

## **Shinhan Alpha REIT and Subsidiaries**

Consolidated Financial Statements

March 31, 2020 and September 30, 2019

### **<Disclaimer>**

The accompanying financial statements prepared in accordance with the Act on External Audit of Stock Companies and the related laws of the Republic of Korea and accounting policies are translated into English and provided solely for informational purposes. The Company does not guarantee the completeness of the translation. If there are any inconsistencies between the Korean audit report and the English audit report, the Korean audit report shall prevail.

## **Contents**

Consolidated Statements of Financial Position

Consolidated Statements of Comprehensive Income

Consolidated Statements of Changes in Equity

Consolidated Statements of Cash Flows

Notes to the Consolidated Financial Statements

Shinhan Alpha REIT and Subsidiaries  
Consolidated Statements of Financial Position

As of March 31, 2020 and September 30, 2019

<i>(In won)</i>	<i>Note</i>	<b>March 31</b>	<b>September 30</b>
<b>Assets</b>			
Cash and cash equivalents	21,24	₩ 1,952,620,281	4,720,969,745
Short-term financial instruments	21	14,700,000,000	14,500,000,000
Other current financial assets	5,21	275,689,770	147,373,468
Other current assets	7	2,870,370,172	1,521,883,516
Current income tax assets		20,145,760	31,752,840
<b>Total current assets</b>		<b>19,818,825,983</b>	<b>20,921,979,569</b>
Long-term financial instruments	4,11,21	1,571,536,800	1,313,979,000
Investment properties, net	6	786,356,867,796	715,289,704,233
Other non-current financial assets	5,21	24,726,000	726,000
Other non-current assets	7	2,053,528,909	2,143,609,799
<b>Total non-current assets</b>		<b>790,006,659,505</b>	<b>718,748,019,032</b>
<b>Total assets</b>		<b>₩ 809,825,485,488</b>	<b>739,669,998,601</b>

See accompanying notes to the consolidated financial statements.

Shinhan Alpha REIT and Subsidiaries  
Consolidated Statements of Financial Position, Continued

**As of March 31, 2020 and September 30, 2019**

<i>(In won)</i>	<i>Note</i>	<u>March 31</u>	<u>September 30</u>
<b>Liabilities</b>			
Other accounts payables	8,21	5,333,495,346	6,180,979,059
Other current liabilities	9	2,305,215,418	1,789,512,748
Short-term borrowings	10,21,22,24	24,666,000,000	-
Short-term leasehold deposits received	11,21,22	432,570,000	120,000,000
Current portion of long-term leasehold deposits received	11,21,22	644,308,150	1,254,493,350
<b>Total current liabilities</b>		<u>₩ 33,381,588,914</u>	<u>9,344,985,157</u>
Long-term borrowings	10,21,22,24	476,909,020,403	432,731,646,009
Leasehold deposits received	11,21,22	18,973,599,990	16,317,991,170
Long-term unearned revenues		2,602,063,371	2,709,180,312
<b>Total non-current liabilities</b>		<u>498,484,683,764</u>	<u>451,758,817,491</u>
<b>Total liabilities</b>		<u>531,866,272,678</u>	<u>461,103,802,648</u>
<b>Equity attributable to owners of the Parent Company</b>			
Share capital	12	51,630,123,000	51,630,123,000
Other paid-in capital	12	226,181,597,841	226,185,193,274
Retained earnings	13	(1,787,093,145)	750,879,679
<b>Non-controlling interests</b>		<u>1,934,585,114</u>	<u>-</u>
<b>Total equity</b>		<u>277,959,212,810</u>	<u>278,566,195,953</u>
<b>Total liabilities and equity</b>		<u>₩ 809,825,485,488</u>	<u>739,669,998,601</u>

*See accompanying notes to the consolidated financial statements.*

Shinhan Alpha REIT and Subsidiaries  
Consolidated Statements of Comprehensive Income

For the six months ended March 31, 2020 and September 30, 2019

<i>(In won)</i>	<i>Note</i>	<b>March 31</b>	<b>September 30</b>
Operating revenue	14	₩ 23,086,429,117	22,295,646,187
Operating expenses	15	9,118,428,834	11,420,745,286
<b>Operating income (loss)</b>		<b>13,968,000,283</b>	<b>10,874,900,901</b>
Other income	16	22,571,059	111,161,384
Other expenses	16	2,632,506	55,896
Finance income	17,21	129,638,664	165,630,580
Finance costs	17,21	8,395,309,817	8,134,384,842
<b>Profit (loss) before income taxes</b>		<b>5,722,267,683</b>	<b>3,017,252,127</b>
Income tax expenses	18	-	-
<b>Profit (loss) for the period</b>		<b>5,722,267,683</b>	<b>3,017,252,127</b>
<b>Profit (loss) for the period attributable to:</b>			
Owners of the Group		5,786,244,396	3,017,252,127
Non-controlling interests		(63,976,713)	-
<b>Other comprehensive income (loss)</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive income (loss) for the period</b>		<b>₩ 5,722,267,683</b>	<b>3,017,252,127</b>
<b>Total comprehensive income (loss) for the period attributable to:</b>			
Owners of the Group		5,786,244,396	3,017,252,127
Non-controlling interests		(63,976,713)	-
<b>Earnings per share (loss) attributable to the owners of the Group</b>	19		
Basic and diluted earnings (loss) per share		87	29

See accompanying notes to the consolidated financial statements.

Shinhan Alpha REIT and Subsidiaries  
Consolidated Statements of Changes in Equity

For the six months ended March 31, 2020 and September 30, 2019

<i>(In won)</i>		Share capital	Other paid- in capital	Retained earnings	Non- controlling interests	Total
<b>Balance at April 1, 2019</b>	₩	51,630,123,000	226,189,045,480	5,902,954,403	283,722,122,883	283,722,122,883
<b>Total comprehensive income for the period</b>						
Profit for the period		-	-	3,017,252,127	-	3,017,252,127
<b>Transactions with owners, recognized directly in equity</b>						
Dividends		-	-	(8,169,326,851)	-	(8,169,326,851)
Others		-	(3,852,206)	-	-	(3,852,206)
<b>Balance at September 30, 2019</b>	₩	51,630,123,000	226,185,193,274	750,879,679	-	278,566,195,953
<b>Balance at October 1, 2019</b>	₩	51,630,123,000	226,185,193,274	750,879,679	-	278,566,195,953
<b>Total comprehensive income for the period</b>						
Profit for the period		-	-	5,786,244,396	(63,976,713)	5,722,267,683
<b>Transactions with owners, recognized directly in equity</b>						
Dividends		-	-	(8,324,217,220)	-	(8,324,217,220)
Acquisition of subsidiary		-	-	-	2,000,000,000	2,000,000,000
Capital transactions in the Group		-	(3,595,433)	-	(1,438,173)	(5,033,606)
<b>Balance at March 31, 2020</b>	₩	51,630,123,000	226,181,597,841	(1,787,093,145)	1,934,585,114	277,959,212,810

See accompanying notes to the consolidated financial statements.

Shinhan Alpha REIT and Subsidiaries  
Consolidated Statements of Cash Flows

For the six months ended March 31, 2020 and September 30, 2019

<i>(In won)</i>	<u>March 31</u>	<u>September 30</u>
<b>Cash flows from operating activities</b>		
Profit (loss) for the period	₩ 5,722,267,683	3,017,252,127
Adjustments for:		
Depreciation	3,170,973,156	3,115,399,709
Bad debt expenses	265,116,747	-
Interest expenses	8,395,309,817	8,134,384,842
Interest revenues	(129,638,664)	(165,630,580)
Rental revenues	(328,477,606)	(291,549,984)
Changes in assets and liabilities:		
Accounts receivable	(395,459,871)	(23,760,539)
Prepaid expenses	216,429,824	208,473,423
Advance payments	(599,355,000)	(22,138,750)
Prepaid value added tax	(1,664,708,738)	-
Current income tax assets	11,607,080	(21,901,730)
Long-term prepaid expenses	(75,595,000)	(305,372,684)
Non-trade payable	(1,689,423,405)	(368,600,846)
Accrued expenses	24,099,338	60,000,000
Deposits	330,109,233	-
Value added tax withheld	12,507,417	172,237,477
Advances received	569,206,300	504,939,487
Short-term leasehold deposits received	138,821,800	(363,063,000)
Long-term leasehold deposits received	1,711,917,050	664,649,210
<b>Cash generated from operations</b>	<u>15,685,707,161</u>	<u>14,315,318,162</u>
Interest received	131,665,486	202,285,121
Interest paid	(7,219,409,914)	(7,165,610,948)
<b>Net cash provided by operating activities</b>	<u>₩ 8,597,962,733</u>	<u>7,351,992,335</u>

