

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

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

From January 1 to June 30, 2020 and 2019

Address: 6F., No. 131, Sec. 3, Heping E. Rd., Da'an Dist., Taipei City 106, Taiwan (R.O.C.)

Tel: +886-2-2378-6789

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

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Independent Auditors' Review Report

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

Introduction

We have audited the consolidated balance sheets of Kindom Development Co., Ltd. and its subsidiaries as of June 30, 2020, and 2019, the consolidated statements of comprehensive income for the three-month periods from April 1 to June 30, 2020 and 2019, and for the six-month periods from January 1 to June 30, 2020 and 2019, and the consolidated statements of changes in equity and cash flows for the six-month periods from January 1 to June 30, 2020 and 2019 as well as notes to the consolidated financial statements (including a summary of significant accounting policies) for the period then ended. It is the management's responsibility to prepare a set of fairly presented consolidated financial reports in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and IAS 34 Interim Financial Reporting as endorsed, issued, and effected by the Financial Supervisory Commission (FSC). Our responsibility is to provide a conclusion on the consolidated financial reports based on our reviews.

Scope

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

Conclusion

Based on our reviews, nothing has come to our attention that caused us to believe that the accompanying consolidated financial reports do not present fairly, in all material aspects of the consolidated financial position of the company as of June 30, 2020, and 2019, its consolidated financial performance for the three-month periods from April 1 to June 30, 2020 and 2019, and for the six-month periods from January 1 to June 30, 2020 and 2019, and its consolidated cash flows for the six-month periods from January 1 to June 30, 2020 and 2019 in accordance with the "Regulations Governing the Preparation of Financial Reports by Public Banks," "Regulations Governing the Preparation of Financial Reports by Securities Issuers", and "IAS 34 - Interim Financial Reporting approved and issued by FSC."

KPMG

Taipei, Taiwan

Republic of China

August 11, 2020

Notices to Readers

The accompanying consolidated financial statements are intended only to present the consolidated

financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally applied in the Republic of China.

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

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

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

Expressed in thousands of New Taiwan Dollars

	April - June 2020		April - June 2019		January - June 2020		January - June 2019	
	Amount	%	Amount	%	Amount	%	Amount	%
4000 Operating revenue (Note 6(22))	\$ 5,170,037	100	3,138,569	100	9,067,311	100	6,174,914	100
5000 Operating costs (Note 6(5))	3,884,168	75	2,392,691	76	6,776,889	75	4,687,374	76
Gross profit from operations	1,285,869	25	745,878	24	2,290,422	25	1,487,540	24
Operating expenses:								
6100 Selling expenses	84,443	2	61,342	2	162,555	2	119,317	2
6200 Administrative expenses	345,344	7	349,612	11	708,696	8	690,585	11
6450 Expected credit loss (Note 6 (4))	11,383	-	-	-	11,383	-	-	-
	441,170	9	410,954	13	882,634	10	809,902	13
Net operating income	844,699	16	334,924	11	1,407,788	15	677,638	11
Non-operating income and expenses:								
7100 Interest income (Note 6(24))	5,995	-	6,544	-	10,465	-	10,233	-
7010 Other income (Note 6(24))	412	-	509	-	412	-	509	-
7020 Other gains and losses (Note 6(24))	59,786	1	73,936	3	49,291	1	93,737	2
7050 Finance costs (Note 6(24))	(78,110)	(1)	(121,457)	(4)	(173,424)	(2)	(230,813)	(4)
7060 Share of profit (loss) of associates and joint ventures accounted for using equity method	49	-	(71)	-	(231)	-	(321)	-
	(11,868)	-	(40,539)	(1)	(113,487)	(1)	(126,655)	(2)
Profit before tax from continuing operating department	832,831	16	294,385	10	1,294,301	14	550,983	9
7950 Less: Income tax expenses (Note 6(19))	198,850	4	86,970	3	291,419	3	161,676	2
Profit	633,981	12	207,415	7	1,002,882	11	389,307	7
8300 Other comprehensive income:								
8310 Components of other comprehensive income that will not be reclassified to profit or loss								
8316 Unrealised gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	1,049	-	73	-	15	-	(108)	-
8360 Components of other comprehensive income that will be reclassified to profit or loss								
8361 Exchange difference on translation of foreign financial statements	(4,188)	-	11,275	-	(4,445)	-	905	-
8300 Other comprehensive income, net	(3,139)	-	11,348	-	(4,430)	-	797	-
Total comprehensive income	\$ 630,842	12	218,763	7	998,452	11	390,104	7
Profit attributable to:								
8610 Owners of parent	\$ 484,439	9	106,508	4	786,973	9	231,544	4
8620 Non-controlling interests	149,542	3	100,907	3	215,909	2	157,763	3
	\$ 633,981	12	207,415	7	1,002,882	11	389,307	7
Total comprehensive income attributable to:								
8710 Owners of parent	\$ 482,082	9	115,857	4	783,504	9	232,000	4
8720 Non-controlling interests	148,760	3	102,906	3	214,948	2	158,104	3
	\$ 630,842	12	218,763	7	998,452	11	390,104	7
9750 Basic earnings per share (in NT\$) (Note 6(21))	\$ 0.98		0.22		1.60		0.47	
9850 Diluted earnings per share (in NT\$) (Note 6(21))	\$ 0.98		0.22		1.59		0.47	

(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 June 30, 2020 and 2019

Expressed in thousands of New Taiwan Dollars

Equity attributable to owners of parent

	Share capital		Retained earnings				Other equity interest			Total equity attributable to owners of parent	Non-controlling interests	Total equity
	Share capital of ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Total	Exchange differences on translation of foreign financial statements	Unrealised gain (loss) from financial assets measured at fair value through other comprehensive income	Treasury shares			
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
Profit	-	-	-	-	231,544	231,544	-	-	-	231,544	157,763	389,307
Other comprehensive income	-	-	-	-	-	-	760	(304)	-	456	341	797
Total comprehensive income	-	-	-	-	231,544	231,544	760	(304)	-	232,000	158,104	390,104
Appropriation and distribution of comprehensive income												
Legal reserve appropriated	-	-	50,725	-	(50,725)	-	-	-	-	-	-	-
Special reserve appropriated	-	-	-	(6,975)	6,975	-	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(503,791)	(503,791)	-	-	-	(503,791)	-	(503,791)
Unclaimed dividends after effective period	-	382	-	-	-	-	-	-	-	382	22	404
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	(209,328)	(209,328)
Balance as of June 30, 2019	\$ 5,037,910	1,369,247	1,688,424	25,546	3,540,743	5,254,713	(25,150)	60	(71,196)	11,565,584	1,679,368	13,244,952
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
Profit	-	-	-	-	786,973	786,973	-	-	-	786,973	215,909	1,002,882
Other comprehensive income	-	-	-	-	-	-	(3,735)	266	-	(3,469)	(961)	(4,430)
Total comprehensive income	-	-	-	-	786,973	786,973	(3,735)	266	-	783,504	214,948	998,452
Legal reserve appropriated	-	-	128,355	-	(128,355)	-	-	-	-	-	-	-
Special reserve appropriated	-	-	-	258	(258)	-	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(755,687)	(755,687)	-	-	-	(755,687)	-	(755,687)
Unclaimed dividends after effective period	-	290	-	-	-	-	-	-	-	290	42	332
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	(209,315)	(209,315)
Balance as of June 30, 2020	\$ 5,037,910	1,380,163	1,816,778	25,804	4,495,425	6,338,007	(29,999)	726	(71,196)	12,655,611	1,791,080	14,446,691

(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 June 30, 2020 and 2019**

Expressed in thousands of New Taiwan Dollars

	January - June 2020	January - June 2019
Cash flows from operating activities:		
Profit before tax	\$ 1,294,301	550,983
Adjustments:		
Adjustments to reconcile profit (loss)		
Depreciation expense	187,098	179,950
Amortization expense	5,223	8,002
Expected credit loss	11,383	-
Net loss (gain) on financial assets and liabilities at fair value through profit or loss	10,022	(2,154)
Interest expense	173,424	230,813
Interest income	(10,465)	(10,233)
Dividend income	(412)	(509)
Share of profit (loss) of associates and joint ventures accounted for using equity method	231	321
Loss (gain) on disposal of property, plant and equipment	(164)	-
Amortization of long-term prepaid lease	-	789
Other expenses	-	19,362
Net impairment losses	-	(88,110)
Total adjustments to reconcile profit (loss)	<u>376,340</u>	<u>338,231</u>
Changes in operating assets and liabilities:		
Changes in operating assets:		
Decrease in financial assets mandatorily measured at fair value through profit or loss	23,984	-
Increase in contract assets	(566,432)	(371,237)
Decrease (increase) in notes receivable	1,060	(2,002)
(Increase) decrease in accounts receivable	(46,181)	1,057,713
Increase in inventories	(49,066)	(540,053)
Decrease (increase) in prepayments	7,329	(95,098)
(Increase) decrease in other current assets	(5,369)	5,249
Decrease in other current financial assets	831,831	99,545
Increase in assets recognised as incremental costs to obtain contract with customers	(8,502)	(5,362)
Decrease in net defined benefit assets, non-current	54	-
Increase in other non-current assets	(31)	(22)
Total changes in operating assets	<u>188,677</u>	<u>148,733</u>
Total changes in operating liabilities:		
Increase in contract liabilities	1,114,525	616,713
Increase (decrease) in notes payable	75,584	(58,496)
Increase in accounts payable	81,815	68,749
Decrease in accounts payable to related parties	-	(307)
Increase in other payable	100,390	97,210
Increase (decrease) in current provisions for employee benefit	(1,858)	678
Increase (decrease) in current provisions	(993)	12,710
Decrease in receipts in advance	(275)	(10,810)
Decrease in other current liabilities	(19,887)	(58,866)
Decrease in net defined benefit liability	(3,071)	(4,595)
Decrease in other non-current liabilities	(8,168)	(8,244)
Total changes in operating liabilities	<u>1,338,062</u>	<u>654,742</u>
Total changes in operating assets and liabilities	<u>1,526,739</u>	<u>803,475</u>
Total adjustments	<u>1,903,079</u>	<u>1,141,706</u>
Cash inflow generated from operations	<u>3,197,380</u>	<u>1,692,689</u>
Income taxes paid	(113,854)	(196,097)
Net cash flows from (used in) operating activities	<u>3,083,526</u>	<u>1,496,592</u>

