CONTINENTAL HOLDINGS CORPORATION

AND ITS SUBSIDIARIES CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

AND

INDEPENDENT AUDITORS' REPORT

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Independent Auditors' Report

The Board of Directors
Continental Holdings Corporation

We have audited the accompanying consolidated balance sheet of Continental Holdings Corporation (the Company) as of December 31, 2012 and 2011, and the related consolidated statements of income, changes in stockholders' equity, and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. As described in Note 2, we did not audit the financial statements of certain investee companies. The financial statements of these companies were audited by other auditors, whose reports have been furnished to us, and our opinion, in so far as it relates to the amounts included for these companies, is based solely upon the reports of the other auditors. As of December 31, 2012 and 2011, these companies' total assets amounted to $3,822,587 thousand and $14,300,033 thousand, constituting 7.50% and 28.95%, respectively, of total consolidated assets. These companies' net operating income amounted to $10,201,111 thousand and $9,684,981 thousand, constituting 35.80% and 36.06% of the Company's consolidated net operating income, for the year ended December 31, 2012 and 2011, respectively. In addition, as described in Note 9, we did not audit the financial statements of certain investee companies accounted for under the equity method. The financial statements of these companies were audited by other auditors, whose reports have been furnished to us, and our opinion, in so far as it relates to the amounts included for these companies, is based solely upon the reports of the other auditors. As of December 31, 2012, the Company's investment in these companies amounted to $2,250,252 thousand, constituting 4.41% of total consolidated assets. Gain on long-term equity investments was recognized amounted to $0, constituting 0% of the Company's net income before taxes, for the year ended December 31, 2012.

We conducted our audit in accordance with the "Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants" and auditing standards generally accepted in the Republic of China. Those standards and regulations require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the reports of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Continental Holdings Corporation and its subsidiaries as of December 31, 2012 and 2011, and the results of their operations and cash flows for the year then ended, in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, and accounting principles generally accepted in the Republic of China.

Taipei, Taiwan, R.O.C.

March 29, 2013

Notice to Readers

The accompanying financial statements are intended only to present the financial position, results of operations, and cash flows in accordance with 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 (or review) such financial statements are those generally accepted and applied in the Republic of China.

The auditors' report and the accompanying 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 auditors' report and financial statements, the Chinese version shall prevail.

CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
BALANCE SHEET
DECEMBER 31, 2012 AND 2011
(Expressed in Thousands of New Taiwan Dollars)

ASSETS	December 31, 2012 Amount	%	December 31, 2011 Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Note 4)	$ 2,387,064	5	6,743,194	14
Financial asset measured at fair value through profit or loss－current	476	-	23,775	-
Derivative financial assets for hedging－current	68,182	-	-	-
Financial asset measured at cost－current(Note 5)	6,593,053	13	-	-
Notes receivable, net	124,647	-	486,827	1
Accounts receivable, net (Note 6)	2,476,927	5	4,326,562	9
Other receivables－related party (Note 23)	-	-	268,108	1
Other financial assets－current (Note 24)	1,548,940	3	1,631,323	3
Inventory (Notes 7 and 24)	19,670,320	40	10,908,586	22
Costs of uncompleted contracts in excess of related billings (Note 8)	1,716,714	3	1,807,860	4
Deferred selling expenses	303,489	1	524,667	1
Prepayments	699,492	1	611,884	1
Other current assets-other (Note 18)	514,066	1	1,094,244	2
	36,103,370	72	28,427,030	58
LONG-TERM INVESTMENTS				
Financial assets carried at cost－non-current (Note 5)	595,373	1	7,413,400	15
Long-term investments under equity method (Note 9)	2,250,252	4	-	-
	2,845,625	5	7,413,400	15
FIXED ASSETS (Notes 10 and 24)				
Land	897,661	2	928,330	2
Buildings	773,190	2	1,533,283	3
Machinery and equipment	3,036,503	6	4,341,423	9
Computer equipment	64,178	-	64,564	-
Transportation equipment	211,081	-	297,812	1
Furniture and office equipment	141,247	-	283,570	1
Leased assets	7,714,265	15	7,723,265	16
	12,838,125	25	15,172,247	32
Less: accumulated depreciation	(1,996,955)	(4)	(3,027,240)	(6)
Less: accumulated impairment- fixed assets	(171,372)	-	(360,650)	(1)
Construction in progress	1,106,000	2	1,108,801	2
Prepayments for equipment	25,963	-	177,794	-
	11,801,761	23	13,070,952	27
INTANGIBLE ASSETS				
Deferred pension costs (Note 20)	27,268	-	33,156	-
Other intangible assets	-	-	67,455	-
	27,268	-	100,611	-
OTHER ASSETS				
Idle assets	191,035	-	191,035	-
Refundable deposits	639	-	6,232	-
Other assets	-	-	9,694	-
Consolidated debit	-	-	184,131	-
	191,674	-	391,092	-
TOTAL ASSETS	**$ 50,969,698**	**100**	**49,403,085**	**100**

CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
BALANCE SHEET
DECEMBER 31, 2012 AND 2011
(Expressed in Thousands of New Taiwan Dollars)

LIABILITIES AND STOCKHOLDERS' EQUITY	December 31, 2012 Amount	%	December 31, 2011 Amount	%
CURRENT LIABILITIES				
Short-term bank loans (Notes 11)	$ 11,104,424	21	5,667,230	11
Short-term bills payable, net (Note 12)	1,466,000	3	550,000	1
Financial liability measured at fair value through profit or loss－current	1,133	-	-	-
Accounts payable	4,458,233	9	5,159,437	10
Accrued expenses	891,451	2	1,148,214	3
Unearned receipts (Note 13)	3,876,181	8	2,757,986	6
Billings on uncompleted contracts in excess of related costs (Note 8)	1,832,379	4	4,790,440	10
Current portion of long-term liabilities (Notes 14 and 24)	30,000	-	372,519	1
Other current liabilities	797,370	2	910,614	3
	24,457,171	49	21,356,440	45
LONG-TERM LIABILITIES				
Long-term loans (Notes 14 and 24)	9,044,233	17	8,990,527	18
Long-term notes payable	-	-	35,205	-
Capital lease payable-non-current	-	-	13,127	-
	9,044,233	17	9,038,859	18
RESERVE				
Reserve for land value incremental tax	2,228	-	2,228	-
OTHER LIABILITIES				
Accrued pension liabilities (Note 20)	244,159	-	201,917	-
Guarantee deposit received	118,010	-	115,361	-
	362,169	-	317,278	-
Total Liabilities	33,865,801	66	30,714,805	63
STOCKHOLDERS' EQUITY				
Capital stock (Note 15)	8,411,581	17	8,411,581	17
Capital surplus (Note 16)				
Premium on stock issuance	6,864,224	13	6,864,224	14
Long-term equity investments	12,630	-	14,987	-
	6,876,854	13	6,879,211	14
Retained earnings (Note 17)				
Legal reserve	191,523	-	93,110	-
Special reserve	888,894	2	708,515	1
Unappropriated earnings	1,561,448	3	1,113,603	2
	2,641,865	5	1,915,228	3
Others				
Cumulative translation adjustments	(1,155,212)	(2)	(890,789)	(2)
Unrecognized loss on pension cost	(22,979)	-	-	-
Unrealized gain on financial instruments	330	-	1,895	-
	(1,177,861)	(2)	(888,894)	(2)
	16,752,439	33	16,317,126	32
Minority interest	351,458	1	2,371,154	5
Total Stockholders' Equity	17,103,897	34	18,688,280	37
MAJOR COMMITMENTS AND CONTINGENCIES (Note 25)				
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**$ 50,969,698**	**100**	**49,403,085**	**100**

The accompanying notes are an integral part of the financial statements.

CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES

INCOME STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2012 AND 2011

(Expressed in Thousands of New Taiwan Dollars, except for per share data)

	For the year ended December 31, 2012		For the year ended December 31, 2011	
	Amount	**%**	**Amount**	**%**
Operating Income：				
Construction contract income	$ 25,016,511	88	21,481,167	80
Realty sales income (Note 23)	3,170,102	11	5,021,648	19
Rental income (Note 23)	295,578	1	353,081	1
Other operating income	16,226	-	5,275	-
Less: Sales returns and allowances	(1,171)	-	(635)	-
	28,497,246	100	26,860,536	100
Operating Costs：				
Construction costs	23,130,931	81	20,201,780	75
Realty sales costs	1,631,672	6	3,225,152	12
Rental costs	115,924	-	99,636	-
Other operating costs	3,539	-	1,271	-
	24,882,066	87	23,527,839	87
Gross income	3,615,180	13	3,332,697	13
Operating Expenses：				
Selling expenses	215,541	1	377,852	1
General and administrative expenses	1,656,868	6	1,547,535	6
	1,872,409	7	1,925,387	7
Net income from operations	1,742,771	6	1,407,310	6
Non-operating Income：				
Interest income (Note 23)	89,590	-	56,062	-
Dividend income (Note 5)	88,584	-	201,479	1
Gain on disposal of investments (Note 5 and 24)	34,915	-	-	-
Gain on reversal of impairment loss (Note 5 and 25)	187,987	1	-	-
Others	69,502	-	29,108	-
	470,578	1	286,649	1
Non-operating Expenses：				
Interest expense	288,818	1	276,542	1
Loss on disposal of fixed assets	12,401	-	3,051	-
Foreign exchange loss	22,132	-	930	-
Loss on valuation of financial liability	7,246	-	-	-
Impair of loss	-	-	90,867	-
Others	40,379	-	21,399	-
	370,976	1	392,789	1
Income from Continuing Operations before Income tax	1,842,373	6	1,301,170	6
Less: Income tax expense (Note 18)	(418,051)	(1)	(227,087)	(1)
Net income	**$ 1,424,322**	**5**	**1,074,083**	**5**
Attributable to：				
Stockholders of the parent	$ 1,147,217	4	984,126	5
Income for minority interest	277,105	1	89,957	-
	$ 1,424,322	**5**	**1,074,083**	**5**
Earnings per share (Note 19)(dollars)	**Before tax**	**After tax**	**Before tax**	**After tax**
Basic earnings per share (dollars)	**$ 1.40**	**1.36**	**1.19**	**1.17**
Diluted earnings per share (dollars)	**$ 1.40**	**1.36**	**1.18**	**1.17**

The accompanying notes are an integral part of the financial statements.

CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE YEAR ENDED DECEDMBER 31, 2012 AND 2011
(Expressed in Thousands of New Taiwan Dollars)

			Retained Earnings							
	Capital Stock	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Cumulative Translation Adjustments	Unrecognized loss on pension cost	Unrealized Gain (Loss) on Financial Instruments	Minority Interest	Total
Balance, January 1, 2011	$ 8,411,581	7,380,177	-	-	931,102	(665,245)	(42,208)	(1,062)	2,194,457	18,208,802
Appropriation of the 2010 earning:										
Legal reserve	-	-	93,110	-	(93,110)	-	-	-	-	-
Special reserve	-	-	-	708,515	(708,515)	-	-	-	-	-
Cash dividends	-	(504,695)	-	-	-	-	-	-	-	(504,695)
Net income for the year ended December 31, 2011	-	-	-	-	984,126	-	-	-	89,957	1,074,083
Adjustment arising from changes in ownership of investees	-	3,729	-	-	-	(225,544)	42,208	2,957	71,454	(105,196)
Minority interest gain	-	-	-	-	-	-	-	-	15,286	15,286
Balance, December 31, 2011	8,411,581	6,879,211	93,110	708,515	1,113,603	(890,789)	-	1,895	2,371,154	18,688,280
Appropriation of the 2011 earnings:										
Legal reserve	-	-	98,413	-	(98,413)	-	-	-	-	-
Special reserve	-	-	-	180,379	(180,379)	-	-	-	-	-
Cash dividends	-	-	-	-	(420,580)	-	-	-	-	(420,580)
Net income for the year ended December 31, 2012	-	-	-	-	1,147,217	-	-	-	277,105	1,424,322
Adjustment arising from changes in ownership of investees	-	(2,357)	-	-	-	(264,423)	(22,979)	(1,565)	(2,296,801)	(2,588,125)
Balance, December 31, 2012	**$ 8,411,581**	**6,876,854**	**191,523**	**888,894**	**1,561,448**	**(1,155,212)**	**(22,979)**	**330**	**351,458**	**17,103,897**

The accompanying notes are an integral part of the financial statements.

CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2012 AND 2011
(Expressed in Thousands of New Taiwan Dollars)

	For the year ended December 31, 2012	For the year ended December 31, 2011
Cash flows from operating activities:		
Net income	$ 1,424,322	1,074,083
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	1,649,808	1,809,636
Loss on inventory valuation	-	3,665
Loss on disposal of fixed assets	12,401	3,051
Gain on disposal of investments	(34,915)	-
Loss on valuation of financial liability	7,246	-
Impairment loss on assets	(187,987)	90,867
Reversal of warranty reserve	110,739	(254,943)
Changes in assets and liabilities:		
Notes receivable (including related party)	197,826	(102,965)
Accounts receivable (including related party)	648,435	(162,524)
Other receivables – related party	26,138	56,538
Other financial assets－current	75,196	(586,120)
Inventory	(8,761,295)	4,806,399
Costs of uncompleted contracts in excess of related billings	(799,147)	(214,742)
Deferred selling expenses	221,178	102,684
Prepayments	(109,945)	174,071
Other current assets	(549,568)	(90,323)
Other operating assets	(5,195)	32,353
Changes in operating liabilities：		
Accounts payable (including related party)	191,895	1,472,509
Accrued expenses	25,288	175,138
Unearned receipts	1,118,195	(1,140,642)
Billings on uncompleted contracts in excess of related costs	(1,735,950)	(495,223)
Other current liabilities	90,204	(557,245)
Accrued pension liabilities	25,151	30,181
Net cash provided by (used in) operating activities	(6,359,980)	6,226,448

CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
STATEMENT OF CASH FLOWS(CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2012 AND 2011
(Expressed in Thousands of New Taiwan Dollars)

	For the year ended December 31, 2012	For the year ended December 31, 2011
Cash flows from investing activities:		
Disposal of financial assets measured at fair value through profit or loss	(7,246)	-
Increase in derivative financial instrument for hedging	(46,319)	(1,404)
Cash returns due to financial assets carry at cost decrease	205,199)	144,000
Purchase of deferred assets	(619,737)	(1,380,359)
Proceeds from sale of subsidiary equity	561,830	-
Purchase of fixed assets	(771,409)	(439,928)
Proceeds from sale of fixed assets	185,095	143,023
Refundable deposits	5,593	395
Construction of dividend	-	1,405
Net cash used in investing activities	(486,994)	(1,532,868)
Cash flows from financing activities:		
(Decrease) increase in short-term bank loans	5,441,326	(3,304,176)
Increase in short-term bills payable	916,000	510,000
Increase (decrease) in long-term loans	(194,841)	(334,233)
Increase in guarantee deposit received	2,649	4,310
Decrease in capital lease payable	(12,237)	(7,134)
(Decrease) increase in long-term notes payable	(13,681)	(66,161)
Cash dividends	(420,580)	(504,695)
Minority interest	-	15,286
Net cash (used in) provided by financing activities	5,718,636	(3,686,803)
Influence of exchange rate	(189154)	148,254
	(3,038,638)	-
Net increase in cash and cash equivalents	(4,356,130)	1,155,031
Cash and cash equivalents, beginning of period	6,743,194	5,588,163
Cash and cash equivalents, end of period	$ **2,387,064**	**6,743,194**
Supplemental disclosures of cash flow information:		
Interest paid during the year (excluding capitalized interest)	$ **261,322**	**251,955**
Income tax paid during the year	$ **345,081**	**169,200**
Investing and financing activities with no effect on cash flows:		
Current portion of long-term liabilities	$ **30,000**	**372,519**

The accompanying notes are an integral part of the financial statements.