*See accompanying notes to the consolidated financial statements.*

Shinhan Alpha REIT and Subsidiaries  
Consolidated Statements of Cash Flows, Continued

For the six months ended March 31, 2020 and September 30, 2019

(In won)

	March 31	September 30
<b>Cash flows from investing activities</b>		
Decrease in short-term financial instruments	₩ 13,000,000,000	4,269,004,600
Decrease in long-term financial instruments	141,108,200	-
Increase in short-term financial instruments	(13,298,860,000)	-
Increase in long-term financial instruments	(299,806,000)	-
Acquisition of investment properties	(72,745,503,571)	(550,400,000)
<b>Net cash used in investing activities</b>	<u>(73,203,061,371)</u>	<u>3,718,604,600</u>
<b>Cash flows from financing activities</b>		
Proceeds from short-term borrowings	24,666,000,000	-
Proceeds from long-term borrowings	43,500,000,000	-
Increase in non-controlling interests	2,300,000,000	-
Dividends paid	(8,324,217,220)	(8,169,326,851)
Decrease in non-controlling interests	(305,033,606)	-
Others	-	(3,852,206)
<b>Net cash used in financing activities</b>	<u>61,836,749,174</u>	<u>(8,173,179,057)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<u>(2,768,349,464)</u>	<u>2,897,417,878</u>
Cash and cash equivalents at October 1, 2019	4,720,969,745	1,823,551,867
<b>Cash and cash equivalents at March 31, 2020</b>	<u>₩ 1,952,620,281</u>	<u>4,720,969,745</u>

See accompanying notes to the consolidated financial statements.



Shinhan Alpha REIT and Subsidiaries  
Notes to the Consolidated Financial Statements

**March 31, 2020 and September 30, 2019**

**1. General Description**

General information about Shinhan Alpha REIT Co., Ltd. (the "Parent Company" or the "Company") and its subsidiary, Shinhan Alpha Yongsan REIT, (together referred to as "the Group") in accordance with K-IRFS 1110 Consolidated Financial Statements is as follows:

**(1) Overview of the Parent Company**

The Parent Company was incorporated on December 18, 2017 under the Real Estate Investment Company Act of the Republic of Korea and was qualified as a real estate investment trust ("REIT"), as approved by the Ministry of Land, Infrastructure and Transport on March 21, 2018. The business purpose of the Parent Company is to distribute profits of the Parent Company to its stockholders, which are generated from the revenue earned from acquisition, development, management, refurbishment and disposition of real estates and other properties. The Parent Company is headquartered on 18th floor, 33 Jongno-gu, Seoul, and was listed on the Korea Stock Exchange as of August 8, 2018.

Shinhan Alpha REIT Co., Ltd.  
Notes to the Separate Financial Statements

**March 31, 2020 and September 30, 2019**

As of March 31, 2020, the Parent Company's shareholders are as follows:

*(In won, except number of shares)*

Type	Shareholders	Number of shares	Percentage of ownership
Ordinary Shares	Eugene Dream Square Investor Private Investment Trust #34	4,081,632	8.57
	Hanwha General Insurance Co., Ltd.	3,000,000	6.30
	Shinhan REITs Management Co., Ltd.	2,705,838	5.68
	MERITZ SECURITIES CO., LTD	2,639,464	5.54
	HYUNDAI MOTOR SECURITIES CO., LTD.	2,499,867	5.25
	Capstone Professional Investment Private Fund #10	2,040,816	4.28
	NongHyup	2,040,816	4.28
	KRAFTON, Inc.	1,000,000	2.11
	Others	27,621,690	57.99
Preferred Shares (*)	Korea Teachers' Credit Union	2,000,000	-
	NongHyup	1,333,000	-
	Capstone Professional Investment Private Fund #10	666,000	-
	Shinhan REITs Management Co., Ltd.	1,000	-
	<b>Total shares</b>	<b>51,630,123</b>	<b>100.00</b>

(\*) The above preferred shares are cumulative, non-participating, and non-voting shares.

Shinhan Alpha REIT Co., Ltd.  
Notes to the Separate Financial Statements

March 31, 2020 and September 30, 2019

(2) Overview of the Subsidiaries

1) Subsidiaries

Details of subsidiaries as of March 31, 2020 and September 30, 2019 are as follows:

	March 31		September 30		Country	Date of settlement	Business
	Controlling interest (%)	Non-controlling interest (%)	Controlling interest (%)	Non-controlling interest (%)			
Shinhan Alpha Yongsan REIT	100.00	-	100.00	-	Korea	March 31	Real estate investment, management
Shinhan Alpha Gwanggyo REIT (*1)	71.43	28.57	-	-		September 30	

(\*1) Newly invested during the current period and included as a subsidiary, and the percentage of ownership is calculated according to the distribution ratio of residual property value

(\*2) Shinhan Alpha Gwanggyo REIT was newly established during the current period, and its normal business year begins on April 1 and ends on September 30, and then begins on October 1 and closes on March 31 next year. However, the first business year is from the date of registration of incorporation (September 18, 2019) to the first May 31 from its start date.

2) Condensed financial information of subsidiaries

Financial information as of and for the periods ended March 31, 2020 and September 30, 2019 is as follows:

① Condensed statement of financial position as of March 31, 2020 is as follows:

(In thousands of won)	Shinhan Alpha Yongsan REIT		Shinhan Alpha Gwanggyo REIT	
	₩		₩	
Current assets	₩	4,098,839		5,833,262
Non-current assets		173,441,887		72,354,856
<b>Total assets</b>	₩	177,540,726		78,188,118
Current liabilities	₩	2,288,110		26,370,115

Shinhan Alpha REIT Co., Ltd.  
Notes to the Separate Financial Statements

March 31, 2020 and September 30, 2019

<i>(In thousands of won)</i>	Shinhan Alpha Yongsan REIT	Shinhan Alpha Gwanggyo REIT
Non-current liabilities	102,147,893	45,046,955
<b>Total liabilities</b>	<b>₩ 104,436,003</b>	<b>71,417,070</b>
<b>Total equity</b>	<b>₩ 73,104,723</b>	<b>6,771,048</b>

② Condensed statement of financial position as of September 30, 2019 is as follows:

<i>(In thousands of won)</i>	Shinhan Alpha Yongsan REIT
Current assets	₩ 3,635,827
Non-current assets	174,160,196
<b>Total assets</b>	<b>₩ 177,796,023</b>
Current liabilities	₩ 3,096,212
Non-current liabilities	101,179,222
<b>Total liabilities</b>	<b>₩ 104,275,434</b>
<b>Total equity</b>	<b>₩ 73,520,589</b>

③ Condensed statement of comprehensive income as of March 31, 2020 is as follows:

<i>(In thousands of won)</i>	Shinhan Alpha Yongsan REIT	Shinhan Alpha Gwanggyo REIT
Revenues	₩ 5,521,490	194,806
Operating income	3,452,481	(7,961)
Profit for the period	1,576,433	(190,792)
Comprehensive income for the period	₩ 1,576,433	(190,792)

④ Condensed statement of comprehensive income as of September 30, 2019 is as follows:

<i>(In thousands of won)</i>	Shinhan Alpha Yongsan REIT
Revenues	₩ 5,600,796
Operating income	3,145,231
Profit for the period	1,310,407
Comprehensive income for the period	₩ 1,310,407

Shinhan Alpha REIT Co., Ltd.  
Notes to the Separate Financial Statements

**March 31, 2020 and September 30, 2019**

3) Condensed cash flow information

① Condensed cash flow information as of March 31, 2020 is as follows:

<i>(In thousands of won)</i>		<b>Shinhan Alpha Yongsan REIT</b>	<b>Shinhan Alpha Gwanggyo REIT</b>
Cash flows from operating activities	₩	2,402,617	1,183,087
Cash flows from investing activities		(1,159,116)	(75,400,891)
Cash flows from financing activities		(1,992,300)	75,127,840
Net increase (decrease) in cash and cash equivalents	₩	(748,799)	910,036

② Condensed cash flow information as of September 30, 2019 is as follows:

<i>(In thousands of won)</i>		<b>Shinhan Alpha Yongsan REIT</b>
Cash flows from operating activities	₩	2,448,149
Cash flows from investing activities		2,269,004
Cash flows from financing activities		(4,198,828)
Net increase (decrease) in cash and cash equivalents	₩	518,325

4) Financial information and management performance attributable to non-controlling interests by subsidiary

As of March 31, 2020, amount attributable to non-controlling interests for the subsidiaries of the Group is as follows:

<i>(In thousands of won)</i>		<b>Profit for the period distributed to non-controlling interests</b>	<b>Total comprehensive income distributed to non-controlling interests</b>	<b>Accumulated non- controlling interests</b>	<b>Dividends paid to non-controlling interests</b>
Shinhan Alpha Gwanggyo REIT	₩	(63,977)	(63,977)	1,934,585	-

Shinhan Alpha REIT Co., Ltd.  
Notes to the Separate Financial Statements

**March 31, 2020 and September 30, 2019**

**2. Basis of Preparation**

**(1) Statement of compliance**

The consolidated financial statements have been prepared in accordance with Korean International Financial Reporting Standards ("K-IFRS") as prescribed in Article 5 (1) 1 of the Act on External Audit of Corporations in the Republic of Korea.

