CONTINENTAL HOLDINGS CORPORATION

AND ITS SUBSIDIARIES CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

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, 2013, and December 31 and January 1, 2012, and the related consolidated statements of comprehensive income, changes in equity, and cash flows for the year then ended December 31, 2013 and 2012. 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 4 (3), 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, 2013, and December 31 and January 1, 2012, these companies' total assets amounted to $3,726,588 thousand, $6,509,863 thousand and $9,211,704 thousand, constituting 6.56%, 12.37% and 19.00%, respectively, of total consolidated assets. These companies' net operating income amounted to $756,995 thousand and $10,201,111 thousand, constituting 4.21% and 38.16% of the Company's consolidated net operating income for the year ended December 31, 2013 and 2012, respectively. In addition, as described in Note 6 (6), 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, 2013 and 2012, the Company's investment in these companies amounted to $2,745,726 thousand and $2,305,353 thousand, constituting 4.83% and 4.38% of total consolidated assets. Gain on long-term equity investments was recognized amounted to $374,358 thousand and $0, constituting 33.28 % and 0% of the Company's net income before taxes for the year ended December 31, 2013 and 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, 2013 and 2012, and the results of their operations and cash flows for the year then ended December 31, 2013 and 2012, in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, and the accounting principles generally accepted in the Republic of China.

Taipei, Taiwan, R.O.C.

March 25, 2014

Notice to Readers

The accompanying financial statements are intended only to present the financial position, results of operations, and cash flows in accordance with the accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit (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
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2013, DECEMBER 31, AND JANUARY 1, 2012
(In Thousands of New Taiwan Dollars)

	December 31, 2013		December 31, 2012		January 1, 2012	
ASSETS	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS						
Cash and cash equivalents (Note 6(1))	$ 1,444,219	3	2,076,340	5	4,842,457	10
Current financial asset measured at fair value through profit or loss (Notes 6(2) and(22))	55	-	476	-	-	-
Current available- for- sale financial assets(Notes 6(2) and (22))	4,092,893	7	3,761,850	7	-	-
Current derivative financial assets for hedging (Notes 6(2) and (22))	66,153	-	68,182	-	23,775	-
Notes receivable, net (Note 6(3))	158,336	-	124,647	-	486,827	1
Accounts receivable, net (Note 6(3))	3,942,177	7	2,101,331	4	4,016,362	9
Construction contracts receivable (Note 6(4))	3,146,178	6	2,195,555	4	2,245,826	5
Other receivables (Note 6(3))	573,151	1	371,318	1	623,241	1
Current income tax assets	39,463	-	93,933	-	47,251	-
Inventory (Note 6(5))	20,195,392	36	18,914,437	36	9,682,480	20
Prepayments	805,525	1	806,562	2	798,256	2
Other current assets	1,038,584	2	1,105,563	2	1,319,475	3
Total current assets	35,502,126	63	31,620,194	61	24,085,950	51
NON-CURRENT ASSETS						
Non-current financial assets at cost (Notes 6(2))	13,210	-	13,210	-	238,184	-
Non-current available-for-sale financial assets (Notes 6(2)and (22))	1,339,905	2	1,197,733	2	4,767,669	10
Investments accounted for using equity method (Note 6(6))	2,795,272	5	2,665,756	5	719,832	1
Property, plant and equipment (Note 6(7))	2,185,380	4	2,364,524	4	3,589,816	7
Investment property, net (Note 6(8))	11,204,064	20	11,245,409	21	11,287,314	23
Intangible assets (Note 6(9))	387,487	-	352,219	1	500,177	1
Deferred tax assets(Note 6(17))	4,994	-	4,994	-	60,220	-
Other non-current assets	38,301	-	7,830	-	114,329	-
Long-term receivables(Note 6(3))	3,344,165	6	3,157,998	6	3,126,605	7
Total non-current assets	21,312,778	37	21,009,673	39	24,404,146	49
TOTAL	**$ 56,814,904**	**100**	**52,629,867**	**100**	**48,490,096**	**100**

CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2013, DECEMBER 31, AND JANUARY 1, 2012

(In Thousands of New Taiwan Dollars)

LIABILITIES AND STOCKHOLDERS' EQUITY	December 31, 2013 Amount	%	December 31, 2012 Amount	%	January 1, 2012 Amount	%
CURRENT LIABILITIES						
Short-term borrowings (Note 6(11))	$ 10,797,510	19	11,104,424	21	5,667,230	12
Short-term notes and bills payable (Note 6(10))	1,550,000	3	1,466,000	3	550,000	1
Current financial liability measured at fair value through profit or loss(Notes 6(2) and(22))	-	-	1,133	-	-	-
Accounts payable	3,974,573	7	3,228,107	6	3,767,697	8
Construction contracts payable (Note 6(4))	1,084,581	2	604,521	1	1,479,006	3
Other payables	977,729	2	895,777	2	993,434	2
Current tax liabilities	105,611	-	72,361	-	70,818	-
Current provision (Note 6(13))	557,554	1	1,226,287	2	1,115,361	2
Advance receipts (Note 6(15))	5,983,867	11	5,544,655	11	4,916,551	10
Long-term liabilities, current portion (Note 6(12))	333,834	1	30,000	-	372,519	1
Other current liabilities , others	105,816	-	82,806	-	310,556	1
Total current liabilities	25,471,075	46	24,256,071	46	19,243,172	40
LONG-TERM LIABILITIES						
Long-term borrowings (Note 6(12))	11,194,801	20	9,044,233	17	8,990,527	19
Deferred income tax liabilities (Note 6(17))	4,431	-	2,228	-	155,384	-
Long-term notes payable	-	-	-	-	48,332	-
Accrued pension liabilities (Note 6(16))	361,630	-	364,473	1	324,373	1
Guarantee deposits received	128,073	-	117,855	-	114,327	-
Total non- current liabilities	11,688,935	20	9,528,789	18	9,632,943	20
Total Liabilities	37,160,010	66	33,784,860	64	28,876,115	60
STOCKHOLDERS' EQUITY						
Capital stock	8,411,581	15	8,411,581	16	8,411,581	17
Capital surplus	6,864,988	12	6,864,224	13	6,868,002	14
Retained earnings	6,381,109	11	5,884,818	11	4,507,868	9
Other equity interest	(2,766,845)	(5)	(3,131,508)	(6)	(3,053,665)	(6)
Total equity attributable to owners of parent (Note 6(18))	18,890,833	33	18,029,115	34	16,733,786	34
Non-controlling interests	764,061	1	815,892	2	2,880,195	6
Total equity	19,654,894	34	18,845,007	36	19,613,981	40
TOTAL	**$ 56,814,904**	**100**	**52,629,867**	**100**	**48,490,096**	**100**

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

CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2013		2012	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 6(6)and(20))：				
Share of profits of associates and joint ventures accounted for using equity method	$ 34,220	-	659,594	2
Rental revenue	268,268	1	295,578	1
Construction revenue	17,495,862	98	25,601,054	96
Other operating revenue	184,414	1	175,674	1
Less: Sales returns and allowances	300	-	1,171	-
	17,982,464	100	26,730,729	100
OPERATING COSTS：				
Rental costs	112,974	1	115,924	-
Construction costs	15,871,187	88	22,251,233	84
Other operating costs	50,347	-	25,557	-
	16,034,508	89	22,392,714	84
GROSS PROFIT FROM OPERATIONS	1,947,956	11	4,338,015	16
OPERATING EXPENSES (Notes 6(16)and 12)：				
Selling expenses	175,203	1	165,249	1
Administrative expenses	849,362	5	1,644,744	6
	1,024,565	6	1,809,993	7
NET OPERATING INCOME	923,391	5	2,528,022	9
NON-OPERATING INCOME AND EXPENSE (Note 6(21))：				
Others income	167,994	1	231,505	1
Other gains and losses	(13,261)	-	11,752	-
Finance costs	(327,494)	(2)	(273,720)	(1)
Share of profits of associates and joint ventures accounted for using equity method	374,358	2	-	-
INCOME BEFORE TAX	1,124,988	6	2,497,559	9
TAX EXPENSE	186,379	1	430,819	2
NET INCOME	**938,609**	**5**	**2,066,740**	**7**
OTHER COMPREHENSIVE INCOME (LOSS)：				
Other comprehensive income, before tax, exchange differences on translation	(114,713)	(1)	(264,421)	(1)
Other comprehensive income, before tax, available- for - sale financial assets	478,457	3	192,917	1
Other comprehensive income, before tax, cash flow hedges	457	-	(2,569)	-
Other comprehensive income, before tax, actuarial gains (losses) on defined benefit plans	18,400	-	(34,135)	-
Less: Income tax relating to components of other comprehensive income	(3,128)	-	5,803	-
OTHER COMPREHENSIVE INCOME (AFTER TAX)	379,473	2	(102,405)	-
COMPREHENSIVE INCOME	**$ 1,318,082**	**7**	**1,964,335**	**7**
NET INCOME ATTRIBUTABLE TO：				
Net income, attributable to owners of parent	$ 920,401	5	1,826,324	6
Net income, attributable to non-controlling interests	18,208	-	240,416	1
	$ 938,609	5	2,066,740	7
COMPREHENSIVE INCOME ATTRIBUTABLE TO：				
Comprehensive income, attributable to owners of parents	$ 1,300,336	7	1,720,149	6
Comprehensive income, attributable to non-controlling interests	17,746	-	244,186	1
	$ 1,318,082	**7**	**1,964,335**	**7**
EARINGS PER SHARE (Note 19)(DOLLARS)				
BASIC EARINGS PER SHARE (DOLLARS)	**$ 1.09**		**2.17**	
DILUTED EARINGS PER SHARE (DOLLARS)	**$ 1.09**		**2.17**	

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

CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEDMBER 31, 2013 AND 2012

(In Thousands of New Taiwan Dollars)

			Retained Earnings										
	Ordinary Shares	**Capital Surplus**	**Legal Reserve**	**Special Reserve**	**Unappropriated Earnings**	**Total**	**Exchange differences on translation of foreign financial statements**	**Unrealized gains (losses) on available-for- sale financial asset**	**Gains (losses) on the effective portion of cash flow hedges**	**Total**	**Total equity attributable to owners of parent**	**Non-controlling interests**	**Total**
Balance, January 1, 2012	**$8,411,581**	**6,868,002**	**93,110**	**708,515**	**3,706,243**	**4,507,868**	**-**	**(3,054,585)**	**920**	**(3,053,665))**	**16,733,786**	**2,880,195**	**19,613,981**
Profit for the year ended December 31, 2012	-	-	-	-	1,826,324	1,826,324	-	-	-	-	1,826,324	240,416	2,066,740
Other comprehensive income for the year ended December 31, 2012	-	-	-	-	(28,332)	(28,332)	(266,213)	190,939	(2,569)	(77,843)	(106,175)	3,770	(102,405)
Total comprehensive income for the year ended December 31, 2012	-	-	-	-	1,797,992	1,797,992	(266,213)	190,939	(2,569)	(77,843)	1,720,149	244,186	1,964,335
Appropriation and distribution of retained earnings													
Legal reserve	-		98,413	-	(98,413)	-	-	-	-	-	-		
Special reserve	-	-	-	180,379	(180,379)	-	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(420,579)	(420,579)	-	-	-	-	(420,579)	-	(420,579)
Changes in equity of associates and joint ventures accounted for using equity method	-	(3,778)	-	-	(463)	(463)	-	-	-	-	(4,241)	(2,308,489)	(2,312,730)
Balance, December 31, 2012	**8,411,581**	**6,864,224**	**191,523**	**888,894**	**4,804,401**	**5,884,818**	**(266,213)**	**(2,863,646)**	**(1,649)**	**(3,131,508)**	**18,029,115**	**815,892**	**18,845,007**
Profit for the year ended December 31, 2013	-	-	-	-	920,401	920,401	-	-	-	-	920,401	18,208	938,609
Other comprehensive income for the year ended December 31, 2013	-	-	-	-	15,272	15,272	(114,251)	478,457	457	364,663	379,935	(462)	379,473
Total comprehensive income for the year ended December 31, 2013	-	-	-	-	935,673	935,673	(114,251)	478,457	457	364,663	1,300,336	17,746	1,318,082
Appropriation and distribution of retained earnings													
Legal reserve	-	-	114,722	-	(114,722)	-	-	-	-	-	-	-	-
Special reserv	-	-	-	2,881,607	(2,881,607)	-	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(420,579)	(420,579)	-	-	-	-	(420,579)	-	(420,579)
Changes in equity of associates and joint ventures accounted for using equity method	-	764	-	-	(18,803)	(18,803)	-	-	-	-	(18,039)	(69,577)	(87,616)
Balance, December 31, 2013	**$8,411,581**	**6,864,988**	**306,245**	**3,770,501**	**2,304,363**	**6,381,109**	**(380,464)**	**(2,385,189)**	**(1,192)**	**(2,766,845)**	**18,890,833**	**764,061**	**19,654,894**

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

CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2013 AND 2012
(In Thousands of New Taiwan Dollars)

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Income before tax	$ 1,124,988	2,497,559
Adjustments		
Adjustments to reconcile profit (loss)		
Depreciation expense	385,756	418,366
Amortization expense	25,694	1,136,612
Loss on Financial assets and liabilities measured at fair value through profit or loss	1,637	7,246
Interest expense	327,494	273,720
Interest income	(38,559)	(73,419)
Dividend income	88,211	88,584
Share of profits of subsidiaries and associates accounted for using equity method	(408,578)	(659,594)
Loss (gains) on disposal of property, plant and equipment	(251)	10,293
Impairment losses on financial assets	-	1,290
Gains from reversal of impairment losses on property, plant and equipment	(19,523)	-
Estimated provision for warranty reserve	(648,150)	129,951
Total adjustments to reconcile profit (loss)	**(286,269)**	**1,333,049**
Changes in operating assets and liabilities		
Notes receivable	(33,755)	197,826
Accounts receivable	(1,857,180)	713,831
Construction contracts receivable	(1,061,631)	(838,253)
Other receivables	(224,193)	(16,999)
Inventories	(1,293,403)	(9,242,499)
Investments accounted for using equity method	345,077	1,019,023
Prepayments	(17,790)	(30,643)
Other current assets	33,025	(704,368)
Other intangible assets	(48,115)	(116,208)
Other non- current assets	(207,135)	(149,346)
Total changes in operating assets	(4,365,100)	(9,167,636)
Accounts payable	762,720	353,509
Construction contract payable	480,060	(970,158)
Other payables	85,491	184,394
Provision	(20,583)	(19,025)
Advance receipts	439,212	628,104
Other current liabilities	23,010	(11,699)
Accrued pension liabilities	(2,843)	40,100
Total changes in operating liabilities	1,767,067	205,225
Total changes in operating assets and liabilities	(2,598,033)	(8,962,411)
Total adjustments	(2,884,302)	(7,629,362)
Net cash inflows generated from operating activities	(1,759,314)	(5,131,803)
Interest received	38,559	73,419
Interest paid	(326,554)	(261,322)
Income taxes paid	(95,615)	(345,081)
Net cash flows from operating activities	(2,142,924)	(5,664,787)

CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2013 AND 2012
(In Thousands of New Taiwan Dollars)

	2013	2012
CASH FLOWS FROM INVESTING ACTIVITIES:		
Disposal of financial assets measured at fair value through profit or loss	(1,637)	(7,246)
Proceeds from disposal of financial assets at cost	-	205,200
Acquisition of derivative financial assets for hedging	-	(45,976)
Proceeds from disposal of subsidiaries	-	(2,476,808)
Acquisition of property, plant and equipment	(178,393)	(226,698)
Proceeds from disposal of property, plant and equipment	39,770	-
Acquisition of intangible assets	(48,115)	(116,208)
Increase in prepayments for equipment	(11,589)	-
Net cash used in investing activities	(199,964)	(2,667,736)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Increase (decrease) in short-term borrowings	(306,868)	5,441,326
Increase in short-term bills payable	84,000	916,000
Increase (decrease) in long-term borrowings	2,448,609	(194,841)
Increase in financial liabilities measured at fair value through profit or loss	-	657
Increase in guarantee deposit received	10,218	3,528
Decrease in long-term notes payable	-	(26,808)
Increase in capital lease notes payable	-	890
Cash dividends paid	(420,579)	(420,579)
Change in non-controlling interests	(69,577)	-
Net cash from financing activities	1,745,803	5,720,173
INFLUENCE OF EXCHANGE RATE	(35,036)	(153,767)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(632,121)	(2,766,117)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	2,076,340	4,842,457
CASH AND CASH EQUIVALENTS, END OF YEAR	**$ 1,444,219**	**2,076,340**

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

CONTINENTAL HOLDINGS CORPORATIONS AND SUBSIDIARIES
NOTES TO CONSOLIDATED 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 consolidated financial statements as of December 31, 2013 consists of the Group and all of its subsidiaries(the Group), and the interests in a jointly controlled entities and associates .Please refer to Note 14 for the Company's main businesses.