CONTINENTAL HOLDINGS CORPORATION AND ITS SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS
(All amounts expressed in thousands, unless otherwise indicated, currency in New Taiwan Dollars)

1. ORGANIZATION AND OPERATIONS

Continental Holdings Corp. (the Company) was established through share exchange with Continental Engineering Corp. (CEC) on April 8, 2010 and CEC become 100% - owned by the Company. On the same day, the Company was approved to be a listed company by Financial Supervisory Commission, Executive Yuan, R.O.C.

The Company's main business is managing of investee companies and investing in companies which are approved by the relevant authority. As of December 31, 2012 and 2011, the number of employees in the Company and its subsidiaries was 2,170 and 2,979 respectively.

The Company's parent company: None.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company's consolidated financial statements were compiled in accordance with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and accounting principles generally accepted in the Republic of China (ROC).

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

The significant accounting policies and measurement basis were as follows:

a. Principles of consolidation

(1) The subsidiaries included in the consolidated financial statements are as follows:

Investor Company	Subsidiary	Main Business Scope	Percentage of ownership 2012.12.31	2011.12.31
The Company	Continental Engineering Corp. (CEC)	Civil engineering, construction	100.00%	100.00%
〃	Continental Development Corp. (CDC)	Land development specific on residential housing and office building	100.00%	100.00%
CEC	North Shore Corp. (NSC)	Tamsui sewage drainage construction in New Taipei City	- (Note 2)	54.55%
〃	Hsin-Dar Environment Engineering Co., Ltd. (HEC)	Construction of underground pipeline and environmental protection project, plumbing, sale of pollution prevention equipment	100.00%	100.00%

Investor Company	Subsidiary	Main Business Scope	Percentage of ownership 2012.12.31	Percentage of ownership 2011.12.31
CEC	CEC International Corp. (CIC)	Investment in and control of overseas corporations	100.00%	100.00%
〃	CEC International Corp. (India) Pvt. Ltd.(CICI)	Property developer and Civil engineering, construction	100.00%	100.00%
〃	CEC International Malaysia Sdn Bhd. (CIMY)	Civil engineering, construction	70.00%	-
CDC	CEC Commercial Development Corp.	Rental of building	80.65%	80.65%
HDEC	Shen-Da Construction Corp., Ltd. (SDC)	Construction of underground pipeline and environmental protection project, plumbing	51.00%	51.00%
〃	North Shore Corp.(NSC)	Tamsui sewage drainage construction in New Taipei City	100.00% (Note 2)	45.45%
CIC	New Continental Corp. (NCC)	Investment in and control of overseas company and its subsidiaries	45.47% (Note 4)	56.36%
NCC	American Bridge Holding Company (ABHC)	Investment in and control of ABC and its subsidiaries	95.94% (Note 5)	96.55%
ABHC	American Bridge Company (ABC)	Civil engineering, construction, including complex bridges, marine and military infrastructure	100.00%	100.00%
〃	American Bridge Manufacturing Company (ABM)	Steel fabrication of bridge component	100.00%	100.00%
〃	American Dock & Transfer Company (ADTC)	Equipment maintenance management and fabrication	100.00%	100.00%
〃	American Bridge International Corporation (ABIC)	Civil engineering and construction of complex bridge outside of the USA	100.00%	100.00%

Note 1: ABHC and its subsidiaries, CICI, SDC and CEC Commercial Development Construction Corp., were audited by other CPAs.

Note 2: In 2012, the Company sold North Shore Corp. to HEC in order to adjust investment structure, causing percentage changes in equity ownership.

Note 3: North Shore Corp. was founded to perform the contract for the Tamsui sewage treatment plant in New Taipei City, and will be transferred without condition after the legal concession period.

Note 4: The Company sold partial shares of NCC in 2012, which caused the equity ownership to decrease to 45.47%. In addition, the purchaser promised to bear endorsement, which led the Company lost its controlling power over NCC. Therefore, the Company has stopped consolidating revenues and expenses of NCC and NCC's subsidiaries to its consolidated financial statement since December 28, 2012.

Note 5: As of December 31, 2012, the equity ownership of NCC decreased from 96.55% to 95.94 % due to realization of employee stock options.

(2) Subsidiaries not included in the consolidated financial statements: None.

(3) Accounting year of subsidiary different from its controlling parent: None

(4) Accounting policies of subsidiary different from its controlling parent:

ABHC and its subsidiaries which are invested by the Company indirectly adopt US GAAP.

The content and influence of GAAP difference are as follows:

(i) Comprehensive income－ABHC applies the provisions of SFAS No. 130, Reporting Comprehensive Income. SFAS No. 130 requires the reporting and display of comprehensive income, which is composed of net income and other comprehensive income or loss items, in a full set of general-purpose financial statements. Other comprehensive income items for ABHC include unrealized gain (loss) on financial assets (restneted assets) and foreign currency translation adjustments. Under US GAAP, other comprehensive income is excluded from net income and recorded as a component of equity.

(ii) In accordance with US GAAP, ABHC recognized its interest in a jointly controlled entity using equity method.

(5) Special risk of foreign subsidiary's operations: None.

(6) Restriction on subsidiary's ability to transfer funds to the Company: None.

(7) Securities of the Company held by subsidiary: None.

b. Principles of preparing consolidated financial statements

The consolidated financial statements include the Company and all of its subsidiaries.

The significant transactions between them were eliminated.

c. The exchange basis of the investee's functional currency is the foreign currency financial statements

At the balance sheet date, monetary assets and liabilities denominated in foreign currencies are translated into New Taiwan Dollars using the exchange rates on that date. The resulting unrealized exchange gains or losses from such translations are reflected in the accompanying statements of income. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the reporting currency at the foreign exchange rates at the date the fair value was determined. If the non-monetary assets or liabilities are measured at fair value through profit or loss, the resulting unrealized exchange gains or losses from such translation are reflected in the accompanying statements of income. If the non-monetary assets or liabilities are measured at fair value through stockholders' equity, the resulting unrealized exchange gains or losses from such translation are recorded as a separate component of stockholders' equity.

d. Use of estimates

The preparation of the accompanying financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting periods. Actual results could differ from these estimates.

e. Foreign currency transactions and the translation of financial statement

The consolidated financial statements are stated in New Taiwan Dollar. Non-derivative foreign currency transactions are recorded at the spot rates as of the transaction date. At the balance sheet date, monetary assets and liabilities denominated in foreign currencies are translated into New Taiwan Dollars using the exchange rates on that date. The resulting unrealized exchange gains or losses from such translations are recognized in the accompanying statements of income. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the reporting currency using the exchange rates at the date when the fair value was determined. If the non-monetary assets or liabilities are measured at fair value through profit or loss, the resulting unrealized exchange gains or losses will be recognized in profit and loss. If a gain or loss on the non-monetary assets or liabilities is recognized in stockholders' equity, the resulting unrealized exchange gain or loss will be recorded as a separate component of stockholders' equity.

f. Translation of foreign financial statements from foreign operations

The Company's foreign financial statements from foreign operation are translated into New Taiwan dollars at the following rates:

(1) Assets and liabilities are measured at exchange rates on the balance sheet date, except for intercompany transaction;

(2) Income statement accounts are translated at the average exchange rates of the current year;

(3) Intercompany transactions and working capital are translated at historical exchange rates;

(4) Gains or losses from the above translation are recorded as "cumulative translation adjustment" which is listed as a separate item of stockholders' equity.

g. Current and non-current assets and liabilities

The balance sheet accounts related to construction business are classified either as current or non-current based on the Company's operating cycle, which is usually 2-5 years. The remainder is based upon a one-year cycle.

Current liabilities are the obligations incurred for operating purposes and the obligations are expected to be settled within one year from the balance sheet date. Liabilities that are not classified as current are non-current liabilities.

h. Impairment of assets

The Company and its subsidiaries evaluate whether there is any indication that an asset (individual asset except for goodwill or cash-generating unit) may have been impaired on the balance sheet date. If any such indication exists, the Company and its subsidiaries estimate the recoverable amount for the asset. The Company and its subsidiaries recognize impairment loss for an asset whose carrying amount is higher than the recoverable amount.

The Company and its subsidiaries reverse an impairment loss recognized in prior periods for assets other than goodwill if there is any indication that the impairment loss recognized no longer exists or has decreased. The carrying amount after the reversal should not exceed the recoverable amount or the carry amount of the assets that would have determined net of depreciation or amortization had no impairment loss was recognized in prior periods.

The Company and its subsidiaries would proceed impairment test for the goodwill and intangible assets that have indefinite lives or are not yet available for use on an annual basis and recognize an impairment loss on the carrying value in excess of the recoverable amount.

i. Cash and cash equivalents

Cash consists of cash, demand deposits, checking accounts, time deposits rescindable anytime, certificates of deposits, and cash equivalents. Cash equivalents are highly liquid short-term investments with maturities of three months or less at the date of purchase which do not have a significant level of market risk related to potential interest rate changes including treasury bills, commercial paper, and banker's acceptances.

j. Financial assets

The Company and its subsidiaries adopted transaction-date accounting for financial instrument transactions. At the initial recognition, financial instruments are evaluated at fair value. Except for financial instruments measured at fair value through profit or loss, the original cost of financial instruments should include the cost of acquisition or issuance. After initial recognition, based on the purpose of holding or issuing, the Company classifies the financial instruments into the following categories:

Financial assets at fair value through profit or loss: Financial instruments are classified into this category if the purpose of acquisition is principally for selling or repurchasing in the near term. Except for effective hedging derivative financial instruments, all financial derivatives are included in this category. Changes in fair values are charged to current operations. At initial recognition, financial instruments are measured at fair value. Transaction costs are classified as current expenses. Evaluation afterwards is measured at fair value and the changes are classified as current gains or losses.

Financial assets carried at cost: Equity investments that cannot be evaluated at fair value are booked at original cost. If there is evidence of impairment, impairment loss should be recognized, and the impairment amount cannot be reversed.

Loans and receivables, held-to-maturity investment securities and other financial liabilities: are measured at amortized cost using the effective interest method. The Company evaluates if any evidence of impairment for the financial assets at both specific and collective level. All individual significant financial assets are assessed for specific impairment. If individual financial assets are found no evidence of impairment then will be collectively assessed for any impairment together with another financial assets with similar risk characteristics.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss, and reflected in an allowance account against loans and receivables or held-to-maturity investment securities. Interest on the impaired asset continues to be recognized. When a subsequent event (e.g. repayment by a debtor) causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

k. Financial derivatives and hedging

The derivative financial instruments held by the Company and its subsidiaries are for hedging the risk of changes in foreign currency exchange rates and interest rates resulting from operating, financing and investing activities. The derivatives are recognized as financial instruments held for trading when they do not meet the criteria for hedge accounting.

If a cash flow hedge meets the criteria for hedge accounting, the gain or loss on hedging items will be recognized as an adjustment of stockholders' equity. If a hedging transaction will be recognized as assets or liabilities, the gain or loss recorded in stockholders' equity will be reclassified as current gain or loss in the financial statements. And if a hedging transaction will influence the net gain or loss, the above-mentioned gain or loss recognized in stockholders' equity will be reclassified as a current gain or loss in the financial statements.

l. Real estate investment and construction accounting

The Company and it's subsidiaries investment in real estate construction projects is recorded based upon the construction costs of the different construction projects. Gain on sale of real estate is recorded based upon the completion method, except for the projects described below which qualify under the percentage-of-completion method:

(1) The construction progress is past the planning stage, i.e., the construction design, planning, subcontracting and site preparation have been completed, and construction can commence at any time.
(2) Contracts for advance sale have already reached the total estimated construction costs.
(3) Payments received on advance sale have already reached 15% of the total contract price.
(4) The collectability of contract receivables can be reasonably estimated.
(5) The total construction costs and year-end construction progress can be reasonably estimated.
(6) The cost of sales relating to real estate sales contracts can be reasonably estimated.

For adoption of the percentage-of-completion method, the status of construction progress will determine the percentage of construction completed.

Building construction cost is recorded by project. Purchase or trade-in of land is recorded as "land held for development". Prepayment for land prior to the transfer of title is recorded as "prepayment for land". The related land and construction costs incurred are recorded as "building construction in progress". Upon the completion of construction, the related land and construction costs are transferred to "real estate held & for sale". The proceeds from pre-sale of real estate are recorded as "advance receipts". The related expenses incurred on such pre-sales are recorded as "deferred selling expenses", which are charged to operations upon the completion and delivery of the real estate. Under the completion method, "real estate held & for sale"," advance receipts", and "deferred selling expenses" shall be recognized when the contract is fulfilled; under the percentage-of-completion method, the Company recognized the difference between estimating accumulated contract gain and accumulated contract gain recognized in prior period in the current period. With reference to recognition of gain or loss on sale of real estate, in theory, it is based upon the date the real property is ready for delivery, assuming full payment is received and the ownership deed is transferred. However, if at the balance sheet date only one criterion has been fulfilled and the remaining criteria are completed in the subsequent period, then the gain or loss is still recognized currently.

Interest cost incurred during the construction period until the project is completed or the property can be used is capitalized (including for land and building costs).

The construction costs are allocated between property already sold and property held for sale based upon the percentage of sales price or size of property. However, once the cost allocation method is determined for a project, it cannot be changed from one year to another.

At year-end, a provision for loss is made when there is sufficient evidence indicating that the market value of "land held for development", "real estate held for sale", or "building construction in progress" is lower than cost.

m. Accounting for long-term construction contracts

The percentage-of-completion method of accounting for long-term construction projects is adopted when the construction period exceeds one year and the contract price, the completion cost, and the extent of construction progress can be reasonably estimated. The construction costs incurred are recorded as "work in progress". Advance receipts on construction contracts are recorded as "advance contract receipts". At each period-end, the percentage-of-completion method is used for estimating accumulated contract gain less accumulated contract gain recognized in prior period, and the resulting difference is recognized in current period.

However, should the accumulated gain recognized in the prior period exceed that computed at the end of the current period, the excess is recognized as contract loss in current period. When a loss is estimated on construction contracts, the entire estimated loss should be recognized immediately. If in the future such estimated loss is reduced, then the loss should be reversed and the resulting gain recognized in current period.

Costs of uncompleted contracts in excess of related billings are classified under current assets, whereas billings on uncompleted contracts in excess of related costs are classified under current liabilities.

n. Deferred assets

Deferred assets consist of amortized equipment, materials needed for construction, and the issuing cost of financing, which are recorded at cost and amortized over the estimated economic use period and construction progress.

o. Long-term investments under equity method

All long-term investments are valued at cost. Stock dividends which are distributed from the investee company through retained earnings or additional paid-in capital would be noted without making journal entry which cost per share will be recalculated using the weighted-average method.

If the Company has significant influence or controlling power over the investee, it should be valued using the equity method. Long-term investments in which the holding proportion of the investee is 20% ~ 50% (or under 20% but the Company has significant influence over investee) and the holding proportion of the investee is over 50% (or under 50% but the Company has controlling power over the investee) are valued using the equity method.

The difference between investment cost and underlying equity in net asset (the difference) attributed to depreciable, depleted, or amortizable assets are amortized over the estimated remaining economic lives. If the difference is attributed to the discrepancies between the book value of asset and their fair value, the unamortized difference will be written off when the over or under-valuation are no longer present. The investment cost in excess of the fair value of identifiable net assets is recognized as goodwill.

