

**CONTINENTAL HOLDINGS CORPORATION
AND SUBSIDIARIES**

CONSOLIDATED FINANCIAL STATEMENTS

**With Independent Auditors' Report
For the Years Ended December 31, 2023 and 2022**

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

Table of contents

Contents	Page
1. Cover Page	1
2. Table of Contents	2
3. Representation Letter	3
4. Independent Auditors' Report	4
5. Consolidated Balance Sheets	5
6. Consolidated Statements of Comprehensive Income	6
7. Consolidated Statements of Changes in Equity	7
8. Consolidated Statements of Cash Flows	8
9. Notes to the Consolidated Financial Statements	
(1) Company history	9
(2) Approval date and procedures of the consolidated financial statements	9
(3) New standards, amendments and interpretations adopted	9~10
(4) Summary of material accounting policies	10~33
(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty	33~35
(6) Explanation of significant accounts	35~72
(7) Related-party transactions	73~76
(8) Pledged assets	76
(9) Significant commitments and contingencies	76~78
(10) Losses due to major disasters	79
(11) Subsequent events	79
(12) Other	79
(13) Other disclosures	
(a) Information on significant transactions	80~87
(b) Information on investees	87~88
(c) Information on investment in Mainland China	89
(d) Major shareholders	89
(14) Segment information	89~90

Representation Letter

The entities that are required to be included in the combined financial statements of CONTINENTAL HOLDINGS CORPORATION as of and for the year ended December 31, 2023 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 by the Financial Supervisory Commission, "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, CONTINENTAL HOLDINGS CORPORATION and Subsidiaries do not prepare a separate set of combined financial statements.

Company name: CONTINENTAL HOLDINGS CORPORATION

Chairman: Nita Ing

Date: March 8, 2024.



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 kpmg.com/tw

Independent Auditors' Report

To the Board of Directors of CONTINENTAL HOLDINGS CORPORATION:

Opinion

We have audited the consolidated financial statements of Continental Holdings Corporation and its subsidiaries (“the Group”), which comprise the statement of consolidated financial position as of December 31, 2023 and 2022, the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of other auditors (please refer to Other Matter paragraph), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards (“IFRSs”), International Accounting Standards (“IASs”), Interpretations developed by the International Financial Reporting Interpretations Committee (“IFRIC”) or the former Standing Interpretations Committee (“SIC”) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Financial Statement Audit and Attestation Engagements of Certified Public Accountants and Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

1. Revenue recognition of construction contracts

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

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

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

2. Inventory evaluation

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

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

Our principal audit procedures included: For construction cases in progress and real estate for sale, which is in accordance to the contract price for presale and the selling price of actual registering, assessing the differences between their booked value and fair value, and any possibility of their significant impact on the financial report, comparing with the investment analysis provided by the management, and reassessing according to the actual situation, there is no impairment.

Other Matter

In the Group's consolidated financial statements, we did not audit the financial statements of certain subsidiaries. Those statements audited by other auditors has been furnished to us, and our opinion, insofar as it relates to the amounts included for those subsidiaries, is based solely on the report of the other auditors. The financial statements of these subsidiaries reflect the total assets constituting 20.12% and 20.39% of the consolidated total assets at December 31, 2023 and 2022, respectively, and the total revenues constituting 2.39% and 1.58% of the consolidated total revenues for the years ended December 31, 2023 and 2022, respectively.

Continental Holdings Corporation has prepared its parent-company-only financial report for the years ended December 31, 2023 and 2022, and we have issued an unqualified opinion with other matter thereon and an unqualified opinion, respectively.

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

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

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

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

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

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

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

KPMG

Taipei, Taiwan (Republic of China)

March 8, 2024.

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 audit such consolidated financial statements are those generally accepted and applied in the Republic of China.

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

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

CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES**Consolidated Statements of Comprehensive Income****For the years ended December 31, 2023 and 2022****(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Common Share)**

	2023		2022	
	Amount	%	Amount	%
4000 Operating revenues (Notes 6(t), (z) and 7)	\$ 30,606,844	100	32,145,603	100
5000 Operating costs (Notes 6(g), (t), (v), 7 and 12)	26,330,971	86	27,093,614	84
Gross profit from operations	<u>4,275,873</u>	<u>14</u>	<u>5,051,989</u>	<u>16</u>
Operating expenses (Notes 6(r), (v), (aa), 7 and 12):				
6100 Selling expenses	478,366	2	468,445	1
6200 Administrative expenses	1,624,908	5	1,325,980	4
	<u>2,103,274</u>	<u>7</u>	<u>1,794,425</u>	<u>5</u>
Net operating income	<u>2,172,599</u>	<u>7</u>	<u>3,257,564</u>	<u>11</u>
Non-operating income and expenses (Notes 6(ab) and 7):				
7100 Interest income	97,749	-	47,165	-
7010 Other income (Note 6(c))	263,469	1	160,517	-
7020 Other gains and losses, net	(84,052)	-	(164,268)	(1)
7050 Finance costs, net(Notes 6(g) and 6(r))	(770,881)	(3)	(489,478)	(2)
7060 Share of profit (losses) of associates and joint ventures accounted for using equity method (Note 6(h))	31,386	-	6,071	-
	<u>(462,329)</u>	<u>(2)</u>	<u>(439,993)</u>	<u>(3)</u>
7900 Income before tax	1,710,270	5	2,817,571	8
7950 Less: Income tax expenses (Note 6(w))	379,875	1	228,570	1
Net income	<u>1,330,395</u>	<u>4</u>	<u>2,589,001</u>	<u>7</u>
8300 Other comprehensive income:				
8310 Items that will not be reclassified to profit or loss				
8311 Remeasurements of defined benefit plans	(24,515)	-	54,068	-
8316 Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	1,387,325	5	(88,559)	-
8317 Gains on hedging instrument	(18,994)	-	14,575	-
8349 Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	4,903	-	(10,814)	-
Components of other comprehensive income that will not be reclassified to profit or loss	<u>1,348,719</u>	<u>5</u>	<u>(30,730)</u>	<u>-</u>
8360 Items that will be reclassified to profit or loss				
8361 Exchange differences on translation of foreign financial statements	37,730	-	447,265	1
8399 Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-
Components of other comprehensive income that will be reclassified to profit or loss	<u>37,730</u>	<u>-</u>	<u>447,265</u>	<u>1</u>
8300 Other comprehensive income	<u>1,386,449</u>	<u>5</u>	<u>416,535</u>	<u>1</u>
Total comprehensive income	<u>\$ 2,716,844</u>	<u>9</u>	<u>3,005,536</u>	<u>8</u>
Net income, attributable to:				
8610 Owners of parent	\$ 1,716,736	5	2,888,392	7
8620 Non-controlling interests	(386,341)	(1)	(299,391)	-
	<u>\$ 1,330,395</u>	<u>4</u>	<u>2,589,001</u>	<u>7</u>
Total comprehensive income attributable to:				
8710 Owners of parent	\$ 3,087,253	10	3,131,763	9
8720 Non-controlling interests	(370,409)	(1)	(126,227)	(1)
	<u>\$ 2,716,844</u>	<u>9</u>	<u>3,005,536</u>	<u>8</u>
Earnings per share (Note 6(y))				
9750 Basic earnings per share (NT dollars)	<u>\$ 2.09</u>		<u>3.51</u>	
9850 Diluted earnings per share (NT dollars)	<u>\$ 2.08</u>		<u>3.51</u>	

See accompanying notes to financial statements.

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

CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES**Consolidated Statements of Changes in Equity****For the years ended December 31, 2023 and 2022****(Expressed in Thousands of New Taiwan Dollars)**

	Equity attributable to owners of parent						Total other equity				Total equity attributable to owners of parent	Non-controlling interests	Total equity
	Capital stock		Retained earnings				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			
	Common Stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total							
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	-	-	-	-	2,888,392	2,888,392	-	-	-	-	2,888,392	(299,391)	2,589,001
Other comprehensive income (loss)	-	-	-	-	43,254	43,254	274,101	(88,559)	14,575	200,117	243,371	173,164	416,535
Total comprehensive income (loss)	-	-	-	-	2,931,646	2,931,646	274,101	(88,559)	14,575	200,117	3,131,763	(126,227)	3,005,536
Appropriation and distribution of retained earnings:													
Legal reserve appropriated	-	-	180,428	-	(180,428)	-	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(1,383,003)	(1,383,003)	-	-	-	-	(1,383,003)	-	(1,383,003)
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(19,377)	(19,377)
Balance at December 31, 2022	8,232,160	6,817,198	1,126,567	2,262,233	7,441,346	10,830,146	(695,150)	1,140,119	(1,549)	443,420	26,322,924	3,058,525	29,381,449
Net income	-	-	-	-	1,716,736	1,716,736	-	-	-	-	1,716,736	(386,341)	1,330,395
Other comprehensive income (loss)	-	-	-	-	(19,612)	(19,612)	21,798	1,387,325	(18,994)	1,390,129	1,370,517	15,932	1,386,449
Total comprehensive income (loss)	-	-	-	-	1,697,124	1,697,124	21,798	1,387,325	(18,994)	1,390,129	3,087,253	(370,409)	2,716,844
Appropriation and distribution of retained earnings:													
Legal reserve appropriated	-	-	293,164	-	(293,164)	-	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(2,058,040)	(2,058,040)	-	-	-	-	(2,058,040)	-	(2,058,040)
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	735,449	735,449
Balance at December 31, 2023	<u>\$ 8,232,160</u>	<u>6,817,198</u>	<u>1,419,731</u>	<u>2,262,233</u>	<u>6,787,266</u>	<u>10,469,230</u>	<u>(673,352)</u>	<u>2,527,444</u>	<u>(20,543)</u>	<u>1,833,549</u>	<u>27,352,137</u>	<u>3,423,565</u>	<u>30,775,702</u>

See accompanying notes to financial statements.

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

CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES**Consolidated Statements of Cash Flows****For the years ended December 31, 2023 and 2022****(Expressed in Thousands of New Taiwan Dollars)**

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Income before tax	\$ 1,710,270	2,817,571
Adjustments:		
Adjustments to reconcile profit and loss:		
Depreciation expense	485,274	480,741
Amortization expense	68,749	65,574
Net gain on financial assets or liabilities at fair value through profit or loss	-	(462,553)
Intertst expense	770,881	488,756
Interest expense(include operating cost)	14,672	-
Interest income	(97,749)	(47,165)
Dividend income	(177,422)	(126,094)
Amortization of issuance costs on bonds payable	723	722
Share of gain of associates and joint ventures accounted for using equity method	(31,386)	(6,071)
Loss on disposal of property, plant and equipment	(735)	634
Gain on disposal of property, plant and equipment (under construction costs)	48	(57)
Impairment loss	-	622,889
Recognition (reversal) of provisions	(361,838)	300,315
Warranty provisions recognition (write-off)	(276,467)	-
Gain on reversal of estimated account payable	(1,278)	(5,000)
Total adjustments to reconcile profit and loss	<u>393,472</u>	<u>1,312,691</u>
Changes in operating assets and liabilities:		
Changes in operating assets:		
Contract assets	1,057,262	(640,812)
Notes receivable	11,403	313,453
Accounts receivable	(1,528,405)	(20,102)
Other receivables	(27,339)	28,129
Inventories	(4,760,395)	(2,686,598)
Prepayments	(300,340)	136,723
Other current assets	(884,076)	(240,317)
Current assets recognised as incremental costs to obtain contract with customers	79,652	84,685
Total changes in operating assets	<u>(6,352,238)</u>	<u>(3,024,839)</u>
Changes in operating liabilities:		
Contract liabilities	4,639,481	1,021,973
Notes and accounts payable	1,037,447	(1,016,491)
Other payables	2,022	(209,401)
Provisions	(17,851)	(25,253)
Receipts in advance	33,691	(46,728)
Other current liabilities	2,377	(7,571)
Net defined benefit liability	(4,880)	(15,472)
Total changes in operating liabilities	<u>5,692,287</u>	<u>(298,943)</u>
Total changes in operating assets and liabilities	<u>(659,951)</u>	<u>(3,323,782)</u>
Total adjustments	<u>(266,479)</u>	<u>(2,011,091)</u>
Cash inflow generated from operations	1,443,791	806,480
Interest received	82,995	37,220
Interest paid	(855,925)	(625,745)
Income taxes paid	(231,636)	(147,856)
Net cash flows from operating activities	<u>439,225</u>	<u>70,099</u>

See accompanying notes to financial statements.

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

Consolidated Statements of Cash Flows(CONT'D)

For the years ended December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

	2023	2022
Cash flows from investing activities:		
Acquisition of financial assets for hedging	(250,755)	(1,607,968)
Disposal of financial assets for hedging	1,522,050	553,023
Price of associates acquisition	-	(174,304)
Acquisition of property, plant and equipment	(439,636)	(336,472)
Disposal of property, plant and equipment	783	8,507
Decrease (increase) in other receivables	(5,431)	102,895
Increase in non-current other receivables	(147,088)	(248,403)
Acquisition of intangible assets	(764,803)	(62,306)
Decrease (increase) in other financial assets	564,806	(974,924)
Other non-current assets	(12,131)	(17,839)
Prepayments for business facilities	(60,513)	(235)
Dividends received	204,573	126,259
Long-term payments	(6,357)	(209,844)
Net cash flows from (used in) investing activities	605,498	(2,841,611)
Cash flows from financing activities:		
Increase in short-term borrowings	42,723,580	22,459,611
Decrease in short-term borrowings	(41,680,335)	(17,586,614)
Increase in short-term notes and bills payable	6,162,000	1,905,000
Decrease in short-term notes and bills payable	(5,798,000)	(1,469,000)
Increase in long-term borrowings	4,967,334	4,257,148
Decrease in long-term borrowings	(4,962,391)	(4,786,023)
Decrease in guarantee deposits received	(59,325)	(12,732)
Payment of lease liabilities	(71,522)	(94,949)
Cash dividends paid	(2,126,053)	(1,453,046)
Increase in other payables	56,823	60,406
Change in non-controlling interests	803,462	50,666
Net cash flows from financing activities	15,573	3,330,467
Effect of exchange rate changes on cash and cash equivalents	(4,571)	56,905
Net increase in cash and cash equivalents	1,055,725	615,860
Cash and cash equivalents at beginning of year	5,822,416	5,206,556
Cash and cash equivalents at end of year	\$ 6,878,141	5,822,416

See accompanying notes to financial statements.

