Stock Code:3703

CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

with Independent Auditors' Report
For the Years Ended December 31, 2018 and 2017

1001 277401

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Table of contents

Representation Letter

The entities that are required to be included in the combined financial statements of CONTINENTAL HOLDINGS CORPORATION as of and for the year ended December 31, 2018 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 endorsed by the Financial Supervisory Commission, "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, CONTINENTAL HOLDINGS CORPORATION and Subsidiaries do not prepare a separate set of combined financial statements.

Company name: CONTINENTAL HOLDINGS CORPORATION
Chairman: Nita Ing
Date: March 21, 2019

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Independent Auditors' Report

To the Board of Directors of CONTINENTAL HOLDINGS CORPORATION:

Opinion

We have audited the consolidated financial statements of Continental Holdings Corporation and its subsidiaries ("the Group"), which comprise the statement of consolidated financial position as of December 31, 2018 and 2017, the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the report of other auditors (please refer to Other Matter paragraph), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards (" IFRSs"), International Accounting Standards (" IASs"), Interpretations developed by the International Financial Reporting Interpretations Committee ("IFRIC") or the former Standing Interpretations Committee ("SIC") endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. Based on our audits and the reports of other auditors, we believe that the audit evidence we have obtained, is sufficient and appropriate to provide a basis of our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The key audit matters are as follow:

1. Revenue recognition of construction contracts

   Please refer to Note 4(t) for revenue from contracts with customers; Note 5 for recognition of revenue and measurement for the completed percentage of construction contracts; and Note 6(ab) for construction contracts.

   How the matter was addressed in our audit: As the budgets of construction contracts are highly related to the subjectively judgments of the managements, inaccuracy estimations for construction budgets may lead to significant changes in profit or loss of the financial reports. Therefore, there is a significant risk involved in the revenue recognition of construction contracts.

Our principal audit procedures included: selecting construction contracts that have significant impact on the presentation of the financial report; and for those construction budgets, assessing the managements' budget preparation process, acquired relevant materials in preparing the assumptions within the current period (including construction contract modification, design modification, and other documents with owners), and confirming whether the preparation of construction budget corresponds with the Group' s internal authorization. In addition, selecting the valuation materials and checking their accuracy by recalculating the completed percentage of the construction cases, as well as executing the balance sheet cut-off test.

2. Inventory evaluation

   Please refer to Note 4(h) for accounting policy about inventory evaluation, Note 5 for estimation of inventory evaluation and Note 6(h) for inventory.

   How the matter was addressed in our audit: The Group's inventories shall be stated at the lower of cost and net realizable value. At present, the real estate industry is affected by tax reformation and economic circumstances. There is a risk that the inventory cost may turn out to be higher than its net realization value.

   Our principal audit procedures included: For construction cases in progress and real estate for sale, which is in accordance to the contract price for presale and the selling price of actual registering, assessing the differences between their booked value and fair value, and any possibility of their significant impact on the financial report.

Other Matter

In the Group' s consolidated financial statements, we did not audit the financial statements of certain subsidiaries. Those statements audited by other auditors has been furnished to us, and our opinion, insofar as it relates to the amounts included for those subsidiaries, is based solely on the report of the other auditors. The financial statements of these subsidiaries reflect the total assets constituting 13.48% and 8.53% of the consolidated total assets at December 31, 2018 and 2017, respectively, and the total revenues constituting 1.07% and 0.49% of the consolidated total revenues for the years ended December 31, 2018 and 2017, respectively.

In addition, in the Group' s consolidated financial statements, which include certain investee companies accounted for under the equity method, were audited by other auditors, and our opinion, insofar as it relates to the amounts included for those investee companies, is based solely on the report of the other auditors. As of December 31, 2018 and 2017, using the equity method, the Group's investment in these investee companies constituted 1.27% and 2.35% of the Group' s total asset; the profit and losses resulted from the Group' s investment in the associates and joint ventures represented (35.33)% and (148.17)% of the Group's net profit before tax.

Continental Holdings Corporation and its subsidiaries have prepared their non-consolidated financial report for the years ended December 31, 2018 and 2017, and we have issued an unqualified opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs, IASs, IFRC, SIC endorsed and issued into effect by the FSC, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (including the Audit Committee) are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Kuo-Yang Tseng and Ti-Nuan Chien.

KPMG

Taipei, Taiwan (Republic of China)
March 21, 2019

Kuo-Yang Tseng

Kuo-Yang, Tseng

CHIEN TI-NUAN

Ti-Nuan, Chien

Notes to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial statements of financial position, financial performance and cash flows in accordance with the 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 accepted and applied in the Republic of China.

The independent auditors' report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and consolidated financial statements, the Chinese version shall prevail.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2018		December 31, 2017	
	Assets	**Amount**	**%**	**Amount**	**%**
	Current assets:				
1100	Cash and cash equivalents(Note 6(a))	$ 4,547,174	7	3,428,513	6
1110	Current financial assets at fair value through profit or loss(Note 6(b))	2,003,713	3	-	-
1125	Current available-for-sale financial assets, net(Note 6(d))	-	-	1,541,318	2
1135	Current derivative financial assets for hedging(Note 6(d))	-	-	479,232	1
1139	Current finanical assets for hedging(Notes 6(d))	255,391	-	-	-
1140	Current contract assets(Note 6(ab))	5,917,560	9	-	-
1150	Notes receivable, net(Notes 6(e) and (ab))	419,775	1	847,529	1
1170	Accounts receivable, net(Notes 6(e) and (ab) 7)	1,882,715	3	5,109,707	8
1190	Construction contracts receivable(Note 6(g))	-	-	3,012,801	5
1200	Other receivables, net(Notes 6(f) and 7)	713,068	1	809,741	1
1220	Current tax assets(Note 6(x))	241,933	-	231,332	-
130X	Inventories(Notes 6(h) and 8)	24,012,811	36	22,865,100	35
1410	Prepayments	713,800	1	869,787	1
1470	Other current assets(Notes 6(a) and 8)	1,971,713	3	464,908	1
1480	Current incremental cost from contract	141,093	-	-	-
		42,820,746	64	39,659,968	61
	Non-current assets:				
1510	Non-current financial assets at fair value through profit or loss(Note 6(b))	1,018,257	1	-	-
1517	Non-current financial assets at fair value through other comprehensive income(Note 6(c))	1,828,762	3	-	-
1523	Non-current available-for-sale financial assets, net(Note 6(d))	-	-	1,809,970	3
1543	Non-current financial assets at cost, net(Note 6(d))	-	-	393,700	1
1550	Investments accounted for using equity method, net(Note 6(i))	850,164	1	1,525,307	2
1600	Property, plant and equipment(Notes 6(m) and 8)	1,836,333	3	1,998,207	3
1760	Investment property, net(Notes 6(n) and 8)	13,083,099	20	13,593,043	21
1780	Intangible assets(Notes 6(o) and 8)	1,157,023	2	1,011,438	2
1840	Deferred tax assets(Note 6(y))	10,522	-	5,028	-
1900	Other non-current assets(Note 6(f))	155,260	-	123,048	-
1932	Long-term accounts receivables(Notes 6(e)、(ab) and 8)	4,245,668	6	4,669,870	7
		24,185,088	36	25,129,611	39
	Total assets	$ 67,005,834	100	64,789,579	100

		December 31, 2018		December 31, 2017	
	Liabilities and Equity	**Amount**	**%**	**Amount**	**%**
	Current liabilities:				
2100	Short-term borrowings(Note 6(p))	$ 11,019,633	17	9,757,733	15
2110	Short-term notes and bills payable(Note 6(q))	790,000	1	1,000,000	2
2125	Current derivative financial liabilities for hedging(Note 6(d))	-	-	6,954	-
2130	Current contract liabilities(Note 6 (ab))	5,641,630	8	-	-
2170	Accounts and notes payable(Note 6(g))	7,030,182	10	7,658,917	12
2190	Construction contracts payable(Notes 6(g))	-	-	1,057,427	2
2200	Other payables(Notes 6(w) and 7)	1,507,765	2	1,226,329	2
2230	Current tax liabilities(Note 6(x))	36,196	-	74,186	-
2250	Current provisions(Note 6(s))	536,795	1	296,184	-
2310	Advance receipts(Notes 6(g) and (u))	60,002	-	4,879,517	8
2320	Long-term liabilities, current portion(Note 6(r))	884,930	1	564,097	1
2399	Other current liabilities, others	119,859	-	204,967	-
		27,626,992	40	26,726,311	42
	Non-Current liabilities:				
2540	Long-term borrowings(Note 6(r))	12,725,621	19	13,656,560	21
2570	Deferred tax liabilities(Note 6(x))	76,054	1	31,340	-
2610	Long-term accounts payable(Note 6(v))	360,901	1	364,560	-
2640	Net defined benefit liability, non-current(Note 6(w))	261,342	-	280,037	-
2645	Guarantee deposits received	130,277	-	130,895	-
		13,554,195	21	14,463,392	21
	Total liabilities	41,181,187	61	41,189,703	63
	Equity attributable to owners of parent (Note 6(u)):				
3100	Ordinary shares	8,232,160	13	8,232,160	13
3200	Capital surplus	6,804,435	10	6,804,431	11
3300	Retained earnings	8,153,880	12	5,520,686	9
3400	Other equity interest	462,360	1	1,567,060	2
		23,652,835	36	22,124,337	35
36XX	Non-controlling interests	2,171,812	3	1,475,539	2
	Total equity	25,824,647	39	23,599,876	37
	Total liabilities and equity	$ 67,005,834	100	64,789,579	100

See accompanying notes to financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Common Share)

		2018		2017	
		Amount	%	Amount	%
4000	**Operating Revenues (Notes 6(g), (t), (ab), (ac) and Note 7):**				
4300	Rental revenue	$ 275,793	1	258,382	1
4511	Construction revenue	24,176,403	96	27,531,326	97
4800	Other operating revenue	701,915	3	595,035	2
		25,154,111	100	28,384,743	100
5000	**Operating costs (Notes 6((g), (h) and 7):**				
5300	Rental costs	96,602	-	98,567	-
5510	Construction costs	21,124,389	84	25,721,805	91
5800	Other operating costs	208,975	1	215,158	1
5800	**Net operating costs**	21,429,966	85	26,035,530	92
	Gross profit from operations	3,724,145	15	2,349,213	8
	Operating expenses (Notes (w), (ac) 7 and 12):				
6100	Selling and marketing expenses	283,651	1	188,366	1
6200	Administrative expenses	1,090,340	4	993,406	3
		1,373,991	5	1,181,772	4
	Net operating income	2,350,154	10	1,167,441	4
	Non-operating income and expenses (Note 6(ad) and 7):				
7010	Other income(Note 7)	342,320	1	285,637	1
7020	Other gains and losses	427,441	2	880,573	3
7050	Finance costs(Note 6(h))	(194,463)	(1)	(173,800)	(1)
7370	Share of loses associates and joint ventures accounted for using equity method(Note 6(i))	(763,659)	(3)	(1,267,969)	(4)
		(188,361)	(1)	(275,559)	(1)
7900	**Income before tax**	2,161,793	9	891,882	3
7950	Less: Tax expense (Note 6(x))	143,512	1	84,314	-
	Net income	2,018,281	8	807,568	3
8300	**Other comprehensive income (loss):**				
8310	**Items that will not be reclassified to profit or loss**				
8311	Losses on remeasurements of defined benefit plans	(21,989)	-	(7,887)	-
8316	Unrealized gains from investments in equity instruments measured at fair value through other comprehensive income	18,793	-	-	-
8320	Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified	84	-	-	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	4,398	-	1,340	-
		1,286	-	(6,547)	-
8360	**Items that may be reclassified subsequently to profit or loss**				
8361	Exchange differences on translation	(9,914)	-	(90,391)	-
8362	Unrealized gains on valuation of available-for-sale financial assets	-	-	30,919	-
8363	Losses on effective portion of cash flow hedges	-	-	(11,807)	-
8368	Gains on hedging instrument	26,507	-	-	-
8370	Share of other comprehensive income of associates and joint ventures accounted for using equity method	43,849	-	(183,388)	(1)
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-
	Components of other comprehensive income that will be reclassified to profit or loss	60,442	-	(254,667)	(1)
8300	**Other comprehensive income, net**	61,728	-	(261,214)	(1)
	Comprehensive income	$ 2,080,009	8	546,354	2
	Net income, attributable to:				
8610	Net income, attributable to owners of parent	$ 1,941,677	8	787,816	3
8620	Net income, attributable to non-controlling interests	76,604	-	19,752	-
		$ 2,018,281	8	807,568	3
	Comprehensive income attributable to:				
8710	Comprehensive income, attributable to owners of parent	$ 1,979,207	8	527,140	2
8720	Comprehensive income, attributable to owners of non-controlling interests	100,802	-	19,214	-
		$ 2,080,009	8	546,354	2
	Basic earnings per share (Note 6(z))				
9750	**Basic earnings per share (NT dollars)**	$	2.36		0.96
9850	**Diluted earnings per share (NT dollars)**	$	2.36		0.96

See accompanying notes to financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent														
	Share capital		Retained earnings				Total other equity interest								
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Unrealized gains (losses) on available-for-sale financial assets	Gains (losses) on effective portion of cash flow hedges	Gains (losses) on hedging instruments	Total other equity interest	Total equity attributable to owners of parent	Non-controlling interests	Total equity
Balance at January 1, 2017	$ 8,232,160	6,804,431	455,564	2,493,481	2,252,896	5,201,941	(265,567)	-	2,088,506	(1,750)	-	1,821,189	22,059,721	761,715	22,821,436
Net income	-	-	-	-	787,816	787,816	-	-	-	-	-	-	787,816	19,752	807,568
Other comprehensive income	-	-	-	-	(6,547)	(6,547)	(273,324)	-	31,002	(11,807)	-	(254,129)	(260,676)	(538)	(261,214)
Comprehensive income	-	-	-	-	781,269	781,269	(273,324)	-	31,002	(11,807)	-	(254,129)	527,140	19,214	546,354
Appropriation and distribution of retained earnings:															
Legal reserve appropriated	-	-	52,894	-	(52,894)	-	-	-	-	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(411,608)	(411,608)	-	-	-	-	-	-	(411,608)	-	(411,608)
Changes in equity of associates and joint ventures accounted for using equity method	-	-	-	-	(10,290)	(10,290)	-	-	-	-	-	-	(10,290)	-	(10,290)
Changes in ownership interests in subsidiaries	-	-	-	-	(40,626)	(40,626)	-	-	-	-	-	-	(40,626)	40,626	-
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	653,984	653,984
Balance at December 31, 2017	8,232,160	6,804,431	508,458	2,493,481	2,518,747	5,520,686	(538,891)	-	2,119,508	(13,557)	-	1,567,060	22,124,337	1,475,539	23,599,876
Effects of retrospective application	-	-	-	-	1,230,320	1,230,320	-	959,687	(2,119,508)	13,557	(13,557)	(1,159,821)	70,499	-	70,499
Balance on January 1, 2018 after adjustment	8,232,160	6,804,431	508,458	2,493,481	3,749,067	6,751,006	(538,891)	959,687	-	-	(13,557)	407,239	22,194,836	1,475,539	23,670,375
Net income	-	-	-	-	1,941,677	1,941,677	-	-	-	-	-	-	1,941,677	76,604	2,018,281
Other comprehensive income	-	-	-	-	(17,591)	(17,591)	9,737	18,877	-	-	26,507	55,121	37,530	24,198	61,728
Comprehensive income	-	-	-	-	1,924,086	1,924,086	9,737	18,877	-	-	26,507	55,121	1,979,207	100,802	2,080,009
Appropriation and distribution of retained earnings:															
Legal reserve appropriated	-	-	78,781	-	(78,781)	-	-	-	-	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(493,930)	(493,930)	-	-	-	-	-	-	(493,930)	-	(493,930)
Changes in equity of associates and joint ventures accounted for using equity method	-	-	-	-	(27,282)	(27,282)	-	-	-	-	-	-	(27,282)	-	(27,282)
Changes in ownership interests in subsidiaries	-	4	-	-	-	-	-	-	-	-	-	-	4	(4)	-
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	595,475	595,475
Balance at December 31, 2018	$ 8,232,160	6,804,435	587,239	2,493,481	5,073,160	8,153,880	(529,154)	978,564	-	-	12,950	462,360	23,652,835	2,171,812	25,824,647

See accompanying notes to financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

	2018	2017
Cash flows from (used in) operating activities:		
Profit before tax	$ 2,161,793	891,882
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	175,593	275,699
Amortization expense	47,186	31,594
Reversal of impairment gain on expected credit / Reversal of provision for bad debt expense	(6,722)	(40,746)
Interest expense	194,463	173,800
Interest income	(48,853)	(39,923)
Dividend income	(183,117)	(140,844)
Share of loss of associates and joint ventures accounted for using equity method	763,659	1,267,969
Gain on disposal of property, plan and equipment	(2,713)	(29,579)
Loss on disposal of property, plant and equipment (accounted for comstruction costs)	23,024	(1,528)
Gain on disposal of investments	-	(1,329,077)
Impairment on property, plant and equipment	(38,703)	421,351
Gain on revaluation of financial assets	(459,701)	-
(Reversal of) provisions	(143,492)	(20,080)
Gains on overdue payables written off	(738)	(103)
Total adjustments to reconcile profit	319,886	568,533
Changes in operating assets and liabilities:		
Changes in operating assets:		
Contract assets	245,118	-
Notes receivable	427,725	(464,686)
Accounts receivable	330,464	(1,022,709)
Construction contracts receivable	-	(342,238)
Other receivable	(42,630)	104,495
In inventories	(5,904,291)	(1,828,353)
Prepayments	18,996	191,755
Other current assets	(1,520,080)	(32,003)
Increase in assets recognised as incremental costs to obtain contract	(2,463)	-
Total changes in operating assets	(6,447,161)	(3,393,739)
Changes in operating liabilities:		
Contract liabilities	6,161,773	-
Notes and accounts payable	(1,038,977)	2,497,456
Construction contracts payable	-	(945,023)
Other payables	504,448	(192,468)
Provisions	(33,812)	(4,167)
Advance receipts	(22,097)	41,717
Other current liabilities	(84,052)	54,436
Net defined benefit liability	(36,285)	4,079
Total changes in operating liabilities	5,450,998	1,456,030
Total changes in operating assets and liabilities	(996,163)	(1,937,709)
Total adjustments	(676,277)	(1,369,176)
Cash inflow (outflow) generated from operations	1,485,516	(477,294)
Interest received	55,376	22,638
Interest paid	(441,224)	(381,028)
Income taxes paid	(164,959)	(154,991)
Net cash flows from (used in) operating activities	934,709	(990,675)

See accompanying notes to financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

CONTINENTAL HOLDINGS CORPORATION AND ITS SUBSIDIARIES

Consolidated Statements of Cash Flows(CONT'D)

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

	2018	2017
Cash flows from (used in) investing activities:		
Acquisition of financial assets at fair value through profit or loss	(564,411)	-
Disposal of available-for-sale financial assets	-	2,232,334
Acquisition of financial assets for hedging	-	(419,454)
Disposal of financial assets for hedging	243,394	-
Acquisition of investments accounted for using equity method	-	(1,077)
Net cash flow from acquisition of subsidiaries	-	56,781
Price of associates acquisition	(71,865)	-
Effect on disposal of subsidiaries	(8,972)	-
Acquisition of property, plant and equipment	(39,391)	(80,472)
Disposal of property, plant and equipment	59,585	69,494
Other receivables	95,218	(101,566)
Acquisition of intangible assets	(223,774)	(272,945)
Acquisition of investment properties	(160,168)	(293,629)
Disposal of investment properties	-	18,235
Other non-current assets	-	(852,111)
Prepayments for business facilities	(27)	(127,163)
Dividends received	149,598	305,230
Long-term payments	(15,075)	-
Net cash flows (used in) from investing activities	(535,888)	533,657
Cash flows from (used in) financing activities:		
Increase in short-term loans	33,910,600	26,120,876
Decrease in short-term loans	(32,660,765)	(25,579,894)
Increase in short-term notes and bills payable	8,550,000	9,185,000
Decrease in short-term notes and bills payable	(8,760,000)	(8,385,000)
Increase in long-term borrowings	4,645,150	5,898,471
Decrease in long-term borrowings	(5,272,101)	(5,742,216)
Guarantee deposits	(632)	17,762
Cash dividends paid	(495,540)	(411,608)
Other payables	140,702	-
Change in non-controlling interests	597,084	490,752
Net cash flows from financing activities	654,498	1,594,143
Effect of exchange rate changes on cash and cash equivalents	65,342	(257,746)
Net increase in cash and cash equivalents	1,118,661	879,379
Cash and cash equivalents at beginning of period	3,428,513	2,549,134
Cash and cash equivalents at end of period	$ 4,547,174	3,428,513

See accompanying notes to financial statements.

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

(1) Company history

CONTINENTAL HOLDINGS CORPORATION ("CHC" or "the Company") was established through shares exchange with Continental Engineering Corp. ("CEC") on April 8, 2010 and CEC became 100% - owned by the Company. On the same day, the Company was approved to be a listed Company by the FSC. The consolidated financial statements as of December 31, 2018 consist of the Company and all of its subsidiaries ("the Group"), and associates. Please refer to Note 14 for the Group's main businesses.

(2) Approval date and procedures of the consolidated financial statements:

The Board of Directors approved the consolidated financial statements on March 21, 2019.

(3) New standards, amendments and interpretations adopted:

(a) The impact of the International Financial Reporting Standards ("IFRSs") endorsed by the Financial Supervisory Commission, R.O.C. ("FSC") which have already been adopted.

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2018.

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendment to IFRS 2 "Clarifications of Classification and Measurement of Share-based Payment Transactions"	January 1, 2018
Amendments to IFRS 4 "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts"	January 1, 2018
IFRS 9 "Financial Instruments"	January 1, 2018
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
Amendment to IAS 7 "Statement of Cash Flows -Disclosure Initiative"	January 1, 2017
Amendment to IAS 12 "Income Taxes- Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017
Amendments to IAS 40 "Transfers of Investment Property"	January 1, 2018
Annual Improvements to IFRS Standards 2014–2016 Cycle:	
Amendments to IFRS 12	January 1, 2017
Amendments to IFRS 1 and Amendments to IAS 28	January 1, 2018
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018

Except for the following items, the Group believes that the adoption of the above IFRSs would not have any material impact on its consolidated financial statements. The extent and impact of signification changes are as follows:

(i) IFRS 15 "Revenue from Contracts with Customers"

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces the existing revenue recognition guidance, including IAS 18 "Revenue" and IAS 11 "Construction Contracts". The Group applies this standard retrospectively with the cumulative effect, it need not restate those contracts, but instead, continues to apply IAS 11, IAS 18 and the related Interpretations for comparative reporting period. The Group recognizes the cumulative effect upon the initially application of this Standard as an adjustment to the opening balance of retained earnings on January 1, 2018.

The Group uses the practical expedients for completed contracts, which means it need not restate those contracts that have been completed on January 1, 2018.

The following are the nature and impacts on changing of accounting policies:

1) Method for measuring progress

Currently, some of the construction contracts for the Group adopt the output method for measuring the progress and recognizing the revenue and cost for the construction. With the adoption of IFRS 15, the objective when measuring progress is to depict an entity's ability of controlling the delivery of goods or services promised to a customer. Using the incurred costs for measuring the progress of the contracted construction is a more appropriate basis for aligning with the new accounting standards. The Group adopts the output method to measure the progress will have no material impact on the financial statements.

2) Onerous contract

Any excess of the total contract costs over the total contract revenues for the construction were immediately recognized as operating costs in the past. After the adoption of IFRS 15, the accounting treatment for the onerous contract will follow IAS 37. A provision and operating costs for the onerous contracts are recognized when the expected benefits to be derived by the Group from a construction contract are lower than the unavoidable cost of meeting its obligations under the construction contract.