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 June 30, 2020 and 2019**

Expressed in thousands of New Taiwan Dollars

	January - June 2020	January - June 2019
Cash flows from (used in) investing activities:		
Acquisition of property, plant and equipment	(71,349)	(41,811)
Proceeds from disposals of property, plant and equipment	164	-
Acquisition of intangible assets	(112)	(341)
Increase in other non-current financial assets	(51,209)	(773)
Increase in prepayments for business facilities	(1,326)	(2,080)
Interests received	10,829	8,648
Dividends received	412	509
Net cash outflow from (used in) investing activities	<u>(112,591)</u>	<u>(35,848)</u>
Cash flows from (used in) financing activities:		
Increase in short-term loans	4,665,049	4,394,627
Decrease in short-term loans	(4,232,694)	(4,150,231)
Increase in short-term notes and bills payable	1,010,000	220,000
Decrease in short-term notes and bills payable	(660,000)	(70,000)
Proceeds from long-term debt	2,330,000	-
Repayments of long-term debt	(2,334,900)	(645,642)
Increase in guarantee deposits received	3,154	13,249
Payments of lease liabilities	(70,905)	(70,300)
Interest paid	(281,582)	(312,385)
Changes in non-controlling interests	(209,315)	(209,328)
Net cash flows from (used in) financing activities	<u>218,807</u>	<u>(830,010)</u>
Effect of exchange rate changes on cash and cash equivalents	(4,445)	2,046
Net increase in cash and cash equivalents	3,185,297	632,780
Cash and cash equivalents at beginning of period	6,229,385	5,539,557
Cash and cash equivalents at end of period	<u>\$ 9,414,682</u>	<u>6,172,337</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

Notes to the Consolidated Financial Statements

From January 1 to June 30, 2020 and 2019

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

1. Company History

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 August 11, 2020 by the Board of Directors.

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

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

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

<u>New, Revised or Amended Standards and Interpretations</u>	<u>The effective date announced by the International Accounting Standards Board</u>
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020
Amendments to IFRS 9, IAS 39, and IFRS 7 "Changes in Interest Rate Indicators"	January 1, 2020
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020
Amendments to IFRS 16 "COVID-19-Related Rent Concessions"	June 1, 2020

Except for the following items, the application of the newly endorsed IFRSs will not have a material impact on the consolidated financial statements. The extent and impact of changes are as follows:

Amendments to IFRS 16 "COVID-19-Related Rent Concessions"

The amendment permits lessees, as a practical expedient, not to assess whether particular rent concessions are lease modifications and instead to recognize those rent concessions as profit or loss. The amendment was endorsed by the FSC in July 2020, and is effective from January 1, 2020. For accounting policies, please see Note 4(3).

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

The group started to apply this practical expedient to all eligible rent concessions on January 1, 2020. This amendment has no impact on the date of initial application. The amounts of NT\$ 14,469 thousand and NT\$ 14,469 thousand are recognized in profits and losses for the periods from April 1 to June 30, 2020 and from January 1 to June 30, 2020, respectively.

- (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.

New, Revised or Amended Standards and Interpretations	Effective date of releases by IASB
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be decided by IASB
Amendments to IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IAS 1 "Classify Liabilities as Current or Non-current"	January 1, 2023
Amendments to IAS 16 "Property, Plant and Equipment - Proceeds before Intended Use"	January 1, 2022
Amendments to IAS 37 "Onerous Contracts - Cost of Fulfilling a Contract"	January 1, 2022
Annual Improvements to IFRS Standards 2018 - 2020 Cycle-	January 1, 2022
Amendments to IFRS 17 " Insurance Contracts"	January 1, 2023

Possible impacts on the group are as follows:

Date of issuance	New or amended standards	Main amendments to the content
2020.1.23	Amendments to IAS 1 "Classify Liabilities as Current or Non-current"	The amendments are intended to enhance the consistency of the application of the standard, in order to assist companies in determining whether debts or other liabilities with uncertain liquidation dates should be classified as current (or those that might expire within one year) or non-current on the balance sheet. The amendments also clarify the classification requirements for debts that may be repaid through convert into equity.
2020.5.14	Amendments to IAS 37 "Onerous Contracts - Cost of Fulfilling a Contract"	The amendments stated that the cost of fulfilling a contract comprises the costs that relate directly to the contract. The costs include: <ul style="list-style-type: none"> · Incremental costs (for example, direct labor and materials). · Allocations of costs that relate directly to contract activities (for example, depreciation property, plant and equipment used in fulfilling the contract, etc.)

The group is in the process of evaluating the impact on the consolidated financial position

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

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:

Investor	Subsidiaries	Main business and products	Percentage of ownership			Explanation
			2020.6.30	2019.12.31	2019.6.30	
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 company holds more than 50% of the issued voting share in the subsidiary.
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 group holds more than 50% of the issued voting share in the subsidiary.
Kedge Construction	Jiequn Investment Co., Ltd. (Jiequn Investment)	General Investment	99.98%	99.98%	99.98%	Kedge Construction holds more than 50% of the issued voting share in the subsidiary.
"	Guanqing Electromechanical Co., Ltd. (Guanqing Electromechanical)	Electrical equipment installation and fire safety equipment installation industry, etc.	99.96%	99.96%	99.96%	Kedge Construction holds more than 50% of the issued voting share in the subsidiary.
Jointly held by Global Mall	Dingtian Guanqing Electromechanical and Jiequn Investment	The comprehensive construction industry, etc.	100.00%	100.00%	100.00%	The group holds more than 50% of the issued voting share in the subsidiary.
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%	Global Mall holds more than 50% of the issued voting share in the subsidiary.
"	Guan Hua Co., Ltd. (GLOBAL MALL NANGANG STORE) (Guan Hua)	Department stores, supermarkets, and non-store retailing	100.00%	100.00%	100.00%	Global Mall holds more than 50% of the issued voting share in the subsidiary.
KGM	Global Mall	Business management	100.00%	100.00%	100.00%	KGM holds more than

Notes to the Consolidated Financial Report of KINDOM DEVELOPMENT CO., LTD. and

Subsidiaries (continued)

Investor	Subsidiaries	Main business and products	Percentage of ownership			Explanation
			2020.6.30	2019.12.31	2019.6.30	
	(Tianjin) Co., Ltd. (Note)	(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.				50% of the issued voting share in the subsidiary.
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 group holds more than 50% of the issued voting share in the subsidiary.

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) Leases

1. As a lessee

The group chooses to apply the practical expedient to its rent concessions that fit all the following criteria without assessing if they are lease modifications.

- (1) Rent concessions occurring as a direct consequence of the covid-19 pandemic;
- (2) The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- (3) Any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- (4) There is no substantive change to other terms and conditions of the lease.

With the application of practical expedient, the amount of changes in lease payments that arise from rent concessions are recognized in profit or loss for the reporting period.

(4) 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.

(5) Employee benefits

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

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. Descriptions of Significant Accounting Items

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

(1) Cash and cash equivalents

	2020.6.30	2019.12.31	2019.6.30
Cash and petty cash	\$ 13,156	13,832	14,153
Bank deposits			
Check deposits	4,213,107	925,405	1,202,949
Demand deposits	1,540,002	2,162,225	1,703,020
Time deposits	13,256	-	2,631
Cash equivalents	3,635,161	3,127,923	3,249,584
	\$ 9,414,682	6,229,385	6,172,337

The maturity date of the aforementioned cash equivalents are in the periods, July - August 2020, January - March 2020, and August 2019, and the interest rate collars are 0.30%~0.40%, 0.52%~0.57%, and 0.45%~0.64%.

For the disclosed information on the interest rate risk and sensitivity analysis of the financial assets and liabilities of the group, please refer to Note 6 (25).