The difference attributed to the fair value of identifiable net assets in excess of the cost of investment will be reduced the carrying amount of non-current assets in proportion to their fair value. When the carrying amount of non-current assets is decreased to zero, the remaining difference is recognized as extraordinary gain. The differences between investment cost and underlying equity in the net asset in the previous investments that cannot be attributed to any reason and were originally amortized over five years are no longer amortized starting from January 1, 2006.

When the Company and its subsidiaries sell a long-term equity investment, the difference between the selling price and book value of the investment is recognized as gain or loss from disposal of long-term equity investment. The balance on additional paid-in capital from long-term equity investment is reclassified into current gain or loss in proportion to disposal of long-term equity investment.

Unrealized inter-company gain or losses from transactions between the Company and its subsidiaries and investees valued using the equity method are deferred until realized. The transaction gain or loss from depreciated or amortized assets will be spread over the useful life.

When an investee company valued using the equity method issues new shares and original shareholders do not acquire new shares proportionately which result in a change in investment percentage and change in equity in net asset for the investment, that the Company and its subsidiaries have invested such difference is adjusted to "additional paid-in capital" and "long-term investments". If the adjustment to debit "additional paid-in capital" the book balance of "additional paid-in capital" from long-term investments is insufficient to be offset, then the difference should be debited to "retained earnings".

p. Property and equipment

Land is recorded at cost plus incremental value from land revaluation. Land revaluation is based upon the government-announced price for adjustment of book value, and a reserve for land value incremental tax is provided accordingly.

Depreciable property and equipment and unsold real estate held for lease are stated at cost plus revaluation, if any. Major additions, improvements and replacements are capitalized. The interest cost incurred as a result of the expenditure on acquisition and construction of property and equipment will be capitalized as part of the acquisition costs of the assets.

Depreciation is computed using the straight-line method over the service lives evaluated by the Company and its subsidiaries, which approximate their estimated useful lives as below:

Buildings	8-60 years
Machinery and equipment	3-8 years
Computer equipment	3 years
Transportation equipment	3-5 years
Office equipment	5-9 years
Sewage treatment plant building (Buildings)	30 years
Sewage equipment (Machinery and equipment)	15 years
Drainage and sewage piping connection equipment (Buildings)	25 years
Leased assets	44-60 years

A depreciable asset that continues to be used beyond its depreciable life can continue to be depreciated over its estimated remaining useful life.

Gain or loss on disposal of property and equipment is recorded as non-operating income or expenses. Land, buildings, machinery and equipment that could be used but not for operation purposes are transferred to idle assets. In accordance with the newly amended SFAS No. 1, idle assets which were evaluated at net realizable value are now evaluated at book value. In addition, the impairment loss that the Company and its subsidiaries have recognized could be reversed according to SFAS No. 35.

q. Provision for warranty reserve

Provision for warranty reserve is provided based on the estimated costs to be incurred during the warranty period. The excess, if any, of actual payment for warranty over the accrued provision is charged to expenses when paid.

r. Pension plan

The Company and its local subsidiaries have a retirement plan covering all regular employees. This plan (the defined benefit pension plan) provides for a payment of 2 units for each year of service. However, it shall be one unit per year after the completion of 15 years, and the total units shall not exceed 45. Each unit of retirement payment referred to above shall be computed as the last 6 months' average salary at the time of approved retirement. After July 1, 2005, the Labor Pension Act took effect.

The employees who were previously subject to the Labor Standards Law could choose to be subject to the defined contribution pension plan under the Labor Pension Act (the New Plan), and for employees hired after the effective date, the pension plan was changed to the New Plan. Under the New Plan, the Company contributes monthly an amount equal to 6% of the employees' monthly salaries and wages to the employees' individual pension accounts deposited with the Bureau of Labor Insurance as a current expense.

The Company and its local subsidiaries account for the defined benefit pension plan in accordance with ROC SFAS No. 18, "Accounting for Pensions." ROC SFAS No. 18 requires that the Company and its local subsidiaries recognize a minimum pension liability as of the balance sheet date equal to the amount by which the actuarial present value of the accumulated benefit obligation exceeds the fair value of the retirement plan's assets. ROC SFAS No. 18 also requires the Company and its local subsidiaries to recognize net periodic pension costs (including service cost, transitional net assets, past service cost and pension gain/loss) based on actuarially determined amounts over the service lives of the retirement plan participants. If the average remaining service life is shorter than 15 years, then 15 years is used. Under the defined benefit plan, the Company and its local subsidiaries contribute 2% of gross salaries paid on a monthly basis to a designated pension fund account at Bank of Taiwan.

If the amount contributed to the plan is less than the net pension cost, then the difference is recognized as "accrued pension liability"; if the amount contributed is larger, then the difference is recognized as "prepaid pension cost" .

The minimum amount of pension liability required to recognize on the balance sheet is minimum pension liability. If any additional accrued pension liability need to be recognized and the amount of additional pension liability does not exceed the sum of unrecognized prior service cost and unrecognized transitional net benefit obligation , then the deferred pension cost account shall be charged, which account is classified as intangible asset. If the amount of additional pension liability exceeds the sum, the excess is charged to "net loss not yet recognized as net pension cost account", which account is classified as reduction of stockholders' equity.

s. Employee bonuses and directors' and supervisors' remuneration

Employee bonuses and directors' and supervisors' remuneration appropriated after January 1, 2008, are accounted for by Interpretation (96)052 issued by the Accounting Research and Development Foundation (ARDF). The Company and its local subsidiaries estimate the amount of employee bonuses and directors' and supervisors' remuneration according to the Interpretation and recognize it as expenses. Differences between the amount approved in the shareholders' meeting and recognized in the financial statements, if any, are accounted for as changes in accounting estimates and recognized as profit or loss.

t. Recognition of revenue

A subsidiary of the Company, North Shore Corp., is to receive as income monthly a sewage processing fee that includes amortization of sewage construction and amortization of sewage piping connection based on the amount of water used and the operating period.

A subsidiary of the Company, Hsin-Dar Development Corp., is to receive an environmental engineering adviser fee and trial run fee monthly based on the stage of service rendered.

u. Income tax

The Company and its subsidiaries adopted the newly promulgated ROC SFAS No. 22, "Income Taxes", and makes inter-period and intra-period tax allocations. Furthermore, it complies with the requirements to recognize deferred income tax liabilities resulting from taxable temporary differences and to recognize deferred income tax assets resulting from deductible temporary differences, prior-year loss carryforwards, and investment tax credits. The realization of deferred income tax assets is further assessed, and a valuation account, if needed, is provided accordingly.

Effective in 1998, after implementation of the imputation tax system, a 10% surtax is levied on the current year's retained earnings not distributed in the following year by a stockholders' meeting resolution, and is recorded as income tax expense in the year of the stockholders' meeting resolution.

The ROC government enacted the Income Basic Tax Act (the "IBTA"), which became effective on January 1, 2006. The alternative minimum tax ("AMT") imposed under the IBTA is a supplemental tax levied at a rate of 10% which is payable if the income tax payable determined pursuant to the Income Tax Act is below the minimum amount prescribed under the IBTA. The taxable income for calculating the AMT includes most of the income that is exempted from income tax under various laws and statutes. The Company and its local subsidiaries have considered the impact of the IBTA in the determination of its tax liabilities.

The Company and its subsidiaries are governed by the tax law under which each subsidiary is registered. The income tax is reported individually by each consolidated entity with the relevant jurisdiction and is not reported on a consolidated basis. The Company's total income tax expense is the subtotal of every individual subsidiary's income tax expense.

v. Earnings per share

Basic earnings per share are computed by dividing the amount of net income (loss) attributable to common stock outstanding for the period by the weighted-average number of common shares outstanding during the period. Potential common stock includes convertible bonds, employee stock options, and employee stock bonuses that have not been resolved in stockholders' meetings. If potential common stock is not dilutive, the Company only discloses basic earnings per share. If it is dilutive, the Company needs to disclose both basic and diluted earnings per share. The calculation of diluted earnings per share is under assumption that all dilutive potential common shares have been converted, exercised or that all contingently issuable shares have been issued.

w. Operating Segments

An operating segment is a component of an entity 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 same entity). The segment's operating results are reviewed regularly by the entity'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.

3. CHANGES IN ACCOUNTING POLICIES

a. Effective January 1, 2011, the Company and its subsidiaries adopted SFAS No. 41 "Operating Segments." In accordance with SFAS No. 41, the disclosure of operating segment information is to enable users of financial statements to evaluate the nature and financial effects of the business activities in which an entity engages and the economic environment in which it operates. Accordingly, the Consolidated Company determines and presents operating segments based on the information that is internally provided to the chief operating decision maker. In addition, if a financial report contains both the consolidated financial statements of a parent that is within the scope of SFAS No. 41 as well as the parent's separate financial statements; segment information is required only in the consolidated financial statements. This new accounting standard superseded SFAS No. 20 "Segment Reporting." The adoption of this accounting standard did not have any cumulative effect for the year ended December 31, 2011.

b. Effective January 1, 2011, the Company adopted the newly revised version of SFAS No. 34 "Financial Instrument Recognition and Measurement." The recognition and subsequent measurement of loans and receivables originated by the Company and accounting treatment by a debtor for modifications in the terms of obligations should be in accordance with SFAS No. 34. The adoption of this amended accounting principle had no significant influence on the Company's net income, stockholders' equity and earnings per share for the year ended December 31, 2011.

4. CASH AND CASH EQUIVALENTS

	December 31, 2012	December 31, 2011
Cash	$ 16,121	16,242
Cash in bank	2,370,943	4,943,689
Cash equivalents	-	1,783,263
Total	**$ 2,387,064**	**6,743,194**

5. FINANCIAL ASSETS

	December 31, 2012	December 31, 2011
Financial assets carried at cost－current:		
Stock－common stock	$ 3,856,751	-
Stock－preferred stock	2,736,302	-
Total	**$ 6,593,053**	**-**
Financial assets carried at cost－non-current:		
Stock－common stock	$ 596,664	4,763,057
Stock－preferred stock	-	2,736,302
Less: Impairment loss	(1,291)	(85,959)
Total	**$ 595,373**	**7,413,400**

a. Because the aforementioned stock investments were not sold and repurchased in the short term or had no active market price, the fair values are unpredictable.

b. As of December 31, 2012 and 2011 the Company and its subsidiaries held 403,470 thousand shares of common stock amounted to $3,856,751 thousand and prefer stock issued by Taiwan High Speed Rail Co., Ltd. (THSRC) as follows:

Type	Shares (in thousands)	December 31, 2012	Shares (in thousands)	December 31, 2011
A (a)	199,350	$ 1,993,500	199,350	1,993,500
C (d)	9,800	91,140	9,800	91,140
C (e)	107,500	999,750	107,500	999,750
C (h)	32,250	299,925	32,250	299,925
		3,384,315		3,384,315
Less: dividends		(648,013)		(648,013)
Total		**$ 2,736,302**		**2,736,302**

(1) The board of directors approved a resolution to relocate from the account of financial assets measured at cost – non-current to the account of financial assets measured at cost – current as the Company has no intended to hold the shares of THSRC for the long term.

(2) In 2011, the Company received, from THSRC, $1,093 thousand and $312 thousand of year 2007 construction dividends of preferred stock A(a) and c(h), respectively.

(3) Though THSRC experienced a series of deficits since it was incorporated, it started to strengthen its operation after the second half of 2010 when the increased patronage enhanced its operating revenue and gross profit. Hence, it posted a profitable operation for 2011 and sustained a profitable operation for 2012. With a continued amelioration of operation and cash flow, the Company and its subsidiaries assessed no impairment loss on the investment in THSRC as of December 31, 2012.

c. In 2012, the Company received $51,668 thousand, $36,769 thousand, and $147 thousand of cash dividends from Evergreen Steel Corp., Hsin Yung Enterprise Corp. and Metro Consulting Service Corp., respectively.

d. In 2011, the Company received $153,875 thousand, $36,769 thousand, $10,715 thousand, and $120 thousand of cash dividends from Evergreen Steel Corp., Hsin Yung Enterprise Corp., Wei Dar Investment Co. Ltd. and Metro Consulting Service Corp., respectively.

e. Having been approved of its dissolution by the Ministry of Economic Affairs on February 3, 2012, Wei Dar Investment Co., Ltd. completed its liquidation process on June 27, 2012. The Company received liquidating distributions with an amount of $144,000 thousand and $223,960 thousand in December 2011 and June 2012, respectively, and recognized an impairment loss of $85,959 thousand and a liquidation gain of $276 thousand for the year ended December 31, 2011 and the six months ended June 30, 2012. As of December 31, 2012, part of the liquidating distributions had not been collected amounted to $18,761 thousand.

f. In October 2012, the Company received, from its investee Euro-Asia Investment Holding Co., a notification stating that it would proceed the liquidation process. The Company then estimated an impairment loss of $1,291 thousand in 2012.

6. ACCOUNTS RECEIVABLE, NET

Accounts receivable	December 31, 2012	December 31, 2011
Contract receivables	$ 1,176,010	2,742,924
Contract retention receivable	1,298,346	1,680,481
Other	2,571	3,782
Subtotal	2,476,927	4,427,187
Less: allowance for doubtful accounts	-	(100,625)
Total	**$ 2,476,927**	**4,326,562**

The above-mentioned contract retention receivables are 5～10% of the contract receivables that the employers will deduct when paying the contract amount in order to secure the construction progress and quality.

As of December 31, 2012 and 2011, the contract retention receivables had been billed and expected to be collected in the following schedules:

Estimated recovery year	December 31, 2012	December 31, 2011
2013.01.01~ 2013.12.31	$ 548,766	905,039
2014.01.01 and thereafter	749,580	775,442
	$ 1,298,346	**1,680,481**

7. INVENTORY

a. REAL ESTATE AND PARKING SPACES HELD FOR SALE

	December 31, 2012	December 31, 2011
1052C	$ 113,092	113,092
1000E	52,995	52,995
1000H	38,964	38,964
1000J	38,683	38,683
1050F	5,760	-
1050R	-	432,826
1063A~F	79,477	1,182,194
Other	29,722	18,741
Subtotal	358,693	1,877,495
Less: allowance to reduce inventory to market	(117,197)	(117,197)
Total	**$ 241,496**	**1,760,298**

For the year ended December 31, 2011, due to the disposal of partial real estate held-for-sale, a loss from price recovery of inventory amounted $3,665 was recognized as a reduction in costs.

b. LAND HELD FOR DEVELOPMENT

	December 31, 2012	December 31, 2011
1100K	$ 5,053,613	5,053,613
1110M	1,137,432	-
1120J	2,658,943	-
1120K	4,359,475	-
	$ 13,209,463	**5,053,613**

c. BUILDING CONSTRUCTION IN PROGRESS

	December 31, 2012	December 31, 2011	Type of property development
The Village			
10530	$ 922,079	412,125	Land owned and building constructed by the Company
1050F	-	1,221,263	Joint construction with completed units to be shared
1070E	-	913,948	Part of land owned and building constructed by the Company, and part under joint construction with completed units shared
1080F	1,121,977	377,658	Joint construction with completed portion to be shared
1100C	1,187,147	999,155	Land owned and building constructed by the Company
1110L	32,987	-	Joint construction with completed units to be shared
Other	80,252	24,175	-
Subtotal	3,344,442	3,948,324	
Less: allowance to reduce inventory to market	-	-	
Total	**$ 3,344,442**	**3,948,324**	

(1) For the years ended December 31, 2012 and 2011, the information of the above unmentioned building construction in progress qualified to be accounted under percentage-of-completion method was as follows:

	Amount of Contract	Estimated Construction Cost	Percent Sold (%)	Percent Completed (%)	Estimated Year of Completion	Cumulative Gain (Loss)(Note)
December 31, 2012						
10530	$ 1,856,655	1,129,601	79.20%	42.16%	2013	306,526
1080F	2,982,889	1,853,428	100.00%	39.57%	2013	446,928
Total	**$ 4,839,544**	**2,983,029**				
December 31, 2011						
10530	$ 1,374,042	910,744	61.49%	12.40%	2013	57,449
1050F	2,007,422	1,318,163	100.00%	63.02%	2012	434,371
1070E	1,530,949	1,083,197	100.00%	63.13%	2012	282,666
1080F	2,974,996	1,845,921	100.00%	12.89%	2013	145,538
Total	**$ 7,887,409**	**5,158,025**				

Note: The cumulative gain included the construction contract income before April 8, 2010.