2. APPROVAL DATE AND PROCEDURES OF THE FINANCIAL STATEMENTS

The Board of Directors approved the consolidated financial statements on March 25, 2014.

3. NEW ACCOUNTING STANDARDS, AMENDMENT AND INTERPRETATIONS NOT YET ADOPTED

(1) New standards and interpretations endorsed by the Financial Supervisory Commission, R.O.C. ("FSC") but not yet in effect

The International Accounting Standards Board ("IASB") issued the International Financial Reporting Standard 9 *Financial Instruments* ("IFRS 9"), which should take effect on January 1, 2013. (On December 2011, the IASB extended the effective date to January 1, 2015 and announced a repeal of the mandatory effective date on January 1, 2015 for preparers to have more time to translate to the new standards. The new effective date has not been announced yet.) This standard has been endorsed by the FSC; however, at the end of the reporting periods (the reporting date), the effective date has not been announced. In accordance with FSC rules, early adoption is not permitted, and companies shall follow the guidance in the 2009 version of International Accounting Standard 39 *Financial Instruments* ("IAS 39"). At the adoption of this new standard, it is expected there will be impacts on the classification and measurement of financial instruments in the consolidated financial statements.

(2) New standards, amendment and interpretations not yet endorsed by the FSC

A summary of the new standards and amendments issued by the IASB that may have an impact on the financial statements not yet endorsed by the FSC:

Issue Date	New Standards and Amendments	Description and Influence	Effective Date per IASB
May 12, 2011 June 28, 2012	IFRS 10 *Consolidated Financial Statements* IFRS 11 *Joint Arrangements* IFRS 12 *Disclosure of Interests in Other Entities* Amended IAS 27 *Consolidated Financial Statements* Amended IAS 28 *Investments in Associates and Joint Ventures*	On May 12, 2011, the IASB issued a series of standards and amendments related to consolidation, joint arrangements, and investments. The new standards provide a single model in determining whether an entity has control over an investee (including special purpose entities) other than the consolidation process, for which the original guidance and method applies. In addition, joint arrangements are Consolidatedd into joint operations (concepts from jointly controlled assets and jointly controlled operations), and joint ventures (concepts from jointly controlled entities), and the new standards remove the proportionate consolidation method. On June 28, 2012, amendments were issued clarifying the guidance over the transition period. At the adoption of the above standards, some of the determinations of the investees could be changed, which would increase the disclosure of the equity of the subsidiaries and associates.	January 1, 2013
May 12, 2011	IFRS 13 *Fair Value Measurement*	IFRS 13 replaces fair value measurement guidance in other standards and integrates them as one single guidance.At the adoption of this standard, the Company should analyze the impact on the measurement of assets and liabilities. The amendment could also increase the disclosure of their fair value.	January 1,2013
June 16, 2011	Amended IAS 1 *Presentation of financial statements*	Items presented in other comprehensive income are conditioned on whether they are potentially reclassifiable to profit or loss subsequently.	July 1, 2012

Issue Date	New Standards and Amendments	Description and Influence	Effective Date per IASB
June 16, 2011	Amended IAS 19 *Employee benefits*	Eliminates the corridor method and eliminates the option to recognize changes in the net defined benefit liability (asset) in profit or loss; in addition, requires the immediate recognition of past service cost.	January 1,2013
November 19, 2013	Amended IFRS 9 *Financial instrument*	Applies more principle-based regulations so the hedge accounting method represents risk management more closely. This includes amending , achieving, continuing and discontinuing the regulations of hedge accounting in order to make more types of risk exposure eligible for hedge items. If the aforementioned regulation is applied, the Group may increase its hedge accounting transaction, and change the measurement used for hedge instruments and hedge items.	Unconfirmed, early adoption is permitted.
January 28, 2010	Amended IFRS 1 *First-time Adoption of International Financial Reporting Standards*	Limited exemption from comparative IFRS 7 for first-time adopters. If the aforementioned regulation is applied, the Group may change the disclosures of fair value and liquidity risk.	July 1, 2010
December 20, 2010	*Amended IFRS 12 Tax*	Amended the exceptions of measurement in the related deferred tax items to property, plant and equipment, intangible assets, and investment property measured at the fair value or revaluation model. If the aforementioned regulation is applied, the Group may change the disclosures of fair value and liquidity risk.	January 1, 2012
December 16, 2011	Amended IFRS 7 *Financial Instruments: Disclosures* Amended IFRS 9 *Financial Instruments*	Amended the forcible adoption date and transitional regulations. In November, 2013, IASB withdrew the forcible adoption date is January 1, 2015 so that the Group has more enough time to transform into new standards.	Unconfirmed, early adoption is permitted.
May 17, 2012	Amended IFRS 1 *First-time Adoption of International Financial Reporting Standards* Amended IAS 1 *Presentation of financial statements* Amended IAS 16 *Property, Plant and*	Issued annual Improvements to IFRSs 2009 - 2011 Cycle and addressed the minimum requirement for the comparative information of financial statements and disclosures of segment financial information in the interim financial statement. If the aforementioned regulation is applied, the Group may change the disclosures of total segment assets.	January 1, 2013

	Equipment Amended IAS 32 *Financial Instruments: Presentation* Amended IAS 34 *Interim Financial Reporting*		
May 20, 2013	IFRIC 21 *Levies*	IFRS21 addresses the timing for recognizing liabilities and the relevant accounting treatment for levies collected by governments if IFRS 37 Provisions, Contingent Liabilities and Contingent Assets is applicable.	January 1, 2014 early adoption is permitted.
November 21, 2013	Amended IFRS 19 *Employee Benefits*	Permitted (but not required) under special conditions, the Company could decrease the service cost from the Pension contributions during the period of service provided by its *employee*. If the aforementioned regulation is applied, the Group may change the measurement which represents the pension liabilities and actuarial gains and losses.	July 1, 2014, early adoption is permitted.
December 12, 2013	Amended IFRS 1 *First-time Adoption of International Financial Reporting Standards* Amended IFRS 2 *Share-based Payment* Amended IFRS 8 *Operating Segments* Amended IAS 13 *Fair Value Measurement* Amended IAS 16 *Property, Plant and Equipment*	Issued the annual Improvements to IFRSs 2010 – 2012 and 2011-2013 Cycle and amended the following: ● Clarify the definition of Share-Based Payment Transaction (including the performance and service conditions); ● Clarify the classification and measurement of business combination and contingent consideration; ● State explicitly the disclosures of management judgment s for all adopted conditions; ● Clarify the range of measuring fair value and financial instrument contracts under net base; ● State explicitly what the Group should evaluate as to whether the acquisition of investment property is a business entity or not	July 1, 2014, early adoption is permitted.

Amended IFRS 38 *Intangible Assets* Amended IAS 24 *Related Party Disclosures* Amended IAS 40z *Investment Property*	If the aforementioned regulation is applied, the Group may change the disclosures of management and investment property.

4. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies presented in the consolidated financial statements are summarized as follows:

The significant accounting policies have been applied consistently to all periods presented in these consolidated financial statements, except when otherwise indicated. These consolidated financial statements include the statement of financial position as at January 1, 2012, prepared for the purpose of the first-year adoption of IFRSs indorsed by the FSC.

(1) Statement of compliance

These consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to the Regulations) and International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations endorsed by FSC (hereinafter referred to as the IFRSs endorsed by FSC). These are the Group's first IFRS consolidated financial statements for part of the period covered by the first IFRS (endorsed by FSC) annual financial statements, and IFRS 1 First-time Adoption of International Financial Reporting Standards has been applied.

(2) Basis of preparation

(a) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following material items in the balance sheets:

i. Financial instruments measured at fair value through profit or loss are measured at fair value (including derivative financial instruments) ;

ii. Available-for-sale financial assets are measured at fair value;

iii. Derivative financial instrument for hedging are measured at fair value; and

iv. The defined benefit asset is recognized as plan assets, plus unrecognized past service cost and actuarial losses, less the actuarial gains and present value of the defined benefit obligation.

(b) Functional and presentation currency

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

(3) Basis of consolidation

(a) Principle of preparation of the consolidated financial statements

The consolidated financial statements comprise the Company and its subsidiaries. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Income (losses) applicable to non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

(b) Subsidiaries in the consolidated financial statements

i. The subsidiaries included in the consolidated financial statements are as follows:

Investor Company	Subsidiary	Main Business Scope	Percentage of ownership 2013.12.31	Percentage of ownership 2012.12.31	Percentage of ownership 2012.1.1
The Company	Continental Engineering Corp. (CEC)	Civil engineering, construction	100.00%	100.00%	100.00%
〃	Continental Development Corp. (CDC)	Land development specific on residential housing and office building	100.00%	100.00%	100.00%
CEC	North Shore Corp. (NSC) (Note 2)	Tamsui sewage drainage construction in New Taipei City	-	- (Note 1)	54.55%

Investor Company	Subsidiary	Main Business Scope	Percentage of ownership 2013.12.31	2012.12.31	2012.1.1
CEC	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%	100.00%
〃	CEC International Corp. (CIC)	Investment in and control of overseas corporations	100.00%	100.00%	100.00%
〃	CEC International Corp. (India) Pvt. Ltd.(CICI)	Property developer and Civil engineering, construction Civil engineering, construction	100.00%	100.00%	100.00%
〃	CEC International Malaysia Sdn Bhd. (CIMY)	Property developer and Civil engineering, construction Civil engineering, construction	70.00%	70.00%	-
CDC	CEC Commercial Development Corp.	Rental of building	80.65%	80.65%	80.65%
HEC	Fu-Da Construction Corp., Ltd. (FDC) (The original name Shen-Da Construction Corp., Ltd.)	Construction of underground pipeline and environmental protection project, plumbing	100.00% (Note 4)	51.00%	51.00%
〃	North Shore Corp.(NSC) (Note 2)	Tamsui sewage drainage construction in New Taipei City	100.00%	100.00% (Note 1)	45.45%
CIC	New Continental Corp. (NCC)	Investment in and control of overseas company and its subsidiaries	(Note 3)	(Note 3)	56.36%
NCC	American Bridge Holding Company (ABHC)	Investment in and control of ABC and its subsidiaries	(Note3)	(Note 3)	96.55%
ABHC	American Bridge Company (ABC)	Civil engineering, construction, including complex bridges, marine and military infrastructure	(Note3)	(Note3)	100.00%
〃	American Bridge Manufacturing Company (ABM)	Steel fabrication of bridge component	(Note3)	(Note3)	100.00%

Investor Company	Subsidiary	Main Business Scope	Percentage of ownership 2013.12.31	2012.12.31	2012.1.1
ABHC	American Dock & Transfer Company (ADTC)	Equipment maintenance management and fabrication	(Note3)	(Note3)	100.00%
〃	American Bridge International Corporation (ABIC)	Civil engineering and construction of complex bridge outside of the USA	(Note3)	(Note3)	100.00%

Note 1: In 2012, CEC sold North Shore Corp. to HEC in order to adjust investment structure, causing percentage changes in equity ownership.

Note 2: 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 3: The Company sold partial shares of NCC in 2012, causing the equity ownership decreased to 45.47%. In addition, the purchaser had promised to bear endorsement, which led the Company lost its control ability over NCC. Therefore, the Company had not included revenues and expenses of NCC and NCC's subsidiaries to its consolidated financial statement since December 28, 2012.

Note 4: In order to adjust the investment structure, HEC acquired the Surplus shares of Fu-Da Construction Corp., Ltd., causing the equity ownership increased to 100.00% in 2013.

ii. Subsidiaries not included in the consolidated financial statements: None.

(4) Foreign currency

(a) Foreign currency transaction

Transactions in foreign currencies are translated to the respective functional currencies of entities of the Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the year adjusted for the effective interest and payments during the year, and the amortized cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of transaction.

Foreign currency differences arising on retranslation are recognized in profit or loss, except for the following differences which are recognized in other comprehensive income arising on the retranslation:

- Available-for-sale equity investment;
- A financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
- Qualifying cash flow hedges to the extent the hedge is effective.

(b) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to the Company's functional currency at exchange rates at the reporting date. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to the Company's functional currency at average rate. Foreign currency differences are recognized in other comprehensive income, and presented in the foreign currency translation reserve in equity.

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

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

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

The Group's primary businesses are construction, civil engineering, and real estate rental. The normal operating cycle of the Company is more than one year. The balance sheet accounts related to construction business are classified either as current or non-current based on the Company's operating cycle, which usually 3～5 years. The remainder balance sheet accounts are classified based on the following standards:
The Company classifies an asset as current when:

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

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

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

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

All the other assets are classified as non-current.

The Company classifies a liability as current when:

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

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

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

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

All the other liabilities are classified as non-current except for aforesaid.

(6) Cash and cash equivalents

Cash and cash equivalents comprise cash, cash in bank, time deposits and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Company in the management of its short-term commitments.

Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(7) Financial instruments

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

A. Financial assets

The Group classifies financial assets into the following categories: financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets.