3) Incremental cost of obtaining contracts with customers

The Group's selling and marketing expenses for pre-sale houses are currently recognized when they are incurred. Under IFRS 15, incremental costs of obtaining contracts with customers will be capitalized if the entity expects to recover those costs and amortized on a systematic basis while pre-sale houses are transferred to customers. Therefore, the selling and marketing expenses that meet the requirements to be capitalized are expensed latter than before– i.e. until revenue of pre-sale houses is recognized.

CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

4) Impacts on financial statements

The following tables summarize the impacts of adopting IFRS15 on the Group' s consolidated financial statements:

	December 31, 2018			January 1, 2018		
Impacted line items on the consolidated balance sheet	**Balances prior to the adoption of IFRS 15**	**Impact of changes in accounting policies**	**Balance upon adoption of IFRS 15**	**Balances prior to the adoption of IFRS 15**	**Impact of changes in accounting policies**	**Balance upon adoption of IFRS 15**
Construction contracts receivable	$ 3,032,254	(3,032,254)	-	3,012,801	(3,012,801)	-
Accounts receivable	4,883,961	(3,001,246)	1,882,715	5,109,707	(2,788,609)	2,321,098
Prepayments	846,665	(132,865)	713,800	869,787	(130,971)	738,816
Current incremental cost from contract	-	141,093	141,093	-	138,630	138,630
Current contract assets	-	5,917,560	5,917,560	-	5,643,380	5,643,380
Impact on assets		**(107,712)**			**(150,371)**	
Construction contracts payable	$ 510,028	(510,028)	-	1,057,427	(1,057,427)	-
Current porvisions	233,264	303,531	536,795	296,184	417,915	714,099
Advance receipts	5,611,075	(5,551,073)	60,002	4,879,517	(4,796,173)	83,344
Current contract liabilities	-	5,641,630	5,641,630	-	5,277,655	5,277,655
Impact on liabilities		**(115,940)**			**(158,030)**	
Retained earnings	$ 8,145,652	8,228	8,153,880	5,520,686	7,659	5,528,345
Impact on equity		**$ 8,228**			**7,659**	

	For the year ended December 31, 2018		
Impacted line items on the consolidated income statement	**Before adjustments**	**Impact of changes in accounting polices**	**After adjustments**
Selling expenses	$ 284,220	(569)	283,651
Impact on profit before income tax		569	
Impact on Profit		**569**	
Basic earnings per share	$ 2.36	-	2.36
Diluted earnings per share	$ 2.36	-	2.36

CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Impacted line items on the consolidated statement of cash flows	For the year ended December 31, 2018 Before adjustments	Impact of changes in accounting polices	After adjustments
Cash flows from (used in) operating activities:			
Profit before tax	$ 2,161,224	569	2,161,793
Adjustments:			
Current incremental cost from contract	-	(2,463)	(2,463)
Contract assets	-	245,118	245,118
Accounts receivable	225,746	104,718	330,464
Construction contract receivables	(19,453)	19,453	-
Prepayment	23,122	(4,126)	18,996
Contract liabilities	-	6,161,773	6,161,773
Construction contract payables	(547,399)	547,399	-
Provisions	(62,690)	(114,614)	(177,304)
Advance receipts	6,935,730	(6,957,827)	(22,097)
Impact on net cash flows from operating activities		$ -	

(ii) IFRS 9 "Financial Instruments"

IFRS 9 replaces IAS 39 " Financial Instruments: Recognition and Measurement" which contains classification and measurement of financial instruments, impairment and hedge accounting.

As a result of the adoption of IFRS 9, the Group adopted the consequential amendments to IAS 1 "Presentation of Financial Statements" which requires impairment of financial assets to be presented in a separate line item in the statement of profit or loss and OCI. Previously, the Group' s approach was to include the impairment of trade receivables in administrative expenses. Additionally, the Group adopted the consequential amendments to IFRS 7 Financial Instruments: Disclosures that are applied to disclosures about 2018 but generally have not been applied to comparative information.

The detail of new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below:

1) Classification of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. The standard eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification. For an explanation of how the Group classifies and measures financial assets and accounts for related gains and losses under IFRS 9, please see note 4(g).

The adoption of IFRS 9 did not have any a significant impact on its accounting policies on financial liabilities.

2) Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with the 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognized earlier than they are under IAS 39 – please see note 4(g).

3) Hedge accounting

The Group has elected to adopt the new general hedge accounting model in IFRS 9, which requires the Group to ensure that hedge accounting relationships are aligned with its risk management objectives and strategy, and apply a more qualitative and forward-looking approach to assessing hedge effectiveness.

The Group uses forward foreign exchange contracts to hedge the variability in its cash flows arising from the changes in foreign exchange rates relating to inventory purchases. The Group designates only the change in fair value of the spot element of the forward exchange contract as the hedging instrument in cash flow hedging relationships. The effective portion of changes in fair value of hedging instruments is accumulated in a cash flow hedge reserve as a separate component of equity.

Under IAS 39, the change in fair value of the forward element of the forward exchange contracts ('forward points') was recognized immediately in profit or loss. However, under IFRS 9, the forward points are separately accounted for as a cost of hedging; they are recognized in OCI and accumulated in a cost of hedging reserve as a separate component within equity.

(Continued)

Under IAS 39, for all cash flow hedges, the amounts accumulated in the cash flow hedge reserve were reclassified to profit or loss as reclassification adjustment in the same period as the hedged expected cash flows affected the profit or loss. However, under IFRS 9, for cash flow hedges of foreign currency risk associated with forecast inventory purchases, the amounts accumulated in the cash flow hedge reserve are instead included directly in the initial cost of the inventory item when it is recognized. The same approaches also apply under IFRS 9 to the amounts accumulated in the costs of hedging reserve.

For an explanation of how the Group applies hedge accounting under IFRS 9, please see note 4(g).

4) Transition

The adoption of IFRS 9 have been applied retrospectively, except as described below,

- Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognized in retained earnings and reserves as on January 1, 2018. Accordingly, the information presented for 2017 does not generally reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2018 under IFRS 9.
- The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.
  - —The determination of the business model within which a financial asset is held.
  - —The designation of certain investments in equity instruments not held for trading as at FVOCI.
- All hedging relationships designated under IAS 39 on December 31 2017 met the criteria for hedge accounting under IFRS 9 on January 1, 2018, and are therefore, regarded as continuing hedging relationships.

5) Classification of financial assets on the date of initial application of IFRS 9

The following table shows the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets as of January 1, 2018.

	IAS39		IFRS9	
	Measurement categories	Carrying Amount	Measurement categories	Carrying Amount
Financial Assets				
Cash and equivalents	Loans and receivables	3,428,513	Amortized cost	3,428,513
Derivative instruments	Derivative financial assets for hedging	479,232	Mandatorily at FVTPL	479,232
Equity instruments	Available-for-sale (note 1)	1,935,018	Mandatorily at FVTPL	1,997,858
	Available-for-sale (note 2)	1,809,970	FVOCI	1,809,970
Net receivables	Loans and receivables (note 3)	11,436,847	Amortized cost	11,436,847

(Continued)

CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Note1: The Group had equity investments classified as available-for-sale and measured at cost. An initial application of IFRS 9, the Group has all designated these investments as measured at FVTPL, resulting in an increase of $62,840 thousand in those assets' carrying amount, and a decrease of $891,997 thousand in other equity interest and increase of $954,837 thousand in retained earnings, respectively, were recognized on January 1, 2018.

Note2: These equity securities (including financial assets measured at cost) represent investments that the Group intends to hold for the long term for strategic purposes. As permitted by IFRS 9, the Group has designated these investments at the date of initial application as measured at FVOCI, resulting in an decrease of $267,824 thousand in those other equity interest, and a increase of $267,824 thousand in retained earnings on January 1, 2018.

Note3: Notes, accounts, other recrivables and long-term receivables that were classified as loans and receivables under IAS 39 are now classified financial assetrs at amortized cost.

The following table reconciles the carrying amounts of financial assets under IAS 39 to the carrying amounts under IFRS 9 upon transition to IFRS 9 on 1 January, 2018.

		2017.12.31 IAS 39 Carrying Amount	Reclassifications	Remeasurements	2018.1.1 IFRS 9 Carrying Amount	2018.1.1 Retained earnings	2018.1.1 Other equity	Non-controlling Interest
Fair value through profit or loss								
Additions – equity instruments:	$							
From available for sale		-	1,541,318	-		891,997	(891,997)	-
From financial assets measured at cost		-	393,700	62,840		62,840	-	-
Total	$	-	1,935,018	62,840	1,997,858	954,837	(891,997)	-
Fair value through other comprehensive income								
Beginning balance of available for sale (including measured at cost) (IAS 39)	$	1,809,970	(1,809,970)	-		-	-	-
Available for sale to FVOCI		-	1,809,970	-		267,824	(267,824)	-
Total	$	1,809,970	-	-	1,809,970	267,824	(267,824)	-

(iii) Amendments to IAS 7 "Disclosure Initiative"

The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes.

To satisfy the new disclosure requirements, the Group present a reconciliation between the opening and closing balances for liabilities with changes arising from financing activities as note 6(ag).

(b) The impact of IFRS endorsed by FSC but not yet effective

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2019 in accordance with Ruling No. 1070324857 issued by the FSC on July 17, 2018:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
IFRS 16 "Leases"	January 1, 2019
IFRIC 23 "Uncertainty over Income Tax Treatments"	January 1, 2019
Amendments to IFRS 9 "Prepayment features with negative compensation"	January 1, 2019
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019
Amendments to IAS 28 "Long-term interests in associates and joint ventures"	January 1, 2019
Annual Improvements to IFRS Standards 2015–2017 Cycle	January 1, 2019

Except for the following items, the Group believes that the adoption of the above IFRSs would not have any material impact on its consolidated financial statements. The extent and impact of signification changes are as follows:

(i) IFRS 16"Leases"

IFRS 16 replaces the existing leases guidance, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

IFRS 16 introduces a single and an on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. In addition, the nature of expenses related to those leases will now be changed since IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities. There are recognition exemptions for short-term leases and leases of low-value items. The lessor accounting remains similar to the current standard – i.e. the lessors will continue to classify leases as finance or operating leases.

1) Determining whether an arrangement contains a lease

On transition to IFRS 16, the Group can choose to apply either of the following:

- IFRS 16 definition of a lease to all its contracts; or
- a practical expedient that does not need any reassessment whether a contract is, or contains, a lease.

The Group plans to apply the practical expedient to grandfather the definition of a lease upon transition. This means that it will apply IFRS 16 to all contracts entered into before January 1, 2019 and identified as leases in accordance with IAS 17 and IFRIC 4.

2) Transition

As a lessee, the Group can apply the standard using either of the following:

- retrospective approach; or
- modified retrospective approach with optional practical expedients.

The lessee applies the election consistently to all of its leases.

On January 1, 2019, the Group plans to initially apply IFRS 16 using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognized as an adjustment to the opening balance of retained earnings at January 1, 2019, with no restatement of comparative information.

When applying the modified retrospective approach to leases previously classified as operating leases under IAS 17, the lessee can elect, on a lease-by-lease basis, whether to apply a number of practical expedients on transition. The Group chooses to elect the following practical expedients:

- apply a single discount rate to a portfolio of leases with similar characteristics.
- adjust the right-of-use assets, based on the amount reflected in IAS 37 onerous contract provision, immediately before the date of initial application, as an alternative to an impairment review.
- apply the exemption not to recognize the right-of-use assets and liabilities to leases with lease term that ends within 12 months of the date of initial application.
- exclude the initial direct costs from measuring the right-of-use assets at the date of initial application.
- use hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

3) So far, the most significant impact identified is that the Group will have to recognize the new assets and liabilities for the operating leases of its offices, engineering office, and staff dormitory. The Group estimated that the right-of-use assets and the lease liabilities to increase by $134,988 thousand on January 1, 2019. Besides, The Group does not expect the adoption of IFRS 16 to have any impact on its ability to comply with the revised maximum leverage threshold loan covenant.

The actual impacts of adopting the standards may change depending on the economic conditions and events which may occur in the future.

(Continued)

(c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

As of the date, the following IFRSs that have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"	Effective date to be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020

Those which may be relevant to the Group are set out below:

Issuance / Release Dates	Standards or Interpretations	Content of amendment
September 11, 2014	Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"	The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

The Group is evaluating the impact on its consolidated financial position and consolidated financial performance upon the initial adoption of the abovementioned standards or interpretations. The results thereof will be disclosed when the Group completes its evaluation.

(4) Summary of significant accounting policies:

The accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language consolidated financial statements, the Chinese version shall prevail.

The significant accounting policies have been applied consistently to all periods presented in these consolidated financial statements, except when otherwise indicated.

CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as "the Regulations") and the IFRSs, IASs, IFRIC Interpretations, and the SIC Interpretations endorsed and issued into effect by the FSC.

(b) Basis of preparation

(i) Basis of measurement

Except for the following significant accounts, the consolidated financial statements have been prepared on a historical cost basis:

1) Financial instruments measured at fair value through profit or loss are measured at fair value;

2) Fair value through other comprehensive income (Available-for-sale financial assets) are measured at fair value;

3) Hedging financial instruments are measured at fair value;

4) The defined benefit liability is recognized as present value of the defined benefit obligation minus fair value of plan assets.

(ii) Functional and presentation currency

The functional currency of each individual consolidated entity is determined based on the primary economic environment in which the entity operates. The Group' s consolidated financial statements are presented in New Taiwan Dollars, which is the Group' s functional currency. All financial information presented in New Taiwan Dollar has been rounded to the nearest thousand.

(c) Basis of consolidation

(i) Principle for the preparation of the consolidated financial statements

The consolidated financial statements incorporate the financial statements of CHC and its subsidiaries. The Group has control over an investee if, and only if, it has exposure or rights to variable returns from its involvement with the investee and the ability to use its power over the investee to affect the amount of its returns.

The financial statements of the subsidiaries are included in the consolidated financial statements from the date of obtaining control and are excluded from the date of losing control. Intra-group transactions and balances, and any unrealized income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements. Losses applicable to the controlling interests in a subsidiary are allocated to the ownership of the parent company and non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

(Continued)

Adjustments for financial statements of the subsidiaries have been made in order to be in line with the Group's accounting policies.

Changes in the ownership of a subsidiary that do not result in loss of control are accounted for as equity transactions. The difference between adjustment for the non-controlling interest and the fair value of the consideration received or paid is directly recognized in equity that is attributable to the owner.

When the Group loses control of a subsidiary it derecognizes the assets (including goodwill), liabilities and non-controlling interests of the former subsidiary at their carrying amounts at the date when the control is lost. Any investment retained in the former subsidiary is remeasured at its fair value at the date when control is lost. Gain or loss on disposal is recognized as the difference of:

1) the sum of the fair value of the consideration received and the investments retained in the former subsidiary at the date when the control is lost.

2) the sum of the carrying amounts of the subsidiary's assets (including goodwill), liabilities and non-controlling interests at the date when the control is lost.

All amounts related to the subsidiary is originally recognized in other comprehensive income and accounted for as the same basis as the Group would have directly disposed of its related assets or liabilities.

(ii) Subsidiaries included in the consolidated financial statements

The subsidiaries included in the consolidated financial statements were as follows:

Investor Company	Subsidiary	Main Business Scope	Percentage of ownership December 31, 2018	Percentage of ownership December 31, 2017	Note
The Company	CEC	Contract civil engineering construction and invest in real estate	100.00 %	100.00 %	
The Company	Continental Development Corp. ("CDC")	Real estate and development specifically on residential housing and office building	100.00 %	100.00 %	
The Company	Hsin Dar Environment Engineering Co., Ltd. ("HEC")	Construction of underground pipeline and environmental protection project, plumbing, sale of pollution prevention equipment	100.00 %	100.00 %	Note A
The Company	Continental Environment Corp. (Note A)	General Investment	- %	- %	Note A
Continental Environment Corp.	Hsin Dar Environment Engineering Co., Ltd. ("HEC")	Construction of underground pipeline and environmental protection project, plumbing, sale of pollution prevention equipment	- %	- %	Note A
CEC	CEC International Corp. ("CIC")	Investment in and control of overseas corporations	100.00 %	100.00 %	

(Continued)

CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Investor Company	Subsidiary	Main Business Scope	Percentage of ownership December 31, 2018	Percentage of ownership December 31, 2017	Note
CEC	CEC International Corp. (India) Pvt. Ltd.("CICI")	Real estate development and civil engineering, construction	100.00 %	100.00 %	
CEC	CEC International Malaysia Sdn. Bhd. ("CIMY")	Civil engineering, construction	92.24 %	92.24 %	Note B
CEC	Continental Engineering Corporation(Hong Kong)Limited	Contract civil engineering construction and invest in real estate	100.00 %	- %	Note H
CDC	CEC Commercial Development Corp.	Real estate development, sales and leasing of buiding	80.65 %	80.65 %	
CDC	MEGA Capital Development Sdn. Bhd ("MEGA")	Real estate development for office buildings and hotels	55.00 %	55.00 %	
CDC	Bangsar Rising Sdn. Bhd	Real estate development for office buildings and hotels	60.00 %	- %	Note G
CDC	CDC US Corp.	Investment in overseas companies	100.00 %	100.00 %	Note C
CDC US Corp.	CDC Investment Management LLC	Engineering management	100.00 %	100.00 %	Note C
CDC US Corp.	Trimosa Holdings LLC	Investment	70.65 %	70.65 %	Note C
Trimosa Holdings LLC	950 Investment LLC	Investment	76.55 %	76.10 %	Note C and I
950 Investment LLC	950 Property LLC	Real estate development for office buildings and hotels	100.00 %	100.00 %	Note C
HEC	Fu Da Construction Corp., Ltd. ("SDC")	Construction of underground pipeline and environmental protection project, plumbing	100.00 %	100.00 %	
HEC	North Shore Corp.("NSC")	Sewer system design and construction in Danshui area, New Taipei City	100.00 %	100.00 %	Note D
HEC	Blue Whale Water Technology Corp. ("BWC")	Feng Shan River wastewater reclamation and reuse BTO project in Kaohsiung City	51.00 %	51.00 %	Note E
HEC	Pu Ding Corp. ("PDC")	Pu Ding area sewerage construction in Taoyuan City	100.00 %	100.00 %	Note F
HEC	HDEC-CTCI (LinHai) Corporation	Kaohsiung coast side wastewater reclamation and reuse BTO project in Kaohsiung City	55 %	- %	Note J

Note A: Continental Environment Corporation bought 100% shares of HEC from CEC based on the resolution passed in CEC's board meeting held on July 26, 2017. However, instead of directly paying CEC, Continental Environment Corporation issued new ordinary shares to CEC's parent company, CHC. Continental Environment Corporation was then merged into HEC based on the resolution passed in Continental Environment Corporation's board meeting on September 11, 2017. After the merger, HEC was the surviving company with Continental Environment Corporation being the dissolving company.

(Continued)

Note B: A resolution was passed during the board meeting held on October 13, 2017 to allow CIMY to convert MYR 37,240 thousand of loans and other payables to ordinary shares. After that, CEC holds 92.24% of CIMY's shares at a par value of MYR1 per share.

Note C: For expanding businesses in USA, CDC established subsidiaries in the United States in November 2017 based on a resolution passed in the board meeting held on September 22, 2017.

Note D: NSC was founded as a SPC (Special Purpose Company) to build then operate Danshui Area Sewer System BOT project in New Taipei City. The sewer system construction and facility will be transferred to the authority at the end of the concession period without condition.

Note E: BWC was founded as a SPC to perform the contract for Feng Shan River wastewater reclamation and reuse, which is a BTO project in Kaohsiung City. Upon the completion of the wastewater treatment plant, BWC will transfer all the operating assets to the authority and be engaged by the authority to operate the wastewater treatment plant and water recycling plant. BWC will transfer the operating rights to the authority without condition at the end of the operating period.

Note F: PDC was founded as a SPC to build then operate Pu Ding area sewer system, which is a BOT project in Taoyuan City. The Pu Ding area sewer system will be transferred to the authority at the end of the concession period without condition.

Note G: For expanding businesses in Malaysia, CDC established subsidiaries in the Malaysia in December 2018 based on a resolution passed in the board meeting held on Decebmer 6, 2018.

Note H: For expanding businesses in Hong Kong, CEC established subsidiaries in the Hong Kong in Febuary 2018 based on a resolution passed in the board meeting held on January 11, 2018.

Note I: Trimosa Holding LLC acquired 0.45% of total shares of 950 Investment LLC in 2018, this has been transferred and registered.

Note J: Lin Hai was founded as a SPC to perform the contract for Kaohsiung coastal area wastewater reclamation and reuse, which is a BTO project in Kaohsiung City. Upon the completion of the wastewater treatment plant, BWC will transfer all the operating assets to the authority and be engaged by the authority to operate the wastewater treatment plant and water recycling plant. BWC will transfer the operating rights to the authority without condition at the end of the operating period.

(iii) Subsidiaries excluded from the consolidated financial statements: None.

CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(d) Foreign currency

(i) Foreign currency transaction

Foreign currency transactions are recorded at the spot exchange rate on the date of the transaction. At the end of the reporting period (the reporting date), foreign currency monetary amounts are reported using the closing rate. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the year adjusted for the effective interest and payments during the year, and the amortized cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary items carried at fair value should be reported at the rate that existed when the fair values were determined. Non-monetary items carried at historical cost are reported using the exchange rate at the date of the transaction.

Except for Fair value through other comprehensive income (Available-for-sale) equity instrument, financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective, and Qualifying cash flow hedges to the extent the hedge is effective are recognized in other comprehensive income arising on the retranslation, foreign currency differences arising on translation are recognized in profit or loss.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to New Taiwan Dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to New Taiwan Dollars at average rate. Foreign currency differences are recognized in other comprehensive income.

When the Group disposes its foreign operation, resulting in losing control, joint control, or significant influence, the cumulative amounts in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of any part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interest. When the Group disposes of only part of investment in an associate or joint venture that includes a foreign operation while retaining significant or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planed nor likely settled in the foreseeable future, foreign currency gains and losses arising from such items are considered to form part of a net investment in the foreign operation and are recognized in other comprehensive income.

(e) Classification of current and non-current assets and liabilities

The Group' s primary businesses are civil construction, building construction, real estate development, and environmental project development. The normal operating cycle of the Group is more than one year. The balance sheet accounts related to construction business are classified either as current or noncurrent based on the Group' s operating cycle, which is usually 3～5 years. The remaining balance sheet accounts are classified based on the following standards:

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The Group classifies an asset as current when:

(i) It expects to realize the asset, or intends to sell or consume it, in its normal operating cycle;

(ii) It holds the asset primarily for the purpose of trading;

(iii) It expects to realize the asset within twelve months after the reporting period; or

(iv) The asset is cash and cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

The Group classifies a liability as current when any one of the following conditions is met. Liabilities that are not classified as current are non-current liabilities.

The Group classifies a liability as current when:

(i) It expects to settle the liability in its normal operating cycle;

(ii) It holds the liability primarily for the purpose of trading;

(iii) The liability is due to be settled within twelve months after the reporting period; or

(iv) It does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(f) Cash and cash equivalents

Cash comprises cash, and cash in bank. Cash equivalents are highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits which meet the above definition are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes that should be recognized as cash equivalents.

(g) Financial instruments

Financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual rights or obligations of the instruments.

(i) Financial assets (policy applicable from January 1, 2018)

Financial assets are classified into the following categories: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL).

The Group shall reclassify all affected financial assets only when it changes its business model for managing its financial assets.

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL：

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset measured at amortized cost is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses, and impairment loss, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Fair value through other comprehensive income (FVOCI)

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL：

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

A financial asset measured at FVOCI is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses, and impairment losses, deriving from debt investments are recognized in profit or loss; whereas dividends deriving from equity investments are recognized as income in profit or loss, unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses of financial assets measured at FVOCI are recognized in OCI. On derecognition, gains and losses accumulated in OCI of debt investments are reclassified to profit or loss. However, gains and losses accumulated in OCI of equity investments are reclassified to retain earnings instead of profit or loss.