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

CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

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

(1) Company history

CONTINENTAL HOLDINGS CORPORATION (“CHC” or “the Company”) was established through shares exchange with Continental Engineering Corp. (“CEC”) on April 8, 2010 and CEC became 100% - owned by the Company. On the same day, the Company was approved to be a listed Company by the FSC. The consolidated financial statements as of December 31, 2023 consist of the Company and all of its subsidiaries (“the Group”), and the interests in a jointly controlled entities and associates. Please refer to Note 14 for the Group’s main businesses.

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

The consolidated financial statements were approved and authorized for issue by the Board of Directors on March 8, 2024.

(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, 2023: financial statements, from January 1,

- 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”

The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from May 23, 2023:

- Amendments to IAS 12 “International Tax Reform—Pillar Two Model Rules”

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

The Group assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2024, would not have a significant impact on its consolidated financial statements:

- Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”
- Amendments to IAS 1 “Non-current Liabilities with Covenants”
- Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”
- Amendments to IFRS 16 “Lease Liability in a Sale and Leaseback”

(Continued)

CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

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

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 – Comparative Information”
- Amendments to IAS21 “Lack of Exchangeability”

(4) Summary of material accounting policies:

The material accounting policies presented in the consolidated financial statements are summarized below. The following accounting policies were applied consistently throughout the periods presented in the consolidated financial statements.

- (a) Statement of compliance

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

- (b) Basis of preparation

- (i) Basis of measurement

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

- 1) Financial assets at fair value through profit or loss are measured at fair value;
- 2) Financial assets at fair value through other comprehensive income are measured at fair value;
- 3) Hedging financial instruments are measured at fair value; and
- 4) The defined benefit liabilities are measured at the present value of the defined benefit obligation less fair value of the plan assets.

- (ii) Functional and presentation currency

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

(Continued)

CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(c) Basis of consolidation

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

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

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

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

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

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

- 1) the sum of the fair value of the consideration received and the investments retained in the former subsidiary at the date when the control is lost.
- 2) the sum of the carrying amounts of the subsidiary's assets (including goodwill), liabilities and non-controlling interests at the date when the control is lost.

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

(Continued)

CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Subsidiaries included in the consolidated financial statements

Investor Company	Subsidiary	Main Business	Percentage of ownership		Note
			December 31, 2023	December 31, 2022	
The Company and CCLC	Continental Engineering Corp. (CEC)	Civil, Building and M&E engineering	100.00 %	100.00 %	
The Company and CCLC	Continental Development Corp. (CDC)	Real estate development on residential, commercial, hotels and communities	100.00 %	100.00 %	
The Company and CCLC	HDEC Corp. (HDEC)	Environmental project development & Water treatment	100.00 %	100.00 %	
The Company	Continental Consulting Limited Company (CCLC)	Management Consulting	100.00 %	100.00 %	
CEC	CEC International Corp. (CIC)	Investment and holding	100.00 %	100.00 %	
CEC	CEC International Corp. (India) Private Limited (CIC)	Civil and Building engineering	100.00 %	100.00 %	
CEC	CEC International Malaysia Sdn. Bhd. (CIMY)	Civil and Building engineering	85.14 %	85.14 %	
CEC	Continental Engineering Corporation(Hong Kong) Limited (CEC HK)	Civil and Building engineering	100.00 %	100.00 %	
CDC	CDC Commercial Development Corp. (CCD)	Real estate lease	80.65 %	80.65 %	
CDC	MEGA Capital Development Sdn. Bhd. (MEGA)	Real estate development on hotels	55.00 %	55.00 %	
CDC	Bangsar Rising Sdn. Bhd. (BANGSAR)	Real estate development on residential	60.00 %	60.00 %	
CDC	CDC Asset Management Malaysia Sdn. Bhd. (CDCAM)	Management consulting	100.00 %	100.00 %	
CDC	CDC US Corp.	Investment and holding	100.00 %	100.00 %	
CDC US Corp.	CDC Investment Management LLC	Investment management	100.00 %	100.00 %	
CDC US Corp.	Trimosa Holdings LLC	Investment and holding	70.65 %	70.65 %	
Trimosa Holdings LLC	950 Investment LLC	Investment and holding	76.55 %	76.55 %	
950 Investment LLC	950 Property LLC (950P)	Real estate development on residential	100.00 %	100.00 %	
950 Investment LLC	950 Hotel Property LLC (950H)	Hotel industry	100.00 %	100.00 %	
950 Investment LLC	950 Retail Property LLC	Real estate lease and management	100.00 %	100.00 %	
950 Hotel Property LLC	950 F&B LLC	Liquor sale	100.00 %	- %	Note G
HDEC	HDEC Construction Corp. (SDC)	Construction of underground pipeline and environmental protection project, plumbing	100.00 %	100.00 %	
HDEC	North Shore Environment Corp. (NSC)	Sewer system design and construction in Danshui area, New Taipei City	100.00 %	100.00 %	Note A
HDEC	Blue Whale Water Technologies Corp. (BWC)	Feng Shan River wastewater reclamation and reuse BTO project in Kaohsiung City	51.00 %	51.00 %	Note B

(Continued)

CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Investor Company	Subsidiary	Main Business	Percentage of ownership		Note
			December 31, 2023	December 31, 2022	
HDEC	HDEC (Puding) Environment Corp. (PDC)	Pu Ding area sewerage construction in Taoyuan City	100.00 %	100.00 %	Note C
HDEC	HDEC-CTCI (Linhai) Corp. (LHC)	Linhai wastewater reclamation and reuse BTO project in Kaohsiung City	55.00 %	55.00 %	Note D
HDEC	HDEC(Ciaotou) Corp. (CTC)	Ciaotou wastewater reclamation and reuse BTO project in Kaohsiung City	100.00 %	100.00 %	Note E
HDEC	HDEC(Chengxi) Corp. (CXC)	Aninan area incineration plant renewal in Tainan City	100.00 %	100.00 %	Note F

Note A: NSC was founded as a Special Purpose Company (SPC) 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: CTC was founded as a SPC to perform the contract for Kaohsiung Ciaotou water recycling, which is a BTO project in Kaohsiung City. Upon the completion of the water recycling plant, CTC will transfer all the operating assets to the authority and be engaged by the authority to operate the water recycling plant. CTC will transfer the operating rights to the authority without condition at the end of the operating period.

Note F: CXC was founded as a SPC in accordance with the investment contract for the BOT of the Tainan Chengxi area waste incineration plant. The Chengxi area waste incineration plant will be transferred to the authority at the end of the concession period without condition.

Note G: The Company acquired the subsidiary on March 9, 2023.

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

(Continued)

CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(d) Foreign currencies

(i) Foreign currency transactions

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

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

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

(ii) Foreign operations

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

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

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

(Continued)

CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

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

- (i) It expects to realize the asset, or intends to sell or consume, in its normal operating cycle;
- (ii) It holds the asset primarily for the purpose of trading;
- (iii) It expects to realize the asset within twelve months after the reporting period; or
- (iv) The asset is cash or cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

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

- (i) It expects to settle the liability in its normal operating cycle;
- (ii) It holds the liability primarily for the purpose of trading;
- (iii) The liability is due to be settled within twelve months after the reporting period; or
- (iv) The Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing of equity instruments do not affect its classification.

The Group's primary businesses are Construction Engineering, Real Estate Development, and Environmental Project Development & Water Treatment. The normal operating cycle of the Group is three to five years at least. The balance sheet accounts related to construction business are classified either as current or non-current based on the Group's operating cycle.

(f) Cash and cash equivalents

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

(g) Financial instruments

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

(i) Financial assets

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

(Continued)

CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

1) Financial assets measured at amortized cost

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

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

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

2) Fair value through other comprehensive income (FVOCI)

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

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

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

3) Fair value through profit or loss (FVTPL)

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

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

(Continued)

CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

4) Business model assessment

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

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

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

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

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

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

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

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and

(Continued)

CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features)

6) Impairment of financial assets

The Group recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, notes and accounts receivable, other receivables, Long-term accounts receivable, etc.) and contract assets.

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

- bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

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

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

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

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

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

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

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;

(Continued)

CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

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

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For corporate clients and government agencies, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

7) Derecognition of financial assets

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

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

(ii) Financial liabilities

1) Financial liabilities

Financial liabilities are classified as measured at amortized cost.

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

2) Derecognition of financial liabilities

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

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

(Continued)

CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) Derivative financial instruments and Hedge accounting

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

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

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

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

1) Cash flow hedges

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

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

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

(Continued)

CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(h) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost shall comprise all costs of purchase, costs of conversion, costs incurred in bringing the inventories to their present location and condition, and borrowings.

Net realizable value is the balance that estimates the selling price, less, estimated costs of completion and the estimated costs of selling. The measurement of net realizable value is as follows:

- (i) Land held for development: the net realizable value is the replacement cost or estimated price (based on the market condition), less, the estimated selling expenses at the end of the period.
- (ii) Building construction in progress: the net realizable value is the estimated price (based on the market condition), less, the estimated costs of completion and selling expenses at the end of the period.
- (iii) Real estate held for sale: the net realizable value is the estimated price (based on the market condition), less, the estimated selling expenses at the end of the period.

(i) Service Concession Agreements

(i) Recognition and measurement

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

- 1) The Grantor decides and regulates on the price and the kind of services the Operator should render or provide to the users of the infrastructures.
- 2) The Grantor, through its ownership, acquires all the beneficial entitlements and any interests incurred from the infrastructure at the end of the term of the arrangement.

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

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

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

(Continued)

CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Construction or upgrade services

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

(iii) Operating services

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

(j) Investment in associates

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

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

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

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

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

(k) Joint arrangements

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

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

(Continued)

CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

(l) Investment property

Investment property is the property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently at cost, less accumulated depreciation and accumulated impairment losses. Depreciation expense is calculated based on the depreciation method, useful lives, and residual value which are the same as those adopted for property, plant and equipment.

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

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

(m) Property, plant and equipment

(i) Recognition and measurement

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

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

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

(ii) Subsequent cost

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

(iii) Depreciation

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

Land is not depreciated.

(Continued)

CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The estimated useful lives of property, plant and equipment are as follows:

Buildings	4~50 years
Machinery	2~12 years
Transportation equipment	1~10 years
Computer equipment	3~6 years
Office equipment	3~8 years
Operating equipment	2~10 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(iv) Reclassification to investment property

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

(n) Leases

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

(i) As a lessee

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

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

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

(Continued)

CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

(Continued)

CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) As a lessor

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

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

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

(o) Intangible Assets

(i) Service Concession Agreements

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

(ii) Amortization

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

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

Service Concession Agreements 17~35 years

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

(Continued)

CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(p) Impairment of non-financial assets

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

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

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

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

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGUs, and then to reduce the carrying amounts of the other assets in the CGUs on a pro rata basis.

An impairment loss in respect of goodwill is not reversed.

For non-financial assets other than goodwill, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(q) Provisions

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

(i) Warranties

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

(ii) Onerous contract

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

(Continued)

CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) After-sales service

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

(r) Revenue

(i) Revenue from contracts with customers

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

1) Construction contracts

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

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

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

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

(Continued)

CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

2) Land development and sale of real estate

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

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

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

(ii) Labor service revenue

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

(iii) Rental revenue

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

(Continued)

CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iv) Contract costs

1) Incremental costs of obtaining a contract

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

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

2) Costs to fulfil a contract

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

- a) the costs relate directly to a contract or to an anticipated contract that the Group can specifically identify;
- b) the costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and
- c) the costs are expected to be recovered.

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

(s) 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.

(i) Defined contribution plans

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

(Continued)

CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Defined benefit plans

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

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

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

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

(iii) Termination benefits

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

(iv) Short-term employee benefits

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

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

(t) Income Taxes

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

The Group has determined that interest and penalties related to income taxes, including uncertain tax treatment, do not meet the definition of income taxes, therefore accounted for them under IAS37.

(Continued)

CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The Group has determined that the global minimum top-up tax – which it is required to pay under Pillar Two legislation – is an income tax in the scope of IAS 12. The Group has applied a temporary mandatory relief from deferred tax accounting for the impacts of the top-up tax and accounts for it as a current tax when it is incurred.

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

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are recognized except for the following:

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

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improves.

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

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

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

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

(Continued)

CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(u) Earnings per share

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

(v) Operating Segments

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

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

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

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

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

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

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

- (i) The Grantor decides and regulates on the price and the kind of services the Operator should render or provide to the users of the infrastructures.
- (ii) The Grantor, through its ownership, acquires all the beneficial entitlements and any interests incurred from the infrastructure at the end of the term of the arrangement.

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

(Continued)

CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

(a) Valuation of inventories

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

(b) Revenue recognition

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

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

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

- (a) Level 1: quoted prices (unadjusted) in active markets for identifiable assets or liabilities.
- (b) Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- (c) Level 3: inputs for the assets or liability that are not based on observable market data.

(Continued)

CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

Please refer to Note 6(ac), Financial instruments for assumptions used in measuring fair value.

(6) Explanation of significant accounts

(a) Cash and cash equivalents

	December 31, 2023	December 31, 2022
Cash	\$ 24,423	20,447
Cash in banks	4,058,965	4,306,848
Time deposits	1,536,389	1,106,424
Cash equivalents	<u>1,258,364</u>	<u>388,697</u>
	<u>\$ 6,878,141</u>	<u>5,822,416</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.

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

	December 31, 2023	December 31, 2022
Mandatorily measured at fair value through profit or loss:		
Non-derivative financial assets		
Stocks of unlisted company	<u>\$ 1,068,858</u>	<u>1,068,858</u>

- (i) The aforementioned financial assets were not pledged as collateral.
- (ii) Please refer to note 6(ac) for the credit risk and market risk.

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

	December 31, 2023	December 31, 2022
Equity investments at fair value through other comprehensive income:		
Listed common share – Evergreen Steel Corp.	\$ 2,667,174	1,323,329
Unlisted common share – Xinrong Enterprise	700,770	657,982
Unlisted common share – Metro Consulting Service Ltd.	<u>3,690</u>	<u>2,998</u>
Total	<u>\$ 3,371,634</u>	<u>1,984,309</u>

(Continued)

CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- (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) The Group recognized the dividends revenue of \$177,422 thousand and \$126,094 thousand related to equity investments designated at fair value through other comprehensive income for the years ended December 31, 2023 and 2022.
- (iii) There were no disposals of strategic investments and transfers of any cumulative gain or loss within equity relating to these investments for the years ended December 31, 2023 and 2022.
- (iv) The aforementioned financial assets were not pledged as collateral.
- (v) Please refer to note 6(ac) for the credit risk and market risk.
- (d) Financial instruments used for hedging

	December 31, 2023	December 31, 2022
Cash flow hedge:		
Financial assets used for hedging	\$ 28,839	1,299,684
Financial liabilities used for hedging	(19,444)	-
Total	\$ 9,395	1,299,684

- (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) The items hedged and the hedge instrument held by the Group were as follows:

Item Hedged	Hedge instrument	Hedge instrument designated to be hedge and fair value		Expected Cash flow Period	
		December 31, 2023	December 31, 2022		
Expected foreign assets	Foreign deposits	\$ 29,938	1,301,233	2023~2024	
	Change in value of Foreign currency	\$ (1,099)	(1,549)	2023~2024	
Item Hedged	Hedge instrument	Hedge instrument designated to be hedge and fair value		Contract amount	Delivery date
Expected foreign liabilities	Forward exchange	\$ (19,444)	-	JPY4,665,000thousand	2024.03~ 2025.03

- (iii) The transactions of cash flow hedges for the years ended December 31, 2023 and 2022, were all effective.

