

**CONTINENTAL HOLDINGS CORPORATION
AND SUBSIDIARIES**

CONSOLIDATED FINANCIAL STATEMENTS

**With Independent Auditors' Report
For the Years Ended December 31, 2020 and 2019**

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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.

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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, 2020 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 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 16, 2021



安侯建業聯合會計師事務所

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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, 2020 and 2019, 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, 2020 and 2019, 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 audit in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants and the 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. We have determined the matters described below to be the key audit matters to be communicated in our report.

1. Revenue recognition of construction contracts

Please refer to Note 4(r) for revenue from contracts with customers; Note 5 for recognition of revenue and measurement for the completed percentage of construction contracts; and Note 6(z) 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(g) 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, comparing with the investment analysis provided by the management, and reassessing according to the actual situation, there is no impairment.

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 11.70% of the consolidated total assets at December 31, 2019, and the total revenues constituting 0.78% of the consolidated total revenues for the year ended December 31, 2019.

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, 2019, using the equity method, Group's investment in these investee companies constituted 0.95% of the Group's total asset; the losses resulted from the Group's investment in the associates and joint ventures represented 124.35% of the Group's income before tax for the year ended December 31, 2019.

Continental Holdings Corporation has prepared its parent-company-only financial statements for the years ended December 31, 2020 and 2019, and we have issued an unqualified opinion and an unqualified opinion with other matter thereon, respectively.

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 Chung-Che Chen and Ti-Nuan Chien.

KPMG

Taipei, Taiwan (Republic of China)

March 16, 2021

Notes to Readers

The accompanying consolidated financial statements are intended only to present the consolidated 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' audit 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' audit report and consolidated financial statements, the Chinese version shall prevail.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)
CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

Assets		December 31, 2020		December 31, 2019		Liabilities and Equity		December 31, 2020		December 31, 2019	
		Amount	%	Amount	%			Amount	%	Amount	%
Current assets:						Current liabilities:					
1100	Cash and cash equivalents (Note 6(a))	\$ 4,512,368	7	4,423,239	7	2100	Short-term borrowings (Note 6(n))	\$ 10,024,080	15	8,085,510	13
1139	Current financial assets for hedging (Note 6(d))	447,850	1	538,361	1	2110	Short-term notes and bills payable (Note 6(o))	820,000	1	1,100,000	2
1140	Current contract assets (Note 6(z))	3,892,099	6	4,962,956	8	2130	Current contract liabilities (Note 6(z))	8,121,289	12	6,555,197	10
1150	Notes receivable, net (Notes 6(e) and (z))	853,226	1	342,904	2	2170	Notes and accounts payable (Note 7)	5,784,460	9	5,907,669	9
1170	Accounts receivable, net (Notes 6(e), (z) and 7)	2,035,690	3	2,140,165	3	2200	Other payables (Notes 6(v) and 7)	1,989,830	3	1,931,572	3
1200	Other receivables (Notes 6(f) and 7)	690,595	1	819,484	1	2230	Current tax liabilities	69,699	-	335,192	1
1220	Current tax assets	166,267	-	140,080	-	2250	Current provisions (Note 6(s))	480,566	1	541,379	1
130X	Inventories (Notes 6(g) and 8)	28,363,358	42	26,368,637	41	2280	Current lease liabilities (Notes 6(r) and 7)	128,836	-	106,982	-
1410	Prepayments	752,773	1	817,159	1	2310	Advance receipts	21,699	-	33,884	-
1470	Other current assets (Note 8)	1,980,804	3	1,887,962	3	2320	Long-term liabilities, current portion (Note 6(p))	2,787,067	4	1,886,230	3
1480	Current assets recognised as incremental costs to obtain contract with customers	<u>402,602</u>	<u>1</u>	<u>181,305</u>	<u>-</u>	2399	Other current liabilities, others	<u>132,030</u>	<u>-</u>	<u>134,046</u>	<u>-</u>
		<u>44,097,632</u>	<u>66</u>	<u>42,622,252</u>	<u>67</u>			<u>30,359,556</u>	<u>45</u>	<u>26,617,661</u>	<u>42</u>
Non-current assets:						Non-Current liabilities:					
1510	Non-current financial assets at fair value through profit or loss (Note 6(b))	606,305	1	606,305	1	2540	Long-term borrowings (Note 6(p))	9,099,387	14	10,353,179	16
1517	Non-current financial assets at fair value through other comprehensive income (Note 6(c))	1,791,079	3	1,572,476	2	2570	Deferred tax liabilities (Note 6(w))	101,692	-	115,093	-
1550	Investments accounted for using equity method (Note 6(h))	745,537	1	601,867	1	2580	Non-current lease liabilities (Notes 6(r) and 7)	35,700	-	73,542	-
1600	Property, plant and equipment (Notes 6(j) and 8)	2,345,718	3	2,286,634	4	2610	Long-term accounts payable (Note 6(u))	320,400	1	337,275	1
1755	Right-of-use assets (Notes 6(k))	160,794	-	176,165	-	2640	Net defined benefit liability, non-current (Note 6(v))	176,487	-	216,695	-
1760	Investment property (Notes 6(l) and 8)	10,192,584	15	9,835,073	16	2645	Guarantee deposits received	<u>141,508</u>	<u>-</u>	<u>137,278</u>	<u>-</u>
1780	Intangible assets (Notes 6(m) and 8)	1,135,804	2	1,149,653	2		Total liabilities	<u>9,875,174</u>	<u>15</u>	<u>11,233,062</u>	<u>17</u>
1840	Deferred tax assets (Note 6(w))	35,066	-	50,813	-		Equity attributable to owners of parent (Note 6(x)):				
1900	Other non-current assets (Note 6(f))	236,554	-	98,735	-	3100	Capital stock	8,232,160	12	8,232,160	13
1932	Long-term accounts receivable (Notes 6(e) - (z) and 8)	<u>5,808,017</u>	<u>9</u>	<u>4,548,058</u>	<u>7</u>	3200	Capital surplus	6,813,745	10	6,804,435	11
		23,057,458	34	20,925,779	33	3300	Retained earnings	8,629,727	13	7,491,023	12
						3400	Other equity	<u>64,209</u>	<u>-</u>	<u>82,334</u>	<u>-</u>
								<u>23,739,841</u>	<u>35</u>	<u>22,609,952</u>	<u>36</u>
						36XX	Non-controlling interests (Note 6(i))	<u>3,180,519</u>	<u>5</u>	<u>3,087,356</u>	<u>5</u>
							Total equity	<u>26,920,360</u>	<u>40</u>	<u>25,697,308</u>	<u>41</u>
Total assets		<u>\$ 67,155,090</u>	<u>100</u>	<u>63,548,031</u>	<u>100</u>	Total liabilities and equity		<u>\$ 67,155,090</u>	<u>100</u>	<u>63,548,031</u>	<u>100</u>

See accompanying notes to financial statements.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)
CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2020 and 2019

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

		2020		2019	
		Amount	%	Amount	%
4000	Operating revenues (Notes 6(t), (z) and 7):				
4300	Rental revenues	\$ 180,625	1	254,313	1
4500	Construction revenues	20,604,889	95	21,565,328	95
4800	Other operating revenues	903,135	4	845,446	4
	Net operating revenues	<u>21,688,649</u>	<u>100</u>	<u>22,665,087</u>	<u>100</u>
5000	Operating costs (Notes 6((g), (j), (t) and 7):				
5300	Rental costs	82,211	-	110,654	1
5500	Construction costs	17,925,423	83	19,506,549	86
5800	Other operating costs	389,112	2	315,329	1
5800	Net operating costs	<u>18,396,746</u>	<u>85</u>	<u>19,932,532</u>	<u>88</u>
	Gross profit from operations	<u>3,291,903</u>	<u>15</u>	<u>2,732,555</u>	<u>12</u>
	Operating expenses (Notes (v), (aa), 7 and 12):				
6100	Selling expenses	389,861	2	266,751	1
6200	Administrative expenses	1,140,357	5	1,140,861	5
		<u>1,530,218</u>	<u>7</u>	<u>1,407,612</u>	<u>6</u>
	Net operating income	<u>1,761,685</u>	<u>8</u>	<u>1,324,943</u>	<u>6</u>
	Non-operating income and expenses (Note 6(ab) and 7):				
7100	Interest income	41,295	-	57,576	-
7010	Other income	203,496	1	165,851	1
7020	Other gains and losses	(43,618)	-	162,231	1
7050	Finance costs, net (Notes 6(g) and (r))	(210,916)	(1)	(245,994)	(1)
7060	Share of losses of associates and joint ventures accounted for using equity method (Note 6(h))	(31,330)	-	(774,603)	(3)
7055	Expected credit losses	-	-	(67,072)	-
		<u>(41,073)</u>	<u>-</u>	<u>(702,011)</u>	<u>(2)</u>
7900	Income before tax	<u>1,720,612</u>	<u>8</u>	<u>622,932</u>	<u>4</u>
7950	Less: Income tax expenses (note 6(w))	87,675	-	470,872	2
	Net income	<u>1,632,937</u>	<u>8</u>	<u>152,060</u>	<u>2</u>
8300	Other comprehensive income (loss):				
8310	Items that will not be reclassified to profit or loss				
8311	Remeasurements of defined benefit plans	14,711	-	(26,425)	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	218,603	1	(255,516)	(2)
8317	Gains (losses) on hedging instrument	(16,378)	-	(13,861)	-
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 to profit or loss	-	-	61	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	(2,942)	-	5,285	-
	Components of other comprehensive income that will not be reclassified to profit or loss	<u>213,994</u>	<u>1</u>	<u>(290,456)</u>	<u>(2)</u>
8360	Items that will be reclassified to profit or loss				
8361	Exchange differences on translation of foreign financial statements	(311,011)	(1)	(150,195)	(1)
8370	Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss	-	-	(11,383)	-
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	<u>(311,011)</u>	<u>(1)</u>	<u>(161,578)</u>	<u>(1)</u>
8300	Other comprehensive loss	<u>(97,017)</u>	<u>-</u>	<u>(452,034)</u>	<u>(3)</u>
	Total comprehensive income (loss)	<u>\$ 1,535,920</u>	<u>8</u>	<u>(299,974)</u>	<u>(1)</u>
	Net income, attributable to:				
8610	Owners of parent	\$ 1,538,543	8	97,007	2
8620	Non-controlling interests	94,394	-	55,053	-
		<u>\$ 1,632,937</u>	<u>8</u>	<u>152,060</u>	<u>2</u>
	Total comprehensive income attributable to:				
8710	Owners of parent	\$ 1,532,187	8	(309,336)	(1)
8720	Non-controlling interests	3,733	-	9,362	-
		<u>\$ 1,535,920</u>	<u>8</u>	<u>(299,974)</u>	<u>(1)</u>
	Earnings per share (Note 6(y))				
9750	Basic earnings per share (NT dollars)	<u>\$ 1.87</u>		<u>0.12</u>	
9850	Diluted earnings per share (NT dollars)	<u>\$ 1.87</u>		<u>0.12</u>	

See accompanying notes to financial statements.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)
CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES

Consolidated Statements of Changes in Equity
For the years ended December 31, 2020 and 2019
(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent												Non-controlling interests	Total equity
	Capital stock	Retained earnings					Total other equity interest							
							Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income			Gains (losses) on hedging instruments		Total other equity interest		
	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total	Exchange differences on translation of foreign financial statements							
Balance at January 1, 2019	\$ 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	
Net income	-	-	-	-	97,007	97,007	-	-	-	-	97,007	55,053	152,060	
Other comprehensive loss	-	-	-	-	(21,140)	(21,140)	(115,887)	(255,455)	(13,861)	(385,203)	(406,343)	(45,691)	(452,034)	
Total comprehensive income (loss)	-	-	-	-	75,867	75,867	(115,887)	(255,455)	(13,861)	(385,203)	(309,336)	9,362	(299,974)	
Appropriation and distribution of retained earnings:														
Legal reserve appropriated	-	-	194,168	-	(194,168)	-	-	-	-	-	-	-	-	
Cash dividends	-	-	-	-	(740,894)	(740,894)	-	-	-	-	(740,894)	-	(740,894)	
Reversal of special reserve	-	-	-	(231,248)	231,248	-	-	-	-	-	-	-	-	
Changes in equity of associates and joint ventures accounted for using equity method	-	-	-	-	7,347	7,347	-	-	-	-	7,347	-	7,347	
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	(5,177)	(5,177)	-	5,177	-	5,177	-	-	-	
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	906,182	906,182	
Balance at December 31, 2019	8,232,160	6,804,435	781,407	2,262,233	4,447,383	7,491,023	(645,041)	728,286	(911)	82,334	22,609,952	3,087,356	25,697,308	
Net income	-	-	-	-	1,538,543	1,538,543	-	-	-	-	1,538,543	94,394	1,632,937	
Other comprehensive income (loss)	-	-	-	-	11,769	11,769	(220,350)	218,603	(16,378)	(18,125)	(6,356)	(90,661)	(97,017)	
Total comprehensive income (loss)	-	-	-	-	1,550,312	1,550,312	(220,350)	218,603	(16,378)	(18,125)	1,532,187	3,733	1,535,920	
Appropriation and distribution of retained earnings:														
Legal reserve appropriated	-	-	9,701	-	(9,701)	-	-	-	-	-	-	-	-	
Cash dividends	-	-	-	-	(411,608)	(411,608)	-	-	-	-	(411,608)	-	(411,608)	
Changes in ownership interests in subsidiaries	-	9,310	-	-	-	-	-	-	-	-	9,310	(9,310)	-	
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	98,740	98,740	
Balance at December 31, 2020	\$ 8,232,160	6,813,745	791,108	2,262,233	5,576,386	8,629,727	(865,391)	946,889	(17,289)	64,209	23,739,841	3,180,519	26,920,360	

See accompanying notes to financial statements.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)
CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

	2020	2019
Cash flows from operating activities:		
Income before tax	\$ 1,720,612	622,932
Adjustments:		
Adjustments to reconcile profit and loss:		
Depreciation expense	248,074	265,780
Amortization expense	61,181	58,117
Expected credit loss	-	67,072
Interest expense	210,916	245,994
Interest income	(41,295)	(57,576)
Dividend income	(112,685)	(134,008)
Share of loss of associates and joint ventures accounted for using equity method	31,330	774,603
Gain on disposal of property, plant and equipment	(1,107)	(584)
Gain on disposal of property, plant and equipment (under construction costs)	(8,245)	(2,658)
Gain on disposal of investment properties	(5,393)	(403,650)
Loss on lease remeasurment (under construction costs)	-	(6)
Gain on reversal of impairment loss of property, plants and equipment (under construction costs)	(73,000)	(114,000)
Impairment loss	-	210,328
Gain on revaluation of financial assets	-	(24,536)
(Reversal) recognition of provisions	(43,598)	26,651
Gain on reversal of estimated account payable	(206)	(156)
Total adjustments to reconcile profit and loss	265,972	911,371
Changes in operating assets and liabilities:		
Changes in operating assets:		
Contract assets	832,573	919,611
Notes receivable	(510,322)	76,870
Accounts receivable	(997,216)	(628,292)
Other receivable	86,969	(53,295)
Inventories	(2,940,593)	(2,267,006)
Prepayments	57,821	(107,530)
Other current assets	(109,052)	72,346
Assets recognised as incremental costs to obtain contract with customers	(221,297)	(40,212)
Total changes in operating assets	(3,801,117)	(2,027,508)
Changes in operating liabilities:		
Contract liabilities	2,351,692	2,967,227
Notes and accounts payable	(74,429)	(1,104,394)
Other payables	(62,542)	285,574
Provisions	(13,299)	(18,138)
Receipts in advance	(12,058)	(26,034)
Other current liabilities	(1,898)	14,247
Net defined benefit liability	(28,439)	(65,786)
Total changes in operating liabilities	2,159,027	2,052,696
Total changes in operating assets and liabilities	(1,642,090)	25,188
Total adjustments	(1,376,118)	936,559
Cash inflow generated from operations	344,494	1,559,491
Interest received	48,948	64,646
Interest paid	(347,915)	(397,442)
Income taxes paid	(391,006)	(77,564)
Net cash flows from (used in) operating activities	(345,479)	1,149,131

See accompanying notes to financial statements.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)
CONTINENTAL HOLDINGS CORPORATION AND ITS SUBSIDIARIES

Consolidated Statements of Cash Flows(CONT'D)

For the years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

	<u>2020</u>	<u>2019</u>
Cash flows from investing activities:		
Disposal of financial assets at fair value through other comprehensive income	-	620
Acquisition of non-current financial assets at fair value through profit or loss	-	(100,116)
Disposal of current financial assets at fair value through profit or loss	-	2,540,316
Acquisition of financial assets for hedging	(490,398)	(1,655,408)
Disposal of financial assets for hedging	564,531	1,358,577
Price of associates acquisition	(175,000)	(740,609)
Acquisition of property, plant and equipment	(89,795)	(141,618)
Disposal of property, plant and equipment	81,128	70,873
Decrease in other receivables	89,940	-
Increase in other receivables	(60,334)	(63,258)
Acquisition of intangible assets	(47,332)	(50,747)
Acquisition of investment property	(438,220)	(316,887)
Disposal of investment property	5,393	1,466,075
Other non-current assets	(1)	67,369
Prepayments for business facilities	(249,082)	(10,647)
Dividends received	112,685	100,455
Long-term payments	4,275	(15,456)
Net cash flows from (used in) investing activities	<u>(692,210)</u>	<u>2,509,539</u>
Cash flows from financing activities:		
Increase in short-term borrowings	25,458,386	20,866,513
Decrease in short-term borrowings	(23,393,488)	(23,788,657)
Increase in short-term notes and bills payable	6,740,000	6,250,000
Decrease in short-term notes and bills payable	(7,020,000)	(5,940,000)
Increase in long-term borrowings	4,773,126	5,767,868
Decrease in long-term borrowings	(5,092,030)	(7,126,130)
Increase in guarantee deposits received	4,237	7,004
Payment of lease liabilities	(97,315)	(67,331)
Cash dividends paid	(447,868)	(804,349)
Increase in other payables	121,617	118,630
Change in non-controlling interests	135,000	969,638
Net cash flows from (used in) financing activities	<u>1,181,665</u>	<u>(3,746,814)</u>
Effect of exchange rate changes on cash and cash equivalents	(54,847)	(35,791)
Net increase (decrease) in cash and cash equivalents	89,129	(123,935)
Cash and cash equivalents at beginning of year	<u>4,423,239</u>	<u>4,547,174</u>
Cash and cash equivalents at end of year	<u><u>\$ 4,512,368</u></u>	<u><u>4,423,239</u></u>

See accompanying notes to financial statements.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)
CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

(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, 2020 consist of the Company and all of its subsidiaries (“the Group”), and the interests in a jointly controlled entities and associates. Please refer to Note 14 for the Group’s main businesses.

