielded by net assets of overseas operating institutions	(8,712)	-	(1,658)	(10,370)
Unrealized gain (loss) from financial assets measured at fair value through other comprehensive income	-	(181)	-	(181)
Balance on March 31, 2019	<u>\$ (34,622)</u>	<u>183</u>	<u>(7,528)</u>	<u>(41,967)</u>

(20) Earnings per share

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

	Jan. - Mar. 2020	Jan. - Mar. 2019
Basic earnings per share		
Net income attributable to the holders of common shares of the company	<u>\$ 302,534</u>	<u>125,036</u>
Weighted average number of common shares outstanding	<u>493,166</u>	<u>493,166</u>
Diluted earnings per share		
Net income attributable to the holders of common shares of the company (diluted)	<u>\$ 302,534</u>	<u>125,036</u>
Weighted average number of common shares outstanding	493,166	493,166
Influence of employees' share bonus	<u>475</u>	<u>459</u>
Weighted average number of shares circulating outside for common stock (after adjusting the impact of diluting potential common stock)	<u>493,641</u>	<u>493,625</u>

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

- (21) Revenue from contracts with customers
1. Disaggregation of revenue

	Jan. - Mar. 2020			
	Development	Construction	Shopping Mall	Total
Main regional markets:				
Taiwan	<u>\$ 1,773,444</u>	<u>1,824,515</u>	<u>299,315</u>	<u>3,897,274</u>
Main products/services:				
Sales of real estate developments	\$ 1,727,156	-	-	1,727,156
Revenue from construction contract	42,117	1,823,838	-	1,865,955
Sales commission from department store retailers	-	-	244,869	244,869
Service revenue	1,353	-	7,702	9,055
Rental income	2,818	677	22,208	25,703
Other income	-	-	24,536	24,536
	<u>\$ 1,773,444</u>	<u>1,824,515</u>	<u>299,315</u>	<u>3,897,274</u>
Timing of revenue recognition:				
Transfer of products upon a point in time	\$ 1,728,509	-	284,885	2,013,394
Gradually transferred revenue over time	2,818	677	14,430	17,925
Gradually transferred construction over time	42,117	1,823,838	-	1,865,955
	<u>\$ 1,773,444</u>	<u>1,824,515</u>	<u>299,315</u>	<u>3,897,274</u>

	Jan. - Mar. 2019			
	Development	Construction	Shopping Mall	Total
Main regional markets:				
Taiwan	<u>\$ 1,370,086</u>	<u>1,344,474</u>	<u>321,785</u>	<u>3,036,345</u>
Main products/services:				
Sales of real estate developments	\$ 1,294,081	-	-	1,294,081
Revenue from construction contract	68,571	1,343,892	-	1,412,463
Sales revenue	-	-	262,816	262,816
Service revenue	4,637	-	7,078	11,715
Rental income	2,797	582	27,137	30,516
Other income	-	-	24,754	24,754
	<u>\$ 1,370,086</u>	<u>1,344,474</u>	<u>321,785</u>	<u>3,036,345</u>
Timing of revenue recognition:				
Transfer of products upon a point in time	\$ 1,298,718	-	307,971	1,606,689
Gradually transferred revenue over time	2,797	582	13,814	17,193
Gradually transferred construction over time	68,571	1,343,892	-	1,412,463
	<u>\$ 1,370,086</u>	<u>1,344,474</u>	<u>321,785</u>	<u>3,036,345</u>

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

2. Contract balances

	<u>2020.3.31</u>	<u>2019.12.31</u>	<u>2019.3.31</u>
Contract asset construction	\$ 1,817,257	1,349,793	1,315,470
Less: Allowance for losses	-	-	-
	<u>\$ 1,817,257</u>	<u>1,349,793</u>	<u>1,315,470</u>
Contract liability - construction	\$ 1,268,324	930,947	526,860
Contract liabilities - buildings	5,585,290	5,177,387	3,929,039
Contract liabilities - gym	10,540	10,137	9,699
Contract liabilities - customer loyalty points	19,741	16,828	12,068
Contract liabilities - vouchers	<u>51,725</u>	<u>52,039</u>	<u>-</u>
Total	<u>\$ 6,935,620</u>	<u>6,187,338</u>	<u>4,477,666</u>

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

As of March 31, 2020, the prepayments of real estate pre-sales and the related interests were retained in trust accounts of identified banks and recognized as other financial assets - current in the amounts of NTD 2,353,146 thousand. Details on the trust accounts were as follows:

<u>Project code</u>	<u>2020.3.31</u>
103G	\$ 584,072
105A	12,893
950B	93,520
101C	1,532,611
100C	83,980
980F	<u>46,070</u>
	<u>\$ 2,353,146</u>

(22) 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' remuneration. However, profits must first be taken to offset against cumulative losses if any.