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

A financial asset is classified in this category if it is held-for-trading or is designated as such on initial recognition. Financial assets classified as held-for-trading if it is acquired principally for the purpose of selling in the short term. The Group designates financial assets, other than ones classified as held-for-trading, as at fair value through profit or loss at initial recognition under one of the following situations:

- Designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise;
- Performance of the financial asset is evaluated on a fair value basis;
- A hybrid instrument contains one or more embedded derivatives.

Financial assets in this category are measured at fair value at initial recognition. Attributable transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value and changes therein, which take into account any dividend and interest income, are recognized in profit or loss, and are included in other gains and losses. A regular way purchase or sale of financial assets shall be recognized and derecognized, as applicable, using trade-date accounting.

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

(b) Available-for sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated available-for-sale or are not classified in any of the other categories of financial assets. Available-for-sale financial assets are recognized initially at fair value plus any directly attributable transaction cost. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, interest income calculated using the effective interest method, dividend income, and foreign currency differences on available-for-sale debt instruments, are recognized in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognized, the gain or loss accumulated in equity is reclassified to profit or loss, and is included in other income and other gains and losses. A regular way purchase or sale of financial assets shall be recognized and derecognized, as applicable, using trade-date accounting.

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

Dividend income is recognized in profit or loss on the date that the Group's right to receive payment is established. Such dividend income is included in other income of non-operating income and expenses.

(c) Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables comprise trade receivables and other receivables. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses other than insignificant interest on short-term receivables. A regular way purchase or sale of financial assets shall be recognized and derecognized, as applicable, using trade-date accounting.

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

(d) Impairment of financial assets

A financial asset is impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset that can be estimated reliably.

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

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

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

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

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

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

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

Impairment losses recognized on available-for-sale equity security are not reversed through profit or loss. Any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognized in other comprehensive income, and accumulated in other equity.

If in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognized, then the impairment loss is reversed, with the amount of the reversal recognized in profit or loss.

Losses on doubtful debts and recoveries of accounts receivables are included in administrative expenses. Impairment losses and recoveries of financial assets except accounts receivables are recognized in profit or loss, and they are included in other gains and losses of non-operating income and expenses.

(e) Derecognition of financial assets

The Company derecognizes financial assets when the contractual rights of the cash inflow from the asset are terminated, or when the Group transfers substantially all the risks and rewards of ownership of the financial assets.

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

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

A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is derecognized, based on the relative fair values of those parts.

B. Financial liabilities and equity

(a) Classification of debt or equity

Debt or equity instruments issued by the Group are classified as financial liabilities or equity in accordance with the substance of the contractual agreement.

Equity instruments refer to surplus equities of the assets after the deduction of all the debts for any contracts. Equity instruments issued are recognized as the amount of consideration received less the direct cost of issuing.

Interest and gain or loss related to the financial liability is recognized in profit or loss, and it is included in finance costs of non-operating income and expense.

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

A financial liability is classified in this category if it is classified as held-for-trading or is designated as such on initial recognition. Financial liabilities are classified as held-for-trading if they are acquired principally for the purpose of selling in the short term. The Group designates financial liabilities, other than the ones classified as held-for-trading, as at fair value through profit or loss at initial recognition under one of the following situations:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different basis;
- Performance of the financial liabilities is evaluated on a fair value basis;
- A hybrid instrument contains one or more embedded derivatives.

Attributable transaction costs are recognized in profit or loss as incurred. Financial liabilities at fair value through profit or loss are measured at fair value and changes therein, which takes into account any interest expense, are recognized in profit or loss, and are included in other gains and losses.

(c) Other financial liabilities

Financial liabilities not classified as held-for-trading or designated as at fair value through profit or loss, which comprise loans and borrowings, and trade and other payables, are measured at fair value plus any directly attributable transaction cost at the time of initial recognition. Subsequent to initial recognition, they are measured at amortized cost calculated using the effective interest method. Interest expense not capitalized as capital cost is recognized in profit or loss, and is included in finance cost.

(d) Derecognition of financial liabilities

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

(e) Offsetting of financial assets and liabilities

The Group presents financial assets and liabilities on a net basis when the Company has the legally enforceable rights to offset, and intends to settle such financial assets and liabilities on a net basis or to realize the assets and settle the liabilities simultaneously.

(f) Financial guarantee contract

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder of a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instruments.

A financial guarantee contract not designated as at fair value through profit or loss issued by the Company is recognized initially at fair value less any directly attributable transaction cost. After initial recognition, it is measured at the higher of (a) the contractual obligation amount determined in accordance with IAS 37; or (b) the amount initially recognized less, when appropriate, cumulative amortization recognized in accordance with the accounting policy of revenue.

C. Derivative financial instruments, including hedge accounting

The Group holds derivative financial instruments to hedge its foreign currency and interest rate fluctuation exposures. Derivatives are recognized initially at fair value and attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognized in profit or loss, and are included in other gains and losses.

When a derivative is designated as a hedging instrument, its timing of recognition in profit or loss is determined based on the nature of the hedging relationship. When the fair value of a derivative instrument is positive, it is classified as a financial asset, and when the fair value is negative, it is classified as a financial liability.

For derivatives that are linked to investments in equity instruments that do not have a quoted market price in an active market and must be settled by delivery of such unquoted equity instruments, such derivatives that are classified as financial assets are measured at amortized cost, and are included in financial assets measured at cost; and such derivatives that are classified as financial liabilities are measured at cost, and are included in financial liabilities measured at cost.

Embedded derivatives are Consolidatedd from the host contract and are accounted for Consolidatedly when the economic characteristics and risk of the host contract and the embedded derivatives are not closely related, and that the host contract is measured at fair value through profit or loss.

The Group y designates its hedging instrument, including derivatives, embedded derivatives, and non-derivative instrument for a hedge of a foreign currency risk, as cash flow hedge.

On initial designation of the derivative as a hedging instrument, the Group formally documents the relationship between the hedging instrument and hedged item, including the risk management objectives and strategy in undertaking the hedge transaction and the hedged risk, and whether the hedging instrument is expected to be highly effective in offsetting the changes in the fair value or cash flows of the hedged item attributable to the hedged risk.

(a) Cash flow hedge

When a derivative is designated as a cash flow hedge, the effective portion of changes in the fair value of the derivative is recognized in other comprehensive income and presented in other equity–effective portion of cash flow hedge gain (loss). Any ineffective portion of changes in the fair value of the derivative is recognized immediately in profit or loss, and is included in other gains and losses.

When the hedged item is recognized in profit or loss, the amount accumulated in equity and retained in other comprehensive income is reclassified to profit or loss in the same period or periods during which the hedged item affects profit or loss, and it is presented in the same accounting caption with the hedged item recognized in the statement of comprehensive income.

(8) Inventories

The cost of inventories shall comprise all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. The development costs of real estate shall comprise all costs of constructions, lands, borrowings, and projects expenses during the period of development. In subsequent period, inventories are measured at the lower of cost and net realizable value. If , and only if, the cost of inventories is higher than the net realizable value, the carrying amount of inventories shall be reduced to net realizable value, and that reduction is recognized as cost of goods sold. The measurement of net realizable value is as follows:

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

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

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

(9) Construction contracts

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

Construction contracts in progress is presented as the amount due from customers for contract work in the statements of financial position for all contracts in which costs incurred plus recognized profits exceed progress billings. If progress billings exceed costs incurred plus recognized profits, then the difference is presented as amount due to customers for contract work in the statement of financial position.

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

(10) Investment in associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting power of another entity.

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

The consolidated financial reports include the Group's share of the profit or loss and other comprehensive income of equity-accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

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

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

(11) Interests in Joint Ventures

A jointly controlled entity is an entity which is established as the result of a contractual arrangement between the Group and other ventures to jointly control its financial and operating policies. Consensus for all decisions must be obtained from the ventures. The Group uses the equity method to account for a jointly controlled entity.

(12) Investment property

Investment property is the property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently measurement with any change therein recognized in profit or loss. After initial recognition, the calculation of depreciation expense including depreciation method, useful life and residual value are pursuant to property, plant and equipment.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of raw materials and direct labor, and any other costs directly attributable to bringing the investment property to a working condition for its intended use and capitalized borrowing costs.

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

(13) Property, plant and equipment

(a) Recognition and measurement

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

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated Consolidatedly, unless the useful life and the depreciation method of the significant part of an item of property, plant and equipment are the same as the useful life and depreciation method of another significant part of that same item.

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

(b) Reclassification to investment property

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

(c) Subsequent cost

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

(d)Depreciation

The depreciable amount of an asset is determined after deducting its residual amount, and it shall be allocated on a systematic basis over its useful life. Items of property, plant and equipment with the same useful life may be grouped in determining the depreciation charge. The remainder of the items may be depreciated Consolidatedly. The depreciation charge for each period shall be recognized in profit or loss.

The depreciable amount of a leased asset is allocated to each accounting period during the period of expected use on a systematic basis consistent with the depreciation policy the lessee adopts for depreciable assets that are owned. If there is reasonably certainty that the lessee will obtain ownership by the end of the lease term, the period of expected use is the useful life of the asset; otherwise, the asset is depreciated over the shorter of the lease term and its useful life.

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

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

Buildings	8-60 years
Machinery and equipment	3-9 years
Transportation equipment	3-5 years
Office and other equipment	3-8 years

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

(14) Leases

(a) Lessor

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

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

(b) Lessee

Leases which the Company assumes substantially all of the risks and rewards of ownership are classified as finance leases. On initial recognition, the lease asset is measured at an amount equal to the lower of its fair value or the present of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to the asset.

Other leases are operating leases and are not recognized in the Company's balance sheets.

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

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term in order to produce a constant periodic rate of interest on the remaining balance of the liability.

Contingent rent is recognized as expense in the periods in which it is incurred.

At inception of an arrangement, the Company determines whether such an arrangement is or contains a lease, which involves the following two criteria:

- The fulfillment of the arrangement is dependent on the use of a specific asset or assets; and
- The arrangement contains a right to use the asset(s).

At inception or on reassessment of the arrangement, if an arrangement contains a lease, that lease shall be classified as a finance lease or an operating lease. The Company Consolidateds payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Company concludes for a finance lease that it is impracticable to Consolidated the payment reliably, then an asset and a liability are recognized at an amount equal to the fair value of the underlying asset. Subsequently, the liability is reduced as payments are made and an imputed finance cost on the liability is recognized using the Company's incremental borrowing rate. If the Company concludes for an operating lease that it is impracticable to Consolidated the payment reliably, then it treats all payments under the arrangement as lease payments, and discloses the situation accordingly.

(15) Intangible Assets

(a) Goodwill

Goodwill acquired in a business combination is included in intangible assets.

Goodwill is measured at cost less accumulated impairment losses. The carrying amount of the investments in associates includes goodwill. The impairment losses on investments would not be allocated to goodwill or any other assets.

(b) Service Concession Agreements

The Group shall recognize an intangible asset arising from service concession agreements when the Group has a right of charges for the public using the infrastructure. The intangible asset resulted from the considerations received or receivable from construction or upgrade service in accordance with the service concession agreements is measured at the fair value on initial recognition. Subsequently, intangible assets are measured at cost, including those borrowing costs that are eligible for capitalization, less, accumulated amortization and any accumulated impairment losses.

(c) Other Intangible Assets

Other intangible assets are measured at cost less accumulated amortization and any accumulated impairment losses.

(d) Amortization

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

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

Service Concession Agreements 35 years

The useful life of intangible assets from service concession agreements is from the date the Group has a right of charges for the public using the infrastructure until the end of service concession agreements. Amortization methods, useful lives, and residual values are reviewed at each reporting date and adjusted if need.

The intangible asset with indefinite life is not being amortizes, but shall be tested for impairment at least annually. In addition, it shall be reviewed each period to determine whether events and circumstances continue to support an indefinite useful life assessment for that asset. Any changes shall be accounted for as changes in accounting estimates.

(16) Impairment – Non-derivative financial assets

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

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

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

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

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

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

Notwithstanding whether indicators exist, recoverability of goodwill and intangible assets with indefinite useful lives or those not yet in use are required to be tested at least annually. Impairment loss is recognized if the recoverable amount is less than the carrying amount.

For the purpose of impairment testing, goodwill acquired in a business combination shall, from the acquisition date, be allocated to each of the acquirer's cash-generating units, or groups of cash-generating units, that is expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquire are assigned to those units or group of units. If the carrying amount of the cash-generating units exceeds the recoverable amount of the unit, the entity shall recognize the impairment loss and the impairment loss shall be allocated to reduce the carrying amount of each asset in the unit. Reversal of an impairment loss for goodwill is prohibited.

(17) Borrowing costs

An asset necessarily takes a substantial period of time to get ready for its intended use or sale. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset form part of the cost of that asset. Other borrowing costs are recognized as an expense. Borrowing costs are interest and other costs that an entity incurs in connection with the borrowing of funds.

(18) Provisions

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

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

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

(19) Revenue

(a) Sale of real estate

Based on IFRS 15' Revenue from Contracts with Customers', the contracts of building construction in progress with customers are accounted for in accordance with IFRS 11 'Construction Contracts' or IFRS 18 'Revenue'.

IFRS 11 'Construction Contracts' is applied when the customers could decide the main structure of the building before constructing it or could change the main structure of the building during the period of its construction ; IFRS 18 'Revenue' is applied when the customers could change the minor structure or have a limited ability to affect the structure design.

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

The timing of transfers of risks and rewards varies depending on the individual terms of the sales agreements. For sales of timber of real estate, transfers usually occur upon transferring the significant risks and rewards of real estate to the counterparty.

(b) Construction contract

Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments, to the extent that it is probable that they will result in revenue and can be measured reliably. As soon as the outcome of a construction contract can be estimated reliably, contract revenue is recognized in profit or loss in proportion to the stage of completion of the contract. Contract expenses are recognized as incurred unless they create an asset related to future contract activity.

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

(c) Rental income

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

(d) Service Concession Agreements

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

(20) share-based payment

The grant-date fair value of share-based payment awards granted to employee is recognized as employee salary expenses, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflected such conditions and there is no true-up for differences between expected and actual outcomes.

The fair value of the amount payable to employees in respect of share appreciation rights, which are settled in cash, is recognized as an expense with a corresponding increase in liabilities, over the period that the employees become unconditionally entitled to payment. The liability is re-measured at each reporting date and settlement date. Any changes in the fair value of the liability are recognized as personnel expenses in profit or loss.

(21) Employee benefits

(a) Defined contribution plans

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

(b) Defined benefit plans

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

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

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized in profit or loss on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognized immediately in profit or loss.

All actuarial gains and losses at 1 January, 2012, the date for the first time adoption of IFRS as endorsed by the FSC were recognized in retained earnings. All actuarial gains and losses arising subsequently from defined benefit plans are recognized in other comprehensive income.

The Group recognizes gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on curtailment comprises any resulting change in the fair value of plan assets, any change in the present value of defined benefit obligation and any related actuarial gains or losses and past service cost that had not previously been recognized.

(c) Short-term employee benefits

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

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

(22) Income Taxes

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

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

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

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

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

(c) Initial recognition of goodwill.