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

The consolidated financial statements were approved and authorized for issue by the Board of Directors on March 16, 2021.

(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 Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2020:

- Amendments to IFRS 3 “Definition of a Business”
- Amendments to IFRS 9, IAS39 and IFRS7 “Interest Rate Benchmark Reform”
- Amendments to IAS 1 and IAS 8 “Definition of Material”
- Amendments to IFRS 16 “COVID-19-Related Rent Concessions”

- (b) The impact of IFRS issued by the FSC but not yet effective

The Group assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2021, would not have a significant impact on its consolidated financial statements:

- Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”
- Amendments to IFRS 9, IAS39, IFRS7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform—Phase 2”

(Continued)

CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

The Group does not expect the following new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its consolidated financial statements:

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”
- Amendments to IAS 16 “Property, Plant and Equipment – Proceeds before Intended Use”
- Amendments to IAS 37 “Onerous Contracts – Cost of Fulfilling a Contract”
- Annual Improvements to IFRS Standards 2018-2020
- Amendments to IFRS 3 “Reference to the Conceptual Framework”
- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”

(4) Summary of significant accounting policies:

The significant accounting policies presented in the consolidated financial statements are summarized follows. The following accounting policies were applied consistently throughout the periods presented in 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 assets at fair value through profit or loss are measured at fair value;
- 2) Financial assets at fair value through other comprehensive income are measured at fair value;
- 3) Hedging financial instruments are measured at fair value; and
- 4) The defined benefit liabilities are measured at the present value of the defined benefit obligation less fair value of the plan assets.

(Continued)

CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Functional and presentation currency

The functional currency of each Group 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 Company'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 the Company 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.

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.

(Continued)

CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Subsidiaries included in the consolidated financial statements

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

Investor Company	Subsidiary	Main Business	Percentage of ownership		Note
			December 31, 2020	December 31, 2019	
The Company	Continental Engineering Corp. (CEC)	Civil engineering, public infrastructure and private sector construction	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	HDEC Corp. (HDEC)	Construction of underground pipeline and environmental protection project, plumbing, sale of pollution prevention equipment	100.00 %	100.00 %	
CEC	CEC International Corp. (CIC)	Investment in and control of overseas corporations	100.00 %	100.00 %	
CEC	CEC International Corp. (India) Private Limited (CICI)	Real estate development and civil engineering, construction	100.00 %	100.00 %	
CEC	CEC International Malaysia Sdn. Bhd. (CIMY)	Civil engineering, construction	87.10 %	92.24 %	Note G
CEC	Continental Engineering Corp.(Hong Kong) Limited (CEC HK)	Contract civil engineering construction and invest in real estate	100.00 %	100.00 %	
CDC	CDC Commercial Development Corp. (CCD)	Real estate development, sales and leasing of building	80.65 %	80.65 %	
CDC	MEGA Capital Development Sdn. Bhd (MEGA)	Real estate development	55.00 %	55.00 %	
CDC	Bangsar Rising Sdn. Bhd. (BANGSAR)	Real estate development	60.00 %	60.00 %	
CDC	CDC Asset Management Malaysia Sdn. Bhd. (CDCAM)	Management consulting	100.00 %	100.00 %	Note E
CDC	CDC US Corp.	Investment in overseas companies	100.00 %	100.00 %	
CDC US Corp.	CDC Investment Management LLC	Engineering management	100.00 %	100.00 %	
CDC US Corp.	Trimosa Holdings LLC	Investment in overseas companies	70.65 %	70.65 %	
Trimosa Holdings LLC	950 Investment LLC	Investment in overseas companies	76.55 %	76.55 %	
950 Investment LLC	950 Property LLC	Real estate development	100.00 %	100.00 %	
950 Investment LLC	950 Hotel Property LLC	Hotel industry	100.00 %	100.00 %	Note F

(Continued)

CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Investor Company	Subsidiary	Main Business	Percentage of ownership		Note
			December 31, 2020	December 31, 2019	
950 Investment LLC	950 Retail Property LLC	Real estate management	100.00 %	-	% Note F
HDEC	HDEC Construction Corp. (SDC)	Construction of underground pipeline and environmental protection project, plumbing	100.00 %	100.00 %	
HDEC	North Shore Environment Corp.(NSC)	Sewer system design and construction in Danshui area, New Taipei City	100.00 %	100.00 %	% Note A
HDEC	Blue Whale Water Technologies Corp. (BWC)	Feng Shan River wastewater reclamation and reuse BTO project in Kaohsiung City	51.00 %	51.00 %	% Note B
HDEC	HDEC (Puding) Environment Corp. (PDC)	Pu Ding area sewerage construction in Taoyuan City	100.00 %	100.00 %	% Note C
HDEC	HDEC-CTCI (Linhai) Corp. (LHC)	Feng Shan River wastewater reclamation and reuse BTO project in Kaohsiung City	55.00 %	55.00 %	% Note D

Note A: 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 B: 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 C: 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 D: LHC 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.

Note E: For managing investment companies in Malaysia, CDC established subsidiaries in Malaysia in September, 2019 based on a resolution approved in the board meeting held on August 2, 2019.

Note F: For managing businesses on real estate based on different classifications, CDC established subsidiaries in November, 2019 and March, 2020 based on a resolution approved in the board meeting held on September, 17, 2019.

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CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Note G: In January 2020, CIMY reduced its capital and refunded its shares, which were all returned to the Group, resulting in a decrease in its shareholding ratio fell to 87.10%.

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

(d) Foreign currencies

(i) Foreign currency transactions

Foreign currency transactions are recorded at the spot exchange rate on the date of the transaction. At the end of each subsequent reporting period (the reporting date), monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Exchange differences are generally recognized in profit or loss, except for those differences relating to the following, which are recognized in other comprehensive income:

- 1) an investment in equity securities designated as at fair value through other comprehensive income;
- 2) a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
- 3) qualifying cash flow hedges to the extent that the hedges are effective.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to presentation currency at exchange rates at the reporting date. The income and expenses of foreign operations are translated to presentation currency at the average rate. Exchange 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. 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 planned 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.

(Continued)

CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

An asset is classified as current under one of the following criteria, and all other assets are classified as non-current.

- (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 or 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.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current.

- (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) The Group 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.

The Group's primary businesses are civil & building construction, real estate development and environmental project development. The normal operating cycle of the Group is three to five years at least. The balance sheet accounts related to construction business are classified either as current or noncurrent based on the Group's operating cycle.

(f) Cash and cash equivalents

Cash comprises cash on hand, and demand deposits. Cash equivalents are short-term, 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 and 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

Accounts receivable are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument. An accounts receivable without a significant financing component is initially measured at the transaction price.

(i) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

(Continued)

CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

On initial recognition, a financial asset is classified as measured at: amortized cost; Fair value through other comprehensive income (FVOCI) – equity investment; or fair value through profit or loss (FVTPL). Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

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.

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, 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)

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.

Equity investments at FVOCI are subsequently measured at fair value. Dividends 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 are recognized in other comprehensive income and are never reclassified to profit or loss.

Dividend income is recognized in profit or loss on the date on which the Group's right to receive payment is established.

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. 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.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

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CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

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CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- 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 (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, notes and accounts receivable, other receivables) and contract assets.

The Group measures loss allowances at an amount equal to lifetime 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 accounts receivable and contract assets are always measured at an amount equal to lifetime ECL.

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 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 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'.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 month after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

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

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.

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CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

At each reporting date, the Group assesses whether financial assets carried at amortized cost 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 asset 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.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written 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

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

(ii) Financial liabilities

1) Financial liabilities

Financial liabilities are classified as measured at amortized cost.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

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CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
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2) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligation has been discharged, cancelled, or expires. The Group also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount of a financial liability extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

(iii) Hedge accounting

The Group holds derivative financial instruments to hedge its foreign currency and interest rate exposures.

Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognized in profit or loss.

The Group designates certain hedging instruments (which include non-derivatives in respect of inception of a foreign currency risk) as cash flow hedges.

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.

1) Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income and accumulated under 'other equity – gains (losses) on hedging instruments', limited to the cumulative change in fair value of the hedged item from inception of the hedge. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss.

Amounts previously recognized in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognized hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognized in other comprehensive income and accumulated in equity are removed from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability. Furthermore, if the Group expects that some or all of the loss accumulated in other equity will not be recovered in the future, that amount is immediately reclassified to profit or loss.

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If the hedge no longer meets the criteria for hedge accounting or the hedging instrument is sold, expires, is terminated or is exercised, then hedge accounting is discontinued prospectively. The discontinuation is accounted for prospectively. When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in other equity remains in equity until, for a hedge of a transaction resulting in the recognition of a non-financial item, it is included in the non-financial item's cost on its initial recognition or, for other cash flow hedges, it is reclassified to profit or loss in the same period or periods as the hedged expected future cash flows affect profit or loss. If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in other equity are immediately reclassified to profit or 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) 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(g) 'Financial instruments'.

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CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
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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(o) '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 IFRS 15. Please refer to note 4(r) 'Revenue'.

(iii) Operating services

The accounting policy of operation services to the government shall be in accordance with IFRS 15. Please refer to note 4(r) 'Revenue'.

(j) Investment in associates

Associates are those entities in which the Group has significant influence, but no control, over the financial and operating policies.

Investments in associates are accounted for using 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 those associates, 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.

Unrealized gains and losses resulting from the transactions between the Group and an associate are recognized only to the extent of the Group's interest in the associate.

When the Group's share of losses of an associate equals or exceeds its interest in associates, it discontinues recognizing its share of further losses. After the recognized interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

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(k) Joint arrangements

A joint arrangement is an arrangement of which two or more parties have joint control. The IFRS classifies joint arrangements into two types — joint operations and joint ventures, which have the following characteristics: (a) the parties are bound by a contractual arrangement; and (b) the contractual arrangement gives two or more of those parties joint control of the arrangement.

IFRS 11 ‘Joint arrangements’ defines Joint control as the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities (i.e. activities that significantly affect the returns of the arrangement) require the unanimous consent of the parties sharing control.

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint operations party) have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint operator recognizes and measures the assets, liabilities, revenues and expenses in relation to its interest in a joint arrangement in accordance with the relevant IFRSs applicable to the particular assets, liabilities, revenues and expenses. When assessing whether a joint arrangement is a joint operation or a joint venture, the Group considers the structure and legal form of the arrangement, the terms agreed by the parties in the contractual arrangement and, when relevant, other facts and circumstances.

(l) 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 measured at cost on initial recognition and subsequently at cost, less accumulated depreciation and accumulated impairment losses. Depreciation expense is calculated based on the depreciation method, useful lives, and residual value which are the same as those adopted for property, plant and equipment.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount) is recognized in profit or loss.

Rental income from investment property is recognized as rental revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income, over the term of the lease.

(m) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

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(ii) Subsequent cost

Subsequent expenditure is capitalized only if it is probable that future economic benefits associated with the expenditure will flow to the Group.

(iii) Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Land is not depreciated.

The estimated useful lives 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 computer equipment	3~8 years

(iv) Reclassification to investment property

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

(n) Leases

(i) Identifying a lease

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- 1) the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified; and
- 2) the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- 3) the customer has the right to direct the use of the asset throughout the period of use only if either:
 - the customer has the right to direct how and for what purpose the asset is used throughout the period of use; or
 - the relevant decisions about how and for what purpose the asset is used are predetermined and:

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- the customer has the right to operate the asset throughout the period of use, without the supplier having the right to change those operating instructions; or
- the customer designed the asset in a way that predetermines how and for what purpose it will be used throughout the period of use.

When the lease is established or the contract is re-evaluated to determine whether the lease is included in the contract, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

(ii) As a lessee

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- payments for purchase or termination options that are reasonably certain to be exercised.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

- there is a change in future lease payments arising from the change in an index or rate; or
- there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee; or
- there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset, or

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- there is a change of its assessment on whether it will exercise a purchase, extension or termination option; or
- there is any lease modifications

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Group presents right-of-use assets that do not meet the definition of investment and lease liabilities as a separate line item respectively in the statement of financial position.

The Group has elected not to recognize right-of-use assets and lease liabilities for short-term leases of building and machinery that have a lease term of 12 months or less or leases of low-value assets. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

In addition, the Group leases land and buildings by applying IFRIC 12 ‘Service Concession Agreements’ and recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

As a practical expedient, the Group elects not to assess whether all rent concessions that meets all the following conditions are lease modifications or not:

- 1) the rent concessions occurring as a direct consequence of the COVID-19 pandemic;
- 2) the change in lease payments that resulted in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- 3) any reduction in lease payments that affects only those payments originally due on, or before, June 30, 2021; and
- 4) there is no substantive change in other terms and conditions of the lease.

In accordance with the practical expedient, the effect of the change in the lease liability is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs.

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(iii) As a lessor

When the Group acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, the Group applies IFRS15 to allocate the consideration in the contract.

(o) 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 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 17~35 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.

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(p) Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories, contract assets and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units (CGUs).

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell and its value in use. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of the other assets in the CGU on a pro rata basis.

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.

(q) Provisions

A provision is recognized if, as a result of a past event, the Group has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

(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.

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(iii) After-sales service

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

(r) Revenue

(i) Revenue from contracts with customers

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.

1) 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 and price-adjusted subsidy), 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.

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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).

2) 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.

(ii) Labor service revenue

The Group provides the operation and maintenance of sewage treatment plant for the government and recognizes the revenue based on the number of times of completion.

(iii) Rental revenue

Rental income from investment property is recognized on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income and are recognized as the reduction of rental revenue, over the term of the lease. Income generated from leased real estate is recognized as rental revenue under operating revenue.

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(iv) Contract costs

1) 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.

2) 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:

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.

(s) Government grants

Grants that compensate the Group for expenses or losses incurred are recognized in profit or loss on a systematic basis in the periods in which the expenses are recognized.

(t) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

(ii) Defined benefit plans

The Group's net obligation in respect of defined benefit plans is calculated separately for each the plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

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The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income, and accumulated in retained earnings within equity. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset). Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Group recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(iii) Termination benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognizes costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the reporting date, then they are discounted.

(iv) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid 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.

(u) Income Taxes

Income taxes comprise 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 are recognized in profit or loss.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received. It is measured using tax rates enacted or substantively enacted at the reporting date.

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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 are recognized except for the following:

- (i) temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;
- (ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- (iii) taxable temporary differences arising on the initial recognition of goodwill.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if the following criteria are met:

- (i) the Group has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
 - 1) the same taxable entity; or
 - 2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax assets are 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 profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improves.

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.

(v) 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 employee remuneration.

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CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
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(w) 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 Regulations and the IFRSs endorsed by the FSC requires the 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(e) and 6(m).

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CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
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Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year is as follows. Those assumptions and estimation have been updated to reflect the impact of COVID-19 pandemic:

(a) 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(g) for further description of the valuation of inventories.