The estimated remunerations to employees amounted to NTD 7,623 thousand and NTD 1,568 thousand, and the estimated remunerations to directors amounted to NTD 7,623 thousand and NTD 3,136 thousand for the three-months periods then ended on March 31, 2020 and 2019, respectively. These amounts were calculated using the company's net income before tax without the remunerations to employees and directors for each period, multiplied by the percentage which is stated under the company's Article of Incorporation. These remunerations were expensed under 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

**Notes to the Consolidated Financial Statements of KINDOM DEVELOPMENT CO.,
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recognized in profit or loss for the following year. If remuneration to employees is resolved to be distributed in stock, the number of shares is determined by dividing the amount of remuneration by the closing price of the shares on the day prior to the Board of Directors' meeting.

The actual distribution of employee remuneration amounted to NTD 30,433 thousand and NTD 7,247 thousand, and the actual distribution of director remuneration amounted to NTD 30,433 thousand and NTD 14,943 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.

(23) Non-operating revenue and expense

1. Other income

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

	Jan. - Mar. 2020	Jan. - Mar. 2019
Interest income		
Bank deposits (including short-term securities)	\$ 4,153	1,842
Loans and receivables	106	946
Construction refundable deposits (including deposits)	211	901
	\$ 4,470	3,689

2. Other gains or losses

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

	Jan. - Mar. 2020	Jan. - Mar. 2019
Gains on foreign exchange	\$ 112	6,608
Net profit (loss) on financial assets measured at fair value through profit or loss	(18,562)	1,244
Other income	8,226	12,190
Rent income	197	126
Other expenses	(468)	(367)
	\$ (10,495)	19,801

3. Financial costs

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

	Jan. - Mar. 2020	Jan. - Mar. 2019
Interest expense		
Bank borrowings	\$ 106,045	120,345
Interests on deposits in advance for public land development	98	118
Arranger fees	4,875	188
Transaction fees and interests on corporate bonds	21,227	24,295
Other financing costs	12,632	13,122
Others	234	182
Less: Capitalization of interest	(49,797)	(48,894)
	\$ 95,314	109,356

**Notes to the Consolidated Financial Statements of KINDOM DEVELOPMENT CO.,
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(24) Financial Instruments

Apart from the matters described in the following paragraphs, there is no major changes in the fair value of the group's financial instruments and matters exposed to credit risk, liquidity risk, and market risk due to financial instruments. For relevant information, please refer to Note 6(25) 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	Contractual cash flows	Less than 1 year	1~3 years-	3~5 years-	Over 5 years
March. 31, 2020						
Non-derivative financial liabilities						
Long-/short-term borrowings	\$ 21,880,211	22,661,229	7,253,648	10,171,853	4,008,506	1,227,222
Short-term notes and bills payable	200,000	200,000	200,000	-	-	-
Ordinary bond	4,500,000	4,616,791	-	2,547,984	2,068,807	-
Notes , accounts and other payables	5,500,405	5,500,405	3,967,349	1,533,056	-	-
Guarantee deposits received	94,642	94,642	1,972	92,670	-	-
Long-term debt (including current portion due within one year) and other non-current liabilities	73,511	74,504	16,711	33,157	24,636	-
Lease liabilities	2,804,319	3,325,872	178,959	364,463	367,631	2,414,819
	<u>\$ 35,053,088</u>	<u>36,473,443</u>	<u>11,618,639</u>	<u>14,743,183</u>	<u>6,469,580</u>	<u>3,642,041</u>
Dec. 31, 2019						
Non-derivative financial liabilities						
Long-/short-term loan (including current portion due within one year)	\$ 21,290,399	22,176,874	7,161,146	9,937,097	4,094,208	984,423
Ordinary bond	4,500,000	4,627,523	-	1,522,568	3,104,955	-
Notes , accounts and other payables	5,725,854	5,725,854	4,233,389	1,492,465	-	-
Guarantee deposits received	90,754	90,754	1,703	89,051	-	-
Long-term debt (including current portion due within one year) and other non-current liabilities	81,680	82,893	16,755	33,245	32,893	-
Lease liabilities	2,844,731	3,384,464	176,787	360,311	366,367	2,480,999
	<u>\$ 34,533,418</u>	<u>36,088,362</u>	<u>11,589,780</u>	<u>13,434,737</u>	<u>7,598,423</u>	<u>3,465,422</u>
Mar. 31, 2019						
Non-derivative financial liabilities						
Long-/short-term loan (including current portion due within one year)	\$ 23,192,412	24,012,280	11,874,944	8,236,030	2,374,475	1,526,831
Ordinary bond (including current portion due within one year)	4,500,000	4,620,673	1,006,370	1,534,434	2,079,869	-
Notes, accounts and other payables	4,688,009	4,688,009	3,514,110	1,173,899	-	-
Guarantee deposits received	68,209	68,209	6,518	61,691	-	-
Long-term debt (including current portion due within one year) and other non-current liabilities	89,847	91,303	16,799	33,333	32,981	8,190
Lease liabilities	2,920,762	3,493,585	173,586	354,442	365,573	2,599,984
	<u>\$ 35,459,239</u>	<u>36,974,059</u>	<u>16,592,327</u>	<u>11,393,829</u>	<u>4,852,898</u>	<u>4,135,005</u>

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

**Notes to the Consolidated Financial Statements of KINDOM DEVELOPMENT CO.,
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2. Exchange rate risk

