

**CONTINENTAL HOLDINGS CORPORATION
AND SUBSIDIARIES**

CONSOLIDATED FINANCIAL STATEMENTS

**With Independent Auditors' Review Report
For the Three Months Ended March 31, 2022 and 2021**

Address: 23F., No.95, Sec. 2, Dunhua S. Rd., Da'an Dist., Taipei City 106, Taiwan
(R.O.C.)

Telephone: (02)3701-2000

The independent auditors' review 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' review report and consolidated financial statements, the Chinese version shall prevail.

Table of contents

| Contents | Page |
|---|-------|
| 1. Cover Page | 1 |
| 2. Table of Contents | 2 |
| 3. Independent Auditors' Review Report | 3 |
| 4. Consolidated Balance Sheets | 4 |
| 5. Consolidated Statements of Comprehensive Income | 5 |
| 6. Consolidated Statements of Changes in Equity | 6 |
| 7. Consolidated Statements of Cash Flows | 7 |
| 8. Notes to the Consolidated Financial Statements | |
| (1) Company history | 8 |
| (2) Approval date and procedures of the consolidated financial statements | 8 |
| (3) New standards, amendments and interpretations adopted | 8 |
| (4) Summary of significant accounting policies | 9~12 |
| (5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty | 12 |
| (6) Explanation of significant accounts | 12~43 |
| (7) Related-party transactions | 44~47 |
| (8) Pledged assets | 47 |
| (9) Significant commitments and contingencies | 48~50 |
| (10) Losses due to major disasters | 50 |
| (11) Subsequent events | 50 |
| (12) Other | 50 |
| (13) Other disclosures | |
| (a) Information on significant transactions | 51~57 |
| (b) Information on investees | 57~58 |
| (c) Information on investment in Mainland China | 58 |
| (d) Major shareholders | 58 |
| (14) Segment information | 59 |



安侯建業聯合會計師事務所

KPMG

台北市110615信義路5段7號68樓(台北101大樓)
68F., TAIPEI 101 TOWER, No. 7, Sec. 5,
Xinyi Road, Taipei City 110615, Taiwan (R.O.C.)

電話 Tel + 886 2 8101 6666
傳真 Fax + 886 2 8101 6667
網址 Web home.kpmg/tw

Independent Auditors' Review Report

To the Board of Directors
CONTINENTAL HOLDINGS CORPORATION:

Introduction

We have reviewed the accompanying consolidated balance sheets of CONTINENTAL HOLDINGS CORPORATION and its subsidiaries as of March 31, 2022 and 2021, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the three months ended March 31, 2022 and 2021, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

Except as explained in the Basis for Qualified Conclusion paragraph, we conducted our reviews in accordance with Statement of Auditing Standard 65, "Review of Financial Information Performed by the Independent Auditor of the Entity". A review of the consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the generally accepted auditing standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

As stated in Note 4(b), the consolidated financial statements included the financial statements of certain non-significant subsidiaries, which were not reviewed by independent auditors. These financial statements reflect total assets amounting to \$25,473,240 thousand and \$22,236,772 thousand, constituting 36.03% and 31.95% of consolidated total assets; and total liabilities amounting to \$18,357,849 thousand and \$15,638,962 thousand, constituting 42.95% and 36.41% of consolidated total liabilities as of March 31, 2022 and 2021, respectively; as well as the total comprehensive income amounting to \$204,206 thousand and \$237,373 thousand, constituting 13.15% and 26.91% of consolidated total comprehensive income for the three months ended March 31, 2022 and 2021, respectively.

Furthermore, as stated in Note 6(h), the other equity accounted investments of the CONTINENTAL HOLDINGS CORPORATION and its subsidiaries in its investee companies of \$1,415,562 thousand and \$1,227,398 thousand as of March 31, 2022 and 2021, respectively, and its equity in net earnings on these investee companies of \$1,634 thousand and \$(8,139) thousand for the three months ended March 31, 2022 and 2021, respectively, were recognized solely on the financial statements prepared by these investee companies, but not reviewed by independent auditors.

Qualified Conclusion

Except for the adjustments, if any, as might have been determined to be necessary had the financial statements of certain consolidated subsidiaries and equity accounted investee companies described in the Basis for Qualified Conclusion paragraph above been reviewed by independent auditors, based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of CONTINENTAL HOLDINGS CORPORATION and its subsidiaries as of March 31, 2022 and 2021, and of its consolidated financial performance and its consolidated cash flows for the three months ended March 31, 2022 and 2021 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

The engagement partners on the audit resulting in this independent auditors’ report are Chung-Che Chen and Shu-Ying Chang.

KPMG

Taipei, Taiwan (Republic of China)

May 3, 2022

Notes to Readers

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

The independent auditors’ review 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’ review report and consolidated financial statements, the Chinese version shall prevail.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)
Reviewed only, not audited in accordance with the generally accepted auditing standards as of March 31, 2022 and 2021

CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets

March 31, 2022, December 31, 2021, and March 31, 2021

(Expressed in Thousands of New Taiwan Dollars)

| Assets | | March 31, 2022 | | December 31, 2021 | | March 31, 2021 | | Liabilities and Equity | | March 31, 2022 | | December 31, 2021 | | March 31, 2021 | |
|----------------------------|---|----------------------|------------|-------------------|------------|-------------------|------------|-------------------------------------|---|----------------------|------------|-------------------|------------|-------------------|------------|
| | | Amount | % | Amount | % | Amount | % | | | Amount | % | Amount | % | Amount | % |
| Current assets: | | | | | | | | Current liabilities: | | | | | | | |
| 1100 | Cash and cash equivalents (Note 6(a)) | \$ 6,144,528 | 9 | 5,206,556 | 7 | 5,411,951 | 8 | 2100 | Short-term borrowings (Note 6(n)) | \$ 9,856,666 | 14 | 9,398,912 | 13 | 10,417,832 | 15 |
| 1139 | Current financial assets for hedging (Note 6(d)) | 202,647 | - | 230,228 | - | 293,625 | - | 2110 | Short-term notes and bills payable (Note 6(o)) | 250,000 | - | - | - | 1,120,000 | 2 |
| 1140 | Current contract assets (Note 6(z)) | 4,840,546 | 7 | 4,344,055 | 6 | 3,766,022 | 6 | 2126 | Current financial liabilities for hedging(Note 6(d)) | - | - | 64 | - | 3,509 | - |
| 1150 | Notes receivable, net (Notes 6(e) and (z)) | 44,802 | - | 325,540 | 1 | 223,449 | - | 2130 | Current contract liabilities (Note 6(z)) | 7,968,985 | 11 | 8,760,275 | 12 | 8,287,051 | 12 |
| 1170 | Accounts receivable, net (Notes 6(e), (z) and 7) | 3,862,796 | 5 | 3,153,462 | 4 | 2,656,287 | 4 | 2170 | Notes and accounts payable (Note 7) | 5,990,935 | 9 | 6,989,726 | 10 | 5,504,373 | 8 |
| 1200 | Other receivables, net (Notes 6(f) and 7) | 485,762 | 1 | 502,586 | 1 | 718,764 | 1 | 2200 | Other payables (Notes 7) | 3,106,513 | 4 | 1,936,715 | 3 | 2,824,719 | 4 |
| 1220 | Current tax assets | 47,058 | - | 47,654 | - | 134,354 | - | 2230 | Current tax liabilities | 210,380 | - | 142,533 | - | 97,255 | - |
| 130X | Inventories (Notes 6(g) and 8) | 27,110,495 | 39 | 28,517,085 | 41 | 28,103,505 | 41 | 2250 | Current provisions (Note 6(s)) | 402,213 | 1 | 410,843 | 1 | 451,957 | 1 |
| 1410 | Prepayments | 952,723 | 1 | 902,225 | 1 | 864,667 | 1 | 2280 | Current lease liabilities (Notes 6(r) and 7) | 116,997 | - | 116,791 | - | 129,808 | - |
| 1479 | Other current assets, others (Note 8) | 2,306,197 | 3 | 2,625,312 | 4 | 2,434,451 | 3 | 2310 | Advance receipts | 86,560 | - | 55,460 | - | 24,700 | - |
| 1480 | Current assets recognised as incremental costs to obtain contract with customers | 357,146 | 1 | 438,216 | 1 | 410,279 | 1 | 2320 | Long-term liabilities, current portion (Note 6(q)) | 1,970,000 | 3 | 1,980,000 | 3 | 2,471,077 | 3 |
| | | <u>46,354,700</u> | <u>66</u> | <u>46,292,919</u> | <u>66</u> | <u>45,017,354</u> | <u>65</u> | 2399 | Other current liabilities, others | 84,007 | - | 65,125 | - | 217,165 | - |
| | | | | | | | | | | <u>30,043,256</u> | <u>42</u> | <u>29,856,444</u> | <u>42</u> | <u>31,549,446</u> | <u>45</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 | 606,305 | 1 | 2530 | Bonds payable (Note 6(p)) | 1,997,291 | 3 | 1,997,110 | 3 | 1,996,569 | 3 |
| 1517 | Non-current financial assets at fair value through other comprehensive income (Note 6(c)) | 2,244,695 | 3 | 2,072,868 | 3 | 2,161,919 | 3 | 2540 | Long-term borrowings (Note 6(q)) | 9,940,043 | 14 | 9,982,386 | 14 | 8,637,000 | 13 |
| 1550 | Investments accounted for using equity method, net (Note 6(h)) | 1,415,562 | 2 | 1,413,928 | 2 | 1,227,398 | 2 | 2570 | Deferred tax liabilities | 135,685 | - | 130,819 | - | 107,456 | - |
| 1600 | Property, plant and equipment (Notes 6(j) and 8) | 4,358,765 | 6 | 4,379,297 | 6 | 2,334,509 | 3 | 2580 | Non-current lease liabilities(Notes 6(r) and 7) | 12,691 | - | 14,304 | - | 38,071 | - |
| 1755 | Right-of-use assets (Notes 6(k)) | 128,685 | - | 128,017 | - | 165,420 | - | 2610 | Long-term accounts payable (Note 6(u)) | 327,872 | 1 | 311,400 | 1 | 321,019 | 1 |
| 1760 | Investment properties, net (Notes 6(l) and 8) | 8,676,085 | 12 | 8,683,500 | 12 | 10,319,833 | 15 | 2640 | Net defined benefit liability, non-current | 160,924 | - | 176,153 | - | 179,228 | - |
| 1780 | Intangible assets (Notes 6(m) and 8) | 1,097,592 | 2 | 1,108,196 | 2 | 1,126,071 | 2 | 2645 | Guarantee deposits received | 129,254 | - | 142,738 | - | 122,521 | - |
| 1840 | Deferred tax assets | 34,170 | - | 38,470 | - | 40,492 | - | | | <u>12,703,760</u> | <u>18</u> | <u>12,754,910</u> | <u>18</u> | <u>11,401,864</u> | <u>17</u> |
| 1932 | Long-term accounts receivable (Note 6(e) 、(z) and 8) | 5,550,211 | 8 | 5,443,311 | 8 | 6,367,325 | 9 | | Total liabilities | <u>42,747,016</u> | <u>60</u> | <u>42,611,354</u> | <u>60</u> | <u>42,951,310</u> | <u>62</u> |
| 1990 | Other non-current assets, others | 227,925 | - | 222,836 | - | 234,598 | - | | Equity attributable to owners of parent (Note 6(x)): | | | | | | |
| | | <u>24,339,995</u> | <u>34</u> | <u>24,096,728</u> | <u>34</u> | <u>24,583,870</u> | <u>35</u> | 3100 | Capital stock | 8,232,160 | 12 | 8,232,160 | 12 | 8,232,160 | 12 |
| | | | | | | | | 3200 | Capital surplus | 6,817,198 | 9 | 6,817,198 | 10 | 6,817,198 | 10 |
| | | | | | | | | 3300 | Retained earnings | 9,137,324 | 13 | 9,281,503 | 13 | 7,958,229 | 11 |
| | | | | | | | | 3400 | Other equity | 518,296 | 1 | 243,303 | - | 438,920 | 1 |
| | | | | | | | | | | <u>24,704,978</u> | <u>35</u> | <u>24,574,164</u> | <u>35</u> | <u>23,446,507</u> | <u>34</u> |
| | | | | | | | | 36XX | Non-controlling interests(Note 6(i)) | 3,242,701 | 5 | 3,204,129 | 5 | 3,203,407 | 4 |
| | | | | | | | | | Total equity | <u>27,947,679</u> | <u>40</u> | <u>27,778,293</u> | <u>40</u> | <u>26,649,914</u> | <u>38</u> |
| Total assets | | <u>\$ 70,694,695</u> | <u>100</u> | <u>70,389,647</u> | <u>100</u> | <u>69,601,224</u> | <u>100</u> | Total liabilities and equity | | <u>\$ 70,694,695</u> | <u>100</u> | <u>70,389,647</u> | <u>100</u> | <u>69,601,224</u> | <u>100</u> |

See accompanying notes to financial statements.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)
Reviewed only, not audited in accordance with generally accepted auditing standards

CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the three months ended March 31, 2022 and 2021

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

| | | For the three months ended March 31 | | | |
|------|---|--|------------|-----------------|------------|
| | | 2022 | | 2021 | |
| | | Amount | % | Amount | % |
| 4000 | Operating revenues (Notes 6(z) and 7) | \$ 10,023,046 | 100 | 6,352,684 | 100 |
| 5000 | Operating costs (Notes 6((g), (v), 7 and 12) | 8,154,956 | 81 | 5,359,392 | 84 |
| | Gross profit from operations | <u>1,868,090</u> | <u>19</u> | <u>993,292</u> | <u>16</u> |
| | Operating expenses (Notes 6 (v), (aa), 7 and 12): | | | | |
| 6100 | Selling expenses | 163,000 | 2 | 82,848 | 2 |
| 6200 | Administrative expenses | 299,656 | 3 | 268,154 | 4 |
| | | <u>462,656</u> | <u>5</u> | <u>351,002</u> | <u>6</u> |
| | Net operating income | <u>1,405,434</u> | <u>14</u> | <u>642,290</u> | <u>10</u> |
| | Non-operating income and expenses (Notes 6(ab) and 7): | | | | |
| 7100 | Interest income | 6,957 | - | 8,672 | - |
| 7010 | Other income | 5,120 | - | 4,294 | - |
| 7020 | Other gains and losses, net | 29,643 | - | (29,282) | - |
| 7050 | Finance costs, net (Notes 6(g) and (r)) | (95,875) | (1) | (55,502) | (1) |
| 7060 | Share of profit (losses) of associates and joint ventures accounted for using equity method (Note 6(h)) | 1,634 | - | (8,139) | - |
| | | <u>(52,521)</u> | <u>(1)</u> | <u>(79,957)</u> | <u>(1)</u> |
| 7900 | Income before tax | 1,352,913 | 13 | 562,333 | 9 |
| 7950 | Less: Income tax expenses (note 6 (w)) | 130,387 | 1 | 58,724 | 1 |
| | Net income | <u>1,222,526</u> | <u>12</u> | <u>503,609</u> | <u>8</u> |
| 8300 | Other comprehensive income (loss): | | | | |
| 8310 | Items that will not be reclassified to profit or loss | | | | |
| 8316 | Unrealized gains from investments in equity instruments measured at fair value through other comprehensive income | 171,827 | 2 | 370,840 | 6 |
| 8317 | Gains on hedging instrument | 11,152 | - | 1,870 | - |
| 8349 | Income tax related to components of other comprehensive income that will not be reclassified to profit or loss | - | - | - | - |
| | Components of other comprehensive income that will not be reclassified to profit or loss | <u>182,979</u> | <u>2</u> | <u>372,710</u> | <u>6</u> |
| 8360 | Items that will be reclassified to profit or loss | | | | |
| 8361 | Exchange differences on translation of foreign financial statements | 146,884 | 1 | 5,737 | - |
| 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>146,884</u> | <u>1</u> | <u>5,737</u> | <u>-</u> |
| 8300 | Other comprehensive income | <u>329,863</u> | <u>3</u> | <u>378,447</u> | <u>6</u> |
| | Total comprehensive income | <u>\$ 1,552,389</u> | <u>15</u> | <u>882,056</u> | <u>14</u> |
| | Net income, attributable to: | | | | |
| 8610 | Owners of parent | \$ 1,238,824 | 12 | 481,004 | 8 |
| 8620 | Non-controlling interests | (16,298) | - | 22,605 | - |
| | | <u>\$ 1,222,526</u> | <u>12</u> | <u>503,609</u> | <u>8</u> |
| | Total comprehensive income attributable to: | | | | |
| 8710 | Owners of parent | \$ 1,513,817 | 15 | 855,715 | 14 |
| 8720 | Non-controlling interests | 38,572 | - | 26,341 | - |
| | | <u>\$ 1,552,389</u> | <u>15</u> | <u>882,056</u> | <u>14</u> |
| | Earnings per share (Note 6(y)) | | | | |
| 9750 | Basic earnings per share (NT dollars) | <u>\$ 1.50</u> | | <u>0.58</u> | |
| 9850 | Diluted earnings per share (NT dollars) | <u>\$ 1.50</u> | | <u>0.58</u> | |