(b) 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 measuring 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 which is 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 Audit Committee 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).

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.

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CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
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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(l) , Investment property
- (b) Note 6(ac), Financial instruments

(6) Explanation of significant accounts:

- (a) Cash and cash equivalents

	December 31, 2020	December 31, 2019
Cash	\$ 18,317	18,147
Cash in banks	3,865,469	3,353,176
Time deposits	578,582	942,153
Cash equivalents	<u>50,000</u>	<u>109,763</u>
Cash and cash equivalents	<u>\$ 4,512,368</u>	<u>4,423,239</u>

- (i) The aforesaid cash and cash equivalents were not pledged as collateral.
- (ii) Please refer to Note 8 for time deposits in pledge reclassified to other current assets.
- (iii) Please refer to Note 6(ac) for sensitivity analysis and interest rate risk on financial assets and liabilities of the Group.

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

	December 31, 2020	December 31, 2019
Mandatorily measured at fair value through profit or loss:		
Non-derivative financial assets		
Stocks of unlisted company	<u>\$ 606,305</u>	<u>606,305</u>

- (i) Please refer to note 6(ab) for the amount of remeasurement at fair value that are recognized in profit or loss.
- (ii) Please refer to note 6(ac) for credit risk and market risk.
- (iii) The aforesaid financial assets were not pledged as collateral.

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CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
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- (iv) On May 23, 2018, the board meeting passed a resolution to purchase 18,188 preferred stocks issued by American Bridge Holding Company (ABHC) which is a subsidiary of New Continental Corp. The unit price is 1,000 USD. On December 17, 2019, a resolution was approved during the board meeting to recognize the net value of ABHC, which was less than the book value of preferred stocks due to the loss of the infrastructure works contracted by ABHC. In consideration of its financial difficulties and solvency, the Group assessed that the investment of preferred stocks and the accumulated dividends receivable will be highly unrecoverable. Therefore, the book amount of \$512,067 thousand and the dividend receivable of \$67,072 thousand were fully recognized as losses, resulting in the above dividend receivable related to income tax liabilities of \$20,121 thousand to be reversed. Hence, the Group ceased to apply the original third level valuation method as of December 31, 2019.

In September 2020, the preferred stocks had been cancelled, resulting in the Group to derecognize all the book amounts, dividends receivable, and allowance for losses.

- (v) For the year ended December 31, 2019, the Group recognized the dividend income of \$33,553 thousand related to the abovementioned investments in preferred stocks. Please refer to Note 6(ab).

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

	December 31, 2020	December 31, 2019
Equity investments at fair value through other comprehensive income:		
Listed common share—Evergreen Steel Corp.	\$ 1,181,250	-
Unlisted common share—Evergreen Steel Corp.	-	983,982
Unlisted common share—Xinrong Enterprise	607,523	586,246
Unlisted common share—Metro Consulting Service Ltd.	2,306	2,248
Total	\$ 1,791,079	1,572,476

- (i) 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.
- (ii) For the years ended December 31, 2020 and 2019, the dividends of \$112,685 thousand and \$100,455 thousand, respectively, related to equity investments at fair value through other comprehensive income, were recognized, please refer to Note (ab).
- (iii) In October, 2019, the Group has sold its financial assets at fair value through other comprehensive income. The shares sold had a fair value of \$620 thousand, and the Group realized a loss of \$5,177 thousand, which has been transferred to retained earnings.
- (iv) No strategic investments were disposed as of December 31, 2020, and there were no transfers of any cumulative gain or loss within equity relating to these investments.
- (v) Please refer to note 6(ac) for credit risk and market risk.

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CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
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(vi) As of December 31, 2020 and 2019 the aforesaid financial assets were not pledged as collateral.

(d) Financial instruments used for hedging

The components of financial assets were as follows:

	December 31, 2020	December 31, 2019
Cash flow hedge:		
Financial instruments used for hedging	\$ 447,850	538,361

(i) 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 design fees, etc. The foreign exchange risk is estimated to be high, therefore, the Group decided to use derivative financial instruments for hedging purposes.

(ii) As of December 31, 2020 and 2019, the items hedged and the hedge instrument held by the Group were as follows:

Item Hedged	Hedge instrument	Hedge instrument designated to be hedge and fair value		Expected Cash flow Period	Expected Income Period
		December 31, 2020	December 31, 2019		
Expected Foreign assets	Foreign deposits	\$ 465,139	539,272	2020~2021	2020~2021
	Change in value of Foreign currency	\$ (20,063)	(6,694)	2020~2021	2020~2021

Item Hedged	Hedge instrument	Hedge instrument designated to be hedge and fair value		Contract amount (in thousand)	Delivery date
		December 31, 2020	December 31, 2019		
Expected Foreign assets	Forward exchange	\$ 2,774	5,783	USD 1,499	2021.02.18~
				MYR 40,150	2022.06.25

(iii) The transactions of cash flow hedges for the years ended December 31, 2020 and 2019, were all effective.

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CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
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(e) Notes and accounts receivable

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Notes receivable from operating activities	\$ 853,226	342,904
Accounts receivable-measured as amortized cost	2,035,690	2,140,165
Long-term receivables-measured as amortized cost	5,808,017	4,548,058
Less: Allowance for bad debts	-	-
	<u>\$ 8,696,933</u>	<u>7,031,127</u>

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. To measure the expected credit losses, notes receivable, accounts receivable and long-term receivables have been grouped based on shared credit risk characteristics and the days past due, as well as the incorporated forward looking information. The expected credit losses of the notes receivable, accounts receivable and long-term receivables were as follows:

	<u>December 31, 2020</u>		
	<u>Gross carrying amount</u>	<u>Weighted- average loss rate</u>	<u>Loss allowance provision</u>
Not overdue	\$ 8,538,374	0.19%	-
Pass due less than one year	108,089	0%	-
Pass due over one year	50,470	0%	-
Pass due over two years	-	100%	-
	<u>\$ 8,696,933</u>		<u>-</u>
	<u>December 31, 2019</u>		
	<u>Gross carrying amount</u>	<u>Weighted- average loss rate</u>	<u>Loss allowance provision</u>
Not overdue	\$ 6,998,544	0%	-
Pass due less than one year	15,134	0%	-
Pass due over one year	17,449	0%	-
Pass due over two years	-	100%	-
	<u>\$ 7,031,127</u>		<u>-</u>

- (i) For the years ended December 31, 2020 and 2019, there were no allowance for losses recognized or reversed.
- (ii) As of December 31, 2020 and 2019, the notes receivable and accounts receivable of the Group were not pledged as collateral.
- (iii) As of December 31, 2020 and 2019, the long-term receivables of the Group had been pledged as collateral; please refer to Note 8.

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CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(f) Other receivables

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Other receivables – lending of capital	\$ 318,528	348,135
Other receivables – lawsuit	150,630	243,206
Other receivables – related party	4,015	905
Other	217,422	227,238
Other non-current assets	-	67,072
Less: Allowance for impairment	-	(67,072)
	<u>\$ 690,595</u>	<u>819,484</u>

(i) There were no allowance for impairment losses recognized or reversed for the year ended December 31, 2020.

(ii) Please refer to Note 6(b) (vi) for recognition of impairment losses for the year ended December 31, 2019 .

(iii) Please refer to Note 6(ac) for other credit risk.

(g) Inventory

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Construction:		
Material on hand	\$ 163	5,033
Real estate:		
Real estate held for sale	8,828,061	7,784,208
Land held for development	1,873,643	3,185,050
Building construction in progress	17,726,737	15,420,614
Prepayment for land	<u>31,003</u>	<u>226,127</u>
Subtotal	28,459,444	26,615,999
Less: Allowance for impairment loss	<u>(96,249)</u>	<u>(252,395)</u>
	<u>\$ 28,363,358</u>	<u>26,368,637</u>

(i) For the years ended December 31, 2020 and 2019, the cost of inventory was \$3,947,224 thousand and \$3,489,189 thousand, respectively.

(ii) Due to the sales of the remaining real estates in 2020 and 2019, the allowance for impairment loss was reversed, and the costs of goods sold were decreased by \$156,146 thousand and \$667 thousand respectively.

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CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
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(iii) Capitalizing interest costs were as follows:

	<u>2020</u>	<u>2019</u>
Interest costs	\$ <u>458,973</u>	<u>493,501</u>
Capitalized interests	\$ <u>248,057</u>	<u>247,507</u>
Capitalization interest rate	<u>1.48%~7.65%</u>	<u>1.66%~7.9%</u>

(iv) As of December 31, 2020 and 2019, the inventories of the Group had been pledged as collateral; please refer to Note 8.

(h) Investments accounted for using equity method

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

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Associates	\$ <u>745,537</u>	<u>601,867</u>

(i) Associates

The Group's significant associates were as follows:

<u>Name of associates</u>	<u>Relationship with the Group</u>	<u>Location</u>	<u>Percentage of ownership or voting power</u>	
			<u>December 31, 2020</u>	<u>December 31, 2019</u>
New Continental Corp. (NCC)	Holding company of parties involved in American infrastructure project contracts	British Virgin Islands	45.47 %	45.47 %
CTCI-HDEC (Chungli) Corp. (CTCI-HDEC)	SPC, mainly responsible for the sewerage system BOT project in Chung-Li area, Taoyuan City.	Taiwan	49 %	49 %
Fanlu Construction Industry Co., Ltd. (Fanlu)	Real estate	Taiwan	35 %	35 %

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.

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1) Summary of NCC's financial figures

	December 31, 2019
Current assets	\$ 3,328,140
Non-current assets	3,711,824
Current liabilities	(5,954,867)
Non-current liabilities	<u>(1,330,213)</u>
Net assets	<u>\$ (245,116)</u>
Net assets attributable to non-controlling interests	<u>\$ (5,276)</u>
Net assets attributable to investee owners	<u>\$ (239,840)</u>
	2019
Revenue	<u>\$ 9,105,258</u>
Net loss/ Comprehensive income	<u>\$ (1,871,518)</u>
Comprehensive income attributable to non-controlling interests	<u>\$ (14,992)</u>
Comprehensive income attributable to investee owners	<u>\$ (1,856,526)</u>
Net assets attributable to the Group, January 1	\$ 543,477
Comprehensive income attributable to the Group	(761,353)
Additions	420,857
Changes in equity of associates accounted for using equity method	<u>7,347</u>
Net assets attributable to the Group, December 31	210,328
Impairment loss	<u>(210,328)</u>
Net assets attributable to the Group	<u>\$ -</u>

The Group recognized the share loss of NCC based on its shareholding ratio that had exceeded the equity. As a result, no investment balance accounted for using equity method was recognized, and the Group also ceased to recognize any further losses. Therefore, the abovementioned summary financial information only discloses the information for the year ended December 31, 2019.

2) Summary of CTCI-HDEC's financial figures

	December 31, 2020	December 31, 2019
Current assets	\$ 134,590	138,338
Non-current assets	340,131	338,735
Current liabilities	(533)	(2,264)
Non-current liabilities	<u>-</u>	<u>-</u>
Net assets	<u>\$ 474,188</u>	<u>474,809</u>
Net assets attributable to non-controlling interests	<u>\$ 232,352</u>	<u>232,656</u>
Net assets attributable to investee owners	<u>\$ 241,836</u>	<u>242,153</u>

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CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	<u>2020</u>	<u>2019</u>
Revenue	\$ <u>1,462</u>	<u>75,987</u>
Net loss/ Comprehensive income	\$ <u>(621)</u>	<u>(4,634)</u>
Comprehensive income attributable to non-controlling interests	\$ <u>(304)</u>	<u>(2,271)</u>
Comprehensive income attributable to investee owners	\$ <u>(317)</u>	<u>(2,363)</u>
Net assets attributable to the Group, January 1	\$ 232,656	234,927
Comprehensive income attributable to the Group	<u>(304)</u>	<u>(2,271)</u>
Net assets attributable to the Group, December 31	\$ <u>232,352</u>	<u>232,656</u>

3) Summary of Fanlu's financial figures

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Current assets	\$ 3,890,082	3,290,949
Non-current assets	12,615	554
Current liabilities	(231,403)	(31,563)
Non-current liabilities	<u>(2,205,000)</u>	<u>(2,205,000)</u>
Net assets	\$ <u>1,466,294</u>	<u>1,054,940</u>
Net assets attributable to non-controlling interests	\$ <u>513,185</u>	<u>369,211</u>
Net assets attributable to investee owners	\$ <u>953,109</u>	<u>685,729</u>
	<u>2020</u>	<u>2019</u>
Revenue	\$ <u>11</u>	<u>573</u>
Net loss/ Comprehensive income	\$ <u>(88,646)</u>	<u>(63,718)</u>
Comprehensive income attributable to non-controlling interests	\$ <u>(31,026)</u>	<u>(22,301)</u>
Comprehensive income attributable to investee owners	\$ <u>(57,620)</u>	<u>(41,417)</u>
Net assets attributable to the Group, January 1	\$ 369,211	71,760
Additions	175,000	319,752
Comprehensive income attributable to the Group	<u>(31,026)</u>	<u>(22,301)</u>
Net assets attributable to the Group, December 31	\$ <u>513,185</u>	<u>369,211</u>

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CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
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(ii) Impairment loss

The investee of NCC mainly engages in infrastructure construction. Due to the sustained loss, the Group recognized an impairment loss of \$210,328 thousand after its evaluation in 2019. Please refer to Note 6(ab).

(iii) Guarantee

As of December 31, 2020 and 2019, the investments accounted for using equity method were not pledged as collateral.

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

<u>Subsidiaries</u>	<u>Country of registration</u>	<u>Equity ownership of non-controlling interest</u>	
		<u>December 31, 2020</u>	<u>December 31, 2019</u>
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.

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Current assets	\$ 8,267,625	5,758,143
Non-current assets	1,846	-
Current liabilities	(4,321,914)	(1,590,957)
Non-current liabilities	(320,400)	(337,275)
Net assets	<u>\$ 3,627,157</u>	<u>3,829,911</u>
Non-controlling interest	<u>\$ 1,732,947</u>	<u>1,825,739</u>
	<u>2020</u>	<u>2019</u>
Revenue	\$ -	-
Net loss	\$ (11,543)	(14,249)
Other comprehensive income	-	-
Comprehensive income	<u>\$ (11,543)</u>	<u>(14,249)</u>
Net loss attribute to non-controlling interest	<u>\$ (1,497)</u>	<u>(1,120)</u>
Comprehensive income attribute to non-controlling interest	<u>\$ (1,497)</u>	<u>(1,120)</u>

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	2020	2019
Cash flows from operating activities	\$ 72,948	292,965
Cash flows from investing activities	(3,001,277)	(1,862,595)
Cash flows from financing activities	2,457,173	1,768,205
Net (decrease) increase in cash and cash equivalents	\$ (471,156)	198,575

(j) Property, plant and equipment

Movements of the cost, depreciation, and impairment of property, plant and equipment of the Group for the years 2020 and 2019, were as follows:

	Land	Buildings	Machinery	Transportation equipment	Computer equipment	Office equipment	Total
Cost or deemed cost:							
Balance at January 1, 2020	\$ 1,625,650	603,191	1,625,874	196,793	79,921	150,014	4,281,443
Additions	-	12	66,087	14,714	7,161	1,821	89,795
Reclassification	-	-	84,614	-	720	9,929	95,263
Disposals	-	(2,269)	(1,101,989)	(43,092)	(16,676)	(26,359)	(1,190,385)
Effect of exchange rate changes	-	(103)	(56,596)	(1,387)	(926)	(1,855)	(60,867)
Balance at December 31, 2020	\$ 1,625,650	600,831	617,990	167,028	70,200	133,550	3,215,249
Balance at January 1, 2019	\$ 1,264,952	541,608	1,740,107	206,849	91,843	163,570	4,008,929
Additions	-	-	105,220	18,880	12,222	5,296	141,618
Reclassification	360,698	61,602	19,920	-	-	-	442,220
Disposals	-	-	(189,943)	(28,157)	(23,534)	(17,560)	(259,194)
Effect of exchange rate changes	-	(19)	(49,430)	(779)	(610)	(1,292)	(52,130)
Balance at December 31, 2019	\$ 1,625,650	603,191	1,625,874	196,793	79,921	150,014	4,281,443
Depreciation and impairment losses:							
Balance at January 1, 2020	\$ -	224,695	1,416,151	160,954	60,170	132,839	1,994,809
Depreciation	-	12,566	84,639	11,019	7,279	6,389	121,892
Impairment loss reverse	-	-	(73,000)	-	-	-	(73,000)
Disposals	-	(2,257)	(1,038,806)	(41,352)	(14,271)	(21,923)	(1,118,609)
Effect of exchange rate changes	-	(102)	(52,033)	(1,130)	(713)	(1,583)	(55,561)
Balance at December 31, 2020	\$ -	234,902	336,951	129,491	52,465	115,722	869,531
Balance at January 1, 2019	\$ -	194,661	1,583,932	176,193	75,266	142,544	2,172,596
Depreciation	-	13,047	119,293	11,840	8,079	5,922	158,181
Impairment loss reverse	-	-	(114,000)	-	-	-	(114,000)
Reclassification	-	17,011	-	-	-	-	17,011
Disposals	-	-	(127,822)	(26,463)	(22,714)	(14,564)	(191,563)
Effect of exchange rate changes	-	(24)	(45,252)	(616)	(461)	(1,063)	(47,416)
Balance at December 31, 2019	\$ -	224,695	1,416,151	160,954	60,170	132,839	1,994,809
Carrying amount							
Balance at December 31, 2020	\$ 1,625,650	365,929	281,039	37,537	17,735	17,828	2,345,718
Balance at December 31, 2019	\$ 1,625,650	378,496	209,723	35,839	19,751	17,175	2,286,634

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

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- (ii) As of December 31, 2020 and 2019, the property, plant and equipment had been pledged as collateral, please refer to Note 8.
- (iii) For the years ended December 31, 2020 and 2019, after comparing the book value and recoverable of property, plant and equipment, the Group reversed \$73,000 thousand and \$114,000 thousand of impairment, respectively. The impairment loss was included in deduction of operating costs.