(1) Exchange rate risk exposure

The group's significant exposure to foreign currency risk is as follows:

	2020.3.31			2019.12.31			2019.3.31			
	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD	
<u>Financial assets</u>										
Monetary items										
CNY:NTD	\$	143	4.255	609	143	4.305	616	143	4.580	653
JPY:NTD		88	0.279	24	7,888	0.276	2,177	290	0.2780	81
USD:NTD		7	30.225	222	7	29.980	221	3	30.820	77
<u>Financial liabilities</u>										
Monetary items										
USD:CNY (Note)		-	-	-	-	-	-	11,474	6.733	-
CNY:NTD		-	-	-	-	-	-	-	4.580	353,622

Note: As the functional currency of some of the group's subsidiaries is not denominated in NTD, the group discloses and takes such risk exposure into consideration. Namely, if one of the subsidiary's functional currency is CNY, but possess foreign currency positions, such matter shall also be taken into consideration.

(2) Sensitivity analysis

The group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, long-term and short-term borrowings that are denominated in foreign currency. If NTD appreciates or depreciates by 1% against CNY or JPY against USD from January 1 to March 31, 2020 and 2019, while other factors remained unchanged, the profit before tax would increase or decrease by NTD 9 thousand and NTD 3,530 thousand, respectively, for the periods from January 1 to March 31, 2020 and 2019. The analysis is performed on the same basis for both periods.

(3) Conversion impairment of monetary items

The exchange rates and (realized and unrealized) gains and losses on translation of monetary items to NTD (the group's functional currency) were as follows:

	Jan. - Mar. 2020		Jan. - Mar. 2019	
	Exchange gain or loss	Average exchange rates	Exchange gain or loss	Average exchange rates
CNY	\$ 48	4.310	16	4.565
JPY	55	0.276	6	0.280
USD	9	30.107	6,586	30.828

3. Interest rate analysis

The interest rate risk exposure of financial assets and financial liabilities of the group is described in the liquidity risk management of this Note.

The following sensitivity analysis is based on the interest rate exposure of derivatives and non-derivatives on the reporting date. For liabilities with floating rate, it is analyzed by assuming the liabilities on the reporting date are outstanding throughout the year. The interest rate fluctuation of 1% increase or decrease is used internally for reporting the interest rate to management and is the assessment by management regarding the reasonable and possible changes in interest rates.

For the three-months periods then ended on March 31, 2020 and 2019, if the interest rate increases or decreases by 1%, while other factors remained unchanged, the group's profit before tax would decrease or increase by NTD 54,701 thousand or NTD 57,981 thousand, respectively; net profit will decrease or increase by NTD

**Notes to the Consolidated Financial Statements of KINDOM DEVELOPMENT CO.,
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35,929 thousand or NTD 40,067 thousand, respectively, after capitalization of interest. This is mainly because the group has floating rate loans.

4. Other price risk

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

Securities price on the reporting date	Jan. - Mar. 2020		Jan. - Mar. 2019	
	After-tax other comprehensive income	After-tax profit or loss	After-tax other comprehensive income	After-tax profit or loss
Increased by 10%	\$ 755	5,502	742	9,219
Decreased by 10%	\$ (755)	(5,502)	(742)	(9,219)

5. Fair value information

(1) Type and fair value of financial instruments

Financial assets 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 do not have to revealed according to provisions) are listed as follows:

	2020.3.31				
	Book value	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit and loss					
Non-derivative financial assets mandatorily measured at fair value through profit or loss:					
Financial assets at fair value through other comprehensive income					
Financial assets measured at cost after amortization					
Cash and cash equivalents	\$ 6,692,986	-	-	-	-
Notes and accounts receivable	789,309	-	-	-	-
Other financial assets - current-	4,440,585	-	-	-	-
Other financial assets - non-current-	82,568	-	-	-	-
Subtotal	12,005,448	-	-	-	-
Total	\$ 12,068,010	55,531	-	7,031	62,562
Financial liabilities measured at amortized cost					
Long-/short-term borrowings	\$ 21,880,211	-	-	-	-
Short-term notes and bills payable	200,000	-	-	-	-
Notes , accounts and other payables	5,500,405	-	-	-	-
Bonds payable	4,500,000	-	-	-	-
Other payables (including current portion)	73,511	-	-	-	-
Lease liabilities (including current portion)	2,804,319	-	-	-	-
Guarantee deposits received	94,642	-	-	-	-
Total	\$ 35,053,088	-	-	-	-

**Notes to the Consolidated Financial Statements of KINDOM DEVELOPMENT CO.,
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	2019.12.31				
	Book value	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit and loss					
Non-derivative financial assets mandatorily measured at fair value through profit or loss:					
Financial assets at fair value through other comprehensive income	\$ 97,563	97,563	-	-	97,563
Financial assets measured at cost after amortization					
Cash and cash equivalents	\$ 6,229,385	-	-	-	-
Notes and accounts receivable	1,415,769	-	-	-	-
Other financial assets - current-	3,530,868	-	-	-	-
Other financial assets - non-current-	72,968	-	-	-	-
Subtotal	<u>11,248,990</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 11,355,132</u>	<u>98,219</u>	<u>-</u>	<u>7,923</u>	<u>106,142</u>
Financial liabilities measured at amortized cost					
Long-/short-term loan (including current portion due within one year)	\$ 21,290,399	-	-	-	-
Notes , accounts and other payables	5,725,854	-	-	-	-
Bonds payable	4,500,000	-	-	-	-
Other payables (including current portion)	81,680	-	-	-	-
Lease liabilities (including current portion)	2,844,731	-	-	-	-
Guarantee deposits received	90,754	-	-	-	-
Total	<u>\$ 34,533,418</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