(Continued)

CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(e) Notes and accounts receivable

	December 31, 2023	December 31, 2022
Notes receivable	\$ 684	12,087
Accounts receivable	2,987,278	2,277,357
Long-term accounts receivable	5,867,118	5,482,701
Less: Allowance for bad debts	-	-
	<u>\$ 8,855,080</u>	<u>7,772,145</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:

	December 31, 2023		
	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Not overdue	\$ 8,769,062	-	-
Pass due less than one year	31,738	-	-
Pass due over one year	54,280	-	-
	<u>\$ 8,855,080</u>		<u>-</u>
	December 31, 2022		
	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Not overdue	\$ 7,713,995	-	-
Pass due less than one year	3,380	-	-
Pass due over one year	54,770	-	-
	<u>\$ 7,772,145</u>		<u>-</u>

The notes and accounts receivable were not pledged as collateral.

(Continued)

CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(f) Other receivables

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Other receivables – lending of capital (including other non-current assets)	\$ 678,034	525,515
Other receivables – lawsuit	150,630	150,630
Other receivables – related parties	2,895	2,293
Other (including other non-current assets)	198,137	157,127
Less: Allowance for bad debts	-	-
	<u><u>\$ 1,029,696</u></u>	<u><u>835,565</u></u>

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

(g) Inventories

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Hotel:		
Catering	\$ 6,032	5,616
Real estate:		
Real estate held for sale	11,070,517	13,930,882
Land held for development	5,682,236	4,616,823
Building construction in progress	8,626,658	5,881,928
Prepayment for land	<u>47,254</u>	<u>515,465</u>
Subtotal	25,426,665	24,945,098
Less: Allowance for impairment loss	<u>(228,056)</u>	<u>(95,582)</u>
	<u><u>\$ 25,204,641</u></u>	<u><u>24,855,132</u></u>

(i) For the year ended December 31, 2023, the write-down of inventories amounted to \$132,474 thousand.

(ii) For the years ended December 31, 2023 and 2022, the cost of inventory was \$4,407,074 thousand and \$6,129,200 thousand, respectively.

(iii) Capitalizing interest costs were as follows:

	<u>2023</u>	<u>2022</u>
Capitalized interests	\$ <u>93,600</u>	<u>146,334</u>
Capitalization interest rate	<u>2.0928%~6.48%</u>	<u>1.5888%~5.75%</u>

(iv) Please refer to Note 8 for the inventories of the Group had been pledged as collateral.

(v) According to the agreement on investment, the Group subsidiary in the United States used its inventory to offset USD\$7,320 thousand of the accounts payable of the joint development investor as of February, 2023.

(Continued)

CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(h) Investments accounted for using equity method

	December 31, 2023	December 31, 2022
Associates	\$ 1,598,373	1,594,138

(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	
			December 31, 2023	December 31, 2022
CTCI - HDEC (Chungli) Corp. (CTCI - HDEC)	SPC, mainly responsible for the sewerage system BOT project in Chung-Li area, Taoyuan City.	Taiwan	49.00 %	49.00 %
Fanlu Construction Industry Co., Ltd. (Fanlu)	Real estate	Taiwan	35.00 %	35.00 %

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

	December 31, 2023	December 31, 2022
Current assets	\$ 381,226	176,932
Non-current assets	2,659,077	1,611,626
Current liabilities	(521,351)	(135,061)
Non-current liabilities	(842,281)	(38,559)
Net assets	\$ 1,676,671	1,614,938
	2023	2022
Revenues	\$ 1,258,767	913,127
Net income / Total comprehensive income	\$ 117,143	61,567

(Continued)

CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	<u>2023</u>	<u>2022</u>
Net assets attributable to the Group, beginning balance	\$ 791,319	761,317
Dividend	(27,151)	(165)
Total comprehensive income attributable to the Group	57,401	30,167
Net assets attributable to the Group, ending balance	<u>\$ 821,569</u>	<u>791,319</u>

2) Summary of Fanlu's financial figures

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Current assets	\$ 6,958,558	5,013,047
Non-current assets	21,404	4,330
Current liabilities	(650,469)	(518,556)
Non-current liabilities	(4,110,000)	(2,205,000)
Net assets	<u>\$ 2,219,493</u>	<u>2,293,821</u>
	<u>2023</u>	<u>2022</u>
Revenues	\$ -	-
Net loss/ Total comprehensive income	<u>\$ (74,327)</u>	<u>(68,849)</u>
Net assets attributable to the Group, beginning balance	\$ 802,819	652,611
Additions	-	174,304
Total Comprehensive income attributable to the Group	(26,015)	(24,096)
Net assets attributable to the Group, ending balance	<u>\$ 776,804</u>	<u>802,819</u>

(ii) The aforementioned investments accounted for using equity method were not pledged as collateral.

(i) Material non-controlling interest of subsidiaries

<u>Subsidiaries</u>	<u>Country of registration</u>	<u>Equity ownership of non-controlling interest</u>	
		<u>December 31, 2023</u>	<u>December 31, 2022</u>
CDC US Corp. and subsidiaries	The United States	29.35 %	29.35 %

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

(Continued)

CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Summary of CDC US Corp. and subsidiaries' financial figures

	December 31, 2023	December 31, 2022
Current assets	\$ 4,821,103	5,352,228
Non-current assets	5,109,888	5,236,333
Current liabilities	(4,303,390)	(6,788,140)
Non-current liabilities	(122,981)	(129,267)
Net assets	\$ 5,504,620	3,671,154
Non-controlling interest	\$ 2,117,730	1,689,764
	2023	2022
Revenues	\$ 507,710	409,955
Net loss	\$ (847,431)	(442,047)
Other comprehensive income	-	-
Total comprehensive income	\$ (847,431)	(442,047)
Net loss attributable to non-controlling interest	\$ (386,274)	(197,730)
Total comprehensive income attributable to non-controlling interest	\$ (386,274)	(197,730)
Cash flows from operating activities	\$ (491,202)	(1,779,821)
Cash flows from investing activities	(30,066)	(4,661)
Cash flows from financing activities	377,081	1,918,118
Net increase in cash and cash equivalents	\$ (144,187)	133,636

(j) Property, plant and equipment

	Land	Buildings	Machinery	Transportation equipment	Computer equipment	Office equipment	Operating equipment	Total
Cost or deemed cost:								
Balance at January 1, 2023	\$ 2,357,519	6,911,877	1,017,257	165,618	86,263	175,608	133,952	10,848,094
Additions	-	38,548	327,407	42,716	12,414	8,158	10,393	439,636
Reclassification	-	-	20,631	-	660	-	-	21,291
Disposals	-	-	(4,241)	(7,907)	(489)	(2,003)	-	(14,640)
Effect of exchange rate changes	(15,262)	(71,536)	153	28	(56)	(103)	(2,518)	(89,294)
Balance at December 31, 2023	\$ 2,342,257	6,878,889	1,361,207	200,455	98,792	181,660	141,827	11,205,087
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	-	15,819	150,003	27,972	7,129	41,860	93,689	336,472
Reclassification	373,921	4,572,526	-	-	-	-	-	4,946,447
Disposals	-	-	(67,152)	(22,165)	(7,908)	(12,462)	-	(109,687)
Effect of exchange rate changes	29,346	221,644	1,631	586	616	2,046	4,855	260,724
Balance at December 31, 2022	\$ 2,357,519	6,911,877	1,017,257	165,618	86,263	175,608	133,952	10,848,094

(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>
Depreciation and impairment loss:								
Balance at January 1, 2023	\$ -	321,899	666,023	119,559	57,177	116,570	15,562	1,296,790
Depreciation	-	168,125	161,299	14,849	8,756	15,926	29,994	398,949
Reclassification	-	-	(1,298)	-	-	-	-	(1,298)
Disposals	-	-	(4,241)	(7,885)	(486)	(1,932)	-	(14,544)
Effect of exchange rate changes	-	(3,817)	(83)	26	(38)	(123)	(1,009)	(5,044)
Balance at December 31, 2023	<u>\$ -</u>	<u>486,207</u>	<u>821,700</u>	<u>126,549</u>	<u>65,409</u>	<u>130,441</u>	<u>44,547</u>	<u>1,674,853</u>
Balance at January 1, 2022	\$ -	247,468	491,109	122,272	54,776	118,615	601	1,034,841
Depreciation	-	72,471	241,994	11,494	8,525	8,968	14,441	357,893
Disposals	-	-	(67,128)	(14,771)	(6,617)	(12,087)	-	(100,603)
Effect of exchange rate changes	-	1,960	48	564	493	1,074	520	4,659
Balance at December 31, 2022	<u>\$ -</u>	<u>321,899</u>	<u>666,023</u>	<u>119,559</u>	<u>57,177</u>	<u>116,570</u>	<u>15,562</u>	<u>1,296,790</u>
Carrying amounts:								
Balance at December 31, 2023	<u>\$ 2,342,257</u>	<u>6,392,682</u>	<u>539,507</u>	<u>73,906</u>	<u>33,383</u>	<u>51,219</u>	<u>97,280</u>	<u>9,530,234</u>
Balance at December 31, 2022	<u>\$ 2,357,519</u>	<u>6,589,978</u>	<u>351,234</u>	<u>46,059</u>	<u>29,086</u>	<u>59,038</u>	<u>118,390</u>	<u>9,551,304</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, 2023	\$ 88,015	207,287	6,535	301,837
Additions	15,459	44,716	4,334	64,509
Disposals	(36,854)	(81,005)	(4,406)	(122,265)
Effect of exchange rate changes	-	367	-	367
Balance at December 31, 2023	<u>\$ 66,620</u>	<u>171,365</u>	<u>6,463</u>	<u>244,448</u>
Balance at January 1, 2022	\$ 95,125	197,729	6,050	298,904
Additions	23,601	99,862	1,804	125,267
Disposals	(30,711)	(95,736)	(1,319)	(127,766)
Effect of exchange rate changes	-	5,432	-	5,432
Balance at December 31, 2022	<u>\$ 88,015</u>	<u>207,287</u>	<u>6,535</u>	<u>301,837</u>
Depreciation and impairment losses:				
Balance at January 1, 2023	\$ 48,681	101,293	4,968	154,942
Depreciation	22,093	46,568	1,868	70,529
Disposals	(36,854)	(76,649)	(4,406)	(117,909)
Effect of exchange rate changes	-	405	-	405
Balance at December 31, 2023	<u>\$ 33,920</u>	<u>71,617</u>	<u>2,430</u>	<u>107,967</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, 2022	\$ 46,637	120,032	4,218	170,887
Depreciation	29,764	61,433	2,069	93,266
Disposals	(27,720)	(84,906)	(1,319)	(113,945)
Effect of exchange rate changes	-	4,734	-	4,734
Balance at December 31, 2022	<u>\$ 48,681</u>	<u>101,293</u>	<u>4,968</u>	<u>154,942</u>
Carrying amounts:				
Balance at December 31, 2023	<u>\$ 32,700</u>	<u>99,748</u>	<u>4,033</u>	<u>136,481</u>
Balance at December 31, 2022	<u>\$ 39,334</u>	<u>105,994</u>	<u>1,567</u>	<u>146,895</u>

(l) Investment properties

	<u>Owned</u>		
	<u>Land and improvements</u>	<u>Buildings</u>	<u>Total</u>
Cost or deemed cost:			
Balance at January 1, 2023	\$ 7,963,125	1,607,322	9,570,447
Disposals	-	(908,812)	(908,812)
Balance at December 31, 2023	<u>\$ 7,963,125</u>	<u>698,510</u>	<u>8,661,635</u>
Balance at January 1, 2022	<u>\$ 7,963,125</u>	<u>1,607,322</u>	<u>9,570,447</u>
Balance at December 31, 2022	<u>\$ 7,963,125</u>	<u>1,607,322</u>	<u>9,570,447</u>
Depreciation and impairment losses :			
Balance at January 1, 2023	\$ 349,356	1,190,062	1,539,418
Depreciation	-	15,796	15,796
Disposal	-	(908,812)	(908,812)
Balance at December 31, 2023	<u>\$ 349,356</u>	<u>297,046</u>	<u>646,402</u>
Balance at January 1, 2022	<u>\$ 349,356</u>	<u>537,591</u>	<u>886,947</u>
Depreciation	-	29,582	29,582
Impairment	-	622,889	622,889
Balance at December 31, 2022	<u>\$ 349,356</u>	<u>1,190,062</u>	<u>1,539,418</u>
Carrying amounts:			
Balance at December 31, 2023	<u>\$ 7,613,769</u>	<u>401,464</u>	<u>8,015,233</u>
Balance at December 31, 2022	<u>\$ 7,613,769</u>	<u>417,260</u>	<u>8,031,029</u>
Fair value:			
Balance at December 31, 2023			<u>\$ 12,068,055</u>
Balance at December 31, 2022			<u>\$ 11,982,620</u>

(Continued)

CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

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

The fair value of investment property is based on a valuation by an independent evaluator who has certified professional qualification and related valuation experience in areas and types of the valuated investment property. Under the valuation techniques for financial instruments measured at fair value, the inputs are categorized as Level 3.

On November 15, 2022, CCD, a subsidiary of the Group, resolved to develop investment properties - land by the Board of Directors. As all of the existing investment properties - buildings is demolished in April, 2023, the Group recognized impairment loss \$622,889 thousand based on the recoverable amount. Please refer to Note 6(ab) for the details.