(k) Right-of-use assets

The movements in the cost and depreciation of the leased land, buildings and transportation equipment were as follows:

	<u>Land</u>	<u>Buildings</u>	<u>Transportation equipment</u>	<u>Total</u>
Cost:				
Balance at January 1, 2020	\$ 53,508	178,645	5,927	238,080
Additions	32,419	50,095	2,641	85,155
Disposals	(7,066)	(33,854)	(3,035)	(43,955)
Effect of exchange rate changes	-	(3,828)	-	(3,828)
Balance at December 31, 2020	<u>\$ 78,861</u>	<u>191,058</u>	<u>5,533</u>	<u>275,452</u>
Balance at January 1, 2019	\$ -	-	-	-
Effect of retrospective application	17,265	110,759	5,927	133,951
Additions	39,026	78,970	-	117,996
Disposals	(2,783)	(8,889)	-	(11,672)
Effect of exchange rate changes	-	(2,195)	-	(2,195)
Balance at December 31, 2019	<u>\$ 53,508</u>	<u>178,645</u>	<u>5,927</u>	<u>238,080</u>
Depreciation:				
Balance at January 1, 2020	\$ 11,518	47,742	2,655	61,915
Depreciation	24,601	69,398	2,523	96,522
Disposals	(7,066)	(32,257)	(3,035)	(42,358)
Effect of exchange rate changes	-	(1,421)	-	(1,421)
Balance at December 31, 2020	<u>\$ 29,053</u>	<u>83,462</u>	<u>2,143</u>	<u>114,658</u>
Balance at January 1, 2019	\$ -	-	-	-
Depreciation	14,185	54,528	2,655	71,368
disposals	(2,667)	(6,396)	-	(9,063)
Effect of exchange rate changes	-	(390)	-	(390)
Balance at December 31, 2019	<u>\$ 11,518</u>	<u>47,742</u>	<u>2,655</u>	<u>61,915</u>

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CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	<u>Land</u>	<u>Buildings</u>	<u>Transportation equipment</u>	<u>Total</u>
Carrying amounts:				
Balance at December 31, 2020	\$ <u>49,808</u>	<u>107,596</u>	<u>3,390</u>	<u>160,794</u>
Balance at December 31, 2019	\$ <u>41,990</u>	<u>130,903</u>	<u>3,272</u>	<u>176,165</u>

(l) Investment property

Investment property comprises office buildings that are leased to third parties under operating leases, and properties that are owned by the Group. The details investment property were as follows:

	<u>Owned</u>		
	<u>Land and improvements</u>	<u>Buildings</u>	<u>Total</u>
Cost or deemed cost:			
Balance at January 1, 2020	\$ 8,325,743	2,336,957	10,662,700
Additions	-	438,220	438,220
Effect of exchange rate changes	<u>(16,609)</u>	<u>(34,440)</u>	<u>(51,049)</u>
Balance at December 31, 2020	\$ <u>8,309,134</u>	<u>2,740,737</u>	<u>11,049,871</u>
Balance at January 1, 2019	\$ 11,664,853	2,500,610	14,165,463
Additions	-	316,887	316,887
Reclassification	<u>(2,425,019)</u>	<u>(229,677)</u>	<u>(2,654,696)</u>
Disposals	<u>(911,329)</u>	<u>(242,072)</u>	<u>(1,153,401)</u>
Effect of exchange rate changes	<u>(2,762)</u>	<u>(8,791)</u>	<u>(11,553)</u>
Balance at December 31, 2019	\$ <u>8,325,743</u>	<u>2,336,957</u>	<u>10,662,700</u>
Depreciation and impairment losses :			
Balance at January 1, 2020	\$ 349,356	478,271	827,627
Depreciation	<u>-</u>	<u>29,660</u>	<u>29,660</u>
Balance at December 31, 2020	\$ <u>349,356</u>	<u>507,931</u>	<u>857,287</u>
Balance at January 1, 2019	\$ 501,205	581,159	1,082,364
Depreciation	-	36,231	36,231
Reclassification	<u>(151,849)</u>	<u>(48,143)</u>	<u>(199,992)</u>
Disposals	<u>-</u>	<u>(90,976)</u>	<u>(90,976)</u>
Balance at December 31, 2019	\$ <u>349,356</u>	<u>478,271</u>	<u>827,627</u>
Carrying amounts:			
Balance at December 31, 2020	\$ <u>7,959,778</u>	<u>2,232,806</u>	<u>10,192,584</u>
Balance at December 31, 2019	\$ <u>7,976,387</u>	<u>1,858,686</u>	<u>9,835,073</u>
Fair value:			
Balance at December 31, 2020			\$ <u>12,674,277</u>
Balance at December 31, 2019			\$ <u>12,329,469</u>

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CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
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The Group sets out standards in identifying the investment property. Investment property is a kind of property held for the purpose of earning rentals or capital appreciation, or for both. One factor to be considered is if the main cash flow generated by a property can be independent to other assets held by the Group. Properties of the Group are partly held for earning rentals or capital appreciation, and partly are held for management purposes, for the portions that can be sold separately, they are accounted for separately. For the portions that can not be sold separately, only in the event that the portions used for management purpose are not significant, the property is deemed as an investment property.

Investment property comprises a number of commercial properties that are leased to third parties. Please refer to Note 6(t) for detail information (include rental revenues 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 areas and types of the valuated investment property. Under the valuation techniques for financial instruments measured at fair value, the inputs are categorized as Level 3.

As of December 31, 2020 and 2019, the investment property had been pledged as collateral, please refer to Note 8.

(m) Intangible assets

The details of the cost, amortization, and impairment of intangible assets the Group for the years ended December 31, 2020 and 2019, were as follows:

	<u>Goodwill</u>	<u>Service Concession Agreements</u>	<u>Total</u>
Cost:			
Balance at January 1, 2020	\$ 30,249	1,359,997	1,390,246
Additions	-	47,332	47,332
Balance at December 31, 2020	<u>\$ 30,249</u>	<u>1,407,329</u>	<u>1,437,578</u>
Balance at January 1, 2019	\$ 30,249	1,309,250	1,339,499
Additions	-	50,747	50,747
Balance at December 31, 2019	<u>\$ 30,249</u>	<u>1,359,997</u>	<u>1,390,246</u>
Amortization and impairment losses:			
Balance at January 1, 2020	\$ -	240,593	240,593
Amortization	-	61,181	61,181
Balance at December 31, 2020	<u>\$ -</u>	<u>301,774</u>	<u>301,774</u>
Balance at January 1, 2019	\$ -	182,476	182,476
Amortization	-	58,117	58,117
Balance at December 31, 2019	<u>\$ -</u>	<u>240,593</u>	<u>240,593</u>
Carrying amount:			
Balance at December 31, 2020	<u>\$ 30,249</u>	<u>1,105,555</u>	<u>1,135,804</u>
Balance at December 31, 2019	<u>\$ 30,249</u>	<u>1,119,404</u>	<u>1,149,653</u>

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CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- (i) For the years ended December 31, 2020 and 2019, the amortization of intangible assets were recognized as operating costs.
- (ii) As of December 31, 2020 and 2019, the intangible assets had been pledged as collateral, please refer to Note 8.

(n) Short-term borrowings

The details of short-term borrowings of the Group were as follows:

	December 31, 2020	December 31, 2019
Unsecured loans	\$ 710,380	1,456,389
Secured loans	9,313,700	6,629,121
	\$ 10,024,080	8,085,510
Unused credit limit	\$ 19,832,700	24,061,123
Range of interest rate	1.00%~1.65%	1.067%~5.25%

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

(o) Short-term notes and bills payable

The details of short-term notes and bills payable of the Group were as follows:

	December 31, 2020		
	Guarantee or acceptance institute	Rang of interest rate	Amount
Bills payable	Financial institutes	1.001%~1.407%	\$ 820,000
	December 31, 2019		
	Guarantee or acceptance institute	Rang of interest rate	Amount
Bills payable	Financial institutes	1.302%~1.664%	\$ 1,100,000

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

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CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(p) Long-term borrowings

The details of long-term borrowings of the Group were as follows:

December 31, 2020				
	Currency	Range of interest rate	Matured period	Amount
Unsecured loans	TWD	1.1%~2.1%	2021.05~2025.03	\$ 3,384,000
Secured loans	TWD	1.1900%~1.6490%	2021.02~2027.05	8,081,492
	USD	2.7508%~5.4293%	2021.06	423,137
				11,888,629
Less: current portion				(2,787,067)
Less: fees				(2,175)
Total				\$ 9,099,387
Unused credit limit				\$ 6,788,439

December 31, 2019				
	Currency	Range of interest rate	Matured period	Amount
Unsecured loans	TWD	1.1%~2.1%	2020.01~2025.02	\$ 4,757,800
	USD	3.3291%	2020.05	299,800
Secured loans	TWD	1.42%~1.871%	2020.02~2026.12	6,854,922
	USD	4.2354%~5.4293%	2021.06	329,512
				12,242,034
Less: current portion				(1,886,230)
Less: fees				(2,625)
Total				\$ 10,353,179
Unused credit limit				\$ 5,318,814

- (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%, debt-to-equity ratio < 100%, long term liability and equity conformity ratio > 100%, fixed long term conformity ratio < 100%. As of December 31, 2020 and 2019, CEC did not violate any terms in the loan agreement.
- (iii) The loan agreement requires HDEC to maintain certain financial ratios: debt ratio \leq 100%, and net worth > \$2 billion. As of December 31, 2020 and 2019, HDEC did not violate any terms in the loan agreement.

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CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- (iv) The loan agreement requires NSC to maintain certain financial ratios. As of December 31, 2020 and 2019, NSC did not violate any terms in the loan agreement.

	Financial ratio		2017~2023
Debt ratio \leq			150%
	Financial ratio		2012~2023
Liquidity ratio \geq			100%

- (q) Bonds payable

On November 5, 2020 the Group's Board of Directors approved to issue secured ordinary corporate bond amounting to no more than \$2 billion, which had been approved by the Taipei Exchange (TPEX) on December 31, 2020. The offering information and main rights and obligations were as follows:

Item	1st secured ordinary corporate bond issued in 2020
Issued amount	The bond was issued at \$2 billion.
Par value	Each unit was valued at \$1 million.
Issued price	The bond was issued at par value on the issued date.
Tenor	The bond issued with maturities of five years. The tenor was from January 11, 2021 to January 11, 2026.
Coupon rate	Fixed rate 0.55%.
Repayment	The principal of the bond will be repaid on the maturity.
Interest Payment	Interests was paid once a year at coupon rate since the issued date.
Guarantee	The corporate bond was guaranteed by Mega International Commercial Bank in accordance with the guaranty deed of appointment.

- (r) Lease liabilities

The Group's lease liabilities were as follows:

	December 31, 2020	December 31, 2019
Current	\$ 128,836	106,982
Non-current	\$ 35,700	73,542

For the maturity analysis, please refer to Note 6(ac).

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CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The amounts recognized in profit or loss were as follows:

	<u>2020</u>	<u>2019</u>
Interest on lease liabilities	\$ <u>4,774</u>	<u>4,317</u>
Variable lease payments not included in the measurement of lease liabilities	\$ <u>12,743</u>	<u>17,470</u>
Expenses relating to short-term leases	\$ <u>52,831</u>	<u>99,093</u>
Income from sub-leasing right-of-use assets	\$ <u>3,196</u>	<u>-</u>
Expenses relating to leases of low-value, excluding short-term leases of low-value assets	\$ <u>280</u>	<u>-</u>

The amounts recognized in the statement of cash flows for the Group were as follows :

	<u>2020</u>	<u>2019</u>
Total cash outflow for leases	\$ <u>167,942</u>	<u>188,211</u>

(i) Real estate leases

As of December 31, 2020, the Group leases land and buildings for its office space, work station and staff dormitory which leases typically run for a period of one to seven years. Some leases include an option to renew the lease for an additional period of the same duration after the end of the contract term. Some leases provide for additional rent payments that are based on changes in local price indices.

(ii) Other leases

The Group leases transportation equipment, with lease terms of two to five years.

In addition, the Group leases office equipment, machinery and parking spot, with lease terms of one to three years which are short-term or variable lease payments items. The Group has elected not to recognize right-of-use assets and lease liabilities for these leases.

(s) Provision

	<u>Onerous contracts</u>	<u>Warranties</u>	<u>After-sales service</u>	<u>Total</u>
Balance at January 1, 2020	\$ 286,661	116,888	137,830	541,379
Addition	-	52,446	14,820	67,266
Realized	-	(11,452)	(1,847)	(13,299)
Reversal	(93,521)	(17,343)	-	(110,864)
Effect of exchange rate changes	(3,916)	-	-	(3,916)
Balance at December 31, 2020	\$ <u>189,224</u>	<u>140,539</u>	<u>150,803</u>	<u>480,566</u>

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CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	<u>Onerous contracts</u>	<u>Warranties</u>	<u>After-sales service</u>	<u>Total</u>
Balance at January 1, 2019	\$ 303,531	104,411	128,853	536,795
Addition	-	48,040	11,350	59,390
Realized	-	(15,765)	(2,373)	(18,138)
Reversal	(12,941)	(19,798)	-	(32,739)
Effect of exchange rate changes	(3,929)	-	-	(3,929)
Balance at December 31, 2019	<u>\$ 286,661</u>	<u>116,888</u>	<u>137,830</u>	<u>541,379</u>

(i) Onerous contract

Total future construction cost is likely to surpass total contract revenue with adopting IFRS 15 that the Group 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, 2020 and 2019. 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

The Group has classified some leases as operating leases, because it does not transfer substantially all of the risks and rewards incidental to the ownership of the assets. Please refer to Note 6(l) set out information about the operating leases of investment property.

As of December 31, 2020 and 2019, a maturity analysis of lease payments, showing the undiscounted lease payments to be received after reporting date are as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Less than one year	\$ 192,323	202,082
Between one and five years	391,855	238,496
More than five years	86,056	100,035
Total undiscounted lease payments	<u>\$ 670,234</u>	<u>540,613</u>

For the years ended December 31, 2020 and 2019, the rental revenue of investment property was \$180,625 thousand and \$254,313 thousand, respectively.

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CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
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Repair and maintenance expenses arising from investment property (recognized as rental costs) were as follows:

	<u>2020</u>	<u>2019</u>
Expenses that generated rental revenue	\$ 4,582	9,442
Expenses unrelated to the derivation of rental revenue	<u>24</u>	<u>72</u>
	<u>\$ 4,606</u>	<u>9,514</u>

(u) 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 2020 and 2019 are \$320,400 thousand and \$337,275 thousand, respectively.

(v) Employee benefits

(i) Defined benefit plan

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

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Present value of defined benefit obligations	\$ 561,775	571,450
Fair value of plan assets	<u>(362,291)</u>	<u>(310,608)</u>
Net defined benefit liability	<u>\$ 199,484</u>	<u>260,842</u>

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 Bureau of Labor Funds, Ministry of Labor. With regard to the utilization of the funds, minimum earnings in the annual distributions shall be no less than the earnings attainable from two-year time deposits with interest rates offered by local banks.

The Group's Bank of Taiwan labor pension reserve account balance amounted to \$362,291 thousand at the end of the reporting period. 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.