	2019.3.31				
	Book value	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit and loss					
Non-derivative financial assets mandatorily measured at fair value through profit or loss:					
Financial assets at fair value through other comprehensive income	\$ 92,193	92,193	-	-	92,193
Financial assets measured at cost after amortization					
Cash and cash equivalents	\$ 6,542,050	-	-	-	-
Notes and accounts receivable	506,864	-	-	-	-
Other financial assets - current-	2,197,970	-	-	-	-
Other financial assets - non-current-	116,253	-	-	-	-
Subtotal	<u>9,363,137</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 9,462,745</u>	<u>92,618</u>	<u>-</u>	<u>6,990</u>	<u>99,608</u>
Financial liabilities measured at amortized cost					
Long-/short-term loan (including current portion due within one year)	\$ 23,192,412	-	-	-	-
Notes , accounts and other payables	4,688,009	-	-	-	-
Bonds payable	4,500,000	-	-	-	-
Other payables (including current portion)	89,847	-	-	-	-
Lease liabilities (including current portion)	2,920,762	-	-	-	-
Guarantee deposits received	68,209	-	-	-	-
Total	<u>\$ 35,459,239</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

**Notes to the Consolidated Financial Statements of KINDOM DEVELOPMENT CO.,
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(2) Changes in Level 3 financial assets

	Measured at fair value through other		
	Equity instruments without public quotes	Bond investment	Total
Jan. 1, 2020	\$ 7,923	-	7,923
Mar. 31, 2020	\$ 7,031	-	7,031
Jan. 1, 2019	\$ 7,245	-	7,245
Mar. 31, 2019	\$ 6,990	-	6,990

The above total profit or loss is reported in "unrealized valuation profit (loss) of financial assets measured at fair value through other comprehensive income." Among them, the assets still held on March 31, 2020 and 2019 are as follows:

	Jan. - Mar. 2020	Jan. - Mar. 2019
Total profit or loss		
Recognized in other comprehensive income (reported in "Unrealized gain (loss) on valuation of financial assets measured at fair value through other comprehensive income")	\$ (892)	(255)

(3) Transfer between different levels of fair value hierarchy

As the shares held by the group have active market quotation, they are classified as Level 1. In the periods January 1 to March 31, 2020 and 2019, there were no changes to the levels of fair value hierarchy. Thus, there was no matters of transfer between levels in the periods from January 1 to March 31, 2020 and 2019.

(25) 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(26) of the 2019 consolidated financial statements.

(26) Capital management

The goals, policies and procedures of the group's capital management are in line with the information disclosed in the 2019 annual consolidated financial report. There is no significant difference between the aggregated quantitative data of the projects used as capital management in this period and the information disclosed in the 2019 consolidated financial report. For relevant information, please refer to Note 6(27) attached to the 2019 consolidated financial statements.

7. Related-Party Transactions

(1) 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 Yu San Education Foundation	The entity's chairman is the second-degree relatives of the company's chairman

**Notes to the Consolidated Financial Statements of KINDOM DEVELOPMENT CO.,
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(2) Transactions with related parties

Others

1. The group donated a total of NTD 5,375 thousand and NTD 2,500 thousand to other related parties in the period Jan 1, to Mar. 31, 2020 and 2019 for the promotion of foundation affairs.
2. The group leased part of the office building to other related parties, with a lease term of 5 years. The rent income was NTD 14 thousand for each of the periods January 1 to March 31, 2020 and 2019.

(3) Major management personnel transactions

Remuneration to major management personnel includes:

	Jan. - Mar. 2020	Jan. - Mar. 2019
Short-term employee benefits	\$ 39,871	36,625
Benefits after retirement	73	70
	\$ 39,944	36,695

8. Pledged Assets

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

Name of assets	Pledge guarantee object	2020.3.31	2019.12.31	2019.3.31
Buildings and land held for sale	Bank borrowings	\$ 9,439,608	9,081,604	10,693,140
Land held for construction	"	211,953	211,953	3,313,547
Construction in progress	"	13,856,949	13,471,475	10,404,825
Investment properties and net value of property, plant, and equipment	Bank loans and bonds payable	6,493,810	6,514,072	6,582,403
Other financial assets - current-	Bank loans, pre-sales payments in trust accounts, guarantees, and bonds payable	3,860,759	2,911,788	1,876,919
Other financial assets - non-current	Guarantees and pre-sales payments in trust accounts	60,893	60,893	47,390
		\$ 33,923,972	32,251,785	32,918,224

Note: The group provided a total of 293,414 thousand shares to subsidiaries to be used as collateral for bank borrowings and advance receipts of buildings and land as of March 31, 2020, December 31, 2019 and March 31, 2019.