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

	2020.6.30	2019.12.31	2019.6.30
Financial assets mandatorily measured at fair value through profit or loss:			
TWSE (or TPEX) listed company shares	\$ 63,557	67,499	66,743
Funds	-	30,064	26,360

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

Total	\$	<u>63,557</u>	<u>97,563</u>	<u>93,103</u>
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- For the gains or losses on remeasurement at fair value, please refer to Note 6(24).
- As of June 30, 2020, December 31, 2019 and June 30, 2019, none of the financial assets of the group has been pledged as collateral.

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

	<u>2020.6.30</u>	<u>2019.12.31</u>	<u>2019.6.30</u>
Equity instrument measured at fair value through other comprehensive income:			
Domestic non-TWSE (nor TPEX) listed company shares	\$ <u>8,594</u>	<u>8,579</u>	<u>7,485</u>

- Equity instrument investments measured at fair value through other comprehensive income

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

The group did not dispose strategic investment in the period from January 1 to June 30, 2020 and 2019. The cumulated gains and losses in that period have not been transferred within the equity.

- For credit risk (including impairment of debt instrument investment) and market risk information, please refer to Note 6(25).
- None of the aforementioned financial assets has been pledged as collateral.

(4) Notes and accounts payable

	<u>2020.6.30</u>	<u>2019.12.31</u>	<u>2019.6.30</u>
Notes receivable	\$ 2,141	3,201	3,231
Accounts receivable	1,458,749	1,412,568	369,923
Less: Allowance for losses	11,383	-	-
	<u>\$ 1,449,507</u>	<u>1,415,769</u>	<u>373,154</u>

The group applies the simplified approach on the estimation of expected credit losses, that is, a loss allowance is recognized based on lifetime of expected credit losses. To measure the expected credit losses, notes and accounts receivable were grouped based on shared characteristics of credit risk on remaining payments before due date, and forward looking information was included as well. The expected credit loss of notes receivable and accounts receivable of the group is as follows:

	<u>2020.6.30</u>		
	<u>Book value of notes and accounts receivable</u>	<u>Weighted average expected credit loss rate</u>	<u>Allowance for lifetime expected credit losses</u>
Not past due	\$ 1,449,507	-	-
Past due 90 days and above	<u>11,383</u>	100%	<u>11,383</u>

Notes to the Consolidated Financial Report of KINDOM DEVELOPMENT CO., LTD. and

Subsidiaries (continued)

	<u>\$ 1,460,890</u>		<u>11,383</u>
	<u>2019.12.31</u>		
	<u>Book value of notes and accounts receivable</u>	<u>Weighted average expected credit loss rate</u>	<u>Allowance for lifetime expected credit losses</u>
Not past due	<u>\$ 1,415,769</u>	-	<u>-</u>
	<u>2019.6.30</u>		
	<u>Book value of notes and accounts receivable</u>	<u>Weighted average expected credit loss rate</u>	<u>Allowance for lifetime expected credit losses</u>
Not past due	<u>\$ 373,154</u>	-	<u>-</u>

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

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

(5) Inventory

	<u>2020.6.30</u>	<u>2019.12.31</u>	<u>2019.6.30</u>
Inventories – merchandising business	\$ 13,140	15,105	18,140
Inventories - construction			
Prepayments 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	19,496,887	16,660,475	14,665,832
Buildings and land held for sale	11,795,553	14,502,566	13,509,553
Subtotal	<u>32,566,002</u>	<u>32,406,303</u>	<u>32,864,318</u>
Total	<u>\$ 32,579,142</u>	<u>32,421,408</u>	<u>32,882,458</u>

The amounts of the reversal of allowance for valuation loss written down due to sales of inventories were NTD 0, NTD 12,527, NTD 0, and NTD 22,364 thousand for the periods from April 1 to June 30, 2020 and 2019, and from January 1 to June 30, 2020 and 2019, respectively.

The group's construction in progress is calculated based on the capitalization rate of 1.901% and 2.137% for the periods from January 1 to June 30, 2020 and 2019, respectively. For the amount of capitalization, please refer to Note 6(24).

As of June 30, 2020, December 31, 2019 and June 30, 2019, the group entrusted the

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

statutory parking spaces held for sale to other parties, which amounted to NTD 16,332 thousand in all periods.

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

(6) Non-current assets held for sale

As per the arbitration agreement dated on June 28, 2019, the lessor, Tianjin Chongbei Property Management Co., Ltd. agreed to buy back the assets including leasehold improvements and electrical construction work, and both parties have entered the sales and purchase process thereof. Based on this, these property, plant and equipment are recorded at the lower of book value or fair value as assets held for sale. There are no impairment losses.

The fair values of the aforementioned non-current assets held for sale are assessed based on the price agreed upon by both parties. The group completed handed over the property, plant and equipment in July, 2019, and received relevant payments.

(7) Subsidiaries with material non-controlling interests

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

Subsidiaries	Principal places of business / Country of registration	Percentage of ownership interest and voting right of non-controlling interests		
		2020.6.30	2019.12.31	2019.6.30
Kedge Construction Co., Ltd. and its 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 its subsidiaries:

	2020.6.30	2019.12.31	2019.6.30
Current assets	\$ 8,765,666	7,708,041	6,769,113
Non-current assets	616,906	568,807	526,441
Current liabilities	(6,548,323)	(5,427,525)	(4,638,984)
Non-current liabilities	(111,769)	(108,201)	(97,960)
Net assets	<u>\$ 2,722,480</u>	<u>2,741,122</u>	<u>2,558,610</u>
Carrying amount of ending non-controlling interests	<u>\$ 1,040,791</u>	<u>1,055,980</u>	<u>980,011</u>

	April - June 2020	April - June 2019	January - June 2020	January - June 2019
Operating revenue	<u>\$ 4,035,649</u>	<u>2,751,787</u>	<u>6,807,853</u>	<u>5,483,552</u>
Profit	\$ 222,390	147,281	308,814	262,180
Other comprehensive income	89,082	85,301	(9,413)	81,582
Total comprehensive income	<u>\$ 311,472</u>	<u>232,582</u>	<u>299,401</u>	<u>343,762</u>
Net profit attributable to	<u>\$ 138,097</u>	<u>78,694</u>	<u>194,336</u>	<u>125,039</u>

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non-controlling interests					
Total comprehensive income attributable to non-controlling interests	\$	137,985	78,694	194,086	125,039
		April - June 2020	April - June 2019	January - June 2020	January - June 2019
Cash flows from operating activities	\$	(166,054)	634,501	406,278	1,217,313
Cash flows from investing activities		(39,826)	(83)	(54,668)	(90)
Cash flows from financing activities		(328)	-	(656)	-
Net increase in cash and cash equivalents	\$	(206,208)	634,418	350,954	1,217,223

(8) 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	-	748	1,474	59,755	6,896	68,873
Disposal and scrap	-	-	-	(1,930)	-	(1,930)
Balance on June 30, 2020	\$ 3,567,078	4,291,423	1,003,613	345,351	7,054	9,214,519
Balance on January 1, 2019	\$ 3,567,078	4,285,134	1,430,243	399,547	12,102	9,694,104
Addition	-	3,699	9,113	5,200	37,528	55,540
Reclassification from (to) incomplete construction projects	-	15,693	-	-	(15,693)	-
Disposal and scrap	-	-	-	(2,254)	-	(2,254)
Effect of foreign exchange rate changes	-	-	4,980	1,765	-	6,745
Assets reclassified as held for sale	-	-	(415,992)	(147,399)	-	(563,391)
Balance on June 30, 2019	\$ 3,567,078	4,304,526	1,028,344	256,859	33,937	9,190,744
Depreciation and impairment losses						
Balance on January 1, 2020	\$ -	1,626,374	621,320	196,088	-	2,443,782
Depreciation for the year	-	50,898	31,273	12,782	-	94,953
Disposal and scrap	-	-	-	(1,930)	-	(1,930)
Balance on June 30, 2020	\$ -	1,677,272	652,593	206,940	-	2,536,805
Balance on January 1, 2019	\$ -	1,527,983	861,863	325,101	-	2,714,947
Depreciation for the year	-	50,583	36,840	11,611	-	99,034
Disposal and scrap	-	-	-	(2,254)	-	(2,254)
Effect of foreign exchange rate changes	-	-	6,121	1,765	-	7,886
Impairment losses	-	-	25,000	-	-	25,000
Reversal of impairment loss	-	-	(113,110)	-	-	(113,110)
Assets reclassified as held for sale	-	-	(304,023)	(147,399)	-	(451,422)
Balance on June 30, 2019	\$ -	1,578,566	512,691	188,824	-	2,280,081
Carrying amount:						
January 1, 2020	\$ 3,567,078	2,664,301	380,819	91,438	158	6,703,794
June 30, 2020	\$ 3,567,078	2,614,151	351,020	138,411	7,054	6,677,714

Notes to the Consolidated Financial Report of KINDOM DEVELOPMENT CO., LTD. and

Subsidiaries (continued)

June 30, 2019 \$ 3,567,078 2,725,960 515,653 68,035 33,937 6,910,663

1. Reversal of impairment loss

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"). Both the lessors and leasee have entered the arbitration procedure due to lease termination on December, 2018. Based on the analysis of possible loss from the rescinded lease, the group recognized an impairment loss of NTD 488,708 thousand on 2018.

