

**CONTINENTAL HOLDINGS CORPORATION
AND SUBSIDIARIES CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2011 AND 2010
AND
INDEPENDENT AUDITORS' REPORT**

CONTINENTAL HOLDINGS CORPORATION
FINANCIAL STATEMENTS
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The Board of Directors
Continental Holdings Corporation

We have audited the accompanying consolidated balance sheet of Continental Holdings Corporation (the Company) as of June 30, 2011 and 2010, and the related consolidated statements of income, changes in stockholders' equity, and cash flows for the six months ended June 30, 2011 and the period from April 8 (date of establishment) to June 30, 2010. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. As described in Note 2(a), 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 June 30, 2011 and 2010, these companies' total assets amounted to \$14,335,366 thousand and \$16,432,615 thousand, constituting 27.33% and 31.82%, respectively, of total consolidated assets. These companies' net operating income amounted to \$4,442,312 thousand and \$7,204,143 thousand, constituting 37.73% and 72.10% of the Company's consolidated net operating income, for the six months ended June 30, 2011 and from April 8 (date of establishment) to June 30, 2010, respectively.

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 June 30, 2011 and 2010, and the results of their operations and cash flows for the six months ended June 30, 2011 and the period from April 8 (date of establishment) to June 30, 2010, in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, and accounting principles generally accepted in the Republic of China.

K P M G

Taipei, Taiwan, R.O.C.

August 24, 2011

Notice to Readers

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

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

CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES

BALANCE SHEET

JUNE 30, 2011 AND 2010

(Expressed in Thousands of New Taiwan Dollars)

ASSETS	June 30, 2011		June 30, 2010	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Note 4)	\$ 4,809,142	9	5,966,216	12
Derivative financial assets for hedging – current (Note 6)	27,312	-	2,585	-
Notes receivable, net	394,447	1	349,766	1
Accounts receivable, net (Note 7)	3,641,559	7	4,120,989	8
Other receivables – related party (Note 23)	269,854	1	343,059	1
Other financial assets – current (Note 24)	1,450,640	3	1,210,873	2
Inventory (Notes 8 and 24)	15,165,494	29	11,275,753	22
Costs of uncompleted contracts in excess of related billings (Note 9)	2,264,484	4	1,855,571	4
Deferred selling expenses	710,335	1	773,081	1
Prepayments	677,717	1	1,912,800	4
Other current assets (Note 19)	1,673,285	3	299,372	1
	<u>31,084,269</u>	<u>59</u>	<u>28,110,065</u>	<u>56</u>
LONG-TERM INVESTMENTS				
Financial assets carried at cost – non-current (Note 5)	7,644,764	15	7,370,590	14
Long-term investments under equity method (Note 10)	-	-	362,591	1
	<u>7,644,764</u>	<u>15</u>	<u>7,733,181</u>	<u>15</u>
FIXED ASSETS (Notes 11 and 24)				
Land	926,760	2	953,642	2
Land – revaluation increments	-	-	463,569	1
Buildings	1,489,423	3	2,410,050	5
Machinery and equipment	4,139,127	8	3,788,399	7
Computer equipment	63,514	-	61,583	-
Transportation equipment	281,327	1	253,218	-
Furniture and office equipment	279,328	1	313,828	1
Leased assets	7,723,265	15	8,546,523	16
	<u>14,902,744</u>	<u>30</u>	<u>16,790,812</u>	<u>32</u>
Less: accumulated depreciation	(2,841,705)	(5)	(2,575,401)	(5)
Less: accumulated impairment	(360,650)	(1)	(525,917)	(1)
Construction in progress	1,281,704	2	1,465,825	3
Prepayments for equipment	207,089	-	92,210	-
	<u>13,189,182</u>	<u>26</u>	<u>15,247,529</u>	<u>29</u>
INTANGIBLE ASSETS				
Deferred pension costs (Note 21)	55,146	-	35,647	-
Other intangible assets	64,002	-	71,910	-
	<u>119,148</u>	<u>-</u>	<u>107,557</u>	<u>-</u>
OTHER ASSETS				
Idle assets	195,943	-	195,943	-
Refundable deposits	22,683	-	5,993	-
Other assets	13,336	-	50,718	-
Consolidated debit	174,706	-	196,293	-
	<u>406,668</u>	<u>-</u>	<u>448,947</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 52,444,031</u>	<u>100</u>	<u>51,647,279</u>	<u>100</u>

CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES

BALANCE SHEET

JUNE 30, 2011 AND 2010

(Expressed in Thousands of New Taiwan Dollars)

LIABILITIES AND STOCKHOLDERS' EQUITY	June 30, 2011		June 30, 2010	
	Amount	%	Amount	%
CURRENT LIABILITIES				
Short-term bank loans (Notes 12 and 24)	\$ 7,455,808	14	6,991,540	14
Short-term bills payable, net (Note 13)	200,000	-	700,000	1
Accounts payable	4,152,277	8	4,053,875	8
Accrued expenses	705,117	2	626,476	1
Dividend payable	504,695	1	-	-
Unearned receipts (Note 14)	4,327,653	8	4,369,080	8
Billings on uncompleted contracts in excess of related costs (Note 9)	4,962,094	9	3,447,731	7
Current portion of long-term liabilities (Notes 15 and 24)	1,708,051	4	708,945	1
Other current liabilities	1,437,982	4	1,810,615	4
	<u>25,453,677</u>	<u>50</u>	<u>22,708,262</u>	<u>44</u>
LONG-TERM LIABILITIES				
Long-term loans (Notes 15 and 24)	8,403,817	16	9,972,258	20
Long-term notes payable	30,254	-	117,526	-
Capital lease payable (Notes 15 and 24)	9,503	-	26,409	-
	<u>8,443,574</u>	<u>16</u>	<u>10,116,193</u>	<u>20</u>
RESERVE				
Reserve for land value incremental tax	2,228	-	120,260	-
	<u>2,228</u>	<u>-</u>	<u>120,260</u>	<u>-</u>
OTHER LIABILITIES				
Accrued pension liabilities (Note 21)	251,061	-	163,618	-
Guarantee deposit received	124,951	-	125,605	-
	<u>376,012</u>	<u>-</u>	<u>289,223</u>	<u>-</u>
Total Liabilities	<u>34,275,491</u>	<u>66</u>	<u>33,233,938</u>	<u>64</u>
STOCKHOLDERS' EQUITY				
Capital stock (Note 16)	8,411,581	16	8,411,581	16
Capital surplus (Note 17)				
Premium on stock issuance	6,864,224	13	7,368,919	15
Long-term equity investments	18,529	-	20,057	-
	<u>6,882,753</u>	<u>13</u>	<u>7,388,976</u>	<u>15</u>
Retained earnings (Note 18)				
Legal reserve	93,110	-	-	-
Special reserve	708,515	1	-	-
Unappropriated earnings	628,272	1	480,861	1
	<u>1,429,897</u>	<u>2</u>	<u>480,861</u>	<u>1</u>
Others				
Cumulative translation adjustments (Note 10)	(715,890)	(1)	(348,571)	(1)
Unrecognized loss on pension cost	(42,208)	-	-	-
Unrealized gain on financial instruments (Note 6)	623	-	2,800	-
	<u>(757,475)</u>	<u>(1)</u>	<u>(345,771)</u>	<u>(1)</u>
	<u>15,966,756</u>	<u>30</u>	<u>15,935,647</u>	<u>31</u>
Minority interest	2,201,784	4	2,477,694	5
Total Stockholders' Equity	<u>18,168,540</u>	<u>34</u>	<u>18,413,341</u>	<u>36</u>
MAJOR COMMITMENTS AND CONTINGENCIES (Note 25)				
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 52,444,031</u>	<u>100</u>	<u>51,647,279</u>	<u>100</u>

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

CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
INCOME STATEMENT
FOR THE SIX MONTHS ENDED JUNE 30, 2011 AND FROM APRIL 8 (DATE OF
ESTABLISHMENT) TO JUNE 30, 2010