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

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

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

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

i. levied by the same taxing authority; or

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

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

(23)Earnings per share

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

(24) Operating Segments

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

5. MAJOR SOURCES OF SIGNIFICANT ACCOUNTING ASSUMPTIONS, JUDGMENTS AND ESTIMATION UNCERTAINTY

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

The management will continually review the estimates and basic assumptions.

Changes in accounting estimates will be recognized in the period of change and the future period of their impact.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included in the following notes:

(1) Note 6 (7), Classification of investment property

(2) Note 6 (12), Lease classification

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next year is included in the following notes:

(1) Note 6 (4), Completion percentage of the construction contracts and the estimation of onerous contracts

(2) Note 6 (7), Key assumptions used in discounted cash flow projections

(3) Note 6 (14), Measurement of defined benefit obligations

(4) Note 6 (11), Provisions

(5) Note 6 (17), Realizability of deferred tax assets

6. EXPLANATIONS TO SIGNIFICANT ACCOUNTS

(1) CASH AND CASH EQUIVALENTS

		2013.12.31	2012.12.31	2012.1.1
Cash	$	17,996	16,175	14,391
Cash in banks		990,893	2,016,226	3,084,779
cash equivalents		435,330	43,939	1,743,287
Cash and cash equivalents	**$**	**1,444,219**	**2,076,340**	**4,842,457**

Refer to Note 6(22) for the fair value sensitivity analysis and interest rate risk of the financial assets and liabilities of the Group.

(2) FINANCIAL ASSETS

(a) The components of financial assets were as follows:

	2013.12.31	**2012.12.31**	**2012.1.1**
Current:			
Financial assets at fair value through profit or loss	$ 55	476	-
Available-for-sale financial assets			
Stocks of unlisted companies	$ 7,241,065	7,241,066	-
Adjustments of available-for-sale financial assets	(3,148,172)	(3,479,216)	-
	$ 4,092,893	**3,761,850**	**-**
Non-current:			
Stocks of unlisted companies	$ 582,163	582,163	7,823,229
Adjustments of available-for-sale financial assets	757,742	615,570	(3,055,560)
	$ 1,339,905	**1,197,733**	**4,767,669**
Non-current financial assets measured at cost			
Stocks of unlisted companies	$ 14,500	14,500	324,143
Less: Accumulated impairment	(1,290)	(1,290)	(85,959)
	$ 13,210	**13,210**	**238,184**

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

As of December 31, 2013 and 2012, and January 1, 2012, the aforesaid financial assets were not pledged as collateral.

(b) Sensitive analysis – the risk of equity price

If the equity price changes, and if it is on the same basis for both years and assumes that all other variables remain the same, the impact on other comprehensive income will be as follows:

Equity price at reporting date	For the year ended December 31, 2013 After-tax other comprehensive income	For the year ended December 31, 2012 After-tax other comprehensive income
Increase 1%	$ 54,328	49,596
Decrease 1%	$ (54,328)	(49,596)

(c) Foreign equity investments

The Group uses derivative financial instruments to hedge certain foreign exchange risk the Group is exposed to arising from design expenses where the Group is expected to pay the foreign consultants of design for some constructions. Since the estimated risk is significant, the Group holds the derivative financial instruments for hedging purposes.

As of December 31, 2013 and 2012, and January 1, 2012,the items to be hedge and the hedge instrument the Group held are as follows:

		Hedge instrument designated to be hedge and fair value				
Item to be Hedge	Hedge instrument	2013.12.31	2012.12.31	2012.1.1	Expected Cash flow Period	Expected Income Period
Expected Foreign liabilities	Foreign deposits	$ 66,153	68,182	23,775	2012~2013	2012~2013

(d) Other

The Group holds Preferred A, C4, C5, and C8 shares of Taiwan High Speed Rail Corporation (THSRC). Based on the regulations of these Preferred Shares, the Group has the right to receive the financial assets from THSRC regardless of its conditions without needing to have any sufficient funds or earnings, or restrictions by law . The Group regards these Preferred Shares as debts. As of December 31, 2013, the Company was entitled to receive the preferred dividends and interests amounting to $1,132,958 thousand. However, THSRC used the Article 232-1of

Taiwan's Company Act to deny these debts. The Group and other creditors filed lawsuits against THSRC during 2013. So far, the lawsuit of the Group is still in progress, and not all creditors that filed lawsuits against THSRC won the lawsuit.

(3) ACCOUNTS RECEIVABLE, NET

	2013.12.31	2012.12.31	2012.1.1
Notes receivable from operating activities	$ 158,336	124,647	486,827
Accounts receivable	7,286,342	5,259,329	7,243,592
Other receivable	573,151	371,318	623,241
Less: Allowance for bad debts	-	-	(100,625)
	$ 8,017,829	**5,755,294**	**8,253,035**
Current	$ 4,673,664	2,597,296	5,126,430
Non-current	3,344,165	3,157,998	3,126,605
	$ 8,017,829	**5,755,294**	**8,253,035**

(4) Construction contract

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

	For the year ended December 31	
	2013	**2012**
Construction revenue recognized in current profit or loss	**$ 15,673,844**	**20,212,035**

	2013.12.31	2012.12.31
Accumulated costs incurred (including contract costs that relate to future activity on the contract)	$ 60,026,466	53,561,246
Add: Accumulated profit and losses recognized arising from the construction	(1,847,927)	(1,437,125)
Accumulated costs and profit recognized (less losses recognized)	58,178,539	52,124,121
Less: Progress billings	56,116,942	50,533,087
Amount due from customers for contract work – presented as an asset	$ 2,061,597	1,591,034

Include:			
Construction contracts receivable	$	3,146,178	2,195,555
Construction contracts payable		(1,084,581)	(604,521)
	$	**2,061,597**	**1,591,034**
Advance received	$	**1,865,373**	**1,629,431**
Retention payable from construction contract	$	**1,463,306**	**1,298,346**

NOTE:

Constructions of the outer ring road to Hyderabad Airport in Andhra, India, and C-12 and C-13 of the India National Highway were delayed due to some factors not related to the Company. In the past, Continental Engineering Corporation requests of tenor extension on the projects were all approved by the employers of HGCI and NHAI.

After filing the requests of the tenor extension proposal on the above mentioned projects, the Continental Engineering Corporation would proactively communicate with the project employers and the project employers often agree with the requests of the Group. Among the above mentioned projects, the Continental Engineering Corporation submitted the as-built drawing of the 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. The owner of C-13 project evaluated the statement at completion and asks for more supporting materials for the approval in October 2013, as well as expected to provide final settlement evaluation in April, 2014. For C12 and ORR project, the statement at completion is still under evaluation by supervision consultant and is expected to be clarified by April 2014. In addition, final settlement evaluation from owner of outer ring road to Hyderabad airport in Andhra is pending; it will be clarified in July 2014 as well. As of December 31, 2013, the unapproved billing amount was INR 954,104 thousand (equivalent to $459,401 thousand).

The Continental Engineering Corporation had, in the past, successfully obtained the requested extension of the construction tenor and the adjustment on the price of the materials used for construction. Also, it has a reputation of being prompt on its delivery according to the employer's supervision consultants. Therefore, basing on the facts mentioned above, the Group was able to demand from the construction owner the amounts of INR 696,494 thousand and INR 181,918 thousand, respectively, during the years 2013 and 2012. As of December 31, 2013 and 2012, the Group was able to collect the amounts of INR 412,168 thousand and INR 61,080 thousand, respectively.

The Continental Engineering Corporation believes that the future requested extension of the construction will all be approved, including the portion of the pending application that is yet to be endorsed. In addition, an external attorney legally provided a positive opinion regarding the request of the Group.

(5) INVENTORY

	2013.12.31	2012.12.31	2012.1.1
Construction			
Material on hand	$ 262,998	202,368	121,909
Real estate			
Real estate held for sale	$ 598,631	341,927	1,534,312
Land held for development	12,379,389	13,209,462	5,053,613
Building Construction in progress	6,860,255	2,605,326	3,065,401
Prepayment for land	211,316	2,672,551	24,442
	20,049,591	18,829,266	9,677,768
Less: Allowance for bad debts	(117,197)	(117,197)	(117,197)
	$ 20,195,392	**18,914,437**	**9,682,480**

For the years ended December 31, 2013 and 2012, capitalizing interest costs were as follows:

	For the year ended December 31, 2013	For the year ended December 31, 2012
Interest costs	$ 367,406	278,987
Capitalized interests	$ 39,912	5,267
Capitalization interest rate	1.76%	1.63%

Please refer to Note 8 for information about inventory collateral.

(6) Investments accounted for using equity method

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

	2013.12.31	2012.12.31	2012.1.1
Associates	$ 2,745,726	2,305,353	-
Jointly controlled entities	49,546	360,403	719,832
	$ 2,795,272	**2,665,756**	**719,832**

(a) Associates

In 2013 and 2012, the Group's share of profits of associates accounted for using equity method are as follows:

	For the year ended December 31 2013	For the year ended December 31 2012
The Group's share of profits of the associates	**$ 374,358**	-

Summary financial information not adjusted according to the rate of Group's ownership for the investment in associates is as follows:

	2013.12.31	2012.12.31	2012.1.1
Total Assets	$ 9,286,545	9,410,852	-
Total Liabilities	$ 3,151,952	3,999,403	-

	For the year ended December 31 2013	For the year ended December 31 2012
Revenue	$ 10,707,273	-
Net Income	$ 1,893,478	-

(b) Joint controlled entities

Summary financial information for the investment in associates is as follows:

	Ownership %	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Income	losses
2013.12.31							
4070C	50.00%	$ 175,827	82,727	176,842	-	411,337	410,063
3110D	70.00%	525,102	491	372,553	-	574,808	515,346
4120P	45.00%	391,211	28,111	350,025	25,143	169,474	164,394
6061E	64.103%	28,076	730	109,173	-	4,860	8,146
6090D	41.00%	102,980	2,952	105,932	-	53,769	53,769
6110I	49.00%	189,264	-	351,799	-	487,510	592,155
6120M	80.00%	23,442	-	16,104	-	144,120	138,552
6120D	70.00%	1,748,906	5,082	1,747,198	-	465,655	411,399
2012.12.31							
4070C	50.00%	$ 164,859	405,432	49,853	-	928,577	1,266,408
3110D	70.00%	2,944,351	155	2,801,183	-	2,159,354	2,078,673
4120P	45.00%	20,468	-	448	-	661	641
6061E	64.10%	55,716	777	129,053	-	15,891	27,066
6090D	50.00%	127,143	3,269	130,412	-	342,323	343,323
6110I	49.00%	168,439	-	220,146	-	638,247	695,217
6120M	80.00%	23,199	-	21,494	-	44,653	42,920
6120D	70.00%	108,127	-	9,051	-	111,832	159,122

2012.1.1	**Ownership %**	**Current assets**	**Non-current assets**	**Current liabilities**	**Non-current liabilities**	**Income**	**losses**
4070C	50.00%	$ 369,460	350,987	547,179	-	-	-
3110D	70.00%	153,851	181	111,064	-	-	-
6061E	64.10%	89,980	882	157,429	-	-	-
630100	55.00%	31,080	-	1,058	-	-	-
650100	54.00%	1,208	-	1,208	-	-	-
660100	50.00%	3,778,593	1,325,644	4,065,175	-	-	-

The Group does not have any contingent liabilities that were incurred in relation to its interests in the joint ventures; nor does it incur any contingent liabilities together with the other ventures or on its own. In addition, the Group does not have any obligation to bear any liabilities incurred by other ventures.

The Group does not have any capital commitments in relation to its interest in joint ventures or its share in the capital commitments that have been incurred jointly with other ventures or its share of the capital commitments of the joint ventures themselves.

iii Guarantee

As of December 31, 2013 and 2012, and January 1, 2012, the investments accounted for using equity method were not pledged as collateral.

(7) Property, plant and equipment

Movements of the cost, depreciation, and impairment of property, plant and equipment of the Group for the years ended December 31, 2013 and January 1, 2012, are as follows:

	Land	**Buildings**	**Machinery and equipment**	**Transportation equipment**	**Computer equipment**	**Furniture and office equipmen**	**Total**
Cost or deemed cost:							
Balance, January 1, 2013	$ 1,150,082	482,419	1,731,870	208,073	63,295	136,448	3,772,187
Additions	-	5,873	121,246	16,287	18,946	16,041	178,393
Disposals	-	(2,637)	(86,547)	(17,026)	(2,633)	(1,926)	(110,769)
Effect of movements in exchange rates	-	-	(119,722)	(2,134)	(870)	(7,036)	(129,762)
Balance, December 31, 2013	**$ 1,150,082**	**485,655**	**1,646,847**	**205,200**	**78,738**	**143,527**	**3,710,049**
Balance, January 1, 2012	$ 1,180,751	1,242,511	2,696,535	293,377	63,039	279,618	5,755,831
Additions	-	-	205,846	3,176	6,050	11,626	226,698
Disposals	-	-	(41,071)	(5,345)	(3,378)	(21,276)	(71,070)

	Land	Buildings	Machinery and equipment	Transportation equipment	Computer equipment	Furniture and office equipmen	Total
Decrease in the consolidate controlled entities	(30,669)	(760,092)	(1,036,008)	(81,652)	-	(134,320)	(2,042,741)
Effect of movements in exchange rates	-	-	(93,432)	(1,483)	(2,416)	800	(96,531)
Balance, December 31, 2012	**$ 1,150,082**	**482,419**	**1,731,870**	**208,073**	**63,295**	**136,448**	**3,772,187**
Depreciation and impairment loss:							
Balance, January 1, 2013	$ 19,523	118,987	971,497	123,736	53,246	120,674	1,407,663
Depreciation	-	12,640	254,340	24,284	32,317	20,830	344,411
Reversal of impairment loss	(19,523)	-	-	-	-	-	(19,523)
Disposals	-	(2,637)	(54,793)	(9,388)	(2,603)	(1,829)	(71,250)
Effect of movements in exchange rates	-	-	(94,555)	(1,118)	(23,757)	(17,202)	(136,632)
Balance, December 31, 2013	**$ -**	**128,990**	**1,076,489**	**137,514**	**59,203**	**122,473**	**1,524,669**
Balance, January 1, 2012	$ 19,523	327,125	1,432,373	178,580	55,155	153,259	2,166,015
Depreciation	-	11,758	319,140	28,198	6,206	11,159	376,461
Disposals	-	-	(28,021)	(9,741)	(6,319)	(16,696)	(60,777)
Decrease in the consolidate controlled entities	-	(219,896)	(711,761)	(72,131)	-	(27,473)	(1,031,261)
Effect of movements in exchange rates	-	-	(40,234)	(1,170)	(1,796)	425	(42,775)
Balance, December 31, 2012	**$ 19,523**	**118,987**	**971,497**	**123,736**	**53,246**	**120,674**	**1,407,663**
Carrying amount:							
Balance, December 31, 2013	**$ 1,150,082**	**356,665**	**570,358**	**67,686**	**19,535**	**21,054**	**2,185,380**
Balance, December 31, 2012	**$ 1,130,559**	**363,432**	**760,373**	**84,337**	**10,049**	**15,774**	**2,364,524**
Balance, January 1, 2012	**$ 1,161,228**	**915,386**	**1,264,162**	**114,797**	**7,884**	**126,359**	**3,589,816**

As of December 31, 2013 and 2012, and January 1, 2012, the accumulated impairment was $0, $19,523 thousand, and $19,523 thousand.