As per the arbitration agreement dated on June 28, 2019, the Lessors agreed to buy back the assets including leasehold improvements and electrical construction work, and this incurred a change in the estimated recovery amount. Therefore, on June 30, 2019, the group transferred the sold assets to the non-current assets held for sale, and recognized a loss reversal NTD 113,110 thousand. Please refer to Note 6 (6) and (24) for more information.

2. Impairment losses

On June 30, 2019, the group recognized an impairment loss of NTD 25,000, to recognize the impairment losses. Please refer to Note 6 (24).

3. Guarantees

As of June 30, 2020, December 31, 2019 and June 30, 2019, for information regarding the details on the guarantees on long-term debts and financing amount limits, please refer to Note 8.

(9) 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:

	<u>Buildings</u>	<u>Transport equipment</u>	<u>Total</u>
Cost of right-of-use assets:			
Balance on January 1, 2020	\$ 2,943,262	5,214	2,948,476
Additions	939,608	1,527	941,135
Lease modifications	4,831	-	4,831
Balance on June 30, 2020	<u>\$ 3,887,701</u>	<u>6,741</u>	<u>3,894,442</u>
Balance on January 1, 2019	\$ -	-	-
Effect of retrospective application of IFRS16	2,910,619	872	2,911,491
Lease modifications	(3,122)	-	(3,122)
Balance on June 30, 2019	<u>\$ 2,907,497</u>	<u>872</u>	<u>2,908,369</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	88,905	984	89,889
Balance on June 30, 2020	<u>\$ 247,449</u>	<u>1,661</u>	<u>249,110</u>
Balance on January 1, 2019	\$ -	-	-
Depreciation for the period	78,483	218	78,701
Balance on June 30, 2019	<u>\$ 78,483</u>	<u>218</u>	<u>78,701</u>
Carrying amount:			
January 1, 2020	<u>\$ 2,784,718</u>	<u>4,537</u>	<u>2,789,255</u>

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

	Buildings	Transport equipment	Total
June 30, 2020	\$ 3,640,252	5,080	3,645,332
June 30, 2019	\$ 2,829,014	654	2,829,668

(10) Investment property

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

	Land and improvements	Buildings	Total
Book value:			
January 1, 2020	\$ 335,287	175,400	510,687
June 30, 2020	\$ 335,287	173,144	508,431
January 1, 2019	\$ 335,287	179,912	515,199
June 30, 2019	\$ 335,287	177,697	512,984

There is no recognition or reversal regarding major acquisition, disposition and impairment of group's investment property in the period from January 1 to June 30, 2020 and 2019. For the amount of depreciation for the current period, please refer to Note 12. 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 annual consolidated financial statements.

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

(11) Intangible assets

	Franchise	Trademarks and patents	Computer software	Total
Carrying amount:				
January 1, 2020	\$ 27,994	33	14,803	42,830
June 30, 2020	\$ 26,261	8	11,734	38,003
January 1, 2019	\$ 31,442	83	20,687	52,212
June 30, 2019	\$ 29,718	58	16,141	45,917

There is no recognition or reversal regarding major acquisition, disposition and impairment of group's intangible assets in the period from January 1 to June 30, 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.

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

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

	2020.6.30	2019.12.31	2019.6.30
Other financial assets - current	\$ 2,665,831	3,530,868	2,286,445
Incremental costs to obtain contract with customers	153,027	144,525	108,712
	\$ 2,818,858	3,675,393	2,395,157

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 June 30, 2020 and 2019, the amortization costs recognized were NTD 96,667 thousand and NTD 11,929 thousand respectively.

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

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

2020.6.30				
	Currency	Interest rate collars	Maturity year	Amount
Secured bank loans	NTD	1.44%~2.00%	109~116	\$ 16,622,729
Unsecured bank loans	NTD	1.12%~2.55%	109~112	5,100,000
Short-term notes and bills payable	NTD	1.65%	109	350,000
Total				\$ 22,072,729
Current				\$ 19,768,649
Non-current				2,304,080
Total				\$ 22,072,729
2019.12.31				
	Currency	Interest rate collars	Maturity year	Amount
Secured bank loans	NTD	1.75%~2.20%	109~115	\$ 16,575,399
Unsecured bank loans	NTD	1.40%~2.55%	109~112	4,715,000
Total				\$ 21,290,399
Current				\$ 19,105,824
Non-current				2,184,575
Total				\$ 21,290,399
2019.6.30				
	Currency	Interest rate collars	Maturity year	Amount
Secured bank loans	NTD	1.60%~2.46%	108~115	\$ 18,863,454
Unsecured bank loans	NTD	1.72%~2.55%	108~112	3,145,000
Short-term notes and bills payable	NTD	1.24%~1.71%	108	150,000
Total				\$ 22,158,454
Current				\$ 19,783,054
Non-current				2,375,400
Total				\$ 22,158,454

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

1. Issuance and repayment of loans

In the periods from January 1 to June 30, 2020 and 2019, the increases in loans were NTD 8,005,049 thousand and NTD 4,614,627 thousand; and the amount of repayments were NTD 7,227,594 thousand and NTD 4,865,873 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.

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.

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

- (14) 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:

	2020.6.30	2019.12.31	2019.6.30
Secured ordinary bond	\$ 4,500,000	4,500,000	4,500,000
Less: Current portion	(1,500,000)	-	(1,000,000)
Bonds payable - non-current	\$ 3,000,000	4,500,000	3,500,000

- In the periods from January 1 to June 30, 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.
- For details on the aforementioned secured ordinary bonds, please refer to Note 8.

- (15) Lease liabilities

The carrying amount of lease liability is as follows:

	2020.6.30	2019.12.31	2019.6.30
Current	\$ 132,608	129,914	123,594
Non-current	\$ 3,587,184	2,714,817	2,768,886

For the details on the analysis of maturity profile of the lease liabilities, please refer to Note 6(25).

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

	April - June 2020	April - June 2019	January - June 2020	January - June 2019
Interest expense on lease liability	\$ 15,653	12,957	28,285	26,079

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

	January - June 2020	January - June 2019
Variable lease payments not accounted for in lease liability	\$ 77,995	70,960
Total cash outflow for lease	\$ 177,185	167,339

- Lease of buildings and constructions
 - 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.
 - The mall in Zuoying HSR station is leased from Taiwan Railways Administration, MOTC under a service concession contract. The lease term is

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

thirteen years (including a year for leasehold improvement). After the term expires, the right of management will be returned to Taiwan Railways Administration, MOTC. 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 the Bureau of High Speed Rail and the Railway Bureau, MOTC under the "Lease Contract of Shopping Mall at Linkou Station of the Taiwan Taoyuan International Airport Access MRT System" and "Lease Contract of Shopping Mall at A19 Station of the Taiwan Taoyuan International Airport Access MRT System", respectively. 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.

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

(16) Provision

	<u>2020.6.30</u>	<u>2019.12.31</u>	<u>2019.6.30</u>
Warranty provision	\$ 101,489	102,482	91,971

There are no major changes in the group's provision in the periods from January 1 to June 30, 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. These provisions are expected to be claimed within a year from the completion of construction projects.

(17) 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(10) 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:

	<u>2020.6.30</u>	<u>2019.12.31</u>	<u>2019.6.30</u>
Less than 1 year	\$ 13,241	13,238	13,238
1~2 years	11,569	13,238	13,239
2~3 years	4,571	7,234	11,341
3~4 years	4,571	4,571	4,571
4~5 years	4,705	4,590	4,571
Above 5 years	7,040	9,440	11,745
Non-discounted future cash flows of lease	\$ 45,697	52,311	58,705

The rent income generated from investment property for the periods April 1 to June 30, 2020 and 2019, and January 1 to June 30, 2020 and 2019 are NTD 3,308 thousand, NTD 4,027 thousand, NTD 6,616 thousand and NTD 6,720 thousand, respectively. There have not been major maintenance or repair expenses incurred.

(18) Employee benefits

1. Defined benefit plan

There were no major market fluctuations, significant reduction, liquidation or other one-time-only significant events in the previous fiscal year. Therefore, the group measures and discloses the interim period pension costs based on actuated amount on December 31, 2019 and 2018.