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CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

2) Movements in present value of the defined benefit obligations

The movements in present value of defined benefit obligations for the years ended December 31, 2020 and 2019 were as follows:

	<u>2020</u>	<u>2019</u>
Defined benefit obligation, January 1	\$ 571,450	562,127
Current service costs and interest	9,987	10,522
Remeasurement of the net defined benefit liability (asset)		
— Actuarial gain arose from changes in financial assumption	4,867	2,487
— Experience adjustment	(7,426)	27,632
Benefits paid by the plan	<u>(17,103)</u>	<u>(31,318)</u>
Defined benefit obligation, December 31	<u>\$ 561,775</u>	<u>571,450</u>

3) Movements of defined benefit plan assets in fair value

The movements in the fair value of the defined benefit plan assets for the years ended December 31, 2020 and 2019 were as follows:

	<u>2020</u>	<u>2019</u>
Fair value of plan assets, January 1	\$ 310,608	258,030
Interest revenue	3,132	2,846
Remeasurement of the net defined benefit liability (asset)		
— Return on plan assets (excluding interest)	9,210	8,979
Contributions made	47,017	46,848
Benefits paid by the plan	<u>(7,676)</u>	<u>(6,095)</u>
Fair value of plan assets, December 31	<u>\$ 362,291</u>	<u>310,608</u>

4) Expenses recognized in profit or loss

The expenses recognized in profit or loss for the years ended December 31, 2020 and 2019 were as follows:

	<u>2020</u>	<u>2019</u>
Current service costs	\$ 4,260	4,451
Net interest on net defined benefit liability (asset)	<u>2,595</u>	<u>3,225</u>
	<u>\$ 6,855</u>	<u>7,676</u>
Administrative expenses	<u>\$ 6,855</u>	<u>7,676</u>

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CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- 5) Remeasurement of the net defined benefit liability (asset) recognized in other comprehensive income

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

	<u>2020</u>	<u>2019</u>
Accumulated amount, January 1	\$ 89,605	68,465
Recognized during the period	<u>(11,769)</u>	<u>21,140</u>
Accumulated amount, December 31	<u>\$ 77,836</u>	<u>89,605</u>

- 6) Actuarial assumptions

The principal actuarial assumptions at the reporting date were as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Discount rate	0.80%~1.00%	1.00%~1.20%
Future salary increase rate	2.50%~3.00%	2.50%~3.00%

The Group is expected to make a contribution payment of \$4,454 thousand to the defined benefit plans for the one year period after reporting date.

The weighted-average lifetime of the defined benefit plan is 0.5 to 13.8 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, 2020 and 2019, the changes in the principal actuarial assumptions will impact the present value of the defined benefit obligation shall be as follows:

	<u>Impact on the defined benefit obligations</u>	
	<u>Increase</u>	<u>Decrease</u>
December 31, 2020		
Discount (change in 0.25%)	(0.16)%~(1.41)%	0.16%~1.45%
Future salary increase (change in 1.00%)	1.83%~6.73%	(1.76)%~(6.08)%
December 31, 2019		
Discount (change in 0.25%)	(0.46)%~(1.47)%	0.47%~1.52%
Future salary increase (change in 1.00%)	3.02%~7.18%	(2.84)%~(6.43)%

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CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
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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 is performed on the same basis for prior 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 pension costs incurred from the contributions to the Bureau of the Labor Insurance amounted to \$53,380 thousand and \$50,827 thousand for the years ended December 31, 2020 and 2019, respectively.

(w) Income Tax

(i) Income tax expense recognized in profit or loss

	<u>2020</u>	<u>2019</u>
Current income tax expenses		
Current period	\$ 100,386	208,348
Land value increment tax	68,624	98,154
Additional surtax on unappropriated earnings	4	158,533
Adjustment for prior periods	<u>(84,684)</u>	<u>7,089</u>
	<u>84,330</u>	<u>472,124</u>
Deferred income tax expense		
Origination and reversal of temporary difference	<u>3,345</u>	<u>(1,252)</u>
Income tax expenses	<u>\$ 87,675</u>	<u>470,872</u>

(ii) Income tax recognized in other comprehensive income for the years ended December 31, 2020 and 2019 were as follows:

	<u>2020</u>	<u>2019</u>
Items that will not be reclassified to profit or loss		
Remeasurement of defined benefit plans	<u>\$ (2,942)</u>	<u>5,285</u>

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CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
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- (iii) The reconciliation of income tax expense and income before tax for the years ended December 31, 2020 and 2019 were as follows:

	<u>2020</u>	<u>2019</u>
Income before tax	\$ <u>1,720,612</u>	<u>622,932</u>
Income tax expense at domestic statutory tax rate	\$ 344,122	124,586
Effect of difference tax rates on foreign countries	(4,438)	(1,400)
Tax-exempt income	(156,908)	(261,938)
Investment loss accounted for using equity method	6,266	154,921
Current tax loss from unrecognized deferred tax assets	(85,535)	(127,739)
Adjustment for prior periods	(84,684)	7,089
Additional surtax on unappropriated earnings	4	158,533
Land value increment tax	68,624	98,154
Income basic tax	-	112,300
Gain on valuation of financial assets	-	(107,321)
Temporary deductible difference from unrecognized deferred tax assets	(12,737)	139,648
Others	<u>12,961</u>	<u>174,039</u>
Total	<u>\$ <u>87,675</u></u>	<u><u>470,872</u></u>

- (iv) Deferred tax assets and liabilities

- 1) Unrecognized deferred tax assets:

The items of unrecognized deferred tax assets were as follows:

	<u>December 31,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>
Deductible temporary difference	\$ 128,031	301,796
Tax loss	<u>697,124</u>	<u>922,350</u>
	<u>\$ <u>825,155</u></u>	<u><u>1,224,146</u></u>

In accordance with the R.O.C. Income Tax Act, net losses for prior ten years assessed by the tax authorities were deducted from current profit and the assessed. As a result of such items unrecognized as deferred tax assets, the Group is not likely to have enough taxable income for temporary difference.

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CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
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As of December 31, 2020, the Group's estimated unused loss carry forwards was as follows:

<u>Years of loss</u>	<u>Unused tax loss</u>	<u>Year of expiry</u>
2011 (assessed)	291,159	2021
2012 (assessed)	374,243	2022
2013 (assessed)	27,241	2023
2014 (assessed)	563,024	2024
2015 (assessed)	1,278,612	2025
2016 (assessed)	523,940	2026
2017 (declared)	54	2027
2018 (declared)	103	2028
2019 (declared)	131	2029
2020 (estimated)	107,011	2030
	<u>\$ 3,165,518</u>	

2) Recognized deferred tax assets and liabilities:

Changes in the amount of deferred tax assets and liabilities for the years ended December 31, 2020 and 2019 were as follows:

Deferred tax assets:

	<u>Others</u>
Balance at January 1, 2020	\$ 50,813
Current tax expense	26,413
Effect of exchange rates changes	(68)
Others	(42,092)
Balance at December 31, 2020	<u>\$ 35,066</u>
Balance at January 1, 2019	\$ 10,522
Current tax expense	40,291
Balance at December 31, 2019	<u>\$ 50,813</u>

Deferred tax liabilities:

	<u>Others</u>
Balance at January 1, 2020	\$ 115,093
Current tax expense	29,758
Others	(43,159)
Balance at December 31, 2020	<u>\$ 101,692</u>
Balance at January 1, 2019	\$ 76,054
Current tax expense	39,039
Balance at December 31, 2019	<u>\$ 115,093</u>

(Continued)

CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(v) Status of approval of income tax

- 1) The Company's income tax returns for the year up to 2016 have been assessed by the tax authorities.
- 2) The Group's income tax returns have been assessed by the tax authorities were as follows:

<u>Year of assessed</u>	<u>Company</u>
2016	CEC and CDC
2018	BWC, LHC, CCD and HDEC (the year 2017 has not been assessed)
2019	PDC, NSC and SDC

(x) Capital and other equity

As of December 31, 2020 and 2019, 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 and paid upon issuance.

(i) Capital surplus

The components of the capital surplus were as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Premiums from issuance of share capital	\$ 6,397,913	6,397,913
Treasury stock transactions	406,518	406,518
Change on subsidiaries equity	9,314	4
	\$ 6,813,745	6,804,435

- 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 R.O.C. Company Act, realized capital surplus can only be reclassified as share capital or distributed as cash dividends after offsetting losses. The aforementioned capital surplus includes share premiums and donation gains. In accordance with the Securities Offering and Issuance Guidelines, the amount of capital surplus to increase share capital shall not exceed 10% 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% of which be appropriated as legal reserve. The appropriation for legal reserve is discontinued when the balance of the legal reserve equals the total authorized capital. In addition, special reserve will be appropriated base on operating requirements and regulations. The remaining net income plus the undistributed retained earnings shall be distributed according to the distribution plan. The cash dividends shall not be below 20% of the total dividends.

(Continued)

CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
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The distribution plan shall issue new shares which should be proposed by the Board of directors and submitted to the shareholders' meeting for approval.

1) Legal Reserve

When the Company incurs no loss, it may, pursuant to a resolution by the shareholders' meeting, as required, distribute its legal reserve by issuing new shares or by distributing cash, and only the portion of legal reserve which exceeds 25% 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 unrealized revaluation increments, exchange differences on translation of foreign financial statements, and 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, 2020 and 2019, the special reserve related to all IFRSs adjustments amounting to \$2,262,233 thousand.

A portion of current-period earnings and undistributed prior-period earnings shall be reclassified as special earnings reserve during earning distribution. The amount to be reclassified should equal the current-period total net reduction of other stockholders' equity. Similarly, a portion of undistributed prior-period earnings shall be reclassified as special earnings reserve (and does not qualify for earnings distribution) to account for cumulative changes to other stockholders' equity pertaining to prior periods. Amounts of subsequent reversals pertaining to the net reduction of other stockholders' equity shall qualify for additional distributions.

3) Earnings distribution

Cash dividend amount in the earning distribution for 2019 has been approved in the Board of Directors meeting on April 30, 2020. And the earning distribution for 2018 has been approved in the general shareholders' meeting on June 12, 2019. The relevant dividend distributions to shareholders were as follows:

	<u>2019</u>		<u>2018</u>	
	<u>Amount per share</u>	<u>Total Amount</u>	<u>Amount per share</u>	<u>Total Amount</u>
Dividends distributed to common shareholders:				
Cash	\$ <u>0.50</u>	<u>411,608</u>	<u>0.90</u>	<u>740,894</u>

(Continued)

CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) Other equity

	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Gains (losses) on hedging instruments	Total
Balance at January 1, 2020	\$ (645,041)	728,286	(911)	82,334
Exchange differences on foreign operations	(220,350)	-	-	(220,350)
Unrealized gains from financial assets measured at fair value through other comprehensive income	-	218,603	-	218,603
Change in fair value of hedging instrument	-	-	(16,378)	(16,378)
Balance at December 31, 2020	<u>\$ (865,391)</u>	<u>946,889</u>	<u>(17,289)</u>	<u>64,209</u>
Balance at January 1, 2019	\$ (529,154)	978,564	12,950	462,360
Exchange differences on foreign operations	(104,504)	-	-	(104,504)
Exchange differences on associates accounted for using equity method	(11,383)	-	-	(11,383)
Disposal of investments in equity instruments measured at fair value through other comprehensive income	-	5,177	-	5,177
Unrealized gains from financial assets measured at fair value through other comprehensive income, associates accounted for using equity method	-	61	-	61
Unrealized losses from financial assets measured at fair value through other comprehensive income	-	(255,516)	-	(255,516)
Change in fair value of hedging instrument	-	-	(13,861)	(13,861)
Balance at December 31, 2019	<u>\$ (645,041)</u>	<u>728,286</u>	<u>(911)</u>	<u>82,334</u>

(y) Earnings per share

(i) Basic earnings per share

The details on the calculation of basic earnings per share as of December 31, 2020 and 2019 was based on net income attributable to ordinary shareholders of the Company amounted to \$1,538,543 thousand and \$97,007 thousand, respectively; and the weighted-average number of ordinary shares outstanding of 823,216 thousand ordinary shares. The related calculations are as follows:

1) Net income attributable to ordinary shareholders

	2020	2019
Net income attributable to ordinary shareholders	<u>\$ 1,538,543</u>	<u>97,007</u>

2) Weighted-average number of ordinary shares

	2020	2019
Weighted-average number of ordinary shares, at December 31	<u>823,216</u>	<u>823,216</u>

(Continued)

CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Diluted earnings per share

The details on the calculation of diluted earnings per share as of December 31, 2020 and 2019 was based on net income attributable to ordinary shareholders of the Company amounted to \$1,538,543 thousand and \$97,007 thousand, respectively; and the weighted-average number of ordinary shares outstanding after adjusting the effects of all dilutive potential ordinary shares of 823,617 thousand and 823,494 thousand, respectively. The related calculations are as follows:

1) Net income attributable to ordinary shareholders

	2020	2019
Net income attributable to ordinary shareholders	<u>\$ 1,538,543</u>	<u>97,007</u>

2) Weighted-average number of ordinary shares (Diluted)

	2020	2019
Weighted-average number of ordinary shares (Basic)	<u>823,216</u>	<u>823,216</u>
Effect of employee share bonuses	<u>401</u>	<u>278</u>
Weighted-average number of ordinary shares (Diluted) at December 31	<u>823,617</u>	<u>823,494</u>

(z) Revenue from contracts with customers

(i) Disaggregation of revenue

	2020			
	Civil & building Construction	Real Estate Development	Environmental Project Development	Total
Primary geographical markets:				
Taiwan	\$ 11,527,328	5,829,956	3,105,808	20,463,092
Other	<u>1,225,087</u>	<u>470</u>	<u>-</u>	<u>1,225,557</u>
	<u>\$ 12,752,415</u>	<u>5,830,426</u>	<u>3,105,808</u>	<u>21,688,649</u>
Main products:				
Civil & building construction	\$ 12,715,823	-	-	12,715,823
Environmental project development	-	-	3,105,808	3,105,808
Real estate revenue	-	5,604,234	-	5,604,234
Rental revenue on investment property	20,902	159,723	-	180,625
Other	<u>15,690</u>	<u>66,469</u>	<u>-</u>	<u>82,159</u>
	<u>\$ 12,752,415</u>	<u>5,830,426</u>	<u>3,105,808</u>	<u>21,688,649</u>

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CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	2019			
	<u>Civil & building Construction</u>	<u>Real Estate Development</u>	<u>Environmental Project Development</u>	<u>Total</u>
Primary geographical markets:				
Taiwan	\$ 13,218,208	4,929,153	1,785,282	19,932,643
Other	<u>2,731,843</u>	<u>601</u>	<u>-</u>	<u>2,732,444</u>
	<u>\$ 15,950,051</u>	<u>4,929,754</u>	<u>1,785,282</u>	<u>22,665,087</u>
Main products:				
Civil & building construction	\$ 15,871,698	-	-	15,871,698
Environmental project development	-	-	1,785,282	1,785,282
Real estate revenue	-	4,645,183	-	4,645,183
Rental revenue on investment property	22,093	232,220	-	254,313
Other	<u>56,260</u>	<u>52,351</u>	<u>-</u>	<u>108,611</u>
	<u>\$ 15,950,051</u>	<u>4,929,754</u>	<u>1,785,282</u>	<u>22,665,087</u>

(ii) Contract balances

	<u>December 31, 2020</u>	<u>December 31, 2019</u>	<u>January 1, 2019</u>
Notes receivable	\$ 853,226	342,904	419,775
Accounts receivable (including long-term receivables)	7,843,707	6,688,223	6,128,383
Less: Allowance for impairment	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 8,696,933</u>	<u>7,031,127</u>	<u>6,548,158</u>
Contract assets-civil & building construction	\$ 1,468,720	2,359,938	2,916,313
Contract assets-retention receivables	2,423,379	2,592,795	2,743,888
Contract assets-accrual receivables for completion	<u>-</u>	<u>10,223</u>	<u>257,359</u>
Total	<u>\$ 3,892,099</u>	<u>4,962,956</u>	<u>5,917,560</u>
Contract liabilities-civil & building construction	\$ 3,858,104	4,065,484	3,700,219
Contract liabilities-environment project development	254,880	46,375	30,562
Contract liabilities-advance real estate receipts	4,002,780	2,438,964	1,905,076
Contract liabilities-advance rent receipts	<u>5,525</u>	<u>4,374</u>	<u>5,773</u>
Total	<u>\$ 8,121,289</u>	<u>6,555,197</u>	<u>5,641,630</u>

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CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- 1) Please refer to Note 6(e) for the details on accounts receivable and allowance for impairment.
- 2) Please refer to Note 6(s) for details on onerous contracts as of December 31, 2020 and 2019.
- 3) The amounts of revenue recognized for the years ended December 31, 2020 and 2019 that were included in the contract liability balance at the beginning of the year were \$776,871 thousand and \$960,130 thousand, respectively.
- 4) For the amounts of the above contracts, please refer to Note 9.