As of December 31, 2013 and 2012, and January 1, 2012, the properties were pledged as collateral, please refer to Note 8.

(8) Investment property

	Land and improvements	Buildings	Total
Cost or deemed cost:			
Balance, January 1, 2013	$ 9,963,932	2,173,763	12,137,695
Balance, December 31, 2013	**$ 9,963,932**	**2,173,763**	**12,137,695**
Balance, January 1, 2012	$ 9,963,932	2,173,763	12,137,695
Balance, December 31, 2012	**$ 9,963,932**	**2,173,763**	**12,137,695**
Depreciation and impairment losses：			
Balance, January 1, 2013	$ 501,205	391,081	892,286
Depreciation	-	41,345	41,345
Balance, December 31, 2013	**$ 501,205**	**432,426**	**933,631**
Balance, January 1, 2012	$ 501,205	349,176	850,381
Depreciation	-	41,905	41,905
Balance, December 31, 2012	**$ 501,205**	**391,081**	**892,286**
Carrying amounts:			
Balance, December 31, 2013	**$ 9,462,727**	**1,741,337**	**11,204,064**
Balance, December 31, 2012	**$ 9,462,727**	**1,782,682**	**11,245,409**
Balance, January 1, 2012	**$ 9,462,727**	**1,824,587**	**11,287,314**
Fair value:			
Balance, December 31, 2013			**$ 13,337,333**
Balance, December 31, 2012			**$ 13,378,678**
Balance, January 1, 2012			**$ 13,420,583**

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

Investment property comprises a number of commercial properties that are leased to third parties. Refer to Note 6(14) for detail information (include rental revenue and other direct operating expenses).

The investment property is based on a valuation by an independent evaluator who holds a recognized and relevant professional qualification and has recent experience in the location and category of the investment property being valued. The range of yields applied to the net annual rentals to determine fair value of property for which current prices in an active market are unavailable is as follows:

Offices	2012.1.1
Taiwan (R.O.C.)	**3.21%~3.49%**

As of December 31, 2013 and 2012, and January 1, 2012, the fair value evaluation of investment property adopts weighted method of income approach and sales comparison approach.

As of December 31, 2013 and 2012, and January 1, 2012, the aforesaid investment properties were pledged as collateral, please refer to Note 8.

(9) Intangible assets

The costs of intangible assets, amortization, and impairment loss of the Group for the years ended December 31, 2013 and January 1, 2012, are as follows:

	Goodwill	Patent and trademarks	Service Concession Agreements	Total
Cost or deemed cost:				
Balance, January 1, 2013	$ -	-	385,753	385,753
Additions	-	-	48,115	48,115
Balance, December 31, 2013	**$ -**	-	**433,868**	**433,868**
Balance, January 1, 2012	$ 184,131	67,455	269,545	521,131
Additions			116,208	116,208
Decrease in the consolidated controlled entities	(184,131)	(67,455)	-	(251,586)
Balance, December 31, 2012	**$ -**	-	**385,753**	**385,753**

	Goodwill	Patent and trademarks	Service Concession Agreements	Total
Amortization and impairment loss:		-		
Balance, January 1, 2013	$ -	-	33,534	33,534
Amortization	-	-	12,847	12,847
Balance, December 31, 2013	**$ -**	**-**	**46,381**	**46,381**
Balance, January 1, 2012	$ -	-	20,954	20,954
Amortization	-	-	12,580	12,580
Balance, December 31, 2012	**$ -**	**-**	**33,534**	**33,534**
Carrying amount:				
Balance, December 31, 2013	**$ -**	**-**	**387,487**	**387,487**
Balance, December 31, 2012	**$ -**	**-**	**352,219**	**352,219**
Balance, January 1, 2012	**$ 184,131**	**67,455**	**248,591**	**500,177**

As of December 31, 2013 and 2012, and January 1, 2012, there were no significant records or reverse to Disposals and impairment.

(10) Short-term Notes and Bills Payable

	2013.12.31		
	Guarantee or Acceptance Agency	**Interest Rate Range**	**Amount**
Bills payable	financial institutions	1.108%~1.43%	**$ 1,550,000**

	2012.12.31		
	Guarantee or Acceptance Agency	**Annual interest rate**	**Amount**
Bills payable	financial institutions	1.058%~2.059%	**$ 1,466,000**

	2012.1.1		
	Guarantee or Acceptance Agency	**Annual interest rate**	**Amount**
Bills payable	financial institutions	1.051%~1.139%	**$ 550,000**

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

(11) Short -term Borrowings

	2013.12.31	2012.12.31	2012.1.1
Unsecured loans	$ 3,279,086	1,881,000	242,230
Secured loans	7,518,424	9,223,424	5,425,000
	$ 10,797,510	**11,104,424**	**5,667,230**

Unused credit limit	**$ 17,030,513**	**15,461,743**	**16,280,650**
Annual interest rate	**1.15%~2.7%**	**1.15%~2.35%**	**1.15%~2.117%**

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

(12) Long term borrowings

	2013.12.31			
	currency	**Interest Rate Range**	**Matured Period**	**Amount**
Unsecured loans	TWD	1.0544%~2.37%	2014~2015	$ 1,558,635
Secured loans	TWD	1.4545%~2.1987%	2014~2025	9,970,000
				11,528,635
Less: current portion				(333,834)
Total				**$ 11,194,801**
Unused credit limit				**$ 870,000**

	2012.12.31			
	currency	**Interest Rate Range**	**Matured Period**	**Amount**
Unsecured loans	TWD	1.1095%~2.35%	2013~2015	$ 1,211,233
Secured loans	TWD	1.5254%~2.1987%	2013~2025	7,863,000
				9,074,233
Less: current portion				(30,000)
Total				**$ 9,044,233**
Unused credit limit				**$ 1,121,942**

	2012.1.1			
	currency	**Interest Rate Range**	**Matured Period**	**Amount**
Unsecured loans	TWD	1.3435%~2.35%	2012~2016	$ 1,682,246
Secured loans	TWD	1.511%~2.286%	2012~2025	7,680,800
				9,363,046
Less: current portion				(372,519)
Total				**$ 8,990,527**
Unused credit limit				**$ 1,210,000**

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

(13) Provision

	Warranties	After-sales service	Total
Balance, 1 January 2013	$ 167,295	1,058,992	1,226,287
Provision made during the year	14,780	4,018	18,798
Provision used during the year	(16,503)	(4,080)	(20,583)
Provision reversed during the year	(23,576)	(643,372)	(666,948)
Balance, 31 December 2013	$ 141,996	415,558	557,554
Balance , 1 January 2012	$ 185,007	930,354	1,115,361
Provision made during the year	7,733	128,650	136,383
Provision used during the year	(19,013)	(12)	(19,025)
Provision reversed during the year	(6,432)		(6,432)
Balance, 31 December 2012	$ 167,295	1,058,992	1,226,287

The provision for warranties and after-sales service relates mainly to construction contracts and sales premises for the year ended December 31, 2013 and 2012. The provision is based on estimates made from historical warranty data associated with similar products and services. The Group expects to settle the majority of the liability within one to five years after the construction completed.

(14) Operating leases

Please refer to Note 6(8) for operating leases of investment property. The future minimum lease payments under non-cancellable leases are as follows:

	2013.12.31	2012.12.31	2012.1.1
Less than one year	$ 275,256	194,792	257,087
Between one and five years	788,372	524,542	415,065
More than five years	250,889	155,013	206,942
	$ 1,314,517	**874,347**	**879,094**

For the year ended December 31, 2013 and 2012, the rental revenue of investment property was $ 268,268 thousand and $295,578 thousand, respectively.

Repair and maintenance expenses arising from investment property (recognized as miscellaneous expenses) are as follows:

	For the year ended December 31	
	2013	**2012**
Expenses that generated rental revenue	$ 10,014	13,361
Expenses that not generated rental revenue	14	-
	$ 10,028	**13,361**

(15) Advanced Receipts

	2013.12.31	**2012.12.31**	**2012.1.1**
Advance receipts from construction contract	$ 1,865,373	1,629,431	2,120,273
Advance receipts from real estate	4,073,954	3,875,620	2,756,787
Others	44,540	39,604	39,491
Total	**$ 5,983,867**	**5,544,655**	**4,916,551**

The total contracts price which is associated with the above-mentioned accounts received in advance, please refer to Note 9.

(16) Employee benefits

(a) Defined benefit plan

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

	2013.12.31	**2012.12.31**	**2012.1.1**
Present value of defined benefit obligations	$ 528,734	546,421	520,159
Fair value of plan assets	(167,104)	(181,948)	(195,786)
Accrued pension liability	**$ 361,630**	**364,473**	**324,373**

The Group makes defined benefit plan contributions to the pension fund account at Bank of Taiwan that provides pensions for employees upon retirement. The plans (covered by the Labor Standards Law) entitle a retired employee to receive an annual payment based on years of service and average salary for the six months prior to retirement.

i Composition of plan assets

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

The Group's Bank of Taiwan labor pension reserve account balance amounted to $167,104 thousand at the end of the reporting period. For information on the utilization of the labor pension fund assets including the asset allocation and yield of the fund, please refer to the website of the Labor Pension Fund Supervisory Committee.

ii Movements in present value of the defined benefit obligations

The movements in present value of defined benefit obligations for the years ended December 31, 2013 and 2012, were as follows:

	Years ended December 31	
	2013	**2012**
Defined benefit obligation, January 1	$ 546,421	520,159
Benefits paid by the plan	(18,262)	(16,856)
Current service costs and interest	15,771	15,684
Actuarial (gain) losses	(15,196)	27,434
Defined benefit obligation, December 31	**$ 528,734**	**546,421**

iii Movements of defined benefit plan assets

The movements in the present value of the defined benefit plan assets for the years ended December 31, 2013 and 2012, were as follows:

	Years ended December 31	
	2013	**2012**
Fair value of plan assets, January 1	$ 181,948	195,786
Contributions made	1,019	1,186
Benefits paid by the plan	(18,262)	(16,856)
Expected return on plan assets	2,192	2,358
Contributions for employer	131	277
Actuarial (gain) losses	76	(803)
Fair value of plan assets, December 31	**$ 167,104**	**181,948**

iv Expenses recognized in profit or loss

The expenses recognized in profit or loss for the years ended December 31, 2013 and 2012, were as follows:

	Years ended December 31	
	2013	**2012**
Current service costs	$ 8,014	8,289
Interest on obligation	7,757	7,395
Expected return on plan assets	(2,192)	(2,358)
	$ 13,579	**13,326**
Operating costs	$ 4,909	4,780
Administrative expenses	8,670	8,546
	$ 13,579	**13,326**

v Actuarial gain/losses recognized in other comprehensive income

The Company actuarial gain/losses recognized in other comprehensive income for the years ended December 31, 2013 and 2012, were as follows:

	Years ended December 31	
	2013	**2012**
Cumulative amount, January 1	$ 29,912	1,580
Recognized during the period	(15,272)	28,332
Cumulative amount, December 31	**$ 14,640**	**29,912**

vi Actuarial assumptions

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

	2013.12.31	**2012.12.31**
Discount rate	1.53%	1.44%
Expected return on plan assets	1.20%	1.20%
Long- term average adjustment rate of salary	2.67%	2.67%

The expected rate of return of plan assets is based on the portfolio as a whole and not on the sum of the returns on individual asset categories. The return is based exclusively on historical returns, without adjustments.

vii Historical information in experience adjustments

		2013.12.31	2012.12.31	2012.1.1
Present value of the defined benefit obligation	$	528,734	546,421	520,159
Fair value of plan assets		(167,104)	(181,948)	(195,786)
Deficit (surplus) in the plan	**$**	**361,630**	**364,473**	**324,373**
Experience adjustments arising on plan liabilities	**$**	**(15,196)**	**27,434**	**-**
Experience adjustments arising on plan assets	**$**	**(76)**	**803**	**-**

The Group expects to pay defined contribution benefit plans amounted to$8,465 thousand within one year, after December 31, 2013.

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

As of December31, 2013, the Group's accrued pension liabilities were $361,630 thousand. If the employee turnover rate had increased or decreased by 1%, the Group's accrued pension liabilities would have decreased by $3,568 thousand or increased by $3,568 thousand, respectively.

(b) Defined contribution plans

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

The Group's pension costs under the defined contribution method were $35,968 thousand and $40,151 thousand for the year ended December 31, 2013 and 2012, respectively. Payment was made to the Bureau of Labor Insurance.

(c) Shore -term employee benefits

The Group's short- term employee benefit plan includes the compensated absences liability. As of December 31, 2013 and 2012, and January 1, 2012, the compensated absences liabilities were $17,170 thousand, $17,182 thousand, and $15,923 thousand, respectively.

(17) Income Tax

(a) Income tax expense recognized in profits or losses

	Years ended December 31	
	2013	2012
Current income tax expense	$ 188,582	392,211
Deferred tax expense	(2,203)	38,608
Income tax expense	**$ 186,379**	**430,819**

(b) Income tax recognized in other comprehensive income (expense) benefit

	Years ended December 31	
	2013	2012
Defined benefit plan actuarial (losses) gain	**$ (3,128)**	**5,803**

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

	Years ended December 31	
	2013	2012
Income before tax	$ **1,124,988**	**2,497,559**
Income tax expense at domestic statutory tax rate	$ 414,499	715,829
Tax-exempt income	(112,136)	(264,571)
Investment gain accounted for using equity method	(284,691)	(329,983)
Current tax loss from unrecognized deferred tax assets	96,730	88,677
Additional income tax under the Alternative Minimum Tax Act	-	2,521
Adjustment for prior periods	(8,713)	(276)
Additional 10% surtax on inappropriate earnings	90,102	68,986
Deferred income taxes	(2,203)	38,608
Current land value increment tax	78,387	12,768
Others	(85,596)	98,260
	$ 186,379	**430,819**

(d) Deferred Tax Assets and Liabilities

i. Unrecognized Deferred Tax Assets:

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

	2013.12.31	2012.12.31	2012.1.1
Deductible temporary difference	$ 183,885	174,189	183,626
Tax loss	1,071,066	1,167,796	1,079,119
	$ 1,254,951	**1,341,985**	**1,262,745**

The ROC Income Tax Act allows net losses, as assessed by the tax authorities, to offset against taxable income over a period of ten years for local tax reporting purposes. The temporary difference associated with the net losses was not recognized deferred tax assets as the Group has the ability to control the reversal of these temporary difference which are not expected to reverse in the foreseeable future.