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

	For the six months ended June 30, 2011		From April 8 to June 30, 2010	
	Amount	%	Amount	%
Operating Income				
Construction contract income (Note 23)	\$ 9,312,764	79	6,769,315	68
Realty sales income	2,281,077	19	3,147,783	32
Rental income	176,166	2	34,362	-
Other operating income	3,466	-	40,510	-
Less: Sales returns and allowances	(369)	-	(761)	-
	<u>11,773,104</u>	<u>100</u>	<u>9,991,209</u>	<u>100</u>
Operating Costs				
Construction costs	8,813,716	75	6,304,328	63
Realty sales costs	1,536,704	13	2,257,151	23
Rental costs	46,189	-	20,485	-
Other operating costs	6,560	-	(1,294)	-
	<u>10,403,169</u>	<u>88</u>	<u>8,580,670</u>	<u>86</u>
Gross income	<u>1,369,935</u>	<u>12</u>	<u>1,410,539</u>	<u>14</u>
Operating Expenses				
Selling expenses	80,994	1	222,711	2
General and administrative expenses	663,712	6	337,432	3
	<u>744,706</u>	<u>7</u>	<u>560,143</u>	<u>5</u>
Net income from operations	<u>625,229</u>	<u>5</u>	<u>850,396</u>	<u>9</u>
Non-operating Income				
Interest income	20,322	-	6,116	-
Investment income under equity method (Note 10)	-	-	12,856	-
Dividend income	201,359	2	-	-
Gain on disposal of investments	29	-	32	-
Foreign exchange gain	-	-	276	-
Others (Note 23)	177	-	17,580	-
	<u>221,887</u>	<u>2</u>	<u>36,860</u>	<u>-</u>
Non-operating Expenses				
Interest expense	140,168	1	51,794	1
Loss on disposal of fixed assets	9,001	-	30,059	-
Foreign exchange loss	558	-	-	-
Others	5,696	-	1,317	-
	<u>155,423</u>	<u>1</u>	<u>83,170</u>	<u>1</u>
Income from Continuing Operations before Income Tax	691,693	6	804,086	8
Less: Income tax expense (Note 19)	(144,036)	(1)	(172,369)	(2)
	<u>\$ 547,657</u>	<u>5</u>	<u>631,717</u>	<u>6</u>
Attributable to:				
Stockholders of the parent	\$ 498,795	5	480,861	4
Income for minority interest	48,862	-	150,856	2
	<u>\$ 547,657</u>	<u>5</u>	<u>631,717</u>	<u>6</u>
Earnings per share (Note 20)(dollars)	Before tax	After tax	Before tax	After tax
Basic earnings per share (dollars)	<u>\$ 0.61</u>	<u>0.59</u>	<u>0.57</u>	<u>0.57</u>
Diluted earnings per share (dollars)	<u>\$ 0.61</u>	<u>0.59</u>	<u>0.57</u>	<u>0.57</u>

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

CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE SIX MONTHS ENDED JUNE 30, 2011 AND FROM APRIL 8 (DATE OF ESTABLISHMENT) TO JUNE 30, 2010
(Expressed in Thousands of New Taiwan Dollars)