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>Other</u>	<u>Total</u>
Cost:				
Balance at January 1, 2023	\$ 30,249	1,501,121	4,662	1,536,032
Additions	-	764,721	82	764,803
Effect of exchange rate changes	-	-	(2)	(2)
Balance at December 31, 2023	<u>\$ 30,249</u>	<u>2,265,842</u>	<u>4,742</u>	<u>2,300,833</u>
Balance at January 1, 2022	\$ 30,249	1,443,339	-	1,473,588
Additions	-	57,782	4,524	62,306
Effect of exchange rate changes	-	-	138	138
Balance at December 31, 2022	<u>\$ 30,249</u>	<u>1,501,121</u>	<u>4,662</u>	<u>1,536,032</u>
Amortization and impairment loss:				
Balance at January 1, 2023	\$ -	430,966	-	430,966
Amortization	-	68,749	-	68,749
Balance at December 31, 2023	<u>\$ -</u>	<u>499,715</u>	<u>-</u>	<u>499,715</u>

(Continued)

CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	Goodwill	Service Concession Agreements	Other	Total
Balance at January 1, 2022	\$ -	365,392	-	365,392
Amortization	-	65,574	-	65,574
Balance at December 31, 2022	<u>\$ -</u>	<u>430,966</u>	<u>-</u>	<u>430,966</u>
Carrying amounts:				
Balance at December 31, 2023	<u>\$ 30,249</u>	<u>1,766,127</u>	<u>4,742</u>	<u>1,801,118</u>
Balance at December 31, 2022	<u>\$ 30,249</u>	<u>1,070,155</u>	<u>4,662</u>	<u>1,105,066</u>

(i) For the years ended December 31, 2023 and 2022, the amortization of intangible assets were recognized as operating costs.

(ii) The intangible assets were not pledged as collateral.

(n) Short-term borrowings

	December 31, 2023	December 31, 2022
Unsecured loans	\$ 5,732,996	4,880,000
Secured loans	10,132,695	9,910,012
	<u>\$ 15,865,691</u>	<u>14,790,012</u>
Unused credit limit	<u>\$ 21,104,686</u>	<u>17,220,695</u>
Range of interest rate	<u>1.78%~8.5%</u>	<u>1.655%~7.75%</u>

Please refer to Note 8 for the details of the related assets pledged as collateral.

(o) Short-term notes and bills payable

December 31, 2023			
	Guarantee or acceptance institutes	Range of interest rate	Amount
Bills payable	Financial institutions	2.082%~2.516%	<u>\$ 800,000</u>
December 31, 2022			
	Guarantee or acceptance institutes	Range of interest rate	Amount
Bills payable	Financial institutes	1.938%~2.546%	<u>\$ 436,000</u>

Please refer to Note 8 for details of the related assets pledged as collateral.

(Continued)

CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(p) Bonds payable

	December 31, 2023	December 31, 2022
Secured ordinary bonds issued	\$ 2,000,000	2,000,000
Unamortized discount on bonds payable	(1,445)	(2,168)
	<u>\$ 1,998,555</u>	<u>1,997,832</u>

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

<u>Item</u>	<u>1st secured ordinary corporate bond issued in 2020</u>
Issued amount	The band was issued at \$2 billion
Par value	Each unit was valued at \$1 million
Issued price	The bond was issued at par value on the issued date
Tenor	The bond issued with maturities of 5 years. The tenor was from January 11, 2021 to January 11, 2026.
Coupon rate	Fixed rate 0.55%
Repayment	The principal of the bond will be repaid on the maturity
Interest Payment	Interests was paid once a year at coupon rate since the issued date.
Guarantee	The corporate bond was guaranteed by Mega International Commercial Bank in accordance with the guaranty deed of appointment.

- (ii) Please refer to Note 6(ab) for the interest expenses.

(q) Long-term borrowings

	December 31, 2023			
	Currency	Range of interest rate	Matured Period	Amount
Unsecured loans	NTD	2.0970%~2.6361%	2024~2029	\$ 4,029,000
Secured loans	NTD	1.878%~2.319%	2024~2028	6,742,833
	USD	7.60059~7.76047%	2025~2030	658,717
	MYR	5.42%~6.48%	2027	<u>39,140</u>
				11,469,690
Less: current portion				(1,269,382)
Less: Sponsorship fee for the joint loan bank and Quota Establishment Fee				<u>(9,762)</u>
Total				<u>\$ 10,190,546</u>
Unused credit limit				<u>\$ 20,896,537</u>

(Continued)

CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

December 31, 2022				
	Currency	Range of interest rate	Matured Period	Amount
Unsecured loans	NTD	1.53%~2.44209%	2023~2026	\$ 4,094,000
Secured loans	NTD	1.2479%~2.475%	2023~2029	6,643,500
	USD	2.64663%~7.75871%	2023	695,738
	MYR	5.42%~5.92%	2027	36,607
				11,469,845
Less: current portion				(1,985,405)
Total				\$ 9,484,440
Unused credit limit				\$ 11,367,786

- (i) CXC mortgaged its BOT land for its bank loan.
- (ii) Please refer to Note 8 for the details of the related assets pledged as collateral.
- (iii) For the years ended December 31, 2023 and 2022, CEC did not breach any of its long-term loan agreements that have financial restrictions wherein the current ratio $\geq 100\%$, the financial debt-to-equity ratio $\leq 100\%$, the long-term capital suitability ratio $\geq 100\%$, and the fixed long-term suitability ratio $\leq 100\%$.
- (iv) The loan agreement requires HDEC to maintain certain financial ratios: debt ratio $\leq 130\%$, and net worth $> \$2$ billion. As of December 31, 2023 and 2022, HDEC did not violate any terms in the loan agreement.
- (v) The loan agreement requires NSC to maintain certain financial ratios. As of December 31, 2023 and 2022, NSC did not violate any terms in the loan agreement.

	Financial ratio	2021~2027
Debt ratio \leq		100%
	Financial ratio	2021~2027
Liquidity ratio \geq		100%

- (vi) The loan agreement requires LHC to maintain certain financial ratios: total amount of borrowings/ paid-in capital $\leq 234\%$, and total credit limit (including guarantee)/ paid-in capital or net worth (whichever is higher) $\leq 234\%$. As of December 31, 2023 and 2022, LHC did not violate any terms in the loan agreement.
- (vii) For the years ended December 31, 2023 and 2022, PDC did not breach any of the conditions of its long-term loan agreement that have financial restrictions wherein the net worth $> \$2$ billion.
- (viii) For the year ended December 31, 2023, CTC did not breach any of the conditions of its long-term loan agreement that have financial restrictions wherein the total amount of borrowings/ paid-in capital $\leq 234\%$, and the total credit limit (including guarantee)/ paid-in capital or net worth (whichever is higher) $\leq 234\%$.

(Continued)

CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ix) For the year ended December 31, 2023, CXC did not breach any of the conditions of its long-term loan agreement that have financial restrictions wherein the debt ratio \leq 100%.

(r) Lease liabilities

	December 31, 2023	December 31, 2022
Current	<u>\$ 88,554</u>	<u>93,795</u>
Non-current	<u>\$ 49,870</u>	<u>54,623</u>

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

The amounts recognized in profit or loss were as follows:

	2023	2022
Interest on lease liabilities	<u>\$ 2,799</u>	<u>2,317</u>
Variable lease payments not included in the measurement of lease liabilities	<u>\$ 10,392</u>	<u>12,975</u>
Expenses relating to short-term leases	<u>\$ 34,025</u>	<u>11,343</u>
Expenses relating to leases of low-value, excluding short-term leases of low-value assets	<u>\$ 9,364</u>	<u>2,943</u>

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

	2023	2022
Total cash outflow for leases	<u>\$ 128,102</u>	<u>124,527</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 two to three years.

In addition, the Group leases office equipment, machinery and parking spot, with lease terms of one to three years which are short-term, leases of low-value, 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

	Onerous contracts	Warranties	After-sales service	Total
Balance at January 1, 2023	\$ 108,312	421,211	157,266	686,789
Addition	-	23,501	3,401	26,902
Realized	-	(10,724)	(7,127)	(17,851)
Reversal	(47,584)	(255,164)	(85,992)	(388,740)
Effect of exchange rate changes	79	-	-	79
Balance at December 31, 2023	<u>\$ 60,807</u>	<u>178,824</u>	<u>67,548</u>	<u>307,179</u>
Balance at January 1, 2022	\$ 122,359	132,662	155,822	410,843
Addition	32	348,840	4,210	353,082
Realized	-	(22,487)	(2,766)	(25,253)
Reversal	(14,963)	(37,804)	-	(52,767)
Effect of exchange rate changes	884	-	-	884
Balance at December 31, 2022	<u>\$ 108,312</u>	<u>421,211</u>	<u>157,266</u>	<u>686,789</u>

(i) Onerous contract

Total future construction cost is likely to surpass total contract revenue with adopting IFRS 15 that the Group would evaluate onerous contract based on IAS 37 Provision, Contingent Liabilities and Contingent Assets.

(ii) Warranties

The provision for warranties and after sales service relates mainly to construction contracts and sales premises for the years ended December 31, 2023 and 2022. The provision is based on estimates made from historical warranty data associated with similar products and services. The Group expects to settle the majority of the liability within one to five years after the construction completed.

(t) Operating leases

A maturity analysis of lease payments, showing the undiscounted lease payments to be received after reporting date are as follows:

	December 31, 2023	December 31, 2022
Less than one year	\$ 189,586	203,837
Between one and five years	582,361	618,167
More than five years	1,473,059	1,605,440
Total undiscounted lease payments	<u>\$ 2,245,006</u>	<u>2,427,444</u>

For the years ended December 31, 2023 and 2022, the rental revenue of investment properties was \$172,389 thousand and \$221,992 thousand, respectively.

(Continued)

CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Repair and direct operation expense arising from investment properties (recognized as rental costs) were as follows:

	<u>2023</u>	<u>2022</u>
Expenses that generated rental revenue	\$ 52,310	77,882
Expenses unrelated to the derivation of rental revenue	<u>9,041</u>	<u>10,845</u>
	<u><u>\$ 61,351</u></u>	<u><u>88,727</u></u>

(u) Long-term accounts payable

The Group established subsidiaries in the United States in 2017.

Due to the agreements entered into by the Group with its prior shareholders, the Group will have to pay after the completion of the construction projects of its subsidiaries. Unpaid amount to December 31, 2023 and 2022, are \$122,981 thousand and \$129,267 thousand, respectively.

(v) Employee benefits

(i) Defined benefit plan

	<u>December 31,</u> <u>2023</u>	<u>December 31,</u> <u>2022</u>
Present value of defined benefit obligations	\$ 540,306	531,007
Fair value of plan assets	(408,132)	(413,566)
Recognized as other payables	<u>(22,799)</u>	<u>(14)</u>
Net defined benefit liability	<u><u>\$ 109,375</u></u>	<u><u>117,427</u></u>

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

1) Composition of plan assets

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

The Group's Bank of Taiwan labor pension reserve account balance amounted to \$408,132 thousand. The information related to the pension fund includes the asset allocation and yield of the fund. Please refer to the website of the Bureau of Labor Fund, Ministry of Labor.

(Continued)

CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

2) Movements in present value of the defined benefit obligations

	<u>2023</u>	<u>2022</u>
Defined benefit obligation, January 1	\$ 531,007	576,057
Current service costs and interest	9,690	6,010
Remeasurements of the net defined benefit liability (asset)		
— Actuarial gain arose from changes in financial assumption	4,245	(27,545)
— Experience adjustment	18,510	14,176
Benefits paid by the plan	(23,146)	(37,691)
Defined benefit obligation, December 31	<u>\$ 540,306</u>	<u>531,007</u>

3) Movements of defined benefit plan assets

	<u>2023</u>	<u>2022</u>
Fair value of plan assets, January 1	\$ 413,566	374,083
Interest revenues	5,637	2,025
Remeasurements of the net defined benefit liability (asset)		
— Return on plan assets (excluding interest)	3,143	29,885
Contributions made	8,889	32,216
Benefits paid by the plan	(23,103)	(24,643)
Fair value of plan assets, December 31	<u>\$ 408,132</u>	<u>413,566</u>

4) Expenses recognized in profit or loss

	<u>2023</u>	<u>2022</u>
Current service costs	\$ 2,586	3,040
Net interest on net defined benefit liability (asset)	1,467	945
	<u>\$ 4,053</u>	<u>3,985</u>
	<u>2023</u>	<u>2022</u>
Operating costs	\$ 1,179	1,273
Administrative expenses	2,874	2,712
	<u>\$ 4,053</u>	<u>3,985</u>

(Continued)

CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

	<u>2023</u>	<u>2022</u>
Accumulated amount, January 1	\$ 56,602	99,856
Recognized during the period	<u>19,612</u>	<u>(43,254)</u>
Accumulated amount, December 31	<u>\$ 76,214</u>	<u>56,602</u>

- 6) Actuarial assumptions

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

	<u>2023.12.31</u>	<u>2022.12.31</u>
Discount rate	1.25%	1.4%
Future salary increase rate	3.25%	3.25%

The Group is expected to make a contribution payment of \$45,883 thousand to the defined benefit plans for the one year period after reporting date.

The weighted-average lifetime of the defined benefit plan is 1.40 to 9.98 years.

- 7) Sensitivity Analysis

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

As of December 31, 2023 and 2022, the changes in the principal actuarial assumptions will impact the present value of the defined benefit obligation were as follows:

	Impact on the defined benefit obligations	
	<u>Increase</u>	<u>Decrease</u>
December 31, 2023		
Discount (change by 0.25%)	(0.25)%~(1.4)%	0.26%~1.43%
Future salary increase (change by 1.00%)	1.23%~4.88%	(1.19)%~(4.52)%
December 31, 2022		
Discount (change by 0.25%)	(0.35)%~(1.54)%	0.36%~1.58%
Future salary increase (change by 1.00%)	1.63%~5.53%	(1.57)%~(5.09)%

(Continued)

CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

The analysis is performed on the same basis for prior year.

(ii) Defined contribution plan

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

The pension incurred from the contributions to the Bureau of the Labor Insurance amounted to \$79,482 thousand and \$65,989 thousand for the years ended December 31, 2023 and 2022, respectively.