(2) For the years ended December 31, 2012 and 2011, capitalizing interest costs were as follows:

	For the year ended December 31, 2012	For the year ended December 31, 2011
Interest costs	$ 311,505	316,855
Capitalized interests	22,687	40,313
Capitalization interest rate	1.79%	1.91%

d. Prepayment for land

Project No.	December 31, 2012	December 31, 2011
1110P	$ 22,942	22,942
1110O	1,500	1,500
1120K	432,594	-
1120N	2,215,500	-
17000	15	-
Total	**$ 2,672,551**	**24,442**

e. Others

	December 31, 2012	December 31, 2011
Material on hand	**$ 202,368**	**121,909**

f. Please refer to Note 24 for information about inventory collateral.

8. COSTS OF UNCOMPLETED CONTRACTS IN EXCESS OF RELATED BILLINGS, AND BILLINGS ON UNCOMPLETED CONTRACTS IN EXCESS OF RELATED COSTS

Project No.	Construction in progress	Billings on uncompleted contracts	Costs of uncompleted contracts in excess of related billings	Billings on uncompleted contracts in excess of related costs
December 31, 2012				
2090E	$ 917,362	892,091	25,271	-
2100I	300,602	203,126	97,476	-
2110E	410,824	491,319	-	80,495
2110H	243,946	252,709	-	8,763
3080A	619,784	632,289	-	12,505
3080D	957,687	991,872	-	34,185
3080G	1,330,016	1,409,410	-	79,394
3100G	1,821,279	1,733,600	87,679	-
3110D	1,651,330	1,569,012	82,318	-
3110H	176,983	173,229	3,754	-
4050C	8,877,076	8,774,251	102,825	-
4070C	1,982,410	2,076,652	-	94,242
4070F	3,652,526	3,794,197	-	141,671
4080L	3,582,602	3,840,648	-	258,046
4090B	3,926,215	3,773,628	152,587	-
4100A	2,040,543	2,113,371	-	72,828
4100H	2,188,055	2,153,911	34,144	-
4120F	119,133	297,496	-	178,363
5110K	259,655	334,588	-	74,933
8080K	454,214	427,576	26,638	-
8110J	237,441	152,859	84,582	-
8120Q	8,338	286,444	-	278,106
Overseas Project-6060M (NOTE)	2,077,365	1,711,515	365,850	-
Overseas Project-6061A (NOTE)	1,206,572	1,022,227	184,345	-
Overseas Project-6061B (NOTE)	1,501,772	1,281,846	219,926	-
Overseas Project-6061D	2,814,665	2,822,440	-	7,775
Overseas Project-6061E	248,124	244,393	3,731	-
Overseas Project-6090C	1,818,270	2,109,153	-	290,883
Overseas Project-6090D	199,621	217,863	-	18,242
Overseas Project-6110I	287,841	375,303	-	87,462
Overseas Project-6110R	133,911	225,574	-	91,663
Overseas Project-6120L	152,289	118,191	34,098	-
Other (1)	388,677	234,305	154,372	-
Other (2)	26,096	30,000	-	3,904
Other (3)	8,364,479	8,364,479	-	-
Overseas Project-Other (1)	57,119	-	57,118	-
Overseas Project-Other (2)	134,269	153,187	-	18,919
Total	**$ 55,169,091**	**55,284,754**	**1,716,714**	**1,832,379**

NOTE:

Constructions of outer ring road to Hyderabad airport in Andhra, India, and India National Highway of C-12 and C-13 were delayed due to some factors unattributed to the Company. In the past, the Company's requests of tenor extension on projects were all approved by the employers of HGCL and NHAI.

After filling the requests of tenor extension proposal on above mentioned projects, the Company would proactively communicate with project employers and the project employers often agree with the requests of the Company. Among the projects mentioned above, the Company submitted the as-built drawing of completed structure of C-13 project, which was approved by the employer's supervision consultant, and subsequently filed a request of completion certificate in April 2012. Nevertheless, the project employer of C-13 demands to review the Company's request of the completion certificate only after all the remaining contractors of the NHAI No. 44 National Highway submit their respectively relevant documents. As of December 31, 2012, the unapproved billing amount was INR 1,452,787 thousands (equivalent to $770,121 thousand).

Judging from the facts that the Company had, in the past, successfully obtained the requested extension of construction tenor and the escalation of increased material costs, that the employer's supervision consultants of C-12 and C-13 have provided opinions of no delayed delivery and that the supervision consultant of ORR agreed with the Company's request on the extension of construction tenor and thus have the relevant billing of INR 59,072 thousand paid to the Company, the Company believes that the requested extension of construction tenor shall be approved and the aforesaid unapproved billing amount shall be fully recovered. In addition, an external attorney provided a positive opinion regarding the request of the Company from a legal perspective.

CONTINENTAL HOLDINGS CORPORATION AND ITS SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS (CONT'D)

Project No.	Construction in progress	Billings on uncompleted contracts	Costs of uncompleted contracts in excess of related billings	Billings on uncompleted contracts in excess of related costs
December 31, 2011				
2090E	$ 503,267	509,824	-	6,557
3080G	976,167	1,285,277	-	309,110
3090A	216,763	213,168	3,595	-
3100F	162,124	198,977	-	36,853
3100G	834,491	787,181	47,310	-
4050C	7,871,780	8,090,618	-	218,838
4070C	1,414,359	1,674,275	-	259,916
4070F	2,874,547	3,227,162	-	352,615
4080L	2,608,153	3,175,996	-	567,843
4090B	2,124,682	2,126,059	-	1,377
4100A	1,120,614	1,496,951	-	376,337
4100H	882,195	1,182,076	-	299,881
Overseas Project-6060M (NOTE)	2,162,592	1,810,154	352,438	-
Overseas Project-6061A (NOTE)	1,344,662	1,101,289	243,373	-
Overseas Project-6061B (NOTE)	1,587,246	1,310,831	276,415	-
Overseas Project-6061D	2,996,624	3,024,001	-	27,377
Overseas Project-6061E	253,958	251,636	2,322	-
Overseas Project-6090C	814,711	1,046,315	-	231,604
8080K	414,181	424,620	-	10,439
Other (1)	451,396	227,157	224,239	-
Other (2)	48,272	90,049	-	41,777
Other (3)	8,866,818	8,866,818	-	-
Overseas Project-630100	3,366,933	3,351,533	15,400	-
Overseas Project-660100	22,976,350	24,466,635	-	1,490,285
Overseas Project-Other (1)	8,749,473	8,106,705	642,768	-
Overseas Project-Other (2)	14,899,062	15,458,693	-	559,631
Total	**$ 90,521,420**	**93,504,000**	**1,807,860**	**4,790,440**

As of December 31, 2012 and 2011, the contract price and other related information for major contracts accounted for by the percentage-of-completion method were as follows:

December 31, 2012

Project No.	Amount of Contract	Estimated Construction Cost	Completed %	Estimated Year of Completion	Cumulative Gain (Loss)	Cumulative Price Adjustment Gain (Loss)
2090E	$ 1,920,630	1,834,289	47.76%	2014	41,239	-
2100I	1,801,594	1,710,433	16.69%	2014	15,210	-
2110E	1,383,324	1,300,295	29.70%	2015	24,658	-
2110H	907,224	861,863	26.89%	2014	12,197	-
3080G	1,404,578	1,306,956	94.69%	2013	92,439	-
3100G	2,490,289	2,311,563	73.14%	2014	130,712	-
3110D	2,109,909	2,032,970	78.27%	2014	60,216	-
3110F	712,381	655,390	8.27%	2015	4,713	-
3120H	6,143,985	6,003,173	2.88%	2014	4,056	-
4050C	9,836,306	9,588,306	90.25%	2014	223,815	59,233
4070C	2,657,770	3,699,942	81.75%	2014	(1,042,172)	-
4070F	4,370,355	4,485,235	84.00%	2014	(114,880)	-
4080L	7,500,887	7,076,353	47.77%	2018	202,821	(6,488)
4090B	4,382,867	4,747,156	90.38%	2013	(364,289)	-
4100A	2,993,337	2,922,986	68.17%	2014	47,962	-
4100H	4,168,003	4,194,970	52.80%	2016	(26,967)	-
4120E	1,536,149	1,453,509	7.75%	2015	6,402	-
4120F	2,166,505	2,032,098	5.50%	2014	7,391	-
4120P	1,550,143	1,503,675	0.02%	2019	9	-
5110K	777,835	766,160	33.38%	2014	3,897	-
8080K	455,878	358,491	99.63%	2013	97,032	(21)
8110J	313,252	281,927	75.80%	2013	23,744	-
8120B	274,029	257,587	7.39%	2014	1,216	-
8120Q	1,680,667	1,613,440	0.50%	2016	334	-
	$ 63,537,897	**62,998,767**			**(496,436)**	**52,724**

December 31, 2012 Project No.	Amount of Contract	Estimated Construction Cost	Completd %	Estimated Year of Completion	Cumulative Gain (Loss)	Cumulative Price Adjustment Gain (Loss)
Expressed in INR						
6060M	$ 4,011,516	6,140,865	98.49%	2013	(2,129,348)	28,717
6061A	2,290,531	3,290,937	99.56%	2013	(1,000,407)	-
6061B	2,832,998	3,887,314	100.00%	2013	(1,054,315)	-
6061D	5,324,938	5,885,657	99.74%	2013	(560,719)	-
6061E	476,463	653,083	98.71%	2013	(176,620)	-
6090C	4,585,386	4,496,612	65.66%	2013	58,288	-
6090D	647,714	647,714	58.14%	2013	-	-
6110R	3,183,660	3,096,736	7.93%	2015	6,897	-
6110S	769,046	742,570	11.29%	2015	2,989	-
	$ 24,122,252	**28,841,488**			**(4,853,235)**	**28,717**
Expressed in HKD						
6110I	$ 300,440	307,768	27.32%	2015	(7,328)	-
6120L	767,228	747,961	5.00%	2017	1,020	-
	$ 1,067,668	**1,055,729**			**(6,308)**	**-**
Expressed in MOP						
6120D	**$ 570,503**	**579,450**	3.71%	2015	**(8,947)**	**-**

December 31, 2011 Project No.	Amount of Contract	Estimated Construction Cost	Completed %	Estimated Year of Completion	Cumulative Gain (Loss)	Cumulative Price Adjustment Gain (Loss)
2090E	$ 1,991,131	1,901,441	25.28%	2012	22,670	-
2100I	1,743,956	1,655,770	2.97%	2013	2,616	-
2110H	904,762	859,524	0.71%	2013	320	-
3080G	1,494,797	1,410,772	65.30%	2012	54,872	-
3090A	296,719	283,237	73.05%	2012	9,849	-
3100F	291,425	258,149	55.63%	2012	18,512	-
3100G	1,882,882	1,769,909	44.32%	2013	50,069	-
3110D	3,850,724	3,769,417	2.69%	2014	2,187	-
3110F	712,381	658,933	0.04%	2014	20	-
4050C	9,737,567	9,492,173	80.84%	2013	198,375	59,233
4070C	2,633,702	3,506,884	65.23%	2014	(873,182)	-
4070F	4,376,136	4,550,956	67.00%	2013	(174,820)	-
4080L	6,086,716	5,828,831	42.85%	2015	110,503	(6,488)
4090B	4,311,200	4,700,373	53.48%	2012	(389,173)	-
4100A	2,909,928	2,842,670	38.51%	2013	25,901	-
4100H	4,039,638	4,037,381	21.84%	2016	493	-
5110K	784,185	770,218	5.45%	2013	431	-
8080K	448,658	354,551	92.32%	2012	86,875	(21)
8110J	313,029	281,726	1.35%	2013	423	-
	$ 48,809,536	**48,932,915**			**(853,059)**	**52,724**
Expressed in INR						
6060M	$ 3,975,952	6,107,432	96.90%	2012	(2,131,480)	28,717
6061A	2,392,254	3,286,783	98.85%	2012	(894,529)	-
6061B	2,833,558	3,883,656	98.60%	2012	(1,050,098)	-
6061D	5,319,311	5,885,624	98.77%	2012	(566,313)	-
6061E	473,001	636,699	95.55%	2012	(163,697)	-
6090C	4,384,521	4,335,699	32.54%	2013	15,885	-
	$ 19,378,597	**24,135,893**			**(4,790,232)**	**28,717**
Expressed in USD						
660100	**$ 900,037**	**695,037**	84.30%	2014	**172,830**	**-**

a. For the years ended December 31, 2012 and 2011, the information of joint venture agreement that the Company and its subsidiaries entered was as follows:

Project Number	J.V. Partner	2012.12.31 Joint Venture Percentage The Company : J.V.partner	2011.12.31 Joint Venture Percentage The Company : J.V.partner
4070C	TAISEI Corp.	50% : 50%	50% : 50%
3110D	Sun Pao Tsun Construction Co., Ltd.	70% : 30%	70% : 30%
4120P	KAJIMA Corporation Taiwan Branch	45% : 55%	-
6061E	SOMA Enterprise Ltd.	64.103% : 35.897%	64.103% : 35.897%
6090D	SOMA Enterprise Ltd.	50% : 50%	-
6110I	Chun Wo Construction and Engineering Company	49% : 51%	-
6120M	Kuly Construction & Engineering Co., Ltd.	80% : 20%	-
6120D	Top Builders International Co., Ltd., Ng Kam Kee Construction Co., Ltd.	70% : 20% : 10%	-
630100	Edward Kraemer and Sons, Inc.	-	55% : 45%
650100	McLean Contraction Company	-	54% : 46%
660100	Fluor Enterprises, Inc.	-	50% : 50%

b. The Company and its subsidiaries recognized its interest in a jointly controlled entity using proportionate consolidation method and the amounts were as follows:

Project No.	Company's Ownership Percentage	Amount Recognized at Company's Ownership Percentage			
		Assets	Liabilities	Construction Income	Construction Cost
December 31, 2012					
4070C	50%	343,472	343,472	454,676	623,666
3110D	70%	461,170	461,170	1,547,735	1,489,707
4120P	45%	9,223	9,223	297	288
6061E	64.103%	74,512	74,512	10,186	17,349
6090D	50%	79,520	79,520	208,734	208,734
6110I	49%	82,534	110,011	312,737	340,656
6120M	80%	18,560	17,195	35,722	34,336
6120D	70%	90,324	122,891	78,282	111,386

Project No.	Company's Ownership Percentage	Amount Recognized at Company's Ownership Percentage			
		Assets	Liabilities	Construction Income	Construction Cost
December 31, 2011					
4070C	50%	286,954	286,954	371,076	671,054
3110D	70%	105,955	105,955	103,595	101,407
6061E	64.103%	255,520	255,520	(2,651)	35,819
630100	55%	17,093	582	(7,102)	(3,447)
650100	54%	652	652	-	-
660100	50%	2,552,120	2,032,587	3,727,653	2,988,936

9. LONG-TERM EQUITY INVESTMENT UNDER EQUITY METHOD

a. The investment income (loss) and cumulative translation adjustments for the year ended December 31, 2012 were based on the investees' financial statements audited by the auditors for the same period. The investment income (loss) and cumulative translation adjustments recognized under the equity method were as follows:

	December 31, 2012			For the year ended December 31, 2012	
Investee	Original Investment	Ownership %	Carrying Amount	Investment Gain (Loss)	Cumulative Translation Adjustment
New Continental Corp.	USD 50,592	45.47%	**2,250,252**	**-**	**-**

b. In 2012, the Company sold some shares of New Continental Corp. (NCC) with a result that it lost its influence or control on the Board of NCC. As such, effective December 28, 2012 the Company stops consolidating the revenue and income of NCC and its subsidiaries in the Company's consolidated financial statements, but instead, recognizes the associated long-term equity investment income under equity method. In addition, the Company recognized $34,639 thousand of gain from disposal of the investment in 2012.