(aa) Remuneration for employees and directors

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 years ended December 31, 2020 and 2019, the Company estimated its employee remuneration to be \$7,372 thousand and \$1,861 thousand and its director's remuneration to be \$0. The estimated amounts mentioned above are calculated based on income before tax, excluding the remuneration to employees and directors of each period, multiplied it by the percentage of remuneration to employees and directors as specified in the Company's articles. These remunerations were expensed under operating expenses during 2020 and 2019. Related information would be available at the Market Observation Post System website. The amounts, as stated in the parent company only financial statements, are identical to those of the actual distributions for the years ended December 31, 2020 and 2019.

(ab) Non-operating income and expenses

(i) Interest income

The Group's interest income were as follows:

	<u>2020</u>	<u>2019</u>
Interest income from bank deposits	\$ 30,436	51,575
Other interest income	<u>10,859</u>	<u>6,001</u>
Total Interest income	<u>\$ 41,295</u>	<u>57,576</u>

(Continued)

CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Other income

The Group's other income were as follows:

	<u>2020</u>	<u>2019</u>
Dividend income	\$ 112,685	134,008
Other income-other	67,176	31,453
Income from counter-party default	23,429	234
Gain on overdue payables written off	206	156
Total other income	<u>\$ 203,496</u>	<u>165,851</u>

(iii) Other gains and losses

The Group's other gains and losses were as follows:

	<u>2020</u>	<u>2019</u>
Gains on disposals of property, plant and equipment	\$ 1,107	584
Gains on disposals of investment property	5,393	403,650
Foreign exchange losses	(49,741)	(23,250)
Gains on financial assets at fair value through profit or loss	-	24,536
Impairment losses	-	(210,328)
Other	(377)	(32,961)
	<u>\$ (43,618)</u>	<u>162,231</u>

(iv) Financial costs

The Group's financial costs were as follows:

	<u>2020</u>	<u>2019</u>
Interest expenses-borrowings	\$ 454,199	489,184
Interest expense-lease liabilities	4,774	4,317
Less: capitalized interest	(248,057)	(247,507)
	<u>\$ 210,916</u>	<u>245,994</u>

(ac) Financial instruments

(i) Credit risk

1) Credit risk exposure

As of December 31, 2020 and 2019, the Group's maximum credit risk exposure resulting from un-collectability of accounts receivable from transaction parties and financial losses from offering financial guarantee was as follows:

- The book value of financial assets and contract assets recognized on the balance sheet; and

(Continued)

CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
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- The financial guarantee provided by the Group amounted to \$1,655,000 thousand.

2) Credit risk concentrations

Clients of the Group are concentrated in the real estate development industry and government entities. To minimize credit risks, the Group assesses the financial positions of the clients periodically and requests collateral or guarantees if necessary. The Group also evaluates the collectability of receivables and the provision for doubtful accounts on a regular basis. The relevant losses on bad debts are generally under the Group's expectation.

3) Receivables of credit risk

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

Other financial assets at amortized cost includes other receivables and time deposits, etc.

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) for the Group determines whether credit risk is to be low risk).

The loss allowance provision were determined as follows:

	Other receivables (recognized as other non- current assets)
Balance at January 1, 2020	\$ (67,072)
Derecognized	<u>67,072</u>
Balance at December 31, 2020	<u>\$ -</u>
Balance at January 1, 2019	\$ -
Impairment loss recognized	<u>(67,072)</u>
Balance at December 31, 2019	<u><u>\$ (67,072)</u></u>

(ii) Liquidity risk

The Group manages and maintains appropriate positions of cash and cash equivalents, as well as the resources of funding which are adequate and cost-effective to ensure that it has sufficient liquidity to meet its operation requirements for at least 12 months in the future.

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CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
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The followings table shows the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 1 year</u>	<u>1-5 years</u>	<u>More than 5 years</u>
December 31, 2020					
Non-derivative financial liabilities					
Secured loans	\$ 17,816,154	18,816,527	11,288,310	6,564,598	963,619
Unsecured loans	4,094,380	4,231,168	1,249,171	2,981,997	-
Short-term notes and bills payable	820,000	820,000	820,000	-	-
Accounts and notes payable	5,784,460	5,784,460	3,395,075	2,109,783	279,602
Other payables	1,989,830	1,989,830	1,030,310	957,977	1,543
Guarantee deposit received	141,508	141,508	-	74,446	67,062
Long-term accounts payable	320,400	320,400	-	320,400	-
Lease liabilities	164,536	169,579	86,639	82,940	-
	<u>\$ 31,131,268</u>	<u>32,273,472</u>	<u>17,869,505</u>	<u>13,092,141</u>	<u>1,311,826</u>
December 31, 2019					
Non-derivative financial liabilities					
Secured loans	\$ 14,050,930	14,872,816	3,793,852	10,341,169	737,795
Unsecured loans	6,273,989	6,461,850	2,507,337	3,954,513	-
Short-term notes and bills payable	1,100,000	1,100,000	1,100,000	-	-
Accounts and notes payable	5,907,669	5,907,669	3,220,868	2,413,543	273,258
Other payables	1,931,572	1,931,572	756,516	1,175,056	-
Guarantee deposit received	137,278	137,278	-	86,148	51,130
Long-term accounts payable	337,275	337,275	-	337,275	-
Lease liabilities	180,524	189,397	76,253	112,816	328
	<u>\$ 29,919,237</u>	<u>30,937,857</u>	<u>11,454,826</u>	<u>18,420,520</u>	<u>1,062,511</u>

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:

	<u>December 31, 2020</u>			<u>December 31, 2019</u>		
	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>TWD</u>	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>TWD</u>
<u>Financial Assets</u>						
<u>Monetary items</u>						
USD : TWD	\$ 67,973	28.4800	1,935,862	73,417	29.9800	2,201,056
HKD : TWD	51,131	3.6730	187,805	1,277	3.8490	4,914
MYR : TWD	88,692	6.9933	620,248	67,042	7.3290	491,354
EUR: TWD	827	35.0200	28,946	3,261	33.5900	109,552
<u>Financial Liabilities</u>						
<u>Monetary items</u>						
USD : MYR	15,070	4.0170	429,194	10,990	4.1135	329,480

(Continued)

CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

2) Sensitivity analysis

The Group's exchange rate risk comes mainly from currency exchange gains and losses on the translation of the foreign cash and cash equivalents, accounts receivable, other receivables, accounts payable, other payables, etc. A strengthening (weakening) of 1% of the NTD against foreign currencies for the years ended December 31, 2020 and 2019 would have increased (decreased) the income before tax by \$18,995 thousand and by \$19,456 thousand, and the equity by \$4,442 thousand and \$5,318 thousand due to cash flow hedges, respectively. The analysis assumes that all other variables remain constant and is performed on the same basis for prior year.

3) Foreign exchange gains or losses of monetary items

Since the Group has many kinds of functional currency, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. For the years ended December 31, 2020 and 2019, foreign exchange loss (including realized and unrealized portions) amounted to \$49,741 thousand and \$23,250 thousand, respectively.

(iv) Interest rate analysis

Please refer to the notes on 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.

Regarding liabilities with variable interest rates, the analysis is based on the assumption that the amount of liabilities outstanding at the reporting date was outstanding throughout the year. The rate of change is expressed as the interest rate increases or decreases by 1% when reporting to management internally, which also represents the Group management's assessment of the reasonably possible interest rate change.

If the interest rate increases/decreases by 1%, the Group's income before tax will decrease/increase by \$199,173 thousand and \$166,724 thousand for the years ended December 31, 2020 and 2019, respectively, with all other variable factors remain constant. This is mainly due to the Group's borrowing at variable rates.

(v) Other market price risk

For the years ended December 31, 2020 and 2019, 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:

	2020		2019	
	Other comprehensive Income after tax	Net Income	Other comprehensive Income after tax	Net Income
Price of securities at the reporting date				
Increase 1%	\$ 17,911	4,850	15,725	4,850
Decrease 1%	\$ (17,911)	(4,850)	(15,725)	(4,850)

(Continued)

CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
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(vi) Fair value of financial instruments

1) Categories and fair value of financial instruments

The fair value of financial assets at fair value through profit or loss, financial assets used for hedging, and financial assets at fair value through other comprehensive income 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 lease liabilities, disclosure of fair value information is not required :

	December 31, 2020				Total
	Book Value	Fair Value			
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss					
Unlisted common shares	\$ 606,305	-	-	606,305	606,305
Financial assets for hedging	447,850	447,850	-	-	447,850
Financial assets at fair value through other comprehensive income					
Listed common shares	1,181,250	1,181,250	-	-	1,181,250
Unlisted common shares	609,829	-	-	609,829	609,829
Subtotal	1,791,079	1,181,250	-	609,829	1,791,079
Financial assets measured at amortized cost					
Cash and cash equivalents	4,512,368	-	-	-	-
Notes, accounts receivable and long-term accounts receivable	8,696,933	-	-	-	-
Other receivables	690,595	-	-	-	-
Guarantee deposit paid (including current and non-current)	103,029	-	-	-	-
Other financial assets	1,876,291	-	-	-	-
Subtotal	15,879,216	-	-	-	-
Total	<u>\$ 18,724,450</u>	<u>1,629,100</u>	<u>-</u>	<u>1,216,134</u>	<u>2,845,234</u>
Financial liabilities measured at amortized cost					
Bank borrowings and short-term notes and bills payable	\$ 22,730,534	-	-	-	-
Accounts and notes payable	5,784,460	-	-	-	-
Other payables	1,989,830	-	-	-	-
Long-term accounts payable	320,400	-	-	-	-
Guarantee deposit received	141,508	-	-	-	-
Lease liabilities (including current and non-current)	164,536	-	-	-	-
Subtotal	31,131,268	-	-	-	-
Total	<u>\$ 31,131,268</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

(Continued)

CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	December 31, 2019				
	Book Value	Fair Value			Total
	Level 1	Level 2	Level 3		
Financial assets at fair value through profit or loss					
Unlisted common shares	\$ 606,305	-	-	606,305	606,305
Financial assets for hedging	\$ 538,361	538,361	-	-	538,361
Financial assets at fair value through other comprehensive income					
Unlisted common shares	\$ 1,572,476	-	-	1,572,476	1,572,476
Financial assets measured at amortized cost					
Cash and cash equivalents	4,423,239	-	-	-	-
Notes, accounts receivable and long-term accounts receivable	7,031,127	-	-	-	-
Other receivables	819,484	-	-	-	-
Guarantee deposit paid (including current and non-current)	99,627	-	-	-	-
Other financial assets	1,741,951	-	-	-	-
Subtotal	14,115,428	-	-	-	-
Total	<u>\$ 16,832,570</u>	<u>538,361</u>	<u>-</u>	<u>2,178,781</u>	<u>2,717,142</u>
Financial liabilities measured at amortized cost					
Bank borrowings and short-term notes and bills payable	\$ 21,424,919	-	-	-	-
Accounts and notes payable	5,907,669	-	-	-	-
Other payables	1,931,572	-	-	-	-
Long-term accounts payable	337,275	-	-	-	-
Guarantee deposit received	137,278	-	-	-	-
Lease liabilities (including current and non-current)	180,524	-	-	-	-
Subtotal	29,919,237	-	-	-	-
Total	<u>\$ 29,919,237</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

2) 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, 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.

Measurements of financial instrument 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.

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CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
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Measurements of fair value of financial instruments without an active market are based on a valuation technique. 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 data at the reporting date.

Measurements of financial instrument without an active market are as follows:

- 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.

3) Transfer between Level 1 and Level 3

The Group hold the shares of Evergreen Steel Corp., with a fair value of \$1,181,250 thousand and \$983,982 thousand, classified as fair value through other comprehensive income, as of December 31, 2020 and 2019, respectively.

In January 2020, Evergreen Steel Corp listed its equity shares on an exchange and they are currently actively traded in the market. Because the equity shares now have a published price quotation in an active market, the fair value measurement was transferred from Level 3 to Level 1 of the fair value hierarchy as of March 31, 2020.

4) The movement of Level 3

	<u>Financial assets at fair value through profit or loss</u>	<u>Financial assets at fair value through other comprehensive income</u>
	<u>Non derivative financial assets mandatorily measured at fair value through profit or loss</u>	<u>Equity instruments without quoted market price</u>
Balance at January 1, 2020	\$ 606,305	1,572,476
-In other comprehensive income	-	21,335
Transfers out of Level 3	-	(983,982)
Balance at December 31, 2020	<u>\$ 606,305</u>	<u>609,829</u>
Balance at January 1, 2019	\$ 1,018,257	1,828,762
-In other comprehensive income	-	(255,666)
-In profit or loss	(512,067)	-
Purchased	100,115	-
Disposal	-	(620)
Balance at December 31, 2019	<u>\$ 606,305</u>	<u>1,572,476</u>

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CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
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Aforesaid total gains and losses that were recognized in “other gains and losses” and “unrealized gains or losses on financial assets at fair value through other comprehensive income”. Related assets held for the years ended December 31, 2020 and 2019, were as follows:

	<u>2020</u>	<u>2019</u>
Total gains or losses		
Recognized in profit or loss (recognized as “other gains and losses”)	\$ -	(512,067)
Recognized in other comprehensive income (recognized as “unrealized gains or losses from financial assets at fair value through other comprehensive income”)	21,335	(256,286)

5) Quantified information for significant unobservable inputs (Level 3) used in fair value measurement

The Group’s financial instruments that use Level 3 inputs to measure fair value include “financial assets at fair value through profit or loss – equity investments” and “financial assets at fair value through other comprehensive income– equity investments”.

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

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

<u>Item</u>	<u>Valuation Technique</u>	<u>Significant unobservable input</u>	<u>Relationship between input and fair value</u>
Financial assets at fair value through profit or loss-equity investments without an active market	Discounted cash flow method	Return on equity (December 31, 2020 and 2019 were 13.5153% and 12.9411%, respectively)	The higher the return of equity, the lower the fair value.
Financial assets at fair value through other comprehensive income-equity investments without an active market	Market Method	The multiplier of price-to-earnings ratio (December 31, 2020 and 2019, were 15.10 and 17.33 and 20.15, respectively) Market illiquidity discount (December 31, 2020 and 2019, were 80%.)	The higher multiplier is, the higher the fair value The higher market illiquidity discount is, the lower the fair value

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CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
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<u>Item</u>	<u>Valuation Technique</u>	<u>Significant unobservable input</u>	<u>Relationship between input and fair value</u>
Financial assets at fair value through other comprehensive income-equity investments without an active market	Income Method	·Earnings per share (December 31, 2020 and 2019, were 0%)	·The higher the earnings per share, the higher the fair value
		·Weighted average cost of capital (December 31, 2020 and 2019, were 5%)	·The higher the weighted average cost of capital, the lower the fair value

- 6) Fair value measurements in level 3 - sensitivity analysis of reasonable possible alternative assumptions

The valuation for Level 3 financial instruments is reasonable. However, the result may change if applying different evaluation model or parameter. For fair value measurements in level 3, changing one or more assumptions would have the following effects:

	<u>Input</u>	<u>Change up or down</u>	<u>Profit or loss</u>		<u>Other comprehensive income</u>	
			<u>Favorable change</u>	<u>Unfavorable change</u>	<u>Favorable change</u>	<u>Unfavorable change</u>
December 31, 2020						
Financial assets at fair value through profit or loss						
Equity instruments without an active market	Return on equity	1%	\$ 2,036	(2,023)	-	-
Financial assets at fair value through other comprehensive income						
Equity instruments without an active market	Market liquidity discount	5%	-	-	37,970	37,970
Equity instruments without an active market	Weighted average cost of capital	1%	-	-	102	97
December 31, 2019						
Financial assets at fair value through profit or loss						
Equity instruments without an active market	Return on equity	1%	\$ 1,974	(1,961)	-	-
Financial assets at fair value through other comprehensive income						
Equity instruments without an active market	Market liquidity discount	5%	-	-	98,139	98,139
Equity instruments without an active market	Weighted average cost of capital	1%	-	-	100	94

The favorable and unfavorable effects represent the changes in fair value, and fair value is based on a variety of unobservable inputs calculated using the valuation technique. The analysis above only reflects the effects of changes in a single input, and it does not include the interrelationships with another input.

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CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
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(ad) Financial risk management

(i) Overview

The Group is exposed to the following risks from its financial instruments:

- 1) Credit risk
- 2) Liquidity risk
- 3) Market risk

According to the exposed risks stated above, the following notes are the objectives, policies and procedures of the 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 financial performance.
- 2) The Group's finance department implements risk management in accordance with the policy approved by the Board of Directors. The Group's financial department works to identify, assess and minimize various financial risks.

(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's Civil & Building Construction and Environmental project Development are concentrated in the real estate development industry and government entities. To minimize credit risks, the Group reviews the financial positions of the clients periodically and requests collateral or guarantees if necessary. The Group also evaluates the collectability of receivables and provides an allowance for doubtful accounts on a regular basis. The relevant losses on bad debts are generally under the Group's expectation.