	<u>Retained Earnings</u>					Cumulative Translation Adjustments	Unrecognized loss on pension cost	Unrealized Gain (Loss) on Financial Instruments	Minority Interest	Total
	Capital Stock	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings					
Authorized capital	\$ 8,411,581	7,388,487	-	-	-	(333,974)	-	(397)	2,297,983	17,763,680
Net income for the six months ended June 30, 2010	-	-	-	-	480,861	-	-	-	150,856	631,717
Cumulative translation adjustment	-	-	-	-	-	(14,597)	-	-	-	(14,597)
Minority interest gain	-	-	-	-	-	-	-	-	28,855	28,855
Adjustment arising from changes in ownership of investees	-	489	-	-	-	-	-	3,197	-	3,686
Balance, June 30, 2010	\$ 8,411,581	7,388,976	-	-	480,861	(348,571)	-	2,800	2,477,694	18,413,341
Balance, January 1, 2011	\$ 8,411,581	7,380,177	-	-	931,102	(665,245)	(42,208)	(1,062)	2,194,457	18,208,802
Net income for the six months ended June 30, 2011	-	-	-	-	498,795	-	-	-	48,862	547,657
Appropriation of the 2010 earnings										
Legal reserve	-	-	93,110	-	(93,110)	-	-	-	-	-
Special reserve	-	-	-	708,515	(708,515)	-	-	-	-	-
Cash dividends	-	(504,695)	-	-	-	-	-	-	-	(504,695)
Cumulative transaction adjustments	-	-	-	-	-	(50,645)	-	-	-	(50,645)
Adjustment arising from changes in ownership of investees	-	7,271	-	-	-	-	-	1,685	(41,535)	(32,579)
Balance, June 30, 2011	\$ 8,411,581	6,882,753	93,110	708,515	628,272	(715,890)	(42,208)	623	2,201,784	18,168,540

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

CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
STATEMENT OF CASH FLOWS (CONT'D)
FOR THE SIX MONTHS ENDED JUNE 30, 2011 AND FROM APRIL 8 (DATE OF
ESTABLISHMENT) TO JUNE 30, 2010
(Expressed in Thousands of New Taiwan Dollars)

	<u>For the six months ended June 30, 2011</u>	<u>From April 8 to June 30, 2010</u>
Cash flows from operating activities:		
Net income	\$ 547,657	631,717
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	573,747	145,309
Gain from price recovery of inventory	(1,284)	-
Gain on investments under equity method	-	(12,856)
Loss on disposal of fixed assets	9,001	30,059
Gain on sale of investments	(29)	(32)
Reversal of warranty reserve	(37,584)	1,338
Gain on physical inventory	-	(588)
Dividend income	(201,359)	-
Changes in assets and liabilities:		
Notes receivable (including related party)	(10,489)	31,803
Accounts receivable (including related party)	491,774	5,842
Other financial assets — current	(182,204)	(61,011)
Inventory	564,922	770,693
Costs of uncompleted contracts in excess of related billings	(508,069)	2,706,137
Deferred selling expenses	(82,984)	(18,341)
Prepayments	151,131	(890,200)
Other current assets	(1,120)	149,474
Other operating assets	37,626	4,618
Accounts payable (including related party)	429,873	754,396
Accrued expenses	(330,303)	(396,982)
Unearned receipts	429,021	349,676
Billings on uncompleted contracts in excess of related costs	(79,570)	(4,952,064)
Other current liabilities	(253,005)	519,998
Accrued pension liabilities	15,128	12,960
Net cash provided by (used in) operating activities	<u>1,561,880</u>	<u>(218,054)</u>

CONTINENTAL HOLDINGS CORPORATION AND SUBSIDIARIES
STATEMENT OF CASH FLOWS (CONT'D)
FOR THE SIX MONTHS ENDED JUNE 30, 2011 AND FROM APRIL 8 (DATE OF
ESTABLISHMENT) TO JUNE 30, 2010
(Expressed in Thousands of New Taiwan Dollars)

	For the six months ended June 30, 2011	From April 8 to June 30, 2010
Cash flows from investing activities:		
Proceeds from sale of available-for-sale financial assets	-	38,098
Purchase of fixed assets	(424,966)	(223,041)
Proceeds from sale of fixed assets	48,430	437
Purchase of deferred assets	(941,739)	-
Decrease in refundable deposits	(16,056)	-
Other receivables — related party	44,329	52,993
Net cash used in investing activities	(1,290,002)	(131,513)
Cash flows from financing activities:		
(Decrease) increase in short-term bank loans	(1,508,954)	1,771,555
Increase in short-term bills payable	160,000	450,000
Increase (decrease) in long-term loans	430,382	(837,348)
Increase in guarantee deposit received	13,900	5,681
(Decrease) increase in long-term notes payable	(69,190)	71,621
Decrease in capital lease payable	(10,196)	(3,286)
(Increase) decrease in derivative financial assets for hedging	(6,235)	145
Minority interest	(26,810)	(3,348)
Net cash (used in) provided by financing activities	(1,017,103)	1,455,020
Influence of exchange rate	(33,796)	34,022
Net increase (decrease) in cash and cash equivalents	(779,021)	1,139,475
Cash and cash equivalents, beginning of period	5,588,163	4,826,741
Cash and cash equivalents, end of period	\$ 4,809,142	5,966,216
Supplemental disclosures of cash flow information:		
Interest paid during the year (excluding capitalized interest)	\$ 142,737	92,635
Income tax paid during the year	\$ 79,115	101,603
Investing and financing activities with no effect on cash flows:		
Current portion of long-term liabilities	\$ 1,708,051	708,945
Reclassification of inventory to fixed assets	\$ -	108,673
Cash dividend receivable	\$ 201,359	-
Cash dividends payable	\$ 504,695	-