10. FIXED ASSETS

a. As of December 31, 2012 and 2011, the accumulated depreciation was as follows:

	December 31, 2012	December 31, 2011
Buildings	$ 169,434	362,619
Machinery and equipment	1,111,848	1,902,166
Computer equipment	54,470	56,319
Transportation equipment	124,987	181,447
Furniture and office equipment	121,803	153,905
Leased assets	414,413	370,784
Total	**$ 1,996,955**	**3,027,240**

b. The accumulated impairment of land was $171,372 thousand and $360,650 thousand, as of December 31, 2012 and 2011, respectively.

c. The Consolidated Company revalued its land and fixed assets, which resulted in total revaluation increments of $5,679 thousand both as of December 31, 2012 and 2011.

d. In 2012, the Consolidated Company recognized a gain of 189,278 thousand on reversal of impairment loss.

11. SHORT-TERM BANK LOANS

Item	December 31, 2012	December 31, 2011
Collateral loans	$ 9,223,424	5,425,000
Credit loans	1,881,000	242,230
TOTAL	**$ 11,104,424**	**5,667,230**

a. The Consolidated Company provided collaterals, which were listed in Note 2, for the above collateral loans. The annual interest rates ranged from 1.15% to 2.35% in 2012 and from 1.15% to 2.117% in 2011.

b. In December 2010, CDC signed a syndicated loan agreement with the bank group led by Taipei Fubon Bank and Taiwan Life Insurance with a credit line of $3,539,760 thousand. The line of credit expires in five years and is collateralized by the land held for development (1100K), unless otherwise agreed to by CDC and the bank group. In addition, CDC signed a loan agreement with the Chang Hwa Bank in December 2011. The credit line of the loan was $3,500,000 thousand. This loan was used for paying back the above-mentioned syndicated loan. Also, a piece of construction land (1100K) was used as collateral. The loan period was two years.

12. SHORT-TERM BILLS PAYABLE, NET

Item	December 31, 2012	December 31, 2011
Commercial paper payable	**$ 1,466,000**	**550,000**

The annual interest rate of the commercial paper ranged from 1.058% to 1.168% in 2012 and from 1.051% to 1.139% in 2011.

13. UNEARNED RECEIPTS

Item	December 31, 2012	December 31, 2011
Advance real estate receipts	$ 3,875,620	2,756,787
Unearned rent	561	896
Others	-	303
	$ 3,876,181	**2,757,986**

14. LONG-TERM LOANS/CURRENT PORTION OF LONG-TERM LOANS

Nature of Loans	Maturity Period	Amount	Note
December 31, 2012			
Collateral loans	2014.07~2025.07	$ 7,863,000	Installment payments commenced from July 2014.
Credit loans	2014.08~2016.06	1,211,233	Installment payments commenced from August 2014, or a bullet payment at the expiry day of the loans.
Less: Current portion		(30,000)	
		$ 9,044,233	
December 31, 2011			
Collateral loans	2014.04~2017.12	$ 7,680,800	Installment payments commenced from April 2014, or a bullet payment at the maturity day of the loans.
Credit loans	2012.05~2016.06	1,682,246	Installment payments commenced from May 2012.
Less: Current portion		(372,519)	
		$ 8,990,527	

a. As of December 31, 2012 and 2011, interest rates for the above loans ranged from 1.525% to 2.35% in 2012 and from 0.15% to 2.35% in 2011. The collaterals for the above long-term loans are listed in Note 24.

b.The loan agreement requires the Company to maintain certain financial ratios: current ratio>100%, debt-to-equity ratio < 200%. As of December 31, 2011, the Company was in compliance with the above financial covenants.

15. CAPITAL STOCK

The Company was established through share exchange with CEC on April 8, 2010, with capital of $8,411,581 thousand. As of December 31, 2012 and 2011, the Company's authorized capital was $10,000,000 thousand, of which $8,411,581 thousand, representing 841,158 thousand shares, was issued and outstanding at a par value of $10 (dollars).

16. CAPITAL SURPLUS

a. The Company was established on April 8, 2010, and issued 841,158 thousand shares in exchange for CEC's stock. The net equity of CEC's stock in excess of par value of the Company's stock amounted to $7,368,919 thousand and was credited to capital surplus.

b. According to Article 30 of the Business Mergers and Acquisitions Act, any undistributed retained earnings after the share exchange of a company with another company are recorded as the capital surplus of the other company, and such distribution is immune from the restrictions provided in Article 241(1) of the Company Act.

c. The Company distributed cash dividends $504,695 thousand from capital surplus of 2010.

17. LEGAL RESERVE AND EARNINGS DISTRIBUTION

The Company's Articles of Incorporation require that after-tax earnings shall first be offset against any deficit, and 10% of the balance shall be set aside as legal reserve. Next, after the recognition or reversal of special reserve, the remaining balance of the earnings, if any, is distributed as follows:

a. 0.5% as employee bonuses;

b. 0.5% as remuneration of directors and supervisors;

c. 99% as dividends to shareholders.

Pursuant to the Regulations of Securities and Futures Bureau Commission, a special reserve is set aside from the current year's after-tax earnings at an amount equal to the debit balance of contra accounts in the shareholders' equity. The related special reserve can be reclassified into unappropriate earnings as the debit balance of any of these contra accounts in the shareholders' equity is decreased.

A dividend in accordance with the aforementioned distribution ratio does not have to be distributed if it is less than $0.3 per share.

On May, 25, 2012 and June, 9, 2011, the Company's shareholders' meeting resolved the appropriation of earnings for 2011 and 2010. Since the dividend available for distribution is less than $0.3 per share, all dividends were retained.

Awarding to Article 30 of Business Mergers and acquisitions Act, the Company's shareholders' meeting resolved to distribute cash dividends from capital surplus, and the information of the dividend distribution per share was as follows:

	2011	2010
Common stock per share－		
Cash dividends (dollars)	**$ 0.5**	**0.6**
Employee bonus-cash	$ 2,124	-
Directors' and supervisors' remuneration	2,124	-
	$ 4,248	-

In 2011 and 2010, the differences in the retained earnings distribution between the amount approved in the shareholders' meeting and recognized in the financial statements were as follows:

	2011		
	The amount approved in the shareholders' meeting	**The amount recognized in the financial statements**	**Differences**
Employee bonus－cash	$ 2,124	4,248	(2,124)
Directors' and supervisors' remuneration	2,124	4,248	(2,124)
	$ 4,248	**8,496**	**(4,248)**

	2010		
	The amount approved in the shareholders' meeting	**The amount recognized in the financial statements**	**Differences**
Employee bonus－cash	$ -	2,974	(2,974)
Directors' and supervisors' remuneration	-	2,974	(2,974)
	$ -	**5,948**	**(5,948)**

The differences between the approved amounts of the bonus to employees and the remuneration to directors and supervisors and the accrual amounts reflected in the financial statements in 2011 and 2010 were primarily due to the difference between the estimation in financial statements and the resolution approved through shareholder meeting. The difference is regarded as changes in estimates and has been adjusted in profit or loss for 2012 and 2011, respectively.

For the years ended December 31, 2012 and 2011, the Company's estimated employee bonuses were $2,124 thousand, $4,248 thousand, and directors' and supervisors' remuneration were $2,124 thousand, $4,248 thousand, respectively. The number of shares of stock distributed as dividends was determined based on the closing price on the day prior to the shareholders' meeting in consideration to the ex-rights and ex-dividend effects. Differences between the amount approved in the shareholders' meeting and in the amount accrued in current year statements, if any, will be accounted for as changes in accounting estimation and will be recognized as profit or loss in 2013 and 2012.

Information on the employee bonuses and directors' and supervisors' remuneration is available on the Market Observation Post System website of the Taiwan Stock Exchange.

18. INCOME TAXES

a. The Company and its local subsidiaries are subject to statutory income tax rate of 17% for the years ended December 31, 2012 and 2011. The Company and its local subsidiaries also comply with the Income Basic Tax Act when calculating its alternative minimum tax.

b. The components of income tax expense were as follows:

	For the year ended December 31, 2012	For the year ended December 31, 2011
Current income tax expense	$ 310,733	174,020
Overestimation of prior years' income tax	(276)	(49)
Deferred income tax (benefit) expense	38,608	(12,692)
Additional 10% surtax on unappropriated earnings	68,986	65,808
Income tax expense from continuing operations	**$ 418,051**	**227,087**

c.The components of deferred income tax were as follows:

		For the year ended December 31, 2012	For the year ended December 31, 2011
Provision for warranty	$	3,043	47,311
Unrealized construction loss		61,952	(32,259)
Provision for completion of work by subcontractors		23,390	30,125
Investment tax credit		53,552	(567)
Loss carry-forwards		(62,312)	(206,827)
Impair loss on long-term investment		14,394	(14,613)
Inventory valuation loss		-	(9,756)
Others		15,626	(21,776)
Valuation allowance		(71,037)	195,670
	$	**38,608**	**(12,692)**

d. The reconciliation between income tax expense calculated at statutory rates and income tax expense was as follows:

		For the year ended December 31, 2012	For the year ended December 31, 2011
Income tax calculated on net income (before tax)	$	465,204	301,108
Tax-exempt gain on disposal of land		(249,512)	(531,382)
Tax-exempt gain on disposal securities (include dividend income)		(15,059)	(34,251)
Additional 10% surtax on unappropriated earnings		68,986	65,808
Gain on liquidation to investment		14,566	-
Difference between basic tax rate and regular income tax		2,521	-
Timing difference between tax accounting and financial		40,963	175,322
Capital difference between tax accounting and financial accounting		15,394	5,699
Loss carry-forwards		54,780	357,099
Overestimation of prior years' income tax		(276)	(49)
Valuation allowance		(3,979)	(113,259)
Impair of loss		-	834
Provision for warranty		-	(262)
Others		24,463	420
Income tax expense	**$**	**418,051**	**227,087**

e. Net deferred income tax assets and liabilities consisted of the following:

	December 31, 2012			December 31, 2011		
		Income tax effect			Income tax effect	
	Amount	Current	Non-current	Amount	Current	Non-current
Deferred tax assets:						
Provision for warranty	$ 531,951	28,746	61,686	186,994	31,789	-
Loss carry forwards	6,867,683	10,153	1,157,353	6,851,645	558,099	606,680
Unrealized construction loss	300,296	51,051	-	634,318	103,777	4,058
Unrealized impairment of long-term investment	125,737	21,375	-	210,284	35,748	-
Provision for completion of work by subcontractors	5,743	976	-	362,407	61,609	-
Inventory valuation loss	60,911	-	10,355	117,197	-	19,924
Investment tax credit	-	-	-	315,012	-	53,552
Others	1	-	-	411	600	-
		112,301	1,229,394		791,622	680,214
Less: Allowance for deferred tax assets		(107,307)	(1,229,394)		(731,401)	(680,214)
Net deferred tax assets		**$ 4,994**	**-**		**60,221**	**-**
Deferred tax liabilities:						
Fixed assets tax difference	$ -	-	-	672,572	114,337	-
Others	-	-	-	228,347	38,819	-
Deferred tax liabilities		**$ -**	**-**		**153,156**	**-**

g. The Company's tax returns for the years through 2010 were assessed and approved by the Taipei National Tax Administration. The ROC Income Tax Act allows net losses, as assessed by the tax authorities, to offset against taxable income over a period of ten years for local tax reporting purposes. The Company's estimated unused loss carry-forwards were as follows:

Year of loss	**Unused amount**	**Year of expiry**
The Company:		
2010(approved)	$ 104,672	2020
2011(filing)	1,770	2021
2012(estimated)	2,455	2022
Local Subsidiary		
2006(approved)	1,981	2016
2008(approved)	1,070,026	2018
2009(approved)	2,546,031	2019
2010(filing)	1,364,589	2020
2011(filing)	1,225,383	2021
2012(estimated)	550,776	2022
	$ 6,867,683	

h. As of December 31, 2012 and 2011 unappropriate earnings were as follows:

	December 31, 2012	**December 31, 2011**
Accumulated earnings	**$ 1,561,448**	**1,113,603**
Balance of the imputation credit account	**$ 60,391**	**44,923**

	2012(Estimated)	**2011(Actual)**
Creditable ratio for distribution of earnings	**2.99%**	**3.31%**

19. EARNINGS PER SHARE

	For the year ended December 31, 2012		For the year ended December 31, 2011	
Basic earnings per share	**Before Tax**	**After Tax**	**Before Tax**	**After Tax**
Net income	**$ 1,175,693**	**1,147,217**	**997,074**	**984,126**
Weighted-average number of outstanding shares (in thousands)	**841,158**	**841,158**	**841,158**	**841,158**
Basic earnings per share－current period	**$ 1.40**	**1.36**	**1.19**	**1.17**
Diluted earnings per share				
Net income	**$ 1,175,693**	**1,147,217**	**997,074**	**984,126**
Weighted-average number of outstanding shares (in thousands)	841,158	841,158	841,158	841,158
Diluted potential common stock－employee bonuses (in thousands)	344	344	950	950
Effect of dilutive potential common stock (in thousands)	**841,502**	**841,502**	**842,108**	**842,108**
Diluted earnings per share－current period	**$ 1.40**	**1.36**	**1.18**	**1.17**

20. PENSION PLAN

a. For the years ended December 31, 2012 and 2011, pension costs and related information of the Company were as follows:

	December 31, 2012	December 31, 2011
Benefit obligation		
Vested benefit obligation	$ (121,927)	(105,533)
Non-vested benefit obligation	(300,141)	(291,909)
Accumulated benefit obligation	(422,068)	(397,442)
Additional benefits based on future salaries	(104,310)	(103,443)
Projected benefit obligation	(526,378)	(500,885)
Fair value of plan assets	181,948	195,786
Funded status	(344,430)	(305,099)
Unrecognized net transitional obligation	84,821	94,770
Unrecognized net loss	65,697	41,568
Accrued minimum pension liabilities	(50,247)	(33,156)
Accrued pension liabilities	**$ (244,159)**	**(201,917)**

As of December 31, 2012 and 2011, the vested benefit obligation under the pension plan amounted to $130,272 thousand and $113,277 thousand, respectively.

b. Components of net periodic pension cost for 2012 and 2011 were as follows :

	2012	2011
Service Cost	$ 8,058	10,044
Interest Cost	10,018	11,903
Return on pension fund assets	(3,931)	(4,427)
Amortization	12,469	13,329
Net pension fund cost	**$ 26,614**	**30,849**

c. Actuarial assumptions were as follows:

	2012	2011
Discount rate	2.00 %	2.00 %
Future salary increase rate	3.00 %	3.00 %
Expected rate of return on pension fund assets	2.00 %	2.00 %

d. For the years ended December 31, 2012 and 2011, under the defined contribution pension plan, the Company and its local subsidiaries contributed pension expenses amounting to $43,737 thousand and $39,335 thousand, respectively, to the Bureau of Labor Insurance.