9. Significant Contingent Liabilities and Unrecognized Contract Commitments

(1) Significant unrecognized contract commitments:

1. Total amount of significant construction contracts were as follows:

	2020.3.31	2019.12.31	2019.3.31
Amount of construction contracts	\$ 25,507,797	20,912,565	20,001,229
Amount of payments received	\$ 8,476,607	6,728,027	9,878,390

**Notes to the Consolidated Financial Statements of KINDOM DEVELOPMENT CO.,
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2. Total amount of sales contracts signed before and after the completion of construction were as follows:

	<u>2020.3.31</u>	<u>2019.12.31</u>	<u>2019.3.31</u>
Amount of sales contracts signed	<u>\$ 16,868,280</u>	<u>14,898,155</u>	<u>13,319,517</u>
Amount of payments received per contracts	<u>\$ 5,585,290</u>	<u>5,177,387</u>	<u>3,929,039</u>

3. For details on lease agreements of the group's business in shopping mall management as of March 31, 2020, December 31, 2019, and March 31, 2019, please refer to Note 6(14). Details of the refundable deposits and notes in relation to obligations under these agreements were as follows:

	<u>2020.3.31</u>	<u>2019.12.31</u>	<u>2019.3.31</u>
Refundable deposits	<u>CNY 12,000</u>	<u>CNY 12,000</u>	<u>CNY 12,000</u>
Refundable notes	<u>\$ 172,550</u>	<u>172,550</u>	<u>108,000</u>

4. In September 2015, the group entered into a lease agreement with Chang Xin Co., Ltd. for the building and parking lot on Jiankang Road in Zhonghe District of New Taipei City. The lease payments in relation to the shopping mall consist of both a monthly flat amount and a percentage of retail sales revenue.
5. It is passed by the Board Meeting in January 2020, December 2019 and December 2018 that the group promised to donate NTD 15,000 thousand and NTD 10,500 thousand in 2020 and 2019, respectively, to Kindom Yu San Education Foundation for the promotion of foundation affairs.
6. Details on refundable deposits and notes paid for co-developments with land owners and third party developers as follows:

	<u>2020.3.31</u>	<u>2019.12.31</u>	<u>2019.3.31</u>
Refundable deposits	<u>\$ 530,972</u>	<u>538,675</u>	<u>229,748</u>
Refundable notes	<u>\$ 1,106,119</u>	<u>982,599</u>	<u>962,744</u>

7. The group entered into a lease agreement of shopping malls under development by Tianjin Chongbei Property Management Co., Ltd. and Tianjin River Property Management Co., Ltd. (the "Lessors"). The lease started on December 2016 and would end in twenty years. The Lessor failed to perform according to lease terms. Consequently, in July, 2018, the group filed for rescission of the lease and requested an arbitration from CIETAC. Upon the rescission, the group requested return of the refundable deposits, refund of the book value of leasehold improvements, and liquidated damages in the total amount of CNY 230,299 thousand. On September 26, 2018, the Lessor, appealing to the arbitration court, requested the group's returning the lease asset back to its original status, with no return of the refundable deposits, no liquidated damage, and no refund of depreciation losses on engineering projects upon the rescission. The group expected total losses in the amount of CNY 248,299 thousand. Judging from the first arbitration court dated on December 24, 2018, the group recognized related losses for the year ended on December 31, 2018. The case was settled and the lease was rescinded per the second arbitration court dated on June 28, 2019. In July 2019, the settlement processes were completed, and the Lessor returned the refundable deposit per the settlement agreement.

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

8. The group applied for the Online-Merge-Offline (OMO) digital, intelligent retail service platform program funded under Taiwan Industry Innovation Platform Programs by Industrial Development Bureau, MOES. The program started on May 1, 2019 and ends on December 31, 2020. The related subsidy in the amount of NTD 10,500 thousand was granted in exchange for the group's bank note, in the same amount, pledged as collateral for obligations under the program. The note was refundable and would be returned within six months after the program ends.

(2) **Contingent liability**

1. 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 was as a result of the group's construction. Both parties were not able to settle the issue in mediation, so the group was sued by the neighbor manufacturer, in the amount of NTD 15,665 thousand. The group has yet to assess any contingent liability for this litigation.
2. In relation to a construction project, the group was sued for a loan payment in the amount of NTD 2,032 thousand. The Group has yet to assess any contingent liability for this litigation.

10. Significant Disaster Loss

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	Jan. - Mar. 2020			Jan. - Mar. 2019		
	Operating costs	Operating expense	Total	Operating costs	Operating expense	Total
Nature						
Employee benefits expenses						
Salaries and wages	123,197	141,488	264,685	111,466	114,938	226,404
Labor insurance and national health insurance	8,874	8,985	17,859	9,902	8,832	18,734
Pension expenses	4,298	4,781	9,079	4,597	4,560	9,157
Other employee benefits expenses	518	5,255	5,773	238	4,629	4,867
Depreciation expenses	1,128	86,999	88,127	1,269	88,951	90,220
Amortization expenses	-	2,646	2,646	-	4,066	4,066

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

13. Supplementary Disclosures

- (1) **Information on significant transactions**

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

1. **Financings provided:** None.