(w) Income Tax

(i) Income tax expenses

	<u>2023</u>	<u>2022</u>
Current income tax expenses		
Current period	\$ 318,965	192,584
Land value increment tax	19,059	97,174
Surtax on unappropriated earnings	29,022	12,051
Adjustment for prior periods	<u>(26,449)</u>	<u>(110,454)</u>
	<u>340,597</u>	<u>191,355</u>
Deferred income tax expense		
Origination and reversal of temporary differences	<u>39,278</u>	<u>37,215</u>
	<u>\$ 379,875</u>	<u>228,570</u>

(ii) Income tax recognized in other comprehensive (loss) income:

	<u>2023</u>	<u>2022</u>
Items that will not be reclassified to profit or loss		
Remeasurement from defined benefit plans	<u>\$ 4,903</u>	<u>(10,814)</u>

(Continued)

CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) The reconciliation of income tax expense and income before tax were as follows:

	<u>2023</u>	<u>2022</u>
Income before tax	\$ 1,710,270	2,817,571
Income tax expense at domestic statutory tax rate	\$ 342,054	563,514
Effect of difference tax rates on foreign countries	(4,078)	(5,297)
Tax-exempt income	(10,350)	(287,268)
Investment gain accounted for using equity method	(6,277)	(1,214)
Recognize taxable loss from prior period	(120,662)	(204,682)
Current tax loss from unrecognized deferred tax assets	250,615	6,121
Adjustment for prior periods	(26,449)	(110,454)
Surtax on unappropriated earnings	29,022	12,051
Land value increment tax	19,059	97,174
Income basic tax	6,582	5,620
Temporary deductible difference from unrealized deferred tax assets	(142,521)	170,002
Others	<u>42,880</u>	<u>(16,997)</u>
Total	<u>\$ 379,875</u>	<u>228,570</u>

(iv) Deferred tax assets and liabilities

1) Unrecognized deferred tax assets:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Deductible temporary difference	\$ 100,330	245,994
Tax loss	<u>478,672</u>	<u>221,941</u>
	<u>\$ 579,002</u>	<u>467,935</u>

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

(Continued)

CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

As of December 31, 2023, the Group's estimated unused loss carry forwards was as follows:

<u>Years of loss</u>	<u>Unused tax loss</u>	<u>Year of expiry</u>
2015 (assessed)	\$ 349,714	2025
2016 (assessed)	536	2026
2017 (assessed)	54	2027
2018 (declared)	103	2028
2019 (assessed)	131	2029
2020 (declared)	44	2030
2021 (declared)	90	2031
2022 (declared)	4,384	2032
2023 (estimated)	661,994	2033
	<u>\$ 1,017,050</u>	

2) Recognized deferred tax assets and liabilities:

Deferred tax assets:

	<u>Others</u>
Balance at January 1, 2023	\$ 21,497
Current tax expense	(7,077)
Others	(1,990)
Balance at December 31, 2023	<u>\$ 12,430</u>
Balance at January 1, 2022	\$ 38,470
Current tax expense	(17,171)
Effect of exchange rate changes	198
Balance at December 31, 2022	<u>\$ 21,497</u>

Deferred tax liabilities:

	<u>Others</u>
Balance at January 1, 2023	\$ 150,863
Current tax expense	30,182
Balance at December 31, 2023	<u>\$ 181,045</u>
Balance at January 1, 2022	\$ 130,819
Current tax expense	20,044
Balance at December 31, 2022	<u>\$ 150,863</u>

(Continued)

CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(v) Status of approval of income tax

- 1) The Company's income tax returns for the year up to 2019 have been assessed by the tax authorities. (Not yet assessed for 2018)
- 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>
2019	CEC (Not yet assessed for 2018), and CDC (Not yet assessed for 2018)
2020	CCD
2021	HDEC, SDC, BWC, LHC, PDC, NSC and CCLC

(x) Capital and other equity

As of December 31, 2023 and 2022, the total value of nominal authorized ordinary shares amounted to \$10,000,000 thousand. Face value of each share is \$10, which means in total there were 1,000,000 thousand ordinary shares, of which 823,216 thousand shares, were issued and paid upon issuance.

(i) Capital surplus

	<u>December 31,</u> <u>2023</u>	<u>December 31,</u> <u>2022</u>
Premiums from issuance of share capital	\$ 6,397,913	6,397,913
Treasury stock transactions	406,518	406,518
Change on subsidiaries equity	<u>12,767</u>	<u>12,767</u>
	<u>\$ 6,817,198</u>	<u>6,817,198</u>

- 1) The Company was established on April 8, 2010, it became the holding company of CEC via a share swap. The net equity of CEC's stock in excess of par value of the Company's stock was \$7,368,919 thousand, this amount was credited to capital surplus. In 2011, the Company used capital surplus to distribute Year 2010 cash dividends for an amount of \$504,695 thousand.
- 2) In accordance with the R.O.C. Company Act, the realized capital surplus can only be reclassified as share capital or distributed as cash dividends after offsetting losses. The aforementioned capital surplus includes share premiums and donation gains. In accordance with the Securities Offering and Issuance Guidelines, the amount of capital surplus to increase share capital shall not exceed 10% of the actual share capital amount.

(Continued)

CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Retained earnings

In accordance with the Company's articles of incorporation, net income of the current period should firstly be offset against losses in the previous years and income tax, then with 10% of which be appropriated as legal reserve. The appropriation for legal reserve is discontinued when the balance of the legal reserve equals the total authorized capital. In addition, special reserve will be appropriated base on operating requirements and regulations. The remaining net income plus the undistributed 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 December 31, 2023 and 2022, 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 2022 and 2021 had been approved during the board meeting on March 10, 2023, and March 15, 2022, respectively. The other distributions on the appropriations of earnings for 2022 and 2021 had been approved during the shareholders' meeting on May 30, 2023 and June 9, 2022, respectively. The relevant dividend distributions to shareholders were as follows:

	2022		2021	
	Amount per share	Total Amount	Amount per share	Total Amount
Dividends distributed to common shareholders:				
Cash	\$ 2.50	2,058,040	1.68	1,383,003

(iii) Other equity

	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Gains (losses) on hedging instruments	Total
Balance at January 1, 2023	\$ (695,150)	1,140,119	(1,549)	443,420
Exchange differences on foreign operations	21,798	-	-	21,798
Unrealized gains from financial assets measured at fair value through other comprehensive income	-	1,387,325	-	1,387,325
Change in fair value of hedging instrument	-	-	(18,994)	(18,994)
Balance at December 31, 2023	\$ (673,352)	2,527,444	(20,543)	1,833,549
Balance at January 1, 2022	\$ (969,251)	1,228,678	(16,124)	243,303
Exchange differences on foreign operations	274,101	-	-	274,101
Unrealized gains from financial assets measured at fair value through other comprehensive income	-	(88,559)	-	(88,559)
Change in fair value of hedging instrument	-	-	14,575	14,575
Balance at December 31, 2022	\$ (695,150)	1,140,119	(1,549)	443,420

(y) Earnings per share

(i) Basic earnings per share

The details on the calculation of basic earnings per share as of December 31, 2023 and 2022 was based on net income attributable to ordinary shareholders of the Company amounted to \$1,716,736 thousand, and \$2,888,392 thousand, respectively; and the weighted average number of ordinary shares outstanding of 823,216 thousand. The related calculations are as follows:

1) Net income attributable to ordinary shareholders

	2023	2022
Net income attributable to ordinary shareholders	\$ 1,716,736	2,888,392

(Continued)

CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

2) Weighted average number of ordinary shares

	<u>2023</u>	<u>2022</u>
Weighted average number of ordinary shares, at December 31	<u>823,216</u>	<u>823,216</u>

(ii) Diluted earnings per share

The details on the calculation of diluted earnings per share as of December 31, 2023 and 2022 was based on net income attributable to ordinary shareholders of the Company amounted to \$1,716,736 thousand and \$2,888,392 thousand, respectively; and the weighted average number of ordinary shares outstanding after adjusting the effects of all dilutive potential ordinary shares of 823,657 thousand and 823,826 thousand, respectively. The related calculations are as follows:

1) Net income attributable to ordinary shareholders

	<u>2023</u>	<u>2022</u>
Net income attributable to ordinary shareholders	<u>\$ 1,716,736</u>	<u>2,888,392</u>

2) Weighted average number of ordinary shares (Diluted)

	<u>2023</u>	<u>2022</u>
Weighted average number of ordinary shares (Basic)	823,216	823,216
Effect of the employee share bonuses	<u>441</u>	<u>610</u>
Weighted average number of ordinary shares (Diluted) at December 31	<u>823,657</u>	<u>823,826</u>

(z) Revenue from contracts with customers

(i) Disaggregation of revenue

	<u>2023</u>			
	<u>Construction Engineering</u>	<u>Real Estate Development</u>	<u>Environmental Project Development & Water Treatment</u>	<u>Total</u>
Primary geographical markets:				
Taiwan	\$ 18,352,090	6,438,278	4,778,935	29,569,303
Other	<u>308,677</u>	<u>728,864</u>	<u>-</u>	<u>1,037,541</u>
	<u>\$ 18,660,767</u>	<u>7,167,142</u>	<u>4,778,935</u>	<u>30,606,844</u>

(Continued)

CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	2023			
	Construction Engineering	Real Estate Development	Environmental Project Development & Water Treatment	Total
Main products:				
Construction engineering	\$ 18,481,854	-	-	18,481,854
Environmental project development & water treatment	-	-	4,778,935	4,778,935
Real estate revenue	-	6,239,619	-	6,239,619
Rental revenue	31,070	141,319	-	172,389
Other	147,843	786,204	-	934,047
	<u>\$ 18,660,767</u>	<u>7,167,142</u>	<u>4,778,935</u>	<u>30,606,844</u>
	2022			
	Construction Engineering	Real Estate Development	Environmental Project Development & Water Treatment	Total
Primary geographical markets:				
Taiwan	\$ 17,715,925	8,921,110	4,705,061	31,342,096
Other	286,224	517,283	-	803,507
	<u>\$ 18,002,149</u>	<u>9,438,393</u>	<u>4,705,061</u>	<u>32,145,603</u>
Main products:				
Construction engineering	\$ 17,836,457	-	-	17,836,457
Environmental project development & water treatment	-	-	4,705,061	4,705,061
Real estate revenue	-	8,986,911	-	8,986,911
Rental revenue	30,622	191,370	-	221,992
Other	135,070	260,112	-	395,182
	<u>\$ 18,002,149</u>	<u>9,438,393</u>	<u>4,705,061</u>	<u>32,145,603</u>

(ii) Contract balances

	December 31, 2023	December 31, 2022	January 1, 2022
Notes receivable	\$ 684	12,087	325,540
Accounts receivable (including long-term accounts receivable)	8,854,396	7,760,058	8,596,773
Less: Allowance for impairment	-	-	-
Total	<u>\$ 8,855,080</u>	<u>7,772,145</u>	<u>8,922,313</u>

(Continued)

CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	<u>December 31,</u> <u>2023</u>	<u>December 31,</u> <u>2022</u>	<u>January 1,</u> <u>2022</u>
Contract assets-construction engineering	\$ 1,048,756	2,174,604	1,481,752
Contract assets-retention receivables	<u>4,192,736</u>	<u>3,740,327</u>	<u>2,862,303</u>
Total	<u>\$ 5,241,492</u>	<u>5,914,931</u>	<u>4,344,055</u>
Contract liabilities-construction engineering	\$ 5,072,341	4,495,600	4,581,006
Contract liabilities-environment project development & water treatment	-	212,529	113,145
Contract liabilities-advance real estate receipts	2,578,879	2,798,043	4,061,925
Contract liabilities-advance rent receipts	<u>12,009</u>	<u>2,192</u>	<u>4,199</u>
Total	<u>\$ 7,663,229</u>	<u>7,508,364</u>	<u>8,760,275</u>

- 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.
- 3) The amounts of revenue recognized for the years ended December 31, 2023 and 2022 that were included in the contract liability balance at the beginning of the year were \$1,176,608 thousand and \$2,277,254 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 years ended December 31, 2023 and 2022, the Company estimated its employee remuneration to be \$9,961 thousand and \$14,764 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.

The amounts, as stated in the consolidated financial statements, are identical to those of the actual distributions for 2023 and 2022.

(Continued)

CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ab) Non-operating income and expenses

(i) Interest income

	<u>2023</u>	<u>2022</u>
Interest income from bank deposits	\$ 79,791	37,060
Other interest income	17,958	10,105
	<u>\$ 97,749</u>	<u>47,165</u>

(ii) Other income

	<u>2023</u>	<u>2022</u>
Dividend income	\$ 177,422	126,094
Income from counter-party default	8,647	-
Gain on overdue payables written off	1,278	5,000
Other income-other	76,122	29,423
	<u>\$ 263,469</u>	<u>160,517</u>

(iii) Other gains and losses

	<u>2023</u>	<u>2022</u>
Net gains (losses) on disposals of property, plant and equipment	\$ 735	(634)
Net foreign exchange (losses) gains	(75,490)	65,528
Gains on financial assets at fair value through profit or loss	-	462,553
Impairment losses	-	(622,889)
Other	(9,297)	(68,826)
	<u>\$ (84,052)</u>	<u>(164,268)</u>

(iv) Financial costs

	<u>2023</u>	<u>2022</u>
Interest expenses-borrowings	\$ 853,024	609,103
Interest expenses-bonds payables (including amortization expenses)	24,392	24,392
Interest expenses-lease liabilities	2,799	2,317
Less: capitalized interest and other	(109,334)	(146,334)
	<u>\$ 770,881</u>	<u>489,478</u>

(Continued)

CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ac) Financial instruments

(i) Credit risk

1) Credit risk exposure

As of December 31, 2023 and 2022, 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 amounted to \$3,764,675 thousand and \$3,617,675 thousand, respectively.

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 Nnote 6(e) for the credit risk exposure of notes receivable, accounts receivable and long-term accounts receivable.

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 years ended December 31, 2023 and 2022

(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.