21. DISCOLOSURE OF FINANCIAL INSTRUMENT INFORMATION

a. Information on fair value

The following table does not include short-term financial instruments. Since such financial instruments will soon mature, the carrying amount is a reasonable basis to estimate fair value. Short-term financial instruments include cash and cash equivalents, short-term debt, income tax payable, accrued expense, other current liabilities, etc.

As of December 31, 2012 and 2011, the information on the Company and its subsidiaries' financial assets and liabilities was as follows:

	December 31, 2012			December 31, 2011		
	Carrying Amount	Fair Value		Carrying Amount	Fair Value	
		Quoted Market Price	Evaluation		Quoted Market Price	Evaluation
Financial Assets:						
Financial assets carried at cost－non-current	$ 6,593,053	Note b	Note b	-	Note b	Note b
Financial Liabilities:						
Long-term loans (including current portion)	595,373	Note b	Note b	7,413,400	Note b	Note b

b. Methods and assumptions used in measuring the fair value of the financial instruments were as follows:

Financial assets carried at cost: Investments over which the Company does not exercise significant influence and which do not have quoted market prices in an active market and whose fair value cannot be reliably measured.

c. Information on financial risk

(1) Credit risk

As of both December 31, 2012 and 2011, guarantees provided for financing and construction warranties of other construction companies amounted to approximately $24,240,691 thousand and $12,562,487 thousand, respectively.

Clients of the Company and its subsidiaries are concentrated in the construction industry and government entities. To minimize credit risk, the Company and its subsidiaries review the financial positions of the clients periodically and request collateral if necessary. The Company and its subsidiaries also evaluate the collectability of receivables and provide an allowance for doubtful accounts on a regular basis. The relevant loss on bad debts is generally under the Company's expectation.

(2) Liquidity risk

The operating funds of the Company and its subsidiaries are adequate to meet demands, and there is no related liquidity risk. Given that exchange rates are specified in forward contracts, there is no significant related liquidity risk.

(3) Cash flow risk of changing interest rate

As of December 31, 2012 and 2011, financial liabilities exposed to cash flow interest rate risk amounted to $17,452,657 thousand and $13,993,046 thousand, respectively. Which is due to the Company's long-term loans are floating-rate loans, the effective interest rate of the long-term debt would change if the market rate changed.

22. OTHERS

The information of the Company and its subsidiaries significant currency financial assets and liabilities were as follows:

	December 31, 2012			December 31, 2011		
	Foreign Currency	Exchange Rate	NTD	Foreign Currency	Exchange Rate	NTD
Financial Assets						
Monetary Items						
INR	$ 1,855,580	0.5301	983,643	1,268,308	0.5711	724,331
HKD	53,213	3.75	199,549	2,030	3.897	7,911
MOP	21,761	3.64	79,211	-	-	-
MYR	476	9.50	4,523	-	-	-
USD	13,019	29.04	378,075	183,475	30.28	5,555,627
Long-term Investment under equity method						
USD	77,488	29.04	2,250,252	-	-	-
Financial Liabilities						
Monetary Items						
INR	664,372	0.5301	352,184	683,087	0.5711	390,111
HKD	31,012	3.75	116,298	1,508	3.897	5,876
MOP	7,502	3.64	27,307	-	-	-
MYR	18	9.50	168	-	-	-
USD	10,007	29.04	290,601	30,808	30.28	932,863

23. RELATED-PARTY TRANSACTIONS

a. Names of related parties and relationship with the Company

Name of Related Party	Relationship
TSRC Corp.	Its director is Company's Chairman.
ABF Barge LLC	ABHC's investee company accounted for under equity method
Mr. Yi-Chien Hong	A president of the Company
Mr. Li-Chen Ding	A vice-president of the Company
Mr. Ying-Chou Yang	A vice-president of the Company
Mr. Liang-Jim Chang	CDC's chairman
Ms. Mei-Ling Tsai	Spouse of CDC's chairman

Name of Related Party	Relationship
American Bridge Company(ABC)	ABHC's subsidiary (As of December 31, 2012, CIC has lost controlling power over the investee after it sold part of shares on the investee in 2012.)
Members of the board of directors, President and Vice-president	Key management personnel of the Company

b. Significant transactions with related parties

(1) Sales

For the year ended December 31, 2011	Location	Amount of contract	Billed in this period	Total billed to date
Mr. Liang-Jim Chang	1063A	$ 40,752	40,752	40,752

CDC sold the real estate to its related party, Ms. Mei-Ling Tsai, in the second quarter, 2010. The prices and collection terms of contracts with related parties are the same as those in general transactions. Due to Ms. Mei-Ling Tsai's financial planning, Ms. Tsai transferred the property to her husband Mr. Liang-Jim Chang during the first quarter of 2011.

(2) Receivables from and payables to related parties

Other receivables－related party	December 31, 2012		December 31, 2011	
	Amount	%	Amount	%
TSRC Corp.	$ -	-	104	-

(3) Financing to related parties (other receivables－related party)

	December 31, 2011			
Related Party	Maximum Balance	Ending Balance	Interest Rate	Interest Income
ABF Barge LLC	$ 290,058	268,003	6%	15,608

(4) Lease contracts

December 31, 2011	Location	Period	Rent/Mo	Payment Term	Rent Revenue
TSRC Corp.	13F., No. 95, Sec. 2, Dunhua S. Rd., Da-an District, Taipei 106, Taiwan, R.O.C.	2010.05.02 ~2013.03.31	$ **445**	Monthly	**4,557**

(5) Others

i. As of December 31. 2012, the amounts of guarantee provided by the Company to related party was as follows:

	Subject of guarantee	December 31, 2012
ABC	Project contract guarantee (NOTE)	**$ 13,068,000**

Note: According to the contract with FIC Corp. and other Surety Companies for ABC, the guarantee amount of the Company is limited to USD450,000 thousand, while FIC Corp. and other Surety Companies provided a guarantee of USD1,332,246 thousand as of December 31, 2012. In addition, the Consolidated Company sold part of its shares during 2012 and lost its controlling power over ABC. The purchaser also promised to guarantee an amount up to the limit mentioned above.

ii. For the year December 31, 2011, the Consolidated Company sold fixed assets to related parties amounted to $1,333 thousand. The amount has been fully received.

iii. For the year December 31, 2011, the Company purchased transportation equipments from Mr. Ying-Chou Yang amounted to $1,400 thousand. The amount has been fully paid.

c. Key management personnel compensation

Related information as follows:

	For the year ended December 31, 2012	For the year ended December 31, 2011
Salaries and directors' and supervisors' remuneration	$ 171,058	172,744
Employee benefits	55,028	119,529
Benefits to members of the board of directors	8,791	6,391
Employee bonuses	2,767	2,587

The amounts mentioned above include the estimated employee bonuses and directors' and supervisors' remuneration. Please see the "Legal Reserve and Earnings Distribution" section for reference.

24. PLEDGED ASSETS

As of December 31, 2012 and 2011, the following assets were pledged:

Assets		December 31, 2012	December 31, 2011	Note
Restricted deposits (other financial assets －current)	$	165,786	348,457	(a)
Inventory (construction)		14,187,540	6,271,681	(b)
Fixed assets- land and buildings (book value)		2,468,138	4,394,815	(b)、(c)
Fixed assets- leased assets (book value)		6,396,117	4,303,537	(b)、(c)
Total	**$**	**23,217,581**	**15,318,490**	

Purpose of pledge:

(a) Construction warranty, guarantees for contract performance and advance payment, payback reserve and hedging instruments;

(b) Loan collateral;

(c) Construction warranty.

25. MAJOR COMMITMENTS AND CONTINGENCIES

a. As of December 31, 2012 and 2011, the Company and its subsidiaries promissory notes for contract performance, issuance of commercial paper, and construction warranty amounted to $25,812,018 thousand and $26,007,789 thousand, respectively. In addition, as of December 31, 2004, the Company recognized a provision for warranty amounting to $455,991 thousand and $981,156 thousand, respectively, which was estimated based on the possibility of disasters within three to ten years in the future because the Company had acquired the certifications of completion of C260 and C270 projects from THSRC. For the years ended December 31, 2012 and 2011, the Company reversed the current operating costs of $0 and $244,185 thousand of C260 and C270 projects, respectively.

b. As of December 31, 2012 and 2011, promissory notes receivable for construction contracts amounted to $6,135,928 thousand and $5,778,200 thousand, respectively.

c. Amounts available under unused letters of credit as of December 31, 2011 were USD $479 thousand.

d. As of December 31, 2012 and 2011, realty advance sales and total sales of completed realty amounted to $12,265,499 thousand (before tax) and $9,571,860 thousand (before tax), and the advance receipts from these sales were $3,875,620 thousand (before tax) and $2,756,787 thousand (before tax), respectively.

e. As of December 31, 2012 and 2011, the Company and its subsidiaries entered the major construction contracts amounted to $63,537,897 thousand, INR24,122,252 thousand, HKD1,067,668 thousand, MOP570,503 thousand, and to $48,809,536 thousand, INR19,378,597 thousand, and USD900,037 thousand, respectively, and the total billed amounts of the contracts were $55,284,754 thousand and $93,504,000 thousand, respectively.

f. As of December 31, 2012 and 2011, the Company provided the guarantees for contract performance and construction warranties for other construction companies, including jointly liable contracts, amounted to $24,240,691 thousand and $12,562,487 thousand, respectively.

g. As of December 31, 2012 and 2011, CDC signed a contract of purchasing the land for $2,964,943 thousand and $76,472 thousand, respectively, and $2,672,551 and $24,442 thousand have been paid in accordance with the contract, respectively.

h. The joint construction contracts with several landowners as of December 31, 2012 and 2011, are detailed below:

Contract Title	Landowner	Nature of Joint Construction	Estimated Year of Completion	December 31, 2012	December 31, 2011
1050F	Mr. Chong-Ren Cai, etc.	Joint construction with completed units to be shared	2012	-	4,259
1070E	Mr. Hsin-Jung Chen, Mr. Hsin- Ren Chen	Joint construction with completed units to be shared	2012	-	40,115
1080F	Formosan Rubber Group Inc.、Chen Yang Development Corp.	Joint construction with completed units to be shared	2013	33,270	49,905
1110L	Ho Warm Construction Co. Ltd.	Joint construction with completed units to be shared	Unknown	750,000	650,000
1110P	Mr. Wen-Xiang Lian etc.	Joint construction with completed units to be shared	Unknown	25,864	25,864
1110N	Fu Bai Shi Construction Co., Ltd	Joint construction with completed units to be shared	Unknown	80,000	80,000
1110M	Mr. Tong-Liang Chiang	Joint construction with completed units to be shared	Unknown	22,519	-
				$ 911,653	**850,143**

i. North Shore Corp., a subsidiary of the Company, signed a contract for the Tamsui sewage treatment plant in New Taipei City with the New Taipei City Government on May 31, 2005. The components are as follows:

(1) Period of contract:

The construction period shall not be longer than 5 years, effective from the very next day of the signing date of the concession agreement. North Shore shall acquire the relevant licenses for operating the sewage plant and shall seek a written approval from the relevant government authorities before the sewage plant is in operation. The concession period for build-and-operation is 35 years. To transfer all the assets and affiliated businesses, North Shore Corp. shall sign a transfer contract 2 years before the end of the concession period, and then make a provision for 3 years warranty.

(2) Authority and scope of operating:

Including Tamsui sewage treatment plant, affiliated facilities, and affiliated businesses.

(3) Endorsements/guarantees:

i. Providing $100,000 thousand as endorsement/guarantee before signing the contract.

ii. Within the operating period, North Shore Corp. should bear less than $175,000 thousand of the professional management expenses to assure the quality and the administration of the contract. For the first three years of operation after the date of signing and three years before transferring, North Shore Corp. should pay $10,000 thousand each year, and $5,000 thousand for each remaining year.

j. According to the land sale agreement signed between Continental Development Corporation (CDC) and the village customer, the land reserved for public facilities owned by the village can be sold or donated by CDC to its community committee, corporate body or government. CDC plans to donate this reserved land for public facilities to an association established by the community committee, and government. Considering that the recipients are probably not willing to bear the burden of land value incremental tax, so CDC prepared the budget of $188,074 thousand for land value incremental tax according to the potential recipient unit and the estimate of current land value incremental tax. The budget is recorded as selling expenses. The actual tax will be subject to the recipient and the amount of the added land value.

26. LOSS DUE TO MAJOR DISASTERS : None

27. SIGNIFICANT SUBSEQUENT EVENTS : None

28. OTHER

a. Liquidity analysis of assets and liabilities

	December 31, 2012		
	Expected collection or payment within 12 months	Expected collection or payment exceeding 12 months	Total
Assets			
Cash and cash equivalents	$ 2,387,064	-	2,387,064
Financial asset measured at fair value through profit or loss－current	476	-	476
Derivative financial assets for hedging – current	68,182	-	68,182
Financial asset measured at cost－current	6,593,053	-	6,593,053
Notes receivable, net	124,647	-	124,647
Accounts receivable, net	1,727,347	749,580	2,476,927
Other financial assets – current	547,995	1,000,945	1,548,940
Inventory	2,483,717	17,186,603	19,670,320
Costs of uncompleted contracts in excess of related billings	1,082,721	633,993	1,716,714
Deferred selling expenses	295,339	8,150	303,489
Prepayments	699,492	-	699,492
Other current assets	514,066	-	514,066
	$ 16,524,099	**19,579,271**	**36,103,370**
Liabilities			
Short-term bank loans	$ 3,826,000	7,278,424	11,104,424
Short-term bills payable, net	550,000	916,000	1,466,000
Financial liability measured at fair value through profit or loss－current	1,133	-	1,133
Accounts payable	2,634,540	1,823,693	4,458,233
Accrued expenses	703,377	188,074	891,451
Unearned receipts	1,221,376	2,654,805	3,876,181
Billings on uncompleted contracts in excess of related costs	548,913	1,283,466	1,832,379
Current portion of long-term liabilities	30,000	-	30,000
Other current liabilities	734,791	62,579	797,370
	$ 10,250,130	**14,207,041**	**24,457,171**

	December 31, 2011		
	Expected collection or payment within 12 months	Expected collection or payment exceeding 12 months	Total
Assets			
Cash and cash equivalents	$ 6,743,194	-	6,743,194
Financial asset measured at fair value through profit or loss －current	23,775	-	23,775
Financial asset measured at cost－current	486,827	-	486,827
Notes receivable, net	3,396,953	929,609	4,326,562
Accounts receivable, net	268,108	-	268,108
Other financial assets – current	743,573	887,750	1,631,323
Inventory	4,032,109	6,876,477	10,908,586
Costs of uncompleted contracts in excess of related billings	1,610,641	197,219	1,807,860
Deferred selling expenses	277,537	247,130	524,667
Prepayments	611,884	-	611,884
Other current assets	1,094,244	-	1,094,244
	$ 19,288,845	**9,138,185**	**28,427,030**
Liabilities			
Short-term bank loans	$ 2,487,230	3,180,000	5,667,230
Short-term bills payable, net	550,000	-	550,000
Accounts payable	2,354,180	2,805,257	5,159,437
Accrued expenses	960,140	188,074	1,148,214
Unearned receipts	1,989,586	768,400	2,757,986
Billings on uncompleted contracts in excess of related costs	731,576	4,058,864	4,790,440
Current portion of long-term liabilities	372,519	-	372,519
Other current liabilities	741,767	168,847	910,614
	$ 10,186,998	**11,169,442**	**21,356,440**

b. Employee, depreciation, depletion and amortization expenses summarized as follow:

	For the year ended December 31, 2012			For the year ended December 31, 2011		
	Operating Costs	Operating Expenses	Total	Operating Costs	Operating Expenses	Total
Employee expenses						
Salary expenses	2,304,294	788,482	3,092,776	2,163,748	740,933	2,904,681
Labor and health insurance expenses	528,091	97,392	625,483	489,322	103,129	592,451
Pension expenses	300,207	81,722	381,929	284,792	88,456	373,248
Other employee expenses	255,330	43,448	298,778	226,472	44,848	271,320
Depreciation expenses	450,599	62,597	513,196	684,420	76,564	760,984
Depletion expenses	-	-	-	-	-	-
Amortization expenses	1,128,380	8,232	1,136,612	1,048,652	-	1,048,652

29. DISCLOSURES REQUIRED

a. Information on significant transactions

(1) Schedule 1: Loans to others: None.