Dividend income derived from equity investments is recognized on the date that the Group's right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date.

(Continued)

CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

3) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL, including derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets in this category are measured at fair value at initial recognition. Attributable transaction costs are recognized in profit or loss as incurred. Subsequent changes that are measured at fair value, which take into account any dividend and interest income, are recognized in profit or loss.

4) Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management' s strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group' s management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated — e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, and are consistent with the Group's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

5) Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, ' principal' is defined as the fair value of the financial assets on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers：

- contingent events that would change the amount or timing of cash flows；
- terms that may adjust the contractual coupon rate, including variable rate features；
- prepayment and extension features；and
- terms that limit the Group' s claim to cash flows from specified assets（e.g. non-recourse features）.

6) Impairment of financial assets

The Group recognizes loss allowances for expected credit losses on financial assets measured at amortized cost (including cash and cash equivalents, amortized costs, notes and accounts receivable, other receivable, leases receivable, guarantee deposit paid and other financial assets), expected credit loss (ECL) of contract assets accounted for debit loss.

The Group measures loss allowances at an amount equal to lifetime expected credit loss (ECL), except for the following which are measured as 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date；and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

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When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Group's historical experience and informed credit assessment as well as forward-looking information.

The Group considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade which is considered to be BBB- or higher per Standard & Poor's, Baa3 or higher per Moody's or twA or higher per Taiwan Ratings'.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when the financial asset is more than 90 days past due or the borrower is unlikely to pay its credit obligations to the Group in full.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Group assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial assets is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

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Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. The Group recognizes the amount of expected credit losses (or reversal) in profit or loss, as an impairment gain or loss.

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

7) Derecognition of financial assets

Financial assets are derecognized when the contractual rights of the cash flows from the assets, or when the Group transfers substantially all the risks and rewards of ownership of the financial assets.

On derecognition of a debt instrument in its entirety, the Group recognizes the difference between its carrying amount and the sum of the consideration received or receivable and any cumulative gain or loss that had been recognized in other comprehensive income and presented in "other equity – unrealized gains or losses on fair value through other comprehensive income", in profit or loss, and presented it in the line item of non-operating income and expenses.

On derecognition of a financial asset other than in its entirety, the Group allocates the previous carrying amount of the financial asset between the part it continues to recognize under continuing involvement, and the part it no longer recognizes on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognized and the sum of the consideration received for the part no longer recognized and any cumulative gain or loss allocated to it that had been recognized in profit or loss, and presented in the line item of non-operating income and expenses. A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is no longer recognized on the basis of the relative fair values of those parts.

(ii) Financial assets (policy applicable before January 1, 2018)

Financial assets are classified into the following categories: available-for-sale financial assets, and loans and receivables.

1) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the other categories of financial assets. Available-for-sale financial assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, interest income calculated using the effective interest method, dividend income, and foreign currency differences on available-for-sale debt instruments, are recognized in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognized, the

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gain or loss accumulated in equity is reclassified to profit or loss, and included in other gains and losses under Non-operating income and expenses. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using trade date accounting.

Investments in equity instruments that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured, are measured at amortized cost, and are included in financial assets measured at cost.

Dividend income is recognized in profit or loss on the date that the Group' s right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date. Such dividend income is included in other income under Non-operating income and expenses.

2) Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables other than insignificant interest on short-term receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Interest income is recognized in profit or loss, and it is included in other income under Non-operating income and expenses.

3) Impairment of financial assets

Except for financial assets at fair value through profit or loss, financial assets are assessed for impairment at each reporting date. A financial asset is impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset that can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is considered objective evidence of impairment.

All individually significant receivables are assessed for specific impairment. Receivables that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics. In assessing collective impairment, the Group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management' s judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than the those suggested by historical trends.

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An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

An impairment loss in respect of a financial asset measured at cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

An impairment loss in respect of a financial asset is deducted from the carrying amount except for accounts receivable, for which an impairment loss is reflected in an allowance account against the receivables. When it is determined a receivable is uncollectible, it is written off from the allowance account. Changes in the amount of the allowance account are recognized in profit or loss.

Impairment losses on available-for-sale financial assets are recognized by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss.

If, in a subsequent period, the amount of impairment loss on a financial asset measured at amortized cost decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the decrease in impairment loss is reversed through profit or loss to the extent that the carrying value of the asset does not exceed its amortized cost before the impairment was recognized at the reversal date.

Impairment losses recognized on an available-for-sale equity security are not reversed through profit or loss. Any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognized in other comprehensive income, and accumulated in other equity. If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognized, then the impairment loss is reversed, with the amount of the reversal recognized in profit or loss.

Impairment losses and recoveries of accounts receivable are recognized in profit or loss; impairment losses and recoveries of other financial assets are recognized in other gains and losses under Non-operating income and expenses.

4) Derecognition of financial assets

Financial assets are derecognized when the contractual rights of the cash inflow from the assets are terminated, or when the Group transfers substantially all the risks and rewards of ownership of the financial assets.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received or receivable and any cumulative gain or loss that had been recognized in other comprehensive income and presented in "other equity – unrealized gains or losses on available-for-sale financial assets" in profit or loss is included in other gains and losses under Non-operating income and expenses.

The Group separates the part that continues to be recognized and the part that is derecognized based on the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part derecognized and the sum of the consideration received for the part derecognized, and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income, shall be recognized in profit or loss.

(iii) Financial liabilities

1) Other financial liabilities

Financial liabilities not classified as held for trading or designated as at fair value through profit or loss are measured at fair value, plus any directly attributable transaction costs at the time of initial recognition. Subsequent to initial recognition, they are measured at amortized cost calculated using the effective interest method. Interest expense not capitalized as capital cost is recognized in profit or loss, and is included in finance cost under Non-operating income and expenses.

2) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligation has been discharged or cancelled, or has expired. The difference between the carrying amount of a financial liability removed and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss, and is included in other gains or losses non-operating income or expenses.

(iv) Derivative financial instruments and hedge accounting (policy applicable from January 1, 2018)

The Group holds derivative financial instruments to hedge its foreign currency and interest rate exposures. Derivatives are initially measured at fair value. Any attributable transaction costs thereof are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognized in profit or loss and are included in the line item of non-operating income and expenses in the statement of comprehensive income. When a derivative is designated as, and effective for, a hedging instrument, its timing of recognition in profit or loss is determined based on the nature of the hedging relationship. When the fair value of a derivative instrument is positive, it is classified as a financial asset, whereas when the fair value is negative, it is classified as a financial liability.

The Group designates its hedging instruments, including non-derivative instruments for a hedge of a foreign currency risk, as cash flow hedge.

At initial designated hedging relationships, the Group documents the risk management objectives and strategy for undertaking the hedge. The Group also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged items and hedging instrument are expected to offset each other.

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The Group shall discontinue hedge accounting prospectively only when the hedging relationship (or a part of a hedging relationship) ceases to meet the qualifying criteria (after taking into account any rebalancing of the hedging relationship, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised.

1) Cash flow hedges

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognized in other comprehensive income and accumulated in "other equity —gains (losses) on hedging instruments". The effective portion of changes in the fair value of the derivative that is recognized in other comprehensive income is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in profit or loss, and is presented in the line item of non-operating income and expenses in the statement of comprehensive income.

The Group designates only the change in fair value of the spot element of the forward exchange contract as the hedging instrument in cash flow hedging relationships. The change in fair value of the forward element of the forward exchange contracts is separately accounted for as a cost of hedging and accumulated in a separate component within equity.

When the hedged item is recognized in profit or loss, the amount accumulated in equity and retained in other comprehensive income is reclassified to profit or loss in the same period or in the periods during which the hedged item affects the profit or loss, and is presented in the same accounting item with the hedged item recognized in the consolidated statement of comprehensive income. However, for a cash flow hedge of a forecast transaction recognized as a nonfinancial asset or liability, the amount accumulated in "other equity —gains (losses) on hedging instruments" and retained in other comprehensive income is reclassified as the initial cost of the nonfinancial asset or liability. In addition, if that amount is a loss and the Group expects that all or a portion of that loss will not be recovered in future periods, it shall immediately reclassify the amount in profit or loss.

When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in the cash flow hedge reserve (and costs of hedging) remains in equity until the hedged future cash flows are no longer expected to occur. Otherwise, that amount would be adjusted within the carrying amount of the non-financial item. For other cash flow hedges, the amount is reclassified to profit or loss in the same period or in the periods as the hedged expected future cash flows affect the profit or loss. However, if the hedged future cash flows are no longer expected to occur, the amount shall immediately be reclassified from cash flow reserve (and the cost of hedging reserve) to profit or loss.

(v) Derivative financial instruments, including hedge accounting (policy applicable before January 1, 2018)

Except for the following items, the Group applies the same accounting policies as applicable from January 1, 2018.

For all cash flow hedges, including hedges of transactions resulting in the recognition of non-financial items, the amounts accumulated in the cash flow hedge reserve were reclassified to profit or loss in the same period or periods during which the hedged expected future cash flows affected profit and loss.

(h) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost shall comprise all costs of purchase, costs of conversion, costs incurred in bringing the inventories to their present location and condition, and borrowings. Net realizable value is the balance that estimates the selling price, less, estimated costs of completion and the estimated costs of selling. The measurement of net realizable value is as follows:

(i) Land held for development: the net realizable value is the replacement cost or estimated price (based on the market condition), less, the estimated selling expenses at the end of the period.

(ii) Building construction in progress: the net realizable value is the estimated price (based on the market condition), less, the estimated costs of completion and selling expenses at the end of the period.

(iii) Real estate held for sale: the net realizable value is the estimated price (based on the market condition), less, the estimated selling expenses at the end of the period.

(i) Construction contracts(policy applicable before January 1, 2018)

Construction contracts in progress represent the gross unbilled amount expected to be collected from customers for contract work performed to date. It is measured at cost, plus, profit recognized to date, minus progress billings and recognized losses. Cost includes all expenditures directly related to specific projects and an allocation of fixed and variable overheads incurred in the Group's contract activities based on normal operating capacity.

Construction contracts in progress is presented as construction contract receivable in the financial statements if costs incurred plus recognized profits exceeded progress billings. If progress billings exceeded the sum of incurred costs and recognized profits, then the difference is presented as construction contract payable in the financial statements.

When it is probable that the total contract costs will exceed the total contract revenue, the expected loss shall be recognized immediately. In future, when estimating the reduction of annual losses, the reduced losses will be recoverable and stated as annual profit.

(j) Service Concession Agreements

(i) Recognition and measurement

The Group (the Operator) is required to comply with IFRIC 12 ' Service Concession Arrangement' upon entering into an agreement with the government (the Grantor), under the conditions of 'public-to-private' arrangement as follows：

1) The Grantor decides and regulates on the price and the kind of services the Operator should render or provide to the users of the infrastructures.

2) The Grantor, through its ownership, acquires all the beneficial entitlements and any interests incurred from the infrastructure at the end of the term of the arrangement.

The Operator provides construction or upgrade services to the Grantor. The payment from the Grantor received or receivable by the Operator incurred from the construction or upgrade services shall be recognized as financial asset or intangible asset. According to IFRIC 12, a financial asset should be recognized to the extent that the Operator has an unconditional present right to receive cash from the Grantor for its construction services. The accounting policy of financial assets please refer to note 4(f) 'Financial instruments'.

The Operator shall recognize an intangible asset to the extent that the Operator receives a right (a license) to charge its users of its public service. A right to charge the users of the public service is not an unconditional right to receive cash because the amounts are contingent on the extent that the public uses the service. For the accounting policy of intangible assets (service concession arrangement), please refer to note 4(j) 'Intangible assets'.

If the Operator received the payment from the Grantor for its construction services (partly by a financial asset and partly by an intangible asset), it is necessary to separately account for each component by using the fair value of the financial asset and intangible asset. The payment received or receivable from the Grantor for both components shall be recognized initially in the allocation amount calculated by using the standalone fair value.

(ii) Construction or upgrade services

The accounting policy of construction services or upgrade services to the Grantor shall be in accordance with ISA 15 and IAS 11. Please refer to note 4(t) 'Revenue from contracts with customers' and note 4(i) 'Construction contracts'.

(iii) Operating services

The accounting policy of operation services to the government shall be in accordance with ISA 15 and IAS 18. Please refer to note 4(t) 'Revenue from contracts with customers' and note 4(u) 'Revenue'.

(k) Investment in associates

Associates are those entities in which the Group has significant influence, but no control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting power of another entity.

Investments in associates are accounted for using the equity method and are recognized initially at cost. The cost of the investment includes transaction costs. The carrying amount of the investment in associates includes goodwill arising from the acquisition, minus any accumulated impairment losses.

The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity-accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases. When changes in an associate's equity are not recognized in profit or loss or other comprehensive income of the associate, and such changes do not affect the Group's ownership percentage of the associate, the Group recognizes the Group's share of change in equity of the associate in capital surplus in proportion to its ownership.

(Continued)

Unrealized profits resulting from the transactions between the Group and an associate are eliminated to the extent of the Group' s interest in the associate. Unrealized losses on transactions with associates are eliminated in the same way, except to the extent that the underlying asset is impaired.

When the Group' s share of losses exceeds its interest in associates, the carrying amount of the investment, including any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

(l) Joint arrangements

Joint arrangement is the agreement of two or multiple parties with joint controls over a delegated entity. Joint arrangement includes joint operations and joint venture. Its traits are as follows:

(i) All parties are bound by the arrangement

(ii) Joint arrangement would suggest that at least two parties possess joint control over the arrangements.

IFRS 11 'Joint arrangement' defines 'Joint control' as 'he contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties who have sharing control over the joint arrangement.'

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have the rights to the assets, and obligations for the liabilities, relating to the arrangement. Those parties are called joint operators. A joint operator shall account for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the IFRSs applicable to the particular assets, liabilities, revenues and expenses.

A joint venture is a joint arrangement whereby the parties that have joint control over the arrangement have rights to the net assets of the arrangement. Those parties are called joint venturers. A joint venturer shall recognize its interest in a joint venture as an investment and shall account for that investment using the equity method in accordance with IAS 28 'Investments in Associates and Joint Ventures', unless, the entity is exempted from applying the equity method as specified in that standard.

(m) Investment property

Investment property is the property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is initially measured at cost and subsequently measured using a cost model, with changes being recognized in profit or loss. The calculation of depreciation, including the depreciation method, useful life and residual value can be referred to the policy regarding property, plant and equipment. Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of raw materials and direct labor, and any other costs directly enable to bring the investment property to a working condition for its intended use and capitalized borrowing costs.

When the use of an investment property changes such that it is reclassified as property, plant and equipment, its carrying amount at the date of reclassification becomes its cost for subsequent accounting.

(n) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, less, accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributed to the acquisition of the asset. The cost of a self-constructed asset comprises material, labor, any cost directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, and any borrowing cost that eligible for capitalization. Cost also includes transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. The cost of the software is capitalized as part of the property, plant and equipment if the purchase of the software is necessary for the property, plant and equipment to be capable of operating.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated with a separate depreciation or depreciation method.

The gain or loss arising from the derecognition of an item of property, plant and equipment shall be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, and it shall be recognized as other gains and losses.

(ii) Reclassification to investment property

The property is reclassified to investment property at its carrying amount when the use of the property changes from owner-occupied to investment property.

(iii) Subsequent cost

Subsequent expenditure is capitalized only when it is probable that future economic benefits associated with the expenditure will flow to the Group and the amount can be reliably measured. The carrying amount of those parts that are replaced is derecognized. Ongoing repairs and maintenance are expensed as incurred.

(iv) Depreciation

The depreciable amount of an asset is determined after deducting its residual amount, and it shall be allocated on straight-line or systematic method over its useful life. Each significant item of property, plant and equipment shall be evaluated and depreciated separately if it possesses a different useful life. The depreciation charged for each period shall be recognized in profit or loss.

The depreciable amount of a leased asset is allocated to each accounting period during the period of expected use on a systematic basis consistent with the depreciation policy the lessee adopts for depreciable assets that are owned.

(Continued)

Land has an unlimited useful life and therefore is not depreciated.

The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

Buildings	4～50 years
Machinery and equipment	2～12 years
Transportation equipment	1～10 years
Office and other equipment	3～8 years
Lease improvements	3 years
Other equipment	5 years

Depreciation methods, useful lives, and residual values are reviewed at each reporting date. If expectation differs from the previous estimate, the change is accounted for as a change in an accounting estimate.

(o) Leases

(i) Lessor

Lease income from operating lease is recognized in profit or loss on a straight-line basis over the lease term. Initial direct costs incurred in negotiating and arranging an operating lease are 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. Incentives granted to the lessee to enter into the operating lease are spread over the lease term on a straight-line basis so that the lease income received is reduced accordingly.

Contingent rents are recognized as income in the period when the lease adjustments are confirmed.

(ii) Lessee

Payments made under operating lease (excluding insurance and maintenance expenses) are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received by the lessor to enter into the operating lease are recognized as an integral part of the total lease expense, over the term of the lease.

Contingent rent is recognized as expense in the period when the lease adjustments are confirmed.

(p) Intangible Assets

(i) Service Concession Agreements

The Group shall recognize an intangible asset arising from service concession agreements when the Group a right to charge the public for the use of the infrastructure. The intangible assets resulted from construction or service upgraded in accordance with the service concession agreements are measured at the fair value on initial recognition. Subsequently, intangible assets are measured at cost, including borrowing costs that are eligible for capitalization, minus accumulated amortization and accumulated impairment losses.

(ii) Amortization

The amortized amount of intangible assets with definite lives is determined after deducting its residual value.

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill and intangible asset with indefinite life, from the date that they are available for use. For the estimated useful lives for the current and comparative years of significant item of intangible assets are as follows:

Service Concession Agreements 15&35 years

The useful life of intangibles arising from the service concession agreements begins on a day when the Group has a right to charge the public for the use of the infrastructure and ends on the expiry of the service concession agreements. Amortization methods, useful lives, and residual values are reviewed at the end of each financial period, and adjusted if needed.

(q) Impairment of non-derivative financial assets

The Group measures whether impairment occurred in non-derivative financial assets for impairment (except for inventories, assets arising from construction contracts, deferred tax assets and assets arising from employee benefits) at every reporting date, and estimates its recoverable amount.

If it is not possible to determine the recoverable amount (fair value, less, cost to sell and value in use) for the individual asset, then the Group will have to determine the recoverable amount for the asset's cash-generating unit ("CGU").

The recoverable amount of an individual asset or a CGU is the higher of fair value less costs of disposal and value in use. If, and only if, the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset shall be reduced to its recoverable amount. That reduction is an impairment loss. An impairment loss shall be recognized immediately in profit or loss.

The Group assess at the end of each reporting period whether there is any indication that an impairment loss recognized in prior periods for an asset other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amount of that asset is estimated.

An impairment loss recognized in prior periods for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. In this case, the carrying amount of the asset shall be increased to its recoverable amount by reversing a previously recognized impairment loss.

An impairment loss in respect of goodwill is not reversed. For other assets, 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.

(r) Treasury stock

Repurchased shares are recognized under treasury stock (a contra-equity account) based on their repurchase price (including all directly accountable costs), net of tax. Gains on disposal of treasury stock should be recognized under 'capital reserve - treasury stock transactions'. Losses on disposal of treasury stock should be offset against any existing capital reserves arising from similar types of treasury stock. However, if there are insufficient capital reserves to be offset against with, then such losses should be accounted for under retained earnings. The carrying amount of treasury stock should be calculated using the weighted average of different types of repurchase.

During the cancellation of treasury stock, 'capital reserve – share premiums' and 'share capital' should be debited proportionately. Gains on cancellation of treasury stock should be recognized under existing capital reserves arising from similar types of treasury stock; losses on cancellation of treasury stock should be offset against any existing capital reserves arising from similar types of treasury stock. If there are insufficient capital reserves to be offset against with, then such losses should be accounted for under retained earnings.

(s) Provisions

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

(i) Warranties

A provision for warranties is recognized when the underlying constructions are completed. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

(ii) Onerous contracts

A provision for onerous contracts is recognized when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognizes any impairment loss on the assets associated with that contract.

(iii) After-sales service

A provision for warranties of After-sales service is recognized when products are sold or services are provided. The provision is based on historical warranty data with a weighting of all possible outcomes against their associated probabilities.

(t) Revenue from contracts with customers (policy applicable from January 1, 2018)

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring goods or services to a customer. The Group recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Group's main types of revenue are explained below.

(Continued)

(i) Construction contracts

The Group enters into contracts to build residential properties, commercial buildings and public constructions. Because its customer controls the asset as it is constructed, the Group recognizes revenue over time on the basis of the construction costs incurred to date as a proportion of the total estimated costs of the contract or the surveys of work performed / completion of a physical proportion of the contract work. The consideration promised in the contract includes fixed and variable amounts. The customer pays the fixed amount based on a payment schedule. For some variable considerations (for example, a penalty payment calculated based on delay days), accumulated experience is used to estimate the amount of variable consideration, using the expected value method. For other variable considerations (for example, completion bonus if a construction is completed by a specified date), the Group estimates the amount of variable consideration using the most likely amount. Considering the progress of a public construction is highly susceptible to factors outside the Group's control and, therefore, completion bonus is usually constrained, the Group recognizes revenue only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur. If the Group has recognized revenue, but not issued a bill, then the entitlement to consideration is recognized as a contract asset. The contract asset is transferred to receivables when the entitlement to payment becomes unconditional.

If the Group cannot reasonably measure its progress towards complete satisfaction of the performance obligation of a construction contract, the Group shall recognize revenue only to the extent of the costs expected to be recovered.

A provision for onerous contracts is recognized when the Group expects the unavoidable costs of performing the obligations under a construction contract exceed the economic benefits expected to be received under the contract.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

For residential properties, commercial buildings and public constructions, the Group offers a standard warranty to provide assurance that they comply with agreed-upon specifications and has recognized warranty provisions for this obligation; please refer to note 6(s).

(ii) Land development and sale of real estate

The Group develops and sells residential properties and usually sales properties in advance during construction or before construction begins. Revenue is recognized when control over the properties has been transferred to the customer. The properties have generally no alternative use for the Group due to contractual restrictions. However, an enforceable right to payment does not arise until legal title of a property has passed to the customer. Therefore, revenue is recognized at a point in time when the legal title has passed to the customer.

The revenue is measured at the transaction price agreed under the contract. For sale of readily available house, in most cases, the consideration is due when legal title of a property has been transferred. While deferred payment terms may be agreed in rare circumstances, the deferral never exceeds twelve months. The transaction price is therefore not adjusted for the effects of a significant financing component. For pre-selling properties, the consideration is usually received by installment during the period from contract inception until the transfer of properties to the customer. If the contract includes a significant financing component, the transaction price will be adjusted for the effects of the time value of money during the period, using the specific borrowing rate of the construction project. Receipt of a prepayment from a customer is recognized as contract liability. Interest expense and contract liability are recognized when adjusting the effects of the time value of money. Accumulated amount of contract liability is recognized as revenue when control over the property has been transferred to the customer.

Certain contracts include multiple deliverables, such as sale of residential properties and a decoration service. The Group accounts for the decoration service as a single performance obligation, and the transaction price is allocated to the decoration service on a relative stand-alone selling price basis. If a stand-alone selling price is not directly observable, it is estimated based on expected cost plus margin. Revenue from providing the decoration service is recognized in the accounting period in which the services are rendered and is determined based on the costs incurred to date as a proportion of the total estimated costs of the contract.

(u) Revenue from contracts with customers (policy applicable before January 1, 2018)

(i) Sale of real estate

Based on IFRS 15 ‘Revenue from Contracts with Customers’, the contracts of building construction in progress with customers are within the scope of IAS 11 ‘Construction Contracts’ or IAS 18 ‘Revenue’.