The Group's Real Estate Development is mainly affected by its client. Accounts receivable generated by selling real estate has a lower credit risk since the payment is completed by the masses with transferring and check.

The Group discloses the estimation of accounts receivables' and other receivables' loss with allowance for bad debt account. Allowance for bad debt account is composed with specific losses and batch of unrecognized losses components. Unrecognized losses components are determined by historically statistical data from similar financial assets.

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CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
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2) Investment

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

3) Guarantees

As of December 31, 2020 and 2019, the Group's guarantee for project construction for other construction company amounted to \$9,358,000 thousand.

(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

As of December 31, 2020 and 2019, the Group has unused credit limit for \$28,621,139 thousand and \$29,379,937 thousand, respectively.

(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 entities, primarily New Taiwan Dollars (NTD), USD, Hong Kong Dollars (HKD), Macau Pataca (MOP), India Rupee (INR) and Malaysia Ringgit (MYR), etc. The respective entities use in these transactions are denominated in NTD, EUR, JPY, 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 NTD and USD.

The Group's investments in its subsidiaries and associates are not hedged.

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CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
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2) Interest rate risk

As of December 31, 2020 and 2019, financial liabilities exposed to cash flow interest rate risk are amounted to \$11,888,629 thousand and \$12,242,034 thousand, respectively. Since the Group's long-term borrowings are floating rates, the changes in effective interest rate of the long-term borrowings will affect the Group's future cash flow.

3) Other market price risk

The Group is exposed to equity price risk due to the investments in equity securities. This is a strategic investment and is not held for trading. The Group does not actively trade in these investments as the management of the Group minimizes the risk by holding different investment portfolios.

(ae) Capital Management

The Group meets its objectives of managing capital to safeguard the capacity to continue to operate, to continue to provide a return on shareholders, to maintain the 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.

The Group uses the debt-to-equity ratio to manage capital. This ratio is using the total net debt divided by the total capital. The net debt from the balance sheet is derived from the total liabilities, less, cash and cash equivalents. The total capital and equity includes capital stock, capital surplus, retained earnings and other equity, plus, net debt.

The Group's debt-to-equity ratio as of 31 December 2020, and 2019 is as follows:

	December 31, 2020	December 31, 2019
Total liabilities	\$ 40,234,730	37,850,723
Less: cash and cash equivalents	<u>(4,512,368)</u>	<u>(4,423,239)</u>
Net debt	35,722,362	33,427,484
Total equity	<u>26,920,360</u>	25,697,308
Adjusted capital	<u>\$ 62,642,722</u>	<u>59,124,792</u>
Debt-to-equity ratio	<u>57.03%</u>	<u>56.54%</u>

(af) Non-cash investing and financing activities

The Group's investing and financing activities which did not affect the current cash flow in the years ended December 31, 2020 and 2019 were as follows:

- (i) Please refer to Note 6(k) for acquisition right-of-use assets by leasing.
- (ii) Reclassification of prepayments for business facilities to property, plant and equipment or inventory.

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CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
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	<u>2020</u>	<u>2019</u>
Prepayments for business facilities reclassified to property, plant and equipment	\$ 111,263	33,356
Investment property reclassified to property, plant and equipment	-	405,289
Investment property reclassified to inventories	-	2,049,415
Property, plant and equipment reclassified to inventories	<u>16,000</u>	<u>13,436</u>
	<u>\$ 127,263</u>	<u>2,501,496</u>

(iii) Reconciliation of liabilities arising from financing activities were as follow:

	<u>January 1, 2020</u>	<u>Cash flows</u>	<u>Non-cash changes</u>		<u>Changes in lease payments</u>	<u>December 31, 2020</u>
			<u>Foreign exchange movement</u>	<u>Other</u>		
Short-term borrowings	\$ 8,085,510	2,064,898	(126,328)	-	-	10,024,080
Long-term borrowings (including due within one year)	12,239,409	(318,904)	(34,501)	450	-	11,886,454
Lease liabilities	<u>180,524</u>	<u>(97,315)</u>	<u>(2,231)</u>	<u>-</u>	<u>83,558</u>	<u>164,536</u>
Total liabilities from financing activities	<u>\$ 20,505,443</u>	<u>1,648,679</u>	<u>(163,060)</u>	<u>450</u>	<u>83,558</u>	<u>22,075,070</u>

	<u>January 1, 2019</u>	<u>Cash flows</u>	<u>Non-cash changes</u>		<u>Changes in lease payment</u>	<u>December 31, 2019</u>
			<u>Foreign exchange movement</u>	<u>Other</u>		
Short-term borrowings	\$ 11,019,633	(2,922,144)	(11,979)	-	-	8,085,510
Long-term borrowings (including due within one year)	13,610,551	(1,358,262)	(13,330)	450	-	12,239,409
Lease liabilities	<u>133,951</u>	<u>(67,331)</u>	<u>-</u>	<u>-</u>	<u>113,904</u>	<u>180,524</u>
Total liabilities from financing activities	<u>\$ 24,764,135</u>	<u>(4,347,737)</u>	<u>(25,309)</u>	<u>450</u>	<u>113,904</u>	<u>20,505,443</u>

(7) Related-party transactions:

(a) Parent Group and Ultimate Controlling Party

Montrion Corporation is both the parent company and the ultimate controlling party of the Group. It owns 50.05% of all shares outstanding of the Company.

(b) Names and relationship with related parties

<u>Name of related party</u>	<u>Relationship with the Group</u>
CTCI-HDEC (Chungli) Corp. (CTCI-HDEC)	Investment for using equity method (Associate)
Fanlu Construction Industry Co., Ltd. (Fanlu)	Investment for using equity method (Associate)
New Continental Corp.(NCC)	Investment for using equity method (Associate)
American Bridge Co. (ABC)	Investment of subsidiary using equity method (Associate, excluded on September, 2020)
Han-De Construction CO., Ltd.	Other related party

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CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
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<u>Name of related party</u>	<u>Relationship with the Group</u>
Moderate Investment Ltd. (MIL)	Other related party
Wei-Dar Development Co., Ltd.	Other related party
Metropolis Property Management Corporation	Other related party
Foremost Asset Co., Ltd.	Other related party
MM 180 Jones LLC	Other related party
TSRC Corporation	Other related party
Doisy Trading Co., Ltd.	Other related party
WFV Corporation	Other related party
Mid Market Center LLC	Other related party
Ou Interests, Inc. DBA Group I	Other related party
The Warfield Building	Other related party
Construction Studios, Inc.	Other related party
Tsai ○○	Other related party (Resigned on June 30, 2020)

(c) Other related party transactions:

(i) Contracted construction

<u>2020</u>	<u>Total Contract Amount (Before tax)</u>	<u>Current Amount</u>	<u>Accumulated Amount</u>
Associate (CTCI-HDEC)	\$ <u>6,115,200</u>	<u>-</u>	<u>133,462</u>
<u>2019</u>			
Associate (CTCI-HDEC)	\$ <u>6,115,200</u>	<u>32,898</u>	<u>133,462</u>

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 parties were as follows:

	<u>2020</u>	<u>2019</u>
Other related parties	\$ <u>9,681</u>	<u>13,022</u>

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.

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CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
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(iii) Other outstanding balance

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

	<u>Accounts Receivable</u>	
	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Other related parties	\$ 3	1,337
Associates	-	1,034
	<u>\$ 3</u>	<u>2,371</u>

	<u>Other Receivables</u>	
	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Other related parties	\$ 3,393	754
Associates	622	151
	<u>\$ 4,015</u>	<u>905</u>

	<u>Accounts Payable</u>	
	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Other related parties	<u>\$ 5,279</u>	<u>5,620</u>

	<u>Other Payables</u>	
	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Other related parties	<u>\$ 100,523</u>	<u>76,736</u>

(iv) Rental

1) Rental revenues

	<u>2020</u>	<u>2019</u>
Other related parties	<u>\$ 609</u>	<u>165</u>

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

- 2) In November 2017 and January 2018, the Group leased an office building from other related party. A five-year and three-year lease contracts were signed, respectively. In July 2019, the Group entered into a three-year lease agreement with other related party for its warehouse. For the years ended December 31, 2020 and 2019, the Group recognized the amount of \$148 thousand and \$208 thousand as interest expense. As December 31, 2020 and 2019, the balance lease liabilities amounted to \$8,280 thousand and \$12,663 thousand, respectively.

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(v) Loan to related party

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Associate-ABC	\$ <u>-</u>	<u>89,940</u>

The interest charged by the Group to related parties is similar to the market rate. The loans were borrowed without collaterals. After assessment, no provisions for bad debt expenses were accrued.

(vi) Loan from related parties

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Other related party-MIL	\$ 387,291	290,450
Other related parties	<u>97,906</u>	<u>90,880</u>
	<u>\$ 485,197</u>	<u>381,330</u>

The interest charged to the Group is calculated based on the average interest rate imposed on related parties' borrowings by external financial institutions. The interest-bearing borrowings provided from related parties are unsecured.

(vii) Transaction of properties

In June, 2020, the Group sold its transportation equipment to other related party for \$640 thousand(excluding tax), and recognized the loss of disposal for \$73 thousand. All the payments had been received.

In 2019, the Group sold its buildings to other related party for \$1,466,075 thousand. All the payments had been received. Please refer to Note 6(l) for related details on investment property.

(viii) Endorsements and Guarantees

	<u>Guarantee classification</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Associate (CTCI-HDEC)	Guarantee for bank loans	\$ 98,000	98,000
Associate (Fanlu)	Guarantee for bank loans	<u>1,557,000</u>	<u>1,557,000</u>
		<u>\$ 1,655,000</u>	<u>1,655,000</u>

(ix) Other

1) Interest revenue

	<u>2020</u>	<u>2019</u>
Associates	\$ 2,322	1,667
Other related parties	<u>12</u>	<u>6</u>
	<u>\$ 2,334</u>	<u>1,673</u>

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CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
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2) Other expenses

	<u>2020</u>	<u>2019</u>
Other related parties	\$ <u>28,576</u>	<u>24,350</u>

3) Other income

	<u>2020</u>	<u>2019</u>
Associates	\$ 220	5,147
Other related parties	<u>92</u>	<u>92</u>
	\$ <u>312</u>	<u>5,239</u>

4) On April 7, 2020 and March 6, 2019, the Group purchased 17,500,000 shares and 31,975,230 shares of Fanlu amounting to \$175,000 thousand and \$319,752 thousand, respectively.

5) On April 16, 2019, the Group purchased 5,757 shares of NCC amounting to \$420,857 thousand.

(d) Key Management Personnel Transaction

Key Management Personnel Compensation:

	<u>2020</u>	<u>2019</u>
Short-term employee benefits	\$ <u>145,593</u>	<u>143,413</u>

The Group provides fourteen vehicles for key management personnel at a cost of \$17,504 thousand in 2020 and 2019.

(8) Pledged assets

The carrying values of pledged assets are as follows:

<u>Asset</u>	<u>Purpose of pledge</u>	<u>December 31,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>
Inventories (development corp.)	Loan collateral	\$ 22,563,477	21,996,847
Restricted deposits (other current assets)	Time deposits collateral	345,958	1,097,506
Property, plant and equipment	Loan collateral and construction guarantee	1,073,938	1,077,894
Investment property	Loan collateral and construction guarantee	9,643,116	9,283,755
Intangible assets	Loan collateral	862,152	856,792
Long-term accounts receivable	Loan collateral	<u>3,550,495</u>	<u>3,558,061</u>
Total		\$ <u>38,039,136</u>	<u>37,870,855</u>

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(9) Significant commitments and contingencies:

(a) Unrecognized contractual commitments were as follows:

- (i) As of December 31, 2020 and 2019, 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, 2020	December 31, 2019
Pre-sales and total sales of completed real estate	<u>\$ 16,661,295</u>	<u>8,826,791</u>
Advance receipts	<u>\$ 4,002,780</u>	<u>2,438,964</u>

- (ii) As of December 31, 2020 and 2019, the Group purchased land in a contract amount of \$0 and \$1,186,472 thousand, respectively, within which, \$0 and \$218,236 thousand has been respectively paid in accordance with the contracts.

- (iii) As of December 31, 2020 and 2019, total price of the construction contracts entered into by the Group and the total amount which has been collected or billed according to the contracts are listed as follow:

	December 31, 2020	December 31, 2019
Total contract amount—NTD	137,785,831	127,594,964
— INR	34,877,924	34,804,246
— HKD	4,476,999	4,365,034
— MOP	982,544	1,015,674
— MYR	394,926	394,926
Accumulated billing amount	112,962,750	120,908,792

- (iv) As of December 31, 2020 and 2019, the Group provided the guarantees for contract performance and construction warranties to other construction companies, including jointly liable contracts amounted to \$9,358,000 thousand.

(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.

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CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
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- 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

- 8) The Group engaged Sydell Hotels LLC ("Sydell"), a third party professional hotel management company, for providing architects, consultants, and engineers in the planning, design, and equipping of its hotel, as well as pre-opening services necessary for the opening the hotel, at the total contract price of USD1,050 thousand. As of December 31, 2020, the remaining amount of USD523 thousand had yet to be.

(b) Contingent liability:

- (i) As of December 31, 2020 and 2019, the Group provided promissory notes for contract performance, issuance of commercial paper, and construction warranty, amounted to \$43,984,877 thousand and \$42,226,868 thousand, respectively.
- (ii) As of December 31, 2020 and 2019, promissory notes receivable for construction contracts amounted to \$11,596,774 thousand and \$12,052,777 thousand, respectively.

(c) Other

- (i) As of December 31, 2020 and 2019 the Group paid guarantee deposits for the joint construction contracts with several landowners amounted to \$0 and \$4,235 thousand, respectively (recognized as other current assets).

(Continued)

CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- (ii) In April 2005, the Group filed a lawsuit against Kao Nan Region Construction Office for the East West Expressway (Kao Nan), demanding for the compensation fee of \$444,579 thousand for the dispute concerning the extension of the construction of the highway between Wujia and Shangliao. During the 2nd verdict in February 2014, Taiwan High Court Kaohsiung Branch decided that Kao Nan should pay the amount of \$243,206 thousand to the Group (including interest). However, the Group disagreed with the Court's decision and appealed to the Supreme Court regarding the matter. 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 overturned the decision made by the High Court during the 2nd verdict and handed over this case back to the High Court for another decision. In September 2018, Taiwan High Court Kaohsiung Branch decided that Kao Nan should pay the amount of \$318,498 thousand to the Group (excluding interest). Both the Group and Kao Nan Region Construction Office appeal against the decision. In March 19, 2020, the Supreme Court decided the Group won partially in this case and the Kao-Nan Construction Office should pay the amount of \$91,411 thousand (excluding interest) to the Group, who had received the amounts of \$86,667 thousand and \$5,909 thousand (both including interest) in May and July of 2020, respectively. The remaining amount of \$238,295 thousand (excluding interest) has been handed back to the High Court for reconsideration. The case is still in progress as of the reporting date.