(Continued)

CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 1 year</u>	<u>1-5 years</u>	<u>More than 5 years</u>
December 31, 2023					
Non-derivative financial liabilities					
Secured loans	\$ 17,564,594	20,289,372	3,534,154	13,919,581	2,835,637
Unsecured loans	9,761,025	10,439,815	5,077,628	4,426,479	935,708
Short-term notes and bills payable	800,000	800,000	800,000	-	-
Bonds payable	1,998,555	2,033,000	11,000	2,022,000	-
Accounts and notes payable	6,578,347	6,578,347	3,635,156	2,699,663	243,528
Other payables	1,902,960	1,902,960	817,539	1,085,420	1
Guarantee deposit received	70,681	70,681	430	13,523	56,728
Long-term accounts payable	122,981	122,981	-	122,981	-
Lease liabilities	138,424	142,324	63,246	78,122	956
	<u>\$ 38,937,567</u>	<u>42,379,480</u>	<u>13,939,153</u>	<u>24,367,769</u>	<u>4,072,558</u>
December 31, 2022					
Non-derivative financial liabilities					
Secured loans	\$ 17,285,857	20,578,024	3,030,037	14,733,052	2,814,935
Unsecured loans	8,974,000	9,286,837	5,314,810	3,972,027	-
Short-term notes and bills payable	436,000	436,000	436,000	-	-
Bonds payable	1,997,832	2,044,000	11,000	2,033,000	-
Accounts and notes payable	6,093,149	6,093,149	3,595,179	2,278,908	219,062
Other payables	1,759,356	1,759,356	745,502	1,013,853	1
Guarantee deposit received	130,006	130,006	30	64,903	65,073
Long-term accounts payable	129,267	129,267	-	129,267	-
Lease liabilities	148,418	154,173	93,983	55,411	4,779
	<u>\$ 36,953,885</u>	<u>40,610,812</u>	<u>13,226,541</u>	<u>24,280,421</u>	<u>3,103,850</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

	<u>December 31, 2023</u>			<u>December 31, 2022</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	\$ 5,940	30.7050	182,377	50,905	30.7100	1,563,297
HKD : NTD	19,893	3.9290	78,158	4,756	3.9380	18,728
MYR : NTD	134,968	6.6978	903,989	123,417	7.0050	864,533
USD : MYR	1,030	4.5900	31,613	2,464	4.3900	75,673
<u>Financial Liabilities</u>						
<u>Monetary items</u>						
USD : MYR	21,450	4.5900	658,622	22,650	4.3900	695,582

(Continued)

CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

2) Sensitivity analysis

The Group's exchange rate risk comes mainly from currency exchange gains and losses on the translation of the foreign cash and cash equivalents, accounts receivable, other receivables, borrowings, accounts payable, other payables, etc. A strengthening (weakening) of 1% of the NTD against foreign currencies for the years ended December 31, 2023 and 2022 would have increased or decreased the income before tax by \$5,132 thousand and by \$5,417 thousand, and the equity by \$243 thousand and \$12,849 thousand due to cash flow hedges, respectively. The analysis assumes that all other variables remain constant and is performed on the same basis for prior year.

3) Foreign exchange gains or losses of monetary items

Since the Group has many kinds of functional currency, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. For the years ended December 31, 2023 and 2022, foreign exchange gain (loss) (including realized and unrealized portions) amounted to \$75,490 thousand and \$65,528 thousand, respectively.

(iv) Interest rate risk

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.

If the interest rate increases or decreases by 1%, the Group's income before tax will decrease or increase by \$237,204 thousand and \$193,317 thousand for the years ended December 31, 2023 and 2022, 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:

<u>Price of securities at the reporting date</u>	<u>For the years ended December 31</u>			
	<u>2023</u>		<u>2022</u>	
	<u>Other comprehensive Income after tax</u>	<u>Net Income</u>	<u>Other comprehensive Income after tax</u>	<u>Net Income</u>
Increase 1%	<u>\$ 33,716</u>	<u>10,689</u>	<u>19,843</u>	<u>10,689</u>
Decrease 1%	<u>\$ (33,716)</u>	<u>(10,689)</u>	<u>(19,843)</u>	<u>(10,689)</u>

(Continued)

CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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 Levels

There were no transfers of levels for the years ended December 31, 2023 and 2022.

4) The movement of Level 3

	<u>Financial assets at fair value through profit or loss</u>	<u>Financial assets at fair value through other comprehensive income</u>
	<u>Non-derivative financial assets mandatorily measured at fair value through profit or loss</u>	<u>Equity instruments without quoted market price</u>
Balance at January 1, 2023	\$ 1,068,858	660,980
In other comprehensive income	-	43,480
Balance at December 31, 2023	<u>\$ 1,068,858</u>	<u>704,460</u>
Balance at January 1, 2022	\$ 606,305	662,343
In other comprehensive income	-	(1,363)
In profit or loss	462,553	-
Balance at December 31, 2022	<u>\$ 1,068,858</u>	<u>660,980</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".

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.

(Continued)

CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

<u>Item</u>	<u>Valuation Technique</u>	<u>Significant unobservable input</u>	<u>Relationship between input and fair value</u>
Financial assets at fair value through profit or loss-equity investments without an active market	Discounted cash flow method	· Return on equity (December 31, 2023 and 2022 were 11.2466% and 12.4176%, respectively)	· The higher return of equity, the lower the fair value.
Financial assets at fair value through other comprehensive income-equity investments without an active market	Market Method	· The multiplier of price-to-earnings ratio (December 31, 2023 and 2022 were 17.17 and 16.38, respectively) · Market illiquidity discount (December 31, 2023 and 2022 were 75%)	· The higher multiplier of price-to-earnings ratio, the higher the fair value. · The higher market illiquidity discount, 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 (December 31, 2023 and 2022 were 0%) · Weighted average cost of capital (December 31, 2023 and 2022 were 5%)	· The higher the growth rate of earnings-per-share, the higher the fair value. · The higher weighted average cost of capital, the lower the fair value.

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

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

	<u>Input</u>	<u>Change up or down</u>	<u>Profit or loss</u>		<u>Other comprehensive income</u>	
			<u>Favorable change</u>	<u>Unfavorable change</u>	<u>Favorable change</u>	<u>Unfavorable change</u>
December 31, 2023						
Financial assets at fair value through profit or loss						
Equity instruments without an active market	Return on equity	1%	\$ 2,956	(2,941)	-	-
Financial assets at fair value through other comprehensive income						
Equity instruments without an active market	Market liquidity discount	5%	\$ -	-	46,718	(46,718)
Equity instruments without an active market	Weighted average cost of capital	1%	\$ -	-	164	(155)
December 31, 2022						
Financial assets at fair value through profit or loss						
Equity instruments without an active market	Return on equity	1%	\$ 3,239	(3,221)	-	-

(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
Financial assets at fair value through other comprehensive income						
Equity instruments without an active market	Market liquidity discount	5%	\$ -	-	43,865	(43,865)
Equity instruments without an active market	Weighted average cost of capital	1%	\$ -	-	133	(126)

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

(i) Overview

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

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

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

(ii) Risk management framework

- 1) The daily operation of the Group is affected by multiple financial risks, including credit risk, liquidity risk and market risk. The overall risk control policy focuses on unpredictable events in financial market and seeks reduction of potential adverse impact on financial status and financial performance.
- 2) The Group's finance department implements risk management in accordance with the policy approved by the Board of Directors. The Group's financial department works to identify, assess and minimize various financial risks.

(iii) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities.

(Continued)

CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

1) Accounts receivables and other receivables

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

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

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

2) Investment

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

3) Guarantee

As of December 31, 2023 and 2022, the Group's construction guarantee for other construction company amounted to \$9,358,000 thousand.

(iv) Liquidity risk

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

As of December 31, 2023 and 2022, the Group has unused credit limit for \$42,001,223 thousand and \$28,588,481 thousand, respectively.

(v) Market risk

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

(Continued)

CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

1) Currency risk

The Group is exposed to currency risk on purchases that are denominated in a currency other than the functional currency of the Group's entities, primarily New Taiwan Dollars (NTD), USD, Hong Kong Dollars (HKD), Macau Pataca (MOP), India Rupee (INR) and Malaysia Ringgit (MYR), etc. The respective entities use in these transactions are denominated in NTD, EUR, JPY, USD, HKD, MOP, INR, and MYR.

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

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

2) Interest rate risk

As of December 31, 2023 and 2022, financial liabilities exposed to cash flow interest rate risk are amounted to \$11,469,690 thousand and \$11,469,845 thousand, respectively. Since the Group's long-term borrowings are floating rates, the changes in effective interest rate of the long-term borrowings will affect the Group's future cash flow.

3) Other market price risk

The Group is exposed to equity price risk due to the investments in equity securities. This is a strategic investment and is not held for trading.

(ae) Capital Management

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

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

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

The Group's debt to equity ratio as of December 31, 2023 and 2022 were as follows:

	December 31, 2023	December 31, 2022
Total liabilities	\$ 47,634,970	45,668,793
Less: cash and cash equivalents	<u>(6,878,141)</u>	<u>(5,822,416)</u>
Net debt	40,756,829	39,846,377
Total equity	<u>30,775,702</u>	<u>29,381,449</u>
Adjusted capital	<u>\$ 71,532,531</u>	<u>69,227,826</u>
Debt to equity ratio	<u>56.98%</u>	<u>57.56%</u>

(Continued)

CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(af) Non-cash investing and financing activities

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

	2023	2022
Inventories reclassified to property, plant and equipment \$	-	4,946,447
Prepayments for busines facilities reclassified to property, plant and equipment	32,531	-
Property, plant and equipment reclassified to inventories	9,942	-
	\$ 42,473	4,946,447

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

	January 1, 2023	Cash flows	Non-cash changes		Changes in lease payments	December 31, 2023
			Foreign exchange movement	Other		
Short-term borrowings	\$ 14,790,012	1,043,245	32,434	-	-	15,865,691
Long-term borrowings (including due within one year)	11,469,845	4,943	(5,098)	(9,762)	-	11,459,928
Lease liabilities	148,418	(71,522)	1,375	-	60,153	138,424
Bonds payable	1,997,832	-	-	723	-	1,998,555
	\$ 28,406,107	976,666	28,711	(9,039)	60,153	29,462,598

	January 1, 2022	Cash flows	Non-cash changes		Changes in lease payment	December 31, 2022
			Foreign exchange movement	Other		
Short-term borrowings	\$ 9,398,912	4,872,997	518,103	-	-	14,790,012
Long-term borrowings (including due within one year)	11,962,386	(528,875)	36,334	-	-	11,469,845
Lease liabilities	131,095	(94,949)	826	-	111,446	148,418
Bonds payable	1,997,110	-	-	722	-	1,997,832
	\$ 23,489,503	4,249,173	555,263	722	111,446	28,406,107

(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
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)
Chiang ○	Other related party

(c) Other related party transactions

(i) Contracted construction

<u>2023</u>	<u>Total Contract Amount (Before tax)</u>	<u>Current Amount</u>	<u>Accumulated Amount</u>
Associate (CTCI-HDEC)	\$ <u>6,607,731</u>	<u>438,981</u>	<u>973,540</u>
Associate (Fanlu)	\$ <u>1,544,284</u>	<u>598,975</u>	<u>1,045,258</u>
<u>2022</u>			
Associate (CTCI-HDEC)	\$ <u>6,607,731</u>	<u>401,097</u>	<u>534,559</u>
Associate (Fanlu)	\$ <u>1,544,284</u>	<u>322,986</u>	<u>633,486</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) labor services revenue

	<u>2023</u>	<u>2022</u>
Associates	\$ <u>3,933</u>	<u>-</u>

The group provided the operation and maintenance services of the sewage treatment plant . The terms and pricing of transactions are not significantly difference from general transactions.

(iii) Other operating revenues

	<u>2023</u>	<u>2022</u>
Associates	10,679	6,600
Other related parties	<u>10,369</u>	<u>5,795</u>
	\$ <u>21,048</u>	<u>12,395</u>

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.

(iv) Purchases

	<u>2023</u>	<u>2022</u>
Other related parties	\$ <u>803</u>	<u>4,085</u>

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

(v) Contract Assets

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Associates	\$ <u>210,352</u>	<u>146,096</u>

(vi) Receivables from related parties

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Accounts receivable-Other related parties	\$ 1,162	32
Accounts receivable-Associates	6,141	-
Other receivables-Other related parties	80	79
Other receivables-Associates	<u>2,815</u>	<u>2,214</u>
	\$ <u>10,198</u>	<u>2,325</u>

(Continued)

CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(vii) Payables to related parties

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Accounts payable-Other related parties	\$ -	337
Other payables-Other related parties	<u>756</u>	<u>92</u>
	<u>\$ 756</u>	<u>429</u>

(viii) Rental

1) Rental revenues

	<u>2023</u>	<u>2022</u>
Other related parties	<u>\$ 3,283</u>	<u>3,025</u>

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 years ended December 31, 2023 and 2022, the Group recognized the amount of \$363 thousand and \$85 thousand as interest expenses, respectively. As of December 31, 2023 and 2022, the balance of lease liabilities amounted to \$17,866 thousand and \$18,981 thousand, respectively.

(ix) Transaction of properties

In January and June, 2022, the Group sold transportation equipment to other related parties for \$4,238 thousand (before tax), and the losses on disposal of assets was \$784 thousand, for which the Group received the full amount.

(x) Endorsements and Guarantees

	<u>Guarantee classification</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Associate (CTCI-HDEC)	Guarantee for bank loans	\$ 2,207,675	2,060,675
Associate (Fanlu)	Guarantee for bank loans	<u>1,557,000</u>	<u>1,557,000</u>
		<u>\$ 3,764,675</u>	<u>3,617,675</u>

(xi) Other

1) Interest revenues

	<u>2023</u>	<u>2022</u>
Associates	\$ 3,246	2,316
Other related parties	<u>-</u>	<u>8</u>
	<u>\$ 3,246</u>	<u>2,324</u>

(Continued)

CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

2) Other expenses

	2023	2022
Other related parties	\$ 39,231	35,030

3) Other income

	2023	2022
Associates	\$ 10,338	9,311
Other related parties	106	164
	\$ 10,444	9,475

- 4) On August 31, 2022, the Group purchased 17,430,438 shares of Fanlu amounting to \$174,304 thousand.

(d) Key Management Personnel Transaction

	2023	2022
Short-term employee benefits	\$ 153,380	151,512

As of December 31, 2023 and 2022, the Group provides seventeen vehicles at a cost of \$25,509 thousand and twelve vehicles at a cost of \$17,789 thousand, respectively, for the key management personnel.

(8) Pledged assets

Asset	Purpose of pledge	December 31, 2023	December 31, 2022
Inventories (development corp.)	Loan collateral	\$ 16,468,089	15,694,702
Restricted deposits (other current assets)	Time deposits collateral	168,870	583,676
Property, plant and equipment	Loan collateral and construction guarantee	7,856,770	8,047,783
Investment properties, net	Loan collateral and construction guarantee	7,470,336	7,484,579
Total		\$ 31,964,065	31,810,740

(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:

	December 31, 2023	December 31, 2022
Total sales of completed construction and real estate	\$ 11,805,520	13,514,016
Receipts based on the contracts	\$ 2,578,879	2,798,043

- (ii) As of December 31, 2023 and 2022, the Group has entered into contracts for the purchase of land but for which it has not received the legal title amounted to \$151,050 thousand and \$542,322 thousand, within which, \$45,315 thousand and \$515,206 thousand had been paid.