IAS 11 ‘Construction Contracts’ is applied when the customers could decide the main structure of the building before construction or could change the main structure of the building during the period of its construction; IAS 18 ‘Revenue’ is applied when the customers could change the minor structure or have a limited ability to affect the basic structural design.

Taken net of returns, trade discounts, and volume rebates into consideration, revenue is measured by the received or receivable amounts at fair value. Revenue is recognized when persuasive evidence exists, usually in the form of executed sales agreements, wherein, the significant risks and rewards of ownership have been transferred to the customers, and the recovery of the consideration is probable; the associated costs and possible returns of goods can be estimated reliably; the management cannot have any control over the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sales are recognized.

(Continued)

The timing of transference of risks and rewards depends on the individual terms of the sales agreements. For sales of timber of real estate, transference usually occurs upon transferring the significant risks and the sales revenue of real estate would occur upon transferring the significant risks of ownership rewards of real estate to the counterparty.

(ii) Construction contract

Contract revenue includes the initial amount on the contract, plus, any changes under construction, claims and incentive payments, to the extent that it is probable that they will result in revenue and can be measured reliably. As soon as the outcome of a construction contract can be estimated reliably, contract revenue is recognized in profit or loss in proportion to the stage of completion of the contract. Contract costs would be recognized as assets in the recoverable range if the further contract activities occur.

The stage of completion assessed by reference to the proportion that contract costs incurred for work performed to date account for the estimated total contract costs. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognized immediately in profit or loss.

(iii) Rental income

Rental income received from investment property shall be recognized on a straight-line basis over the lease term. Lease incentives given shall be regarded as part of the rental income and recognized as reduction of rental income on a straight-line basis over the lease term. The revenue from the conversion of investment property shall be recognized as ' rental income' under operating income.

(iv) Service Concession Agreements

Revenue from construction or service upgraded in accordance with the service concession agreements is recognized in proportion to the stage of completion of the contract activity, same as the accounting policy of contract revenue. Operating or service revenue is recognized during the period of services provided by the Group. The amounts received or receivable shall be allocated by reference of the relative fair values of services delivered when the Group provides two or more kinds of services.

(v) Contract costs (policy applicable from January 1, 2018)

(i) Incremental costs of obtaining a contract

The Group recognizes as an asset the incremental costs of obtaining a contract with a customer if the Group expects to recover those costs. The incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained. Costs to obtain a contract that would have been incurred regardless of whether the contract was obtained shall be recognized as an expense when incurred, unless those costs are explicitly chargeable to the customer regardless of whether the contract is obtained.

The Group applies the practical expedient to recognize the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset that the entity otherwise would have recognized is one year or less.

(ii) Costs to fulfil a contract

If the costs incurred in fulfilling a contract with a customer are not within the scope of another Standard (for example, IAS 2 Inventories, IAS 16 Property, Plant and Equipment or IAS 38 Intangible Assets), the Group recognizes an asset from the costs incurred to fulfil a contract only if those costs meet all of the following criteria:

1) the costs relate directly to a contract or to an anticipated contract that the Group can specifically identify;

2) the costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and

3) the costs are expected to be recovered.

General and administrative costs, costs of wasted materials, labor or other resources to fulfil the contract that were not reflected in the price of the contract, costs that relate to satisfied performance obligations (or partially satisfied performance obligations), and costs for which the Group cannot distinguish whether the costs relate to unsatisfied performance obligations or to satisfied performance obligations(or partially satisfied performance obligations), the Group recognizes these costs as expenses when incurred.

(w) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

(ii) Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group' s net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of any plan assets are deducted from the aforesaid discounted present value. The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

(Continued)

The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, the recognized asset is limited to the total of the present value of economic benefits available in the form of any future refunds from the plans or reductions in future contributions to the plans. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Group. An economic benefit is available to the Group if it is realizable during the life of the plan, or on settlement of the plan liabilities.

When the benefits of a plan are improved, the related expense portion of the increased benefit arising from the past service by employees is recognized immediately in profit or loss.

Re-measurement of a net defined benefit liability (asset) (including actuarial gains or losses, the return on plan assets or liabilities, and changes in the effect of the asset ceiling, excluding any amounts included in net interest) is recognized in other comprehensive income (loss). The effect of re-measurement of the defined benefit plan is charged to retained earnings.

The Group recognizes gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on curtailment comprises any resulting changes in the fair value of the plan assets and any changes in the present value of the defined benefit obligation.

(iii) Termination benefits

The Group provides termination benefits as a result of either terminating the employment of an employee or group of employees before the normal retirement date; or encouraging an employee to accept voluntary redundancy. Termination benefits are recognized as expenses when, and only when, the Group is demonstrably committed either to terminate a formal employment plan and is without a realistic possibility of withdrawal, or to encourage its employees to leave voluntarily and employees are likely to accept the off.er, and the number of employees accepted can be reliably measured. When termination benefits are due more than 12 months after the year end, it shall be measured at discounted amount.

(iv) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(x) Income Taxes

Income tax expenses include both current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes shall be recognized in profit or loss.

Current taxes include tax payables and tax deduction receivables on taxable gains (losses) for the year calculated using the statutory tax rate on the reporting date or the actual legislative tax rate, as well as tax adjustments related to prior years.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes shall not be recognized for the below exceptions:

(i) Assets and liabilities that are initially recognized but are not related to the business combination and have no effect on net income or taxable gains (losses) during the transaction.

(ii) Temporary differences arising from equity investments in subsidiaries or joint ventures where there is a high probability that such temporary differences will not reverse.

(iii) Initial recognition of goodwill.

Deferred tax assets and liabilities shall be measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities may be offset against each other if the following criteria are met:

(i) The entity has the legal right to settle tax assets and liabilities on a net basis; and

(ii) The taxing of deferred tax assets and liabilities fulfill one of the below scenarios:

1) levied by the same taxing authority; or

2) levied by different taxing authorities, but where each such authority intends to settle tax assets and liabilities (where such amounts are significant) on a net basis every year of the period of expected asset realization or debt liquidation, or where the timing of asset realization and debt liquidation is matched.

A deferred tax asset should be recognized for the carry-forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized. Such unused tax losses, unused tax credits, and deductible temporary differences shall also be re-evaluated every year on the financial reporting date, and adjusted based on the probability that future taxable profit will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized.

Despite CHC, CEC and CDC adopted a tax consolidated regime, income tax should be calculated in accordance with the abovementioned accounting principles. Based on the consolidated income tax reported by CHC, it needs to adjust the current tax assets or liabilities for CHC.

(y) Earnings per share

Disclosures are made of basic and diluted earnings per share attributable to ordinary equity holders of the Group. The basic earnings per share are calculated based on the profit attributable to the ordinary shareholders of the Group divided by weighted-average number of ordinary shares outstanding. The diluted earnings per share are calculated based on the profit attributable to the ordinary shareholders of the Group, divided by weighted-average number of ordinary shares outstanding after adjustment for the effects of all potential dilutive ordinary shares, such as convertible notes and employee stock options.

The Group's potential dilutive ordinary shares include bonuses to employees.

(z) Operating Segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group). The segment's operating results are reviewed regularly by the Group's chief operating decision maker to make decisions pertaining to the allocation of the resources to the segment and to assess its performance. In addition, discrete financial information is available from the interval reporting system.

(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty:

The preparation of the consolidated financial statements in conformity with the IFRSs endorsed by the FSC requires management to make judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the next period.

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the consolidated financial statements is as follows:

(a) The adoption of IFRIC 12 'Service concession arrangements' and the classification of receivables or intangible assets

The Group (the Operator) is required to comply with IFRIC 12 'Service Concession Arrangement' when entering into an agreement with the government (the Grantor), under the conditions of 'public-to-private' arrangement as follows：

(i) The Grantor decides and regulates on the price and the kind of services the Operator should render or provide to the users of the infrastructures.

(ii) The Grantor, through its ownership, acquires all the beneficial entitlements and any interests incurred from the infrastructure at the end of the term of the arrangement.

On the adoption of IFRIC 12 'Service concession arrangements', the payment from the Grantor received or receivable by the Operator incurred from the construction or upgrade services shall be recognized in a financial asset or an intangible asset according to the treaties of agreements. Please refer to note 6(c) and 6(k).

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is as follows:

(a) Impairment of trade receivable

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding possible future credit losses) discounted at the financial asset's original effective interest rate. Where the actual future cash flows are less than expected, a material impairment loss may arise. Refer to Note 6(c) and (j) for further description of the impairment of trade receivable.

(b) Valuation of inventories

As inventories are stated at the lower of cost or net realizable value, the Group estimates the net realizable value of inventories for obsolescence and unmarketable items at the end of the reporting period and then writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on assumptions as to future demand within a specific time horizon. Due to the rapid industrial transformation, there may be significant changes in the net realizable value of inventories. Refer to Note 6(e) for further description of the valuation of inventories.

(c) Revenue recognition

Contract revenue and costs are recognized by reference to the stage of completion of each contract. The stage of completion of a contract is measured based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs; or the completion of a physical proportion of the contract work. Estimated total contract costs of contracted items are assessed and determined by the management based on the nature of activities, expected sub-contracting charges, construction periods, processes, methods, etc., for each construction contract. Changes in these estimates might affect the calculation of the percentage of completion and related profits from construction contracts.

The Group's accounting policies include the measurement of financial and non-financial assets and liabilities at FVTPL. For the fair value valuation, the Group has established its internal control system, that is, the Group established its financial instrument valuation group to be responsible for reviewing the significant fair value valuation and reporting the results to the Chief Financial Officer. The financial instrument valuation group conducts independent verification on fair value by using data sources that are independent, reliable, and representative of exercise prices; in addition, the valuation group also periodically adjusts valuation models, conducts back testing, renews input data for valuation models, and makes all other necessary fair value adjustments to assure that the classification of fair value levels is complied with the IFRSs. Any significant valuation issue will be reported to the President of the Group by the valuation group. The valuation of investment properties were either appraised by external qualified appraisers or measured by the Group' s Financial Department (in accordance with the measurement methods and parametric hypothesis which announced by the FSC).

(Continued)

The Group strives to use market observable inputs when measuring assets and liabilities. Different levels of the fair value hierarchy to be used in determining the fair value of financial instruments are as follows:

(a) Level 1: quoted prices (unadjusted) in active markets for identifiable assets or liabilities.

(b) Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

(c) Level 3: inputs for the assets or liability that are not based on observable market data.

For any transfer within the fair value hierarchy, the impact of the transfer is recognized on the reporting date.

Please refer to notes listed as below for assumptions used in measuring fair value.

(a) Note 6(j) , Investment property

(b) Note 6(aa), Financial instruments

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

		December 31, 2018	December 31, 2017
Cash	$	21,412	20,838
Cash in banks		3,265,442	3,077,183
Time deposits		1,227,377	-
Cash equivalents		32,943	330,492
Cash and cash equivalents	$	**4,547,174**	**3,428,513**

(i) The aforesaid cash and cash equivalents were not pledged as collateral.

(ii) Please refer to Note 8 for time deposits and restricted deposits in pledge reclassified to other current assets.

(iii) Please refer to Note 6(af) for sensitivity analysis and interest rate risk of financial assets and liabilities of the Group.

(b) Financial assets and liabilities at fair value through profit or loss

		December 31, 2018
Mandatorily measured at fair value through profit or loss:		
Stocks of listed company	$	2,003,713
Stocks of unlisted copmany		1,018,257
Total	$	**3,021,970**

(Continued)

(i) Please refer to note 6(ad) for the amount of remeasurements at fair value through profit or loss.

(ii) The aforesaid financial assets were not pledged as collateral.

(iii) Please refer to note 6(af) for the aforementioned financial instruments' exposure to credit risk and interest rate risk.

(iv) On May 23, 2018, the board meeting passed a resolution to purchase New Continental Corp. preferred stocks issued by American Bridge Holding Company (ABHC) which is a subsidiary of New Continental Corp. The unit price is 1,000 USD. The information is as follows:

1) Dividend yield ratio: The ratio is 6% before 2020, 7% in 2021, 8% in 2022, 9% 2023 and 10% after 2024. The dividend can be paid by cash or new stocks.

2) Redeemable condition: If the net value of tangible assets of ABHC surpasses $360,901 thousand within 3 years or $150,000 thousand within 4 to 5 years, the issuer could redeem the preferred stock.

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

	December 31, 2018
Equity investments at fair value through other comprehensive income	
Unlisted common shares-Xinrong Enterprise	$ 584,775
Unlisted common shares-Evergreen steel Corp.	1,241,467
Unlisted common shares-Metro Consulting Service Ltd.	2,520
Total	$ 1,828,762

(i) On January 1, 2018, the Group designated the investments shown above as equity securities as at fair value through other comprehensive income because these equity securities represent those investments that the Group intends to hold for long-term for strategic purposes. These investments were classified as available-for-sale financial assets on December 31, 2017.

(ii) During the years ended December 31, 2018, the dividends of $100,407 thousand, related to equity investments at fair value through other comprehensive income held on December 31, 2018, were recognized.

(iii) No strategic investments were disposed as of December 31, 2018, and there were no transfers of any cumulative gain or loss within equity relating to these investments.

(iv) For credit risk (including the impairment of debt investments) and market risk; please refer to note 6(x).

(v) As of December 31, 2018, the financial assets at fair value through other comprehensive income of the Group had not been pledged as collateral.

(d) Financial assets and liabilities

(i) Detail as follows:

	December 31, 2017
Non-current assets:	
Available-for-sale financial assets	
Domestic listed stocks	$ 1,567,381
Adjustments for change in value of available-for-sale financial assets	891,997
Accumulated impairment, current available-for-sale financial assets	(918,060)
Total	$ 1,541,318
Non-current:	
Available for sale financial assets	
Domestic unlisted stocks	$ 582,163
Adjustments for change in value of available-for-sale financial assets	1,227,807
Total	$ 1,809,970
Non-current financial assets measured at cost	
Stocks of unlisted companies	$ 393,700

1) Due to the continuous decline in the market value, the Group recognized an accumulated impairment loss of $918,060 thousand to reflect the declining market value of the domestic listed stocks as of December 31, 2017.

2) The Group has partially disposed stocks. Please refer to Note 6(ad) regarding the gain on disposal of investments.

3) Green Heaven Investments Limited and Green River Development Limited entered into a construction joint venture agreement for the construction project of Land No.18, Subsection 4, Xinyi District, Taipei City. According to the agreement, the joint venture included 95% of the land property owned by both parties involved in the said agreement, with the building registered under Green River Development Limited.

4) The aforementioned financial assets measured at cost held by the Group are measured at cost, minus impairment at each reporting date given the range of reasonable fair value estimates is large and the probability for each estimate cannot be reasonably determined; therefore, the Group management had determined that the fair value cannot be measured reliably.

5) The investments were classified as non-current financial assets at fair value through other comprehensive income. Other investments that classified as financial assets at fair value through profit or loss on December 31, 2018. Please refer to note 6(b) and (c).

6) For market risk and credit risk, please refer to note 6(af).

7) As of December 31, 2017, the aforesaid financial assets were not pledged as collateral.

(ii) Financial instruments used for hedging

Financial instruments used for hedging, which were recognized as " derivative financial instruments used for hedging" on December 31, 2017, were as follows:

		December 31, 2018	December 31, 2017
Cash flow hedge:			
Financial assets used for hedging:	$	255,391	479,232
Financial liabilities used for hedging:		-	(6,954)
Total	$	255,391	472,278

The Group is exposed to certain foreign exchange risk arising from the payments made to overseas companies for the purchase of facilities, preparation of overseas related investment and some construction projects involving foreign consultant degsign fees, etc. The foreign exchange risk is estimated to be high, therefore, the Group decided to use derivative financial instruments for hedging purposes.

As of December 31, 2018 and 2017, the items hedged and the hedge instrument held by the Group were as follows:

		Hedge instrument designated to be hedge and fair value			
Item Hedged	**Hedge instrument**	**December 31, 2018**	**December 31, 2017**	**Expected Cash flow Period**	**Expected Income Period**
Expected Foreign assets	Foreign deposits	$ 242,441	485,835	2018~2019	2018~2019
	Change in value of Foreign currency	$ 3,439	(6,603)	2018~2019	2018~2019

		Hedge instrument designated to be hedge and fair value			
Item Hedged	**Hedge instrument**	**December 31, 2018**	**December 31, 2017**	**Contract amount (in thousand)**	**Delivery date**
Expected Foreign liabilities	Forward exchange	$ 9,511	(6,954)	USD 12,083	2019.04.25～2022.06.25

In 2018 and 2017, all hedging parts in transaction for cash flow, if any, were valid; and they shall be recognized in profit or loss.

(e) Notes and account receivable

	December 31, 2018	December 31, 2017
Notes receivable from operating activities	$ 419,775	847,529
Accounts receivable-measured as amortized cost	1,882,715	5,115,968
Long term receivable-measured as amortized cost	4,245,668	4,669,870
Less: Allowance for bad debts	-	(6,261)
	$ 6,548,158	10,627,106

The Group applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables on December 31, 2018. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information, including macroeconomic and relevant industry information. The loss allowance provision in Taiwan as of December 31, 2018 was determined as follows:

	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Not overdue	$ 6,467,874	0%	-
1 to 365 days past due	8,957	0%	-
More than 365 days past due	71,327	0%	-
More than 2 years past due	-	100%	-
	$ 6,548,158		-

As of December 31, 2017, the Group applies the incurred loss model to consider the loss allowance provision of notes and trade receivable, and the aging analysis of notes and trade receivable, which were past due but not impaired, was as follows:

	December 31, 2017
1 to 365 days past due	$ 66,403
More than 365 days past due	5,584
	$ 71,987

The movement in the allowance for notes and trade receivable was as follows:

	December 31, 2018	December 31, 2017 Individually assessed impairment	December 31, 2017 Collectively assessed impairment
Balance on January 1, 2018 and 2017 per IAS 39	6,261	95,153	-
Adjustment on initial application of IFRS 9	-		
Balance on January 1, 2018 per IFRS 9	6,261		
Impairment losses reversed	(6,722)	(40,746)	-
Amounts written off	-	(52,737)	-
Exchange differences on translation of foreign financial statement	461	4,591	-
Balance on December 31, 2018 and 2017	$ -	6,261	-

As of December 31, 2018 and 2017, the aforementioned notes and trade receivable of the Company had been pledged as collateral.

(f) Other receivables

	December 31, 2018	December 31, 2017
Other accounts receivable-lending of capital	$ 194,937	289,660
Other accounts receivable-lawsuit	243,206	243,206
Other accounts receivable-related party	8,458	56,847
Others	266,467	220,028
Other non-current assets	33,519	-
Less: Loss allowance	-	-
	$ 746,587	809,741

As of December 31, 2017, the aging analysis of other receivables, which were past due but not impaired, was as follows:

	December 31, 2017
1 to 365 days past due	$ 1,240
More than 365 days past due	4,052
	$ 5,292

(i) As of December 31, 2017, other receivables didn't recognize impairment losses.

(ii) For other credit risk information, please refer to note 6(af).

(g) Construction contract

Construction contract revenue of the Group has been determined based on the percentage-of-completion method (i.e. the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs or the percentage of production carried out). Any expected excess of the total contract costs over the total contract revenue for the contract is immediately recognized as cost.

	2017
Construction revenue recognized in current profit or loss	$ 22,977,642

	December 31, 2017
Accumulated costs incurred (including contract costs that relate to future activity on the contract)	$ 107,186,974
Add: Accumulated losses recognized arising from the construction	(3,374,662)
Accumulated costs and profit recognized (less losses recognized)	103,812,312
Less: Progress billings	101,856,938
Amount due from customers for contract work – presented as an asset (liability)	$ 1,955,374
Include:	
Construction contracts receivable	$ 3,012,801
Construction contracts payable	(1,057,427)
	$ 1,955,374
Accumulated advance received	$ 2,577,929
Retention receivable from construction contract	$ 2,543,235

For amount of contract balance on December 31, 2018 and revenue recognized during the year 2018, please refer to Note 6(aa).

(h) Inventory

	December 31, 2018	December 31, 2017
Construction:		
Material on hand	$ 31,028	31,889
Real estate:		
Real estate held for sale	3,473,753	5,173,867
Land held for development	2,728,054	2,127,330
Building construction in progress	17,647,530	15,601,138
Prepayment for land	233,659	32,089
Subtotal	24,082,996	22,934,424
Less: Allowance for impairment loss	(101,213)	(101,213)
	$ **24,012,811**	**22,865,100**

For the years ended December 31, 2018 and 2017, the cost of inventory recognized as cost of sales and selling expenses were $4,205,512 thousand and $3,265,735 thousand, respectively.

Capitalizing interest costs were as follows:

	2018	2017
Interest costs	$ **470,679**	**377,855**
Capitalized interests	$ **276,216**	**204,055**
Capitalization interest rate	**1.64%~7.9%**	**1.66%~5%**

As of December 31, 2018 and 2017, the Group provided part of the inventories as collateral for its loan. Please refer to Note 8 for information about inventory collateral.

(i) Investments accounted for using equity method

Equity-accounted investees of the Group as at the reporting date were as follows:

	December 31, 2018	December 31, 2017
Associates	$ **850,164**	**1,525,307**

CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(i) Associates

The Group's significant associates were as follows:

Name of associates	Relationship with the Group	Location	Percentage of ownership or voting power December 31, 2018	Percentage of ownership or voting power December 31, 2017
New Continental Corp. ("NCC")	Holding company of parties involved in American infrastructure project contracts	British Virgin Islands	45.47 %	45.47 %
CTCI & HEC Water Business Corp.	SPC, mainly responsible for the sewerage system BOT project in Chung-Li area, Taoyuan City.	Taiwan	49 %	49 %

The financial figures of the Group's significant associates are summarized in the following tables. In order to reflect the adjustments made to the fair value upon share acquisition and the differences in accounting policies, adjustments for the amounts presented on the financial statements of associates in accordance with IFRSs has been made to such financial figures.

1) Summary of NCC's financial figures

	December 31, 2018	December 31, 2017
Current assets	$ 3,131,087	2,982,190
Non-current assets	3,036,577	2,264,795
Current liabilities	(4,128,557)	(1,845,239)
Non-current liabilities	(1,292,180)	(694,717)
Net assets	$ 746,927	2,707,029
Net assets attributable to non-controlling interests	$ 11,303	325,307
Net assets attributable to investee owners	$ 735,624	2,381,718

	2018	2017
Revenue	$ 7,744,847	5,393,253
Comprehensive income	1,463,864	(2,832,702)
Comprehensive income attributable to non-controlling interests	$ 92,257	(67,406)
Comprehensive income attributable to investee owners	$ (1,556,121)	(2,820,726)

(Continued)

CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	2018	2017
Net assets attributable to the Group, January 1	$ 1,285,458	2,902,227
Comprehensive income attributable to the Group	(714,699)	(1,447,838)
Changes in equity of associates accounted for using equity method	(27,282)	(4,545)
Dividends from associates	-	(164,386)
Assets attributable to the Group, December 31	$ 543,477	1,285,458

2) Summary of CTCI & HEC Water Business Corp.'s financial figures

	December 31, 2018	December 31, 2017
Current assets	$ 288,065	463,109
Non-current assets	262,929	31,858
Current liabilities	(71,551)	(5,479)
Non-current liabilities	-	-
Net assets	$ 479,443	489,488
Net assets attributable to non-controlling interests	$ 234,927	239,849
Net assets attributable to investee owners	$ 244,516	249,639

	2018	2017
Revenue	$ 231,122	31,538
Net loss from continuing operation/Comprehensive income	$ (10,045)	(7,385)
Comprehensive income attributable to non-controlling interests	$ (4,922)	(3,619)
Comprehensive income attributable to investee owners	$ (5,123)	(3,766)
Net assets attributable to the Group, January 1	$ 239,849	243,468
Comprehensive income attributable to the Group	(4,922)	(3,619)
Assets attributable to the Group, December 31	$ 234,927	239,849

The Group's financial information for investments in individually insignificant joint venture accounted fro using equity method at the reporting date was as follows. These financial inforamtion are included in the consolidated financial statements.