**(2) New and amended standards adopted by the Group**

There are no new and amended standards and interpretations applied by the Group from the new fiscal period commencing on October 1, 2019.

**(3) New standards that have been issued but are not yet effective as of March 31, 2020**

As of the approved issuance date of the Group's consolidated financial statements, the contents of the K-IFRS that has been enacted and published but has not yet come into effect are as follows:

- Amendments to K-IFRS 1103 *Business Combination*

The amended definition of a business requires an acquisition to include an input and a substantive process that together significantly contribute to the ability to create outputs and the definition of output excludes the returns in the form of lower costs and other economic benefits. If substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets, an entity may elect to apply an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

- Amendments to K-IFRS 1001 *Presentation of Financial Statements* and K-IFRS 1008 *Accounting policies*

The amendments clarify the definition of material. Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general-purpose financial statements make on the basis of those financial statements. The amendments do not have a significant impact on the Group's consolidated financial statements.

Shinhan Alpha REIT and Subsidiaries  
Notes to the Consolidated Financial Statements

**March 31, 2020 and September 30, 2019**

**(4) Critical accounting estimates and judgements**

The Group makes estimates and assumptions concerning the future. The estimates and assumptions are continuously evaluated with consideration to factors such as events reasonably predictable in the foreseeable future within the present circumstance according to historical experience. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

① Investment property

The Group uses an evaluation technique that includes input variables that are not based on observable market data to estimate the fair value of investment property. (See Note 6)

② Deferred taxes

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The carrying amount of deferred tax assets is recognized as the best estimate when it is highly probable that sufficient taxable profit is generated to use the benefits of some or all of the deferred tax assets. These estimates may differ from actual corporate taxes. (See Note 18)

Shinhan Alpha REIT and Subsidiaries  
Notes to the Consolidated Financial Statements

**March 31, 2020 and September 30, 2019**

**3. Significant Accounting Policies**

The significant accounting policies applied by the Group in preparation of its consolidated financial statements are included below. The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements except for the changes in accounting policies and interpretations as described in Note 2.

**(1) Basis of consolidation**

**① Subsidiaries**

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

If a member of the Group uses accounting policies other than those adopted in the consolidated financial statements for like transactions and events in similar circumstances, appropriate adjustments are made to its financial statements in preparing the consolidated financial statements.

**② Intra-group transactions**

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated. Unrealized losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred.

**③ Non-controlling interests**

Non-controlling interests in a subsidiary are accounted for separately from the parent's company's ownership interests in a subsidiary. Each component of net profit or loss and other comprehensive income is attributed to the owners of the Group and non-controlling interest holders, even when the allocation reduces the non-controlling interest balance below zero.



Shinhan Alpha REIT and Subsidiaries  
Notes to the Consolidated Financial Statements

**March 31, 2020 and September 30, 2019**

**④ Changes in the Parent Company's ownership interest in a subsidiary**

Changes in the Parent Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions with owners in their capacity as owners. Adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary. The difference between the consideration and the adjustments made to non-controlling interest is recognized directly in equity attributable to the owners of the Parent Company.

**(2) Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand, demand deposits, and short-term investments in highly liquid securities that are readily convertible to known amounts of cash with maturities of three months or less from the acquisition date and which are subject to an insignificant risk of changes in value.

**(3) Functional and presentation currency**

The consolidated financial statements are presented in the currency of the primary economic environment in which the Group operates (its functional currency). The functional currency of the Group is Korean won, which is the presentation currency for the consolidated financial statements.

Shinhan Alpha REIT and Subsidiaries  
Notes to the Consolidated Financial Statements

**March 31, 2020 and September 30, 2019**

**(4) Financial instruments**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

**1) Financial assets**

**Initial recognition and measurement**

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under K-IFRS 1115.

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Shinhan Alpha REIT and Subsidiaries  
Notes to the Consolidated Financial Statements

**March 31, 2020 and September 30, 2019**

**Subsequent measurement**

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon (equity instruments)
- Financial assets at fair value through profit or loss

**Financial assets at amortized cost (debt instruments)**

The Group measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortized cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

**Financial assets designated at fair value through other comprehensive income (debt instruments)**

The Group measures debt instruments at fair value through other comprehensive income that meet all of the following conditions.

- debt instruments that are held within a business model whose objective is to both to collect the contractual cash flows and to sell the debt instruments
- debt instruments that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding

Interest income, gains (losses) on foreign exchange translation, and impairment or reversal with debt instruments designated at fair value through other comprehensive income are calculated

# Shinhan Alpha REIT and Subsidiaries

## Notes to the Consolidated Financial Statements

### March 31, 2020 and September 30, 2019

in the same way of financial assets designated at amortized cost. The remaining fair value changes are recognized in other comprehensive income. When a debt investment measured at fair value through other comprehensive income is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.

Debt instruments designated at fair value through other comprehensive income that the Group holds are included in debt instruments as non-current assets.

#### **Financial assets designated at fair value through other comprehensive income (equity instruments)**

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under K-IFRS 1032 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group can choose to classify irrevocably its non-listed equity investments under this category.

#### **Financial assets at fair value through profit or loss**

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at fair

# Shinhan Alpha REIT and Subsidiaries

## Notes to the Consolidated Financial Statements

### **March 31, 2020 and September 30, 2019**

value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with net changes in fair value recognized in the consolidated statement of income.

This category includes listed equity instruments that does not make an irrevocable election to measure derivatives and changes in fair value to recognize in other comprehensive income. Dividends for listed equity instruments is recognized at fair value through profit or loss when the entity's right to receive payment is established.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

### **Derecognition**

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- The rights to receive cash flows from the asset have expired.
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks

# Shinhan Alpha REIT and Subsidiaries

## Notes to the Consolidated Financial Statements

**March 31, 2020 and September 30, 2019**

and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

### **Impairment of financial assets**

The Group recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and other financial assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for

# Shinhan Alpha REIT and Subsidiaries

## Notes to the Consolidated Financial Statements

**March 31, 2020 and September 30, 2019**

forward-looking factors specific to the debtors and the economic environment.

For debt instruments measured at fair value through other comprehensive income, the Group uses low credit risk expedients. The Group assesses whether the debt instruments are considered to have low credit risk using historical experience and forward-looking information that is available without undue cost of effort at each reporting date. In making this assessment, the Group re-evaluates internal credit rating of the debt instruments.

If the Group's debt instruments measured at fair value through other comprehensive income are considered to be low credit rating investment if consisted only of listed debt securities with the highest investment grade. The Group's policy is to measure these instruments with 12-month expected credit losses. However, a loss allowance or provision at an amount equal to lifetime expected credit losses is recognized if there is a significant increase in credit risk after initial recognition. The Group uses information that credit-rating agency provides to determine whether there is a significant increase in the credit risk of its debt instruments and to measure the expected credit losses.

### **2) Financial liabilities**

#### **Initial recognition and measurement**

Financial liabilities within the scope of KIFRS 1039 are classified at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and in the case of loans and borrowings and payable, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables.

#### **Subsequent measurement**

The measurement of financial liabilities depends on their classification.

Shinhan Alpha REIT and Subsidiaries  
Notes to the Consolidated Financial Statements

**March 31, 2020 and September 30, 2019**

**Financial liabilities at fair value through profit or loss**

Financial liabilities at fair value through profit or loss includes financial liabilities held for trading and financial liabilities designated upon initial recognition as of fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by K-IFRS 1109. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in K-IFRS 1109 are satisfied.