See accompanying notes to financial statements.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)
Reviewed only, not audited in accordance with generally accepted auditing standards

CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES

Consolidated Statements of Changes in Equity
For the three months ended March 31, 2022 and 2021
(Expressed in Thousands of New Taiwan Dollars)

| | Equity attributable to owners of parent | | | | | | | | | | | | Total equity | | |
|--|---|------------------|----------------|------------------|----------------------------------|------------------|---|---|---------------------------------------|--------------------|---|---------------------------|-------------------|--------------------|--|
| | Capital stock | | | | | | Retained earnings | | | | | | | Total other equity | |
| | Common Stock | Capital surplus | Legal reserve | Special reserve | Unappropriated retained earnings | Total | Exchange differences on translation of foreign financial statements | Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income | Gains (losses) on hedging instruments | Total other equity | Total equity attributable to owners of parent | Non-controlling interests | | | |
| Balance at January 1, 2021 | \$ 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 | | |
| Net income | - | - | - | - | 481,004 | 481,004 | - | - | - | - | 481,004 | 22,605 | 503,609 | | |
| Other comprehensive income | - | - | - | - | - | - | 2,001 | 370,840 | 1,870 | 374,711 | 374,711 | 3,736 | 378,447 | | |
| Total comprehensive income | - | - | - | - | 481,004 | 481,004 | 2,001 | 370,840 | 1,870 | 374,711 | 855,715 | 26,341 | 882,056 | | |
| Appropriation and distribution of retained earnings: | | | | | | | | | | | | | | | |
| Cash dividends | - | - | - | - | (1,152,502) | (1,152,502) | - | - | - | - | (1,152,502) | - | (1,152,502) | | |
| Changes in ownership interests in subsidiaries | - | 3,453 | - | - | - | - | - | - | - | - | 3,453 | (3,453) | - | | |
| Balance at March 31, 2021 | \$ 8,232,160 | 6,817,198 | 791,108 | 2,262,233 | 4,904,888 | 7,958,229 | (863,390) | 1,317,729 | (15,419) | 438,920 | 23,446,507 | 3,203,407 | 26,649,914 | | |
| Balance at January 1, 2022 | \$ 8,232,160 | 6,817,198 | 946,139 | 2,262,233 | 6,073,131 | 9,281,503 | (969,251) | 1,228,678 | (16,124) | 243,303 | 24,574,164 | 3,204,129 | 27,778,293 | | |
| Net income (loss) | - | - | - | - | 1,238,824 | 1,238,824 | - | - | - | - | 1,238,824 | (16,298) | 1,222,526 | | |
| Other comprehensive income | - | - | - | - | - | - | 92,014 | 171,827 | 11,152 | 274,993 | 274,993 | 54,870 | 329,863 | | |
| Total comprehensive income | - | - | - | - | 1,238,824 | 1,238,824 | 92,014 | 171,827 | 11,152 | 274,993 | 1,513,817 | 38,572 | 1,552,389 | | |
| Appropriation and distribution of retained earnings: | | | | | | | | | | | | | | | |
| Cash dividends | - | - | - | - | (1,383,003) | (1,383,003) | - | - | - | - | (1,383,003) | - | (1,383,003) | | |
| Balance at March 31, 2022 | \$ 8,232,160 | 6,817,198 | 946,139 | 2,262,233 | 5,928,952 | 9,137,324 | (877,237) | 1,400,505 | (4,972) | 518,296 | 24,704,978 | 3,242,701 | 27,947,679 | | |

See accompanying notes to financial statements.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)
**REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH GENERALLY ACCEPTED AUDITING
STANDARDS**

CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the three months ended March 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

| | For the three months ended March 31 | |
|---|--|--------------------|
| | 2022 | 2021 |
| Cash flows from operating activities: | | |
| Income before tax | \$ 1,352,913 | 562,333 |
| Adjustments: | | |
| Adjustments to reconcile profit and loss: | | |
| Depreciation expense | 133,668 | 71,035 |
| Amortization expense | 16,394 | 15,905 |
| Interest expense | 95,694 | 55,502 |
| Interest income | (6,957) | (8,672) |
| Amortization of issuance costs on bonds payable | 181 | 181 |
| Share of (gain) loss of associates and joint ventures accounted for using equity method | (1,634) | 8,139 |
| Loss (gain) on disposal of property, plant and equipment | 601 | (63) |
| Loss (gain) on disposal of property, plant and equipment (under construction costs) | 16 | (165) |
| Warranty provisions write-off | (7,512) | (24,091) |
| Total adjustments to reconcile profit and loss | 230,451 | 117,771 |
| Changes in operating assets and liabilities: | | |
| Changes in operating assets: | | |
| Contract assets | (215,585) | 320,013 |
| Notes receivable | 280,738 | 629,777 |
| Accounts receivable | (1,072,119) | (1,381,814) |
| Other receivables | 21,471 | 20,232 |
| Inventories | 316,388 | (263,998) |
| Prepayments | (49,812) | (112,457) |
| Other current assets | (99,038) | (455,378) |
| Current assets recognised as incremental costs to obtain contract with customers | 81,070 | (7,677) |
| Total changes in operating assets | (736,887) | (1,251,302) |
| Changes in operating liabilities: | | |
| Contract liabilities | 614,984 | 815,917 |
| Notes and accounts payable | (1,032,219) | (280,627) |
| Other payables | (235,070) | (438,202) |
| Provisions | (1,393) | (4,439) |
| Receipts in advance | 31,099 | 3,005 |
| Other current liabilities | 18,874 | 85,108 |
| Net defined benefit liability | (15,229) | 2,741 |
| Total changes in operating liabilities | (618,954) | 183,503 |
| Total changes in operating assets and liabilities | (1,355,841) | (1,067,799) |
| Total adjustments | (1,125,390) | (950,028) |
| Cash inflow (outflow) generated from operations | 227,523 | (387,695) |
| Interest received | 3,538 | 5,935 |
| Interest paid | (114,100) | (95,559) |
| Income taxes refund (paid) | (51,982) | 976 |
| Net cash flows from (used in) operating activities | 64,979 | (476,343) |

See accompanying notes to financial statements.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)
**REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH GENERALLY ACCEPTED AUDITING
STANDARDS**

CONTINENTAL HOLDINGS CORPORATION AND ITS SUBSIDIARIES

Consolidated Statements of Cash Flows(CONT'D)

For the three months ended March 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

| | For the three months ended March 31 | |
|---|--|------------------|
| | 2022 | 2021 |
| Cash flows from investing activities: | | |
| Acquisition of financial assets for hedging | (26,195) | (243,416) |
| Disposal of financial assets for hedging | 64,864 | 403,020 |
| Price of associates acquisition | - | (490,000) |
| Acquisition of property, plant and equipment | (38,910) | (25,872) |
| Disposal of property, plant and equipment | 6,111 | 474 |
| Increase in other receivables | - | (46,034) |
| Increase in non-current other receivables | (3,571) | - |
| Acquisition of intangible assets | (5,790) | (6,172) |
| Acquisition of investment properties | - | (161,408) |
| Decrease in other financial assets | 419,669 | - |
| Other non-current assets | (1,518) | - |
| Long-term payments | 5,712 | - |
| Net cash flows from (used in) investing activities | 420,372 | (569,408) |
| Cash flows from financing activities: | | |
| Increase in short-term borrowings | 7,457,626 | 4,120,263 |
| Decrease in short-term borrowings | (7,162,638) | (3,763,543) |
| Increase in short-term notes and bills payable | 350,000 | 1,060,000 |
| Decrease in short-term notes and bills payable | (100,000) | (760,000) |
| Proceeds from issuing bonds | - | 1,996,388 |
| Increase in long-term borrowings | 355,108 | 3,081,278 |
| Decrease in long-term borrowings | (424,000) | (3,851,817) |
| Decrease in guarantee deposits received | (13,484) | (18,969) |
| Other payables | - | 108,806 |
| Payment of lease liabilities | (27,919) | (25,828) |
| Net cash flows from financing activities | 434,693 | 1,946,578 |
| Effect of exchange rate changes on cash and cash equivalents | 17,928 | (1,244) |
| Net increase in cash and cash equivalents | 937,972 | 899,583 |
| Cash and cash equivalents at beginning of year | 5,206,556 | 4,512,368 |
| Cash and cash equivalents at end of year | \$ 6,144,528 | 5,411,951 |

See accompanying notes to financial statements.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)
Reviewed only, not audited in accordance with generally accepted auditing standards

CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the three months ended March 31, 2022 and 2021

(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 March 31, 2022 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 May 3, 2022.

(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. 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, 2022:

- 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”

- (b) 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 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”
- Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

(Continued)

CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(4) Summary of significant accounting policies:

(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 the Regulations), and IAS 34 "Interim Financial Reporting" which was endorsed and issued into effect by FSC. These consolidated financial statements do not include all of the information required by the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations endorsed by the FSC (hereinafter referred to IFRS endorsed by the FSC) for the year-end consolidated financial statements.

Except for the following, the significant accounting policies adopted in the consolidated financial statements are the same as those in the consolidated financial statement for the year ended December 31, 2021. For the related information, please refer to Note 4 of the consolidated financial statements for the year ended December 31, 2021.

(b) Basis of consolidation

(i) Subsidiaries included in the consolidated financial statements

| Investor Company | Subsidiary | Main Business | Percentage of ownership | | | Note |
|------------------|---|---|-------------------------|-------------------|----------------|-------------------|
| | | | March 31, 2022 | December 31, 2021 | March 31, 2021 | |
| The Company | Continental Engineering Corp. (CEC) | Civil engineering, public infrastructure and private sector construction | 99.99 % | 99.99 % | 100.00 % | Note F |
| The Company | Continental Development Corp. (CDC) | Real estate and development specifically on residential housing and office building | 99.99 % | 99.99 % | 100.00 % | Note F |
| The Company | HDEC Corp. (HDEC) | Construction of underground pipeline and environmental protection project, plumbing, sale of pollution prevention equipment | 99.99 % | 99.99 % | 100.00 % | Note F and G |
| The Company | Continental Consulting Limited Company (CCLC) | Management Consulting | 100.00 % | 100.00 % | - | % Note E, F and G |
| CEC | CEC International Corp. (CIC) | Investment in and control of overseas corporations | 100.00 % | 100.00 % | 100.00 % | Note G |
| CEC | CEC International Corp. (India) Private Limited (CICI) | Real estate development and civil engineering, construction | 100.00 % | 100.00 % | 100.00 % | Note G |
| CEC | CEC International Malaysia Sdn. Bhd. (CIMY) | Civil engineering, construction | 85.14 % | 85.14 % | 85.14 % | Note G |
| CEC | Continental Engineering Corporation(Hong Kong) Limited (CEC HK) | Contract civil engineering construction and invest in real estate | 100.00 % | 100.00 % | 100.00 % | Note G |
| CDC | CDC Commercial Development Corp. (CCD) | Real estate development, sales and leasing of building | 80.65 % | 80.65 % | 80.65 % | Note G |

(Continued)

CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

| Investor Company | Subsidiary | Main Business | Percentage of ownership | | | Note |
|----------------------|---|---|-------------------------|-------------------|----------------|--------------|
| | | | March 31, 2022 | December 31, 2021 | March 31, 2021 | |
| CDC | MEGA Capital Development Sdn. Bhd. (MEGA) | Real estate development | 55.00 % | 55.00 % | 55.00 % | Note G |
| CDC | Bangsar Rising Sdn. Bhd. (BANGSAR) | Real estate development | 60.00 % | 60.00 % | 60.00 % | Note G |
| CDC | CDC Asset Management Malaysia Sdn. Bhd. (CDCAM) | Management consulting | 100.00 % | 100.00 % | 100.00 % | Note G |
| CDC | CDC US Corp. | Investment in overseas companies | 100.00 % | 100.00 % | 100.00 % | Note G |
| CDC US Corp. | CDC Investment Management LLC | Engineering management | 100.00 % | 100.00 % | 100.00 % | Note G |
| CDC US Corp. | Trimosa Holdings LLC | Investment in overseas companies | 70.65 % | 70.65 % | 70.65 % | Note G |
| Trimosa Holdings LLC | 950 Investment LLC | Investment in overseas companies | 76.55 % | 76.55 % | 76.55 % | Note G |
| 950 Investment LLC | 950 Property LLC (950P) | Real estate development | 100.00 % | 100.00 % | 100.00 % | Note G |
| 950 Investment LLC | 950 Hotel Property LLC | Hotel industry | 100.00 % | 100.00 % | 100.00 % | Note G |
| 950 Investment LLC | 950 Retail Property LLC | Real estate management | 100.00 % | 100.00 % | 100.00 % | Note G |
| HDEC | HDEC Construction Corp. (SDC) | Construction of underground pipeline and environmental protection project, plumbing | 100.00 % | 100.00 % | 100.00 % | Note G |
| HDEC | North Shore Environment Corp. (NSC) | Sewer system design and construction in Danshui area, New Taipei City | 100.00 % | 100.00 % | 100.00 % | Note A and G |
| HDEC | Blue Whale Water Technologies Corp. (BWC) | Feng Shan River wastewater reclamation and reuse BTO project in Kaohsiung City | 51.00 % | 51.00 % | 51.00 % | Note B and G |
| HDEC | HDEC (Puding) Environment Corp. (PDC) | Pu Ding area sewerage construction in Taoyuan City | 100.00 % | 100.00 % | 100.00 % | Note C and G |
| HDEC | HDEC-CTCI (Lin-hai) Corp. (LHC) | Feng Shan River wastewater reclamation and reuse BTO project in Kaohsiung City | 55.00 % | 55.00 % | 55.00 % | Note D and G |
| CCLC | Continental Engineering Corp. (CEC) | Civil engineering, public infrastructure and private sector construction | - % | - % | - % | Note F |
| CCLC | Continental Development Corp. (CDC) | Real estate and development specifically on residential housing and office building | - % | - % | - % | Note F |
| CCLC | HDEC Corp. (HDEC) | Construction of underground pipeline and environmental protection project, plumbing, sale of pollution prevention equipment | - % | - % | - % | Note F and G |

(Continued)

CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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: The Company established subsidiary based on a resolution approved in the board meeting held on November 5, 2021.