	December 31, 2018
Individually insignificant joint venture	$ 71,760

CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

		2018
Attributable to the Group:		
Loss from continuing operations	$	(105)
Other comprehensive income		-
Comprehensive income	$	(105)

(ii) Joint ventures

The Group acquired 45% of MEGA's shares in September 2014. The Group further acquired another 10% of MEGA' s share with an amount of MYR150 thousand (equivalent to TWD1,077 thousand) in March 2017. Relevant legal procedures have been completed on May 1, 2017 and since then, the Group had a total of 55% shareholding in MEGA which it gained the control over MEGA and included MEGA as one of the subsidiaries in the consolidated financial statements.

The joint venture which the Group accounted for using equity method was assessed to be individually insignificant. The financial figures are summarized as follows. Such financial figures are included in the amounts presented on the consolidated financial statements.

	2017
Attributable to the Group:	
Net income for the year	1,026
Other comprehensive income	-
Comprehensive income	1,026

(iii) Guarantee

As of December 31, 2018 and 2017, the investments accounted for using equity method were not pledged as collateral.

(j) The Group has material non-controlling interest in the following subsidiaries:

		Equity ownership of non-controlling interest	
Subsidiaries	**Country of registration**	**December 31, 2018**	**December 31, 2017**
CDC US Corp. and subsidiaries	The United States	29.35 %	29.35 %

The following information of the aforementioned subsidiaries have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers. Adjustments were made to reflect the fair value adjustment made during the acquisition and relevant difference in accounting principles between the Company and its subsidiaries as at the acquisition date. Intra-group transactions were not eliminated.

CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	December 31, 2018	December 31, 2017
Current assets	$ 3,662,778	1,907,003
Non-current assets	-	656,452
Current liabilities	(1,331,991)	(743,840)
Non-current liabilities	(360,901)	(735,072)
Net assets	$ 1,969,886	1,084,543
Non-controlling interest	$ 902,998	487,701

	2018	2017
Operating revenue	$ -	-
Net loss for the year	$ (7,989)	(6,479)
Other comprehensive income	-	-
Comprehensive income	$ (7,989)	(6,479)
Net income attribute to non-controlling interest	$ (570)	(2,072)
Comprehensive income attribute to non-controlling interest	$ (570)	(2,072)
Cash flows from operating activities	$ (32,533)	(271,241)
Cash flows from investing activities	(760,126)	(175,631)
Cash flows from financing activities	644,896	947,594
Net decrease in cash and cash equivalents	$ (147,763)	500,722

(k) Loss control of subsidiaries

As of February, 2018, the Group established Fan Lu Construction Industry Co., Ltd. ("Fan Lu Construction Corporation") which outstanding ordinary shares were 100% held for NTD9,000 thousand. As of December, 2018, Fan Lu Construction Corporation conducted capital increased by cash, the Group didn't participate in the stock subscription so the proportion of shareholding fell to 35% which resulted in losing control and only having significant influence on Fan Lu Construction Corporation.

The carrying amount of assets and liabilities of Fan Lu Construction Corporation were as follow:

Cash and cash equivalents	$ 8,972
Carrying amount of net assets	$ 8,972

There was no related profit or loss recognized because the fair value of Fan Lu Construction Corporation's equity was unchanged before the date for re-measurement of losing control.

(l) Acquisition of subsidiaries

Please refer to Note 6(i) for information about acquisition of subsidiaries.

The fair value of major category of consideration, the recognized amounts of assets acquired, liabilities assumed, and goodwill at the acquisition date were shown below:

(i) The fair value of major category of consideration at the acquisition date was as follows:

The major category of consideration:

Cash	$	**1,077**

(ii) Acquisition of identifiable assets and assumption of liabilities

Information on fair value of identifiable assets acquired and liabilities assumed at the acquisition date:

Cash and cash equivalents	$	56,781
Prepayments		64
Other current assets		472
Investment property		476,490
Property, plant and equipment		1,784
Other payables		(344,083)
Long-term borrowings		(235,735)
Fair value of identifiable net assets	$	**(44,227)**

(iii) Goodwill

Goodwill arising from the acquisition has been recognized as follows:

Consideration	$	1,077
Add: Non-controlling interest in the acquiree (proportionate share of the fair value of the identifiable net assets)		(19,902)
Add: Fair value of pre-existing interest in the acquiree		4,847
Less: Fair value of identifiable net assets		(44,227)
Goodwill	$	**30,249**

The Group remeasured the fair value of its existing equity interest in MEGA (45%) before the acquisition date, and the resulting gain $32,777 thousand was recognized as gain on disposal of investment on the statement of comprehensive income.

CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(m) Property, plant and equipment

Movements of the cost, depreciation, and impairment of property, plant and equipment of the Group for the years 2017 and 2016, were as follows:

	Land	Buildings	Machinery and equipment	Transportation equipment	Computer equipment	Furniture and office equipment	Total
Cost or deemed cost:							
Balance, at January 1, 2018	$ 1,264,952	541,591	2,294,051	209,831	99,360	189,335	4,599,120
Additions	-	-	9,000	11,872	8,670	9,849	39,391
Disposals	-	-	(475,789)	(14,557)	(14,759)	(32,625)	(537,730)
Effect of exchange rate	-	17	(87,155)	(297)	(1,428)	(2,989)	(91,852)
Balance, at December 31, 2018	$ 1,264,952	541,608	1,740,107	206,849	91,843	163,570	4,008,929
Balance, at January 1, 2017	$ 1,264,952	539,217	2,479,287	228,895	100,326	199,299	4,811,976
Effect of subsidiary acquisition	-	2,255	-	-	53	639	2,947
Additions	-	-	56,827	10,937	8,146	4,562	80,472
Reclassification	-	-	171,360	109	29	394	171,892
Disposals	-	-	(375,517)	(27,438)	(8,296)	(13,236)	(424,487)
Effect of exchange rate	-	119	(37,906)	(2,672)	(898)	(2,323)	(43,680)
Balance, at December 31, 2017	$ 1,264,952	541,591	2,294,051	209,831	99,360	189,335	4,599,120
Depreciation and impairment loss:							
Balance, on January 1, 2018	$ -	182,523	2,005,783	173,373	80,209	159,025	2,600,913
Depreciation	-	12,133	84,652	17,361	10,755	13,253	138,154
Impairment loss	-	-	8,297	-	-	-	8,297
Reversal of impairment loss Disposals	-	-	(47,000)	-	-	-	(47,000)
Disposals	-	-	(401,430)	(14,266)	(14,432)	(27,706)	(457,834)
Effect of exchange rate changes	-	5	(66,370)	(275)	(1,266)	(2,028)	(69,934)
Balance, at December 31, 2018	$ -	194,661	1,583,932	176,193	75,266	142,544	2,172,596
Balance, at January 1, 2017	$ -	168,581	1,751,665	176,312	78,783	163,067	2,338,408
Increase due to acquiring subsidiaried	-	890	-	-	18	255	1,163
Impairment loss	-	12,988	185,894	18,475	10,472	10,432	238,261
Disposals	-	-	421,351	-	-	-	421,351
Effect of exchnage rate	-	-	(326,255)	(20,357)	(8,276)	(12,977)	(367,865)
Effect of exchange rates changes	-	64	(26,872)	(1,057)	(788)	(1,752)	(30,405)
Balance, at December 31, 2017	$ -	182,523	2,005,783	173,373	80,209	159,025	2,600,913
Carrying amount							
Balance, at December 31, 2018	$ 1,264,952	346,947	156,175	30,656	16,577	21,026	1,836,333
Balance, at December 31, 2017	$ 1,264,952	359,068	288,268	36,458	19,151	30,310	1,998,207

(i) As of December 31, 2018 and 2017, the properties were pledged as collateral, please refer to Note 8.

(ii) Please refer to Note 6(ad) for details of the gain and loss on disposal of property, plant and equipment.

(iii) As of December 31, 2018 and 2017, the Company recpgnizes impairment loss amounted to 8,297 thousand and $421,351 thousand, respectively. Which is determined by the fair value of machinery less disposal cost which is lower than the carrying accounts of the machinery.

CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The fair value of the machinery is estimated by the management according to historical sales record, evaluating the most recoverable amount. It is because the estimated value is determined by significant unobservable imputes, the level of fair value is categorized as level 3.

(iv) Impairment loss and reversal

In year 2018, after comparing the book value and recoverable of property, plant and equipment, the Company reversed 47,000 thousand of impairment. The impairment loss was included in other income and expenses. Please refer to note 6(v).

(n) Investment property

	Land and improvements	Buildings	Total
Cost or deemed cost:			
Balance, at January 1, 2018	$ 12,007,038	2,630,930	14,637,968
Addition	-	160,168	160,168
Reclassification	(276,543)	(358,777)	(635,320)
Effect of exchange rate	(65,642)	68,289	2,647
Balance, at December 31, 2018	$ 11,664,853	2,500,610	14,165,463
Balance, at January 1, 2017	$ 9,452,208	2,004,697	11,456,905
Increase due to acquiring subsidiaries	401,243	75,247	476,490
Addition	290,612	498,652	789,264
Reclassification	1,847,265	53,407	1,900,672
Effect of exchange rate	15,710	(1,073)	14,637
Balance, at December 31, 2017	$ 12,007,038	2,630,930	14,637,968
Depreciation and impairment losses：			
Balance, at January 1, 2018	$ 501,205	543,720	1,044,925
Depreciation	-	37,439	37,439
Balance, at December 31, 2018	$ 501,205	581,159	1,082,364
Balance, at January 1, 2017	$ 501,205	506,282	1,007,487
Depreciation	-	37,438	37,438
Balance, at December 31, 2017	$ 501,205	543,720	1,044,925
Carrying amounts:			
Balance, at December 31, 2018	$ 11,163,648	1,919,451	13,083,099
Balance at, December 31, 2017	$ 11,505,833	2,087,210	13,593,043
Fair value:			

(Continued)

The Group defines investment property based the classification of assets. Investment property is a kind of property held for the purposes of earning rentals or capital appreciation, or for both. Hence, the Group considers if the main cash flow generated by a property can be independent of other assets held by the Group. Part of properties held by the Group is for earning rentals or capital appreciation purpose, and another part is for management purpose. If each part of investment properties can be sold independently, the Group shall account each part independently. If each part cannot be sold independently, only in the event that the part being held for management purpose is not significant, the property is deemed as an investment property.

Investment property comprises a number of commercial properties that are leased to third parties. Refer to Note 6(t) for detail information (include rental revenue and other direct operating expenses).

The fair value of investment property is based on a valuation by an independent evaluator who has certified professional qualification and related valuation experience in locations/types of the valuated investment property. The investment property that was measured at fair value based on the valuation techniques will be classified as Level 3 inputs.

As of December 31, 2018 and 2017, the aforesaid investment properties were pledged as collateral; please refer to Note 8.

(o) Intangible assets

The costs of intangible assets, amortization, and impairment loss of the Group for the years ended December 31, 2018 and 2017, were as follows:

	Goodwill	Service Concession Agreements	Total
Cost or deemed cost:			
Balance, at January 1, 2018	$ 30,249	1,116,479	1,146,728
Additions	-	223,774	223,774
Disposals	-	(31,003)	(31,003)
Balance, at December 31, 2018	$ 30,249	1,309,250	1,339,499
Balance, at January 1, 2017	$ -	843,534	843,534
Additions	30,249	272,945	303,194
Balance, at December 31, 2017	$ 30,249	1,116,479	1,146,728
Amortization and impairment loss:			
Balance, at January 1, 2018	$ -	135,290	135,290
Amortization	-	47,186	47,186
Balance, at December 31, 2018	$ -	182,476	182,476
Balance, at January 1, 2017	$ -	103,696	103,696
Amortization	-	31,594	31,594
Balance, at December 31, 2017	$ -	135,290	135,290
Carrying amount:			
Balance, at December 31, 2018	$ 30,249	1,126,774	1,157,023
Balance, at December 31, 2017	$ 30,249	981,189	1,011,438

CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

As of December 31, 2018 and 2017, the intangible assets were pledged as collateral, please refer to Note 8.

(p) Short-term borrowings

	December 31, 2018	December 31, 2017
Unsecured loans	$ 2,450,000	1,826,488
Secured loans	8,569,633	7,931,245
	$ 11,019,633	9,757,733
Unused credit limit	$ 22,080,870	16,745,881
Annual interest rate	1%~6%	1%~5%

For details of the related assets pledged as collateral, please refer to Note 8.

(q) Short-term notes and bills payable

	December 31, 2018		
	Guarantee or Acceptance Agency	Interest Rate Range	Amount
Bills payable	Financial institutions	1.232%~1.34%	$ 790,000

	December 31, 2017		
	Guarantee or Acceptance Agency	Interest Rate Range	Amount
Bills payable	Financial institutions	1.079%~1.131%	$ 1,000,000

For details of the related assets pledged as collateral, please refer to Note 8.

(r) Long-term borrowings

	December 31, 2018			
	Currency	Interest Rate Range	Matured Period	Amount
Unsecured loans	TWD	1.3080%~2.2500%	2020.06~2025.12	$ 4,393,000
	USD	4%	2020.05	307,150
Secured loans	TWD	1.42%~2.0613%	2019.02~2026.12	8,675,352
	USD	4.24%~5.38%	2021.06	238,124
				13,613,626
Less: current portion				(884,930)
Less: fees				(3,075)
Total				$ 12,725,621
Unused credit limit				$ 3,448,313

	December 31, 2017			
	Currency	**Interest Rate Range**	**Matured Period**	**Amount**
Unsecured loans	TWD	1.3068%~2.056%	2018.03~2025.02	$ 3,319,800
	USD	2.9321%	2020.05	297,600
Secured loans	TWD	1.3028%~1.9133%	2018.01~2025.07	10,375,453
	USD	4.8143%	2021.06	231,329
				14,224,182
Less: current portion				(564,097)
Less: fees				(3,525)
Total				$ 13,656,560
Unused credit limit				$ 3,411,000

(i) For details of the related assets pledged as collateral, please refer to Note 8.

(ii) The loan agreement requires CEC to maintain certain financial ratios: current ratio>100%, financial debt to equity ratio<100%, long term liability and equity conformity ratio>100%, fixed long term conformity ratio<100%. As of December 31, 2018 and 2017, CEC did not violate any terms in the loan agreement.

(iii) The loan agreement requires HEC to maintain certain financial ratios: As of December 31, 2018 and 2017, debt ratio≦130% and 150%, and net worth>$2.0 billion and 1.8 billion. As of December 31, 2018 and 2017, HEC did not violate any terms in the loan agreement.

(iv) The loan agreement requires NSC to maintain certain financial ratios:

Financial ratio	**2017～2023**
Debt ratio≦	150%

Financial ratio	**2012～2023**
Liquidity ratio≧	100%

(s) Provision

	Onerous contract	**Warranties**	**After-sales service**	**Others**	**Total**
Balance, at January 1, 2018	$ -	144,657	116,527	35,000	296,184
Adjustment for applying new standard	417,915	-	-	-	417,915
Provision made during the year	-	12,846	17,970	-	30,816
Provision used during the year	-	(11,267)	(5,644)	(16,901)	(33,812)
Provision reversed during the year	(114,384)	(41,825)	-	(18,099)	(174,308)
Balance, at December 31, 2018	$ 303,531	104,411	128,853	-	536,795

	Onerous contract	Warranties	After-sales service	Others	Total
Balance, at January 1, 2017	$ -	213,107	107,324	-	320,431
Provision made during the year	-	37,348	11,500	35,000	83,848
Provision used during the year	-	(1,870)	(2,297)	-	(4,167)
Provision reversed during the year	-	(103,928)	-	-	(103,928)
Balance, at December 31, 2017	$ -	144,657	116,527	35,000	296,184

(i) Onerous contract

After adopting IFRS 15, when total future construction cost is likely to surpass total contract revenue the Company would evaluate onerous contract based on IAS 37-Provision, Contingent Liabilities and Contingent Assets.

(ii) Warranties

The provision for warranties and after-sales service relates mainly to construction contracts and sales premises for the years ended December 31, 2018 and 2017. The provision is based on estimates made from historical warranty data associated with similar products and services. The Group expects to settle the majority of the liability within one to five years after the construction completed.

(t) Operating leases

Please refer to Note 6(n) for operating leases of investment property. The future minimum lease receivables under non-cancellable leases were as follows:

	December 31, 2018	December 31, 2017
Less than one year	$ 284,853	251,526
Between one and five years	257,626	367,236
	$ 542,479	618,762

For the years ended December 31, 2018 and 2017, the rental revenue of investment property was $275,793 thousand and $258,382 thousand, respectively.

Repair and maintenance expenses arising from investment property (recognized as cost of rental sales) were as follows:

	2018	2017
Expenses that generated rental revenue	$ 8,447	8,819
Expenses unrelated to the derivation of rental revenue	38	131
	$ 8,485	8,950

(u) Advanced Receipts

	December 31, 2018	December 31, 2017
Advance receipts from construction contracts	$ -	2,577,929
Advance receipts from real estate	-	2,168,819
Others	60,002	132,769
Total	$ 60,002	4,879,517

(i) Please refer to Note 9 for the total contracts price associated with the above mentioned advanced receipts.

(ii) As of December 31, 2018, advance receipts from construction contracts, real estate and rent were reclassified to current contract liabilities. Please refer to note 6(aa).

(v) Long-term accounts payable

The Group established subsidiaries in the United States in 2017.

Due to the agreements entered into by the Group with its prior shareholders, the Group will have to pay after the completion of the construction projects of its subsidiaries. Unpaid amount to 2018 and 2017 are $360,901 thousand and $364,560 thousand, respectively.

(w) Employee benefits

(i) Defined benefit plan

The present value of the defined benefit obligations and fair value of plan assets were as follows:

	December 31, 2018	December 31, 2017
Present value of defined benefit obligations	$ 562,127	539,135
Fair value of plan assets	(258,030)	(230,988)
Net defined benefit liabilities	$ 304,097	308,147

The Group established the pension fund account for the defined benefit plan in Bank of Taiwan. The plan, under the Labor Standards Law, provides benefits based on an employee's length of service and average monthly salary for six-month period prior to retirement.

1) Composition of plan assets

The Group allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Labor Pension Fund Supervisory Committee. With regard to the utilization of the funds, minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with interest rates offered by local banks.

At the end of the reporting period, the Group's labor pension reserve account in Bank of Taiwan had a balance of $258,030 thousand. The information related to the pension fund includes the asset allocation and yield of the fund. Please refer to the website of the Bureau of Labor Fund, Ministry of Labor.

2) Movements in present value of the defined benefit obligations

The movements in present value of defined benefit obligations for the years 2018 and 2017 were as follows:

		2018	2017
Defined benefit obligation, January 1	$	539,135	529,855
Current service costs and interest		11,146	12,830
Re-measurements of the net defined benefit liabilities (assets)			
—Actuarial gains (losses) arose from changes in financial assumption		3,041	5,604
—Experience adjustments		20,705	76
Benefits paid by the plan		(11,900)	(9,230)
Defined benefit obligation, December 31	$	562,127	539,135

3) Movements of defined benefit plan assets

The movements in the present value of the defined benefit plan assets for the years 2018 and 2017 were as follows:

		2018	2017
Fair value of plan assets, January 1	$	230,988	173,306
Interest revenue		2,798	2,841
Re-measurements of the net defined benefit liabilities (assets)			
—Expected return on plan assets (excluding interest)		6,155	(867)
Contributions made		29,989	63,427
Benefits paid by the plan		(11,900)	(7,719)
Fair value of plan assets, December 31	$	258,030	230,988

4) Expenses recognized in profit or loss

The expenses recognized in profit or loss for the years 2017 and 2016 were as follows:

	2018	2017
Current service costs	$ 4,794	5,587
Interest on net defined benefit obligations (assets)	3,554	4,402
	$ 8,348	9,989
Administrative expenses	$ 8,348	9,989

5) Remeasurement of the net defined benefit liabilities (assets) recognized in other comprehensive income

The Group' s remeasurement of the net defined benefit liability (asset) recognized in other comprehensive income for the years 2018 and 2017 were as follows:

	2018	2017
Cumulative amount, January 1	$ 50,874	44,327
Recognized during the period	17,591	6,547
Cumulative amount, December 31	$ 68,465	50,874

6) Actuarial assumptions

The following were the principal actuarial assumptions at the measurement date:

	2018.12.31	2017.12.31
Discount rate	1.0%~1.45%	1.0%~1.45%
Long-term average adjustment rate of salary	2.5%~3.0%	2.5%~3.0%

The Group expects to pay defined contribution benefit plans amounted to $44,282 thousand within one year, after December 31, 2018.

The weighted-average duration of the defined benefit plan is three to sixteen years.

7) Sensitivity Analysis

When calculating the present value of the defined benefit obligations, the Group uses judgments and estimations to determine the actuarial assumptions, including discount rates and future salary changes, as of the financial statement date. Any changes in the actuarial assumptions may significantly impact the amount of the defined benefit obligations.

As of December 31, 2018 and 2017, the changes in the principal actuarial assumptions will have impact on the present value of the defined benefit obligation as follows:

	Impact on the defined benefit obligations	
	Increase	**Decrease**
December 31, 2018		
Discount (change by 0.25%)	0.48~1.54	0.49~1.59
Future salary increase (change by 1.00%)	3.04~7.59	2.86~6.76
December 31, 2017		
Discount (change by 0.25%)	0.33~1.64	0.34~1.69
Future salary increase (change by 1.00%)	2.43~8.06	2.33~7.13

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions remain constant, would have affected the defined benefit obligation by the amounts shown above. The method used in the sensitivity analysis is consistent with the calculation of the pension liabilities in the balance sheets.

The analysis was performed based on the same method and assumptions similar to those adopted in last year.

(ii) Defined contribution plan

The Group allocates 6% of each employee's monthly wages to the labor pension personal account at the Bureau of the Labor Insurance in accordance with the provisions of the Labor Pension Act. Under this defined contribution plan, the Group allocates a fixed amount to the Bureau of the Labor Insurance without additional legal or constructive obligations.

The Group's pension costs under the defined contribution method were $51,612 thousand and $45,401 thousand for the years 2018 and 2017, respectively. Payment was made to the Bureau of Labor Insurance.

(iii) Shore-term employee benefits

The Group's short-term employee benefit plan includes the compensated absences liabilities. As of December 31, 2018 and 2017, the compensated absences liabilities were $47,062 thousand and $37,829 thousand, respectively.

(x) Income Tax

According to the amendments to the "Income Tax Act" enacted by the office of the President of the Republic of China (Taiwan) on February 7, 2018, an increase in the corporate income tax rate from 17% to 20% is applicable upon filing the FY 2018 corporate income tax return.

CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(i) Income tax expense

		2018	2017
Current income tax expense			
Current period	$	52,772	82,095
Current land value increment tax		42,042	69,065
Additional surtax on unappropriated earnings		30	109
Prior-years-adjustment on current income tax		9,448	(83,699)
		104,292	67,570
Deferred income tax expense			
Reversal of temporary difference		34,964	16,744
Adjustment in tax rate		4,256	-
		39,220	16,744
Income tax expense	$	143,512	84,314

(ii) Income tax recognized in other comprehensive income (expense) benefit of the year ended December 31, 2018 and 2017 were as follows:

		2018	2017
Items that will not be reclassified to profit and loss			
Actuarial gains (losses) of defined benefit plan	$	4,398	1,340

(iii) The reconciliation of income before tax to income tax expense (benefit) was as follows:

		2018	2017
Income before tax	$	2,161,793	891,882
Income tax expense at domestic statutory tax rate	$	432,359	151,620
Effect of difference tax rates on foreign countries		816	(5,558)
Adjustment of income tax rate		4,256	-
Tax-exempt income		(170,238)	(387,800)
Investment loss accounted for using equity method		152,732	215,555
Current tax loss from unrecognized deferred tax assets		(153,311)	88,340
Adjustment for prior periods		9,448	(83,699)
Additional surtax on unappropriated earnings		30	109
Current land value increment tax		42,042	69,065
Basic income tax		-	45,311
Gain on valuation of financial assets		(98,299)	-
Others		(76,323)	(8,629)
Total	$	143,512	84,314

CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iv) Deferred tax assets and liabilities

1) Unrecognized deferred tax assets:

Deferred tax assets have not been recognized in respect of the following items:

	December 31, 2018	December 31, 2017
Deductible temporary difference	$ 181,946	213,761
Net losses	1,297,770	1,264,839
	$ 1,479,716	1,478,600

The ROC Income Tax Act allows net losses, as assessed by the tax authorities, to offset against taxable income over a period of ten years for local tax reporting purposes. The temporary difference associated with the net losses was not recognized as deferred tax assets as the Group is not expected to have enough taxable income to offset against taxable loss in the foreseeable future.