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

	<u>April - June 2020</u>	<u>April - June 2019</u>	<u>January - June 2020</u>	<u>January - June 2019</u>
Operating costs	\$ 132	107	406	249
Operating expenses	\$ 89	86	211	180

**Notes to the Consolidated Financial Report of KINDOM DEVELOPMENT CO., LTD. and
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2. Defined contribution pension plan

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

	April - June 2020	April - June 2019	January - June 2020	January - June 2019
Operating costs	<u>\$ 4,097</u>	<u>4,113</u>	<u>8,121</u>	<u>8,568</u>
Operating expenses	<u>\$ 4,522</u>	<u>4,558</u>	<u>9,181</u>	<u>9,024</u>

3. Short-term compensated absence liabilities

	2020.6.30	2019.12.31	2019.6.30
Short-term compensated absence liabilities	<u>\$ 19,675</u>	<u>21,533</u>	<u>19,194</u>

(19) Income tax

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

	April - June 2020	April - June 2019	January - June 2020	January - June 2019
Current income tax expenses				
Accrued in current year	\$ 119,463	69,679	189,587	126,230
Surtax on unappropriated earnings	41,118	3,380	41,118	3,380
Adjustments to income tax expenses of precious period	(10,204)	(9,591)	(10,204)	(9,591)
Land revaluation increment tax	<u>41,232</u>	<u>25,136</u>	<u>63,259</u>	<u>43,611</u>
	<u>191,609</u>	<u>88,604</u>	<u>283,760</u>	<u>163,630</u>
Deferred income tax expense				
Occurrence and reversal of temporary differences	<u>7,241</u>	<u>(1,634)</u>	<u>7,659</u>	<u>(1,954)</u>
Income tax expenses on units in continuing operation	<u>\$ 198,850</u>	<u>86,970</u>	<u>291,419</u>	<u>161,676</u>

2. The tax fillings of Guanqing Electromechanical and Dingtian Construction 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.

(20) Capital and other equity

Apart from the matters described in the following paragraphs, there are no major changes in the group's capital and equity in the periods from January 1 to June 30, 2020 and 2019. For relevant information, please refer to Note 6(20) of the 2019 consolidated financial statements.

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1. Capital surplus

The details of capital surplus were as follows:

	2020.6.30	2019.12.31	2019.6.30
Shares premium	\$ 827,906	827,906	827,906
Premium on conversion of convertible bonds	236,408	236,408	236,408
Treasury share transactions	254,535	254,535	243,909
Gains on disposal of assets	34,912	34,912	34,912
Others	26,402	26,112	26,112
	\$ 1,380,163	1,379,873	1,369,247

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

2. Retained earnings

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

(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

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

June 30, 2019, the balance of special reserve is NTD 25,804 thousand.

(3) Distribution of retained earnings

The 2019 and 2018 distributions of earnings were resolved at the shareholders' meetings on June 19, 2020 and June 10, 2019, respectively. The dividends distributed to owners are as follows:

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

3. Treasury shares

As of June 30, 2020 and 2019, the company's ordinary shares held by the group were as follows:

Subsidiaries	2020.6.30			2019.6.30		
	No. of shares	Carrying amount	Market value	No. of shares	Carrying amount	Market value
Kedge Construction	500	\$ 1,222	15,525	500	1,222	14,050
Jiequn Investment	8,518	55,384	264,498	8,518	55,384	239,368
Guanqing Electromechanical	1,607	14,590	49,897	1,607	14,590	45,157
	<u>10,625</u>	<u>\$ 71,196</u>	<u>329,920</u>	<u>10,625</u>	<u>71,196</u>	<u>298,575</u>

Unit: thousands shares

4. Other equity (net after tax)

	Exchange differences on translation of foreign financial statements	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	Non-controlling interest	Total
Balance on January 1, 2020	\$ (26,264)	460	(5,049)	(30,853)
Exchange differences on translation of foreign financial statements	(3,735)	-	(710)	(4,445)
Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	-	266	(251)	15
Balance on June 30, 2020	<u>\$ (29,999)</u>	<u>726</u>	<u>(6,010)</u>	<u>(35,283)</u>

	Exchange differences on translation of foreign financial statements	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	Non-controlling interest	Total
Balance on January 1, 2019	\$ (25,910)	364	(5,870)	(31,416)
Exchange differences on translation of foreign financial statements	760	-	145	905
Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	-	(304)	196	(108)
Balance on June 30, 2019	<u>\$ (25,150)</u>	<u>60</u>	<u>(5,529)</u>	<u>(30,619)</u>

**Notes to the Consolidated Financial Report of KINDOM DEVELOPMENT CO., LTD. and
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(21) Earnings per share

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

	<u>April - June 2020</u>	<u>April - June 2019</u>	<u>January - June 2020</u>	<u>January - June 2019</u>
Basic earnings per share				
Profit attributable to the holders of ordinary shares of the company	\$ 484,439	106,508	786,973	231,544
Weighted average number of ordinary shares outstanding	493,166	493,166	493,166	493,166
	\$ 0.98	0.22	1.60	0.47
Diluted earnings per share				
Profit attributable to the holders of ordinary shares of the company (diluted)	\$ 484,439	106,508	786,973	231,544
Weighted average number of ordinary shares outstanding	493,166	493,166	493,166	493,166
Influence of employees' share bonus	660	199	1,445	446
Weighted average number of ordinary shares outstanding (after adjusting the impact of diluting potential ordinary shares)	493,826	493,365	494,611	493,612
	\$ 0.98	0.22	1.59	0.47

(22) Revenue from contracts with customers

1. Disaggregation of revenue

	<u>April - June 2020</u>			
	<u>Development</u>	<u>Construction</u>	<u>Shopping Mall</u>	<u>Total</u>
Main regional markets:				
Taiwan	\$ 2,274,904	2,607,395	287,738	5,170,037
Main products/services:				
Sales of real estate developments	\$ 2,242,550	-	-	2,242,550
Revenue from construction contract	29,482	2,606,719	-	2,636,201
Sales commission from department store retailers	-	-	237,965	237,965
Service revenue	-	-	6,769	6,769
Rental income	2,872	676	19,401	22,949
Other income	-	-	23,603	23,603
	\$ 2,274,904	2,607,395	287,738	5,170,037
Timing of revenue recognition:				
Transfer of products upon a point in time	\$ 2,242,550	-	273,831	2,516,381
Gradually transferred revenue over time	2,872	676	13,907	17,455
Gradually transferred construction over time	29,482	2,606,719	-	2,636,201
	\$ 2,274,904	2,607,395	287,738	5,170,037

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

	April - June 2019			
	Development	Construction	Shopping Mall	Total
Main regional markets:				
Taiwan	\$ 1,209,151	1,597,235	332,183	3,138,569
Main products/services:				
Sales of real estate developments	\$ 1,188,639	-	-	1,188,639
Revenue from construction contract	7,619	1,596,467	-	1,604,086
Sales commission from department store retailers	-	-	264,409	264,409
Service revenue	10,124	-	7,784	17,908
Rental income	2,769	768	32,025	35,562
Other income	-	-	27,965	27,965
	\$ 1,209,151	1,597,235	332,183	3,138,569
Timing of revenue recognition:				
Transfer of products upon a point in time	\$ 1,198,763	-	292,374	1,491,137
Gradually transferred revenue over time	2,769	768	39,809	43,346
Gradually transferred construction over time	7,619	1,596,467	-	1,604,086
	\$ 1,209,151	1,597,235	332,183	3,138,569
	January - June 2020			
	Development	Construction	Shopping Mall	Total
Main regional markets:				
Taiwan	\$ 4,048,348	4,431,910	587,053	9,067,311
Main products/services:				
Sales of real estate developments	\$ 3,969,706	-	-	3,969,706
Revenue from construction contract	71,599	4,430,557	-	4,502,156
Sales commission from department store retailers	-	-	482,834	482,834
Service revenue	1,353	-	14,471	15,824
Rental income	5,690	1,353	41,609	48,652
Other income	-	-	48,139	48,139
	\$ 4,048,348	4,431,910	587,053	9,067,311
Timing of revenue recognition:				
Transfer of products upon a point in time	\$ 3,971,059	-	558,716	4,529,775
Gradually transferred revenue over time	5,690	1,353	28,337	35,380
Gradually transferred construction over time	71,599	4,430,557	-	4,502,156
	\$ 4,048,348	4,431,910	587,053	9,067,311

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

	January - June 2019			
	Development	Construction	Shopping Mall	Total
Main regional markets:				
Taiwan	\$ 2,579,237	2,941,709	653,968	6,174,914
Main products/services:				
Sales of real estate developments	\$ 2,482,720	-	-	2,482,720
Revenue from construction contract	76,190	2,940,359	-	3,016,549
Sales commission from department store retailers	-	-	527,225	527,225
Service revenue	14,761	-	14,862	29,623
Rental income	5,566	1,350	59,162	66,078
Other income	-	-	52,719	52,719
	\$ 2,579,237	2,941,709	653,968	6,174,914
Timing of revenue recognition:				
Transfer of products upon a point in time	\$ 2,497,481	-	579,944	3,077,425
Gradually transferred revenue over time	5,566	1,350	74,024	80,940
Gradually transferred construction over time	76,190	2,940,359	-	3,016,549
	\$ 2,579,237	2,941,709	653,968	6,174,914

2. Contract balances

	2020.6.30	2019.12.31	2019.6.30
Contract asset construction-	\$ 1,916,224	1,349,793	1,399,567
Less: Allowance for losses	-	-	-
	\$ 1,916,224	1,349,793	1,399,567
Contract liabilities - construction-	\$ 1,261,206	930,947	771,862
Contract liabilities - buildings-	5,953,783	5,177,387	4,410,724
Contract liabilities - gym-	10,390	10,137	9,956
Contract liabilities - customer loyalty points-	22,035	16,828	14,201
Contract liabilities - vouchers-	54,449	52,039	-
Total	\$ 7,301,863	6,187,338	5,206,743

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 June 30, 2020 and 2019.