(Continued)

CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- (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:

	December 31, 2023	December 31, 2022
Total contract amount – NTD	\$ 160,657,096	170,518,410
– INR	35,074,796	35,182,380
– HKD	4,585,034	4,635,044
– MOP	982,544	982,544
– MYR	-	394,926
Accumulated billing amount	129,755,641	117,310,051

- (iv) Service Concession agreements

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

- 1) During the project concession period, in accordance with the government’s appointed service form, the Group (i) provides construction, operation and maintenance to the facilities for sewage treatment, and (ii) acquires the construction and operation right of the wastewater reclamation and reuse facilities as well as the sewage treatment facilities.
- 2) The Group has the right to use the aforesaid facilities and land to provide related sewage treatment services during the concession period, and obtains interest based on the price in the construction contract and price index.
- 3) The government will control and supervise the Group’s service scope leveraged from the use of the facilities.
- 4) When there is significant violation to the clause in the service concession agreement, both the Group and the government will be able to terminate the agreement.
- 5) During the concession period, the Group is the nominal registrant entitled to the ownership of the land and sewage treatment facilities. After the concession period, in accordance with the construction and operation agreement, the plants and facilities shall be restored back to their normal operating conditions and reverted to the government without conditions.
- 6) Three years before the expiration date, the Group is entitled to submit an application for extending the contract; if the Group’s operating performance is qualified to apply for a renewal of contract, it is given a preferential right to submit the renewal application to the authority.

(Continued)

CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

<u>The subsidiary as an operator</u>	<u>Location</u>	<u>Grantor</u>	<u>Agreement type</u>	<u>Concession period</u>
NSC	Danshui area	New Taipei City	BOT of wastewater	May 2005~ May 2040
PDC	Pu Ding area	Taoyuan City	BOT of wastewater	January 2021~January 2056
BWC	Kaohsiung area	Kaohsiung City	BTO of wastewater reclamation and reuse	August 2016~December 2055
LHC	Kaohsiung area	Kaohsiung City	BTO of wastewater reclamation and reuse	October 2018~December 2036
CTC	Kaohsiung area	Kaohsiung City	BTO of wastewater reclamation and reuse	October 2022~October 2040
CXC	Tainan area	Tainan City	BOT of incineration plant	February 2023~February 2048

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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Outstanding stand by letter of credit	<u>\$ 1,364,576</u>	<u>-</u>

- (b) Contingent liability:

- (i) As of December 31, 2023 and 2022, the Group provided promissory notes for contract performance, issuance of commercial paper, and construction warranty, amounted to \$53,191,348 thousand and \$48,896,899 thousand, respectively.
- (ii) As of December 31, 2023 and 2022, promissory notes receivable for construction contracts amounted to \$14,855,261 thousand and \$13,626,523 thousand, respectively.

- (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.

(Continued)

CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(10) Losses due to major disasters: None

(11) Subsequent events: None

(12) Other

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

	2023			2022		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits						
Salary	1,607,381	757,875	2,365,256	1,254,939	720,647	1,975,586
Labor and health	127,009	56,092	183,101	100,964	47,896	148,860
Pension	56,261	34,947	91,208	45,118	30,971	76,089
Others	206,751	135,649	342,400	161,128	137,012	298,140
Depreciation	440,566	44,708	485,274	426,254	54,487	480,741
Amortization	68,749	-	68,749	65,574	-	65,574

(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 2)	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	1.3%	2	-	Replenish working capital	-	-	-	5,470,427	10,940,855
0	CHC	HDEC	Other receivables	Yes	500,000	500,000	500,000	1.3%	2	-	Replenish working capital	-	-	-	5,470,427	10,940,855
1	CDC	BANGSAR	Other receivables	Yes	296,317	289,345	241,121	2.5%	2	-	Land purchases and operation requirements	-	-	-	6,520,250	6,520,250
1	CDC	MEGA	Other receivables	Yes	839,151	796,664	662,843	2.5%	2	-	Land purchases and operation requirements	-	-	-	6,520,250	6,520,250
1	CDC	Grand River D. Limited	Other receivables	No	751,595	751,595	678,034	2.525%	2	-	Land purchases and operation requirements	-	-	-	6,520,250	6,520,250
1	CDC	950 Investment LLC	Other receivables	Yes	107,468	107,468	-	8.40%	2	-	Operation requirements	-	-	-	6,520,250	6,520,250

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: \$27,352,137 thousand \times 40% = 10,940,855 thousand

Maximum amount of loans provided to a single business enterprise is limited to 20% of net equity value: \$27,352,137 thousand \times 20% = 5,470,427 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: \$16,300,626 thousand \times 40% = 6,520,250 thousand

Maximum amount of loans provided to a single business enterprise is limited to 40% of net equity value: \$16,300,626 thousand \times 40% = 6,520,250 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	109,408,548	487,031	461,648	461,648	-	1.69 %	109,408,548	Y	N	N
0	CHC	HDEC	2	109,408,548	4,679,302	4,312,282	2,567,082	-	15.77 %	109,408,548	Y	N	N
0	CHC	CEC	2	109,408,548	16,131,048	16,075,990	6,576,369	-	58.77 %	109,408,548	Y	N	N
1	CEC	CDC	4,7	14,900,924	1,071,000	1,071,000	443,932	-	14.37 %	14,900,924	N	N	N
2	CDC	CDC US.	2	32,601,252	162,125	153,525	-	-	0.94 %	32,601,252	N	N	N
2	CDC	CCD	2	32,601,252	3,770,000	3,770,000	1,885,000	-	23.13 %	32,601,252	N	N	N
2	CDC	BANGSAR	2,6	32,601,252	177,786	168,785	40,904	-	1.04 %	32,601,252	N	N	N
2	CDC	MEGA	2,6	32,601,252	839,706	382,508	362,242	-	2.35 %	32,601,252	N	N	N
2	CDC	950P	2,6	32,601,252	1,945,156	166,114	157,467	-	1.02 %	32,601,252	N	N	N
2	CDC	950H & 950R	2,6	32,601,252	1,736,092	1,644,000	1,644,000	-	10.09 %	32,601,252	N	N	N
2	CDC	Fanlu	6	32,601,252	1,557,000	1,557,000	1,438,500	-	9.55 %	32,601,252	N	N	N
3	CCD	CDC	3	10,933,336	6,232,200	6,232,200	768,500	9,458,110	228.01 %	10,933,336	N	N	N
4	HDEC	NSC	2	40,744,296	2,495,000	2,495,000	1,780,000	-	48.99 %	40,744,296	N	N	N
4	HDEC	PDC	2	40,744,296	1,295,000	1,295,000	887,000	-	25.43 %	40,744,296	N	N	N
4	HDEC	CTC	2	40,744,296	3,100,000	3,100,000	526,000	-	60.87 %	40,744,296	N	N	N
4	HDEC	LHC	2,6	40,744,296	1,485,000	1,100,000	686,032	-	21.60 %	40,744,296	N	N	N
4	HDEC	BWC	2,6	40,744,296	1,004,705	1,004,705	121,895	-	19.73 %	40,744,296	N	N	N
4	HDEC	CTCI-HDEC	6	40,744,296	2,207,675	2,207,675	772,343	-	43.35 %	40,744,296	N	N	N
4	HDEC	CEC	4,5	40,744,296	3,995,629	528,215	515,715	-	10.37 %	40,744,296	N	N	N
4	HDEC	CXC	2	40,744,296	4,900,000	4,900,000	400,000	-	96.21 %	40,744,296	N	N	N
5	SDC	HDEC	3	407,816	100	100	-	-	0.20 %	407,816	N	N	N
5	SDC	NSC	4	407,816	100	100	-	-	0.20 %	407,816	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: \$27,352,137 thousand \times 4 = \$109,408,548 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: \$27,352,137 thousand \times 4 = \$109,408,548 thousand

(Continued)

(English Translation of Financial Report Originally Issued in Chinese)

CONTINENTAL HOLDINGS CORPORATION
Notes to Consolidated Financial Statements

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 except in the event of joint liability in joint ventures with other companies in the same industry: $\$7,450,462 \text{ thousand} \times 6 = \$44,702,772 \text{ thousand}$

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: $\$7,450,462 \text{ thousand} \times 3 = \$22,351,386 \text{ thousand}$

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: $\$7,450,462 \text{ thousand} \times 2 = \$14,900,924 \text{ thousand}$

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: $\$7,450,462 \text{ thousand} \times 2 = \$14,900,924 \text{ thousand}$

According to the policy of CDC, the total amount of endorsements/guarantees is limited to two times the net equity value in accordance with the Company's most recent financial statements: $\$16,300,626 \text{ thousand} \times 2 = \$32,601,252 \text{ thousand}$

The total amount of endorsements/guarantees provided to a single business is limited to two times the net equity value in accordance with the Company's most recent financial statements: $\$16,300,626 \text{ thousand} \times 2 = \$32,601,252 \text{ thousand}$

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: $\$2,733,334 \text{ thousand} \times 4 = \$10,933,336 \text{ thousand}$

The total amount of endorsements/guarantees provided to a single business is limited to four times the net equity value in accordance with the Company's most recent financial statements: $\$2,733,334 \text{ thousand} \times 4 = \$10,933,336 \text{ thousand}$

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: $\$5,093,037 \text{ thousand} \times 8 = \$40,744,296 \text{ thousand}$

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: $\$5,093,037 \text{ thousand} \times 8 = \$40,744,296 \text{ thousand}$

According to the policy of SDC, 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: $\$50,977 \text{ thousand} \times 8 = \$407,816 \text{ thousand}$

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: $\$50,977 \text{ thousand} \times 8 = \$407,816 \text{ thousand}$

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 December 31, 2023 (excluding investment in subsidiaries, associates and joint ventures):

(In Thousands of New Taiwan Dollars)

Name of holder	Category and name of security	Relationship with company	Account name	Ending balance				Highest Percentage of ownership (%)	Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value		
CEC	Evergreen Steel Corp.	-	Non-current financial assets at fair value through other comprehensive income	25,645,907	2,667,174	6.15 %	2,667,174	6.15 %	
CEC	Xinrong Enterprise	-	Non-current financial assets at fair value through other comprehensive income	12,256,347	700,770	8.45 %	700,770	8.45 %	
CEC	Metro Consulting Service Ltd.	-	Non-current financial assets at fair value through other comprehensive income	300,000	3,690	6.00 %	3,690	6.00 %	
CEC	International Property & Finance Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	26,301	-	1.64 %	-	1.64 %	
CEC	Shin Yu Energy Development Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	22,405,297	-	9.00 %	-	9.00 %	
CDC	Grand River D. Limited	-	Non-current financial assets at fair value through profit or loss	51,436,803	1,068,858	10.00 %	1,068,858	10.00 %	

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

(In Thousands of New Taiwan Dollars)

Name of company	Category and name of security	Account name	Name of counter-party	Relationship with the company	Beginning Balance		Purchases		Sales				Ending Balance	
					Shares	Amount	Shares	Amount	Shares	Price	Cost	Gain (loss) on disposal	Shares	Amount
CDC	CDC US	Investment accounted for using equity method	CDC US	Parent and subsidiary	5,000,000	1,981,290	-	1,847,822	-	-	-	-	5,000,000	3,386,889

(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	2023.03.31	1,393,960	1,393,960	CNCK Ltd.	Not related party	-	-	-	-	Evaluation report	Real estate development	-

(Continued)

(English Translation of Financial Report Originally Issued in Chinese)

CONTINENTAL HOLDINGS CORPORATION
Notes to Consolidated Financial Statements

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

(In Thousands of New Taiwan Dollars)

Name of company	Type of property	Transaction date	Acquisition date	Book value	Transaction amount	Amount actually receivable	Gain from disposal	Counter-party	Nature of relationship	Purpose of disposal	Price reference	Other terms
CDC	55 Timeless-Inventory	2023.05.09	Not applicable	-	333,420	333,420	-	Mojoy Co., Ltd.	Not related party	Profit	Evaluation report	-
CDC	Dazhi Jintai Building	2023.06.30	Not applicable	-	533,190	53,319	-	Taiwan Given Co., Ltd.	Not related party	Profit	Evaluation report	-
CCD	Dazhi Jintai Building	2023.06.30	Not applicable	-	767,274	76,727	-	Taiwan Given Co., Ltd.	Not related party	Profit	Evaluation report	-

(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	(2,142,926) (Note 3)	10.27%	Same as those in general transactions	-	-	640,085 (Note 3)	11.24%	Note 1
CDC	CEC	Related party of the Company	Construction project	2,142,926 (Note 3)	47.64%	Same as those in general transactions	-	-	(640,085) (Note 3)	49.10%	
CEC	Fanlu	Associate	Construction contract	(580,855)	2.78%	Same as those in general transactions	-	-	82,603	1.45%	Note 1
Fanlu	CEC	Associate	Construction project	580,855	45.75%	Same as those in general transactions	-	-	(82,603)	93.82%	
HDEC	NSC	Parent and subsidiary	Construction contract	(168,538) (Note 3)	4.86%	Same as those in general transactions	-	-	31,691 (Note 3)	3.62%	Note 1
NSC	HDEC	Parent and subsidiary	Construction project	168,538 (Note 3)	61.27%	Same as those in general transactions	-	-	(31,691) (Note 3)	80.35%	
HDEC	PDC	Parent and subsidiary	Construction contract	(506,597) (Note 3)	14.60%	Same as those in general transactions	-	-	110,901 (Note 3)	12.68%	Note 1
PDC	HDEC	Parent and subsidiary	Construction project	506,597 (Note 3)	87.40%	Same as those in general transactions	-	-	(110,901) (Note 3)	87.71%	
SDC	HDEC	Parent and subsidiary	Construction contract	(150,397) (Note 3)	63.99%	Same as those in general transactions	-	-	24,910 (Note 3)	66.04%	Note 1
HDEC	SDC	Parent and subsidiary	Construction project	150,397 (Note 3)	4.64%	Same as those in general transactions	-	-	(24,910) (Note 3)	5.29%	
HDEC	CXC	Parent and subsidiary	Construction contract	(418,167) (Note 3)	12.05%	Same as those in general transactions	-	-	180,686 (Note 3)	20.66%	Note 1

(Continued)

(English Translation of Financial Report Originally Issued in Chinese)

CONTINENTAL HOLDINGS CORPORATION
Notes to Consolidated Financial Statements

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)	
CXC	HDEC	Parent and subsidiary	Construction project	418,167 (Note 3)	65.31%	Same as those in general transactions	-	-	(180,686) (Note 3)	59.86%	
HDEC	CTC	Parent and subsidiary	Construction contract	(510,329) (Note 3)	14.70%	Same as those in general transactions	-	-	84,786 (Note 3)	9.69%	Note 1
CTC	HDEC	Parent and subsidiary	Construction project	510,329 (Note 3)	100.00%	Same as those in general transactions	-	-	(84,786) (Note 3)	98.16%	
HDEC	CTCI-HDEC	Associate	Construction contract	(595,884) (Note 3)	17.17%	Same as those in general transactions	-	-	130,425 (Note 3)	14.91%	Note 1
CTCI-HDEC	HDEC	Associate	Construction project	595,884 (Note 3)	54.66%	Same as those in general transactions	-	-	(130,425) (Note 3)	31.40%	