Note F: For adjustment planning on organizational and management structure, the Company each disposed 100 shares of CEC, CDC and HDEC to CCLC in December, 2021, in which the all payments had been fully received, resulting in Company's shareholding percentage in CEC and CDC to decrease to 99.99998% each, and 99.99996% in HDEC; while CCLC held 0.00002% shares in both CEC and CDC, and 0.00004% in HDEC. The disposal of shares above didn't have an impact on the consolidated financial statements of the Group.

Note G: The Company is a non-significant subsidiary, and its financial statements have not been reviewed.

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

(c) Income Taxes

The income tax expenses have been prepared and disclosed in accordance with paragraph B12 of International Financial Reporting Standards 34, Interim Reporting.

Income tax expenses for the period are best estimated by multiplying pre-tax income for the interim reporting period by the effective annual tax rate as forecasted by the management. This should be recognized fully as tax expense for the current period.

(Continued)

CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(d) Employee benefits

The pension cost for an interim period was calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior fiscal year, adjusted for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off event.

(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 IAS 34 “Interim Financial Reporting” endorsed by the FSC requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The preparation of the consolidated financial statements, estimates and underlying assumptions are consistent with the consolidated financial statements for the year ended December 31, 2021. For the related information, please refer to Note 5 of the consolidated financial statements for the year ended December 31, 2021.

(6) Explanation of significant accounts

Except for the following disclosures, there were no significant differences in the disclosures of significant accounts between the consolidated financial statements for the consolidated financial statements for the year ended December 31, 2021. Please refer to Note 6 for the related information of the consolidated financial statements for the year ended December 31, 2021.

(a) Cash and cash equivalents

| | March 31, 2022 | December 31, 2021 | March 31, 2021 |
|---------------------------|----------------------------|------------------------------|---------------------------|
| Cash | \$ 18,443 | 19,180 | 18,390 |
| Cash in banks | 4,046,579 | 3,224,135 | 3,381,085 |
| Cash in transit | 584 | - | - |
| Time deposits | 639,810 | 794,111 | 1,182,714 |
| Cash equivalents | <u>1,439,112</u> | <u>1,169,130</u> | <u>829,762</u> |
| Cash and cash equivalents | <u>\$ 6,144,528</u> | <u>5,206,556</u> | <u>5,411,951</u> |

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

(Continued)

CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

| | <u>March 31, 2022</u> | <u>December 31, 2021</u> | <u>March 31, 2021</u> |
|--|---------------------------|------------------------------|---------------------------|
| 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> | <u>606,305</u> |

(i) Please refer to note 6(ac) for the credit risk and market risk.

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

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

| | <u>March 31, 2022</u> | <u>December 31, 2021</u> | <u>March 31, 2021</u> |
|--|---------------------------|------------------------------|---------------------------|
| Equity investments at fair value through other comprehensive income: | | | |
| Listed common share – Evergreen Steel Corp. | \$ 1,582,352 | 1,410,525 | - |
| Emerging common share – Evergreen Steel Corp. | - | - | 1,552,090 |
| Unlisted common share – Xinrong Enterprise | 659,980 | 659,980 | 607,523 |
| Unlisted common share – Metro Consulting Service Ltd. | <u>2,363</u> | <u>2,363</u> | <u>2,306</u> |
| Total | \$ <u>2,244,695</u> | <u>2,072,868</u> | <u>2,161,919</u> |

(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) There were no disposals of strategic investments and transfers of any cumulative gain or loss within equity relating to these investments for the three months ended March 31, 2022 and 2021.

(iii) Please refer to note 6(ac) for the credit risk and market risk.

(iv) The aforementioned financial assets were not pledged as collateral.

(Continued)

CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(d) Financial instruments used for hedging

| | <u>March 31, 2022</u> | <u>December 31, 2021</u> | <u>March 31, 2021</u> |
|--|---------------------------|------------------------------|---------------------------|
| Cash flow hedge: | | | |
| Financial assets used for hedging | \$ 202,647 | 230,228 | 293,625 |
| Financial liabilities used for hedging | <u>-</u> | <u>(64)</u> | <u>(3,509)</u> |
| Total | <u>\$ 202,647</u> | <u>230,164</u> | <u>290,116</u> |

- (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 March 31, 2022, December 31, 2021, and March 31, 2021, the items hedged and the hedge instrument held by the Group were as follows:

| <u>Item Hedged</u> | <u>Hedge instrument</u> | <u>Hedge instrument designated to be hedge and fair value</u> | | | <u>Expected Cash flow Period</u> |
|-------------------------|-------------------------------------|---|------------------------------|---------------------------|--|
| | | <u>March 31, 2022</u> | <u>December 31, 2021</u> | <u>March 31, 2021</u> | |
| Expected foreign assets | Foreign deposits | \$ <u>83,317</u> | <u>135,434</u> | <u>305,535</u> | 2022 |
| | Foreign billings | \$ <u>124,302</u> | <u>110,854</u> | <u>-</u> | 2022 |
| | Change in value of Foreign currency | \$ <u>(5,277)</u> | <u>(16,060)</u> | <u>(12,323)</u> | |

| <u>Item Hedged</u> | <u>Hedge instrument</u> | <u>Hedge instrument designated to be hedge and fair value</u> | | | <u>Contract amount (in thousand)</u> | <u>Delivery date</u> |
|---------------------------------------|-------------------------|---|------------------------------|---------------------------|--|----------------------|
| | | <u>March 31, 2022</u> | <u>December 31, 2021</u> | <u>March 31, 2021</u> | | |
| Expected foreign assets (liabilities) | Forward exchange | \$ <u>305</u> | <u>(64)</u> | <u>413</u> | USD 399 | 2022.06 |
| Expected foreign liabilities | Forward exchange | \$ <u>-</u> | <u>-</u> | <u>(3,509)</u> | MYR 20,900 | 2021.06 |

- (iii) The transactions of cash flow hedges for the three months ended March 31, 2022 and 2021, were all effective.

(Continued)

CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(e) Notes and accounts receivable

| | March 31, 2022 | December 31, 2021 | March 31, 2021 |
|-------------------------------|----------------------------|------------------------------|---------------------------|
| Notes receivable | \$ 44,802 | 325,540 | 223,449 |
| Accounts receivable | 3,862,796 | 3,153,462 | 2,656,287 |
| Long-term accounts receivable | 5,550,211 | 5,443,311 | 6,367,325 |
| Less: Allowance for bad debts | - | - | - |
| | <u><u>\$ 9,457,809</u></u> | <u><u>8,922,313</u></u> | <u><u>9,247,061</u></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 accounts receivable have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information. The expected credit losses of the notes receivable, accounts receivable and long-term accounts receivable were as follows:

| | March 31, 2022 | | |
|-----------------------------|----------------------------------|--|-------------------------------------|
| | Gross carrying amount | Weighted- average loss rate | Loss allowance provision |
| Not overdue | \$ 9,401,214 | 0.15% | - |
| Pass due less than one year | 503 | 0% | - |
| Pass due over one year | 56,092 | 0% | - |
| Pass due over two years | - | 100% | - |
| | <u><u>\$ 9,457,809</u></u> | | <u><u>-</u></u> |
| | December 31, 2021 | | |
| | Gross carrying amount | Weighted- average loss rate | Loss allowance provision |
| Not overdue | \$ 8,837,245 | 0.15% | - |
| Pass due less than one year | 29,642 | 0% | - |
| Pass due over one year | 55,426 | 0% | - |
| Pass due over two years | - | 100% | - |
| | <u><u>\$ 8,922,313</u></u> | | <u><u>-</u></u> |

(Continued)

CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

| | March 31, 2021 | | |
|-----------------------------|----------------------------------|--|-------------------------------------|
| | Gross carrying amount | Weighted- average loss rate | Loss allowance provision |
| Not overdue | \$ 9,133,328 | 0.19% | - |
| Pass due less than one year | 100,114 | 0% | - |
| Pass due over one year | 13,619 | 0% | - |
| Pass due over two years | - | 100% | - |
| | <u>\$ 9,247,061</u> | | <u>-</u> |

(i) The notes and accounts receivable were not pledged as collateral.

(ii) Please refer to Note 8 for the long-term accounts receivable had been pledged as collateral.

(f) Other receivables

| | March 31, 2022 | December 31, 2021 | March 31, 2021 |
|--|---------------------------|------------------------------|---------------------------|
| Other receivables – lending of capital (including other non-current assets) | \$ 383,577 | 380,006 | 364,562 |
| Other receivables – lawsuit | 150,630 | 150,630 | 150,630 |
| Other receivables – related parties | 1,212 | 1,926 | - |
| Other (including other non-current assets) | 143,207 | 158,540 | 203,572 |
| Less: Allowance for bad debts | - | - | - |
| | <u>\$ 678,626</u> | <u>691,102</u> | <u>718,764</u> |

Please refer to Note 6(ac) for the credit risk information.

(g) Inventories

| | March 31, 2022 | December 31, 2021 | March 31, 2021 |
|------------------|---------------------------|------------------------------|---------------------------|
| Construction: | | | |
| Material on hand | \$ - | 11 | 11 |
| Hotel: | | | |
| Catering | 199 | 14 | - |

(Continued)

CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

| | <u>March 31, 2022</u> | <u>December 31, 2021</u> | <u>March 31, 2021</u> |
|-------------------------------------|-----------------------------|------------------------------|---------------------------|
| Real estate: | | | |
| Real estate held for sale | 14,525,426 | 17,526,652 | 7,345,040 |
| Land held for development | 1,101,325 | - | 1,873,183 |
| Building construction in progress | 11,456,093 | 10,990,072 | 18,923,720 |
| Prepayment for land | <u>123,034</u> | <u>95,918</u> | <u>57,133</u> |
| Subtotal | 27,205,878 | 28,612,642 | 28,199,076 |
| Less: Allowance for impairment loss | <u>(95,582)</u> | <u>(95,582)</u> | <u>(95,582)</u> |
| | <u><u>\$ 27,110,495</u></u> | <u><u>28,517,085</u></u> | <u><u>28,103,505</u></u> |

- (i) For the three months ended March 31, 2022 and 2021, the cost of inventory was \$3,171,773 thousand and \$1,486,085 thousand, respectively.
- (ii) Due to the sales of the remaining real estates for the three months ended March 31, 2021, the allowance for impairment loss was reversed, and the costs of goods sold were decreased by \$667 thousand.
- (iii) Capitalizing interest costs were as follows:

| | For the three months ended March 31 | |
|------------------------------|--|--------------------|
| | <u>2022</u> | <u>2021</u> |
| Interest costs | <u>\$ 122,521</u> | <u>128,505</u> |
| Capitalized interests | <u>\$ 26,646</u> | <u>73,003</u> |
| Capitalization interest rate | <u>1.34%~6.40%</u> | <u>1.29%~6.40%</u> |

- (iv) Please refer to Note 8 for the inventories of the Group had been pledged as collateral.
- (h) Investments accounted for using equity method

| | <u>March 31, 2022</u> | <u>December 31, 2021</u> | <u>March 31, 2021</u> |
|------------|----------------------------|------------------------------|---------------------------|
| Associates | <u><u>\$ 1,415,562</u></u> | <u><u>1,413,928</u></u> | <u><u>1,227,398</u></u> |

(Continued)

CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(i) Associates

The Group's significant associates were as follows:

| Name of associates | Nature of Relationship with the Group | Main operating location/Registered Country of the Company | Percentage of ownership or voting power | | |
|---|---|---|---|-------------------|----------------|
| | | | March 31, 2022 | December 31, 2021 | March 31, 2021 |
| CTCI - HDEC (Chungli) Corp. (CTCI - HDEC) | SPC, mainly responsible for the sewerage system BOT project in Chung-Li area, Taoyuan City. | Taiwan | 49 % | 49 % | 49 % |
| Fanlu Construction Industry Co., Ltd. (Fanlu) | Real estate | Taiwan | 35 % | 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.

1) Summary of CTCI - HDEC's financial figures

| | March 31, 2022 | December 31, 2021 | March 31, 2021 |
|--|---------------------|--|------------------|
| Current assets | \$ 1,110,137 | 997,420 | 1,143,402 |
| Non-current assets | 922,337 | 695,046 | 344,716 |
| Current liabilities | (438,852) | (118,519) | (14,128) |
| Non-current liabilities | (24,767) | (20,240) | - |
| Net assets | <u>\$ 1,568,855</u> | <u>1,553,707</u> | <u>1,473,990</u> |
| | | For the three months ended March 31 | |
| | | 2022 | 2021 |
| Revenues | | <u>\$ 223,629</u> | <u>4,602</u> |
| Net income (loss)/ Total comprehensive income | | <u>\$ 15,148</u> | <u>(198)</u> |
| Net assets attributable to the Group, January 1 | \$ 761,317 | | 232,352 |
| Additions | | - | 490,000 |
| Total comprehensive income attributable to the Group | | 7,422 | (97) |
| Net assets attributable to the Group, March 31 | \$ 768,739 | | <u>722,255</u> |

(Continued)

CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

2) Summary of Fanlu's financial figures

| | March 31, 2022 | December 31, 2021 | March 31, 2021 |
|--|---------------------------|--|---------------------------|
| Current assets | \$ 4,503,574 | 4,493,011 | 3,964,551 |
| Non-current assets | 4,148 | 11,850 | 4,858 |
| Current liabilities | (454,604) | (435,205) | (321,093) |
| Non-current liabilities | <u>(2,205,000)</u> | <u>(2,205,000)</u> | <u>(2,205,000)</u> |
| Net assets | <u>\$ 1,848,118</u> | <u>1,864,656</u> | <u>1,443,316</u> |
| | | For the three months ended March 31 | |
| | | 2022 | 2021 |
| Revenues | | \$ - | - |
| Net loss/ Total comprehensive income | | <u>\$ (16,539)</u> | <u>(22,978)</u> |
| Net assets attributable to the Group, January 1 | | \$ 652,611 | 513,185 |
| Total Comprehensive income attributable to the Group | | <u>(5,788)</u> | <u>(8,042)</u> |
| Net assets attributable to the Group, March 31 | | <u>\$ 646,823</u> | <u>505,143</u> |

- (ii) The aforementioned investments accounted for using equity method were not pledged as collateral.
- (iii) The investments accounted for using equity method, net income (losses) and other comprehensive income attributable to the Group were recognized solely on the financial statements prepared by these investee companies, but not reviewed by independent auditors.
- (i) Material non-controlling interest of subsidiaries

The material non-controlling interests of subsidiaries were as follows:

| Subsidiaries | Country of registration | Equity ownership of non-controlling interest | | |
|-------------------------------|------------------------------------|---|------------------------------|---------------------------|
| | | March 31, 2022 | December 31, 2021 | March 31, 2021 |
| CDC US Corp. and subsidiaries | The United States | 29.35 % | 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.