The estimated unused loss carry-forwards of the Company and domestic subsidiaries up to December 31, 2013 were as follows:

Years of losses	Unused amount	Year of expiry
The Company:		
2010 (assessed)	$ 104,672	2020
2011 (assessed)	1,770	2021
2012 (assessed)	2,449	2022
2013 (estimated)	2,226	2023
Domestic subsidiaries		
2008 (assessed)	$ 525,285	2016
2009 (assessed)	2,325,380	2018
2010 (assessed)	1,528,887	2019
2011 (assessed)	1,225,382	2020
2012 (filed)	475,480	2021
2013 (estimated)	396,218	2022
	$ 6,587,749	

ii. Recognized Deferred Tax Assets :

Changes in the amount of deferred tax assets and liabilities for 2013 and 2012 are as follows:

Deferred tax liabilities:		**Others**
Balance, January 1, 2013	$	2,228
Recognized in tax expense		2,203
Balance, December 31, 2013		4,431
Balance, January 1, 2012	$	155,384
Decrease in the consolidated controlled entities		(153,156)
Balance, December 31, 2012	**$**	**2,228**

Deferred tax assets:		**Others**
Balance, January 1, 2013	$	4,994
Recognized in tax expense		-
Balance, December 31, 2013		4,994
Balance, January 1, 2012	$	60,220
Recognized in tax expense		(38,608)
Decrease in the consolidated controlled entities		(16,618)
Balance, December 31, 2012	**$**	**4,994**

iii. The Company's income tax returns for the years up to 2012 have been assessed by the tax authorities.

iv. Integrated income tax information was as follows:

	2013.12.31	**2012.12.31**	**2012.1.1**
Unappropriated earnings generated after 1998	**$ 2,304,363**	**4,804,401**	**3,706,243**
Balance of CHC's imputation credit account (ICA)	**$ 108,679**	**60,391**	**44,923**

	Years ended December 31	
	2013 (expected)	**2012 (actual)**
Tax creditable ratio for the ROC resident shareholders	**2.93%**	**2.45%**

The above Integrated income tax information was based on Decree No. 10204562810 announced on October 17, 2013 by the Ministry of Finance of the Republic of China. The actual imputation credits allocated to the shareholders of the Corporation was based on the balance of the ICA as of the date of dividend distribution. Therefore, the expected creditable ratio for the earnings in 2013 may differ from the actual creditable ratio to be used in allocating the imputation credits to the shareholders.

(18) Capital and reserves

As of December 31, 2013 and 2012, and January 1, 2012, the total value of nominal authorized ordinary shares amounted to $10,000,000 thousand. Face value of each share is $10, which means in total there were 1,000,000 thousand ordinary shares, of which 841,158 thousand shares were issued. All issued shares were paid up upon issuance.

(a) Ordinary shares

The Company was established on April 8, 2010, and issued 841,158 thousand shares in exchange for CEC's stock. The total value of ordinary shares amounted to $8,411,581 thousand and had been registered with the government.

(b) Capital surplus

The components of the capital surplus were as follows:

	December 31, 2013	**December 31, 2012**	**January 1, 2012**
Premiums from issuance of share capital	$ 6,864,224	6,864,224	6,864,224
Changes in equity of associates and joint ventures accounted for using equity method	764	-	3,778
	$ **6,864,988**	**6,864,224**	**6,868,002**

i. 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. In addition, in 2011, the Company used capital surplus to distributed cash dividend of the year 2010 amounted to $504,695 thousand.

ii. In accordance with the R.O.C Company Act amended in January 2012, realized capital surplus can only be reclassified as share capital or distributed as cash dividends after offsetting losses. The aforementioned capital surplus includes share premiums and donation gains. In accordance with the Securities Offering and Issuance Guidelines, the amount of capital surplus to be reclassified under share capital shall not exceed 10 percent of the actual share capital amount.

(c) Retained earnings

According to the Company's articles of incorporation, the annual net income after paying income tax and offsetting prior year' accumulated deficit (if any) will be distributed with 10% appropriated as legal reserve; however, no provision is needed when the balance reaches the amount of issued share capital; and set aside or reverse a special reserve in accordance with the law, as well as the remaining distribution of earnings should be proposed by the board of directors and is subject to the approval of the shareholders' meeting based on the following percentages:

a.0.5% as remuneration of directors and supervisors;

b.0.5% as employee bonuses;

c.99% as dividends to shareholders

i Legal Reverse

In accordance with the Company Act as amended in January 2012, 10 percent of net income after tax should be set aside as legal reserve, until it is equal to share capital. If the Company experienced profit for the year, the distribution of the statutory legal reserve, either by new shares or by cash, shall be decided at the shareholders meeting, and the distribution amount is limited to the portion of legal reserve which exceeds 25 percent of the paid-in capital.

ii Special Reserve

The Company applied the exemptions at the first-time adoption of IFRSs and increased its retained earnings by $4,448,666 thousand, which resulted from the fair value of investment property being used as the cost on initial recognitions at the transition date, as well as the amount of $2,592,640 thousand being appropriated to special reserve according to Permit No. 1010012865, issued by the FSC on April 6, 2012. The aforementioned special reserve may be reversed in proportion with the usage, disposal, or reclassification of the related assets, and then, be distributed afterwards. As of December 31, 2013, the Company recognized the special reserve related to all IFRSs adjustments amounting to $2,592,640 thousand.

A special reserve equal to the debit balance of unrealized loss on financial instruments in the stockholders' equity is appropriated from the unappropriated retained earnings pursuant to Article No.41 of the Securities and Exchange Act. A special reserve is initially appropriated from current earnings, and any deficiency resulting from it shall be appropriated from the undistributed earnings of prior years. For the second year and the preceding years, the increase or decrease in the balance of unrealized loss on financial instruments in subsequent year, as shown in the statement of changes in stockholders' equity, is either subject to further appropriation for special reserve, or reversed to retained earnings. The Company appropriated the above special reserve the amounting to $288,967 thousand and $180,379 thousand for the years 2013 and 2012, respectively.

iii Earnings distribution

The Company accrued and recognized the employee bonuses amounting to $2,124 thousand and $2,124 thousand for the years 2013 and 2012, respectively, and the directors' and supervisors' remuneration amounting to $2,124 thousand and $2,124 thousand for the years 2013 and 2012, respectively. These amounts were calculated upon 0.5% of distributable earning as employee bonus and remuneration of the directors and supervisors, respectively, and recognized as operating expenses in the years of 2013 and 2012.

In 2012, the differences in the retained earnings distribution between the amount approved in the shareholders' meeting and recognized in the financial statements were as follows:

	2012		
	The amount approved in the shareholders' meeting	**The amount recognized in the financial statements (including estimation)**	**Differences**
Employee bonus－cash	$ 2,124	2,124	-
Directors' and supervisors' remuneration	2,124	2,124	-
	$ 4,248	**4,248**	**-**

The earning distribution for 2012 and 2011 had been approved in the Shareholders' meeting on May 30, 2013 and May 25, 2012, respectively. The relevant dividend distributions to shareholders were as follows:

	2012		2011	
	Amount per share	**Total Amount**	**Amount per share**	**Total Amount**
Dividends distributed to common shareholders:				
Cash	**$ 0.5**	**420,579**	**0.5**	**420,579**

Information on the appropriation of earnings proposed by the Board of Directors and approved at the Shareholders' meeting is available on the Market Observation Post System website of the Taiwan Stock Exchange.

(d) Other equity interest

	Exchange differences on translation of foreign financial statements	Cash flow hedges	available-for sale investments
Balance, January 1, 2013	$ (266,213)	(1,649)	(2,863,646)
Exchange differences on translation of foreign financial statements, net of tax:			
—Group	(114,251)	-	-
Gains (losses) on the effective portion of cash flow hedges, net of tax:			
—Group	-	457	-
Unrealized gains (losses) on available-for sale financial assets			
—Group	-	-	478,457
Balance, December 31, 2013	**$ (380,464)**	**(1,192)**	**(2,385,189)**
Balance, January 1, 2012	$ -	920	(3,054,585)
Exchange differences on translation of foreign financial statements, net of tax:			
—Group	(266,213)	-	-
Gains (losses) on the effective portion of cash flow hedges, net of tax:			
—Group	-	(2,569)	-
Unrealized gains (losses) on available-for sale financial assets			
—Group	-	-	190,939
Balance, December 31, 2012	**$ (266,213)**	**(1,649)**	**(2,863,646)**

(19) Earnings per share

(a) Basic earnings per share

The basic earnings per share of the Group that are calculated based on the profit attributable to the ordinary shareholders of the Company amounted to $920,401 thousands and $1,826,324 thousand for the years 2013 and 2012,respectively; they were divided by the weighted-average numbers of 841,158 thousand and 841,158 thousand of the ordinary shares outstanding for the years 2013 and 2012,respectively. The computation of the basic earnings per share were as follows:

Basic EPS	For the year ended December 31, 2013	For the year ended December 31, 2012
Profit attributable to ordinary shareholders	$ **920,401**	**1,826,324**
Weighted average number of ordinary shares	**841,158**	**841,158**

(b) Diluted earnings per share

The diluted earnings per share of the Group that are calculated based on the profit attributable to the ordinary shareholders of the Company amounted to $920,401 thousands and $1,826,324 thousand for the years 2013 and 2012, respectively; they were divided by the weighted-average numbers of 841,457 thousand and 841,502 thousand of ordinary shares outstanding after the adjustment for the effects of all potentially dilutive ordinary shares for the years 2013 and 2012,respectively. The computation of diluted earnings per share were as follows:

Diluted EPS	For the year ended December 31, 2013	For the year ended December 31, 2012
Profit attributable to ordinary shareholders	$ **920,401**	**1,826,324**
Weighted average number of ordinary shares	841,158	841,158
Effect of the employee bonuses	299	344
Weighted average number of ordinary shares(Diluted)	**841,457**	**841,502**

(20) Operating Revenue

The Group's revenue for the year ended December 31, 2013 and 2012 are as follows:

	For the year ended December 31	
	2013	**2012**
Construction revenue	$ 15,708,065	20,871,629
Real estate revenue	1,821,717	5,387,848
Rental revenue	268,268	295,578
Other operating revenue	184,414	175,674
	$ 17,982,464	**26,730,729**

(21) Non-operating income and expenses

(a) Other income

The Group's other income for the year ended December 31, 2013 and 2012 are as follows:

	For the year ended December 31	
	2013	**2012**
Interest income – bank saving	$ 38,559	73,419
Dividend income	88,211	88,584
Other income	41,224	69,502
	$ 167,994	**231,505**

For details of the Preferred Dividend, please refer to Note 6(2).

(b) Other gains and losses

The Company's other gains and losses for the year ended December 31, 2013 and 2012 are as follows:

	For the year ended December 31	
	2013	**2012**
Foreign exchange gains (losses)	$ 5,916	(22,132)
Loss on Financial assets and liability at fair value through profit or loss	(1,637)	(7,246)
Loss (gain) and disposal of property, plant and equipment	251	(10,293)
Gain from reversal of impairment loss on property, plant and equipment	19,523	-
Gains on Write-Off of Accounts Payable	4,184	10,092
Others	(41,498)	41,331
	$ (13,261)	**11,752**

(c) Finance costs

The Group's financial costs for the year ended December 31, 2013 and 2012 are as follows:

	For the year ended December 31	
	2013	**2012**
Interest expenses – bank loans	**$ 327,494**	**273,720**

For details of the capitalized interests, please refer to Note 6(5).

(22) Financial instruments

(a) Categories of financial instruments

Financial assets

	2013.12.31	**2012.12.31**	**2012.1.1**
Financial assets measured at fair value through profit or loss			
Financial assets at cost	$ 13,210	13,210	238,184
Available-for-sale financial assets (including current and non-current)	5,432,798	4,959,583	4,767,669
Loans and receivables:			
Cash and cash equivalents	1,444,219	2,076,340	4,842,457
Notes receivable ,accounts receivable and other receivables	8,017,829	5,755,294	8,253,035
Subtotal	9,462,048	7,831,634	13,095,492
Total	**$ 14,908,056**	**12,804,427**	**18,101,345**

Financial liabilities

	2013.12.31	**2012.12.31**	**2012.1.1**
Financial liabilities measured at fair value through profit or loss			
Designated as at fair value through profit or loss	$ -	1,133	-
Financial liability measured at amortized cost			
Short-term borrowings	10,797,510	11,104,424	5,667,230
Short-term Notes and Bills Payable	1,550,000	1,466,000	550,000
Accounts payable	3,974,573	3,228,107	3,767,697
Other payables	977,729	895,777	993,434
Long-term borrowings (including current portion)	11,528,635	9,074,233	9,363,046
Subtotal	28,828,447	25,768,541	20,341,407
Total	**$28,828,447**	**25,769,674**	**20,341,407**

(b) Credit risk

i. Exposure to credit risk

The maximum credit risk exposure of the Company's financial instruments is equal to the carrying amount. As of December 31, 2013 and 2012, and January 1, 2012, the maximum exposure to credit risk was $14,908,056 thousand, $12,804,427 thousand and $18,101,345 thousand, respectively.

ii. Impairment losses

Aging analysis of accounts receivable and other receivables on the balance sheet date are as follows:

	2013.12.31		2012.12.31		2012.1.1	
	Total amount	**Impairment**	**Total amount**	**Impairment**	**Total amount**	**Impairment**
0~30 days	$ 1,819,859	-	316,387	-	1,625,843	-
31~180 days	290,464	-	572,188	-	989,827	-
181~360 days	139,384	-	124,652	-	52,244	-
More than 1 year	3,939,685	-	120,721	-	521,565	100,625
Retention and Estimation	1,828,437	-	4,621,346	-	5,063,556	-
	$ 8,017,829	**-**	**5,755,294**	**-**	**8,253,035**	**100,625**

The above-mentioned retention receivable 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

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

(c) Liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

	Carrying amount	Contractual cash flows	Within 6 months	6~12 months	1~2 years	2-5 years	More than 5 years
2013.12.31							
Non-derivative financial liabilities							
Secured loans	$ 17,488,424	18,876,380	1,316,473	3,730,301	2,067,364	9,340,347	2,421,895
Unsecured loans	4,837,721	4,901,216	3,316,568	58,206	1,198,524	327,918	-
Short-term bills payable	1,550,000	1,550,546	1,550,546	-	-	-	-
Accounts payable	3,974,573	3,974,573	2,050,711	-	-	1,481,206	442,656
Other payables	977,729	977,729	895,045	41,619	508	40,557	-
	$ 28,828,447	**30,280,444**	**9,129,343**	**3,830,126**	**3,266,396**	**11,190,028**	**2,864,551**
2012.12.31							
Non-derivative financial liabilities							
Secured loans	$ 17,086,424	19,180,437	3,824,791	334,679	3,583,208	9,673,057	1,764,702
Unsecured loans	3,092,233	3,907,323	2,863,708	-	534,908	508,707	-
Short-term bills payable	1,466,000	1,466,000	1,466,000	-	-	-	-
Notes and accounts payable	3,228,107	3,228,107	650,168	26,816	-	2,551,123	-
Other payables	895,777	895,777	895,777	-	-	-	-
Derivative financial liabilities							
Other forward exchange contracts:							
Outflow	1,133	1,133	1,133	-	-	-	-
Inflow	(476)	(476)	(476)	-	-	-	-
	$ 25,769,198	**28,678,301**	**9,701,101**	**361,495**	**4,118,116**	**12,732,887**	**1,764,702**
2012.1.1							
Non-derivative financial liabilities							
Secured loans	$ 13,105,800	14,147,032	1,975,046	537,632	1,749,029	7,316,740	2,568,585
Unsecured loans	1,924,476	2,625,062	1,453,512	34,021	85,074	1,052,455	-
Short-term bills payable	550,000	550,000	550,000	-	-	-	-
Notes and accounts payable	3,767,697	3,767,697	434,177	52,195	-	3,281,325	-
Other payables	993,434	993,434	993,434	-	-	-	-
	$ 20,341,407	**22,083,225**	**5,406,169**	**623,848**	**1,834,103**	**11,650,520**	**2,568,585**

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

(d) Currency risk

i Exposure to currency risk

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

	2013.12.31			2012.12.31			2012.1.1		
	Foreign currency	**Exchange rate**	**TWD**	**Foreign currency**	**Exchange rate**	**TWD**	**Foreign currency**	**Exchange rate**	**TWD**
Financial Assets									
Monetary items									
USD:TWD	96,188	29.8050	2,866,871	53,274	29.0400	1,547,448	47,467	30.2750	1,413,308
Financial Liabilities									
Monetary items									
JPY:INR	191,206	0.5896	54,282	254,412	0.6345	85,577	600,397	0.6839	234,507
USD:INR	8,461	31.9003	252,180	149	54.7773	4,334	1,302	53.0100	39,394

ii Sensitivity analysis

The Group's exchange rate risk comes mainly from conversion gains and losses of accounts measured in foreign currencies such as cash and cash equivalents, accounts receivable, other receivables, loans and borrowings, accounts payable, other payables, etc. If the TWD, when compared with foreign currencies, had appreciated or depreciated 1% (with other factors remaining constant on the reporting date), profit would have increased or decreased by $28,432 thousand and by $28,432 thousand for the years ended December 31, 2013 and 2012, respectively.