The estimated unused loss carry-forwards of domestic subsidiaries up to December 31, 2018 was as follows:

Years of losses	Unused amount	Year of expiry
2009 (assessed)	$ 1,277,534	2019
2010 (assessed)	1,011,231	2020
2011 (assessed)	1,051,277	2021
2012 (assessed)	374,243	2022
2013 (assessed)	27,241	2023
2014 (assessed)	563,024	2024
2015 (assessed)	1,660,202	2025
2016 (declared)	523,940	2026
2017 (declared)	54	2027
2018 (declared)	104	2028
	$ 6,488,850	

2) Recognized deferred tax assets and liabilities:

Changes in the amount of deferred tax assets and liabilities for 2018 and 2017 were as follows:

Deferred tax liabilities:

	Others
Balance, at January 1, 2018	$ 31,340
Current tax expense	44,712
Effect of exchange rates	2
Balance, at December 31, 2018	$ 76,054

(Continued)

CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

		Others
Balance, at January 1, 2017	$	14,596
Current tax expense		16,884
Effect of exchange rates		(76)
Offsetting of current deferred tax assets of overseas subsidiaries		(64)
Balance, at December 31, 2017	$	31,340

Deferred tax assets:

		Others
Balance, at January 1, 2018	$	5,028
Current tax expense		5,492
Effect of exchange rates		2
Balance, at December 31, 2018	$	10,522
Balance, at January 1, 2017	$	5,028
Current tax expense		140
Effect of exchange rates		(76)
Offsetting of current deferred tax liabilities of overseas subsidiaries		(64)
Balance, at December 31, 2017	$	5,028

(v) The Company and subsidiaries' income tax returns for the years up to 2017, 2016 and 2015 have been assessed by the tax authorities.

(y) Capital and reserves

As of December 31, 2018 and 2017, the total value of nominal authorized ordinary shares amounted to $10,000,000 thousand. Face value of each share is $10, which means in total there were 1,000,000 thousand ordinary shares, of which 823,216 thousand shares, were issued. All issued shares were paid upon issuance.

(i) Capital surplus

The components of the capital surplus were as follows:

		December 31, 2018	December 31, 2017
Premiums from issuance of share capital	$	6,397,913	6,397,913
Treasury stock transactions		406,518	406,518
Change on subsidiaries equity		4	-
	$	6,804,435	6,804,431

1) The Company was established on April 8, 2010, it became the holding company of CEC via a share swap. The net equity of CEC's stock in excess of par value of the Company's stock was $7,368,919 thousand, this amount was credited to capital surplus. In 2011, the Company used capital surplus to distribute Year 2010 cash dividends for an amount of $504,695 thousand.

2) In accordance with the ROC Company Act, the realized capital surplus needs to be used to make up losses before it can be reclassified as share capital or distributed as cash dividends. The aforementioned capital surplus includes share premiums and gratuitous income. In accordance with the Securities Offering and Issuance Guidelines, the amount of capital surplus to be reclassified under share capital shall not exceed 10 percent of the actual share capital amount.

(ii) Retained earnings

In accordance with the Company's articles of incorporation, net income of the current period should firstly be offset against losses in the previous years and income tax, then with 10 percent of which be appropriated as legal reserve. The remaining net income plus the undistributed earnings in previous years will be recognized as the retained earnings subjecting to shareholders' resolution.

For dividend distribution, the amount of cash dividends shall be at least 20% of the total dividends.

1) Legal Reserve

In accordance with the Company Act, 10 percent of net income after tax should be set aside as legal reserve until the aggregate of the legal reserve reaches the share capital. When there is no loss for the year, the distribution of the legal reserve can either be executed by new shares or by cash, such distribution shall be decided at the shareholders' meeting with the distribution amount being limited to the portion of the legal reserve which exceeds 25 percent of the paid in capital.

2) Special Reserve

The Company applied the exemptions at the first-time adoption of IFRSs and increased its retained earnings by $4,448,666 thousand, which were resulted from the fair value of investment property being used as the cost on initial recognitions at the transition date, as well as the amount of $2,592,640 thousand being appropriated to special reserve according to Permit No. 1010012865, issued by the FSC on April 6, 2012. The aforementioned special reserve may be reversed in proportion with the usage, disposal, or reclassification of the related assets, and then, be distributed afterwards. As of December 31, 2018 and 2017, the Company recognized the special reserve related to all IFRSs adjustments amounting to $2,493,481 thousand.

A special reserve equal to the debit balance of unrealized loss on financial instruments in the stockholders' equity is appropriated from the unappropriated retained earnings pursuant to Article 41 of the Securities and Exchange Act. A special reserve is initially appropriated from current earnings, and any deficiency resulting from it shall be appropriated from the undistributed earnings of prior years. For the second year and the preceding years, the increase or decrease in the balance of unrealized loss on financial

(Continued)

CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

instruments in subsequent year, as shown in the statement of changes in stockholders' equity, is either subject to further appropriation for special reserve, or reversed to retained earnings.

3) Earnings distribution

The earning distribution for 2017 and 2016 has been approved in the general shareholders' meeting on June 5, 2018 and June 7, 2017, respectively. The relevant dividend distributions to shareholders were as follows:

	2017		2016	
	Amount per share	Total Amount	Amount per share	Total Amount
Dividends distributed to common shareholders:				
Cash	$ 0.60	493,930	0.50	411,608

(iii) Other equity interest

	Exchange differences on translation of foreign financial statements	cash flow hedges	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Available-for-sale investments	Gains (losses) on hedging instruments	Total
Balance on January 1, 2018	$ (538,891)	(13,557)	-	2,119,508	-	1,567,060
Effects of retrospective application	-	13,557	959,687	(2,119,508)	(13,557)	(1,159,821)
Balance on January 1, 2018 after adjustments	(538,891)	-	959,687	-	(13,557)	407,239
Exchange differences on transaction of foreign net assets	(34,112)	-	-	-	-	(34,112)
Shares of other comprehensive income of associates	43,849	-	-	-	-	43,849
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income, associates and joint ventures accounted for using equity method	-	-	84	-	-	84
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	-	-	18,793	-	-	18,793
Changes in fair value of hedging instrument	-	-	-	-	26,507	26,507
Balance on December 31, 2018	$ (529,154)	-	978,564	-	12,950	462,360
Balance at January 1, 2017	$ (265,567)	(1,750)	-	2,088,506	-	1,821,189
Exchange differences on transaction of foreign net assets	(89,853)	-	-	-	-	(89,853)
Shares of other comprehensive income of associates accounted for using equity method, exchange difference on translation	(183,471)	-	-	-	-	(183,471)
Losses on hedging instruments, fair value hedgesc	-	(11,807)	-	-	-	(11,807)
Unrealized gains (losses) on available-for-sale financial assets	-	-	-	(803,664)	-	(803,664)
Adjustment on reclassification of impairment, available-for-sale financial assets	-	-	-	834,583	-	834,583
Shares of net income of subsidiaries for using equtiy method, available-for-sale financial assets	-	-	-	83	-	83
Balance at December 31, 2017	$ (538,891)	(13,557)	-	2,119,508	-	1,567,060

CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(z) Earnings per share

(i) Basic earnings per share

The basic earnings per share of the Company are calculated based on the net income attributable to the ordinary shareholders of the Company amounted to $1,941,677 thousand, and $787,816 thousand for the years 2018 and 2017, respectively; they were divided by the weighted-average numbers of 823,216 thousand ordinary shares. The computations of the basic earnings per share were as follows:

1) Net income attributable to ordinary shareholders

	2018	2017
Net income attributable to ordinary shareholders	$ **1,941,677**	**787,816**

2) Weighted average number of ordinary shares

	2018	2017
Weighted average number of ordinary shares, at December 31	**823,216**	**823,216**

(ii) Diluted earnings per share

The diluted earnings per share that are calculated based on the net income attributable to the ordinary shareholders of the Company amounted to $1,941,677 thousand and $787,816 thousand for the years ended December 31, 2018 and 2017, respectively; they were divided by the weighted-average numbers of 823,974 thousand ordinary shares and 823,530 thousand ordinary shares after the adjustment for the effects of potentially dilutive ordinary shares. The computations of diluted earnings per share were as follows:

1) Net income attributable to ordinary shareholders

	2018	2017
Net income attributable to ordinary shareholders	$ **1,941,677**	**787,816**

2) Weighted average number of ordinary shares (Diluted)

	2018	2017
Weighted average number of ordinary shares (Basic)	823,216	823,216
Effect of the employee bonuses	758	314
Weighted average number of ordinary shares (Diluted)	**823,974**	**823,530**

CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(aa) Revenue from contracts with customers

(i) Details of revenue

	2018			
	Construction Business	**Real Estate Business**	**Environment Engineering Business**	**Total**
Primary geographical markets				
Taiwan	$ 12,330,439	6,367,997	1,710,093	20,408,529
Other	4,745,294	288	-	4,745,582
	$ 17,075,733	6,368,285	1,710,093	25,154,111
Major products/services lines				
Construction engineering	$ 17,013,773	-	-	17,013,773
Environment engineering	-	-	1,083,958	1,083,958
Real estate revenue	-	6,078,672	-	6,078,672
Rental income on invetment property	42,635	233,158	-	275,793
Other	19,325	56,455	626,135	701,915
	$ 17,075,733	6,368,285	1,710,093	25,154,111

For details on revenue for the year ended December 31, 2017 please refer to note 6(ab).

(ii) Contract balances

	December 31, 2018	**January 1, 2018**
Notes receivable	$ 419,775	847,529
Accounts receivable (including long-term receivable)	6,128,383	7,240,573
Less: allowance for impairment	-	(6,261)
	$ 6,548,158	8,081,841
Contract assets-construction	$ 2,916,313	2,854,771
Contract assets-retention receivables	2,743,888	2,545,265
Contract assets-accural receivables for completion	257,359	243,344
	$ 5,917,560	5,643,380
Contract liabilities-construction engineering	$ 3,700,219	3,020,125
Contract liabilities-environment engineering	30,562	79,689
Contract liabilities-advance real estate receipts	1,905,076	2,173,331
Contract liabilities-advance rent receipts	5,773	4,510
	$ 5,641,630	5,277,655

For details on accounts receivable and allowance for impairment, please refer to note 6(e).

For details on onerous contracts as of December 31, 2018, please refer to note 6(s).

For details on construction contracts as of December 31, 2017, please refer to note 6(g).

The amount of revenue recognized for the year ended December 31, 2018 that was included in the contract balance at the beginning of the period was $1,454,726 thousand.

(ab) Operating Revenue

The Group's revenue for the year 2017 were as follows:

		2017
Construction revenue	$	22,977,642
Real estate revenue		4,553,684
Rental revenue, investment property		258,382
Other operating revenue		595,035
	$	28,384,743

Details of revenue for 2018 please refer to note 6(aa).

(ac) Remuneration for employees

Based on the Company' s articles of incorporation, remuneration for employees and directors is appropriated at the rate of 0.5% and a rate no more than 0.5%, respectively, of the profit before tax. The Company should make up its prior years' accumulated deficit before any appropriation of profits. Employees of subsidiaries may also be entitled to the employee remuneration of the Company, which can be settled in the form of cash or stock.

For the year ended December 31, 2018 and 2017, the Company estimated its employee remuneration to be $9,805 thousand and $4,209 thousand. The estimated amounts mentioned above are calculated based on a net amount derived from subtracting the remuneration to employees, directors and supervisors of each period, from the net profit before tax, and multiplied it by the percentage of remuneration to employees, directors and supervisors as specified in the Company's articles. These remunerations were expensed under operating costs or operating expenses during 2018 and 2017. Related information would be available at the Market Observation Post System website. The amount of remuneration for employees that determined by the board of directors was the same as the estimated amount stated in the Financial Statement for the years ended December 31, 2018 and 2017.

CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ad) Non-operating income and expenses

(i) Other income

The Group's other income for the years 2018 and 2017 were as follows:

	2018	2017
Interest income		
Cash in bank	$ 16,363	21,206
Others	32,490	18,717
Interest income subtotal	48,853	39,923
DIvidend income	183,117	140,844
Other income	110,350	104,870
Total other income	$ 342,320	285,637

(ii) Other gains and losses

The Group's other gains and losses for the years 2018 and 2017 were as follows:

	2018	2017
Gain on disposal of property, plant and equipment	$ 2,713	29,579
Gain on disposal of investment	-	1,329,077
Gain on foreign exchange	7,141	19,753
Gain on financial assets at fair value ghrough profitor loss	459,701	-
Gain (loss) on reversal of property plant and equipment impairment	38,703	(421,351)
Otehrs	(80,817)	(76,485)
	$ 427,441	880,573

(iii) Financial costs

The Group's financial costs for the years 2018 and 2017 were as follows:

	2018	2017
Interest expenses	$ 470,679	377,855
Less: capitalized interest	(276,216)	(204,055)
	$ 194,463	173,800

(Continued)

(ae) Reclassification of the other comprehensive income

The Group's reclassification of the other comprehensive income for the years 2018 and 2017 were as follows:

	2018	2017
Available-for-sale financial assets		
Changes in available-for-sale financial assets at fair value	$ -	834,583
Changes in available-for-sale financial assets of associates at fair value for using equity method	-	83
Net changes reclassified to comprehensive income at fair value	-	(803,664)
Net changes recognized as other comprehensive income at fair value	$ -	31,002

(af) Financial instruments

(i) Credit risk

1) Exposure to credit risk

The carrying amount of financial assets and contract assets represents the maximum amount exposed to credit risk.

2) Credit risk concentrations

Clients of the Group are mainly government bodies and companies operating in the construction industry. To minimize credit risks, the Group reviews the financial positions of the clients periodically and requests guarantees if necessary. The Group also evaluates the collectability of receivables and provides an allowance for doubtful debts on a regular basis. The relevant losses on bad debts are generally under the Group' s expectation.

3) Credit risk of receivables

For credit risk exposure of note and trade receivables, please refer to note 6(e).

Other financial assets at amortized cost includes other receivables, etc., please refer to note 6(f). All of these financial assets are considered to have low risk, and thus, the impairment provision recognized during the period was limited to 12 months expected losses. Regarding how the financial instruments are considered to have low credit risk, please refer to note 4(g). The loss allowance provision of other receivables was 0 as of December 31, 2018. In addition, the Company did not recognize or reverse any impairment loss.

CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Liquidity risk

The followings are the contractual maturities of financial liabilities, including estimated interest payment.

	Carrying amount	Contractual cash flows	Within 6 months	6-12 months	1-2 years	2-5 years	More than 5 years
Balance, December 31, 2018							
Non-derivative financial liabilities							
Secured loans	$ 17,480,035	18,450,390	4,654,504	481,815	2,698,818	9,769,769	845,484
Unsecured loans	7,150,150	7,151,454	1,897,170	612,459	721,843	2,697,472	1,222,510
Short-term bills payable	790,000	790,000	790,000	-	-	-	-
Accounts and notes payable	7,030,182	7,111,128	2,150,554	1,670,351	2,673,882	30,621	585,720
Other payables	1,290,902	1,290,002	434,539	40,751	34,417	777,443	2,852
Guarantee deposit received	130,277	130,277	-	-	69,421	8,419	52,437
	$ 33,871,546	34,923,251	9,926,767	2,805,376	6,198,381	13,283,724	2,709,003
Balance, December 31, 2017							
Non-derivative financial liabilities							
Secured loans	$ 18,538,027	19,550,740	2,864,337	3,842,328	1,492,930	10,128,339	1,222,806
Unsecured loans	5,443,888	5,668,593	1,242,725	822,854	106,580	2,751,488	744,946
Short-term bills payable	1,000,000	1,000,000	1,000,000	-	-	-	-
Accounts and notes payable	7,658,917	7,658,917	3,878,161	48,249	2,447,141	53,603	1,231,763
Other payables	1,058,656	1,058,656	124,430	1,542	407,697	522,876	2,111
Long-term payable	364,560	364,560	-	-	-	364,560	-
Guarantee deposit received	130,895	130,895	-	-	3,750	116,843	10,302
	$ 34,194,943	35,432,361	9,109,653	4,714,973	4,458,098	13,937,709	3,211,928

The Group is not expecting that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

(iii) Currency risk

1) Exposure to currency risk

The Group's significant exposures to foreign currency risk were those from its foreign currency denominated financial assets and liabilities as follows:

	December 31, 2018			December 31, 2017		
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD
Financial Assets						
Monetary items						
USD：TWD	$ 57,920	30.7150	1,779,001	61,408	29.7600	1,827,502
HKD：MOP	68,064	1.0300	266,880	68,064	1.0300	259,121
HKD：TWD	476	3.9210	1,865	17,306	3.8070	65,883
MYR：TWD	44,440	7.3848	328,179	29,189	7.3319	214,008
Financial Liabilities						
Monetary items						
HKD：TWD	314	3.9210	1,232	709	3.8070	2,699
USD：MYR	73	4.1592	2,236	88	4.0590	2,623

2) Sensitivity analysis

The Group' s exchange rate risk comes mainly from conversion gains and losses of accounts measured in foreign currencies such as cash and cash equivalents, accounts receivable, other receivables, loans and borrowings, accounts payable, other payables, etc. If the TWD, when compared with foreign currencies, had appreciated or depreciated 1% (with other factors remaining constant on the reporting date), profit would have increased or decreased by $18,980 thousand and by $19,598 thousand for the years 2018 and 2017, respectively.

3) Foreign exchange gains or losses of monetary items

As the Group deals in diverse foreign currencies, gains or losses on foreign exchange are summarized as a single amount. For the years ended December 31, 2018 and 2017, foreign exchange gain or loss (including realized and unrealized) amounted to $7,141 thousand and $19,753 thousand, respectively.

(iv) Interest rate risk

Please refer to the aforementioned liquidity risk management for Group' s interest rate exposure to its financial assets and liabilities.

The following sensitivity analysis is based on the risk exposure in interest rates on the derivative and non-derivative financial instruments on the reporting date.

For variable rate instruments, the sensitivity analysis assumes the variable rate liabilities are outstanding for the whole year on the reporting date. The Group's internal management reports the increases/decreases in the interest rates and the exposure to changes in interest rates of 1% is considered by management to be a reasonable change of interest rate.

If the interest rate increases/decreases by 1%, the Group's net income will decrease/increase by $213,322 thousand and $235,015 thousand for the years 2018 and 2017, respectively, with all other variable factors remain constant. This is mainly due to the Group' s variable rate borrowing.

(v) Other market price risk

For the years ended December 31, 2018 and 2017, the sensitivity analyses for the changes in the securities price at the reporting date were performed using the same basis for the profit and loss as illustrated below:

	December 31, 2018		December 31, 2017	
Prices of securities at the reporting date	Other comprehensive income after tax	Net income	Other comprehensive income after tax	Net income
Increase 1%	$ 18,288	25,099	33,513	-
Decrease 1%	$ (18,288)	(25,099)	(33,513)	-

(vi) Fair value of financial instruments

1) Categories and fair value of financial instruments

The fair value of financial assets and liabilities at fair value through profit or loss, financial instruments used for hedging, and financial assets at fair value through other comprehensive income (available-for-sale financial assets)is measured on a recurring basis. The carrying amount and fair value of the Group's financial assets and liabilities, including the information on fair value hierarchy were as follows; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and for equity investments that has no quoted prices in the active markets and whose fair value cannot be reliably measured, disclosure of fair value information is not required:

	December 31, 2018				
		Fair Value			
	Book Value	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss					
Non derivative financial assets mandatorily measured at fair value through profit or loss	$ 3,021,970	2,003,713	-	1,018,257	3,021,970
Financial assets for hedging	$ 255,391	255,391	-	-	255,391
Financial assets at fair value through other comprehensive income					
Unquoted equity instruments measured at fair value	$ 1,828,762	-	-	1,828,762	1,828,762
Financial assets measured at amortized cost					
Cash and cash equivalents	$ 4,547,174	-	-	-	-
Notes, accounts receivable and long-term receivable	6,548,158	-	-	-	-
Other receivables	713,068	-	-	-	-
Gurantee deposits paid (including current and non-current)	257,216	-	-	-	-
Other finaincial assets	1,713,310	-	-	-	-
Other non-current assets	33,519	-	-	-	-
Subtotal	13,812,445	-	-	-	-
Total	**$18,918,568**	**2,259,104**	-	**2,847,019**	**5,106,123**

CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	December 31, 2018				
		Fair Value			
	Book Value	Level 1	Level 2	Level 3	Total
Financial liabilities at amortized cost					
Bank loans and short-term bills payable	$25,420,184	-	-	-	-
Notes and accounts payable	7,030,182	-	-	-	-
Other payables	1,290,902	-	-	-	-
Long-term payable	360,901	-	-	-	-
Guarantee deposit received	130,277	-	-	-	-
Subtotal	34,232,446	-	-	-	-
Total	$34,232,446	-	-	-	-

	December 31, 2017				
		Fair Value			
	Book Value	Level 1	Level 2	Level 3	Total
Derivative financial assets for hedging	$ 479,232	479,232	-	-	479,232
Available-for-sale financial assets					
Domestic emerging stocks	1,541,318	1,541,318	-	-	1,541,318
Domestic non-public issuance of shares	1,809,970	-	-	1,809,970	1,809,970
Subtotal	3,351,288	1,541,318	-	1,809,970	3,351,288
Loans and receivables					
Cash and cash equivalents	3,428,513	-	-	-	-
Notes, accounts receivable and long-term accounts receivable	10,627,106	-	-	-	-
Other receivables	809,741	-	-	-	-
Guarantee deposits paid (including current and non-current)	111,040	-	-	-	-
Subtotal	14,976,400	-	-	-	-
Total	$18,806,920	2,020,550	-	1,809,970	3,830,520
Financial liabilities measured at amortized cost					
Bank loans and short-term notes payable	$24,978,390	-	-	-	-
Accounts and notes payable	7,658,917	-	-	-	-
Other payables	1,058,656	-	-	-	-
Long-term accounts payable	364,560	-	-	-	-
Guarantee deposit received	130,895	-	-	-	-
Subtotal	34,191,418	-	-	-	-
Total	$34,191,418	-	-	-	-

(Continued)

2) Valuation techniques for financial instruments measured at fair value

Valuation techniques for financial instruments measured at fair value A financial instrument is regarded as being quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's-length basis. Whether transactions are taking place 'regularly' is a matter of judgment and depends on the facts and circumstances of the market for the instrument.

Quoted market prices may not be indicative of the fair value of an instrument if the activity in the market is infrequent, the market is not well-established, only small volumes are traded, or bid-ask spreads are very wide. Determining whether a market is active involves judgment.

Categories and attributes of financial instrument's fair value with an active market are as follows:

- Listed stock are financial assets which have standard provision and trade in an active market, and their fair value are determined by market quoted price respectively.

Measurements of fair value of financial instruments without an active market are based on a valuation technique or quoted price from a competitor. Fair value measured by a valuation technique can be extrapolated from similar financial instruments, the discounted cash flow method, or other valuation technique including a model using observable market date at the reporting date.