(Continued)

CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Summary of CDC US Corp. and subsidiaries' financial figures

| | March 31, 2022 | December 31, 2021 | March 31, 2021 |
|--------------------------|---------------------------|------------------------------|---------------------------|
| Current assets | \$ 10,251,818 | 10,023,214 | 9,063,233 |
| Non-current assets | 1,855 | 1,794 | 1,849 |
| Current liabilities | (6,377,981) | (6,234,934) | (5,111,662) |
| Non-current liabilities | (327,872) | (311,400) | (321,019) |
| Net assets | <u>\$ 3,547,820</u> | <u>3,478,674</u> | <u>3,632,401</u> |
| Non-controlling interest | <u>\$ 1,694,243</u> | <u>1,659,733</u> | <u>1,736,290</u> |

| | For the three months ended March 31 | |
|---|--|----------------|
| | 2022 | 2021 |
| Revenues | <u>\$ 145,634</u> | <u>-</u> |
| Net loss | \$ (48,523) | (1,749) |
| Other comprehensive income | - | - |
| Total comprehensive income | <u>\$ (48,523)</u> | <u>(1,749)</u> |
| Net loss attributable to non-controlling interest | <u>\$ (21,666)</u> | <u>(3)</u> |
| Total comprehensive income attributable to non-controlling interest | <u>\$ (21,666)</u> | <u>(3)</u> |

(j) Property, plant and equipment

| | <u>Land</u> | <u>Buildings</u> | <u>Machinery</u> | <u>Transportation equipment</u> | <u>Computer equipment</u> | <u>Office equipment</u> | <u>Operating equipment</u> | <u>Total</u> |
|-----------------------------------|---------------------|------------------|------------------|-------------------------------------|-------------------------------|-------------------------|--------------------------------|------------------|
| Cost or deemed cost: | | | | | | | | |
| Balance at January 1, 2022 | \$ 1,954,252 | 2,101,888 | 932,775 | 159,225 | 86,426 | 144,164 | 35,408 | 5,414,138 |
| Additions | - | 3,500 | 26,569 | 2,186 | 170 | 425 | 6,060 | 38,910 |
| Disposals | - | - | (522) | (11,002) | (1,247) | (1,539) | - | (14,310) |
| Effect of exchange rate changes | 8,431 | 38,584 | 4 | 186 | 280 | 386 | 1,031 | 48,902 |
| Balance at March 31, 2022 | <u>\$ 1,962,683</u> | <u>2,143,972</u> | <u>958,826</u> | <u>150,595</u> | <u>85,629</u> | <u>143,436</u> | <u>42,499</u> | <u>5,487,640</u> |
| Balance at January 1, 2021 | \$ 1,625,650 | 600,831 | 617,990 | 167,028 | 70,200 | 133,550 | - | 3,215,249 |
| Additions | - | - | 20,555 | 4,397 | 110 | 810 | - | 25,872 |
| Reclassification | - | - | - | - | 1,810 | 146 | - | 1,956 |
| Disposals | - | - | (1,565) | (3,219) | (502) | (521) | - | (5,807) |
| Effect of exchange rate changes | - | - | (1) | (19) | (15) | (13) | - | (48) |
| Balance at March 31, 2021 | <u>\$ 1,625,650</u> | <u>600,831</u> | <u>636,979</u> | <u>168,187</u> | <u>71,603</u> | <u>133,972</u> | <u>-</u> | <u>3,237,222</u> |
| Depreciation and impairment loss: | | | | | | | | |
| Balance at January 1, 2022 | \$ - | 247,468 | 491,109 | 122,272 | 54,776 | 118,615 | 601 | 1,034,841 |
| Depreciation | - | 10,702 | 80,406 | 2,769 | 2,797 | 1,762 | 2,195 | 100,631 |
| Disposals | - | - | (522) | (4,591) | (1,222) | (1,247) | - | (7,582) |
| Effect of exchange rate changes | - | 153 | 4 | 175 | 212 | 381 | 60 | 985 |
| Balance at March 31, 2022 | <u>\$ -</u> | <u>258,323</u> | <u>570,997</u> | <u>120,625</u> | <u>56,563</u> | <u>119,511</u> | <u>2,856</u> | <u>1,128,875</u> |

(Continued)

CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

| | <u>Land</u> | <u>Buildings</u> | <u>Machinery</u> | <u>Transportation equipment</u> | <u>Computer equipment</u> | <u>Office equipment</u> | <u>Operating equipment</u> | <u>Total</u> |
|---------------------------------|---------------------|------------------|------------------|-------------------------------------|-------------------------------|-------------------------|--------------------------------|------------------|
| Balance at January 1, 2021 | \$ - | 234,902 | 336,951 | 129,491 | 52,465 | 115,722 | - | 869,531 |
| Depreciation | - | 3,141 | 29,408 | 2,947 | 1,958 | 1,318 | - | 38,772 |
| Disposals | - | - | (1,547) | (2,991) | (502) | (521) | - | (5,561) |
| Effect of exchange rate changes | - | - | (1) | (13) | (4) | (11) | - | (29) |
| Balance at March 31, 2021 | <u>\$ -</u> | <u>238,043</u> | <u>364,811</u> | <u>129,434</u> | <u>53,917</u> | <u>116,508</u> | <u>-</u> | <u>902,713</u> |
| Carrying amounts: | | | | | | | | |
| Balance, at January 1, 2022 | <u>\$ 1,954,252</u> | <u>1,854,420</u> | <u>441,666</u> | <u>36,953</u> | <u>31,650</u> | <u>25,549</u> | <u>34,807</u> | <u>4,379,297</u> |
| Balance at March 31, 2022 | <u>\$ 1,962,683</u> | <u>1,885,649</u> | <u>387,829</u> | <u>29,970</u> | <u>29,066</u> | <u>23,925</u> | <u>39,643</u> | <u>4,358,765</u> |
| Balance at March 31, 2021 | <u>\$ 1,625,650</u> | <u>362,788</u> | <u>272,168</u> | <u>38,753</u> | <u>17,686</u> | <u>17,464</u> | <u>-</u> | <u>2,334,509</u> |

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

(ii) Please refer to Note 8 for the property, plant and equipment had been pledged as collateral for long-term borrowing and constructions guarantee.

(k) Right-of-use assets

| | <u>Land</u> | <u>Buildings</u> | <u>Transportation equipment</u> | <u>Total</u> |
|--|------------------|------------------|-------------------------------------|----------------|
| Cost: | | | | |
| Balance at January 1, 2022 | \$ 95,125 | 197,729 | 6,050 | 298,904 |
| Additions | 5,830 | 18,888 | 1,805 | 26,523 |
| Disposals | (11,546) | (6,908) | - | (18,454) |
| Effect of exchange rate changes | - | 1,588 | - | 1,588 |
| Balance at March 31, 2022 | <u>\$ 89,409</u> | <u>211,297</u> | <u>7,855</u> | <u>308,561</u> |
| Balance at January 1, 2021 | \$ 78,861 | 191,058 | 5,533 | 275,452 |
| Additions | 7,258 | 22,553 | - | 29,811 |
| Disposals | (2,555) | (7,105) | - | (9,660) |
| Effect of exchange rate changes | - | (85) | - | (85) |
| Balance at March 31, 2021 | <u>\$ 83,564</u> | <u>206,421</u> | <u>5,533</u> | <u>295,518</u> |
| Depreciation and impairment losses: | | | | |
| Balance at January 1, 2022 | \$ 46,637 | 120,032 | 4,218 | 170,887 |
| Depreciation | 6,304 | 18,713 | 605 | 25,622 |
| Disposals | (11,182) | (6,908) | - | (18,090) |
| Effect of exchange rate changes | - | 1,457 | - | 1,457 |
| Balance at March 31, 2022 | <u>\$ 41,759</u> | <u>133,294</u> | <u>4,823</u> | <u>179,876</u> |

(Continued)

CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

| | <u>Land</u> | <u>Buildings</u> | <u>Transportation equipment</u> | <u>Total</u> |
|---------------------------------|------------------|------------------|-------------------------------------|----------------|
| Balance at January 1, 2021 | \$ 29,053 | 83,462 | 2,143 | 114,658 |
| Depreciation | 6,948 | 17,391 | 508 | 24,847 |
| Disposals | (2,537) | (6,862) | - | (9,399) |
| Effect of exchange rate changes | - | (8) | - | (8) |
| Balance at March 31, 2021 | <u>\$ 33,464</u> | <u>93,983</u> | <u>2,651</u> | <u>130,098</u> |
| Carrying amounts: | | | | |
| Balance at January 1, 2022 | <u>\$ 48,488</u> | <u>77,697</u> | <u>1,832</u> | <u>128,017</u> |
| Balance at March 31, 2022 | <u>\$ 47,650</u> | <u>78,003</u> | <u>3,032</u> | <u>128,685</u> |
| Balance at March 31, 2021 | <u>\$ 50,100</u> | <u>112,438</u> | <u>2,882</u> | <u>165,420</u> |

(l) Investment properties

| | <u>Owned</u> | | |
|----------------------------|----------------------------------|------------------|-------------------|
| | <u>Land and improvements</u> | <u>Buildings</u> | <u>Total</u> |
| Carrying amounts: | | | |
| Balance at January 1, 2022 | <u>\$ 7,613,769</u> | <u>1,069,731</u> | <u>8,683,500</u> |
| Balance at March 31, 2022 | <u>\$ 7,613,769</u> | <u>1,062,316</u> | <u>8,676,085</u> |
| Balance at March 31, 2021 | <u>\$ 7,953,727</u> | <u>2,366,106</u> | <u>10,319,833</u> |

- (i) There were no significant disposal, and recognition or reversal of impairment losses of investment properties for the three months ended March 31, 2022 and 2021. Please refer to Note 12 for the depreciation for the period. Please refer to Note 6(l) for the other related information of the consolidated financial statements for the year ended December 31, 2021.
- (ii) There were no significant differences in the disclosures of the fair value of investment properties attributable to the Group between Note 6(l) of the consolidated financial statements for the year ended December 31, 2021.
- (iii) Please refer to Note 8 for the investment properties had been pledged as collateral for long-term borrowings and construction guarantee.

(m) Intangible assets

| | <u>Goodwill</u> | <u>Service Concession Agreements</u> | <u>Total</u> |
|----------------------------|------------------|--|------------------|
| Carrying amounts: | | | |
| Balance at January 1, 2022 | <u>\$ 30,249</u> | <u>1,077,947</u> | <u>1,108,196</u> |
| Balance at March 31, 2022 | <u>\$ 30,249</u> | <u>1,067,343</u> | <u>1,097,592</u> |
| Balance at March 31, 2021 | <u>\$ 30,249</u> | <u>1,095,822</u> | <u>1,126,071</u> |

(Continued)

CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- (i) There were no significant additions, disposal, and recognition or reversal of impairment losses of intangible assets for the three months ended March 31, 2022 and 2021. Please refer to Note 12 for the amortization for the period. Please refer to Note 6(m) for the other related information of the consolidated financial statements for the year ended December 31, 2021.
- (ii) Please refer to Note 8 for the intangible assets had been pledged as collateral for long-term borrowings and financing limit.

(n) Short-term borrowings

| | March 31, 2022 | December 31, 2021 | March 31, 2021 |
|------------------------|-----------------------------|------------------------------|---------------------------|
| Unsecured loans | \$ 388,030 | 263,473 | 612,596 |
| Secured loans | 9,468,636 | 9,135,439 | 9,805,236 |
| | <u>\$ 9,856,666</u> | <u>9,398,912</u> | <u>10,417,832</u> |
| Unused credit limit | <u>\$ 15,884,043</u> | <u>18,495,877</u> | <u>29,103,504</u> |
| Range of interest rate | <u>1.15%~3.75%</u> | <u>1.08%~3.75%</u> | <u>0.95%~3.75%</u> |

(i) Borrowing and repayment

For the three months ended March 31, 2022 and 2021, the Group additions borrowings amounted to \$7,457,626 thousand and \$4,120,263 thousand, with interest rates of 1.00%~3.75% and 0.95%~3.75%, maturing ranging from February 2022 to March 2027 and February 2021 to December 2021, respectively; while the repayments amounted to \$7,162,638 thousand and \$3,763,543 thousand, respectively.

- (ii) Please refer to Note 8 for the details of the related assets pledged as collateral.

(o) Short-term notes and bills payable

| | March 31, 2022 | December 31, 2021 | March 31, 2021 |
|---------------|---------------------------|------------------------------|---------------------------|
| Bills payable | <u>\$ 250,000</u> | <u>-</u> | <u>1,120,000</u> |

For the three months ended March 31, 2022 and 2021, the Group additions bills payable amounted to \$350,000 thousand and \$1,060,000 thousand, with interest rates of 1.20%~1.298% and 0.948%~1.49%, maturing ranging from March 2022 to April 2022 and February 2021 to April 2021, respectively; while the repayments amounted to \$100,000 thousand and \$760,000 thousand, respectively.

(Continued)

CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(p) Bonds payable

| | March 31, 2022 | December 31, 2021 | March 31, 2021 |
|---------------------------------------|----------------------------|------------------------------|---------------------------|
| Secured ordinary bonds issued | \$ 2,000,000 | 2,000,000 | 2,000,000 |
| Unamortized discount on bonds payable | (2,709) | (2,890) | (3,431) |
| | <u>\$ 1,997,291</u> | <u>1,997,110</u> | <u>1,996,569</u> |

- (i) There were no issued, repurchased or redeemed of bonds payable for the three months ended March 31, 2022. Please refer to Note 6(p) for the related information of the consolidated financial statements for the year ended December 31, 2021.
- (ii) Please refer to Note 6(ab) for the interest expenses for the three months ended March 31, 2022 and 2021.

(q) Long-term borrowings

| | March 31, 2022 | December 31, 2021 | March 31, 2021 |
|------------------------|------------------------------|------------------------------|------------------------------|
| Unsecured loans | \$ 4,839,000 | 4,809,000 | 5,604,000 |
| Secured loans | 7,071,043 | 7,153,386 | 5,504,077 |
| Less: current portion | (1,970,000) | (1,980,000) | (2,471,077) |
| Total | <u>\$ 9,940,043</u> | <u>9,982,386</u> | <u>8,637,000</u> |
| Unused credit limit | <u>\$ 6,647,430</u> | <u>7,179,123</u> | <u>7,829,668</u> |
| Range of interest rate | <u>1.20%~5.42925%</u> | <u>1.19%~5.42925%</u> | <u>1.19%~5.42925%</u> |

(i) Borrowing and repayment

For the three months ended March 31, 2022 and 2021, the Group additions borrowings amounted to \$355,108 thousand and \$3,081,278 thousand, with interest rates of 1.20%~3.64486% and 1.128%~2.8345%, maturing ranging from March 2022 to October 2029 and April 2021 to January 2027, respectively; while the repayments amounted to \$424,000 thousand and \$3,851,817 thousand, respectively.

- (ii) Please refer to Note 8 for the details of the related assets pledged as collateral.
- (iii) The loan agreement requires the Group to maintain certain financial ratios; please refer to Note 6(q) of the consolidated financial statements for the year ended December 31, 2021. The Group did not violate any terms in its loan agreements as of March 31, 2022, December 31 and March 31, 2021.

(Continued)

CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(r) Lease liabilities

| | March 31, 2022 | December 31, 2021 | March 31, 2021 |
|-------------|-------------------|----------------------|-------------------|
| Current | <u>\$ 116,997</u> | <u>116,791</u> | <u>129,808</u> |
| Non-current | <u>\$ 12,691</u> | <u>14,304</u> | <u>38,071</u> |

Please refer to Note 6(ac) for the maturity analysis.

The amounts recognized in profit or loss were as follows:

| | <u>For the three months ended March 31</u> | |
|---|--|--------------|
| | 2022 | 2021 |
| Interest on lease liabilities | <u>\$ 644</u> | <u>916</u> |
| Variable lease payments not included in the measurement of lease liabilities | <u>\$ 2,777</u> | <u>2,061</u> |
| Expenses relating to short-term leases | <u>\$ 2,214</u> | <u>5,136</u> |
| Expenses relating to leases of low-value, excluding short-term leases of low-value assets | <u>\$ 190</u> | <u>254</u> |

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

| | <u>For the three months ended March 31</u> | |
|-------------------------------|--|---------------|
| | 2022 | 2021 |
| Total cash outflow for leases | <u>\$ 33,744</u> | <u>34,195</u> |

(i) Real estate leases

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 eight 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 one 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.

(Continued)

CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(s) Provision

| | March 31, 2022 | December 31, 2021 | March 31, 2021 |
|---------------------|---------------------------|------------------------------|---------------------------|
| Warranties | \$ 131,823 | 132,662 | 138,198 |
| After-sales service | 155,268 | 155,822 | 148,454 |
| Onerous contract | <u>115,122</u> | <u>122,359</u> | <u>165,305</u> |
| | <u>\$ 402,213</u> | <u>410,843</u> | <u>451,957</u> |

There were no significant changes of provision for the three months ended March 31, 2022 and 2021. Please refer to Note 6(s) for the related information of the consolidated financial statements for the year ended December 31, 2021.