As of June 30, 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 946,100 thousand. Details on the trust accounts were as follows:

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<u>Project code</u>	<u>2020.6.30</u>
103G	\$ 430,151
105A	12,895
950B	93,548
100C	200,312
980F	209,194
	<u><u>\$ 946,100</u></u>

(23) 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 12,884 thousand, NTD 5,599 thousand, NTD 20,507 thousand, and NTD 7,167 thousand, and the estimated remunerations to directors amounted to NTD 12,884 thousand, NTD 4,031 thousand, NTD 20,507 thousand, and NTD 7,167 thousand for the periods from April 1 to June 30, 2020 and 2019, and January 1 to June 30, 2020 and 2019, respectively. These amounts were calculated using the company's net income before tax without the remunerations to employees and directors 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 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.

(24) Non-operating revenue and expense

1. Interest income

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

	<u>April - June 2020</u>	<u>April - June 2019</u>	<u>January - June 2020</u>	<u>January - June 2019</u>
Bank deposits (including short-term securities)	\$ 1,285	4,409	5,438	6,251
Loans and receivables	4,320	1,450	4,426	2,396
Construction refundable deposits (including deposits)	390	685	601	1,586
	<u><u>\$ 5,995</u></u>	<u><u>6,544</u></u>	<u><u>10,465</u></u>	<u><u>10,233</u></u>

**Notes to the Consolidated Financial Report of KINDOM DEVELOPMENT CO., LTD. and
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2. Other income

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

	April - June 2020	April - June 2019	January - June 2020	January - June 2019
Dividend income	\$ 412	509	412	509

3. Other gains or losses

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

	April - June 2020	April - June 2019	January - June 2020	January - June 2019
Gains (losses) on foreign exchange	\$ 250	(10,427)	362	(3,819)
Net profit (loss) on financial assets measured at fair value through profit or loss	8,540	910	(10,022)	2,154
Proceeds from disposals of property, plant and equipment	164	-	164	-
Impairment losses	-	(25,000)	-	(25,000)
Reversal of impairment loss	-	113,110	-	113,110
Other expenses	(597)	(19,242)	(1,065)	(19,609)
Rent income	210	143	407	269
Other income	36,750	14,442	44,976	26,632
Government grant income	14,469	-	14,469	-
	\$ 59,786	73,936	49,291	93,737

4. Financial costs

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

	April - June 2020	April - June 2019	January - June 2020	January - June 2019
Interest expense				
Bank loans	\$ 99,796	121,500	205,841	241,845
Interests on deposits in advance for public land development	-	-	98	118
Arranger fees	-	187	4,875	375
Transaction fees and interests on corporate bonds	21,227	22,618	42,454	46,913
Other financing costs	15,653	12,957	28,285	26,079
Others	305	197	539	379
Less: Capitalization of interest	(58,871)	(36,002)	(108,668)	(84,896)
	\$ 78,110	121,457	173,424	230,813

(25) Financial Instruments

Apart from the matters described in the following paragraphs, there are no major changes in the fair value of the group's financial instruments and matters exposed to credit risk, liquidity risk, and market risk due to financial instruments. For relevant information, please refer to Note 6(25) of the 2019 consolidated financial statements.

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1. Liquidity Risk

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

	<u>Book value</u>	<u>Contractual cash flows</u>	<u>Less than 1 year</u>	<u>1-3 years-</u>	<u>3-5 years-</u>	<u>Over 5 years</u>
June 30, 2020						
Non-derivative financial liabilities						
Long/short-term loans	\$ 21,722,729	22,416,980	9,043,801	8,636,021	3,586,069	1,151,089
Short-term notes and bills payable	350,000	350,000	350,000	-	-	-
Ordinary bond (including current portion due within one year)	4,500,000	4,606,057	1,514,714	1,026,725	2,064,618	-
Notes, accounts and other payables	7,016,760	7,016,760	5,388,516	1,628,244	-	-
Guarantee deposits received	93,908	93,908	-	93,908	-	-
Long-term debt (including current portion due within one year) and other non-current liabilities	73,512	74,504	16,711	33,157	24,636	-
Lease liabilities	3,719,792	4,411,266	199,786	468,558	477,256	3,265,666
	\$ 37,476,701	38,969,475	16,513,528	11,886,613	6,152,579	4,416,755
December 31, 2019						
Non-derivative financial liabilities						
Long/short-term loans (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
	\$ 34,533,418	36,088,362	11,589,780	13,434,737	7,598,423	3,465,422
June 30, 2019						
Non-derivative financial liabilities						
Long/short-term loans (including current portion due within one year)	\$ 22,008,454	22,765,192	9,972,349	9,500,016	1,977,956	1,314,871
Short-term notes and bills payable	150,000	150,000	150,000	-	-	-
Ordinary bond (including current portion due within one year)	4,500,000	4,608,070	1,002,505	1,530,508	2,075,057	-
Notes, accounts and other payables	5,142,488	5,142,488	3,774,200	1,368,288	-	-
Guarantee deposits received	75,604	75,604	-	75,604	-	-
Long-term debt (including current portion due within one year) and other non-current liabilities	89,848	91,303	16,799	33,333	32,981	8,190
Lease liabilities	2,892,480	3,453,657	174,656	355,364	366,226	2,557,411
	\$ 34,858,874	36,286,314	15,090,509	12,863,113	4,452,220	3,880,472

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

2. 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 six-month periods then ended on June 30, 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 108,614 thousand or NTD

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110,042 thousand, respectively; net profit will decrease or increase by NTD 66,773 thousand or NTD 80,451 thousand, respectively, after capitalization of interest. This is mainly because the group has floating rate loans.

3. Other price risk

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

Securities price on the reporting date	January - June 2020		January - June 2019	
	After-tax other comprehensive income	After-tax profit or loss	After-tax other comprehensive income	After-tax profit or loss
Increased by 10%	\$ 859	6,356	749	9,310
Decreased by 10%	\$ (859)	(6,356)	(749)	(9,310)

4. 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:

	2020.6.30				
	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:	\$ 63,557	63,557	-	-	63,557
Financial assets at fair value through other comprehensive income	\$ 8,594	730	-	7,864	8,594
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 9,414,682	-	-	-	-
Notes and accounts receivable	1,449,507	-	-	-	-
Other financial assets - current-	2,665,831	-	-	-	-
Other financial assets - non-current-	124,177	-	-	-	-
Subtotal	13,654,197	-	-	-	-
Total	\$ 13,726,348	64,287	-	7,864	72,151
Financial liabilities measured at amortized cost					
Long/short-term loans	\$ 21,722,729	-	-	-	-
Short-term notes and bills payable	350,000	-	-	-	-
Notes, accounts and other payables	7,016,760	-	-	-	-
Bonds payable	4,500,000	-	-	-	-
Long-term payables (including current portion)	73,512	-	-	-	-
Lease liabilities (including current portion)	3,719,792	-	-	-	-
Guarantee deposits received	93,908	-	-	-	-
Total	\$ 37,476,701	-	-	-	-

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

	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:	\$ 97,563	97,563	-	-	97,563
Financial assets at fair value through other comprehensive income	\$ 8,579	656	-	7,923	8,579
Financial assets measured at amortized cost					
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	11,248,990	-	-	-	-
Total	\$ 11,355,132	98,219	-	7,923	106,142
Financial liabilities measured at amortized cost					
Long/short-term loans (including current portion due within one year)	\$ 21,290,399	-	-	-	-
Notes, accounts and other payables	5,725,854	-	-	-	-
Bonds payable	4,500,000	-	-	-	-
Long-term payables (including current portion)	81,680	-	-	-	-
Lease liabilities (including current portion)	2,844,731	-	-	-	-
Guarantee deposits received	90,754	-	-	-	-
Total	\$ 34,533,418	-	-	-	-

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

	2019.6.30				
	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:	\$ 93,103	93,103	-	-	93,103
Financial assets at fair value through other comprehensive income	\$ 7,485	403	-	7,082	7,485
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 6,172,337	-	-	-	-
Notes and accounts receivable	373,154	-	-	-	-
Other financial assets - current-	2,286,445	-	-	-	-
Other financial assets - non-current-	61,080	-	-	-	-
Subtotal	8,893,016	-	-	-	-
Total	\$ 8,993,604	93,506	-	7,082	100,588
Financial liabilities measured at amortized cost					
Long/short-term loans (including current portion due within one year)	\$ 22,008,454	-	-	-	-
Short-term notes and bills payable	150,000	-	-	-	-
Notes, accounts and other payables	5,142,488	-	-	-	-
Bonds payable	4,500,000	-	-	-	-
Long-term payables (including current portion)	89,848	-	-	-	-
Lease liabilities (including current portion)	2,892,480	-	-	-	-
Guarantee deposits received	75,604	-	-	-	-
Total	\$ 34,858,874	-	-	-	-

(2) Changes in Level 3 financial assets

	Measured at fair value through other comprehensive income		
	Equity instruments	Bond	Total
	without public quotes	investment	
January 1, 2020	\$ 7,923	-	7,923
June 30, 2020	\$ 7,864	-	7,864
January 1, 2019	\$ 7,245	-	7,245
June 30, 2019	\$ 7,082	-	7,082

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

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 June 30, 2020 and 2019 are as follows:

	<u>April - June 2020</u>	<u>April - June 2019</u>	<u>January - June 2020</u>	<u>January - June 2019</u>
Total profit or loss				
Recognized in other comprehensive income (reported in "Unrealised gain (loss) on valuation of financial assets measured at fair value through other comprehensive income")	\$ <u>833</u>	<u>92</u>	<u>(59)</u>	<u>(163)</u>

(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 June 30, 2020 and 2019, there were no changes to the levels of fair value hierarchy. Thus, there were no matters of transfer between levels in the periods from January 1 to June 30, 2020 and 2019.