Categories and attributes of financial instruments' fair value without an active market are as follows:

- Debt instruments without quoted price: The Group extrapolated fair value by discounted cash flow method. The main assumption is cash flow based on investors' expectation, and the cash flow is discounted by rate of return which is based on the time value of currency and investment risk.

- Equity instruments without quoted price: The Group extrapolated fair value by present earning value method. The main assumption is cash flow from future earnings based on investors' expectation, and the cash flow is discounted by rate of return which is based on the time value of currency and investment risk.

- Equity instruments without quoted price: The Group extrapolated fair value by market approach. The main assumption is surplus multiplier based on comparable quoted market price. The estimates include adjustments of lack of market liquidity.

CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

3) Transfer between Level 1 and Level 2

There were no level transfers in 2018 and 2017.

Shares with quoted prices in active markets held by the Group are classified as Level 1 information. The fair value for 2017 and 2016 has been adjusted to market price. There have been no transfers from each level for the years ended December 31, 2018 and 2017.

4) The movement of Level 3

	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income (Available-for-sale financial assets)
	Non derivative financial assets mandatorily measured at fair value through profit or loss	**Equity instruments without quoted market price**
Balance on January 1, 2018	$ -	1,809,970
Total gains or losses		
Recognized in other comprehensive income	-	18,792
Recognized in profit or loss	(2,694)	-
Reclassifying	456,540	-
Purchased	564,411	-
Balance on December 31, 2018	$ 1,018,257	1,828,762
Balance on January 1, 2017	$ -	1,309,885
Total gains or losses		
Recognized in other comprehensive income	-	500,085
Balance on December 31, 2017	$ -	1,809,970

Aforesaid total gains and losses that were included in "gains from financial assets at fair value through profit or loss", "unrealized gains or losses on available-for-sale financial assets" and "unrealized gains and losses from financial assets at fair value through other comprehensive income". Related assets held for the years ended December 31, 2018 and 2017, were as follows:

	2018	2017
Total income or loss		
In profit or loss (including "other gains and losses")	$ 29,097	-
Recognized in other comprehensive income (recognized as "Unrealized gain on available-for-sale financial assets")	-	500,085
Recognized in other comprehensive income (recognized as "Unrealized gains from financial assets measured at fair value through other comprehensive income")	18,792	-

(Continued)

5) Quantified information for significant unobservable inputs (Level 3) of the fair value

The Group's financial instruments that use Level 3 inputs to measure fair value include "financial assets measured at fair value through profit or loss – debt investments" and "fair value through other comprehensive income (available-for-sale financial assets) – equity investments".

The fair value measurement was categorized as level 3 in the hierarchy. Only equity instruments without active market has several significant unobservable inputs. The significant unobservable inputs of equity instruments without active market are not related because they are independent of each other.

The quantified information for significant unobservable inputs is disclosed as follows:

Item	Valuation Technique	Significant unobservable input	Relationship between input and fair value
Financial liabilities at fair value through profit or loss-equity investments without an active market	Discounted cash flow method	·Return on equity (13.6637% is as of December 31, 2018)	·The higher the return of equity, the lower the fair value.
Financial assets at fair value though profit or loss-liability investments without an active market.	Discounted cash flow method	·Weighted average cost of capital (December 31, 2018, were 8%)	·The higher the weighted average cost of capital , the lower the fair value
Financial assets at fair value through other comprehensive income (Available-for-sale financial assets)-equity investments without an active market	Market Method	·The multiplier of price-to-earnings ratio (December 31, 2018 and 2017, were14.8 and 20.58; 15.03 and 18.62, respectively) ·Market illiquidity discount (December 31, 2018 and 2017, were 80%)	·The higher multiplier is, the higher the fair value ·The higher market illiquidity discount is, the lower the fair value
Financial assets at fair value through other comprehensive income (Available-for-sale financial assets)-equity investments without an active market	Income Method	·Earnings per share (December 31, 2018 and 2017, were 0%) ·Weighted average cost of capital (December 31, 2018 and 2017, were 5%)	·The higher the retained earnings, the higher the fair value ·The higher the weighted average cost of capital , the lower the fair value

6) Sensitivity analysis of reasonably replaceable assumptions for Level 3 financial instruments

The valuation for Level 3 financial instruments is reasonable. However, the result may change if applying different evaluation model or parameter. The following are the effects to current income or other comprehensive income if the parameters change:

(Continued)

CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

	Input	Change up or down	Change in fair value reflecting in current income		Change in fair value reflecting in other comprehensive income	
			Favorable change	Unfavorable change	Favorable change	Unfavorable change
December 31, 2018						
Financial assets at fair value through profit or loss						
Liability instruments without active market	Weighted average cost of capital	1%	$ 39,364	39,689	-	-
Equity instruments without an active market	Return on equity	1%	12,825	(12,166)	-	-
Available-for-sale financial assets						
Equity instruments without an active market	Market liquidity discount	5%	-	-	144,140	144,140
Equity instruments without an active market	Weighted average cost of capital	1%	-	-	154	103
December 31, 2017						
Available-for-sale financial assets						
Equity instruments without an active market	Market liquidity discount	5%	$ -	-	113,058	113,058
Equity instruments without an active market	Weighted average cost of capital	1%	-	-	48	51

The favorable and unfavorable changes refer to the fluctuation of the fair value, which is measured using the valuation technique depending on the different levels of unobservable inputs. The fair values of financial instruments are affected by various inputs. The above table only discloses the effect caused by a single input change and does not consider the correlation and variance between inputs.

(ag) Financial risk management

(i) Illustrative

The Group is exposed to the following risks due to usage of financial instruments:

1) Credit risk

2) Liquidity risk

3) Market risk

According to the exposed risks stated above, the following notes show the goals, policies and procedures of risk measurement and management of the Group.

(ii) Risk management framework

1) The daily operation of the Group is affected by multiple financial risks, including credit risk, liquidity risk and market risk. The overall risk control policy focuses on unpredictable events in financial market and seeks reduction of potential adverse impact on financial status and performance.

(Continued)

2) The Group's finance department implements risk management in accordance with the risk management policy approved by the Board of Directors. The Group's financial department works closely with internal operation department to identify, assess and minimize various financial risks. The Board of Directors has developed a risk policy which covers specific risk exposure, such as the use of derivative financial instruments and the investment of excess liquidity.

(iii) 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, and arises principally from the Group's receivables from customers and investment securities.

1) Accounts receivables and other receivables

Clients of the Group are mainly government bodies and companies operating in the construction industry. To minimize credit risks, the Group reviews the financial positions of the clients periodically and requests guarantees if necessary. The Group also evaluates the collectability of receivables and provides an allowance for doubtful debts on a regular basis. The relevant losses on bad debts are generally under the Group's expectation.

2) Investment

The credit risk exposure in the bank deposits and other financial instruments are measured and monitored by the Group's finance department. Since the Group entered into transactions with banks, financial institutions, corporate organizations and government bodies, with good credit ratings, there are no noncompliance issues and therefore no significant credit risk.

3) Guarantee

As of December 31, 2018 and 2017, the Group's guarantee for construction contract work for other construction companies amounted to approximately $9,359,176 thousand and $9,358,000 thousand, respectively.

(iv) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to manage liquidity is to ensure, as far as possible, that it always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation

The Group's capital and operating funds is adequate to meet demands, and there is no related liquidity risk.

As of December 31, 2018 and 2017, the Group has unused bank facilities for $25,529,183 thousand and $20,156,881 thousand, respectively.

(Continued)

(v) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The Group buys and sells derivatives, and also incurs financial liabilities, in order to manage market risks. All such transactions are carried out within the guidelines set by the Board of Directors.

1) Currency risk

The Group is exposed to currency risk on purchases that are denominated in a currency other than the functional currency of the Group's respective entity. The purchases are transacted in a number of different currencies, including the New Taiwan Dollars (TWD), EUR, JPY, USD, Hong Kong Dollars (HKD), Macau Pataca (MOP), India Rupee (INR) and Malaysia Ringgit (MYR), etc. Whereas the respective entity has its functional currency denominated in TWD, USD, HKD, MOP, INR, and MYR.

The interest is denominated in the currency used in the borrowings. Generally, borrowings are denominated in currencies that match with the cash flows generated by the underlying operations of the Group, primarily TWD and USD.

The Group's investments in other subsidiaries are not hedged.

2) Interest rate risk

As of December 31, 2018 and 2017, financial liabilities exposed to cash flow interest rate risk amounted to $13,613,626 thousand and $14,224,182 thousand, respectively. Given the Group's long-term loans were entered into based on floating rates, the effective interest rate of the long-term loans would change if the market rates changed.

3) Other market price risk

The equity price risk of the Group is derived from its investment in Taiwan High Speed Rail Corporation and other strategic investments. The changes of "financial assets measured at fair value through profit or loss" and "financial assets measured at fair value through other comprehensive income" will affect the Group's other comprehensive income.

(ah) Capital Management

The Group has objectives of managing capital to safeguard the capacity to continue to operate, to continue to provide a return on shareholders, interest of other related parties and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the dividend payment to the shareholders, reduce the capital for redistribution to shareholders, issue new shares or sell assets to settle any liabilities.

(Continued)

CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The Group uses the debt to equity ratio to manage capital. This ratio is calculated based on the total net debt over the total capital. The net debt is derived by subtracting cash and cash equivalents from the total liabilities. Total capital and equity includes the share capital, capital surplus, retained earnings, other equity and non-controlling interest and net debt.

	December 31, 2018	December 31, 2017
Total liabilities	$ 41,181,187	41,189,703
Less: cash and cash equivalents	(4,547,174)	(3,428,513)
Net debt	36,634,013	37,761,190
Total equity	25,824,647	23,599,876
Total capital	$ 62,458,660	61,361,066
Debt to equity ratio	58.65%	61.54%

(ai) Non-cash transactions of investing activities and financing activities or investment property

The non-cash transactions and investing activities of the Group in the years 2018 and 2017 were as follows:

(i) Reclassification of prepayments for business facilities or investment property

	2018	2017
Prepayments for business facilities reclassified to property, plant and equipment	$ -	21,949
Inventories reclassified to property, plant and equipment	-	149,943
Inventories reclassified to investment property	20,969	1,900,672
Investment property reclassified to inventories	656,289	-
	$ 677,258	2,072,564

(ii) Inventories or investment property acquired on credit are recognized as the following accounts：

	2018	2017
Short-term borrowings	$ -	535,921
Accounts and notes payables	-	127,433
Other payables	-	424,080
Long-term accounts payables	-	364,560
	$ -	1,451,994

(iii) Non-controlling interest

		2018	2017
Investment by land contributing from the non-controlling interest of CDC US Corp.	$	66,684	163,232
The loans and other payables owned by CEC provided to CIMY, converting into shares of CIMY		-	40,626
	$	66,684	203,858

(iv) Reconciliation of liabilities arising from financing activities were as follows:

			Non-cash changes		
	January 1,2018	Cash flows	Foreign exchange movement	Fair value changes	December 31, 2018
Short-term borrowings	$ 9,757,733	1,249,835	12,065	-	11,019,633
Short-term bills payable	1,000,000	(210,000)	-	-	790,000
Long-term borrowings (including current portion)	14,220,657	(626,951)	13,770	3,075	13,610,551

(7) Related-party transactions:

(a) Names and relationship with related parties

Name of related party	Relationship with the Company
MEGA	Joint ventures (The company became a subsidiary of the Group from May, 2017)
CTCI&HEC Water Business Corp.	Investment for using equity method (Associates)
American Bridge Co. (ABC)	Investment of subsidiary using equity method (Associates)
American Bridge Holding Company (ABHC)	Investment of subsidiary using equity method (Associates)
Moderate Investment Ltd.	Other related party
HAN-DE Construction CO. LTD	Other related party
CEC Security Corporation	Other related party (The company was not listed in other related party in the consolidated financial statements since August, 2017)
Wei-Dar Development Co., Ltd.	Other related party
Metropolis Property Management Corporation	Other related party
Mid Marked Center LLC	Other related party
FRG US Corp.	Other related party
MM 180 Jones LLC	Other related party
TSRC Corporation (“TSRC”)	Other related party
Doisy Trading Co., Ltd.	Other related party

(Continued)

(b) Other related party transactions:

(i) Contracted construction

2018	Total Contract Amount (Before tax)	Current Amount	Accumulated Amount
Associate (CTCI&HEC Water Business Corp.)	$ 6,115,200	98,312	100,564
2017			
Associate (CTCI&HEC Water Business Corp.)	$ 6,115,200	2,252	2,252

According to contracted construction regulations, the construction contract price is determined based on the budget of each construction, plus reasonable administrative handling fees. The amount shall be approved by the management team.

(ii) Purchases

Purchases from related party were as follows:

	2018	2017
Other related party	$ 21,672	71,477

The price and the payment term concluded with related parties are not significantly different to the price and payment term concluded with external third parties.

(iii) Other outstanding balance

The amounts of outstanding balances between the Group and related parties were as follows:

	Accounts Receivables	
	December 31, 2018	December 31, 2017
Other related party	$ 1,358	1,378
Associates	639	675
	$ 1,997	2,053

	Other Receivables	
	December 31, 2018	December 31, 2017
Other related party—MMC	$ -	54,925
Other related party	8,458	1,922
	$ 8,458	56,847

	Accounts Payables	
	December 31, 2018	December 31, 2017
Other related party	$ 236,540	130,466

	Other Payables	
	December 31, 2018	December 31, 2017
Other related party	$ 1,006	32,074

(iv) Rental

1) Rental income

	2018	2017
Other related party	$ 308	57

The rental is in reference to the nearby rental market value for parking spaces, and is received on a monthly basis.

(v) Loan to related parties

	December 31, 2018	December 31, 2017
Joint ventures-MEGA	$ -	94,723

The interest rate is determined based on the average rate of the short term borrowings entered into with financial institutions during the year. The loans were borrowed without collaterals. After assessment, no provisions for bad debt expenses were accrued.

(vi) Endorsements and Guarantees

	Subject of guarantee	December 31, 2018	December 31, 2017
Associates (CTCI&HEC Water Business Corp.)	Guarantee not related to construction contracts	$ 98,000	98,000

(vii) Other

1) Interest revenue

	2018	2017
Joint ventures-MEGA	$ -	3,330
Associate-ABC	5,480	1,587
Other related party-TSRC	12	-
	$ 5,492	4,917

(Continued)

2) Other expenses

	2018	2017
Other related party	$ 14,993	17,433

3) Property transactions

The Group purchased preferred stocks issued by ABHC, please refer to Note 6(b).

(c) Key Management Personnel Transaction

Key Management Personnel Compensation

	2018	2017
Short-term employee benefits	$ 115,763	107,061

The Group provides ten and thirteen vehicles for key management personnel at a cost of $13,431 thousand and $14,974 thousand in 2018 and 2017, respectively.

(8) Pledged assets:

The carrying values of pledged assets are as follows:

Asset	Purpose of pledge	December 31, 2018	December 31, 2017
Inventory (development corp.)	Loan collateral	$ 17,063,275	11,950,152
Restricted deposits (other current assets)	Time deposits collateral	363,432	325,666
Property, plant and equipment	Loan collateral and construction guarantee	675,966	678,452
Investment property, net	Loan collateral and construction guarantee	12,132,748	12,588,538
Intangible assets	Loan collateral	846,477	803,481
Long-term accounts receivables	Loan collateral	3,635,887	3,747,026
Total		$ 34,717,785	30,093,315

(9) Commitments and contingencies:

(a) Major commitments were as follows:

(i) As of December 31, 2018 and 2017, details of pre-sales prior to real estate complete, sales of completed real estate, and the advance receipts from these sales were listed below:

	December 31, 2018	December 31, 2017
Pre-sales and total sales of completed real estate	$ 7,460,256	10,861,463
Advance receipts	$ 1,905,077	2,168,819

(Continued)

(ii) As of December 31, 2018 and 2017, the Group purchased land in a contract amount of \$2,002,882 thousand and \$2,193,627 thousand, respectively, within which, \$832,863 thousand and \$1,855,872 thousand has been respectively paid in accordance with the contracts.

(iii) As of December 31, 2018 and 2017, total price of the construction contracts entered into by the Group and the total collected/billed amounts according to the contract are listed below:

	December 31, 2018	December 31, 2017
Total contract amount—TWD	126,938,365	103,972,967
—INR	49,455,015	48,947,723
—HKD	4,142,772	3,893,330
—MOP	1,008,111	895,162
—MYR	394,863	380,403
Accumulated billing amount	160,197,678	101,856,938

(iv) As of December 31, 2018 and 2017, the Group provided guarantees for contract performance and construction warranties to other construction companies, including jointly liable contracts amounting to \$9,359,176 thousand and \$9,358,000 thousand, respectively.

(v) Service Concession agreements

The Group has entered into a service concession plan on sewage treatment with the government in the form of either a BOT project (Build–operate–transfer) or a wastewater reclamation and reuse BTO project (Build– transfer– operate). The primary terms of the contracts are summarized as follows:

1) During the project concession period, in accordance with the government' s appointed service form, the Group (i) provides construction, operation and maintenance to the facilities for sewage treatment, and (ii) acquires the construction and operation right of the wastewater reclamation and reuse facilities as well as the sewage treatment facilities.

2) The Group has the right to use the aforesaid facilities and land to provide related sewage treatment services during the concession period, and obtains interest based on the price in the construction contract and price index.

3) The government will control and supervise the Group's service scope leveraged from the use of the facilities.

4) When there is significant violation to the clause in the service concession agreement, both the Group and the government will be able to terminate the agreement.

5) During the concession period, the Group is the nominal registrant entitled to the ownership of the land and sewage treatment facilities. After the concession period, in accordance with the construction and operation agreement, the plants and facilities shall be restored back to their normal operating conditions and reverted to the government without conditions.

6) Three years before the expiration date, the Group is entitled to submit an application for extending the contract; if the Group's operating performance is qualified to apply for a renewal of contract, it is given a preferential right to submit the renewal application to the authority.

7) The Group's construction and operation contracts with the government were as follows:

The subsidiary as an operator	Location	Grantor	Agreement type	Concession period
NSC	Danshui area	New Taipei City	BOT of sewage system	May 2005~ May 2040
PDC	Pu Ding area	Taoyuan City	BOT of sewage system	35 years (after land delivery)
BWC	Kaohsiung area	Kaohsiung City	BTO of wastewater reclamation and reuse	August 2016~August 2033
LHC	Kaohsiung area	Kaohsiung City	BTO of wastewater reclamation and reuse	October 2018~October 2036

(vi) The Group's issued but unused letter of credit

	December 31, 2018	December 31, 2017
Issued but unused L/C	$ -	8,187

(b) Contingent liability:

(i) As of December 31, 2018 and 2017, the Group provided promissory notes for contract performance, issuance of commercial paper, and construction warranty, amounting to $42,267,992 thousand and $56,715,588 thousand, respectively.

(ii) As of December 31, 2018 and 2017, the Group was provided with guarantee deposits and performance guarantees amounting to $14,898,924 thousand and $11,180,146 thousand, respectively, from construction subcontractors.

(c) Other

(i) As of December 31, 2018 and 2017 the Group paid guarantee deposits for the joint construction contracts with several landowners amounting to $6,409 thousand, respectively (recognized as other current assets).

(ii) In April 2005, the Group filed a lawsuit against Kao Nan Region Construction Office for the East West Expressway, Directorate General of Highway, MOTC ("Kao-Nan"), demanding a compensation of $444,579 thousand for the disputes concerning the construction period extension and construction plan change related to the highway between Wujia and Shangliao areas. In February 2014, Taiwan High Court Kaohsiung Branch reached its 2nd verdict which decided Kao-Nan to compensate the Group an amount of $243,206 thousand (including interest). The Group disagreed with the High Court's decision and appealed to the Supreme Court. On the other hand, Kao-Nan also appealed to the Supreme Court stating that the compensation amount decided by the High Court was unreasonable. In June 2014, the Supreme Court overruled the 2nd verdict made by the High Court and handed over this case back to the High Court for another decision. September 2018, Taiwan High Court Kaohsiung Branch

(Continued)

CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

decided that Kao-Nan should pay the amount of 318,498 thousand to the Company (including interest). Both the Company and Kao-Nan Region Construction Office appeal against the decision. Until financial statement date, the case is still in progress.

(10) Losses Due to Major Disasters: None

(11) Subsequent Events: None

(12) Other:

Personnel expenses, depreciation, depletion and amortization are summarized as follows:

Function / Nature	2018			2017		
	Operating cost	**Operating expense**	**Total**	**Operating cost**	**Operating expense**	**Total**
Employee benefit						
Salary expenses	1,171,935	593,909	1,765,844	1,338,677	517,415	1,856,092
Health and labor Insurance	62,353	33,809	96,162	65,574	32,132	97,706
Pension	45,311	26,518	71,829	51,189	32,543	83,732
Others	145,301	87,199	232,500	216,603	69,504	286,107
Depreciation	155,647	19,946	175,593	250,168	25,531	275,699
Depletion	47,186	-	47,186	31,594	-	31,594

(Continued)

CONTINENTAL HOLDINGS CORPORATION
Notes to Consolidated Financial Statements

(13) Other disclosures:

(a) Information on significant transactions:

The following information on significant transactions are disclosed in accordance with the *Regulations Governing the Preparation of Financial Reports by Securities Issuers*:

(i) Loans provided to other parties:

(In Thousands of New Taiwan Dollars)

Number	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower	Transaction amount for businesses between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Maximum amount of loans provided to a single enterprise	Maximum amount of loans
													Item	Value		
1	CEC	American Bridge Company	Other receivables	Yes	772,213	-	-	-	2	-	Operation requirements	-	-	-	2,074,883	2,074,883
2	CDC	BANGSAR RISING SDN. BHD.	Other receivables	Yes	219,329	219,329	11,077 (Note 2)	7.9%	2	-	Land purchases and operation requirements	-	-	-	6,325,740	6,325,740
2	CDC	MEGA Capital Development Sdn. Bhd.	Other receivables	Yes	460,183	449,876	317,081 (Note 2)	7.65% ~7.90%	2	-	Land purchases and operation requirements	-	-	-	6,325,740	6,325,740
2	CDC	Grand River Development Limited	Other receivables	No	199,400	199,400	194,937	1.90% ~2.5%	2	-	Land purchases and operation requirements	-	-	-	6,325,740	6,325,740

Note 1: The total amount of loans provided to others is limited to 40% of net equity value. The amount of loans to a single business enterprise is limited to 40% of net equity value. Relevant calculation are as follows:

1) CEC:

Maximum amount of loans is limited to 40% of net equity value: \$5,187,208 thousand × 40% = 2,074,883 thousand

Maximum amount of loans provided to a single business enterprise is limited to 40% of net equity value: \$5,187,208 thousand × 40% = 2,074,883 thousand

2) CDC:

Maximum amount of loans is limited to 40% of net equity value: \$15,814,350 thousand × 40% = 6,325,740 thousand

Maximum amount of loans provided to a single business enterprise is limited to 40% of net equity value: \$15,814,350 thousand × 40% = 6,325,740 thousand

Note 2: The above transactions were eliminated when preparing the consolidated financial statements.