(10) Losses Due to Major Disasters: None

(11) Subsequent Events: None

(12) Other:

- (a) Personnel expenses, depreciation, depletion and amortization are summarized as follows:

	2020			2019		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits						
Salary	1,030,177	635,775	1,665,952	1,150,948	571,536	1,722,484
Labor and health	76,669	41,296	117,965	70,754	38,862	109,616
Pension	39,344	27,874	67,218	38,499	27,747	66,246
Others	94,885	119,245	214,130	135,682	131,266	266,948
Depreciation	180,117	67,957	248,074	213,549	52,231	265,780
Amortization	61,181	-	61,181	58,117	-	58,117

(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	CEC HK	Other receivables	Yes	6,024	5,938	5,938 (Note 2)	5%	2	-	Operation requirements	-	-	-	1,699,639	1,699,639
1	CEC	CIC	Other receivables	Yes	450,300	427,200	299,040 (Note 2)	Taifx3+1%	2	-	Operation requirements	-	-	-	1,699,639	1,699,639
1	CEC	ABC	Other receivables	No	90,750	-	-	The same day at a federal rate +0.50%	2	-	Operation requirements	-	Buildings	70,202	1,699,639	1,699,639
2	CDC	BANGSAR	Other receivables	Yes	219,649	207,701	146,859 (Note 2)	7.90%	2	-	Land purchases and operation requirements	-	-	-	6,444,475	6,444,475
2	CDC	MEGA	Other receivables	Yes	879,663	831,812	473,355 (Note 2)	7.65%-7.90%	2	-	Land purchases and operation requirements	-	-	-	6,444,475	6,444,475
2	CDC	Grand River D. Limited	Other receivables	No	414,958	414,958	318,528	1.90%-2.50%	2	-	Land purchases and operation requirements	-	-	-	6,444,475	6,444,475

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: \$4,249,098 thousand \times 40% = 1,699,639 thousand

Maximum amount of loans provided to a single business enterprise is limited to 40% of net equity value: \$4,249,098 thousand \times 40% = 1,699,639 thousand

2) CDC:

Maximum amount of loans is limited to 40% of net equity value: \$16,111,188 thousand \times 40% = 6,444,475 thousand

Maximum amount of loans provided to a single business enterprise is limited to 40% of net equity value: \$16,111,188 thousand \times 40% = 6,444,475 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	94,959,364	528,419	487,406	487,406	-	2.05 %	94,959,364	Y	N	N
0	CHC	HDEC	2	94,959,364	2,121,069	1,927,269	1,372,590	-	8.12 %	94,959,364	Y	N	N
0	CHC	CEC HK	2	94,959,364	974,500	-	-	-	- %	94,959,364	Y	N	N
0	CHC	CEC	2	94,959,364	20,586,258	18,389,001	8,948,300	-	77.46 %	94,959,364	Y	N	N
1	CEC	Fu Tsu Construction Co., Ltd.	5	12,747,294	9,358,000	9,358,000	9,358,000	-	220.23 %	25,494,588	N	N	N
1	CEC	CIC	2	8,498,196	347,875	42,720	-	-	1.01 %	8,498,196	N	N	N
1	CEC	PDC	4	8,498,196	32,000	-	-	-	- %	8,498,196	N	N	N
1	CEC	CEC HK	2	8,498,196	311,840	293,840	-	-	6.92 %	8,498,196	N	N	N
1	CEC	CICI	2 and 5	12,747,294	4,234,695	3,884,790	3,884,790	-	91.43 %	25,494,588	N	N	N
1	CEC	CIMY	2 and 5	12,747,294	3,549,888	-	-	-	- %	25,494,588	N	N	N
2	CDC	CDC US	2	32,222,376	151,250	142,400	135,280	-	0.88 %	32,222,376	N	N	N
2	CDC	CCD	2	32,222,376	1,475,000	1,415,000	1,210,000	-	8.78 %	32,222,376	N	N	N
2	CDC	BANGSAR	2 and 6	32,222,376	186,369	176,231	-	-	1.09 %	32,222,376	N	N	N
2	CDC	MEGA	2 and 6	32,222,376	449,213	422,928	236,056	-	2.63 %	32,222,376	N	N	N
2	CDC	950P	2 and 6	32,222,376	3,795,334	3,573,260	1,641,458	-	22.18 %	32,222,376	N	N	N
2	CDC	Fanlu	6	32,222,376	1,557,000	1,557,000	771,750	-	9.66 %	32,222,376	N	N	N
3	CCD	CDC	3	13,513,540	1,258,200	1,258,200	868,500	1,258,200	37.24 %	13,513,540	N	N	N
3	CCD	CDC	3 and 7	13,513,540	1,215,000	1,215,000	705,935	-	35.96 %	13,513,540	N	N	N
4	HDEC	CEC	4 and 5	26,155,224	6,103,750	6,103,750	6,103,750	-	186.69 %	26,155,224	N	N	N
4	HDEC	AXIOM	5	26,155,224	13,500	-	-	-	- %	26,155,224	N	N	N
4	HDEC	BWC	2 and 6	26,155,224	800,700	800,700	547,740	-	24.49 %	26,155,224	N	N	N
4	HDEC	CTCI-HDEC	6	26,155,224	98,000	98,000	98,000	-	3.00 %	26,155,224	N	N	N
4	HDEC	NSC	2	26,155,224	2,820,000	2,820,000	550,000	-	86.25 %	26,155,224	N	N	N
4	HDEC	LHC	2	26,155,224	5,071	5,071	5,071	-	0.16 %	26,155,224	N	N	N
4	HDEC	LHC	2 and 6	26,155,224	1,485,000	1,485,000	990,000	-	45.42 %	26,155,224	N	N	N
4	HDEC	PDC	2	26,155,224	1,327,000	1,327,000	32,000	-	40.59 %	26,155,224	N	N	N

(Continued)

CONTINENTAL HOLDINGS CORPORATION
Notes to Consolidated Financial Statements

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: \$23,739,841 thousand $\times 4 =$ \$94,959,364 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: \$23,739,841 thousand $\times 4 =$ \$94,959,364 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: \$4,249,098 thousand $\times 6 =$ \$25,494,588 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: \$4,249,098 thousand $\times 3 =$ \$12,747,294 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: \$4,249,098 thousand $\times 2 =$ \$8,498,196 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: \$4,249,098 thousand $\times 2 =$ \$8,498,196 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: \$16,111,188 thousand $\times 2 =$ \$32,222,376 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: \$16,111,188 thousand $\times 2 =$ \$32,222,376 thousand

According to the policy of CCD 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: \$3,378,385 thousand $\times 4 =$ \$13,513,540 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: \$3,378,385 thousand $\times 4 =$ \$13,513,540 thousand

According to the policy of HDEC, the total amount of endorsements/guarantees is limited to eight times the net equity value in accordance with the Company's most recent financial statements: \$3,269,403 thousand $\times 8 =$ \$26,155,224 thousand

The total amount of endorsements/guarantees provided to a single business is limited to eight times the net equity value in accordance with the Company's most recent financial statements: \$3,269,403 thousand $\times 8 =$ \$26,155,224 thousand

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 presale contracts under the Consumer Protection Act.

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CONTINENTAL HOLDINGS CORPORATION
Notes to Consolidated Financial Statements

(iii) Securities held as of December 31, 2020 (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.	-	Non-current financial assets at fair value through other comprehensive income	25,645,907	1,181,250	6.42 %	1,181,250	6.42 %	
CEC	Xinrong Enterprise	-	Non-current financial assets at fair value through other comprehensive income	12,256,347	607,523	8.45 %	607,523	8.45 %	
CEC	Metro Consulting Service Ltd.	-	Non-current financial assets at fair value through other comprehensive income	300,000	2,306	6.00 %	2,306	6.00 %	
CEC	International Property & Finance Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	26,301	-	1.64 %	-	1.64 %	
CEC	Shin Yu Energy Development Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	22,405,297	-	9.00 %	-	9.00 %	
CDC	Grand River D. Limited	-	Non-current financial assets at fair value through profit or loss	51,436,803	606,305	10.00 %	606,305	10.00 %	

(iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$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
CHC	CEC-Common stock	Investment for using equity method	CEC	Subsidiary	400,062,071	6,484,584	40,000,000	400,000	-	-	-	-	440,062,071	6,884,584

(v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None

(vi) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Name of company	Type of property	Transaction date	Acquisition date	Book value	Transaction amount	Amount actually receivable	Gain from disposal	Counter-party	Nature of relationship	Purpose of disposal	Price reference	Other terms
CDC	55 Timeless-Inventory	2020.03.07	N/A	Inventory held-for-sale, not applicable	601,555	601,555	Inventory held-for-sale, not applicable	Natural person	Not related party	Profit	Evaluation report	-
CDC	55 Timeless-Inventory	2020.08.03	N/A	Inventory held-for-sale, not applicable	319,548	12,000	Inventory held-for-sale, not applicable	Far rich international corporation	Not related party	Profit	Evaluation report	-
CDC	La bella vita-Inventory	2020.09.29	N/A	Inventory held-for-sale, not applicable	545,625	545,625	Inventory held-for-sale, not applicable	Razola investment INC. Taiwan branch (B.V.I.)	Not related party	Profit	Evaluation report	-
CDC	55 Timeless-Inventory	2020.11.07	N/A	Inventory held-for-sale, not applicable	348,000	139,200	Inventory held-for-sale, not applicable	China Star Investment Limited	Not related party	Profit	Evaluation report	-
CDC	55 Timeless-Inventory	2020.12.02	N/A	Inventory held-for-sale, not applicable	350,328	140,364	Inventory held-for-sale, not applicable	Natural person	Not related party	Profit	Evaluation report	-

(Continued)

CONTINENTAL HOLDINGS CORPORATION
Notes to Consolidated Financial Statements

(vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 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 of the Company	Construction contract	(1,281,959)	9.14%	Same as those in general transactions	-	-	682,020	17.54%	Note 1
CDC	CEC	Related party of the Company	Construction project	1,281,959	24.89%	Same as those in general transactions	-	-	(682,020)	54.54%	
HDEC	LHC	Parent company	Construction contract	(839,368)	66.68%	Same as those in general transactions	-	-	318,105	80.65%	Note 1
LHC	HDEC	Parent company	Construction project	839,368	44.64%	Same as those in general transactions	-	-	(318,105)	54.85%	
HDEC	NSC	Parent company	Construction contract	(170,907)	13.58%	Same as those in general transactions	-	-	21,838	5.54%	Note 1
NSC	HDEC	Parent company	Construction project	170,907	41.19%	Same as those in general transactions	-	-	(21,838)	74.30%	

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

Note 2: Aforesaid notes and accounts receivable are including 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 NT\$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 682,020	2.02	-	-	316,727	-
HDEC	LHC	Parent company	Accounts receivable 318,105	3.86	-	-	247,666	-

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

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

(Continued)

CONTINENTAL HOLDINGS CORPORATION
Notes to Consolidated Financial Statements

(ix) Derivatives transactions: Please refer to notes

As of December 31, 2020, the Group entered into forward exchange agreement with an amount of USD1,499 thousand and MYR40,150 thousand, and hedging instruments in amounts of USD14,582 thousand, JPY3,218 thousand and EUR825 thousand.

(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
1	CEC	CDC	3	Construction revenues	1,281,959	Same as those in normal transactions	5.91%
		CDC	3	Accounts receivable	209,155	-	0.31%
		CDC	3	Contract assets	472,865	-	0.70%
		CIC	3	Other receivables	301,293	-	0.45%
2	CDC	CEC	3	Construction costs	1,281,959	Same as those in normal transactions	5.91%
		CEC	3	Accounts payable	682,020	-	1.01%
		MEGA	3	Other receivables	590,417	-	0.88%
		BANGSAR	3	Other receivables	165,618	-	0.25%
3	HDEC	NSC	3	Operating revenues	170,907	Same as those in normal transactions	0.79%
		NSC	3	Accounts receivable	19,193	-	0.03%
		NSC	3	Contract assets	2,645	-	-%
		SDC	3	Operating costs	51,124	Same as those in normal transactions	0.24%
		SDC	3	Accounts payable	9,988	-	0.01%
		BWC	3	Operating revenues	50,695	Same as those in normal transactions	0.23%
		LHC	3	Operating revenues	839,368	Same as those in normal transactions	3.87%
		LHC	3	Accounts receivable	247,576	-	0.37%
		LHC	3	Contract assets	70,529	-	0.10%
		PDC	3	Operating revenues	68,915	Same as those in normal transactions	0.32%
4	NSC	PDC	3	Accounts receivable	4,566	-	0.01%
		PDC	3	Contract assets	8,455	-	0.01%
		HDEC	3	Operating costs	170,907	Same as those in normal transactions	0.79%
		HDEC	3	Accounts payable	21,838	-	0.03%
5	SDC	SDC	3	Operating costs	2,645	Same as those in normal transactions	-%
		HDEC	3	Operating revenues	51,124	Same as those in normal transactions	0.24%
		HDEC	3	Accounts receivable	6,999	-	0.01%
		HDEC	3	Contract assets	2,990	-	-%
6	BWC	NSC	3	Operating revenues	80,409	Same as those in normal transactions	0.37%
		HDEC	3	Operating costs	50,695	Same as those in normal transactions	0.23%
7	LHC	HDEC	3	Operating costs	839,368	Same as those in normal transactions	3.87%
		HDEC	3	Accounts payable	318,105	-	0.47%
8	PDC	HDEC	3	Operating costs	68,915	Same as those in normal transactions	0.32%
		HDEC	3	Accounts payable	13,021	-	0.02%
9	MEGA	CDC	3	Other payables	590,417	-	0.88%
		CDC	3	Other payables	165,618	-	0.25%
10	Bangsar	CDC	3	Other payables	165,618	-	0.25%

(Continued)

CONTINENTAL HOLDINGS CORPORATION

Notes to Consolidated Financial Statements

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

- 1) 0 represents the Company.
- 2) 1~9 represent subsidiaries

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, 2020 (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, 2020			Highest Percentage of ownership	Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2020	December 31, 2019	Shares (thousands)	Percentage of ownership	Carrying value				
CHC	CEC	Taiwan	Comprehensive construction	6,884,584	6,484,584	440,062,071	100.00 %	4,194,626	100.00 %	255,201	309,828	Note 1
CHC	CDC	Taiwan	Housing and building development and lease	6,220,748	6,620,748	590,766,953	100.00 %	16,111,188	100.00 %	886,275	886,275	Note 1
CHC	HDEC	Taiwan	Construction of underground pipeline	2,360,366	2,360,366	197,800,000	100.00 %	3,269,403	100.00 %	359,138	359,138	Note 1
CEC	CICI	India	Construction projects	497,839	497,839	73,981,492	100.00 %	169	100.00 %	47,253	Disclosure not required	-
CEC	CIC	British Virgin Islands	Investment and holding	1,726,329	1,726,329	52,780,940	100.00 %	(294,723)	100.00 %	(45,664)	"	-
CEC	CIMY	Malaysia	Construction projects	207,177	352,527	26,340,476	87.10 %	30,991	92.24 %	206	"	-
CEC	CEC HK	Hong Kong	Construction projects	384	384	100,000	100.00 %	(7,550)	100.00 %	(8,155)	"	-
CIC	NCC	British Virgin Islands	Investment and holding	1,640,006	1,640,006	10,353	45.47 %	-	45.47 %	207,102	"	-
CDC	BANGSAR	Malaysia	Real estate development	4,444	4,444	600,000	60.00 %	4,476	60.00 %	40	"	-
CDC	CCD	Taiwan	Housing and building development and lease	976,539	976,539	44,573,940	80.65 %	2,724,668	80.65 %	35,205	"	-
CDC	Fanlu	Taiwan	Housing and building development and lease	566,646	391,646	56,664,562	35.00 %	513,185	35.00 %	(88,646)	"	-
CDC	MEGA	Malaysia	Real estate development	7,375	7,375	825,000	55.00 %	22	55.00 %	(1,611)	"	-
CDC	CDC US	The U.S.	Investment	2,061,080	2,061,080	5,000,000	100.00 %	1,894,210	100.00 %	(10,045)	"	-
CDC	CDCAM	Malaysia	Construction Management	7,524	7,524	1,000,000	100.00 %	7,555	100.00 %	399	"	-
HDEC	SDC	Taiwan	Construction projects	49,600	49,600	3,000,000	100.00 %	39,746	100.00 %	3,916	"	-
HDEC	NSC	Taiwan	Pollution protection and other environmental sanitation	1,112,000	1,112,000	166,000,000	100.00 %	2,813,985	100.00 %	214,667	"	-
HDEC	BWC	Taiwan	Pollution protection and other environmental sanitation	362,100	362,100	37,740,000	51.00 %	443,833	51.00 %	104,118	"	-
HDEC	PDC	Taiwan	Pollution protection and other environmental sanitation	340,000	240,000	34,000,000	100.00 %	339,131	100.00 %	(44)	"	-
HDEC	CTCI-HDEC	Taiwan	Pollution protection and other environmental sanitation	245,000	245,000	24,500,000	49.00 %	232,352	49.00 %	(621)	"	-
HDEC	LHC	Taiwan	Pollution protection and other environmental sanitation	412,500	247,500	42,165,700	55.00 %	470,048	55.00 %	86,097	"	-

(Continued)

CONTINENTAL HOLDINGS CORPORATION
Notes to Consolidated Financial Statements

Note 1: The information on investment income/loss for the year ended December 31, 2020 was derived from the investees' financial statements audited by the auditors for the same period.

(c) Information on investment in mainland China: None

(d) Major shareholders:

Shareholder's Name	Shareholding	Shares	Percentage
Wei-Dar Development Co., Ltd.		206,025,200	25.02 %
Tamerton Group Limited		85,672,300	10.40 %
Han-De Construction Co., Ltd.		63,755,667	7.74 %

(Continued)

CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(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:

<u>Area</u>	<u>2020</u>	<u>2019</u>
Revenue from external customers:		
Taiwan	\$ 20,463,092	19,932,643
Others	<u>1,225,557</u>	<u>2,732,444</u>
	<u>\$ 21,688,649</u>	<u>22,665,087</u>
Non-current assets		
Taiwan	\$ 18,353,980	16,805,180
Others	<u>1,525,491</u>	<u>1,289,138</u>
Total	<u>\$ 19,879,471</u>	<u>18,094,318</u>

Non-current assets include property, plant and equipment, investment property, intangible assets, and other assets, but excluding financial instruments, deferred tax assets of non-current assets.

(c) Information on major customers

	<u>2020</u>	<u>2019</u>
Governments	\$ 12,055,482	10,679,623
Construction corporations	3,589,687	7,022,612
Others	<u>6,043,480</u>	<u>4,962,852</u>
Total	<u>\$ 21,688,649</u>	<u>22,665,087</u>