(2) Schedule 2: Endorsements/guarantees to others:

	Guarantor	Guaranteed party							
NO.	Name of the company	Name of the company	Relationship with the Company	Limit on guarantees provided to a single business	Maximum balance of endorsements/ guarantees for the period	Ending balance of endorsements/ guarantees	Collateral	Cumulative guarantee as percentage of net worth of the most recent financial statements	Maximum amount of endorsements/guarantees
0	Continental Holdings Corp.	Continental Engineering Corp.	Note 3	134,019,512	66,511,173	8,452,007	-	50.45%	134,019,512 (Note 1)
	"	CEC International Corp. (India) Private Limited Ltd.	Note 4	134,019,512	6,724,801	5,938,392	-	35.45%	134,019,512 (Note 1)

Note 1: The amount of total endorsements/guarantees is limited to net equity value. The amount of endorsements/guarantees is limited to eight times the net equity value for a single business. Calculation is as follows:

Maximum endorsements/guarantees: \$16,752,439 thousand×8＝\$134,019,512 thousand

Endorsements/guarantees to a single business enterprise are limited to eight times the net equity value of the Company's most recent financial statements: \$16,752,439 thousand×8＝\$134,019,512 thousand

Note 2: The endorsements/guarantees were eliminated when compiling the consolidated financial statements.

Note 3: Subsidiary company directly owned by the Company.

Note 4: Subsidiary company indirectly owned by the Company.

(3)Schedule 3: Marketable securities held on December 31, 2012:

Holding Company	Type of Marketable Security	Name of Marketable Security	Relationship with the Company	Account	December 31, 2012				Note
					Shares	Book Value	%	Market Value/Equity (dollars)	
Continental Holdings Corp.	Common stock	Continental Engineering Corp.	An investee company accounted for under the equity method	Long-term investment under the equity method	451,483,877	7,848,142	100	17.47	(Note 1)
"	"	Continental Development Corp.	"	"	300,000,000	8,918,121	100	29.73	"

Note 1: Corporation with no market price, whose net value per share is from financial statements audited by a CPA on December 31, 2012.

Note 2: The above securities held by the Company were eliminated when compiling the consolidated financial statements.

(4) Schedule 4: Cumulative purchases or sales of the same marketable securities exceeding $100,000 thousand or 20% of paid-in capital: None.

(5) Schedule 5: Acquisition of real estate exceeding $100,000 thousand or 20% of paid-in capital: None.

(6) Schedule 6: Disposal of real estate exceeding $100,000 thousand or 20% of paid-in capital: None.

(7) Schedule 7: Sales to or purchases from related parties exceeding $100,000 thousand or 20% of paid-in capital: None.

(8) Schedule 8: Receivables from related parties exceeding $100,000 thousand or 20% of paid-in capital: None

(9) Schedule 9: Transactions involving financial derivatives: None.

CONTINENTAL HOLDINGS CORPORATION AND ITS SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS (CONT'D)

b. Information on investee companies

(1) Schedule 1: Names and addresses of, and relevant information on, investee companies

Investor	Name of investee company	Location	Main business	Original investment amount		Ownership			Current net income (loss) of investee company	Current gain (loss) on investment recognized by the Company	Note
				December 31, 2012	December 31, 2011	Number of shares	Ratio	Amount			
Continental Holdings Corp.	Continental Engineering Corp.	Taiwan	Comprehensive construction	8,844,949	8,844,949	451,483,877	100.00%	7,848,142	150,227	149,025	Note 1
〃	Continental Development Corp.	Taiwan	Housing and building development and lease	6,620,748	6,620,748	300,000,000	100.00%	8,918,121	1,167,533	1,167,533	
Continental Engineering Corp.	North Shore Corp.	Taiwan	Pollution protection and other environmental sanitation	-	600,000	-	-	-	24,689	Not Applicable	
〃	Hsin-Dar Environment Engineering Co., Ltd.	Taiwan	Plumbing	1,010,000	400,000	101,000,000	100.00%	942,427	470		〃
〃	CEC International Corp. (India) Pvt. Ltd	New Delhi, India	Construction projects	497,839	321,114	73,981,492	100.00%	192,823	(19,925)	〃	〃
〃	CEC International Corp.	British Virgin Islands	Investment and holding	1,305,504	1,305,504	39,139,940	100.00%	2,337,727	272,124	〃	〃
〃	CEC International Malaysia Sdn. Bhd.	Malaysia	Construction projects	6,691	-	700,000	70.00%	3,838	(4,076)	〃	〃
Continental Development Corp.	CEC Commercial Development Corp.	Taiwan	Housing and building development and lease	976,539	976,539	22,913,175	80.65%	1,451,024	223,922	〃	〃

CONTINENTAL HOLDINGS CORPORATION AND ITS SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS (CONT'D)

Investor	Name of investee company	Location	Main business	Original investment amount		Ownership			Current net income (loss) of investee company	Current gain (loss) on investment recognized by the Company	Note
				December 31, 2012	December 31, 2011	Number of shares	Ratio	Amount			
CEC International Corp.	New Continental Corp.	British Virgin Islands	Investment and holding	USD 40,822	USD 50,592	4,596	45.47%	USD 77,488	USD 15,806	〃	〃
New Continental Corp.	American Bridge Holding Company	Pittsburgh, PA, U.S.A.	Investment and holding	USD 74,106	USD 74,106	3,547,187	95.94%	USD 159,606	USD 16,387	〃	〃
Hsin-Dar Environment Engineering Co., Ltd.	Shen-Da Construction Co., Ltd.	Taiwan	Construction projects	51,000	51,000	5,100,000	51.00%	(113)	4,743	〃	〃
〃	North Shore Corp.	Taiwan	Pollution protection and other environmental sanitation	1,112,000	500,000	110,000,000	100.00%	1,149,816	24,689	〃	〃

Note 1: The investment income/loss for the years ended December 31, 2012 was leased on the investees' financial statements audited by the auditors for the same period.

Note 2: The above securities held by the Company were eliminated when compiling the consolidated financial statements.

CONTINENTAL HOLDINGS CORPORATION AND ITS SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS (CONT'D)

Schedule 2: Loans to others:

No.	Lender	Borrower	Account	Highest amount	JUNE 30, 2011	Amount occurred during the period	Interest rate	Nature	Amount of commercial dealings	Financing purpose	Allowance for bad debt amount	Pledges		Maximum amount to individual	Maximum total financing amount
												Item	Value		
1	American Bridge Co.	ABF Barge	Prepayment	259,784	235,686	235,686	6	2	-	To acquire equipment	-	-	-	1,161,600	1,161,600

Note 1: ABHC's investee company under equity method

Note 2: The board meeting of American Bridge Co. decided to limit the financing to an individual borrower to USD 40,000 thousand.

(3) Schedule 3: Endorsements/guarantees to others:

	Guaranteed party		Limit on guarantees provided to a single business	Maximum balance of endorsements/	Ending balance of endorsements/	Collateral	Cumulative guarantee as percentage of net worth of the most recent financial statements	Maximum amount of endorsements/guarantees
Name of the company	**Name of the company**	**Relationship with the Company**						
Continental Engineering Corp.	Fu Tsu Construction Co., Ltd.	Note 5	23,661,843	11,151,487	11,151,487	-	141.39%	47,323,686 (Note 1)
〃	Patel Engineering Ltd.	Note 5	23,661,843	21,204	21,204	-	0.27%	47,323,686 (Note 1)
〃	CEC International Corp.	Note 8	15,774,562	869,710	667,920	-	8.47%	15,774,562 (Note 2)
〃	American Bridge Corp.	Note 5	23,661,843	13,495,500	13,068,000	-	165.08%	47,323,686 (Note 1)
Continental Engineering Corp.	CEC International Corp. (India) Pvt. Ltd.	Note 7	23,661,843	6,024,191	5,422,753	-	68.75%	47,323,686 (Note 1)
〃	CEC International Corp. (India) Pvt. Ltd.	Note 8	15,774,562	260,550	253,755	-	3.22%	15,774,562 (Note 2)
〃	CEC International Malaysia Sdn. Bhd.	Note 7	23,661,843	10,450	9,500	-	0.12%	47,323,686 (Note 1)
Continental Engineering Corp.	Hsin-Dar Environment Engineering Co., Ltd.	Note 8	15,774,562	460,000	460,000	-	5.83%	15,774,562 (Note 2)
Continental Development Corp.	CEC Commercial Development Corp.	Note 8	17,836,242	1,000,000	1,000,000	-	11.21%	17,836,242 (Note 3)

Name of the company	Guaranteed party		Limit on guarantees provided to a single business	Maximum balance of endorsements/	Ending balance of endorsements/	Collateral	Cumulative guarantee as percentage of net worth of the most recent financial statements	Maximum amount of endorsements/guarantees
	Name of the company	Relationship with the Company						
CEC Commercial Development Corp.	Continental Development Corp.	Note 9	5,397,909	1,000,000	888,800	1,200,000	49.40%	5,397,909 (Note 4)

Note 1: According to Continental Engineering Corp., the amount of total endorsements/guarantees is limited to six times the net equity value of the company's most recent financial statements in the event of joint liability in joint ventures with other companies in the same industry: $7,887,281 thousand × 6＝$47,323,686 thousand

Endorsements/guarantees to a single business are limited to three times the net equity value of the company's most recent financial statements: $7,887,281 thousand× 3＝$23,661,843 thousand

Note 2: According to Continental Engineering Corp., the amount of total endorsements/guarantees is limited to two times the net equity value of the company's most recent financial statements except in the event of joint liability in joint ventures with other companies in the same industry: $7,887,281 thousand × 2＝$15,774,562 thousand

Endorsements/guarantees to a single business are limited to two times the net equity value of the company's most recent financial statements: $7,887,281 thousand × 2＝$15,774,562 thousand

Note 3: According to Continental Development Corp., the amount of total endorsements/guarantees is limited to two times the net equity value of the company's most recent financial statements in the event of joint liability in joint ventures with other companies in the same industry: $8,918,121 thousand × 2＝$17,836,242 thousand

Endorsements/guarantees to a single business are limited to two times the net equity value of the company's most recent financial statements: $8,918,121 thousand × 2＝$17,836,242 thousand

Note 4: According to CEC Commercial Development Corp., the amount of total endorsements/guarantees is limited to three times the net equity value of the company's most recent financial statements in the event of joint liability in joint ventures with other companies in the same industry: $1,799,303 thousand × 3=$5,397,909 thousand

Endorsements/guarantees to a single business are limited to three times the net equity value of the company's most recent financial statements: $1,799,303 thousand × 3=$5,397,909 thousand

Note 5: The Company should provide a guarantee to other companies in the same industry based on the undertaken projects.

Note 6: Subsidiary company indirectly owned over 50% by the Company; an endorsement/guarantee for construction.

Note 7: Subsidiary company directly owned over 50% by the Company; not an endorsement/guarantee for construction.

Note 8: Subsidiary company directly owned over 50% by the Company; not an endorsement/guarantee for construction.

Note 9: Parent company which directly held the Company over 50%; not an endorsement/guarantee for construction.

Note 10: The amount of endorsements/guarantees provided by each subsidiary does not exceed the maximum amount of endorsement limit of each company.

Note 11: Transactions denominated in foreign currencies are translated into New Taiwan Dollars at the exchange rate prevailing on the balance sheet date, and the exchange rate of USD, INR, and MYR were 29.04, 0.5301 and 9.50 on December 31, 2012, respectively

CONTINENTAL HOLDINGS CORPORATION AND ITS SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS (CONT'D)

(4) Schedule 4: Marketable securities held on December 31, 2012

Holding Company	Kinds and Names of Securities	Relationship with the Issuer of Securities	Account in Books	End of the Period				Note
				Shares	Book Value	Shareholding Ratio	Market Value (expressed in dollars)	
Continental Engineering Corp.	Taiwan High Speed Rail Cor. – common stock	-	Financial assets carried at cost – current	201,735,000	1,928,375	3.10	5.00	
"	(A (I) registered preferred stock)	-		99,675,000	799,858	3.83	5.00	Note 1
"	(C (IV) registered preferred stock)	-		9,800,000	73,840	27.45	5.00	Note 1
"	(C (V) registered preferred stock)	-		59,125,000	445,442	23.80	5.00	Note 1
"	(C (VIII) registered preferred stock)	-		32,250,000	251,760	15.73	5.00	Note 1
"	Euro-Asia Investment Holding Co.	-	Financial assets carried at cost –non-current	1,450,000	13,210	14.87	9.11	
"	Evergreen Steel Corp.	-	〃	25,645,907	443,080	6.28	27.98	
"	Shin Yung Enterprise Corp.	-	〃	12,256,347	130,287	8.45	16.91	
"	JieBang Consultant Management Co., Ltd.	-	〃	300,000	3,000	6	10.88	
"	Taiwan Motp MacDonald Ltd.	-	〃	380,000	5,796	19	17.84	
"	International Property & Finance Co., Ltd.	-	〃	26,301	-	1.64	-	

Holding Company	Kinds and Names of Securities	Relationship with the Issuer of Securities	Account in Books	End of the Period				Note
				Shares	Book Value	Shareholding Ratio	Market Value (expressed in dollars)	
Continental Engineering Corp.	Shin Yu Energy Development Co., Ltd.	-	Financial assets carried at cost –non-current	22,405,297	-	9.00	-	
〃	Hsin-Dar Environment Engineering Co., Ltd	An investee company accounted for under the equity method	Long-term investment under equity method	101,000,000	942, 427	100.00	9.33	
〃	CEC International Corp. (India) Pvt. Ltd.	〃	〃	73,981,492	192,823	100.00	INR 4.92	
〃	CEC International Corp.	〃	〃	39,139,940	2,337,727	100.00	USD 2.06	
〃	CEC International Malaysia Sdn. Bhd.	〃	〃	700,000	3,838	70.00	MYR 0.58	
Continental Development Corp.	Taiwan High Speed Rail Corp. – common stock	-	Financial assets carried at cost – current	201,735,000	1,928,376	3.10	5.00	
〃	(A (I) registered preferred stock)	-	〃	99,675,000	800,950	3.83	5.00	Note 1
〃	(C (V) registered preferred stock)	-	〃	48,375,000	364,452	19.47	5.00	Note 1
〃	CEC Commercial Development Corp.	An investee company accounted for under the equity method	Long-term investment under equity method	22,913,175	1,451,024	80.65	63.33	

Holding Company	Kinds and Names of Securities	Relationship with the Issuer of Securities	Account in Books	End of the Period				Note
				Shares	Book Value	Shareholding Ratio	Market Value (expressed in dollars)	
CEC International Corp.	New Continental Corp. common stock	An investee company accounted for under the equity method	Long-term investment under equity method	4,596	USD 77,488	45.47	USD 15,793.47	
New Continental Corp.	American Bridge Holding Co. common stock	〃	〃	3,547,187	USD 159,606	95.94	USD 44.99	
Hsin-Dar Environment Engineering Co., Ltd.	Shen-Da Construction Corp., Ltd.	〃	〃	5,100,000	(113)	51.00	10.59	
〃	North Shore Corp.	〃	〃	110,000,000	1,149,816	100.00	10.34	

Note 1:The holding rate of total shares in issue of registered preferred stock of Taiwan High Speed Rail Corp. held by CEC and CDC are 5.00% and 3.68%, respectively.