(26) 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.

(27) 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) of 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:

<u>Name</u>	<u>Relationship</u>
Kindom Yu San Education Foundation	The entity's chairman is the second-degree relatives of the company's chairman

(2) Transactions with related parties

1. The group donated a total of NTD 12,250 thousand and NTD 8,500 thousand to other related parties in the period January 1, to June 30, 2020 and 2019 for the promotion of foundation affairs.

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

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 from April 1 to June 30, 2020 and 2019, and NTD 28 thousand for each of the periods from January 1 to June 30, 2020 and 2019.

(3) Major management personnel transactions

Remuneration to major management personnel includes:

	<u>April - June 2020</u>	<u>April - June 2019</u>	<u>January - June 2020</u>	<u>January - June 2019</u>
Short-term employee benefits	\$ 31,891	20,577	71,762	57,202
Benefits after retirement	74	119	147	189
	<u>\$ 31,965</u>	<u>20,696</u>	<u>71,909</u>	<u>57,391</u>

8. Pledged Assets

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

<u>Name of assets</u>	<u>Pledge guarantee object</u>	<u>2020.6.30</u>	<u>2019.12.31</u>	<u>2019.6.30</u>
Buildings and land held for sale	Bank loans	\$ 9,177,027	9,081,604	10,506,845
Land held for construction	"	211,953	211,953	3,313,547
Construction in progress	"	11,376,370	13,471,475	12,084,123
Investment properties and net value of property, plant, and equipment	Bank loans and bonds payable	6,472,800	6,514,072	6,575,017
Other financial assets - current-	Bank loans, pre-sales payments in trust accounts, guarantees, and bonds payable	2,453,070	2,911,788	1,965,856
Other financial assets - non-current	Guarantees and pre-sales payments in trust accounts	112,894	60,893	47,392
		<u>\$ 29,804,114</u>	<u>32,251,785</u>	<u>34,492,780</u>

Note: The group provided a total of 293,414 thousand shares to subsidiaries to be used as collateral for bank loans and advance receipts of buildings and land as of June 30, 2020, December 31, 2019 and June 30, 2019.

9. Significant Contingent Liabilities and Unrecognized Contract Commitments

(1) Significant unrecognized contract commitments:

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

	<u>2020.6.30</u>	<u>2019.12.31</u>	<u>2019.6.30</u>
Amount of construction contracts	\$ 30,608,505	20,912,565	17,561,716
Amount of payments received	\$ 10,874,804	6,728,027	5,734,213

2. Total amount of sales contracts signed before and after the completion of construction were as follows:

	<u>2020.6.30</u>	<u>2019.12.31</u>	<u>2019.6.30</u>
Amount of sales contracts signed	\$ 17,802,271	14,898,155	14,859,361
Amount of payments received per contracts	\$ 5,953,783	5,177,387	4,410,724

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

3. For details on lease agreements of the group's business in shopping mall management as of June 30, 2020, December 31, 2019 and June 30, 2019, please refer to Note 6(15). Details of the refundable deposits and notes in relation to obligations under these agreements were as follows:

	2020.6.30	2019.12.31	2019.6.30
Refundable deposits	RMB 4,161	RMB 12,000	RMB 12,000
Refundable notes	\$ 232,550	172,550	111,000

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:

	2020.6.30	2019.12.31	2019.6.30
Refundable deposits	\$ 166,817	538,675	246,840
Refundable notes	\$ 1,304,998	982,599	970,344

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 commenced 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 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 230,057 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

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

returned the refundable deposit per the settlement agreement. As of June 30, 2020, the group had not received the amount of CNY 4,161 thousand.

The group applied for an 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. As of the end of June 30, 2020, NTD 8,000 has been refunded.

(2) Contingent liability

In relation to the construction project under Project Code 041A, the neighbor manufacturer alleged that the structural damages on the manufacturer's plants and land were as a result of the 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.

10. Significant Disaster Loss: None.

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

12. Others

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

Function	April - June 2020			April - June 2019		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Nature						
Employee benefits expenses						
Salaries and wages	107,496	132,786	240,282	93,608	120,804	214,412
Labor insurance and national health insurance	9,122	8,208	17,330	9,403	8,269	17,672
Pension expenses	4,229	4,611	8,840	4,220	4,644	8,864
Other employee benefits expenses	168	7,867	8,035	-	6,549	6,549
Depreciation	1,566	97,405	98,971	946	88,784	89,730
Amortization	-	2,577	2,577	-	3,936	3,936

Function	January - June 2020			January - June 2019		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Nature						
Employee benefits expenses						
Salaries and wages	230,693	274,274	504,967	205,074	235,742	440,816
Labor insurance and	17,996	17,193	35,189	19,305	17,101	36,406

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

national health insurance						
Pension expenses	8,527	9,392	17,919	8,817	9,204	18,021
Other employee benefits expenses	686	13,122	13,808	238	11,178	11,416
Depreciation	2,694	184,404	187,098	2,215	177,735	179,950
Amortization	-	5,223	5,223	-	8,002	8,002

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

13. Supplementary Disclosures

(1) Information on significant transactions

In the period Jan 1, to June 30, 2020, the group shall disclose information related to material transactions pursuant to the "Regulations Governing the Preparation of Financial Reports by Securities Issuers." Such information is as follows:

1. Financings provided: None.
2. Endorsement/guarantees for others:

Expressed in thousands of New Taiwan Dollars

No.	Name of endorsement/guarantee provider	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/guarantees provided by parent company to subsidiaries	Endorsement/guarantees 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	\$ 5,444,646	14,192	14,192	14,192	-	0.52%	5,444,646	N	Y	N
2	Dingtian Construction	Kindom Development	Parent company and subsidiary	53,219	14,192	14,192	14,192	-	26.67%	53,219	N	Y	N
2	"	Kedge Construction	Parent company and subsidiary	7,982,815	1,376,500	1,376,500	1,376,500	-	2,586.48%	15,965,630	N	Y	N
3	Global Mall	Guan You	3	2,816,581	200,000	200,000	25,000	-	4.26%	5,633,162	Y	N	N
3	"	Guan Hua	2	2,816,581	150,000	95,000	65,000	-	2.02%	5,633,162	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

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

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

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

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

Expressed in thousands of New Taiwan Dollars/thousands 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	22,182	-%	22,182	
"	Stock - Everterminal Co. Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	198	2,325	0.20%	2,325	
"	Stock - Clientron Corp.	-	"	29	730	0.05%	730	
Jiequn Investment	Shares - Fubon Financial Holding Co., Ltd.	-	Financial assets at fair value through profit or loss - current	472	20,699	-%	20,699	
Jiequn Investment	Shares - SinoPac Financial Holdings Co., Ltd.	-	Financial assets at fair value through profit or loss - current	211	2,291	-%	2,291	
"	Shares - Taiwan Calcom International Computer Graphic Co., Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	405	-	0.78%	-	
Guanqing Electromechanical	Shares - Fubon Financial Holding Co., Ltd.	-	Financial assets at fair value through profit or loss - current	419	18,385	-%	18,385	
"	Shares - Global Views - Commonwealth Publishing Co.	-	Financial assets at fair value through other comprehensive income - non-current	132	5,539	0.59%	5,539	

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:

Expressed in thousands of New Taiwan Dollars

Acquiring company	Asset title	Date of transaction or event	Transaction amount	Payment collection status	Counterparties	Relationship	For related parties, the information on previous transaction				Reference for price determination	Purpose of acquisition and usage status	Other stipulations of the transaction
							Possessor	Relationship with the issuer	Date of transfer	Amount			
Global Mall	Right-of-use assets	2020.04	933,460	N/A	Railway Bureau, MOTC	Non-related parties	-	-	-	-	tender	For business	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 thousands 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	693,052	693,052	N/A	More than one third party	Non-related parties	Selling inventory	Refer to appraisal or based on market price	None

Note: The above are expressed in amounts before taxes.