Note 3: Financing purposes:

1) Business dealings: 1
2) Short-term financing needs: 2

(Continued)

CONTINENTAL HOLDINGS CORPORATION
Notes to Consolidated Financial Statements

(ii) Guarantees and endorsements for other parties:

(In Thousands of New Taiwan Dollars)

No.	Name of guarantor	Counter-party of guarantee and endorsement		Maximum amount of guarantees and endorsements for a specific enterprise	Highest balance of guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements over net worth in the latest financial statements	Maximum amount of guarantees and endorsements	Parent company's endorsements/ guarantees to third parties on behalf of subsidiary	Subsidiary's endorsements/ guarantees to third parties on behalf of parent company	Endorsements/ guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company										
0	CHC	CICI	2	94,611,340	571,933	549,926	549,926	-	2.32 %	94,611,340	Y	N	N
0	CHC	CEC	2	94,611,340	11,152,790	11,136,085	7,364,917	-	47.08 %	94,611,340	Y	N	N
0	CHC	HEC	2	94,611,340	793,800	793,800	593,800	-	3.36 %	94,611,340	Y	N	N
0	CHC	CEC (HK)	2	94,611,340	990,000	980,250	-	-	4.14 %	94,611,340	Y	N	N
1	CEC	Fu Tsu Construction Co., Ltd.	5	15,561,624	9,358,000	9,358,000	9,358,000	-	180.40 %	31,123,248	N	N	N
1	CEC	Techoy Construction Company Limited	5	15,561,624	1,184	1,176	1,176	-	0.02 %	31,123,248	N	N	N
1	CEC	CIC	2	10,374,416	419,300	353,223	307,150	-	6.81 %	10,374,416	N	N	N
1	CEC	HEC	4	10,374,416	1,360,000	193,800	193,800	-	3.74 %	10,374,416	N	N	N
1	CEC	HEC	4 and 5	15,561,624	4,181	4,181	4,181	-	0.08 %	31,123,248	N	N	N
1	CEC	NSC	4	10,374,416	300,000	-	-	-	- %	10,374,416	N	N	N
1	CEC	HEC (Puding) Environment Corporation	4	10,374,416	32,000	32,000	32,000	-	0.62 %	10,374,416	N	N	N
1	CEC	CICI	2	10,374,416	185,730	184,290	30,034	-	3.55 %	10,374,416	N	N	N
1	CEC	CEC (HK)	2	10,374,416	986,250	-	-	-	- %	10,374,416	N	N	N
1	CEC	CICI	2 and 5	15,561,624	4,656,283	4,434,545	4,434,545	-	85.49 %	31,123,248	N	N	N
1	CEC	CIMY	2 and 5	15,561,624	3,716,568	3,633,322	3,633,322	-	70.04 %	31,123,248	N	N	N
2	CDC	CEC Commercial Development Corp.	2	31,628,700	1,475,000	1,475,000	1,290,000	-	9.33 %	31,628,700	N	N	N
2	CDC	MEGA	2 and 6	31,628,700	459,682	456,118	456,118	-	2.88 %	31,628,700	N	N	N
2	CDC	950 Property LLC	2	31,628,700	4,312,477	3,853,676	294,194	-	24.37 %	31,628,700	N	N	N
2	CDC	Fan Lu Construction Industry Co., Ltd.	6	31,628,700	1,557,000	1,557,000	-	-	9.85 %	31,628,700	N	N	N
3	CEC Commercial Development Corp.	CDC	3	13,184,588	1,258,200	1,258,200	1,048,500	1,258,200	38.17 %	13,184,588	N	N	N
3	CEC Commercial Development Corp.	CDC	3 and 7	13,184,588	1,215,000	1,215,000	1,075,105	-	36.86 %	13,184,588	N	N	N
4	HEC	CEC	4	16,433,166	541	541	541	-	0.02 %	16,433,166	N	N	N
4	HEC	CEC	4 and 5	16,433,166	6,028,750	6,028,750	6,028,750	-	220.12 %	16,433,166	N	N	N
4	HEC	BWC	2	16,433,166	70	70	70	-	- %	16,433,166	N	N	N
4	HEC	BWC	2 and 6	16,433,166	800,700	800,700	751,740	-	29.23 %	16,433,166	N	N	N
4	HEC	CTCI & HEC (Chungli) Corporation	6	16,433,166	98,000	98,000	98,000	-	3.58 %	16,433,166	N	N	N

(Continued)

CONTINENTAL HOLDINGS CORPORATION
Notes to Consolidated Financial Statements

No.	Name of guarantor	Counter-party of guarantee and endorsement		Maximum amount of guarantees and endorsements for a specific enterprise	Highest balance of guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements over net worth in the latest financial statements	Maximum amount of guarantees and endorsements	Parent company's endorsements/ guarantees to third parties on behalf of subsidiary	Subsidiary's endorsements/ guarantees to third parties on behalf of parent company	Endorsements/ guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company										
4	HEC	NSF	2	16,433,166	600,000	600,000	365,000	-	21.91 %	16,433,166	N	N	N
4	HEC	SDC	2	16,433,166	50,000	-	-	-	- %	16,433,166	N	N	N
4	HEC	HDEC-CTCI (Linhai) Corporation	2 and 6	16,433,166	1,485,000	1,485,000	220,000	-	54.22 %	16,433,166	N	N	N

Note 1: According to the policy of CHC, the total amount of endorsements/guarantees is limited to four times the net equity value in accordance with the Company's most recent financial statements: $23,652,835 thousand × 4 = $94,611,340 thousand

The total amount of endorsements/guarantees provided to a single business is limited to four times the net equity value in accordance with the Company's most recent financial statements: $23,652,835 thousand × 4 = $94,611,340 thousand

According to the policy of CEC, the total amount of endorsements/guarantees is limited to six times the net equity value in accordance with the Company's most recent financial statements in the event of joint liability in joint ventures with other companies in the same industry: $5,187,208 thousand × 6 = $31,123,248 thousand

The total amount of endorsements/guarantees provided to a single business is limited to three times the net equity value in accordance with the Company's most recent financial statements: $5,187,208 thousand × 3 = $15,561,624 thousand

According to the policy of CEC, the total amount of endorsements/guarantees is limited to two times the net equity value in accordance with the Company's most recent financial statements except in the event of joint liability in joint ventures with other companies in the same industry: $5,187,208 thousand × 2 = $10,374,416 thousand

The total amount of endorsements/guarantees provided to a single business is limited to two times the net equity value in accordance with the Company's most recent financial statements: $5,187,208 thousand × 2 = $10,374,416 thousand

According to the policy of CDC, the total amount of endorsements/guarantees is limited to two times the net equity value in accordance with the Company's most recent financial statements: $15,814,350 thousand × 2 = $31,628,700 thousand

The total amount of endorsements/guarantees provided to a single business is limited to two times the net equity value in accordance with the Company's most recent financial statements: $15,814,350 thousand × 2 = $31,628,700 thousand

According to the policy of CEC Commercial Development Corp., the total amount of endorsements/guarantees is limited to four times the net equity value in accordance with the Company's most recent financial statements: $3,296,147 thousand × 4 = $13,184,588 thousand

The total amount of endorsements/guarantees provided to a single business is limited to four times the net equity value in accordance with the Company's most recent financial statements: $3,296,147 thousand × 4 = $13,184,588 thousand

According to the policy of HEC, the total amount of endorsements/guarantees is limited to four times the net equity value in accordance with the Company's most recent financial statements: $2,738,861 thousand × 6 = $16,433,166 thousand

The total amount of endorsements/guarantees provided to a single business is limited to four times the net equity value in accordance with the Company's most recent financial statements: $2,738,861 thousand × 6 = $16,433,166 thousand

(Continued)

CONTINENTAL HOLDINGS CORPORATION
Notes to Consolidated Financial Statements

Note 2: Seven categories between relationship with the endorser / guarantor:

1) Having business relationship.
2) The endorser / guarantor parent company directly and indirectly holds more than 50% of voting shares of the endorsed / guaranteed subsidiary.
3) The endorser / guarantor subsidiary which directly and indirectly be held more than 50% voting shares by the endorsed / guaranteed parent company.
4) The endorser / guarantor company and the endorsed / guaranteed party both be held more than 90% by the parent company.
5) Company that is mutually protected under contractual requirements based on the needs of the contractor.
6) Company that is endorsed by its shareholders in accordance with its shareholding ratio because of the joint investment relationship.
7) Performance guarantees for pre-sale contracts under the Consumer Protection Act.

(iii) Securities held as of December 31, 2018 (excluding investment in subsidiaries, associates and joint ventures):

(In Thousands of New Taiwan Dollars)

Name of holder	Category and name of security	Relationship with company	Account name	Ending balance				Highest Percentage of ownership (%)	Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value		
CEC	Evergreen Steel Corp.	-	Financial asset measured at fair value through other comprehensive income-non current	25,645,907	1,241,467	6.28 %	48.41	6.28 %	
CEC	Shin Yung Enterprise Corp.	-	Financial asset measured at fair value through other comprehensive income-non current	12,256,347	584,775	8.45 %	47.71	8.45 %	
CEC	JieBang Consultant Management Co., Ltd.	-	Financial asset measured at fair value through other comprehensive income-non current	300,000	2,520	6.00 %	8.40	6.00 %	
CEC	Taiwan Motp MacDonald Ltd.	-	Financial asset measured at fair value through other comprehensive income-non current	380,000	-	19.00 %	-	19.00 %	
CEC	International Property & Finance Co., Ltd.	-	Financial asset measured at fair value through other comprehensive income-non current	26,301	-	1.64 %	-	1.64 %	
CEC	Shin Yu Energy Development Co., Ltd.	-	Financial asset measured at fair value through other comprehensive income-non current	22,405,297	-	9.00 %	-	9.00 %	
CEC	American Bridge Holding Company	Associate	Financial asset measured at fair value through profit or loss-non-current	18,188	512,067	45.47 %	-	- %	
CDC	Taiwan High Speed Rail Cor. – common stock	-	Financial asset measured at fair value through profit or loss-current	65,588,000	2,003,713	1.17 %	30.55	1.17 %	
CDC	Grand River Development Limited	-	Financial asset measured at fair value through profit or loss-non-current	56,848,278	506,190	10.00 %	9.92	10.00 %	

(Continued)

CONTINENTAL HOLDINGS CORPORATION
Notes to Consolidated Financial Statements

(iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of TWD 300 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Name of company	Category and name of security	Account name	Name of counter-party	Relationship with the company	Beginning Balance		Purchases		Sales				Ending Balance	
					Shares	Amount	Shares	Amount	Shares	Price	Cost	Gain (loss) on disposal	Shares	Amount
CEC	American Bridge Holding Company	Financial asset measured at fair value through profit or loss-non-current	-	Associate	-	-	18,188	543,858	-	-	-	-	18,188	543,858
CDC	Stock-CDC US Corp.	Investment for using equity method	-	Subsidiary	5,000,000	601,152	-	448,550	-	-	-	-	5,000,000	1,049,702

(v) Acquisition of individual real estate with amount exceeding the lower of TWD300 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Name of company	Name of property	Transaction date	Transaction amount	Status of payment	Counter-party	Relationship with the Company	If the counter-party is a related party, disclose the previous transfer information				Factors for determining price	Purpose of acquisition and current condition	Others
							Owner	Relationship with the Company	Date of transfer	Amount			
CDC	Land held for development	May 9, 2018	1,110,000	180,000	CM, Vincentians, Lazarists Foundation	Non related party	-	-	-	-	According to market condition and the report from real estate appraiser	Real estate development	-
CDC	Land held for development	May 17, 2018	600,703	600,703	New Taipei City Government	Non related party	-	-	-	-	Pubic bidding	Real estate development	-

(vi) Disposal of individual real estate with amount exceeding the lower of TWD 300 million or 20% of the capital stock: None

(Continued)

CONTINENTAL HOLDINGS CORPORATION
Notes to Consolidated Financial Statements

(vii) Related-party transactions for purchases and sales with amounts exceeding the lower of TWD 300 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Name of company	Related party	Relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
CEC	CDC	Related party	Construction contract	(2,553,108)	13.20%	Same as those in general transactions	-	-	554,559	10.82%	1
CDC	CEC	Related party	Construction project	2,553,108	83.53%	Same as those in general transactions	-	-	(554,559)	65.29%	
HEC	BWC	Related party	Construction contract	(378,882)	58.33%	Same as those in general transactions	-	-	36,256	17.60%	1
BWC	HEC	Related party	Construction project	378,882	46.89%	Same as those in general transactions	-	-	(36,256)	(21.25)%	

Note 1: The Company recognized its construction contract income using the percentage-of-completion method.

Note 2: Aforesaid notes and accounts receivable are include contract assets.

Note 3: The above transactions were eliminated when preparing the consolidated financial statements.

(viii) Receivables from related parties with amounts exceeding the lower of TWD 100 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Name of company	Counter-party	Relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period	Allowance for bad debts
					Amount	Action taken		
CEC	CDC	Related party of the Company	Accounts receivable 554,559	2.66	-	-	130,675	-

Note 1: Aforesaid notes and accounts receivable are including contract assets.

Note 2: The above transactions were eliminated when compiling the consolidated financial statements.

(ix) Derivatives transactions: Please refer to notes

As of December 31, 2018, the Group entered into forward exchange agreement with an amount of USD12,083 thousand, and hedging instruments in amounts of USD6,984 thousand, JPY3,218 thousand and EUR865 thousand.

(Continued)

CONTINENTAL HOLDINGS CORPORATION
Notes to Consolidated Financial Statements

(x) Business relationships and significant intercompany transactions:

(In Thousands of New Taiwan Dollars)

No.	Name of company	Name of counter-party	Relationship	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
0	CHC	CEC	1	Rental costs	11,382	Same as those in normal transactions	0.05%
		CEC	1	Interest revenue	3,196	-	0.01%
1	CEC	CHC	2	Rental revenue	11,382	Same as those in normal transactions	0.05%
		CHC	2	Interest expense	3,196	Same as those in normal transactions	0.01%
		CDC	3	Rental revenue	14,430	Same as those in normal transactions	0.06%
		CDC	3	Construction revenue	2,553,108	Same as those in normal transactions	9.40%
		CDC	3	Accounts receivable	345,105	-	0.52%
		CDC	3	Contract revenue	209,454	-	0.31%
2	CDC	CEC	3	Construction costs	2,553,108	Same as those in normal transactions	8.91%
		CEC	3	Rental costs	14,430	Same as those in normal transactions	0.06%
		CEC	3	Accounts payable	554,559	-	0.83%
		MEGA	3	Other receivable	377,288	-	0.56%
		MEGA	3	Rental revenue	23,119	-	0.03%
3	HEC	NSC	3	Operating revenue	94,335	Same as those in normal transactions	0.38%
		NSC	3	Account receivable	67,593	-	0.10%
		NSC	3	Contract asset	13,662	-	0.02%
		BWC	3	Operating revenue	378,882	Same as those in normal transactions	1.51%
		BWC	3	Accounts receivable	35,584	-	0.05%
		BWC	3	Contract asset	48,478	-	0.07%
		PDC	3	Operating revenue	82,093	Same as those in normal transactions	0.33%
		PDC	3	Accounts receivable	30,118	-	0.12%
		SDC	3	Operating cost	21,326	-	0.08%
4	NSC	HEC	3	Account payable	81,255	Same as those in normal transactions	0.12%
		HEC	3	Operating cost	94,335	-	0.38%
		SDC	3	Account payable	9,208	Same as those in normal transactions	0.01%
		SDC	3	Operating cost	8,892	-	0.04%
5	SDC	NSC	3	Contract asset	9,307	Same as those in normal transactions	0.01%
		NSC	3	Construction revenue	8,892	-	0.04%
		HEC	3	Construction revenue	22,442	Same as those in normal transactions	0.09%
6	BWC	HEC	3	Operating cost	378,882	Same as those in normal transactions	1.51%
		HEC	3	Account payable	84,062	-	0.13%
7	PDC	HEC	3	Operating cost	82,093	Same as those in normal transactions	0.33%
		HEC	3	Account payable	30,118	-	0.12%
8	MEGA	CDC	3	Interest expense	23,119	Same as those in normal transactions	0.03%
		CDC	3	Other payable	377,288	-	0.56%

Note 1: For transactions between the Company and its subsidiaries, numbers are assigned as follows:

1) 0 represents the Company.

2) 1~8 represent subsidiaries

(Continued)

CONTINENTAL HOLDINGS CORPORATION
Notes to Consolidated Financial Statements

Note 2: Relationships are as follows:

1) 1. the Company to subsidiary.
2) 2. subsidiary to the Company.
3) 3. subsidiary to other subsidiary

(b) Information on investees:

The following table provides investees' information as of December 31, 2018 (excluding information on investees in Mainland China):

(In Thousands of New Taiwan Dollars)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2018			Highest Percentage of ownership	Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2018	December 31, 2017	Shares (thousands)	Percentage of ownership	Carrying value				
CHC	CEC	Taiwan	Comprehensive construction	6,484,584	6,484,584	400,062,071	100.00 %	5,035,049	100.00 %	(91,054)	(48,295)	Note 1
CHC	CDC	Taiwan	Housing and building development and lease	6,620,748	6,620,748	516,487,823	100.00 %	15,814,349	100.00 %	1,831,002	1,831,002	Note 1
CHC	HEC	Taiwan	Construction of underground pipeline	2,360,366	2,360,366	159,700,000	100.00 %	2,738,862	100.00 %	266,696	266,696	Note 1
CEC	CICI	India	Construction projects	497,839	497,839	73,981,492	100.00 %	(64,407)	100.00 %	15,808	Disclosure not required	-
CEC	CIC	British Virgin Islands	Investment and holding	1,305,504	1,305,504	39,139,940	100.00 %	326,329	100.00 %	(801,852)	Disclosure not required	-
CEC	CIMY	Malaysia	Construction projects	352,527	352,527	46,340,476	92.24 %	171,231	92.24 %	62,059	Disclosure not required	-
CEC	CEC Hong Kong Limited	Hong Kong	Construction projects	384	-	1	100.00 %	392	100.00 %	-	Disclosure not required	-
CEC International Corp.	New Continental Corp.	British Virgin Islands	Investment and holding	1,219,149	1,219,149	4,596	45.47 %	543,476	45.47 %	(1,668,422)	Disclosure not required	-
CDC	BANGSAR RISING SDN. BHD	Malaysia	Real estate development	4,444	-	600,000	60.00 %	4,335	60.00 %	(162)	Disclosure not required	-
CDC	CEC Commercial Development Corp.	Taiwan	Housing and building development and lease	976,539	976,539	35,304,190	80.65 %	2,658,343	80.65 %	44,915	Disclosure not required	-
CDC	Fan Lu Construction Industry Co., Ltd.	Taiwan	Housing and building development and lease	9,000	-	8,089,332	35.00 %	71,760	35.00 %	(329)	Disclosure not required	-
CDC	MEGA Captial Development Sdn. Bhd.	Malaysia	Real estate development	7,375	7,375	825,000	55.00 %	2,614	55.00 %	(10,372)	Disclosure not required	-
CDC	CDC US Corp.	The U.S.	Investment	1,049,702	601,152	5,000,000	100.00 %	1,066,887	100.00 %	(7,426)	Disclosure not required	-
HEC	SDC	Taiwan	Construction projects	49,600	49,600	3,000,000	100.00 %	36,796	100.00 %	1,395	Disclosure not required	
HEC	NSF	Taiwan	Pollution protection and other environmental sanitation	1,112,000	1,112,000	151,300,000	100.00 %	2,579,587	100.00 %	163,334	Disclosure not required	
HEC	BWC	Taiwan	Pollution protection and other environmental sanitation	362,100	362,100	37,740,000	51.00 %	452,689	51.00 %	143,958	〃	
HEC	PDC	Taiwan	Pollution protection and other environmental sanitation	140,000	140,000	14,000,000	100.00 %	139,306	100.00 %	(103)	〃	
HEC	CTCI-HEC Water Business Corporation	Taiwan	Pollution protection and other environmental sanitation	245,000	245,000	24,500,000	49.00 %	234,927	49.00 %	(10,045)	〃	
HEC	HDEC-CTCI (Linhai) Corporation	Taiwan	Pollution protection and other environmental sanitation	247,500	-	24,750,000	55.00 %	246,142	55.00 %	(2,469)	〃	

Note : The information on investment income/loss for the years ended December 31, 2018 was derived from the investees' financial statements audited by the auditors for the same period.

(c) Information on investment in mainland China: None

(Continued)

CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(14) Segment information:

For the years ended December 31, 2018 and 2017, operating segments required to be disclosed are categorized as Construction Business, Real Estate Business, and Investment Business. The main operating activities of Construction Business are civil and architectural engineering and construction. The main operating activities of Real Estate Business are selling, renting and investing in construction of the residential, commercial buildings and large-scale residential communities. The main function of Investment Business is to integrate operating strategy, supervising and monitoring each operating segments' operation, and control and allocate each operating segments' operating resources. The Consolidation Group assessed performance of the segments based on the segments' net income before taxes, which is in line with the financial information used to prepare the consolidated financial statements. The Group and its subsidiaries engage primarily in the business of construction and real estate. Segment income referred to above represents operating income from external sources, excluding other income of the Group that is unrelated to any segment, and gain/loss on investments recognized under the equity method.

Segment income or loss is the balance after subtracting segment costs and expenses from revenue. Segment costs and expenses refer to those related to the revenue-generating process of a segment. If operating costs and expenses are not directly attributable, the number of employees will be used to allocate them to each segment. Cost of the technology service segment is allocated by the percentage of segment operating income, but segment costs and expenses do not include normal expenses and interest unrelated to a segment.

Identifiable assets comprise tangible and intangible assets directly attributable to each segment. If more than two segments use an asset, costs will be allocated by the number of employees. However, assets identifiable by segments do not include the following items:

1. Assets not attributable to the operations of any specific segment.

2. Long-term equity investments under the equity method and the cost method.

(a) Disclosure of the information on industrial departments

The reconciliation statements of all operating departments:

		2018					
		Construction	Real estate	Environment engineering Business	Investment	Adjustment and write-off	Total
Revenue:							
Segment revenues from external customers	$	17,666,399	6,368,284	1,119,428	-	-	25,154,111
Intersegment revenues		2,409,989	-	590,665	2,049,403	(5,050,057)	-
Total revenues	$	20,076,388	6,368,284	1,710,093	2,049,403	(5,050,057)	25,154,111
Reportable segment profit or loss	$	(814,407)	1,908,505	652,845	1,951,118	(1,536,268)	2,161,793
Assets:							
Investments accounted for using equity method	$	1,041,429	3,803,939	3,689,448	23,588,260	(31,272,912)	850,164
Capital expenditure		3,381,020	11,472,029	64,272	2,111	-	14,919,432
Reportable segment total assets	$	20,056,973	43,900,546	12,450,546	23,722,802	(33,125,033)	67,005,834
Reportable segment total liabilities	$	14,421,120	22,863,185	5,620,839	69,967	(1,793,924)	41,181,187

(Continued)

CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	2017					
	Construction	Real estate	Environment engineering Business	Investment	Adjustment and write-off	Total
Revenue:						
Segment revenues from external customers	$ 21,874,046	4,835,565	1,675,132	-	-	28,384,743
Intersegment revenues	3,627,617	-	617,315	927,674	(5,172,606)	-
Total revenues	$ 25,501,663	4,835,565	2,292,447	927,674	(5,172,606)	28,384,743
Reportable segment profit or loss	$ (1,742,310)	1,211,303	562,382	837,659	22,848	891,882
Assets:						
Investments accounted for using equity method	$ 2,517,013	3,235,313	3,415,391	22,148,306	(29,790,716)	1,525,307
Capital expenditure	3,537,970	11,978,133	75,146	-	-	15,591,249
Reportable segment total assets	$ 21,525,391	42,404,064	10,711,096	22,225,669	(32,076,641)	64,789,579
Reportable segment total liabilities	$ 15,063,917	23,531,560	4,698,992	101,333	(2,206,099)	41,189,703

(b) Geographic information

The revenues from external customers are categorized by the geographical location of customers and the non-current assets are categorized based on the region of where the assets are located:

Area	2018	2017
Revenue from external customers:		
Taiwan	$ 20,408,529	19,930,966
Others	4,745,582	8,453,777
	$ 25,154,111	28,384,743
Non-current assets		
Taiwan	$ 22,591,018	22,082,743
The United Sates	-	656,289
Others	1,594,070	2,390,579
Total	$ 24,185,088	25,129,611

Non-current assets include property, plant and equipment, investment property, intangible assets, and other assets, but excluding financial instruments, deferred tax assets, assets of pension benefit, and assets arising from insurance contracts as well.

(c) Information on major customers

	2018	2017
Construction corporations	$ 7,886,355	11,781,879
Governments	10,218,642	15,266,217
Others	7,049,114	1,336,647
Total	$ 25,154,111	28,384,743