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

2. Endorsement/guarantees for others:

Expressed in thousand of New Taiwan Dollars

No.	Name of endorsement/guarantee provider	Subject of endorsements/guarantees		Limit on endorsements/guarantees provided for a single party	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	Endorsement/guarantee provided by parent company to subsidiaries	Endorsement/guarantee provided by subsidiaries to parent company	Endorsement/guarantee provided to subsidiary in China
		Company name	Relation (Note 1)										
1	Kedge Construction	Kindom Development	Parent company and subsidiary	\$ 5,457,960	14,192	14,192	14,192	-	0.52%	5,457,960	N	Y	N
2	Dingtian Construction	Kindom Development	Parent company and subsidiary	52,586	14,192	14,192	14,192	-	26.99%	52,586	N	Y	N
2		Kedge Construction	Parent company and subsidiary	7,887,826	1,376,500	1,376,500	1,376,500	-	2,617.62%	15,775,651	N	Y	N
3	Global Mall	Guan You	3	2,776,133	200,000	200,000	20,000	-	4.32%	5,552,270	Y	N	N
3		Guan Hua	2	2,776,133	150,000	150,000	65,000	-	3.24%	5,552,270	Y	N	N

Note 1: The relationships between the endorsement and guarantee provider and subject are as follows:

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

Note 2: Taipei City Government requested the company to provide joint and several security, so Kedge Construction, approved by the Board on March 21, 2002 and March 25, 2010, provided endorsements/guarantees for the company.

Note 3: 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 statement.

Note 4: 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 statement.

Note 5: Per Global Mall's policies and procedures on endorsements/guarantees, the maximum aggregate amount allowable for endorsements/guarantees to third parties shall not exceed 120% of its net equity as stated in its latest financial statement, and limits on endorsements/guarantees provided to a single entity shall not exceed 60% of its net equity as stated in its latest financial statement.

Note 6: The above-mentioned transactions have been written-off at the preparation of the consolidated financial report.

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

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

Expressed in thousand of New Taiwan Dollars/thousand shares

Holding company	Types and names of securities	Relationship with the securities issuer	Account titles in book	End of period				Remarks
				No. of shares	Book value	Percentage of shareholding	Fair value (Note)	
The company	Shares - Fubon Financial Holding Co., Ltd.	-	Financial assets at fair value through profit or loss - current	505	18,973	-	18,973	
"	Stock - Everterminal Co. Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	198	1,321	0.20 %	1,321	
"	Stock - Clientron Corp.	-	"	29	514	0.05 %	514	
Jiequn Investment	Shares - Fubon Financial Holding Co., Ltd.	-	Financial assets at fair value through profit or loss - current	472	17,870	-	17,870	
"	Shares - SinoPac Financial Holdings Co., Ltd.	-	"	211	2,302	-	2,302	
"	Shares - Taiwan Calcom International Computer Graphic Co., Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	405	-	0.78 %	-	
Guanqing Electromechanical Co., Ltd.	Shares - Fubon Financial Holding Co., Ltd.	-	Financial assets at fair value through profit or loss - current	419	15,872	-	15,872	
"	Shares - Global Views - Commonwealth Publishing Co.	-	Financial assets at fair value through other comprehensive income - non-current	132	5,710	0.59 %	5,710	

Note: If market price is not available, the carrying amount of the security at the reporting date is determined as the market price.

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:

Expressed in thousand of New Taiwan Dollars

Disposing company	Asset title	Date of event	Date of acquisition	Carrying amount	Transaction amount	Payment collection status	Gain or loss on disposal	Counterparties	Relationship	Purpose of disposal	Reference for price determination	Other stipulations of the transaction
The company	Inventory - buildings and land held for sale	2020.03	Not applicable: inventory produced, not acquired	N/A	693,062	510,480	N/A	More than one third party	Non-related party	Selling inventory	Refer to appraisal or based on market price	None

Note: The above are expressed in amounts before taxes.

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

Expressed in thousand of New Taiwan Dollars

Company name	Name of transaction counterpart	Relationship	Transaction details				Situation and reason of why trading conditions are different from general trading		Notes/accounts receivable (or payable)		Remarks
			Purchases /sales	Amount (Note 1)	As a percentage of total purchase (sales)	Loan period	Unit price	Loan period	Balance	As a percentage of total notes/accounts receivable (or payable)	
The company	Kedge Construction	Investees valued under equity method	Purchases for 103G and other projects	1,261,826	76.83 %	50% due immediately and 50% due in 90 days / 100% due immediately and 100% due in 90 days	Equivalent to other transactions	Slightly longer than normal	(1,959,650)	80.56%	Note 2
Kedge Construction	The company	An investment company that evaluates Kedge Construction by the equity method	041B, and etc.	(1,261,826)	(42.01) %	Payment by installment per contract or equivalent to a general transaction	"	"	1,959,650	57.66%	

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

Note 1: Refers to the valuation amount for current period

Note 2: The above-mentioned transactions have been written-off at the preparation of the consolidated financial report. The difference in payables (receivables) are retention receivables listed under contract assets.