(t) Operating leases

There were no significant additions of operating leases for the three months ended March 31, 2022 and 2021. Please refer to Note 6(t) for the related information of the consolidated financial statements for the year ended December 31, 2021.

(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 March 31, 2022, December 31, 2021 and March 31, 2021, are \$327,872 thousand, \$311,400 thousand and \$321,019 thousand, respectively.

(v) Employee benefits

(i) Defined benefit plans

There were no material market volatility, no material reimbursement and settlement or other material one-time events since prior fiscal year. As a result, the pension cost in the accompanying interim period was measured and disclosed according to the actuarial report as of December 31, 2021 and 2020.

Expenses recognized in profit or loss :

| | For the three months ended March 31 | |
|--------------------|--|---------------------|
| | 2022 | 2021 |
| Operating costs | \$ 228 | - |
| Operating expenses | <u>740</u> | <u>1,378</u> |
| | <u>\$ 968</u> | <u>1,378</u> |

(Continued)

CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Defined contribution plans

According to the defined contribution plans, the contributions of the Group to the Bureau of Labor Insurance for the employees' pension benefits were as follows:

| | For the three months ended March 31 | |
|--------------------|--|---------------|
| | 2022 | 2021 |
| Operating costs | \$ 9,538 | 8,879 |
| Operating expenses | 6,125 | 5,127 |
| | \$ 15,663 | 14,006 |

(w) Income Tax

(i) Income tax expenses

| | For the three months ended March 31 | |
|------------------------------|--|---------------|
| | 2022 | 2021 |
| Current income tax expenses | | |
| Current period | \$ 77,428 | 27,967 |
| Land value increment tax | 52,957 | 36,340 |
| Adjustment for prior periods | 2 | (5,583) |
| Income tax expenses | \$ 130,387 | 58,724 |

(ii) 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 |
| 2019 | HDEC and CCD |
| 2020 | SDC, BWC, LHC, PDC and NSC |

(x) Capital and other equity

Except for the following disclosure, there were no significant changes for capital and other equity for the three months ended March 31, 2022 and 2021. For the related information, please refer to Note 6(x) of the consolidated financial statements for the year ended December 31, 2021.

(Continued)

CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(i) 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 earnings shall be distributed according to the distribution plan. If the Company incurs no accumulated deficit, a minimum of 30% of the amount of shareholders' dividends shall be distributed based on the net earnings, and at least 30% of the total dividends shall be distributed in cash.

The distribution plan shall issue new shares, which should be proposed by the Board of Directors and submitted to the shareholders' meeting for approval, and pay cash dividends which should be adopted by a majority votes of the directors present at the board meeting attended by two-thirds of the directors, thereafter, to be reported at the shareholders' meeting.

1) Legal Reserve

When the Company incurs no loss, it may, pursuant to a resolution by a 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 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 properties 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 Ruling issued by the FSC. 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 March 31, 2022, December 31, 2021 and March 31, 2021, the special reserve related to all IFRSs adjustments amounted 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.

(Continued)

CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

3) Earnings distribution

The amounts of cash dividends on the appropriations of earnings for 2021 had been approved during the board meeting on March 15, 2022, and the other distributions on the appropriations of earnings will be approved during the shareholders' meeting on June 9, 2022. The amount of cash dividends on the appropriations of earnings for 2020 had been approved during the board meeting on March 16, 2021, the other distributions on the appropriations of earnings had been approved during the shareholders' meeting on July 30, 2021. The relevant dividend distributions to shareholders were as follows:

| | 2021 | | 2020 | |
|--|---------------------|------------------|---------------------|------------------|
| | Amount per share | Total Amount | Amount per share | Total Amount |
| Dividends distributed to common shareholders: | | | | |
| Cash | \$ 1.68 | 1,383,003 | 1.40 | 1,152,502 |

(ii) 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, 2022 | \$ (969,251) | 1,228,678 | (16,124) | 243,303 |
| Exchange differences on foreign operations | 92,014 | - | - | 92,014 |
| Unrealized gains from financial assets measured at fair value through other comprehensive income | - | 171,827 | - | 171,827 |
| Change in fair value of hedging instrument | - | - | 11,152 | 11,152 |
| Balance at March 31, 2022 | \$ (877,237) | 1,400,505 | (4,972) | 518,296 |
| Balance at January 1, 2021 | \$ (865,391) | 946,889 | (17,289) | 64,209 |
| Exchange differences on foreign operations | 2,001 | - | - | 2,001 |
| Unrealized gains from financial assets measured at fair value through other comprehensive income | - | 370,840 | - | 370,840 |
| Change in fair value of hedging instrument | - | - | 1,870 | 1,870 |
| Balance at March 31, 2021 | \$ (863,390) | 1,317,729 | (15,419) | 438,920 |

(y) Earnings per share

| | For the three months ended March 31 | |
|--|-------------------------------------|----------------|
| | 2022 | 2021 |
| Basic earnings per share | | |
| Net income attributable to ordinary shareholders | \$ 1,238,824 | 481,004 |
| Weighted average number of ordinary shares (Basic) | 823,216 | 823,216 |
| Basic earnings per share (NT dollars) | \$ 1.50 | 0.58 |

(Continued)

CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

| | <u>2022</u> | <u>2021</u> |
|--|---------------------|----------------|
| Diluted earnings per share | | |
| Net income attributable to ordinary shareholders (after adjusting the effects of all dilutive potential ordinary shares) | \$ <u>1,238,824</u> | <u>481,004</u> |
| Weighted average number of ordinary shares (Basic) | 823,216 | 823,216 |
| Effect of the employee share bonuses | | |
| Employee stock bonus | <u>586</u> | <u>362</u> |
| Weighted average number of ordinary shares (after adjusting the effects of all dilutive potential ordinary shares) | <u>823,802</u> | <u>823,578</u> |
| Diluted earnings per share (NT dollars) | \$ <u>1.50</u> | <u>0.58</u> |

(z) Revenue from contracts with customers

(i) Disaggregation of revenue

| | <u>For the three months ended March 31, 2022</u> | | | |
|---|--|------------------------------------|--|-------------------|
| | <u>Construction Engineering</u> | <u>Real Estate Development</u> | <u>Environmental Project Development & Water Treatment</u> | <u>Total</u> |
| Primary geographical markets: | | | | |
| Taiwan | \$ 4,178,446 | 4,473,459 | 1,170,829 | 9,822,734 |
| Other | <u>52,291</u> | <u>148,021</u> | <u>-</u> | <u>200,312</u> |
| | <u>\$ 4,230,737</u> | <u>4,621,480</u> | <u>1,170,829</u> | <u>10,023,046</u> |
| Main products: | | | | |
| Construction engineering | \$ 4,217,362 | - | - | 4,217,362 |
| Environmental project development & water treatment | - | - | 1,170,829 | 1,170,829 |
| Real estate revenue | - | 4,556,263 | - | 4,556,263 |
| Rental revenue | 6,602 | 38,537 | - | 45,139 |
| Other | <u>6,773</u> | <u>26,680</u> | <u>-</u> | <u>33,453</u> |
| | <u>\$ 4,230,737</u> | <u>4,621,480</u> | <u>1,170,829</u> | <u>10,023,046</u> |
| | <u>For the three months ended March 31, 2021</u> | | | |
| | <u>Construction Engineering</u> | <u>Real Estate Development</u> | <u>Environmental Project Development & Water Treatment</u> | <u>Total</u> |
| Primary geographical markets: | | | | |
| Taiwan | \$ 2,987,489 | 2,104,576 | 1,098,000 | 6,190,065 |
| Other | <u>162,484</u> | <u>135</u> | <u>-</u> | <u>162,619</u> |
| | <u>\$ 3,149,973</u> | <u>2,104,711</u> | <u>1,098,000</u> | <u>6,352,684</u> |

(Continued)

CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

| | For the three months ended March 31, 2021 | | | |
|---|--|------------------------------------|--|------------------|
| | Construction Engineering | Real Estate Development | Environmental Project Development & Water Treatment | Total |
| Main products: | | | | |
| Construction engineering | \$ 3,141,368 | - | - | 3,141,368 |
| Environmental project development & water treatment | - | - | 1,098,000 | 1,098,000 |
| Real estate revenue | - | 2,045,080 | - | 2,045,080 |
| Rental revenue | 7,582 | 38,652 | - | 46,234 |
| Other | 1,023 | 20,979 | - | 22,002 |
| | \$ 3,149,973 | 2,104,711 | 1,098,000 | 6,352,684 |

(ii) Contract balances

| | March 31, 2022 | December 31, 2021 | March 31, 2021 |
|--|---------------------------|------------------------------|---------------------------|
| Notes receivable | \$ 44,802 | 325,540 | 223,449 |
| Accounts receivable (including long-term accounts receivable) | 9,413,007 | 8,596,773 | 9,023,612 |
| Less: Allowance for impairment | - | - | - |
| Total | \$ 9,457,809 | 8,922,313 | 9,247,061 |
| Contract assets-construction engineering | \$ 1,714,487 | 1,481,752 | 1,142,094 |
| Contract assets-retention receivables | 3,126,059 | 2,862,303 | 2,623,928 |
| Total | \$ 4,840,546 | 4,344,055 | 3,766,022 |
| Contract liabilities-construction engineering | \$ 4,619,534 | 4,581,006 | 4,248,656 |
| Contract liabilities-environment project development & water treatment | 11,982 | 113,145 | 172,663 |
| Contract liabilities-advance real estate receipts | 3,333,140 | 4,061,925 | 3,861,770 |
| Contract liabilities-advance rent receipts | 4,329 | 4,199 | 3,962 |
| Total | \$ 7,968,985 | 8,760,275 | 8,287,051 |

- 1) Please refer to Note 6(e) for the accounts receivable and allowance for impairment.
- 2) Please refer to Note 6(s) for the onerous contracts.

(Continued)

CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- 3) The amounts of revenue recognized for the three months ended March 31, 2022 and 2021 that were included in the contract liability balance at the beginning of the year were \$1,407,747 thousand and \$649,674 thousand, respectively.
- 4) Please refer to Note 9 for the amounts of the above contracts.

(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 income 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 three months ended March 31, 2022 and 2021, the Company amounted its employee remuneration to be \$6,474 thousand and \$2,417 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 in the respective periods. If the distribution in the following year is different from the estimate, the difference will be regarded as changes in accounting estimates and will be reflected in profit or loss in the following year. Shares distributed to employees as employee's remuneration are calculated based on the closing price of the Company's shares on the day before the approval by the Board of Directors. For the year ended December 31, 2021 and 2020, the Company amounted its employee remuneration to be \$9,774 thousand and \$7,372 thousand and its director's remuneration to be \$0, there were no differences between the actual distribution. Related information would be available at the Market Observation Post System website.

(ab) Non-operating income and expenses

(i) Interest income

| | For the three months ended March 31 | |
|------------------------------------|--|--------------|
| | 2022 | 2021 |
| Interest income from bank deposits | \$ 3,805 | 6,864 |
| Other interest income | 3,152 | 1,808 |
| | \$ 6,957 | 8,672 |

(ii) Other income

| | For the three months ended March 31 | |
|-----------------------------------|--|--------------|
| | 2022 | 2021 |
| Other income-other | \$ 4,600 | 4,294 |
| Income from counter-party default | 520 | - |
| | \$ 5,120 | 4,294 |

(Continued)

CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) Other gains and losses

| | For the three months ended March 31 | |
|--|--|-----------------|
| | 2022 | 2021 |
| Net gains (losses) on disposals of property, plant and equipment | \$ (601) | 63 |
| Net foreign exchange gains (losses) | 30,244 | (29,345) |
| | \$ 29,643 | (29,282) |

(iv) Financial costs

| | For the three months ended March 31 | |
|--|--|---------------|
| | 2022 | 2021 |
| Interest expenses-borrowings | \$ 115,779 | 121,787 |
| Interest expenses-bonds payables (including amortization expenses) | 6,098 | 5,802 |
| Interest lease liabilities | 644 | 916 |
| Less: capitalized interest | (26,646) | (73,003) |
| | \$ 95,875 | 55,502 |

(ac) Financial instruments

(i) Credit risk

1) Credit risk exposure

As of March 31, 2022, December 31, 2021 and March 31, 2021, 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
- The financial guarantee provided by the Group both amounted to \$1,900,000 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

Please refer to note 6(e) for the credit risk exposure of notes receivable, accounts receivable and long-term accounts receivable.

(Continued)

CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Other financial assets at amortized cost includes other receivables.

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. There were no recognition or reversal of impairment losses for the three months ended March 31, 2022 and 2021.

(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.

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> |
|--------------------------------------|----------------------------|-----------------------------------|--------------------------|----------------------|------------------------------|
| March 31, 2022 | | | | | |
| Non-derivative financial liabilities | | | | | |
| Secured loans | \$ 16,539,679 | 18,024,183 | 3,186,036 | 13,205,260 | 1,632,887 |
| Unsecured loans | 5,227,030 | 5,432,139 | 2,330,337 | 3,101,802 | - |
| Short-term notes and bills payable | 250,000 | 250,000 | 250,000 | - | - |
| Bonds payable | 1,997,291 | 2,044,000 | 11,000 | 2,033,000 | - |
| Accounts and notes payable | 5,990,935 | 5,990,935 | 3,789,593 | 2,053,910 | 147,432 |
| Other payables | 3,106,513 | 3,106,513 | 1,796,284 | 1,305,886 | 4,343 |
| Guarantee deposit received | 129,254 | 129,254 | - | 57,856 | 71,398 |
| Long-term accounts payable | 327,872 | 327,872 | - | 327,872 | - |
| Lease liabilities | 129,688 | 132,507 | 74,311 | 53,895 | 4,301 |
| | <u>\$ 33,698,262</u> | <u>35,437,403</u> | <u>11,437,561</u> | <u>22,139,481</u> | <u>1,860,361</u> |
| December 31, 2021 | | | | | |
| Non-derivative financial liabilities | | | | | |
| Secured loans | \$ 16,288,825 | 17,568,138 | 7,874,116 | 5,943,914 | 3,750,108 |
| Unsecured loans | 5,072,473 | 5,285,409 | 563,708 | 4,721,701 | - |
| Bonds payable | 1,997,110 | 2,055,000 | 11,000 | 2,044,000 | - |
| Accounts and notes payable | 6,989,726 | 6,989,726 | 4,908,388 | 1,930,855 | 150,483 |
| Other payables | 1,936,715 | 1,936,715 | 689,522 | 1,246,426 | 767 |
| Guarantee deposit received | 142,738 | 142,738 | - | 65,616 | 77,122 |
| Long-term accounts payable | 311,400 | 311,400 | - | 311,400 | - |
| Lease liabilities | 131,095 | 134,632 | 74,761 | 55,092 | 4,779 |
| | <u>\$ 32,870,082</u> | <u>34,423,758</u> | <u>14,121,495</u> | <u>16,319,004</u> | <u>3,983,259</u> |

(Continued)

CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

| | <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> |
|--------------------------------------|----------------------------|-----------------------------------|--------------------------|----------------------|------------------------------|
| March 31, 2021 | | | | | |
| Non-derivative financial liabilities | | | | | |
| Secured loans | \$ 15,309,313 | 16,224,065 | 11,500,086 | 3,851,327 | 872,652 |
| Unsecured loans | 6,216,596 | 6,519,818 | 1,184,446 | 3,971,274 | 1,364,098 |
| Short-term notes and bills payable | 1,120,000 | 1,120,000 | 1,120,000 | - | - |
| Bonds payable | 1,996,569 | 2,055,000 | 11,000 | 2,044,000 | - |
| Accounts and notes payable | 5,504,373 | 5,504,373 | 3,183,370 | 2,062,010 | 258,993 |
| Other payables | 2,824,719 | 2,824,719 | 1,767,796 | 1,056,726 | 197 |
| Guarantee deposit received | 122,521 | 122,521 | - | 70,382 | 52,139 |
| Long-term accounts payable | 321,019 | 321,019 | - | 321,019 | - |
| Lease liabilities | 167,879 | 172,990 | 91,009 | 81,981 | - |
| | <u>\$ 33,582,989</u> | <u>34,864,505</u> | <u>18,857,707</u> | <u>13,458,719</u> | <u>2,548,079</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>March 31, 2022</u> | | | <u>December 31, 2021</u> | | | <u>March 31, 2021</u> | | | |
|-------------------------------------|-----------------------------|--------------------------|------------|-----------------------------|--------------------------|------------|-----------------------------|--------------------------|------------|-----------|
| | <u>Foreign currency</u> | <u>Exchange rate</u> | <u>NTD</u> | <u>Foreign currency</u> | <u>Exchange rate</u> | <u>NTD</u> | <u>Foreign currency</u> | <u>Exchange rate</u> | <u>NTD</u> | |
| <u>Financial Assets</u> | | | | | | | | | | |
| <u>Monetary items</u> | | | | | | | | | | |
| USD : NTD | \$ | 81,754 | 28.6250 | 2,340,210 | 87,201 | 27.6800 | 2,413,721 | 72,567 | 28.5350 | 2,070,700 |
| HKD : NTD | | 31,411 | 3.6560 | 114,838 | 32,469 | 3.5490 | 115,234 | 34,995 | 3.6700 | 128,430 |
| MYR : NTD | | 119,817 | 6.8119 | 816,180 | 111,842 | 6.6415 | 742,797 | 107,942 | 6.8710 | 741,668 |
| JPY : NTD | | 78,466 | 0.2353 | 18,463 | 3,666 | 0.2405 | 881 | 3,666 | 0.2577 | 944 |
| USD : MYR | | 4,357 | 4.2060 | 124,711 | 1,125 | 4.1650 | 31,151 | 4,131 | 4.1460 | 117,871 |
| <u>Financial Liabilities</u> | | | | | | | | | | |
| <u>Monetary items</u> | | | | | | | | | | |
| USD : MYR | | 23,450 | 4.2060 | 671,256 | 21,950 | 4.1650 | 607,576 | 17,440 | 4.1460 | 497,650 |

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, borrowings, accounts payable, other payables, etc. A strengthening (weakening) of 1% of the NTD against foreign currencies for the three months ended March 31, 2022 and 2021 would have increased or decreased the income before tax by \$25,438 thousand and by \$22,755 thousand, and the equity by \$1,993 thousand and \$2,865 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.

(Continued)

CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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 three months ended March 31, 2022 and 2021, foreign exchange gain(loss) (including realized and unrealized portions) amounted to \$30,244 thousand and \$29,345 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 or decreases by 1%, the Group's income before tax will decrease or increase by \$52,035 thousand and \$42,609 thousand for the three months ended March 31, 2022 and 2021, 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

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:

| Price of securities at the reporting date | For the three months ended March 31 | | | |
|--|---|-------------------|---|-------------------|
| | 2022 | | 2021 | |
| | Other comprehensive Income after tax | Net Income | Other comprehensive Income after tax | Net Income |
| Increase 1% | \$ <u>22,447</u> | <u>4,850</u> | <u>21,619</u> | <u>4,850</u> |
| Decrease 1% | \$ <u>(22,447)</u> | <u>(4,850)</u> | <u>(21,619)</u> | <u>(4,850)</u> |

(Continued)

CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(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 and liabilities 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 :

| | March 31, 2022 | | | | |
|--|--------------------|------------|---------|-----------|-----------|
| | Carrying amount | Fair Value | | | |
| | | Level 1 | Level 2 | Level 3 | Total |
| Financial assets at fair value through profit or loss | | | | | |
| Unlisted common shares | \$ 606,305 | - | - | 606,305 | 606,305 |
| Financial assets for hedging | \$ 202,647 | 202,647 | - | - | 202,647 |
| Financial assets at fair value through other comprehensive income | | | | | |
| Listed common shares | \$ 1,582,352 | 1,582,352 | - | - | 1,582,352 |
| Unlisted common shares | 662,343 | - | - | 662,343 | 662,343 |
| Subtotal | \$ 2,244,695 | 1,582,352 | - | 662,343 | 2,244,695 |
| Financial assets measured at amortized cost | | | | | |
| Cash and cash equivalents | \$ 6,144,528 | - | - | - | - |
| Notes receivable, accounts receivable and long-term accounts receivable | 9,457,809 | - | - | - | - |
| Other receivables | 485,762 | - | - | - | - |
| Guarantee deposit paid (including current and non-current) | 95,387 | - | - | - | - |
| Other financial assets | 2,209,547 | - | - | - | - |
| Other non-current assets | 192,864 | - | - | - | - |
| Subtotal | 18,585,897 | - | - | - | - |
| Total | \$ 21,639,544 | 1,784,999 | - | 1,268,648 | 3,053,647 |
| Financial liabilities measured at amortized cost | | | | | |
| Bank borrowings and notes payable | \$ 22,016,709 | - | - | - | - |
| Bonds payable | 1,997,291 | - | - | - | - |
| Accounts and notes payable | 5,990,935 | - | - | - | - |
| Other payables | 3,106,513 | - | - | - | - |
| Long-term accounts payable | 327,872 | - | - | - | - |
| Guarantee deposit received | 129,254 | - | - | - | - |
| Lease liabilities (including current and non-current) | 129,688 | - | - | - | - |
| Total | \$ 33,698,262 | - | - | - | - |

(Continued)

CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

| | December 31, 2021 | | | | |
|--|--------------------|------------|---------|-----------|-----------|
| | Carrying amount | 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 | \$ 230,228 | 230,228 | - | - | 230,228 |
| Financial assets at fair value through other comprehensive income | | | | | |
| Listed common shares | 1,410,525 | 1,410,525 | - | - | 1,410,525 |
| Unlisted common shares | 662,343 | - | - | 662,343 | 662,343 |
| Subtotal | \$ 2,072,868 | 1,410,525 | - | 662,343 | 2,072,868 |
| Financial assets measured at amortized cost | | | | | |
| Cash and cash equivalents | \$ 5,206,556 | - | - | - | - |
| Notes receivable, accounts receivable and long-term accounts receivable | 8,922,313 | - | - | - | - |
| Other receivables | 502,586 | - | - | - | - |
| Guarantee deposit paid (including current and non-current) | 140,922 | - | - | - | - |
| Other financial assets | 2,482,906 | - | - | - | - |
| Other non-current assets | 188,516 | - | - | - | - |
| Subtotal | 17,443,799 | - | - | - | - |
| Total | \$ 20,353,200 | 1,640,753 | - | 1,268,648 | 2,909,401 |
| Financial liabilities for hedging | \$ 64 | 64 | - | - | 64 |
| Financial liabilities measured at amortized cost | | | | | |
| Bank borrowings | \$ 21,361,298 | - | - | - | - |
| Bonds payable | 1,997,110 | - | - | - | - |
| Accounts and notes payable | 6,989,726 | - | - | - | - |
| Other payables | 1,936,715 | - | - | - | - |
| Long-term accounts payable | 311,400 | - | - | - | - |
| Guarantee deposit received | 142,738 | - | - | - | - |
| Lease liabilities (including current and non-current) | 131,095 | - | - | - | - |
| Subtotal | 32,870,082 | - | - | - | - |
| Total | \$ 32,870,146 | 64 | - | - | 64 |
| | March 31, 2021 | | | | |
| | Carrying amount | 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 | \$ 293,625 | 293,625 | - | - | 293,625 |

(Continued)

CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

| | March 31, 2021 | | | | |
|--|----------------------|------------------|----------|------------------|------------------|
| | Carrying amount | Fair Value | | | |
| | | Level 1 | Level 2 | Level 3 | Total |
| Financial assets at fair value through other comprehensive income | | | | | |
| Listed common shares | \$ 1,552,090 | 1,552,090 | - | - | 1,552,090 |
| Unlisted common shares | 609,829 | - | - | 609,829 | 609,829 |
| Subtotal | <u>2,161,919</u> | <u>1,552,090</u> | <u>-</u> | <u>609,829</u> | <u>2,161,919</u> |
| Financial assets measured at amortized cost | | | | | |
| Cash and cash equivalents | \$ 5,411,951 | - | - | - | - |
| Notes receivable, accounts receivable and long-term accounts receivable | 9,247,061 | - | - | - | - |
| Other receivables | 718,764 | - | - | - | - |
| Guarantee deposit paid (including current and non-current) | 95,142 | - | - | - | - |
| Other financial assets | 2,337,824 | - | - | - | - |
| Subtotal | <u>17,810,742</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total | <u>\$ 20,872,591</u> | <u>1,845,715</u> | <u>-</u> | <u>1,216,134</u> | <u>3,061,849</u> |
| Financial liabilities for hedging | \$ 3,509 | 3,509 | - | - | 3,509 |
| Financial liabilities measured at amortized cost | | | | | |
| Bank borrowings and short-term notes and bills payable | \$ 22,645,909 | - | - | - | - |
| Bonds payable | 1,996,569 | - | - | - | - |
| Accounts and notes payable | 5,504,373 | - | - | - | - |
| Other payables | 2,824,719 | - | - | - | - |
| Long-term accounts payable | 321,019 | - | - | - | - |
| Guarantee deposit received | 122,521 | - | - | - | - |
| Lease liabilities (including current and non-current) | 167,879 | - | - | - | - |
| Subtotal | <u>33,582,989</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total | <u>\$ 33,586,498</u> | <u>3,509</u> | <u>-</u> | <u>-</u> | <u>3,509</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.

(Continued)

CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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.

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 2

There were no transfers of levels for the three months ended March 31, 2022 and 2021.

4) The movement of Level 3

| | Financial assets at fair value through profit or loss | Financial assets at fair value through other comprehensive income |
|---|--|--|
| | Non-derivative financial assets mandatorily measured at fair value through profit or loss | Equity instruments without quoted market price |
| Balance at March 31, 2022 (the beginning of the year) | \$ <u><u>606,305</u></u> | <u><u>662,343</u></u> |
| Balance at March 31, 2021 (the beginning of the year) | \$ <u><u>606,305</u></u> | <u><u>609,829</u></u> |

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".

(Continued)

CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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 (March 31, 2022, December 31, 2021 and March 31, 2021 were 8.4014%, 8.4014% and 13.5153%, 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 (March 31, 2022, December 31, 2021 and March 31, 2021 were 15.80, 15.80 and 15.10, respectively) · Market illiquidity discount (March 31, 2022, December 31, 2021 and March 31, 2021 were 80%). | · The higher multiplier is, the higher the fair value · The higher market illiquidity discount is, the lower the fair value |
| Financial assets at fair value through other comprehensive income-equity investments without an active market | Income Method | · The growth rate of earnings per share (March 31, 2022, December 31, 2021 and March 31, 2021 were 0%) · Weighted average cost of capital (March 31, 2022, December 31, 2021 and March 31, 2021 were 5%) | · The higher the growth rate of earnings, per share the higher the fair value · 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:

(Continued)

CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

| | Input | Change up or down | Profit or loss | | Other comprehensive income | |
|---|----------------------------------|-------------------------|---------------------|-----------------------|-------------------------------|-----------------------|
| | | | Favorable change | Unfavorable change | Favorable change | Unfavorable change |
| March 31, 2022 | | | | | | |
| Financial assets at fair value through profit or loss | | | | | | |
| Equity instruments without an active market | Return on equity | 1% | \$ 1,165 | (1,160) | - | - |
| Financial assets at fair value through other comprehensive income | | | | | | |
| Equity instruments without an active market | Market liquidity discount | 5% | \$ - | - | 41,249 | (41,249) |
| Equity instruments without an active market | Weighted average cost of capital | 1% | \$ - | - | 105 | (99) |
| December 31, 2021 | | | | | | |
| Financial assets at fair value through profit or loss | | | | | | |
| Equity instruments without an active market | Market liquidity discount | 1% | \$ 1,165 | (1,160) | - | - |
| Financial assets at fair value through other comprehensive income | | | | | | |
| Equity instruments without an active market | Market liquidity discount | 5% | \$ - | - | 41,249 | (41,249) |
| Equity instruments without an active market | Weighted average cost of capital | 1% | \$ - | - | 105 | (99) |
| March 31, 2021 | | | | | | |
| 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) |

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.

(ad) Financial risk management

There were no significant changes in the Group's financial risk management and policies as disclosed in Note 6(ad) of the consolidated financial statements for the year ended December 31, 2021.

(Continued)

CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ae) Capital Management

The objectives, policies and processes of capital management of the Group has been applied consistently with those described in the consolidated financial statements for the year ended December 31, 2021. Also, there were no significant changes in the Group's capital management information as disclosed for the year ended December 31, 2021. Please refer to Note 6(ae) for the further details of the consolidated financial statements for the year ended December 31, 2021.

(af) Non-cash investing and financing activities

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

| | For the three months ended March 31 | |
|---|--|--------------|
| | 2022 | 2021 |
| Prepayments for business facilities reclassified to property, plant and equipment | \$ - | <u>1,956</u> |

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

| | Non-cash changes | | | | | |
|--|----------------------------|-------------------|--|--------------|--|---------------------------|
| | January 1, 2022 | Cash flows | Foreign exchange movement | Other | Changes in lease payments | March 31, 2022 |
| Short-term borrowings | \$ 9,398,912 | 294,988 | 162,766 | - | - | 9,856,666 |
| Long-term borrowings (including due within one year) | 11,962,386 | (68,892) | 16,549 | - | - | 11,910,043 |
| Lease liabilities | 131,095 | (27,919) | 353 | - | 26,159 | 129,688 |
| Bonds payable | <u>1,997,110</u> | - | - | <u>181</u> | - | <u>1,997,291</u> |
| Total liabilities from financing activities | <u>\$ 23,489,503</u> | <u>198,177</u> | <u>179,668</u> | <u>181</u> | <u>26,159</u> | <u>23,893,688</u> |

| | Non-cash changes | | | | | |
|--|----------------------------|-------------------|--|--------------|---|---------------------------|
| | January 1, 2021 | Cash flows | Foreign exchange movement | Other | Changes in lease payment | March 31, 2021 |
| Short-term borrowings | \$ 10,024,080 | 356,720 | 37,032 | - | - | 10,417,832 |
| Long-term borrowings (including due within one year) | 11,886,454 | (770,539) | (7,838) | - | - | 11,108,077 |
| Lease liabilities | 164,536 | (25,828) | (379) | - | 29,550 | 167,879 |
| Bonds payable | - | <u>1,996,388</u> | - | <u>181</u> | - | <u>1,996,569</u> |
| Total liabilities from financing activities | <u>\$ 22,075,070</u> | <u>1,556,741</u> | <u>28,815</u> | <u>181</u> | <u>29,550</u> | <u>23,690,357</u> |

(Continued)

CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(7) Related-party transactions

(a) Parent Group and Ultimate Controlling Party

Montrion Corporation is the parent company of the Group.