(e) Interest rate analysis

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

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

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

If the interest rate increases/decreases by 1%, the Group's net income will decrease /increase by $238,762 thousand and $216,447 thousand for the year ended December 31, 2013 and 2012, respectively, with all other variable factors remain constant. This is mainly due to the Group's variable rate borrowing.

(f) Fair value of financial instruments

i. Fair value and carrying amount

The Group considers the carrying amounts of its financial assets and financial liabilities measured at amortized cost as a reasonable approximation of fair value.

ii. The Group uses the following methods in determining the fair value of its financial assets and liabilities:

(i) The fair value of financial assets and liabilities traded in active markets is based on quoted market prices. These include investments in stocks from listed entities.

(ii)The fair value of shares that were not quoted in an active market is estimated using the equity value. The changes in fair value recognized in the consolidated comprehensive income statement were $142,172 thousand and 176,867 thousand for the year ended December 31, 2013 and 2012, respectively. If the equity value is increased or decreased by 10%, assuming other variables remain constant, the increase or decrease in the carrying amount of the shares will be $2,858 thousand and $2,858 thousand respectively.

iii. Fair value hierarchy

The table below analyses financial instruments carried at fair value, by the levels in the fair value hierarchy. The different levels have been defined as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

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

	Level 1	Level 2	Level 3	Total
2013.12.31				
Available-for-sale financial assets	$ 4,092,893	-	1,339,905	5,432,798
Financial assets measured at fair value through profit or loss	55	-	-	55
Derivative financial assets	66,153	-	-	66,153
	4,159,101	-	1,339,905	5,499,006
Derivative financial liabilities	-	-	-	-
	$ 4,159,101	**-**	**1,339,905**	**5,499,006**
2012.12.31				
Available-for-sale financial assets	$ 3,761,850	-	1,197,733	4,959,583
Financial assets measured at fair value through profit or loss	476	-	-	476
Derivative financial assets	68,182	-	-	68,182
	3.830,508	-	1,197,733	5,028,241
Derivative financial liabilities	(1,133)	-	-	(1,133)
	$ 3,829,375	**-**	**1,197,733**	**5,027,108**
2012.1.1				
Available-for-sale financial assets	3,746,803	-	1,020,866	4,767,669
Derivative financial assets	23,775	-	-	23,775
	3,770,578	-	1,020,866	4,791,444
Derivative financial liabilities	-	-	-	-
	$ **3,770,578**	-	**1,020,866**	**4,791,444**

There were no transfers among the fair value levels in 2013 and 2012.

(23) Financial risk management

(a) Illustrative

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

i. Credit risk

ii. Liquidity risk

iii. Market risk

(b) Risk management framework

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

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

(c) Credit risk

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

i. Accounts receivables and other receivables

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

ii. Investment

The credit risk exposure in the bank deposits and other financial instruments are measured and monitored by the Group's finance department. Since the Group's transactions are with the banks and other external parties with good credit standing and investment grade above financial institutions, corporate organization and government agencies, there are no non compliance issues and therefore no significant credit risk.

iii. Guarantee

As of December 31, 2013 and 2012, and January 1, 2012, the Group had provided the guarantee for construction contract work for other construction companies amounted to approximately $17,238,999 thousand, $24,240,691 thousand and $12,562,487 thousand, respectively.

(d) Liquidity risk

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

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

As of December 31, 2013, the Group has unused bank facilities for $17,900,513 thousand.

(e) Market risk

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

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

i. Currency risk

The Group is exposed to currency risk on purchases that is denominated in a currency other than the respective functional currencies of the Group's entities, primarily the New Taiwan Dollars (TWD), Hong Kong Dollars (HKD), Macau

Pataca (MOP) and India Rupee (INR). The currencies used in these transactions are denominated in TWD, EUR, JPY, USD, HK, MOP and INR.

The Group uses non-delivery forward exchange contracts to hedge its currency risk, with a maturity of less than one year from the reporting date.

The interest is denominated in the currency used in the borrowings. Generally, borrowings are denominated in currencies that match the cash flows generated by the underlying operations of the Group, primarily the TWD and the USD. This provides an economic hedge without derivatives being entered into, and therefore, hedge accounting is not applied in these circumstances.

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

ii. Interest rate risk

As of December 31, 2013 and 2012, and January 1, 2012, financial liabilities exposed to cash flow interest rate risk amounted to $11,528,635 thousand, $17,452,657 thousand, and $13,993,046 thousand, respectively. Which is due to the Group's long-term loans is floating-rate loans, the effective interest rate of the long-term debt would change if the market rate changed.

iii. Other market price risk

The equity price risk of the Company is derived from its investment in Taiwan High Speed Rail Corporation and from other strategic investments. The changes of fair value of the available-for-sale financial instruments will affect the Group's other comprehensive income.

(24) Capital Management

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

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

The Group use the debt-to-equity ratio to manage capital. This ratio is using the total net debt and divided by the total capital. The net debt from the balance sheet are derived from the total liabilities less cash and cash equivalents. The total capital and equity include share capital, capital surplus, retained earnings, other equity and non-controlling interest plus net debt.

	2013.12.31	2012.12.31	2012.1.1
Total liabilities	$ 37,160,010	33,784,860	28,876,115
Less: cash and cash equivalents	(1,444,219)	(2,076,340)	(4,842,457)
Net debt	35,715,791	31,708,520	24,033,658
Total equity	19,654,894	18,845,007	19,613,981
Total capital	**$ 55,370,685**	**50,553,527**	**43,647,639**
Debt to equity ratio	**64.50%**	**62.72%**	**55.06%**

As of December 31, 2013, the Group had no changes in capital management.

7. RELATED-PARTY TRANSACTIONS

(1) Parent Company and Ultimate Controlling Party

The Company is the Group's ultimate controlling party.

(2) Key Management Personnel Transaction

Key Management Personnel Compensation

	2013	2012
Short-term employee benefits	**$ 123,010**	**110,818**

(3) Other related party transactions:

(a) Other outstanding balance

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

	Receivables from related parties		
	2013.12.31	2012.12.31	2012.1.1
Associates	**$ -**	**-**	**104**

(b) Loans to other related party

The amounts the Group loans to the related parties are as follows:

	Transaction Amount		Receivables from related parties		
	2013	**2012**	**2013.12.31**	**2012.12.31**	**2012.1.1**
Associates-interest income	-	-	-	-	**268,003**

(c) Endorsements and Guarantees

As of December 31, 2013 and 2012, 2012 and January 1, 2012, the amounts of Endorsements and guarantees provided by the Company were as follows:

	Subject of guarantee	2013.12.31	2012.12.31	2012.1.1
Associates	Project contract guarantee (Note)	**$ 6,087,512**	**13,068,000**	**-**

Note: According to the contract with FIC Corp. and other Surety Companies for American Bridge Company, the guarantee amount of the Group is limited to USD450,000 thousand, while FIC Corp. and other Surety Companies had provided a guarantee of USD204,245 thousand, and USD1,332,246 thousand as of December 31, 2013 and 2012, respectively. In addition, the subsidiary had sold parts of its shares during 2012 and lost its controlling power over American Bridge Company. The purchaser had also promised to guarantee an amount up to the limit mentioned above.

8. PLEDGED ASSETS

The carrying values of pledged assets are as follow:

Asset	Purpose of pledge	2013.12.31	2012.12.31	2012.1.1
Restricted deposits (other current assets)	Construction warranty, guarantees for contract performance, advance payment, payback reserve and hedge	$ 23,813	165,786	348,457
Inventories	Loan collateral	14,691,853	14,187,540	6,271,681
Property, plant and equipment	Loan collateral and construction warranty	870,060	691,666	2,820,129
Investment Property, net	Loan collateral and construction warranty	10,556,085	10,573,836	8,700,534
		$26,141,811	**25,618,828**	**18,140,801**

9. MAJOR COMMITMENTS AND CONTINGENCIES

(1) Commitments and contingencies were as follows:

(a) As of December 31, 2013 and 2012, and January 1, 2012, The details of realty advance sales and total sales of completed realty, and the advance receipts from these sales were listed as below:

	2013.12.31	2012.12.31	2012.1.1
Realty advance sales and total sales of completed realty	**$ 13,376,379**	**12,265,499**	**9,571,860**
Advance receipts	**$ 4,073,954**	**3,875,620**	**2,756,787**

(b) As of December 31, 2013 and 2012, and January 1, 2012, the total price of construction contract entered by the Group and the total amount which has been collected or billed according to the contact is listed as below:

		2013.12.31	2012.12.31	2012.1.1
Total contract amount	TWD	76,997,480	59,558,582	44,588,779
	INR	29,497,344	19,814,415	18,905,596
	HKD	767,228	767,228	-
	MYR	121,558	-	-
Accumulated billing amount		56,116,942	50,533,087	59,531,357

(c) As of December 31, 2013 and 2012, and January 1, 2012, the Group provides the guarantees for contract performance and construction warranties for other construction companies, including jointly liable contracts, amounted to $17,238,999 thousand, $24,240,691 thousand, and $12,562,487 thousand respectively.

(d) As of December 31, 2013 and 2012, and January 1, 2012, the Group signed a contract of purchasing the land for $268,369 thousand,$2,964,943 thousand and $76,472 thousand, respectively, and $211,316 thousand,2,672,551 thousand and $24,442 thousand have been paid in accordance with the contract, respectively.

(2) Contingent liability:

As of December 31, 2013 and 2012, and January 1, 2012, the Company provides promissory notes for contract performance, issuance of commercial paper, and construction warranty amounted to $24,061,718 thousand, $25,812,018 thousand, and $26,007,786 thousand, respectively.

(3) Other

As of December 31, 2013 and 2012, and January 1, 2012, the Group paid guarantee deposits for the joint construction contracts with several landowners amounted to $819,520 thousand, $911,653 thousand, and $850,143 thousand, respectively

10. LOSS DUE TO MAJOR DISASTERS : None

11. SIGNIFICANT SUBSEQUENT EVENTS : None

12.OTHER

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

	For the year ended December 31, 2013			For the year ended December 31, 2012		
	Operating Costs	Operating Expenses	Total	Operating Costs	Operating Expenses	Total
Employee expenses						
Salary expenses	886,102	471,641	1,357,743	2,420,727	787,894	3,208,621
Labor and health insurance expenses	66,522	23,488	90,010	521,988	97,397	619,385
Pension expenses	45,448	26,415	71,863	297,916	72,153	370,069
Other employee expenses	176,095	11,171	187,266	299,614	43,448	343,062
Depreciation expenses	351,716	34,040	385,756	355,769	62,597	418,366
Depletion expenses	-	-	-	-	-	-
Amortization expenses	25,694	-	25,694	1,128,380	8,232	1,136,612

(a) **DISCLOSURES REQUIRED**

(1) Information on significant transactions

(a) Schedule 1: Loans to others:

No.	Lender	Borrower	Account	Related Parties (Y/N)	Highest amount	December 31, 2013	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	Continental Engineering Corp.	CEC International Malaysia Sdn Bhd.	Other receivables	Y	89,415	89,415	29,805	2.42	2	-	Operation requirements	-	-	-	3,487,121	3,487,121

Note: The amount of total loans to others is limited to 40% of net equity value. The amount of loans to a single business enterprise is limited to 40% of net equity value. Calculation is as follows:

Maximum loans are limited to 40% of net equity value:\$8,717,803 thousand×40%＝3,487,121 thousand

Loans to a single business enterprise are limited to 40% of net equity value:\$8,717,803 thousand×40%＝3,487,121 thousand

(b) 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	Amount occurred during the period	Collateral	Cumulative guarantee as percentage of net worth of the most recent financial statements	Maximum amount of endorsements/guarantees	Endorsements /guarantees Provided by Parent Company	Endorsements/ guarantees Provided by A Subsidiary	Endorsements/ guarantees Provided to Subsidiaries in Mainland China
0	Continental Holdings Corp.	CEC International Corp. (India) Private Limited Ltd.	Note 2(3)	151,126,664	6,208,370	602,068	602,068	-	3.19%	151,126,664	Y	N	N
0	Continental Holdings Corp.	Continental Engineering Corp.	Note 2(2)	151,126,664	9,294,780	3,109,151	2,673,858	-	16.46%	151,126,664	Y	N	N
1	Continental Engineering Corp.	Fu Tsu Construction Co., Ltd.	Note 2(5)	26,153,409	11,151,487	11,151,487	11,151,487	-	127.92%	52,306,818	N	N	N
1	Continental Engineering Corp.	Hsin-Dar Environment Engineering Co., Ltd.	Note 2(2)	17,435,606	520,000	520,000	446,620	-	5.96%	17,435,606	N	N	N
1	Continental Engineering Corp.	CEC International Corp. (India) Pvt. Ltd.	Note 2(2)	17,435,606	313,440	299,205	58,288	-	3.43%	17,435,606	N	N	N
1	Continental Engineering Corp.	CEC International Corp.	Note 2(2)	17,435,606	682,180	447,075	216,921	-	5.13%	17,435,606	N	N	N
1	Continental Engineering Corp.	CEC International Corp. (India) Pvt. Ltd.	Note 2(2) and(5)	26,153,409	5,674,741	4,932,127	4,932,127	-	56.58%	52,306,818	N	N	N
1	Continental Engineering Corp.	American Bridge Corp.	Note 2(5)	26,153,409	13,468,500	6,087,512	6,087,512	-	69.83%	52,306,818	N	N	N
1	Continental Engineering Corp.	CEC International Malaysia Sdn Bhd.	Note 2(2) and(5)	26,153,409	4,895,604	4,588,416	4,588,416	-	52.63%	52,306,818	N	N	N
2	Continental Development Corp.	CEC Commercial Development Corp.	Note 2(2) and(5)	20,627,734	750,000	750,000	750,000	-	7.27%	20,627,734	N	N	N
2	Continental Development Corp.	CEC Commercial Development Corp.	Note 2(2)	20,627,734	725,000	725,000	725,000	-	7.03%	20,627,734	N	N	N
3	CEC Commercial Development Corp.	Continental Development Corp.	Note 2(4)	11,679,240	888,800	888,800	846,000	1,200,000	22.83%	11,679,240	N	N	N
3	CEC Commercial Development Corp.	Continental Development Corp.	Note 2(4) and(5)	11,679,240	1,912,000	1,912,000	1,912,000	-	49.11%	11,679,240	N	N	N