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

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

9. Derivative financial instrument transactions: None.

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

No.	Company name	Related Party	Relationship with trader	Transactions			As a percentage of consolidated revenue or total assets
				Account	Amount	Terms and conditions	
0	The company	Kedge Construction	1	Cost of construction	946,849	50% due immediately and 50% due in 90 days / 100% due immediately and 100% due in 90 days	24.30%
0	The company	Kedge Construction	1	Buildings and land held for sale	226,373	50% due immediately and 50% due in 90 days / 100% due immediately and 100% due in 90 days	0.40%
0	The company	Kedge Construction	1	Construction in progress	329,220	50% due immediately and 50% due in 90 days / 100% due immediately and 100% due in 90 days	0.58%
0	The company	Kedge Construction	1	Notes and accounts payable - related party-	1,959,650	50% due immediately and 50% due in 90 days / 100% due immediately and 100% due in 90 days	3.43%
1	Kedge Construction	The company	2	Operating income	946,849	50% due immediately and 50% due in 90 days / 100% due immediately and 100% due in 90 days	24.30%
1	Kedge Construction	The company	2	Operating cost	555,593	50% due immediately and 50% due in 90 days / 100% due immediately and 100% due in 90 days	14.26%
1	Kedge Construction	The company	2	Notes and accounts receivable - related party, contract asset-	1,959,650	50% due immediately and 50% due in 90 days / 100% due immediately and 100% due in 90 days	3.43%
2	Global Mall	Guan Cheng	3	Accounts receivable - related parties	12,679	Once a Year	0.02%
2	Global Mall	Guan Cheng	3	Operating income	9,852	Once a Year	0.25%
2	Global Mall	Guan You	3	Operating income	670	Once a Year	0.02%
3	Guan Cheng	Global Mall	3	Accounts payable - related parties	12,679	Once a Year	0.02%
3	Guan Cheng	Global Mall	3	Operating expenses	9,852	Once a Year	0.25%
4	Guan You	Global Mall	3	Operating expenses	670	Once a Year	0.02%

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.
3. Subsidiary to subsidiary

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

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

(2) Information on investees:

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

Expressed in thousand of New Taiwan Dollars/thousand shares

Investor	Name of investee	Location	Principal business	Original investment amount		Ending shareholding			Net income (loss) of the investee	Share of profit/loss of investee	Remarks
				End of the period	End of last year	No. of shares	Percentage	Book value			
The company	Kedge Construction	Taiwan	The comprehensive construction industry, etc.	374,353	374,353	36,248	34.18%	587,951	86,427	29,210	Subsidiaries
"	Global Mall	Taiwan	Supermarkets, department stores, international trading, and wholesales and retails of medical equipment	3,209,395	3,209,395	320,105	84.02%	3,912,388	63,382	53,252	"
"	Guan Cheng	Taiwan	Department stores, supermarkets, and non-store retailing	102,000	102,000	10,200	51.00%	143,437	15,090	7,696	"
Kedge Construction	Jiequn Investment Co., Ltd.	Taiwan	General Investment	163,935	163,935	16,396	99.98%	284,845	(6,179)	(6,178)	Second-tier subsidiary
"	Guanqing Electromechanical Co., Ltd.	Taiwan	Electrical equipment installation and fire safety equipment installation industry, etc.	81,326	81,326	7,747	99.96%	184,703	(3,434)	(3,433)	"
Jiequn Investment Co., Ltd.	Dingtian Construction	Taiwan	The comprehensive construction industry, etc.	16,500	16,500	-	30.00%	15,776	(845)	(253)	Third-tier subsidiary
Guanqing Electromechanical Co., Ltd.	Dingtian Construction	Taiwan	The comprehensive construction industry, etc.	11,105	11,105	-	70.00%	36,810	(845)	(592)	"
Dingtian Construction	ReadyCom eServices Corp.	Taiwan	Information software services and management consultants, etc.	15,000	15,000	1,400	46.67%	20,226	(599)	(280)	Investments accounted for using equity method
Global Mall	Guan Cheng	Taiwan	Department stores, supermarkets, and non-store retailing	98,000	98,000	9,800	49.00%	137,812	15,090	7,394	Subsidiaries
"	Guan You	Taiwan	Department stores, supermarkets, and non-store retailing	5,000	5,000	500	3.70%	1,546	(2,537)	(94)	Second-tier subsidiary
"	Guan Hua	Taiwan	Department stores, supermarkets, and non-store retailing	140,000	140,000	14,000	100.00%	136,026	(1,333)	(1,333)	"
"	KGM	Hong Kong	Investment and operation of shopping mall in China, including master planning, supporting engineering consulting, and leasing planning and consulting	213,766 (HKD 54,435)	213,766 (HKD 54,435)	- (Co., Ltd.)	100.00%	31,354	1,636	1,636	"
Guan Cheng	Guan You	Taiwan	Department stores, supermarkets, and non-store retailing	130,000	130,000	13,000	96.30%	40,236	(2,537)	(2,443)	"