(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) |
| Han-De Construction Co., LTD | Other related party |
| Wei-Dar Development Co., Ltd. | Other related party |
| Metropolis Property Management Corporation | Other related party |
| TSRC Corporation | Other related party |
| Doisy Trading Co., Ltd. | Other related party (Excluded on January 9, 2022) |
| WFV Corporation | Other related party |
| Hao Ran Foundation | Other related party |
| La Mer Corporation | Other related party |
| Chang ○○ | Other related party (Excluded on January 9, 2022) |
| Chung ○○ | Other related party (Excluded on January 31, 2022) |

(c) Other related party transactions

(i) Contracted construction

| <u>For the three months ended</u> <u>March 31, 2022</u> | <u>Total Contract</u> <u>Amount</u> <u>(Before tax)</u> | <u>Current</u> <u>Amount</u> | <u>Accumulated</u> <u>Amount</u> |
|--|---|---------------------------------|-------------------------------------|
| Associate (CTCI-HDEC) | \$ <u>6,115,200</u> | <u>-</u> | <u>133,462</u> |
| <u>For the three months ended</u> <u>March 31, 2021</u> | | | |
| Associate (CTCI-HDEC) | \$ <u>6,115,200</u> | <u>-</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.

(Continued)

CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Other operating revenues

| | <u>For the three months ended March 31</u> | |
|-----------------------|--|-------------|
| | <u>2022</u> | <u>2021</u> |
| Other related parties | \$ 1,440 | 900 |

The Group provides engineering and project management consulting services to the related parties. The terms and pricing of transactions are not significantly difference from general transactions.

(iii) Purchases

| | <u>For the three months ended March 31</u> | |
|-----------------------|--|-------------|
| | <u>2022</u> | <u>2021</u> |
| Other related parties | \$ 1,036 | 2,755 |

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.

(iv) Receivables from related parties

| | <u>March 31,</u> <u>2022</u> | <u>December 31,</u> <u>2021</u> | <u>March 31,</u> <u>2021</u> |
|---|---------------------------------|------------------------------------|---------------------------------|
| Accounts receivable-Other related parties | \$ 210 | 3 | 1,122 |
| Accounts receivable-Associates | - | - | 584 |
| Other receivables-Other related parties | - | 1,342 | - |
| Other receivables-Associates | 1,212 | 584 | - |
| | \$ 1,422 | 1,929 | 1,706 |

(v) Payables to related parties

| | <u>March 31,</u> <u>2022</u> | <u>December 31,</u> <u>2021</u> | <u>March 31,</u> <u>2021</u> |
|--|---------------------------------|------------------------------------|---------------------------------|
| Accounts payable-Other related parties | \$ 337 | 337 | 1,601 |
| Other payables-Other related parties | 1,445 | 1,441 | 1,659 |
| | \$ 1,782 | 1,778 | 3,260 |

(Continued)

CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(vi) Rental

1) Rental revenues

| | For the three months ended March 31 | |
|-----------------------|--|-------------|
| | 2022 | 2021 |
| Other related parties | \$ 630 | 651 |

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

2) Rental costs

The Group leased an office building and a warehouse from other related parties. For the three months ended March 31, 2022 and 2021, the Group recognized the amount of \$12 thousand and \$28 thousand as interest expenses, respectively. As of March 31, 2022, December 31, 2021 and March 31, 2021, the balance of lease liabilities amounted to \$2,713 thousand, \$3,835 thousand and \$7,175 thousand, respectively.

(vii) Transaction of properties

In January, 2022, the Group sold its transportation equipments to other related parties for \$4,047 thousand(excluding tax), and recognized the losses of disposal for \$802 thousand. All the payments had been received.

(viii) Endorsements and Guarantees

| | Guarantee classification | March 31, 2022 | December 31, 2021 | March 31, 2021 |
|-----------------------|-------------------------------------|---------------------------|------------------------------|---------------------------|
| Associate (CTCI-HDEC) | Guarantee for bank loans | \$ 343,000 | 343,000 | 343,000 |
| Associate (Fanlu) | Guarantee for bank loans | 1,557,000 | 1,557,000 | 1,557,000 |
| | | \$ 1,900,000 | 1,900,000 | 1,900,000 |

(ix) Other

1) Interest revenues

| | For the three months ended March 31 | |
|-----------------------|--|-------------|
| | 2022 | 2021 |
| Associates | \$ 571 | - |
| Other related parties | 2 | 2 |
| | \$ 573 | 2 |

(Continued)

CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

2) Other expenses

| | For the three months ended March 31 | |
|-----------------------|--|-------------|
| | 2022 | 2021 |
| Other related parties | \$ 7,115 | 6,634 |

3) Other income

| | For the three months ended March 31 | |
|-----------------------|--|-------------|
| | 2022 | 2021 |
| Associates | \$ 1,552 | - |
| Other related parties | 21 | 4 |
| | \$ 1,573 | 4 |

- 4) On January 5, 2022, the Group purchased 49,000,000 shares of CTCI-HDEC amounted to \$490,000 thousand.

(d) Key Management Personnel Transaction

| | For the three months ended March 31 | |
|------------------------------|--|-------------|
| | 2022 | 2021 |
| Short-term employee benefits | \$ 59,848 | 53,875 |

As of March 31, 2022 and 2021, the Group provides eleven and thirteen vehicles for key management personnel at a cost of \$11,728 thousand and \$16,757 thousand, respectively.

(8) Pledged assets

The carrying values of pledged assets are as follows:

| Asset | Purpose of pledge | March 31, 2022 | December 31, 2021 | March 31, 2021 |
|---|--|---------------------------|------------------------------|---------------------------|
| Inventories (development corp.) | Loan collateral | \$ 19,746,902 | 20,247,154 | 22,064,143 |
| Restricted deposits (other current assets) | Time deposits collateral | 284,243 | 290,317 | 293,458 |
| Property, plant and equipment | Loan collateral and construction guarantee | 2,941,842 | 2,899,951 | 1,073,027 |
| Investment properties, net | Loan collateral and construction guarantee | 8,128,552 | 8,135,580 | 9,770,752 |
| Intangible assets | Loan collateral | - | - | 857,222 |
| Long-term accounts receivable | Loan collateral | - | - | 3,505,736 |
| Total | | \$ 31,101,539 | 31,573,002 | 37,564,338 |

(Continued)

CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(9) Significant commitments and contingencies

(a) Major commitments were as follows:

(i) The Group's details of sales of completed construction and real estate were listed below:

| | <u>March 31, 2022</u> | <u>December 31, 2021</u> | <u>March 31, 2021</u> |
|---|---------------------------|------------------------------|---------------------------|
| Total sales of completed construction and real estate | \$ <u>15,150,157</u> | <u>17,617,431</u> | <u>16,296,954</u> |
| Receipts based on the contracts | \$ <u>3,333,140</u> | <u>4,061,925</u> | <u>3,861,770</u> |

(ii) As of March 31, 2022, December 31, 2021 and March 31, 2021, the Group purchased land in the contract amounts of \$1,501,499 thousand, \$959,177 thousand and \$78,870 thousand, within which, \$123,034 thousand, \$95,918 thousand and \$59,512 thousand has been paid.

(iii) Total price of the construction contracts entered into by the Group and the total collected/billed amounts according to the contract are listed below:

| | <u>March 31, 2022</u> | <u>December 31, 2021</u> | <u>March 31, 2021</u> |
|----------------------------|---------------------------|------------------------------|---------------------------|
| Total contract amount—NTD | 151,903,004 | 157,199,612 | 132,568,319 |
| — INR | 35,161,269 | 35,161,269 | 34,919,824 |
| — HKD | 4,562,294 | 4,549,552 | 4,487,499 |
| — MOP | 982,544 | 982,544 | 982,544 |
| — MYR | 394,926 | 394,926 | 394,926 |
| Accumulated billing amount | 126,931,625 | 119,597,504 | 116,616,082 |

(iv) As of March 31, 2022, December 31, 2021 and March 31, 2021, 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.

(Continued)

CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- 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~December 2036 |

- (vi) The Group's outstanding stand by letter of credit are as follows:

| | March 31, 2022 | December 31, 2021 | March 31, 2021 |
|---------------------------------------|---------------------------|------------------------------|---------------------------|
| Outstanding stand by letter of credit | <u>\$ 70,053</u> | <u>227,209</u> | <u>22,488</u> |

- (vii) 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 USD1,177 thousand. As of March 31, 2022, the remaining amount of USD495 thousand had yet to be.

(b) Contingent liability:

- (i) As of March 31, 2022, December 31, 2021 and March 31, 2021, the Group provided promissory notes for contract performance, issuance of commercial paper, and construction warranty, amounted to \$47,463,752 thousand, \$46,993,134 thousand and \$47,824,950 thousand, respectively.
- (ii) As of March 31, 2022, December 31, 2021 and March 31, 2021, promissory notes receivable for construction contracts amounted to \$12,665,125 thousand, \$12,734,765 thousand and \$11,563,766 thousand, respectively.

(Continued)

CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(c) Other

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:

| | For the three months ended March 31, 2022 | | | For the three months ended March 31, 2021 | | |
|-------------------|---|--------------------|---------|---|--------------------|---------|
| | Operating costs | Operating expenses | Total | Operating costs | Operating expenses | Total |
| Employee benefits | | | | | | |
| Salary | 282,576 | 159,601 | 442,177 | 248,402 | 156,151 | 404,553 |
| Labor and health | 26,463 | 14,078 | 40,541 | 22,107 | 11,934 | 34,041 |
| Pension | 10,891 | 7,463 | 18,354 | 9,527 | 6,998 | 16,525 |
| Others | 35,515 | 38,492 | 74,007 | 31,755 | 30,266 | 62,021 |
| Depreciation | 109,308 | 24,360 | 133,668 | 54,439 | 16,596 | 71,035 |
| Amortization | 16,394 | - | 16,394 | 15,905 | - | 15,905 |

(b) Seasonal operation :

The Group's operation do not affect by seasonal or periodicity reason.

(Continued)

(English Translation of Financial Report Originally Issued in Chinese)

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 (Note 3) | 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 (Note 1) | Maximum amount of loans (Note 1) |
|--------|----------------|------------------------|-------------------|---------------|---|----------------|---------------------------------------|---|--|---|---|------------------------|------------|-------|--|----------------------------------|
| | | | | | | | | | | | | | Item | Value | | |
| 0 | CHC | HDEC | Other receivables | Yes | 500,000 | 500,000 | 500,000 (Note 2) | 1.3% | 2 | - | Replenish working capital | - | - | - | 4,940,996 | 9,881,991 |
| 0 | CHC | HDEC | Other receivables | Yes | 500,000 | 500,000 | 500,000 (Note 2) | 1.3% | 2 | - | Replenish working capital | - | - | - | 4,940,996 | 9,881,991 |
| 1 | CDC | BANGSAR | Other receivables | Yes | 202,313 | 202,313 | 169,616 (Note 2) | 7.90% | 2 | - | Land purchases and operation requirements | - | - | - | 7,053,714 | 7,053,714 |
| 1 | CDC | MEGA | Other receivables | Yes | 810,236 | 810,236 | 646,531 (Note 2) | 7.65%~7.90% | 2 | - | Land purchases and operation requirements | - | - | - | 7,053,714 | 7,053,714 |
| 1 | CDC | Grand River D. Limited | Other receivables | No | 586,058 | 586,058 | 383,577 | 1.90% | 2 | - | Land purchases and operation requirements | - | - | - | 7,053,714 | 7,053,714 |

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 20% of net equity value. Relevant calculation are as follows:

CHC:

Maximum amount of loans is limited to 40% of net equity value: \$24,704,978 thousand \times 40% = 9,881,991 thousand

Maximum amount of loans provided to a single business enterprise is limited to 20% of net equity value: \$24,704,978 thousand \times 20% = 4,940,996 thousand

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:

CDC:

Maximum amount of loans is limited to 40% of net equity value: \$17,634,284 thousand \times 40% = 7,053,714 thousand

Maximum amount of loans provided to a single business enterprise is limited to 40% of net equity value: \$17,634,284 thousand \times 40% = 7,053,714 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)

(English Translation of Financial Report Originally Issued in Chinese)

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 | 98,819,912 | 472,901 | 472,901 | 472,901 | - | 1.91 % | 98,819,912 | Y | N | N |
| 0 | CHC | HDEC | 2 | 98,819,912 | 2,747,269 | 2,647,269 | 1,422,540 | - | 10.72 % | 98,819,912 | Y | N | N |
| 0 | CHC | CEC | 2 | 98,819,912 | 18,435,382 | 18,154,686 | 8,142,209 | - | 73.49 % | 98,819,912 | Y | N | N |
| 1 | CEC | CIC | 2 | 10,348,214 | 42,938 | 42,938 | - | - | 0.83 % | 10,348,214 | N | N | N |
| 1 | CEC | CICI | 2 and 5 | 15,522,321 | 3,769,183 | 3,769,183 | 3,769,183 | - | 72.85 % | 31,044,642 | N | N | N |
| 1 | CEC | CDC | 4 and 7 | 10,348,214 | 1,071,000 | 1,071,000 | 964,979 | - | 20.70 % | 10,348,214 | N | N | N |
| 1 | CEC | Fu Tsu Construction Co., Ltd. | 5 | 15,522,321 | 9,358,000 | 9,358,000 | 9,358,000 | - | 180.86 % | 31,044,642 | N | N | N |
| 2 | CDC | CDC US. | 2 | 35,268,568 | 143,125 | 143,125 | 138,030 | - | 0.81 % | 35,268,568 | N | N | N |
| 2 | CDC | CCD | 2 | 35,268,568 | 1,415,000 | 1,415,000 | 1,170,000 | - | 8.02 % | 35,268,568 | N | N | N |
| 2 | CDC | BANGSAR | 2 and 6 | 35,268,568 | 171,660 | 171,660 | - | - | 0.97 % | 35,268,568 | N | N | N |
| 2 | CDC | MEGA | 2 and 6 | 35,268,568 | 425,081 | 425,081 | 369,191 | - | 2.41 % | 35,268,568 | N | N | N |
| 2 | CDC | 950P | 2 and 6 | 35,268,568 | 5,304,658 | 1,826,775 | 1,542,309 | - | 10.36 % | 35,268,568 | N | N | N |
| 2 | CDC | 950 Hotel Property LLC & 950 Retail Property LLC | 2 and 6 | 35,268,568 | 1,532,633 | 1,532,633 | 1,183,841 | - | 8.69 % | 35,268,568 | N | N | N |
| 2 | CDC | Fanlu | 6 | 35,268,568 | 1,557,000 | 1,557,000 | 771,750 | - | 8.83 % | 35,268,568 | N | N | N |
| 3 | CCD | CDC | 3 | 13,572,668 | 982,200 | 982,200 | 808,500 | 982,200 | 28.95 % | 13,572,668 | N | N | N |
| 4 | HDEC | PDC | 2 | 29,889,928 | 1,295,000 | 1,295,000 | 210,000 | - | 34.66 % | 29,889,928 | N | N | N |
| 4 | HDEC | NSC | 2 | 29,889,928 | 2,520,000 | 2,520,000 | 1,980,000 | - | 67.45 % | 29,889,928 | N | N | N |
| 4 | HDEC | LHC | 2 | 29,889,928 | 5,071 | 5,071 | 5,071 | - | 0.14 % | 29,889,928 | N | N | N |
| 4 | HDEC | LHC | 2 and 6 | 29,889,928 | 1,485,000 | 1,485,000 | 1,463,000 | - | 39.75 % | 29,889,928 | N | N | N |
| 4 | HDEC | BWC | 2 and 6 | 29,889,928 | 902,700 | 902,700 | 318,240 | - | 24.16 % | 29,889,928 | N | N | N |
| 4 | HDEC | CTCI-HDEC | 6 | 29,889,928 | 343,000 | 343,000 | 343,000 | - | 9.18 % | 29,889,928 | N | N | N |
| 4 | HDEC | CEC | 4 and 5 | 29,889,928 | 3,995,629 | 3,995,629 | 3,995,629 | - | 106.94 % | 29,889,928 | N | N | N |

Note 1: According to the policy of CHC, the total amount of endorsements/guarantees is limited to four times the net equity value in accordance with the Company's most recent financial statements: \$24,704,978 thousand \times 4 = \$98,819,912 thousand

(Continued)

(English Translation of Financial Report Originally Issued in Chinese)

CONTINENTAL HOLDINGS CORPORATION
Notes to Consolidated Financial Statements

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: \$24,704,978 thousand $\times 4 =$ \$98,819,912 thousand

According to the policy of CEC, the total amount of endorsements/guarantees is limited to six times the net equity value in accordance with the Company's most recent financial statements in the event of joint liability in joint ventures with other companies in the same industry: \$5,174,107 thousand $\times 6 =$ \$31,044,642 thousand

The total amount of endorsements/guarantees provided to a single business is limited to three times the net equity value in accordance with the Company's most recent financial statements: \$5,174,107 thousand $\times 3 =$ \$15,522,321 thousand

According to the policy of CEC, the total amount of endorsements/guarantees is limited to two times the net equity value in accordance with the Company's most recent financial statements except in the event of joint liability in joint ventures with other companies in the same industry: \$5,174,107 thousand $\times 2 =$ \$10,348,214 thousand

The total amount of endorsements/guarantees provided to a single business is limited to two times the net equity value in accordance with the Company's most recent financial statements: \$5,174,107 thousand $\times 2 =$ \$10,348,214 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: \$17,634,284 thousand $\times 2 =$ \$35,268,568 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: \$17,634,284 thousand $\times 2 =$ \$35,268,568 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: \$3,393,167 thousand $\times 4 =$ \$13,572,668 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: \$3,393,167 thousand $\times 4 =$ \$13,572,668 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: \$3,736,241 thousand $\times 8 =$ \$29,889,928 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: \$3,736,241 thousand $\times 8 =$ \$29,889,928 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.