**Loans and borrowings**

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the statement of income when the liabilities are derecognized as well as through the effective interest rate method (EIR) amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR.

**Derecognition**

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statement of income.



# Shinhan Alpha REIT and Subsidiaries

## Notes to the Consolidated Financial Statements

**March 31, 2020 and September 30, 2019**

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

### **(5) Investment property**

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are reported at cost, less accumulated depreciation and accumulated impairment losses.

Subsequent costs are recognized in the carrying amount of an asset or as a separate asset if it is probable that future economic benefits associated with the assets will flow into the Group and the cost of an asset can be measured reliably. The carrying amount of the replaced part by subsequent expenditure is derecognized. Routine maintenance and repairs are expensed as incurred.

While land is not depreciated, all other investment properties are depreciated based on the respective assets estimated useful lives of 30~50 years using the straight-line method.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

### **(6) Impairment of non-financial assets**

The carrying amounts of the Group's non-financial assets, other than assets arising from deferred tax assets, are reviewed at the end of the reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill and Intangible assets that have indefinite useful lives or that are not yet available for use, irrespective of whether there is any indication of impairment, are tested for impairment annually by comparing their recoverable amount to their carrying amount.

# Shinhan Alpha REIT and Subsidiaries

## Notes to the Consolidated Financial Statements

### **March 31, 2020 and September 30, 2019**

The Group estimates the recoverable amount of an individual asset, if it is impossible to measure the individual recoverable amount of an asset, then the Group estimates the recoverable amount of cash-generating unit ("CGU"). The recoverable amount of an asset or a CGU is the greater of its value in use and its fair value less costs to sell. The value in use is estimated by applying a pre-tax discount rate that reflect current market assessments of the time value of money and the risks specific to the asset or CGU for which estimated future cash flows have not been adjusted, to the estimated future cash flows expected to be generated by the asset or a CGU. An impairment loss is recognized in profit or loss if the carrying amount of an asset or a CGU exceeds its recoverable amount.

Goodwill acquired in a business combination is allocated to each CGU that is expected to benefit from the synergies arising from the goodwill acquired. Any impairment identified at the CGU level will first reduce the carrying value of goodwill and then be used to reduce the carrying amount of the other assets in the CGU on a pro rata basis. Except for impairment losses in respect of goodwill which are never reversed, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

### **(7) Provisions**

Provisions are recognized when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The risks and uncertainties that inevitably surround many events and circumstances are taken into account in reaching the best estimate of a provision. Where the effect of the time value of money is material, provisions are determined at the present value of the expected future cash flows.

Where some or all of the expenditures required to settle a provision are expected to be reimbursed by another party, the reimbursement is recognized when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement is presented as a separate asset.

Shinhan Alpha REIT and Subsidiaries  
Notes to the Consolidated Financial Statements

**March 31, 2020 and September 30, 2019**

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimates. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed. A provision shall be used only for expenditures for which the provision was originally recognized.

**(8) Current and deferred tax**

The tax expense for the period consists of current and deferred tax. Tax is recognized on the profit for the period in the statement of income, except to the extent that it relates to items recognized in other comprehensive income or directly in equity.

The tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period.

Management periodically evaluates tax policies that are applied in tax returns in which applicable tax regulation is subject to interpretation. The Group recognizes current income tax on the basis of the amount expected to be paid to the tax authorities.

Deferred tax is recognized for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts as expected tax consequences at the recovery or settlement of the carrying amounts of the assets and liabilities. However, deferred tax assets and liabilities are not recognized if they arise from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilized.

Deferred tax liability is recognized for taxable temporary differences associated with investments in subsidiaries, associates, and interests in joint ventures, except to the extent that the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. In addition, deferred tax asset is recognized for deductible temporary differences arising from such investments to the extent that it is probable the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilized.

# Shinhan Alpha REIT and Subsidiaries

## Notes to the Consolidated Financial Statements

### March 31, 2020 and September 30, 2019

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Meanwhile, if the Group distributes more than 90% of its net profits under CORPORATE TAX ACT Article 51-2 *Income Deductions for Special Purpose Companies, etc.*, the Group may receive an income deduction for calculation of the amount of income for the current business year. Therefore, the Group calculates corporate income taxes reflecting dividend income deduction in calculation of current year's income.

### (9) Retained earnings

The Group does not accumulate legal reserve for appropriation of earnings pursuant to REAL ESTATE INVESTMENT COMPANY ACT Article 28-1 because COMMERCIAL ACT Article 458 which sets out the policy of legal reserve does not apply. In addition, the Group can distribute dividends in excess of profits to the extent of depreciation of the current year because COMMERCIAL ACT Article 462 does not apply as per REAL ESTATE INVESTMENT COMPANY ACT Article 28-3.

### (10) Lease

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership at the inception of the lease. A lease other than a finance lease is classified as an operating lease. Lease income from operating leases is recognized in income on a straight-line basis over the lease term. Initial direct costs incurred by the lessor in negotiating and arranging an operating lease is added to the carrying amount of the leased asset and recognized as an expense over the lease term on the same basis as the lease income.

### (11) Revenue from contracts with customers

As the Group is a real estate investment trust established in accordance with REAL ESTATE INVESTMENT COMPANY ACT, the Group recognizes lease income on a straight-line basis over the lease term arising from operating leases of investment property. Thus, K-IFRS 1115 *Revenue from Contracts with Customers* is not applied.

Shinhan Alpha REIT and Subsidiaries  
Notes to the Consolidated Financial Statements

**March 31, 2020 and September 30, 2019**

**(12) Finance income and costs**

Finance income includes interest income and dividends. Interest income is recognized at fair value through profit or loss applying effective interest method over the period. Dividend income is recognized when the right to receive dividends is confirmed.

Finance costs include interest expenses on borrowings and interest expenses are recognized at fair value through profit or loss applying effective interest method over the period.

**(13) Earnings per share**

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares in the consolidated statement of comprehensive income. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all potential dilutive ordinary shares.

**(14) Approval of the consolidated financial statements**

The issuance of the March 31, 2020 consolidated financial statements of the Group was approved by the Board of Directors on May 13, 2020, which will be approved at the annual shareholder's meeting on June 25, 2020.

Shinhan Alpha REIT and Subsidiaries  
Notes to the Consolidated Financial Statements

March 31, 2020 and September 30, 2019

#### 4. Restricted Financial Instruments

Financial instruments which are restricted in its usage as of March 31, 2020 and September 30, 2019 are summarized as follows:

<i>(In thousands of won)</i>	<b>Financial institution</b>		<b>March 31</b>	<b>September 30</b>	<b>Description</b>
Long-term financial instruments	Woori Bank, etc.	₩	1,571,537	1,313,979	Provided as collateral for leasehold deposits

#### 5. Other Financial Assets

(1) Other financial assets as of March 31, 2020 and September 30, 2019 are summarized as follows:

<i>(In thousands of won)</i>		<b>March 31</b>	<b>September 30</b>
<b>Current assets:</b>			
Accounts receivable	₩	518,638	123,177
Loss allowance provision		(265,117)	-
Accrued income		22,169	24,196
	₩	<u>275,690</u>	<u>147,373</u>
<b>Non-current assets:</b>			
Deposits provided	₩	24,726	726

(2) Allowance for losses of other financial assets

The Group's period for granting of credit is a month and the Group applies the simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for accounts receivable. To measure the expected credit losses, accounts receivables have been grouped based on shared credit risk characteristics and the days past due.

Details of loss allowance provision of accounts receivable as of March 31, 2020 are as follows, and other financial assets measured amortized cost other than accounts receivable are considered to have low credit risk, and thus loss allowance provision is not recognized. Also, as of September 30,

Shinhan Alpha REIT and Subsidiaries  
Notes to the Consolidated Financial Statements

**March 31, 2020 and September 30, 2019**

2019 other financial assets measured at amortized cost were considered to have low credit risk, and thus loss allowance provision was not recognized.

<i>(In thousands of won)</i>		<b>Current</b>	<b>Within 3 months</b>	<b>Over 3 months</b>	<b>Total</b>
Accounts receivable	₩	104,500	158,120	256,018	518,638
Expected loss rate		-	59.29%	66.93%	51.12%
Loss allowance provision		-	(93,756)	(171,361)	(265,117)
	₩	<u>104,500</u>	<u>64,364</u>	<u>84,657</u>	<u>253,521</u>

(3) Changes in loss allowance provision for the period ended March 31, 2020 is as follows and there was no change in loss allowance provision for the period ended September 30, 2019.