(3) Information on Investments in mainland China:

1. Relevant information incl. names and principal business of investees in Mainland China

Unit: Thousands of USD, HKD, CNY or NTD

Names of investees in China	Principal business	Paid-in Capital	Method of investment	Accumulated amount of investment remitted from Taiwan at beginning	Amount of investment remitted or recovered in current period		Accumulated amount of investment remitted from Taiwan at ending	Investee Gain or loss in current period	The company's percentage of ownership directly or indirectly	Investment gains (losses) recognized in the current period	Book value of investment at ending	The investment income received at the end of the current period
					Outward remittance	Recover						
Global Mall (Tianjin) Co., Ltd.	Business management (including rentals of commercial facilities) in wholesales, retails, and import/export of household items and appliances, sports goods, office supplies, watches, glasses, textiles, etc.; property management; business consulting; corporate marketing planning; conference services; exhibition services; parking lot operation and management.	213,766 (CNY 48,000)	Note	213,766 (CNY 48,000)	- (CNY -)	- (CNY -)	213,766 (CNY 48,000)	1,652 (HKD 426)	100.00%	1,652 (HKD 426)	31,669 (HKD 8,124)	-

Note: Reinvest in mainland China through existing companies in a third location

**Notes to the Consolidated Financial Statements of KINDOM DEVELOPMENT CO.,
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2. Limit of investment in Mainland China:

Accumulated investment from Taiwan to Mainland China at ending	Amount of investment approved by Investment Commission of MOEA	Investment amount stipulated by the Investment Commission of MOEA
CNY 48,000	USD 11,100	7,757,369

3. Material transactions with investees in Mainland China: None

(4) Information on major shareholders:

Name of major shareholder	Shareholding No. of shares held	Percentage of shareholding
Yute Investment Co., Ltd.	96,304,670	19.12%
Mei-Chu, Liu	61,104,811	12.13%

14. Segment Information

(1) General information

The group's reportable segments comprise of development business unit, construction business unit, and shopping mall business unit. The market nature and marketing strategies of each business unit are not identical and hence are explained as follows:

Development segment: Commissions construction companies to develop residential and commercial real estate for rental or sales.

Construction segment: Comprehensively organizes all works involved in constructions, including building and management, as a general contractor.

Shopping mall segment: Manages operations of shopping malls, supermarkets, and businesses in international trading.

(2) Information involving profit or loss, asset, liability and measurement basis and adjustment of reportable segments

The management's resource allocation and performance evaluation is based on the unit's profit before tax (excluding extraordinary profit or loss and exchange gain or loss) in the internal governance report reviewed by the chief operating decision maker of the group. As tax expenses (income), extraordinary profit or loss and exchange gain or loss are recognized on the group level, the consolidated company does not allocate tax expenses (income), extraordinary profit or loss and exchange gain or loss to the reportable segments. Thus, not every reportable segment includes material non-monetary items besides depreciation and amortization in the profit or loss. The reported amounts are in line with the amounts in the reports for operating decision makers.

Except that the pension expenses of each unit are paid in cash to pension plans, the accounting policies of the operating department are the same as the summary of the significant accounting policies described in Note 4.

The group deems the inter-unit sales and transfer as transaction with third parties. And such transactions are measured at current market price.

The information and adjustments to operating units of the group are as follows:

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

Jan. - Mar. 2020

	Development	Construction	Shopping Mall	Adjustments and elimination	Total
Revenue:					
Revenues from external customers	\$ 1,773,444	1,824,515	299,315	-	3,897,274
Inter-segment income	606	947,689	10,548	(958,843)	-
Total revenue	\$ 1,774,050	2,772,204	309,863	(958,843)	3,897,274
Reportable segment profit or loss	\$ 365,284	112,194	79,985	(95,993)	461,470

Jan. - Mar. 2019

	Development	Construction	Shopping Mall	Adjustments and elimination	Total
Revenue:					
Revenues from external customers	\$ 1,370,086	1,344,474	321,785	-	3,036,345
Inter-segment income	606	1,387,291	11,082	(1,398,979)	-
Total revenue	\$ 1,370,692	2,731,765	332,867	(1,398,979)	3,036,345
Reportable segment profit or loss	\$ 151,400	143,366	94,821	(132,989)	256,598

	Development	Construction	Shopping Mall	Adjustments and elimination	Total
Assets of reportable segments					
March. 31, 2020	\$ 45,318,019	8,724,828	11,200,169	(8,117,230)	57,125,786
Dec. 31, 2019	\$ 43,828,824	8,276,848	11,645,381	(7,926,088)	55,824,965
Mar. 31, 2019	\$ 43,259,559	6,733,681	12,344,776	(7,834,870)	54,503,146
Liabilities of reportable segments					
March. 31, 2020	\$ 32,288,247	5,995,713	6,250,246	(2,189,003)	42,345,203
Dec. 31, 2019	\$ 31,201,320	5,535,726	6,771,135	(2,096,125)	41,412,056
Mar. 31, 2019	\$ 31,306,041	4,089,546	7,753,834	(2,385,583)	40,763,838