Note 1: According to Continental Holdings Corp., the amount of total endorsements/guarantees is limited to eight times the net equity value of the company's most recent financial statements: $18,890,833 thousand × 8＝$151,126,664 thousand
Endorsements/guarantees to a single business are limited to eight times the net equity value of the Company's most recent financial statements: $18,890,833 thousand× 8＝$151,126,664 thousand

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: $8,717,803 thousand × 6＝$52,306,818 thousand

Endorsements/guarantees to a single business are limited to three times the net equity value of the company's most recent financial statements: $8,717,803 thousand × 3＝$26,153,409 thousand

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 except in the event of joint liability in joint ventures with other companies in the same industry: $8,717,803 thousand × 2＝$17,435,606 thousand

Endorsements/guarantees to a single business are limited to three times the net equity value of the company's most recent financial statements: $8,717,803 thousand × 2＝$17,435,606 thousand

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 except in the event of joint liability in joint ventures with other companies in the same industry: $10,313,867 thousand × 2＝$20,627,734 thousand

Endorsements/guarantees to a single business are limited to two times the net equity value of the company's most recent financial statements: $10,313,867 thousand × 2＝$20,627,734 thousand

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: $3,893,080 thousand × 3＝$11,679,240 thousand
Endorsements/guarantees to a single business are limited to three times the net equity value of the company's most recent financial statements: $3,893,080 thousand × 3＝$11,679,240 thousand

CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

Note 2: The relationship between t the Company that provided endorsements/guarantees and the guaranteed party is as follows:

(1).The Company has business with the Group;

(2). Subsidiary company directly owned over 50% by the Company;

(3). The investee company owned over 50% by the Company and its subsidiary;

(4). Parent company which directly held the Company over 50%;

(5) The Company should provide a guarantee to other companies in the same industry based on the necessary of undertaken projects and the contract.

(c) Schedule 3: Marketable securities held on December 31, 2013:

Holding Company	Type of Marketable Security	Relationship with the Company	Account	December 31, 2013				Maximum Percentage of Ownership for the period	Note
				Shares	Book Value	%	Market Value/Equity (dollars)		
Continental Engineering Corp.	Taiwan High Speed Rail Cor. – common stock	-	Current available-for-sale financial assets	201,735,000	1,097,438	3.10%	5.44	3.10%	
Continental Engineering Corp.	(A (1)registered preferred stock)	-	Current available-for-sale financial assets	99,675,000	542,232	3.83%	5.44	3.83%	Note 2
Continental Engineering Corp.	(C (4) registered preferred stock)	-	Current available-for-sale financial assets	9,800,000	53,312	27.45%	5.44	27.45%	Note 2
Continental Engineering Corp.	(C (5) registered preferred stock)	-	Current available-for-sale financial assets	59,125,000	321,640	23.80%	5.44	23.80%	Note 2
Continental Engineering Corp.	(C (8) registered preferred stock)	-	Current available-for-sale financial assets	32,250,000	175,440	15.73%	5.44	15.73%	Note 2
Continental Engineering Corp.	Evergreen Steel Corp.	-	Non-current available-for-sale financial assets	25,645,907	704,134	6.28%	17.28	6.28%	
Continental Engineering Corp.	Shin Yung Enterprise Corp.	-	Non-current available-for-sale financial assets	12,256,347	633,114	8.45%	10.63	8.45%	
Continental Engineering Corp.	JieBang Consultant Management Co., Ltd.	-	Non-current available-for-sale financial assets	300,000	2,657	6.00%	10.00	6.00%	
Continental Engineering Corp.	Taiwan Motp MacDonald Ltd.	-	Non-current available-for-sale financial assets	380,000	-	19.00%	15.26	19.00%	
Continental Engineering Corp.	International Property & Finance Co., Ltd.	-	Non-current financial assets at cost	26,301	-	1.64%	-	1.64%	
Continental Engineering Corp.	Shin Yu Energy Development Co., Ltd.	-	Non-current financial assets at cost	22,405,297	-	9.00%	-	9.00%	
Continental Engineering Corp.	O-Ha Development Co., Ltd.	-	Non-current financial assets at cost	1,450,000	13,210	14.87%	10.00	14.87%	
Continental Development Corp.	Taiwan High Speed Rail Cor. – common stock	-	Current available-for-sale financial assets	201,735,000	1,097,438	3.10%	5.44	3.10%	
Continental Development Corp.	(A (1) registered preferred stock)	-	Current available-for-sale financial assets	99,675,000	542,232	3.83%	5.44	3.83%	Note 2
Continental Development Corp.	(C (5) registered preferred stock)	-	Current available-for-sale financial assets	48,375,000	263,160	19.47%	5.44	19.47%	Note 2

Note 1: Corporation with no market price, whose net value per share is from financial statements audited by a CPA on December 31, 2013.

Note 2: 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.

(d) Schedule 4: Cumulative purchases or sales of the same marketable securities exceeding $300,000 thousand or 20% of paid-in capital: None.

(e) Schedule 5: Acquisition of real estate exceeding $300,000 thousand or 20% of paid-in capital: None.

(f) Schedule 6: Disposal of real estate exceeding $300,000 thousand or 20% of paid-in capital: None.

(g) Schedule 7: Sales to or purchases from 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	(1,381,602)	(9)%	The same as those in general transactions	-	-	602,162	19%	Note 1
Continental Development Corp.	Continental Engineering Corp.	Related party of the Company	Construction project	1,401,972	88%	〃	-	-	(602,162)	(61)%	

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.

(h)Schedule 8: 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 602,162	5.44	-	-	168,603	-

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

(i) Schedule 9: Transactions involving financial derivatives:

As of December 31, 2013, Continental Engineering Corp., derivative financial instruments held not for trading were the Forward contracts amounted to JPY$93,200 thousand.

(j) Intercompany business relationship and significant transactions:

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 costs	10,838	The same as those in general transactions	- %
1	Continental Engineering Corp.	Continental Holdings Corp.	2	Rental revenue	10,838	The same as those in general transactions	- %
		Continental Development Corp.	3	Rental revenue	13,701	The same as those in general transactions	- %
		Continental Development Corp.	3	Construction revenue	1,375,351	The same as those in general transactions	13.07 %
		〃	3	Other non-operating income	15,185	The same as those in general transactions	- %
		〃	3	Accounts receivable	446,038	-	- %
		〃	3	Other receivables	2,086	-	- %

CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED 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
		Hsin-Dar Environment Engineering Co., Ltd.	3	Rental revenue	2,463	The same as those in general transactions	- %
		CIMY	3	Other receivables	32,207	-	- %
2	Continental Development Corp.	Continental Engineering Corp.	3	Construction costs	1,375,351	The same as those in general transactions	13.07 %
		〃	3	Rental costs	13,701	The same as those in general transactions	- %
		〃	3	Operating expense	15,185	The same as those in general transaction	- %
		〃	3	Accounts payable	448,124	-	- %
3	Hsin-Dar Environment Engineering Co., Ltd.	Continental Engineering Corp.	3	Rental costs	2,463	The same as those in general transactions	- %
		North Shore Corp.	3	Operating Revenue	19,435	The same as those in general transactions	- %
		North Shore Corp.	3	Accounts receivable	3,293	-	- %
4	North Shore Corp.	Hsin-Dar Environment Engineering Co., Ltd.	3	Operating costs	19,435	The same as those in general transactions	- %
		Hsin-Dar Environment Engineering Co., Ltd.	3	Accounts payable	3,293	-	- %
		Fu-Da Construction Corp., Ltd.	3	Accounts payable	57,635	-	- %
5	Fu-Da Construction Corp., Ltd.	North Shore Corp.	3	Accounts receivable	57,635	-	- %

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:
a. the Company to subsidiary.
b. subsidiary to the Company.
c. subsidiary to other subsidiary

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

(2) Information on investee companies

Names and addresses of, and relevant information on, investee companies for the year ended December 31,2013 :

Investor	Name of investee company	Location	Main business	Investment amount		Balance as of December 31, 2013			Maximum Percentage of Ownership for the period	Net Income (Losses) of the Investee	Share of Profits/Losses of Investee	Note
				December31, 2013	December31, 2012	Shares	Percentage of Ownership	Carrying Value				
Continental Holdings Corp.	Continental Engineering Corp.	Taiwan	Comprehensive construction	8,844,949	8,844,949	451,483,877	100.00%	8,633,848	100.00%	167,453	137,052	Note
Continental Holdings Corp.	Continental Development Corp.	Taiwan	Housing and building development and lease	6,620,748	6,620,748	300,000,000	100.00%	10,313,867	100.00%	944,879	944,879	Note
Continental Engineering Corp	Hsin-Dar Environment Engineering Co., Ltd.	Taiwan	Plumbing	1,010,000	1,010,000	101,000,000	100.00%	1,673,405	100.00%	118,361	Unnecessary to disclose based on the R.O.C law	-
Continental Engineering Corp	CEC International Corp. (India) Pvt. Ltd	India	Construction projects	497,839	497,839	73,981,492	100.00%	146,045	100.00%	(30,749)	〃	-
Continental Engineering Corp	CEC International Corp.	British Virgin Islands	Investment and holding	1,305,504	1,305,504	39,139,940	100.00%	2,528,885	100.00%	365,248	〃	-
Continental Engineering Corp	CEC International Malaysia Sdn Bhd.	Malaysia	Construction projects	20,051	6,691	2,100,000	70.00%	24,847	70.00%	12,465	〃	-

Investor	Name of investee company	Location	Main business	Investment amount		Balance as of December 31, 2013			Maximum Percentage of Ownership for the period	Net Income (Losses) of the Investee	Share of Profits/Losses of Investee	Note
				December31, 2013	December31, 2012	Shares	Percentage of Ownership	Carrying Value				
Continental Development Corp.	CEC Commercial Development Corp.	Taiwan	Housing and building development and lease	976,539	976,539	22,913,175	80.65%	3,139,668	80.65%	46,547	Unnecessary to disclose based on the R.O.C law	-
CEC International Corp.	New Continental Corp.	British Virgin Islands	Investment and holding	1,217,516	1,185,471	4,596	45.47%	2,709,671	45.47%	823,308	〃	-
New Continental Corp.	Granitte Investments(UK)Limited	United Kingdom	Investment and holding	GBP 2	-	2	100.00%	USD 71,918	100.00%	USD 22,227	〃	-
Hsin-Dar Environment Engineering Co., Ltd.	Fu-Da Construction Corp., Ltd.	Taiwan	Construction projects	79,600	51,000	6,000,000	100.00%	74,117	100.00%	12,972	〃	-
Hsin-Dar Environment Engineering Co., Ltd.	North Shore Corp.	Taiwan	Pollution protection and other environmental sanitation	1,112,000	1,112,000	110,000,000	100.00%	1,860,223	100.00%	142,040	〃	-

Note : The investment income/loss for the years ended December 31, 2013 was leased on the investees' financial statements audited by the auditors for the same period.

(3) Information on investment in Mainland China: None.

14. Segment information

For the year ended December 31,2013 and 2012, 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 SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(a) Disclosure the information of industrial departments

The reconciliation statements of all operating departments:

	December 31, 2013				
	Construction	Real estate	Investment	Adjustment and write-off	Total
Segment revenues from external customers	$ 15,937,214	2,045,250	-	-	17,982,464
Intersegment revenues	388,249	-	1,082,771	(1,471,020)	-
Total revenues	**$ 16,325,463**	**2,045,250**	**1,082,771**	**(1,471,020)**	**17,982,464**
Segment profit or loss	**$ 149,389**	**1,135,246**	**952,696**	**(1,112,343)**	**1,124,988**
Long-term investments under equity method	**$ 2,795,272**	**-**	**18,947,715**	**(18,947,715)**	**2,795,272**
Capital expenditure	**$ 3,987,180**	**9,399,640**	**2,913**	**-**	**13,389,733**
Segment total assets	**$ 23,279,044**	**33,914,647**	**18,980,849**	**(19,359,636)**	**56,814,904**
Segment total liabilities	**$ 14,335,177**	**22,847,368**	**90,016**	**(112,551)**	**37,160,010**

	December 31, 2012				
	Construction	Real estate	Investment	Adjustment and write-off	Total
Segment revenues from external customers	$ 21,095,451	5,635,278	-	-	26,730,729
Intersegment revenues	1,212,454	-	1,994,133	(3,206,587)	-
Total revenues	**$ 22,307,905**	**5,635,278**	**1,994,133**	**(3,206,587)**	**26,730,729**
Segment profit or loss	**$ 904,786**	**1,729,249**	**1,859,800**	**(1,996,276)**	**2,497,559**
Long-term investments under equity method	**$ 2,665,756**	**-**	**18,072,007**	**(18,072,007)**	**2,665,756**
Capital expenditure	**$ 4,179,370**	**9,426,938**	**3,913**	**-**	**13,610,221**
Segment total assets	**$ 21,693,310**	**31,408,508**	**18,124,243**	**(18,596,194)**	**52,629,867**
Segment total liabilities	**$ 13,239,468**	**20,921,370**	**95,128**	**(471,106)**	**33,784,860**

(b) The entity information:

i. Geographic information

The revenues from external customers are categorized by the geographical location of customers and the noncurrent assets are categorized by the area the assets located:

Area	December 31, 2013	December 31, 2012
Taiwan	$ 15,186,135	16,354,692
Others	2,796,329	10,376,037
Total	**$ 17,982,464**	**26,730,729**

Non-current assets

Area	December 31, 2013	December 31, 2012
Taiwan	$ 16,566,220	16,919,005
Others	593,177	208,975
Total	**$ 17,159,397**	**17,127,980**

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

ii. Information on major customers

	December 31, 2013	December 31, 2012
Construction Corporations	$ 5,222,213	5,441,525
Governments	9,261,819	10,112,947
Others	3,498,432	11,176,257
	$ 17,982,464	**26,730,729**