<i>(In thousands of won)</i>		<b>Beginning balance</b>	<b>Provision</b>	<b>Ending balance</b>
Loss allowance provision	₩	-	265,117	265,117

**6. Investment Properties**

(1) Investment properties as of March 31, 2020 and September 30, 2019 are summarized as follows:

<i>(In thousands of won)</i>		<b>March 31</b>			<b>September 30</b>		
		<b>Acquisition cost</b>	<b>Accumulated depreciation and impairment losses</b>	<b>Carrying amount</b>	<b>Acquisition cost</b>	<b>Accumulated depreciation and impairment losses</b>	<b>Carrying amount</b>
Land	₩	467,084,183	-	467,084,183	412,480,171	-	412,480,171
Buildings		331,070,658	(11,797,973)	319,272,685	311,436,533	(8,627,000)	302,809,533
	₩	<u>798,154,841</u>	<u>(11,797,973)</u>	<u>786,356,868</u>	<u>723,916,704</u>	<u>(8,627,000)</u>	<u>715,289,704</u>

Shinhan Alpha REIT and Subsidiaries  
Notes to the Consolidated Financial Statements

**March 31, 2020 and September 30, 2019**

(2) Changes in carrying amount of investment properties for the periods ended March 31, 2020 and September 30, 2019 are as follows:

(In thousands of won)

	March 31			September 30		
	Land	Building	Total	Land	Building	Total
Beginning balance	₩ 412,480,171	302,809,533	715,289,704	412,480,171	305,160,033	717,640,204
Acquisition	54,604,012	19,634,125	74,238,137	-	764,900	764,900
Depreciation	-	(3,170,973)	(3,170,973)	-	(3,115,400)	(3,115,400)
Ending balance	₩ 467,084,183	319,272,685	786,356,868	412,480,171	302,809,533	715,289,704

(3) Profit or loss generated from investment property for the periods ended March 31, 2020 and September 30, 2019 is as follows:

(In thousands of won)

	March 31	September 30
Operating income	₩ 23,086,429	22,295,646
Operating expenses	6,590,231	7,985,119

(4) The details of appraisal of fair value of each investment property as of March 31, 2020 is as follows. The fair value of investment property as of March 31, 2020 is classified as level 3 based on the inputs used in the valuation technique and assessed by an independent appraisal institution, which is an accredited real estate expert on the assessment date. Meanwhile, the Group did not re-perform fair value assessment as the Group deems the change in fair value is immaterial as of March 31, 2020 against the latest assessment date.

(In millions of won)

	Pangyo KRAFTON Tower	Yongsan The Prime	Gwanggyo Daeil Building
Fair value	₩ 535,970	165,100	71,300
Assessment date	April 30, 2018	August 16, 2018	January 7, 2020
Appraisal expert	Pacific Appraisal Co., Ltd.	The First Appraisal & Consulting Company	Samchang Appriasal Co., Ltd.
Appraisal method	Applying a 50% weight to the price based on comparative method that reflects the market price and the price that reflects the investment value as of the assessment date of investment property		Calculated market value using cost method, comparison method, and income approach, taking usefulness of each method and limit, characteristics of the item, and purpose of appraisal and etc. into consideration



Shinhan Alpha REIT and Subsidiaries  
Notes to the Consolidated Financial Statements

**March 31, 2020 and September 30, 2019**

- (5) The Group takes out a package insurance (Insured amount: ₩385,109 million) in connection with its investment property.
- (6) In relation to borrowings the Group provides the right of fixed collateral and the right to receive claim related to investment property to the lenders as collateral with maximum pledge amount: ₩606,600 million. Also, in relation to leasehold deposits of lessee of operating lease, relevant investment property is provided as collateral with maximum pledged amount: ₩19,425 million.
- (7) Operating lease provided

The Group has entered into a contract with KRFATON, Inc. and etc. to provide operating lease with some of its investment properties and the carrying amount of operating lease assets as of March 31, 2020 and September 30, 2019 is as follows:

<i>(In thousands of won)</i>		<b>March 31</b>	<b>September 30</b>
Acquisition cost	₩	796,738,522	722,502,134
Accumulated depreciation		(11,781,203)	(8,615,830)
Carrying amount	₩	<u>784,957,319</u>	<u>713,886,304</u>

Depreciation incurred from operating lease asset for the periods ended March 31, 2020 and September 30, 2019 is ₩3,165 million and ₩3,110 million, respectively.

As of March 31, 2020 and September 30, 2019, the expected schedule of lease payments to receive from operating lease agreement with regard to the above investment property is as follows:

<i>(In thousands of won)</i>		<b>March 31</b>	<b>September 30</b>
Not later than one year	₩	47,942,974	43,820,815
Later than one year and not later than five years		160,570,484	158,787,237
Later than five years		109,558,197	124,090,635
Total	₩	<u>318,071,655</u>	<u>326,698,687</u>

Shinhan Alpha REIT and Subsidiaries  
Notes to the Consolidated Financial Statements

**March 31, 2020 and September 30, 2019**

(\*) The information above is based on the remaining lease period as of March 31, 2020 and September 30, 2019, and the possibility of an extension of the lease period has not been considered. The above lease payments may differ from actual amount received due to changes in rental payments linked to sales of lessee.

(8) Information of appraisal of fair value

Details of inputs used for fair value measurement in three-level fair value of hierarchy is same for the periods ended March 31, 2020 and September 30, 2019, which is as follows:

<i>(In millions of won)</i>	<b>March 31</b>	<b>Level of hierarchy of fair value</b>	<b>Valuation techniques</b>	<b>Unobservable inputs</b>	<b>Description of relationship</b>
Investment property	₩ 772,370	3	-Weighted average (5:5) of the income approach and market approach -Appraised and analyzed value using cost method, income approach, comparison method and decided to choose comparison method to calculate fair value	-Rent / sq. meter -Discount rate -Utility fee by floor -Unit price of comparison method	If rental payments increase (decrease) and discount rates decrease (increase) and utility fees by floor increase (decrease), the fair value of investment property will increase (decrease).

**7. Other Assets**

Other assets as of March 31, 2020 and September 30, 2019 are summarized as follows:

<i>(In thousands of won)</i>		<b>March 31</b>	<b>September 30</b>
<b>Current assets:</b>			
Advance payments	₩	757,457	1,022,925
Prepaid expenses		448,204	498,959
Prepaid value added tax		1,664,709	-
	₩	<u>2,870,370</u>	<u>1,521,884</u>
<b>Non-current assets:</b>			
Prepaid expenses	₩	2,053,529	2,143,610

Shinhan Alpha REIT and Subsidiaries  
Notes to the Consolidated Financial Statements

March 31, 2020 and September 30, 2019

## 8. Other Accounts Payable

Other accounts payable as of March 31, 2020 and September 30, 2019 are summarized as follows:

<i>(In thousands of won)</i>		<b>March 31</b>	<b>September 30</b>
Non-trade payables	₩	2,617,316	3,654,930
Accrued expenses		2,716,179	2,526,049
	₩	<u>5,333,495</u>	<u>6,180,979</u>

## 9. Other Current Liabilities

Other current liabilities as of March 31, 2020 and September 30, 2019 are summarized as follows:

<i>(In thousands of won)</i>		<b>March 31</b>	<b>September 30</b>
Deposits	₩	330,109	-
Value added tax withheld		932,050	919,543
Advances received		569,206	268,479
Unearned revenues		473,850	601,491
	₩	<u>2,305,215</u>	<u>1,789,513</u>

## 10. Borrowings

(1) Details of short-term borrowings as of March 31, 2020 and September 30, 2019 are summarized as follows:

<i>(In thousands of won)</i>		<b>Maturity</b>	<b>Interest rate</b>	<b>March 31</b>	<b>September 30</b>
Gwanggyo mortgage loans (Junior loans)	Shinhan Investment Corp.	2021.03.04	₩	23,000,000	-
Gwanggyo mortgage loans (Value added tax loans)	Shinhan Bank	2020.09.04	4.5	1,666,000	-
			₩	<u>24,666,000</u>	<u>-</u>

Shinhan Alpha REIT and Subsidiaries  
Notes to the Consolidated Financial Statements

**March 31, 2020 and September 30, 2019**

(2) Details of Long-term borrowings as of March 31, 2020 and September 30, 2019 are summarized as follows:

<i>(In thousands of won)</i>		<b>Maturity</b>	<b>Interest rate</b>	<b>March 31</b>	<b>September 30</b>
Pangyo mortgage loans (Senior)	kyobo life insurance co., ltd			₩ 35,000,000	35,000,000
	HANWHA LIFE INSURANCE CO., LTD.			70,000,000	70,000,000
	KB Insurance Co., Ltd			70,000,000	70,000,000
	National Credit Union Federation of Korea			25,000,000	25,000,000
	Jangan Credit Union			5,000,000	5,000,000
	Gwangju Credit Union	2023.04.27	3.3	3,500,000	3,500,000
	Daechang Credit Union			1,500,000	1,500,000
	NongHyup			70,000,000	70,000,000
	Eugene Dream Square Investor Private Investment Trust #34			35,000,000	35,000,000
	National Federation of Fisheries Cooperatives			15,000,000	15,000,000
	Shinhan Life Insurance Co., Ltd.			10,000,000	10,000,000
	Mirae Asset Life Insurance Co., Ltd	2025.10.31	3.2	49,500,000	49,500,000
	Shinhan Life Insurance Co., Ltd			49,500,000	49,500,000
Gwanggyo mortgage loans (Senior)	National Federation of Fisheries Cooperatives	2021.03.04	2.9	23,500,000	-
	NongHyup Life Insurance Co., Ltd.			20,000,000	-
Sub-total				₩ 482,500,000	439,000,000
Less: Discounted present value				(5,590,980)	(6,268,354)
Total				₩ 476,909,020	432,731,646

Shinhan Alpha REIT and Subsidiaries  
Notes to the Consolidated Financial Statements

**March 31, 2020 and September 30, 2019**

- (3) The Group provides financial instrument, investment property, insurance claim under insurance contract and etc. to lenders as collateral with maximum pledge amount of ₩606,600 million for its short-term and long-term borrowings

**11. Leasehold Deposits**

- (1) Details of leasehold deposits as of March 31, 2020 are summarized as follows:

<i>(In thousands of won)</i>		<b>Current</b>	<b>Non-current</b>
Nominal value	₩	1,085,101	22,104,105
(Discounted present value)		(8,223)	(3,130,505)
Carrying amount	₩	1,076,878	18,973,600

- (2) Details of leasehold deposits as of September 30, 2019 are summarized as follows:

<i>(In thousands of won)</i>		<b>Current</b>	<b>Non-current</b>
Nominal value	₩	1,403,939	19,666,049
(Discounted present value)		(29,446)	(3,348,058)
Carrying amount	₩	1,374,493	16,317,991

Some of investment property is pledged as collateral for the above leasehold deposits with maximum pledge amount of ₩19,425 million, and long-term financial instruments are pledged and set ₩1,572 million.

**12. Share Capital and Other Paid-in Capital**

- (1) Share capitals as of March 31, 2020 are summarized as follows:

<i>(In thousands of won except per share)</i>	<b>Number of Authorized shares</b>	<b>Number of shares issued</b>	<b>Par value per share in won</b>	<b>Capital</b>
Common stock	750,000,000	47,630,123	₩ 1,000	47,630,123
Preferred stock	250,000,000	4,000,000	1,000	4,000,000
	1,000,000,000	51,630,123	₩	51,630,123

Shinhan Alpha REIT and Subsidiaries  
Notes to the Consolidated Financial Statements

**March 31, 2020 and September 30, 2019**

(2) Share capitals as of September 30, 2020 are summarized as follows:

<i>(In thousands of won except per share)</i>	<b>Number of Authorized shares</b>	<b>Number of shares issued</b>	<b>Par value per share in won</b>	<b>Capital</b>
Common stock	750,000,000	47,630,123	₩ 1,000	47,630,123
Preferred stock	250,000,000	4,000,000	1,000	4,000,000
	<u>1,000,000,000</u>	<u>51,630,123</u>	<u>₩</u>	<u>51,630,123</u>

(3) There is no change in number of outstanding shares and capital for the periods ended March 31, 2020 and September 30, 2019.

(4) Other paid-in capital as of March 31, 2020 and September 30, 2019 are summarized as follows:

<i>(In thousands of won)</i>	<b>March 31</b>	<b>September 30</b>
<b>Additional paid-in capital:</b>		
Common stock	₩ 174,579,002	174,579,002
Preferred stock	51,813,315	51,813,315
	<u>₩ 226,392,317</u>	<u>226,392,317</u>
<b>Losses on capital reduction: (*)</b>		
Common stock	-	-
Preferred stock	(210,719)	(207,124)
	<u>₩ (210,719)</u>	<u>(207,124)</u>

(\*) As some of common and preferred stocks (non-controlling shares) of the subsidiary were decreased by capital reduction before the periods ended March 31, 2020 and September 30, 2019, the proceeds from the reduction paid exceeded the amount of initial issuance, and thus will be amortized through the disposal of retained earnings after the following period.

(5) Changes in other paid-in capital for the period ended March 31, 2020 are as follows:

<i>(In thousands of won)</i>	<b>Common stock</b>	<b>Preferred stock</b>	<b>Total</b>
Beginning balance	₩ 174,579,002	51,606,191	226,185,193
Losses on capital reduction (*)	-	(3,595)	(3,595)
Ending balance	<u>₩ 174,579,002</u>	<u>51,602,596</u>	<u>226,181,598</u>

Shinhan Alpha REIT and Subsidiaries  
Notes to the Consolidated Financial Statements

**March 31, 2020 and September 30, 2019**

(\*) As some of common stocks (non-controlling interests) of the subsidiary were decreased by capital reduction for the period ended March 31, 2020, the proceeds from the reduction paid exceeded the amount of initial issuance, and thus will be amortized through the disposal of retained earnings after the following period.

(6) Changes in other paid-in capital for the period ended September 30, 2019 are as follows:

<i>(In thousands of won)</i>		<b>Common stock</b>	<b>Preferred stock</b>	<b>Total</b>
Beginning balance	₩	174,582,854	51,606,191	226,189,045
Others		(3,852)	-	(3,852)
Ending balance	₩	<u>174,579,002</u>	<u>51,606,191</u>	<u>226,185,193</u>

**13. Retained Earnings**

(1) Share capitals as of March 31, 2020 and September 30, 2019 are summarized as follows:

<i>(In thousands of won)</i>		<b>March 31</b>	<b>September 30</b>
Unappropriated retained earnings	₩	(1,787,093)	750,880

(2) Changes in unappropriated retained earnings (Deficit) for the periods ended March 31, 2020 and September 30, 2019 are as follows:

<i>(In thousands of won)</i>		<b>March 31</b>	<b>September 30</b>
<b>Unappropriated retained earnings (Deficit)</b>			
Balance at beginning of year	₩	750,880	5,902,954
Profit (loss) for the period		5,722,268	3,017,252
Dividends		(8,324,217)	(8,169,326)
Profit for the period of non-controlling interests		63,976	-
Balance at end of year	₩	<u>(1,787,093)</u>	<u>750,880</u>

Shinhan Alpha REIT and Subsidiaries  
Notes to the Consolidated Financial Statements

**March 31, 2020 and September 30, 2019**

(3) Details of dividends paid for the period ended March 31, 2020 are as follows:

<i>(In share, won)</i>	<b>Common stock</b>	<b>Preferred stock</b>
Number of dividend shares	47,630,123	4,000,000
Par value per share ₩	1,000	1,000
Dividend rate	15.00%	41.30%
Dividend per share	150	413
Dividends ₩	<u>7,144,518,450</u>	<u>1,652,000,000</u>

(4) Details of dividends paid for the period ended September 30, 2019 are as follows:

<i>(In share, won)</i>	<b>Common stock</b>	<b>Preferred stock</b>
Number of dividend shares	47,630,123	4,000,000
Par value per share ₩	1,000	1,000
Dividend rate	14.00%	41.40%
Dividend per share	140	414
Dividends ₩	<u>6,668,217,220</u>	<u>1,656,000,000</u>

## 14. Operating Revenues

Details of revenues for the periods ended March 31, 2020 and September 30, 2019 are as follows:

<i>(In thousands of won)</i>	<b>March 31</b>	<b>September 30</b>
Rental revenues ₩	15,393,850	15,031,060
Management revenues	7,071,332	6,710,654
Other revenues	621,247	553,932
₩	<u>23,086,429</u>	<u>22,295,646</u>



Shinhan Alpha REIT and Subsidiaries  
Notes to the Consolidated Financial Statements

**March 31, 2020 and September 30, 2019**

**15. Operating Expenses**

Details of operating expenses for the periods ended March 31, 2020 and September 30, 2019 are as follows:

<i>(In thousands of won)</i>	<b>March 31</b>	<b>September 30</b>
Executive salaries	₩ 13,800	13,800
Commissions and fees	547,434	398,420
Real estate service fees	2,086,140	2,049,691
Maintenance costs	373,672	385,840
Utility Expenses	851,054	962,234
Taxes and dues	74,983	1,437,965
Insurance expenses	33,409	33,990
Depreciation expenses	3,170,973	3,115,400
Management fee expenses	1,558,395	2,883,687
Custodial fees	28,224	27,153
General, administrative and trust expenses	115,228	112,565
Bad debt expenses	265,117	-
	<b>₩ 9,118,429</b>	<b>11,420,745</b>

**16. Other Income and Expenses**

Other income and expenses for the periods ended March 31, 2020 and September 30, 2019 are miscellaneous revenue and losses.