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 640,085	4.01	-	-	298,007	-
HDEC	PDC	Parent and subsidiary	Accounts receivable 110,901	5.19	-	-	53,843	-
HDEC	CXC	Parent and subsidiary	Accounts receivable 180,686	4.63	-	-	161,194	-
HDEC	CTCI-HDEC	Associate	Accounts receivable 130,425	4.88	-	-	38,039	-

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 December 31, 2023, the Group's Forward Exchange Agreement JPY4,665,000 thousand hedging instruments in amounts of USD689 thousand, JPY3,218 thousand and EUR105 thousand, GBP7 thousand and HKD802 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	1.28%
		HDEC	1	Other receivables	18,863	Same as those in normal transactions	0.02%
		HDEC	1	Interest revenues	19,919	Same as those in normal transactions	0.07%
1	CCLC	CEC	3	Operating revenues	157,523	Same as those in normal transactions	0.51%
		CDC	3	Operating revenues	29,897	Same as those in normal transactions	0.10%
		HDEC	3	Operating revenues	42,261	Same as those in normal transactions	0.14%
		CEC	3	Accounts receivable	18,950	Same as those in normal transactions	0.02%
2	CEC	CDC	3	Operating revenues	2,142,926	Same as those in normal transactions	7.00%
		CDC	3	Accounts receivable	323,241	Same as those in normal transactions	0.41%
		CDC	3	Contract assets	316,844	Same as those in normal transactions	0.40%
		CCLC	3	Administrative expenses	157,523	Same as those in normal transactions	0.51%
		CCLC	3	Other payables	18,950	Same as those in normal transactions	0.02%
		CDC	3	Operating costs	2,142,926	Same as those in normal transactions	7.00%
3	CDC	CEC	3	Accounts payable	640,085	Same as those in normal transactions	0.81%
		MEGA	3	Other receivables	834,949	Same as those in normal transactions	1.07%
		BANGSAR	3	Other receivables	277,839	Same as those in normal transactions	0.35%
		CCLC	3	Administrative expenses	29,897	Same as those in normal transactions	0.10%
		CCD	3	Non-current other assets-other	165,000	Same as those in normal transactions	0.21%
		CDC	3	Other payables	834,949	Same as those in normal transactions	1.07%
6	HDEC	CHC	2	Non-current other liabilities-other	1,000,000	Same as those in normal transactions	1.28%
		CHC	2	Other payables	18,863	Same as those in normal transactions	0.02%
		CHC	2	Interest expenses	19,919	Same as those in normal transactions	0.07%
		NSC	3	Operating revenues	168,538	Same as those in normal transactions	0.55%
		NSC	3	Accounts receivable	31,691	Same as those in normal transactions	0.04%
		SDC	3	Operating costs	150,397	Same as those in normal transactions	0.49%
		SDC	3	Accounts payable	24,910	Same as those in normal transactions	0.03%
		PDC	3	Operating revenues	506,597	Same as those in normal transactions	1.65%
		PDC	3	Accounts receivable	53,843	Same as those in normal transactions	0.07%
		PDC	3	Contract assets	57,058	Same as those in normal transactions	0.07%
		CTC	3	Operating revenues	510,329	Same as those in normal transactions	1.67%
		CTC	3	Accounts receivable	62,989	Same as those in normal transactions	0.08%
		CTC	3	Contract assets	21,798	Same as those in normal transactions	0.03%
		CXC	3	Operating revenues	418,167	Same as those in normal transactions	1.37%
		CXC	3	Accounts receivable	161,194	Same as those in normal transactions	0.21%
CXC	3	Contract assets	19,492	Same as those in normal transactions	0.02%		
CCLC	3	Administrative expenses	42,261	Same as those in normal transactions	0.14%		
7	NSC	HDEC	3	Operating costs	168,538	Same as those in normal transactions	0.55%
		HDEC	3	Accounts payable	31,691	Same as those in normal transactions	0.04%

(Continued)

(English Translation of Financial Report Originally Issued in Chinese)

CONTINENTAL HOLDINGS CORPORATION
Notes to Consolidated Financial Statements

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
8	SDC	HDEC	3	Operating revenue	150,397	Same as those in normal transactions	0.49%
		HDEC	3	Accounts receivable	6,494	Same as those in normal transactions	0.01%
		HDEC	3	Contract assets	18,416	Same as those in normal transactions	0.02%
		PDC	3	Operating revenue	76,392	Same as those in normal transactions	0.25%
		PDC	3	Accounts receivable	9,358	Same as those in normal transactions	0.01%
		PDC	3	Contract assets	4,277	Same as those in normal transactions	0.01%
9	PDC	HDEC	3	Operating costs	506,597	Same as those in normal transactions	1.65%
		HDEC	3	Accounts payable	110,901	Same as those in normal transactions	0.14%
		SDC	3	Operating costs	76,392	Same as those in normal transactions	0.25%
		SDC	3	Accounts payable	9,358	Same as those in normal transactions	0.01%
10	CTC	HDEC	3	Operating costs	510,329	Same as those in normal transactions	1.67%
		HDEC	3	Accounts payable	84,787	Same as those in normal transactions	0.11%
11	CXC	HDEC	3	Operating costs	418,167	Same as those in normal transactions	1.37%
		HDEC	3	Accounts payable	180,686	Same as those in normal transactions	0.23%

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

- 1) 0 represents the Company.
- 2) 1~11 represent subsidiaries

Note 2: Relationships are as follows:

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

(b) Information on investees:

(In Thousands of New Taiwan Dollars)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2023			Highest Percentage of ownership	Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2023	December 31, 2022	Shares	Percentage of ownership	Carrying value				
CHC	CEC	Taiwan	Civil, Building and M&E engineering	6,884,583	6,884,583	372,061,987	99.99 % (Note 2)	7,287,086	99.99 % (Note 2)	1,033,977	965,223	Note 1
CHC	CDC	Taiwan	Real estate development on residential, commercial, hotels and communities	6,220,745	6,220,745	601,419,561	99.99 % (Note 2)	16,300,623	99.99 % (Note 2)	727,759	727,759	Note 1
CHC	HDEC	Taiwan	Environmental project development & Water treatment	2,860,365	2,860,365	362,499,866	99.99 % (Note 3)	5,093,035	99.99 % (Note 3)	425,623	425,623	Note 1
CHC	CCLC	Taiwan	Management consulting	20,000	20,000	-	100.00 %	22,340	100.00 %	3,019	3,019	-

(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 December 31, 2023			Highest Percentage of ownership	Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2023	December 31, 2022	Shares	Percentage of ownership	Carrying value				
CEC	CICI	India	Civil and Building engineering	497,839	497,839	73,981,492	100.00 %	(11,540)	100.00 %	(7,823)	Disclosure not required	-
CEC	CIC	British Virgin Islands	Investment and holding	2,048,252	2,048,252	64,380,940	100.00 %	6,517	100.00 %	(7,833)	"	-
CEC	CIMY	Malaysia	Civil and Building engineering	179,257	179,257	22,340,476	85.14 %	5,673	85.14 %	(440)	"	-
CEC	CEC HK	Hong Kong	Civil and Building engineering	10,815	10,815	3,000,000	100.00 %	897	100.00 %	(26)	"	-
CDC	BANGSAR	Malaysia	Real estate development on residential	4,444	4,444	600,000	60.00 %	(19,556)	60.00 %	(17,169)	"	-
CDC	CCD	Taiwan	Real estate lease	976,539	976,539	48,198,292	80.65 %	2,204,435	80.65 %	(47,572)	"	-
CDC	Fanlu	Taiwan	Real estate development on residential and hotels	915,950	915,950	91,595,000	35.00 %	776,804	35.00 %	(74,327)	"	-
CDC	MEGA	Malaysia	Real estate development on hotels	7,375	7,375	825,000	55.00 %	(122,826)	55.00 %	(85,733)	"	-
CDC	CDC US.	The U.S.	Investment and holding	4,132,782	2,284,960	5,000,000	100.00 %	3,386,889	100.00 %	(461,157)	"	-
CDC	CDCAM	Malaysia	Management consulting	7,524	7,524	1,000,000	100.00 %	8,602	100.00 %	605	"	-
HDEC	SDC	Taiwan	Construction of underground pipeline and environmental protection project, plumbing	49,600	49,600	3,000,000	100.00 %	50,977	100.00 %	14,087	"	-
HDEC	NSC	Taiwan	Environmental project	1,112,000	1,112,000	166,000,000	100.00 %	2,842,364	100.00 %	182,198	"	-
HDEC	BWC	Taiwan	Environmental project	362,100	362,100	37,740,000	51.00 %	418,683	51.00 %	33,506	"	-
HDEC	PDC	Taiwan	Environmental project	540,000	340,000	59,726,000	100.00 %	640,296	100.00 %	36,667	"	-
HDEC	CTCI - HDEC	Taiwan	Environmental project	735,000	735,000	73,500,000	49.00 %	821,569	49.00 %	117,143	"	-
HDEC	LHC	Taiwan	Environmental project	550,000	550,000	56,100,000	55.00 %	625,731	55.00 %	84,964	"	-
HDEC	CTC	Taiwan	Environmental project	450,000	450,000	45,000,000	100.00 %	451,916	100.00 %	4,068	"	-
HDEC	CXC	Taiwan	Environmental project	1,000,000	1,000,000	100,000,000	100.00 %	1,032,130	100.00 %	32,211	"	-
CCLC	CEC	Taiwan	Civil, Building and M&E engineering	1	1	84	- % (Note 4)	2	- % (Note 4)	1,033,977	"	-
CCLC	CDC	Taiwan	Real estate development on residential, commercial, hotels and communities	3	3	102	- % (Note 4)	3	- % (Note 4)	727,759	"	-
CCLC	HDEC	Taiwan	Environmental project development & Water treatment	1	1	134	- % (Note 5)	2	- % (Note 5)	425,623	"	-

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 ration is 99.99998% at the end of the period.

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

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

Note 5: The shareholding ration is 0.00004% at the end of the period.

(Continued)

CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(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 %

(14) Segment information

Operating segments required to be disclosed are categorized as Construction Engineering, Real Estate Development, Environmental Project Development & Water Treatment and Investment. The Group assessed performance of the segments based on the segments' income before tax, and report the amount of revenues based on the financial information used to prepare the consolidated financial report.

1. Construction Engineering: civil construction and building construction.
2. Real Estate Development: real estate development and lease.
3. Environmental Project Development & Water Treatment: expertise in processing sewage, industrial wastewater, solid waste, etc..
4. Investment: to integrate operating strategy, supervising and monitoring each operating segments' operation, and control and allocate each operating segments' operating resources.

	2023					
	Construction Engineering	Real Estate Development	Environmental project Development & Water Treatment	Investment	Adjustment and write-off	Total
Revenues:						
Segment revenues from external customers	\$ 18,660,767	7,167,142	4,778,935	-	-	30,606,844
Intersegment revenues	2,202,017	-	-	2,351,305	(4,553,322)	-
Total revenues	<u>\$ 20,862,784</u>	<u>7,167,142</u>	<u>4,778,935</u>	<u>2,351,305</u>	<u>(4,553,322)</u>	<u>30,606,844</u>
Reportable segment profit or loss	<u>\$ 1,033,932</u>	<u>309,085</u>	<u>571,688</u>	<u>1,985,943</u>	<u>(2,190,378)</u>	<u>1,710,270</u>
Assets:						
Investments accounted for using equity method	\$ -	776,804	821,569	28,703,089	(28,703,089)	1,598,373
Capital expenditure	3,686,496	13,779,272	42,906	9,778	27,015	17,545,467
Reportable segment assets	<u>\$ 19,511,840</u>	<u>45,801,925</u>	<u>14,038,278</u>	<u>29,987,197</u>	<u>(30,928,568)</u>	<u>78,410,672</u>
Reportable segment liabilities	<u>\$ 12,060,389</u>	<u>26,992,950</u>	<u>8,031,015</u>	<u>2,612,720</u>	<u>(2,062,104)</u>	<u>47,634,970</u>

(Continued)

CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	2022					
	<u>Construction Engineering</u>	<u>Real Estate Development</u>	<u>Environmental project Development & Water Treatment</u>	<u>Investment</u>	<u>Adjustment and write-off</u>	<u>Total</u>
Revenues:						
Segment revenues from external customers	\$ 18,002,149	9,438,393	4,705,061	-	-	32,145,603
Intersegment revenues	1,551,222	-	-	3,215,276	(4,766,498)	-
Total revenues	<u>\$ 19,553,371</u>	<u>9,438,393</u>	<u>4,705,061</u>	<u>3,215,276</u>	<u>(4,766,498)</u>	<u>32,145,603</u>
Reportable segment profit or loss	<u>\$ 797,241</u>	<u>1,597,679</u>	<u>599,439</u>	<u>2,937,092</u>	<u>(3,113,880)</u>	<u>2,817,571</u>
Assets:						
Investments accounted for using equity method	\$ -	802,819	791,319	27,451,970	(27,451,970)	1,594,138
Capital expenditure	3,469,703	14,029,141	41,517	5,952	36,020	17,582,333
Reportable segment assets	<u>\$ 16,308,819</u>	<u>45,030,880</u>	<u>14,198,726</u>	<u>28,701,242</u>	<u>(29,189,425)</u>	<u>75,050,242</u>
Reportable segment liabilities	<u>\$ 10,608,666</u>	<u>25,759,683</u>	<u>8,584,282</u>	<u>2,358,997</u>	<u>(1,642,835)</u>	<u>45,668,793</u>

(a) Geographic information

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

<u>Area</u>	<u>2023</u>	<u>2022</u>
Revenues from external customers:		
Taiwan	\$ 29,569,303	31,342,096
Others	1,037,541	803,507
	<u>\$ 30,606,844</u>	<u>32,145,603</u>
Non-current assets		
Taiwan	\$ 12,559,502	11,641,671
Others	6,989,515	7,230,186
	<u>\$ 19,549,017</u>	<u>18,871,857</u>

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

(b) Information on major customers

	<u>2023</u>	<u>2022</u>
Governments	\$ 8,328,850	13,991,862
Construction corporations	14,336,464	8,268,412
Others	7,941,530	9,885,329
Total	<u>\$ 30,606,844</u>	<u>32,145,603</u>