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

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

Expressed in thousands of New Taiwan Dollars

Company Name	Name of transaction counterpart	Relationship	Transaction details				Situation and reason of why trading conditions are different from general trading		Notes/accounts receivable (or payable)		Remarks
			Purchases/sales	Amount (Note 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	2,517,426	82.06 %	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	(1,951,278)	81.30%	Note 2
Kedge Construction	The company	An investment company that evaluates Kedge Construction by the equity method	041B, and etc.	(2,517,426)	(36.93)%	Payment by installment per contract or equivalent to a general transaction	"	"	1,951,278	47.60%	

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 differences in payables (receivables) are retention receivables listed under contract assets.

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

Expressed in thousands of New Taiwan Dollars

The companies that record such transactions as receivables	Counterparties	Relationship	Balance of receivables from related parties	Turnover	Overdue receivables from related parties		Amounts received in subsequent period	Allowance for loss appropriated
					Amount	Action taken		
Kedge Construction	The company	An investment company that evaluates Kedge Construction by the equity method	1,951,278	4.63	-	-	398,186	-

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

9. Derivative financial instrument transactions: None.

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

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

No.	Name of transaction counterpart	Counterparty	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	2,374,263	50% due immediately and 50% due in 90 days / 100% due immediately and 100% due in 90 days	26.18%
0	The company	Kedge Construction	1	Buildings and land held for sale	183,136	50% due immediately and 50% due in 90 days / 100% due immediately and 100% due in 90 days	0.31%
0	The company	Kedge Construction	1	Construction in progress	386,816	50% due immediately and 50% due in 90 days / 100% due immediately and 100% due in 90 days	0.65%
0	The company	Kedge Construction	1	Notes and accounts payable - related party-	1,951,278	50% due immediately and 50% due in 90 days / 100% due immediately and 100% due in 90 days	3.27%
1	Kedge Construction	The company	2	Operating revenue	2,374,263	50% due immediately and 50% due in 90 days / 100% due immediately and 100% due in 90 days	26.18%
1	Kedge Construction	The company	2	Operating costs	569,952	50% due immediately and 50% due in 90 days / 100% due immediately and 100% due in 90 days	6.29%
1	Kedge Construction	The company	2	Notes and accounts receivable related party, contract asset-	1,951,278	50% due immediately and 50% due in 90 days / 100% due immediately and 100% due in 90 days	3.27%
2	Global Mall	Guan Cheng	3	Accounts receivable - related parties-	37,021	Once a Year	0.06%
2	Global Mall	Guan Cheng	3	Operating revenue	19,404	Once a Year	0.21%
2	Global Mall	Guan You	3	Operating revenue	1,214	Once a Year	0.01%
3	Guan Cheng	Global Mall	3	Accounts payable - related parties	37,021	Once a Year	0.06%
3	Guan Cheng	Global Mall	3	Operating expenses	19,404	Once a Year	0.21%
4	Guan You	Global Mall	3	Operating expenses	1,214	Once a Year	0.01%

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 Report of KINDOM DEVELOPMENT CO., LTD. and Subsidiaries (continued)

(2) Information on investees:

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

Expressed in thousands of New Taiwan Dollars/thousands shares

Investor	Name of investee	Location	Principal business	Original investment amount		Ending shareholding			Net income (loss) of the investee	Share of profit/loss of investee	Remarks
				End of the period	End of last year	No. of shares	Percentage	Book value			
The company	Kedge Construction	Taiwan	The comprehensive construction industry, etc.	374,353	374,353	36,248	34.18%	550,877	308,815	100,938	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%	3,969,024	134,980	113,406	"
"	Guan Cheng	Taiwan	Department stores, supermarkets, and non-store retailing	102,000	102,000	10,200	51.00%	136,256	31,010	15,815	"
Kedge Construction	Jiequn Investment	Taiwan	General Investment	163,935	163,935	16,396	99.98%	358,524	(4,039)	(4,038)	Second-tier subsidiary
"	Guanqing Electromechanical	Taiwan	Electrical equipment installation and fire safety equipment installation industry, etc.	81,326	81,326	7,747	99.96%	200,127	(1,331)	(1,330)	"
Jiequn Investment	Dingtian Construction	Taiwan	The comprehensive construction industry, etc.	16,500	16,500	-	30.00%	15,966	(212)	(64)	Third-tier subsidiary
Guanqing Electromechanical	Dingtian Construction	Taiwan	The comprehensive construction industry, etc.	11,105	11,105	-	70.00%	37,253	(212)	(148)	"
Dingtian Construction	ReadyCom Services Corp.	Taiwan	Information software services and management consultants, etc.	15,000	15,000	1,400	46.67%	20,275	(495)	(231)	Investments accounted for using equity method
Global Mall	Guan Cheng	Taiwan	Department stores, supermarkets, and non-store retailing	98,000	98,000	9,800	49.00%	130,913	31,010	15,195	Subsidiaries
"	Guan You	Taiwan	Department stores, supermarkets, and non-store retailing	5,000	5,000	500	3.70%	1,387	(6,824)	(253)	Second-tier subsidiary
"	Guan Hua	Taiwan	Department stores, supermarkets, and non-store retailing	140,000	140,000	14,000	100.00%	136,571	(788)	(788)	"
Global Mall	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%	40,399	14,869	14,869	Second-tier subsidiary
Guan Cheng	Guan You	Taiwan	Department stores, supermarkets, and non-store retailing	130,000	130,000	13,000	96.30%	36,108	(6,824)	(6,571)	"

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

(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	Net income (loss) of the investee	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)	14,886 (HKD 3,851)	100.00%	14,886 (HKD 3,851)	40,709 (HKD 10,648)	-

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

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	7,593,367

3. Material transactions with investees in Mainland China: None

(4) Information on major shareholders:

Expressed in shares

Name of major shareholder	Shareholding	No. of shares held	Percentage of shareholding
Yu-De 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.

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

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:

April - June 2020					
	Development	Construction	Shopping Mall	Adjustments and elimination	Total
Revenue:					
Revenues from external customers	\$ 2,274,904	2,607,395	287,738	-	5,170,037
Inter-segment income	607	1,428,254	10,121	(1,438,982)	-
Total revenue	\$ 2,275,511	4,035,649	297,859	(1,438,982)	5,170,037
Reportable segment profit or loss	\$ 597,554	281,240	110,115	(156,078)	832,831
April - June 2019					
	Development	Construction	Shopping Mall	Adjustments and elimination	Total
Revenue:					
Revenues from external customers	\$ 1,209,151	1,597,235	332,183	-	3,138,569
Inter-segment income	607	1,154,552	10,722	(1,165,881)	-
Total revenue	\$ 1,209,758	2,751,787	342,905	(1,165,881)	3,138,569
Reportable segment profit or loss	\$ 153,546	182,884	153,380	(195,425)	294,385

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Subsidiaries (continued)**

January - June 2020					
	Development	Construction	Shopping Mall	Adjustments and elimination	Total
Revenue:					
Revenues from external customers	\$ 4,048,348	4,431,910	587,053	-	9,067,311
Inter-segment income	1,213	2,375,943	20,669	(2,397,825)	-
Total revenue	<u>\$ 4,049,561</u>	<u>6,807,853</u>	<u>607,722</u>	<u>(2,397,825)</u>	<u>9,067,311</u>
Reportable segment profit or loss	<u>\$ 962,838</u>	<u>393,434</u>	<u>190,100</u>	<u>(252,071)</u>	<u>1,294,301</u>
January - June 2019					
	Development	Construction	Shopping Mall	Adjustments and elimination	Total
Revenue:					
Revenues from external customers	\$ 2,579,237	2,941,709	653,968	-	6,174,914
Inter-segment income	1,213	2,541,843	21,804	(2,564,860)	-
Total revenue	<u>\$ 2,580,450</u>	<u>5,483,552</u>	<u>675,772</u>	<u>(2,564,860)</u>	<u>6,174,914</u>
Reportable segment profit or loss	<u>\$ 304,946</u>	<u>326,250</u>	<u>248,201</u>	<u>(328,414)</u>	<u>550,983</u>
Assets of reportable segment					
June 30, 2020	<u>\$ 46,280,032</u>	<u>9,382,572</u>	<u>12,437,480</u>	<u>(8,359,579)</u>	<u>59,740,505</u>
December 31, 2019	<u>\$ 43,828,824</u>	<u>8,276,848</u>	<u>11,645,381</u>	<u>(7,926,088)</u>	<u>55,824,965</u>
June 30, 2019	<u>\$ 42,960,764</u>	<u>7,295,554</u>	<u>11,893,964</u>	<u>(7,576,081)</u>	<u>54,574,201</u>
Liabilities of reportable segment					
June 30, 2020	<u>\$ 33,624,421</u>	<u>6,660,092</u>	<u>7,438,515</u>	<u>(2,429,214)</u>	<u>45,293,814</u>
December 31, 2019	<u>\$ 31,201,320</u>	<u>5,535,726</u>	<u>6,771,135</u>	<u>(2,096,125)</u>	<u>41,412,056</u>
June 30, 2019	<u>\$ 31,395,179</u>	<u>4,736,944</u>	<u>7,190,692</u>	<u>(1,993,566)</u>	<u>41,329,249</u>