Shinhan Alpha REIT and Subsidiaries  
Notes to the Consolidated Financial Statements

March 31, 2020 and September 30, 2019

**17. Finance Income and Costs**

Details of finance income and costs for the periods ended March 31, 2020 and September 30, 2019 are as follows:

*(In thousands of won)*

		<u>March 31</u>	<u>September 30</u>
<b>Finance income:</b>			
Interest income	₩	129,639	165,631
<b>Finance costs:</b>			
Interest expense	₩	8,395,310	8,134,385

**18. Income Tax Expenses**

Income tax expense is computed by adjusting from income tax currently payable to adjustments recognized in the current period in relation to prior periods, changes in deferred taxes due to temporary differences, income tax expense in relation to items not recognized as profit or loss and others. However, if the Group distributes more than 90% of its net profits under CORPORATE TAX ACT Article 51-2 *Income Deductions for Special Purpose Companies, etc.*, the Group may receive an income deduction for calculation of the amount of income for the current business year. Current income tax expenses were not incurred as there is no corporate income tax to be borne by the Group. In addition, deferred tax assets and liabilities are not recognized for deductible temporary differences due to uncertainty over taxable income to be generated in the future as of the end of reporting date.

Shinhan Alpha REIT and Subsidiaries  
Notes to the Consolidated Financial Statements

**March 31, 2020 and September 30, 2019**

**19. Earnings per Share**

(1) Details of basic earnings per share for the periods ended March 31, 2020 and September 30, 2019 are as follows:

<i>(In won except per share)</i>		<b>March 31</b>	<b>September 30</b>
Profit attributable to owners of the Parent	₩	5,786,244,396	3,017,252,127
Less: dividends to preferred shares		(1,652,000,000)	(1,656,000,000)
Profit attributable to owners of the Parent, net		4,134,244,396	1,361,252,127
Weighted average number of ordinary shares outstanding		47,630,123	47,630,12
Basic earnings per share	₩	87	29

(2) Details of weighted average number of ordinary shares outstanding for the periods ended March 31, 2020 and September 30, 2019 are as follows:

<i>(In day except per share)</i>		<b>Shares</b>		<b>Accumulated</b>
	<b>Period</b>	<b>outstanding</b>	<b>Days</b>	<b>number of days</b>
<b>March 31</b>				
Ordinary shares	2019.10.01 ~ 2020.03.31	47,630,123	183	8,716,312,509
Weighted average number of ordinary shares outstanding				47,630,123
<b>September 30</b>				
Ordinary shares	2019.04.01 ~ 2019.09.30	47,630,123	183	8,716,312,509
Weighted average number of ordinary shares outstanding				47,630,123

(3) The Group does not disclose diluted earnings per share for the periods ended March 31, 2020 and September 30, 2019 because the Group has no potential dilutive shares outstanding.

Shinhan Alpha REIT and Subsidiaries  
Notes to the Consolidated Financial Statements

March 31, 2020 and September 30, 2019

20. Commitments and Contingencies

(1) Commitments of project financing

<i>(In millions of won)</i>	<b>Pangyo mortgage loans (Senior)</b>	<b>Yongsan mortgage loans (Senior)</b>	<b>Gwanggyo mortgage loans (Senior and etc.)</b>
Date of commitment	2018.4.24	2018.10.31	2020.02.28, 2020.03.02
Lenders	11 financial institutions including Hanwha Life Insurance	2 financial institutions including Shinhan Life Insurance	4 financial institutions including NongHyup Life Insurance
Total amount of commitment	₩ 340,000	99,000	68,166

The Group borrowed ₩507,166 million of the above project financing commitment as of March 31, 2020. In relation to financial loan agreement the Group provides its financial instruments, investment property, insurance claim under insurance contract to lenders as collateral with maximum pledge amount of ₩606,600 million.

(2) Asset Management Contract

The Group entered into an asset management contract with Shinhan REITs Management for the services of acquisition, management, improvement, and disposal of real estate, and development and lease of real estate and trading of securities on behalf of the Group.

	<b>Pangyo KRAFTON Tower</b>	<b>Yongsan The Prime</b>	<b>Gwanggyo Daeil</b>
Purchase fee	0.6% of purchase amount	0.6% of purchase amount	1% of purchase amount
Basic management fee	0.4% per annum of the base amount(*1) as of the end of business year	0.4% per annum of the total assets as of the end of business year	0.1% per annum of the total assets as of the end of business year (first year), 0.3% (second year), 0.4% (after third year)
Management performance fee	5% of share value increase within the limit(*2), and the excess amount is carried forward after the next period	-	-
Basic disposition fee	1% of disposed amount	1% of disposed amount	1% of disposed amount
Incentive disposition fee	10% of gain on disposition – accumulated amount of management performance fee already paid	10% of gain on disposition	15% of gain on disposition

# Shinhan Alpha REIT and Subsidiaries

## Notes to the Consolidated Financial Statements

### March 31, 2020 and September 30, 2019

(\*1) Amount after subtracting the carrying amount of equity securities of JA-REITs at the relevant time from the total asset carrying amount at the end of reporting period. However, it is not subtracted in case that JA-REITs decides not to pay management fee to entrusted manage of JA-REITs.

(\*2) Balance subtracted the expected amount of dividends from net profits available for dividned for the corresponding business year

Management fee incurred under the above asset management contract for the periods ended March 31, 2020 and September 30, 2019 is ₩1,558 million and ₩2,884 million, respectively.

#### (3) General Business Administration Contract

The Group entered into a contract with Shinhan Aitas for the services of office work related to the issuance of stock, operation management, tax affair, and notification and disclosure by law or articles of incorporation. According to the contract, the Group is obligated to pay general business administration contract fees within 7 business days from the end date of business year, which is as follows:

	Controlling company	Subsidiary
Business administration fee	- Equity securities of REITs : 0.0125% - Real estate : 0.0165%	₩17.5 million at each settlement date

#### (4) Asset Custodial Contract

The Group entered into a contract with Kookmin Bank for the services of custody of real estate, securities, cash, etc., and management on behalf of the Group. The Group is obliged to pay commission fees which is as follows, within 7 business days from the end date of business year according to the asset custodial contract.

	Controlling company	Subsidiary
Asset custodial fee	- 0.008% per annum of purchase amount	₩3.3 million at each settlement date

Shinhan Alpha REIT and Subsidiaries  
Notes to the Consolidated Financial Statements

**March 31, 2020 and September 30, 2019**

- (5) If the Group intends to sell its investment property, Pangyo KRAFTON Tower, to a third party, KRAFTON (formerly known as Bluehole) has the right of first offer on the property.
- (6) The Group enters into a contract of performance guarantee contract with Seoul Guarantee Insurance Co., Ltd. with insured amount of ₩50 million as of March 31, 2020.

**21. Fair Value of Financial Instruments by Category**

- (1) Details of fair value and carrying amount of financial assets and financial liabilities by category as of March 31, 2020 and September 30, 2019 are summarized as follows:

*(In thousands of won)*

		<b>March 31</b>		<b>September 30</b>	
		<b>Carrying amount</b>	<b>Fair value</b>	<b>Carrying amount</b>	<b>Fair value</b>
<b>Financial assets at amortized cost</b>					
Cash and cash equivalents	₩	1,952,620	1,952,620	4,720,970	4,720,970
Short-term financial assets		14,700,000	14,700,000	14,500,000	14,500,000
Long-term financial instruments		1,571,537	1,571,537	1,313,979	1,313,979
Other financial assets		300,416	300,416	148,099	148,099
	₩	<u>18,524,573</u>	<u>18,524,573</u>	<u>20,683,048</u>	<u>20,683,048</u>
<b>Liabilities at amortized cost</b>					
Other accounts payables	₩	5,333,495	5,333,495	6,180,979	6,180,979
Short-term borrowings		24,666,000	24,666,000	-	-
Long-term borrowings		476,909,020	476,909,020	432,731,646	432,731,646
Leasehold deposits received		20,050,478	20,050,478	17,692,485	17,692,485
	₩	<u>526,958,993</u>	<u>526,958,993</u>	<u>456,605,110</u>	<u>456,605,110</u>

The Group considers the carrying amount and fair value of its financial assets and financial liabilities measured at amortized cost are similar to each other.