Note 2: The above transactions which related to affiliated companies were eliminated when complying the consolidated financial statements.

(5) Cumulative purchases or sales of the same marketable securities exceeding $100,000 thousand or 20% of paid-in capital: None.

(6) Acquisition of real estate exceeding $100,000 thousand or 20% of paid-in capital as follow:

Company	Name of real estate	Transaction date	Transition amount	Amount settled	Counter- parties	Relationship	Information on previous transaction if the counter-party is a related party				Price determination basis	Purpose of acquisition and status in use	Other items
							Owner	Relationship	Transfer date	Amt			
CDC	No. 105. 108, Huiguo St.. ,Taichung City	2012.06.27	2,662,000	2,662,000	Rich Development Inc.	None	-	-	-	-	Negotiated based on market price	land held for development / preparation stage	None
"	Xinyi B7	2012.07.09	4,356,756	4,356,756	Mi-ChangYang and others	"	-	-	-	-	"	"	"
"	No. 99. 100, Huiguo St.. ,Taichung City	2012.09.04	2,450,000	2,205,000	Ri-Xin Xu and others	"	-	-	-	-	"	"	"
"	Duihua B	2012.09.28	1,126,190	1,126,190	Xiu-Mei Chen	"	-	-	-	-	"	"	"
"	Xinyi B7 Transfer of development Rights on Heritage Conservation	2012.08.29	449,150	436,717	Tuo-Xin Chen, Rui-Jun Hu, and others	"	-	-	-	-	"	"	"

(7) Disposal of real estate exceeding $100,000 thousand or 20% of paid-in capital: None.

(8) Purchases from and sales to related parties exceeding $100,000 thousand or 20% of paid-in capital:

Purchasing (Selling) Party	Counter-Party	Relationship	Transactions with Controlling Company				Uncommon Transactions		Accounts and Notes Receivable (Payable)		Remark
			Purchases (Sales)	Amount	% of Total Purchases (Sales)	Term	Unit Price	Term	Balance	% of Total Accounts and Notes Receivable (Payable)	
Continental Engineering Corp.	Continental Development Corp.	Related party of the Company	Construction contract	(1,096,290)	(7)%	The same as those in general transactions	-		468,719	16%	Note 1
Continental Development Corp.	Continental Engineering Corp.	Related party of the Company	Construction project	1,158,437	66%	〃	-		(468,719)	(28)%	

Note 1: The Company recognized its construction contract income by the percentage-of-completion method and accounted for it under sales.

Note2: The above transactions were eliminated when complying the consolidated financial statements.

(9) Receivables from related parties exceeding $100,000 thousand or 20% of paid-in capital:

Company Having Receivable	Counter-Party	Relationship	Balance of Accounts Receivable – Related Parties	Turnover Ratio	Overdue Receivables		Subsequent Received Amount Accounted for under Accounts Receivable – Related Parties	Provision for Bad Debt Allowance
					Amount	Treatment		
Continental Engineering Corp.	Continental Development Corp.	Related party of the Company	Account receivable 468,719	1.81	-	-	143,161	-

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

(10) Transactions involving financial derivatives:

A: As of December 31, 2012, ABHC's derivative financial instruments held not for trading were as follows:

Holding Company	Amount of Contract / Notional Principal	Contract period	Selling rate	Buying rate
American Bridge Holding Comapny	USD 1,120	2002.11~2014.11	USD-Bond-Market	3.69%
〃	USD 275	2001.09~2013.08	USD-LIBOR-BBA	4.98%
〃	USD 905	2000.11~2015.05	USD-LIBOR-BBA	7.15%

b. Information on investment in Mainland China: None.

c. Intercompany business relationship and significant transactions

(1) For the years ended December 31, 2012

No. (Note 1)	Company Name	Counter-Party	Nature of Relationship (Note 2)	Intercompany Transactions			
				Financial Statement Item	Amount	Terms	Percentage of Consolidated Total Gross Sales or Total Assets
0	Continental Holdings Corp.	Continental Engineering Corp.	1	Rental expenses	10,121	The same as those in general transactions	- %
	〃	〃	1	Operating expenses	5,300	〃	- %
1	Continental Engineering Corp.	Continental Holdings Corp.	2	Rental revenues	10,121	〃	- %
		〃	2	Other non-operating income	5,300	〃	- %
		Continental Development Corp.	3	Rental revenues	13,990	〃	- %
		〃	3	Other non-operating income	13,753	〃	- %
		〃	3	Accounts receivable	468,719	-	1%
		〃	3	Other receivables	1,771	-	- %
		〃	3	Construction contract income	1,188,252	The same as those in general transactions	4%
		〃	3	Unearned receipts	4,424,514	-	9%
		〃	3	Construction costs	4,496,457	The same as those in general transactions	16%
		CIMY	3	Accounts receivable	2,899	-	- %
		Hsin-Dar Environment Engineering Co., Ltd.	3	Rental revenue	2,673	The same as those in general transactions	- %

CONTINENTAL HOLDINGS CORPORATION AND ITS SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS (CONT'D)

No. (Note 1)	Company Name	Counter-Party	Nature of Relationship (Note 2)	Intercompany Transactions			
				Financial Statement Item	Amount	Terms	Percentage of Consolidated Total Gross Sales or Total Assets
2	Continental Development Corp.	Continental Engineering Corp.	3	Construction costs	1,108,485	The same as those in general transactions	4%
		〃	3	Building construction in progress	29,712	-	- %
		〃	3	Realty costs	50,055	The same as those in general transactions	- %
		〃		Building construction in progress	4,424,514	-	9%
		〃	3	Realty costs	4,496,457	The same as those in general transactions	16%
		〃	3	Rental expense	13,990	〃	- %
		〃	3	Operating expense	13, 753	〃	- %
		〃	3	Account payable	466,183	-	1%
		〃	3	Other account payable	4,307	-	- %
3	Hsin-Dar Environment Engineering Co., Ltd.	Continental Engineering Corp.	3	Operating expense	2,673	The same as those in general transactions	- %
		North Shore Corp.	3	Operating Revenue	18,338	〃	- %
		〃	3	Operating Cost	12,201	〃	- %
		〃	3	Account Receivable	3,274	-	- %

No. (Note 1)	Company Name	Counter-Party	Nature of Relationship (Note 2)	Intercompany Transactions			
				Financial Statement Item	Amount	Terms	Percentage of Consolidated Total Gross Sales or Total Assets
4	North Shore Corp.	Hsin-Dar Environment Engineering Co., Ltd.	3	Operating costs	30,539	The same as those in general transactions	- %
		〃	3	Accounts payable	3,274	-	- %
		Shen-Da Construction Corp., Ltd.	3	Accounts payable	134,640	-	- %
5	Shen-Da Construction Corp., Ltd.	North Shore Corp. .	3	Accounts receivable	134,640	-	- %

CONTINENTAL HOLDINGS CORPORATION AND ITS SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS (CONT'D)

(1) For the years ended December 31, 2011

No. (Note 1)	Company Name	Counter-Party	Nature of Relationship (Note 2)	Intercompany Transactions			
				Financial Statement Item	Amount	Terms	Percentage of Consolidated Total Gross Sales or Total Assets
0	Continental Holdings Corp.	Continental Engineering Corp.	1	Rental expenses	10,121	The same as those in general transactions	- %
		〃	1	Operating expenses	7,931	〃	- %
1	Continental Engineering Corp.	Continental Holdings Corp.	2	Rental revenues	10,121	〃	- %
		〃	2	Other non-operating income	7,931	〃	- %
		Continental Development Corp.	3	Rental revenues	10,121	〃	- %
		〃	3	Other non-operating income	15,875	〃	- %
		〃	3	Accounts receivable	844,750	-	2%
		〃	3	Other receivables	1,652	-	- %
		〃	3	Account payable	4,000	-	- %
		〃	3	Other account payable	70	-	- %
		〃	3	Construction contract income	2,015,873	The same as those in general transactions	8%
		〃	3	Unearned receipts	3,358,039	-	7%
		〃	3	Construction costs	3,406,163	The same as those in general transactions	13%
		CICI	3	Other receivables	15,198	-	- %
		〃	3	Construction costs	11,137	The same as those in general transactions	- %
		〃	3	Construction costs	19,405	〃	- %
		〃	3	Other receivables	11,728	-	- %

No. (Note 1)	Company Name	Counter-Party	Nature of Relationship (Note 2)	Intercompany Transactions			
				Financial Statement Item	Amount	Terms	Percentage of Consolidated Total Gross Sales or Total Assets
		CIC	3	Other non-operating income	22,153	The same as those in general transaction	- %
		Hsin-Dar Environment Engineering Co., Ltd.	3	Rental revenue	2,673	〃	- %
		Shen-Da Construction Corp., Ltd.	3	Construction costs	2,920	〃	- %
2	Continental Development Corp.	Continental Engineering Corp.	3	Construction costs	1,891,929	〃	7%
		〃	3	Building construction in progress	30,338	-	- %
		〃	3	Realty sales costs	7,600	-	- %
		〃	3	Realty costs	86,006	The same as those in general transactions	- %
		〃		Building construction in progress	3,358,039	-	7%
		〃		Realty costs	3,406,163	The same as those in general transactions	13%
		〃	3	Rental expense	10,121	〃	- %
		〃	3	Operating expense	15,875	〃	- %
		〃	3	Account payable	844,750	-	2%
		〃	3	Account payable	1,652	-	- %
		〃	3	Other account payable	4,070	-	- %
3	Hsin-Dar Environment Engineering Co., Ltd.	Continental Engineering Corp.	3	Operating expense	2,673	The same as those in general transactions	- %
		North Shore Corp.	3	Operating Revenue	17,868	〃	- %
		〃	3	Account payable	4,923	-	- %

No. (Note 1)	Company Name	Counter-Party	Nature of Relationship (Note 2)	Intercompany Transactions			
				Financial Statement Item	Amount	Terms	Percentage of Consolidated Total Gross Sales or Total Assets
		Shen-Da Construction Corp., Ltd.	3	Accounts payable	69,120	-	- %
4	North Shore Corp.	Hsin-Dar Environment Engineering Co., Ltd.	3	Operating costs	17,868	The same as those in general transactions	- %
		〃	3	Accounts receivables	4,923	-	- %
5	CICI	Continental Engineering Corp.	3	Accounts payable	15,198	-	- %
		〃	3	Other operating revenues	11,137	The same as those in general transactions	- %
		〃	3	Construction contract income	19,405	〃	- %
		〃	3	Other current liabilities	11,728	-	- %
6	Shen-Da Construction Corp., Ltd.	Continental Engineering Corp.	3	Construction contract income	2,920	The same as those in general transactions	- %
		Hsin-Dar Environment Engineering Co., Ltd.	3	Accounts receivable	69,120	-	- %
7	CIC	Continental Engineering Corp.	3	Other expense	22,153	〃	- %

Note 1: For transactions between the Company and its subsidiaries, numbers are assigned as follows:
a. 0 represents the Company.
b. serial numbers for the subsidiaries begin from number 1.

Note 2: Relationships are as follows:
1. the Company to subsidiary.
2. subsidiary to the Company.
3. subsidiary to other subsidiary.

30. BUSINESS SEGMENT FINANCIAL INFORMATION

a. Generation information

For the year ended December 31, 2012 and 2011, operating segments required to be disclosed are categorized as Construction Business, Real Estate Business, and Investment Business. The main operating activities of Construction Business are civil engineering and construction. The main operating activities of Real Estate Business are selling, renting and investing in construction of the residential, commercial buildings and large-scale residential communities. The main function of Investment Business is to integrate operating strategy, supervising and monitoring each operating segments' operation, and control and allocate each operating segments' operating resources. The Consolidation Company assessed performance of the segments based on the segments' net income after taxes, and report the amounts of revenues based on the financial information used to prepare the consolidated financial statements.

The Company and its subsidiaries engage primarily in the business of construction and real estate. Segment income referred to above represents operating income from external sources, excluding other income of the Company and management income from other segments, unrelated to a segment and gain/loss on investments recognized under the equity method.

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

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

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

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

CONTINENTAL HOLDINGS CORPORATION AND ITS SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS (CONT'D)

b. Disclosure the information of industrial departments

The reconciliation statements of all operating departments:

	December 31, 2012					
		Construction	Real estate	Investment	Adjustment and write-off	Total
Segment revenues from external customers	$	25,076,744	3,420,502	-	-	28,497,246
Intersegment revenues		1,215,424	-	1,317,192	(2,532,616)	-
Total revenues	**$**	**26,292,168**	**3,420,502**	**1,317,192**	**(2,532,616)**	**28,497,246**
Interest expense	$	114.959	173,461	398	-	288,818
Depreciation and amortization		1,613,412	35,377	1,019	-	1,649,808
Segment profit or loss	**$**	**726,793**	**1,257,648**	**1,175,693**	**(1,317,761)**	**1,842,373**
Long-term investments under equity method	**$**	**2,250,252**	**-**	**16,766,263**	**(16,766,263)**	**2,250,252**
Capital expenditure	**$**	**771,409**	-	**-**	-	**771,409**
Segment total assets	**$**	**21,227,496**	**30,180,093**	**16,838,617**	**(17,276,508)**	**50,969,698**
Segment total liabilities	**$**	**13,337,037**	**20,913,692**	**86,178**	**(471,106)**	**33,865,801**

	December 31, 2011					
		Construction	Real estate	Investment	Adjustment and write-off	Total
Segment revenues from external customers	$	21,536,679	5,323,857	-	-	26,860,536
Intersegment revenues		2,036,115	-	1,136,511	(3,172,626)	-
Total revenues	**$**	**23,572,794**	**5,323,857**	**1,136,511**	**(3,172,626)**	**26,860,536**
Interest expense	$	106,852	169,101	589	-	276,542
Depreciation and amortization		1,773,651	35,469	516	-	1,809,636
Segment profit or loss	**$**	**246,388**	**1,210,931**	**997,074**	**(1,153,223)**	**1,310,170**
Long-term investments under equity method	**$**	**-**	**-**	**16,371,029**	**(16,371,029)**	-
Capital expenditure	**$**	**435,849**	-	**4,079**	-	**439,928**
Segment total assets	**$**	**26,796,439**	**23,464,449**	**16,402,457**	**(17,260,260)**	**49,403,085**
Segment total liabilities	**$**	**16,704,427**	**14,776,342**	**85,331**	**(851,295)**	**30,714,805**

c. The entity information:

1. Geographic information

The revenues from external customers are categorized by the area of the collection of the account receivables and the noncurrent assets are categorized by the area the assets located:

Area	December 31, 2012	December 31, 2011
Americas	$ 9,840,354	9,309,738
Others	18,656,892	17,550,798
Total	**$ 28,497,246**	**26,860,536**

Non-current assets

Area	December 31, 2012	December 31, 2012
Americas	$ -	1,567,059
Others	11,993,435	11,962,440
Total	**$ 11,993,435**	**13,529,499**

2. Information on major customers

Information on customers representing over 10% of total revenues in 2012 and 2011 as follow:

	December 31, 2012		December 31, 2011	
Client	**Amount**	**%**	**Amount**	**%**
California Department of Transportation	**$ 1,575,373**	**6**	**3,727,653**	**14**