(Continued)

(English Translation of Financial Report Originally Issued in Chinese)

CONTINENTAL HOLDINGS CORPORATION
Notes to Consolidated Financial Statements

(iii) Securities held as of March 31, 2022 (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 | | | | 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 | 1,582,352 | 6.11 % | 1,582,352 | |
| CEC | Xinrong Enterprise | - | Non-current financial assets at fair value through other comprehensive income | 12,256,347 | 659,980 | 8.45 % | 659,980 | |
| CEC | Metro Consulting Service Ltd. | - | Non-current financial assets at fair value through other comprehensive income | 300,000 | 2,363 | 6.00 % | 2,363 | |
| CEC | International Property & Finance Co., Ltd. | - | Non-current financial assets at fair value through other comprehensive income | 26,301 | - | 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 % | - | |
| 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 | |

(iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock: None

(v) Acquisition 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 | Name of property | Transaction date | Transaction amount | Status of payment | Counter-party | Relationship with the Company | If the counter-party is a related party, disclose the previous transfer information | | | | References for determining price | Purpose of acquisition and current condition | Others |
|-----------------|------------------|------------------|--------------------|-------------------|----------------|-------------------------------|---|-------------------------------|------------------|--------|----------------------------------|--|--------|
| | | | | | | | Owner | Relationship with the Company | Date of transfer | Amount | | | |
| CDC | Land | 2022.01.06 | 1,091,441 | 1,091,441 | Natural person | Not related party | - | - | - | - | Evaluation report | Real estate development | - |
| CDC | Land | 2022.01.21 | 542,322 | 27,116 | Natural person | Not related party | - | - | - | - | Evaluation report | Real estate development | - |

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

(Continued)

(English Translation of Financial Report Originally Issued in Chinese)

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 | (363,074) | 7.88% | Same as those in general transactions | - | - | 460,589 | 9.88% | Note 1 |
| CDC | CEC | Related party of the Company | Construction project | 363,074 | 80.29% | Same as those in general transactions | - | - | (460,589) | 31.96% | |

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 460,589 | 2.95 | - | - | 5,411 | - |
| HDEC | LHC | Parent and subsidiary | Accounts receivable 100,612 | 2.20 | - | - | - | - |

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

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

(ix) Derivatives transactions:

As of March 31, 2022, the Group entered into forward exchange agreement with an amount of USD399 thousand, and hedging instruments in amounts of USD6,937 thousand, JPY3,218 thousand and EUR94 thousand.

(Continued)

(English Translation of Financial Report Originally Issued in Chinese)

CONTINENTAL HOLDINGS CORPORATION
Notes to Consolidated Financial Statements

(x) Business relationships and significant intercompany transactions:

(In Thousands of New Taiwan Dollars)

| No. | Name of company | Name of counter-party | Relationship | Intercompany transactions | | | |
|-----|-----------------|-----------------------|--------------|-------------------------------------|-----------|--------------------------------------|--|
| | | | | Account name | Amount | Trading terms | Percentage of the consolidated net revenue or total assets |
| 0 | CHC | HDEC | 1 | Non-current other assets-other | 1,000,000 | Same as those in normal transactions | 1.41% |
| 1 | CEC | CDC | 3 | Construction revenues | 363,074 | Same as those in normal transactions | 3.62% |
| | | CDC | 3 | Accounts receivable | 114,091 | Same as those in normal transactions | 0.16% |
| | | CDC | 3 | Contract assets | 346,498 | Same as those in normal transactions | 0.49% |
| 2 | CDC | CEC | 3 | Construction costs | 363,074 | Same as those in normal transactions | 3.62% |
| | | CEC | 3 | Accounts payable | 460,589 | Same as those in normal transactions | 0.65% |
| | | MEGA | 3 | Other receivables | 808,866 | Same as those in normal transactions | 1.14% |
| | | BANGSAR | 3 | Other receivables | 200,945 | Same as those in normal transactions | 0.28% |
| 3 | HDEC | CHC | 2 | Non-current other liabilities-other | 1,000,000 | Same as those in normal transactions | 1.41% |
| | | NSC | 3 | Operating revenues | 35,140 | Same as those in normal transactions | 0.35% |
| | | NSC | 3 | Accounts receivable | 71,088 | Same as those in normal transactions | 0.10% |
| | | NSC | 3 | Contract assets | 10,963 | Same as those in normal transactions | 0.02% |
| | | SDC | 3 | Operating costs | 21,024 | Same as those in normal transactions | 0.21% |
| | | SDC | 3 | Accounts payable | 11,047 | Same as those in normal transactions | 0.02% |
| | | LHC | 3 | Operating revenues | 58,077 | Same as those in normal transactions | 0.58% |
| | | LHC | 3 | Contract assets | 100,612 | Same as those in normal transactions | 0.14% |
| | | PDC | 3 | Operating revenues | 43,037 | Same as those in normal transactions | 0.43% |
| | | PDC | 3 | Accounts receivable | 33,055 | Same as those in normal transactions | 0.05% |
| | | PDC | 3 | Contract assets | 18,130 | Same as those in normal transactions | 0.03% |
| 4 | NSC | HDEC | 3 | Operating costs | 35,140 | Same as those in normal transactions | 0.35% |
| | | HDEC | 3 | Accounts payable | 82,051 | Same as those in normal transactions | 0.12% |
| 5 | SDC | HDEC | 3 | Operating revenues | 21,024 | Same as those in normal transactions | 0.21% |
| | | HDEC | 3 | Contract assets | 11,047 | Same as those in normal transactions | 0.02% |
| 6 | LHC | HDEC | 3 | Operating costs | 58,077 | Same as those in normal transactions | 0.58% |
| | | HDEC | 3 | Accounts payable | 100,612 | Same as those in normal transactions | 0.14% |
| 7 | PDC | HDEC | 3 | Operating costs | 43,037 | Same as those in normal transactions | 0.43% |
| | | HDEC | 3 | Accounts payable | 51,185 | Same as those in normal transactions | 0.08% |
| 8 | MEGA | CDC | 3 | Other payables | 808,866 | Same as those in normal transactions | 1.14% |
| 9 | BANGSAR | CDC | 3 | Other payables | 200,945 | Same as those in normal transactions | 0.28% |

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

(Continued)

(English Translation of Financial Report Originally Issued in Chinese)

CONTINENTAL HOLDINGS CORPORATION
Notes to Consolidated Financial Statements

Note 2: Relationships are as follows:

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

(b) Information on investees:

The following table provides investees' information as of March 31, 2022:

(In Thousands of New Taiwan Dollars)

| Name of investor | Name of investee | Location | Main businesses and products | Original investment amount | | Balance as of March 31, 2022 | | | Net income (losses) of investee | Share of profits/losses of investee | Note |
|------------------|------------------|------------------------|---|----------------------------|-------------------|------------------------------|-------------------------|----------------|---------------------------------|-------------------------------------|--------|
| | | | | March 31, 2022 | December 31, 2021 | Shares (thousands) | Percentage of ownership | Carrying value | | | |
| CHC | CEC | Taiwan | Comprehensive construction | 6,884,583 | 6,884,583 | 440,061,971 | 99.99 % (Note 2) | 5,101,452 | 99,296 | 83,009 | Note 1 |
| CHC | CDC | Taiwan | Housing and building development and lease | 6,220,745 | 6,220,745 | 591,948,387 | 99.99 % (Note 2) | 17,634,280 | 1,114,931 | 1,114,931 | Note 1 |
| CHC | HDEC | Taiwan | Construction of underground pipeline | 2,360,365 | 2,360,365 | 229,999,900 | 99.99 % (Note 3) | 3,862,688 | 126,448 | 126,448 | - |
| CHC | CCLC | Taiwan | Management consulting | 10,000 | 10,000 | - | 100.00 % | 10,001 | - | - | - |
| CEC | CICI | India | Construction projects | 497,839 | 497,839 | 73,981,492 | 100.00 % | (3,615) | (414) | Disclosure not required | - |
| CEC | CIC | British Virgin Islands | Investment and holding | 2,035,897 | 2,035,897 | 63,980,940 | 100.00 % | 7,195 | (5,334) | " | - |
| CEC | CIMY | Malaysia | Construction projects | 179,257 | 179,257 | 22,340,476 | 85.14 % | 6,009 | (166) | " | - |
| CEC | CEC HK | Hong Kong | Construction projects | 10,815 | 10,815 | 3,000,000 | 100.00 % | 887 | (11) | " | - |
| CIC | NCC | British Virgin Islands | Investment and holding | 1,640,006 | 1,640,006 | 10,353 | 45.47 % | - | (59) | " | - |
| CDC | BANGSAR | Malaysia | Real estate development | 4,444 | 4,444 | 600,000 | 60.00 % | 1,297 | (1,911) | " | - |
| CDC | CCD | Taiwan | Housing and building development and lease | 976,539 | 976,539 | 47,114,655 | 80.65 % | 2,740,048 | 4,287 | " | - |
| CDC | Fanlu | Taiwan | Housing and building development and lease | 741,646 | 741,646 | 74,164,562 | 35.00 % | 646,823 | (16,539) | " | - |
| CDC | MEGA | Malaysia | Real estate development | 7,375 | 7,375 | 825,000 | 55.00 % | (41,240) | (44,978) | " | - |
| CDC | CDC US. | The U.S. | Investment | 2,075,837 | 2,075,837 | 5,500,000 | 100.00 % | 1,853,578 | (26,857) | " | - |
| CDC | CDCAM | Malaysia | Management consulting | 7,524 | 7,524 | 1,000,000 | 100.00 % | 7,983 | 229 | " | - |
| HDEC | SDC | Taiwan | Construction projects | 49,600 | 49,600 | 3,000,000 | 100.00 % | 39,295 | 280 | " | - |
| HDEC | NSC | Taiwan | Pollution protection and other environmental sanitation | 1,112,000 | 1,112,000 | 166,000,000 | 100.00 % | 2,864,094 | 49,426 | " | - |
| HDEC | BWC | Taiwan | Pollution protection and other environmental sanitation | 362,100 | 362,100 | 37,740,000 | 51.00 % | 442,374 | 16,874 | " | - |
| HDEC | PDC | Taiwan | Pollution protection and other environmental sanitation | 340,000 | 340,000 | 34,000,000 | 100.00 % | 376,712 | 9,054 | " | - |
| HDEC | CTCI - HDEC | Taiwan | Pollution protection and other environmental sanitation | 735,000 | 735,000 | 73,500,000 | 49.00 % | 768,739 | 15,148 | " | - |
| HDEC | LHC | Taiwan | Pollution protection and other environmental sanitation | 550,000 | 550,000 | 56,100,000 | 55.00 % | 638,736 | 38,443 | " | - |

(Continued)

(English Translation of Financial Report Originally Issued in Chinese)

CONTINENTAL HOLDINGS CORPORATION
Notes to Consolidated Financial Statements

| Name of investor | Name of investee | Location | Main businesses and products | Original investment amount | | Balance as of March 31, 2022 | | | Net income (losses) of investee | Share of profits/losses of investee | Note |
|------------------|------------------|----------|--|----------------------------|-------------------|------------------------------|-------------------------|----------------|---------------------------------|-------------------------------------|------|
| | | | | March 31, 2022 | December 31, 2021 | Shares (thousands) | Percentage of ownership | Carrying value | | | |
| CCLC | CEC | Taiwan | Comprehensive construction | 1 | 1 | 100 | - % (Note 4) | 1 | 99,296 | Disclosure not required | - |
| CCLC | CDC | Taiwan | Housing and building development and lease | 3 | 3 | 100 | - % (Note 4) | 3 | 1,114,931 | " | - |
| CCLC | HDEC | Taiwan | Construction of underground pipeline | 1 | 1 | 100 | - % (Note 5) | 2 | 126,448 | " | - |

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

Note 2: The shareholding ratio is 99.99998% at the end of the period.

Note 3: The shareholding ratio is 99.99996% at the end of the period.

Note 4: The shareholding ratio is 0.00002% at the end of the period.

Note 5: The shareholding ratio is 0.00004% at the end of the 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

(14) Segment information

The reconciliation statements of all operating departments:

| | For the three months ended March 31, 2022 | | | | | |
|--|--|------------------------------------|--|-------------------|-------------------------------------|-------------------|
| | Construction Engineering | Real Estate Development | Environmental project Development & Water Treatment | Investment | Adjustment and write-off | Total |
| Revenue: | | | | | | |
| Segment revenues from external customers | 4,230,737 | 4,621,480 | 1,170,829 | - | - | 10,023,046 |
| Intersegment revenues | <u>373,789</u> | <u>-</u> | <u>-</u> | <u>1,324,388</u> | <u>(1,698,177)</u> | <u>-</u> |
| Total revenues | <u>\$ 4,604,526</u> | <u>4,621,480</u> | <u>1,170,829</u> | <u>1,324,388</u> | <u>(1,698,177)</u> | <u>10,023,046</u> |
| Reportable segment profit or loss | <u>\$ 99,274</u> | <u>1,127,471</u> | <u>178,499</u> | <u>1,288,345</u> | <u>(1,340,676)</u> | <u>1,352,913</u> |
| | For the three months ended March 31, 2021 | | | | | |
| | Construction Engineering | Real Estate Development | Environmental project Development & Water Treatment | Investment | Adjustment and write-off | Total |
| Revenue: | | | | | | |
| Segment revenues from external customers | \$ 3,149,973 | 2,104,711 | 1,098,000 | - | - | 6,352,684 |
| Intersegment revenues | <u>454,006</u> | <u>-</u> | <u>-</u> | <u>508,662</u> | <u>(962,668)</u> | <u>-</u> |
| Total revenues | <u>\$ 3,603,979</u> | <u>2,104,711</u> | <u>1,098,000</u> | <u>508,662</u> | <u>(962,668)</u> | <u>6,352,684</u> |
| Reportable segment profit or loss | <u>\$ 40,917</u> | <u>398,197</u> | <u>174,511</u> | <u>481,004</u> | <u>(532,296)</u> | <u>562,333</u> |