Shinhan Alpha REIT and Subsidiaries  
Notes to the Consolidated Financial Statements

**March 31, 2020 and September 30, 2019**

(2) Details of gains or losses on financial instruments by category for the periods ended March 31, 2020 and September 30, 2019 are as follows:

<i>(In thousands of won)</i>		<u>March 31</u>	<u>September 30</u>
Financial assets at amortized cost	Interest income	₩ 129,639	165,631
Financial liabilities at amortized cost	Interest expenses	8,395,310	8,134,385

(3) Fair value hierarchy

Financial assets and liabilities carried at fair value by each valuation techniques are defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or in indirectly
- Level 3: input for the asset or liability that are not based on observable market data

The Group has no financial instrument measured at fair value as of March 31, 2020 and September 30, 2019.

## **22. Financial Risk Management**

(1) Management of capital risk

The fundamental goal of capital management is to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and maintain an optimal capital structure. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

As for this to be maintained, the Group uses debt ratio as indicator of capital management. The debt ratio is calculated as net liability divided by total equity.

Shinhan Alpha REIT and Subsidiaries  
Notes to the Consolidated Financial Statements

**March 31, 2020 and September 30, 2019**

The debt ratio as of March 31, 2020 and September 30, 2019 is as follows:

<i>(In thousands of won)</i>		<b>March 31</b>	<b>September 30</b>
Total liabilities (A)	₩	531,866,273	461,103,803
Total equity (B)		277,959,213	278,566,196
Debt ratio (A/B)		191.35%	165.53%

(2) Financial risk management

The Group's activities are exposed to a variety of financial risks: credit risk, liquidity risk and market risk (interest rate risk). The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize any adverse effects on the financial performance of the Group.

1) Interest rate risk

The carrying amount of assets and liabilities with a floating interest rate term exposed to interest rate risk as of March 31, 2020 and September 30, 2019 is as follows:

<i>(In thousands of won)</i>		<b>March 31</b>	<b>September 30</b>
Cash and cash equivalents and Long-term and short-term financial instruments	₩	18,224,157	20,534,949

The impact of 1% high/low interest rate regarding each asset and liability, with all other variables held constant, on the Group's profit before income tax for the period ended March 31, 2020 is as follows:

<i>(In thousands of won)</i>		<b>1% high</b>	<b>1% low</b>
Cash and cash equivalents and Long-term and short-term financial instruments	₩	182,242	(182,242)



Shinhan Alpha REIT and Subsidiaries  
Notes to the Consolidated Financial Statements

**March 31, 2020 and September 30, 2019**

2) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. For banks and financial institutions, credit risk is limited because the Group has transactions only with highly rated parties. If there is no independent rating, the credit quality of the customer is evaluated taking into account its financial position, past experience and other factors. As of March 31, 2020, the maximum exposures to credit risk is the same as the carrying amount, which correspond with financial assets in the category measured at amortized cost amounting to ₩18,525 million.

3) Liquidity risk

In order to manage the liquidity risk the Group establishes short-term and mid-term fund management plans and continuously analyze and review the projected cash outflows with actual cash outflows, and compares the maturity schedule of its financial assets and liabilities. Management believes financial liabilities can be repaid with the cash inflows from its operating activities and financial assets.

① The contractual maturities of non-derivative financial liabilities as of March 31, 2020 are as follows:

<i>(In thousands of won)</i>		<b>1 year or less</b>	<b>1 year or less</b>	<b>More than 5 years</b>	<b>Total</b>
Non-trade payables	₩	2,617,316	-	-	2,617,316
Accrued expenses		2,716,179	-	-	2,716,179
Leasehold deposits		1,085,101	13,992,114	8,111,991	23,189,206
Short-term borrowings		24,666,000	-	-	24,666,000
Long-term borrowings		14,359,828	419,441,973	144,357,403	578,159,204
	₩	<u>45,444,424</u>	<u>433,434,087</u>	<u>152,469,394</u>	<u>631,347,905</u>

Shinhan Alpha REIT and Subsidiaries  
Notes to the Consolidated Financial Statements

**March 31, 2020 and September 30, 2019**

- ② The contractual maturities of non-derivative financial liabilities as of September 30, 2019 are as follows:

<i>(In thousands of won)</i>		<b>1 year or less</b>	<b>1 year or less</b>	<b>More than 5 years</b>	<b>Total</b>
Non-trade payables	₩	3,654,930	-	-	3,654,930
Accrued expenses		2,526,049	-	-	2,526,049
Leasehold deposits		1,403,939	11,554,058	8,111,991	21,069,988
Long-term borrowings		14,396,462	381,528,876	102,436,328	498,361,666
	₩	<u>21,981,380</u>	<u>393,082,934</u>	<u>110,548,319</u>	<u>525,612,633</u>

The above maturity analysis is prepared based on the earliest maturity date the Group has to pay, based on cash flows from undiscounted principal and interest.

**23. Transactions and Balances with Related Parties**

- (1) Details of related parties are as follows:

	<b>Name</b>
Other related party	Shinhan REITs Management Co., Ltd.

- (2) Significant transactions with related parties for the periods ended March 31, 2020 and September 30, 2019 are as follows:

<i>(In thousands of won)</i>	<b>Transaction</b>		<b>March 31</b>	<b>September 30</b>
Shinhan REITs Management Co., Ltd.	Expenses	₩	1,474,296	2,883,687

- (3) Account balances with related parties as of March 31, 2020 and September 30, 2019 are as follows:

<i>(In thousands of won)</i>	<b>Type</b>		<b>March 31</b>	<b>September 30</b>
Shinhan REITs Management Co., Ltd.	Liabilities	₩	1,473,493	2,884,888

Shinhan Alpha REIT and Subsidiaries  
Notes to the Consolidated Financial Statements

**March 31, 2020 and September 30, 2019**

**24. Cash Flow Information**

(1) Cash and cash equivalents as of March 31, 2020 and September 30, 2019 is as follows:

<i>(In thousands of won)</i>		<b>March 31</b>	<b>September 30</b>
Deposits on demand	₩	1,952,620	4,720,970

(2) Changes in liabilities (borrowings) from financing activities for the periods ended March 31, 2020 and September 30, 2019 are as follows:

<i>(In thousands of won)</i>		<b>March 31</b>	<b>September 30</b>
Beginning balance	₩	432,731,646	432,067,485
Borrowing		68,166,000	-
Amortization		677,374	664,161
Ending balance	₩	<u>501,575,020</u>	<u>432,731,646</u>

(3) Details of significant transactions not involving cash inflows and outflows for the periods ended March 31, 2020 and September 30, 2019 are as follows:

<i>(In thousands of won)</i>		<b>March 31</b>	<b>September 30</b>
Reclassification of long-term prepaid expenses to current portion	₩	422,720	352,175
Reclassification of long-term unearned revenues to current portion		460,573	580,779
Reclassification of long-term financial instruments to current portion		98,860	1,313,979
Reclassification of advance payments to investment properties		1,492,634	214,500

Shinhan Alpha REIT and Subsidiaries  
Notes to the Consolidated Financial Statements

**March 31, 2020 and September 30, 2019**

**25. Operating Segments**

Considering the nature of the service that generates operating income, the Group decided the entire Group as a single reporting unit. Therefore, the disclosure on operating income, profit and loss before provisions for income taxes, total amount of assets and liabilities by reporting unit is omitted. The Group's operating profit was entirely generated domestically, and information related to external customers exceeding 10% of the Group's operating profit is as follows:

*(In thousands of won)*

		<b>Operating profit</b>
Customer 1	₩	8,489,408
Customer 2		2,572,394

**26. Events After the Reporting Period**

The Group decided to increase the paid-in capital by the method of forfeited stock public offering after shareholders allotment at the board of director on April 24, and the full payment (Amount issued: ₩27,542 million) was made on May 28. Funds raised by increase in capital will be used for business operations.