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

CONTINENTAL HOLDINGS CORPORATION AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

(All amounts expressed in Thousands, unless otherwise indicated, currency in New Taiwan Dollars)

1. ORGANIZATION AND OPERATIONS

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

The Company's main business is managing of investee companies and investing in companies which are approved by the relevant authority. As of June 30, 2011 and 2010, the number of employees in the Company and its subsidiaries was 2,836 and 3,316, respectively.

The Company's parent company: None.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

The significant accounting policies and measurement basis were as follows:

a. Principles of consolidation

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

Investor Company	Subsidiary	Main Business Scope	Percentage of ownership		Notes
			2011.6.30	2010.6.30	
The Company	Continental Engineering Corp. (CEC)	Civil engineering, construction	100.00%	100.00%	
"	CEC Development Corp. (CDC)	Land development specific on residential housing and office building	100.00%	100.00%	
CEC	North Shore Corp.	Tamsui sewage drainage construction in New Taipei City	54.55%	54.55%	The subsidiary was founded to perform the contract for a Tamsui sewage treatment plant in New Taipei City, and will be transferred without condition after the legal concession period.
"	Hsin-Dar Environment Engineering Co., Ltd. (HDEC)	Construction of underground pipeline and environmental protection project, plumbing, sale of pollution prevention equipment	100.00%	100.00%	

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

Investor Company	Subsidiary	Main Business Scope	Percentage of ownership		Notes
			2011.6.30	2010.6.30	
CEC	CEC International Corp. (CIC)	Investment in and control of overseas corporations	100.00%	100.00%	
"	CEC International Corp. (India) Pvt. Ltd.(CICI)	Property developer and Civil engineering, construction	100.00%	100.00%	
CDC	CEC Commercial Development Corp.	Rental of building	80.64%	64.81%	
"	CEC Retailer Development Corp. (CRDC)	Restaurant, rental, amusement park, etc.	(Note 2)	45.00%	
CRDC	CEC Commercial Development Corp.	Rental of building	(Note 2)	15.84%	
HDEC	Shen-Da Construction Corp., Ltd. (SDC)	Construction of underground pipeline and environmental protection project, plumbing	51.00%	51.00%	
"	North Shore Corp.	Tamsui sewage drainage construction in New Taipei City	45.45%	45.45%	
CIC	New Continental Corp. (NCC)	Investment in and control of overseas company and its subsidiaries	56.36%	56.36%	
NCC	American Bridge Holding Company (ABHC)	Investment in and control of ABC and its subsidiaries	97.21% (Note 3)	89.92%	
ABHC	American Bridge Company (ABC)	Civil engineering, construction, including complex bridges, marine and military infrastructure	100.00%	100.00%	
"	American Bridge Manufacturing Company (ABM)	Steel fabrication of bridge component	"	"	
"	American Dock & Transfer Company (ADTC)	Equipment maintenance management and fabrication	"	"	
"	American Bridge International Corporation (ABIC)	Civil engineering and construction of complex bridge outside of the USA	"	"	

Note 1: SDC, North Shore Corp., CEC Commercial Development Corp., CICI, and CIC and its subsidiaries were audited by other CPAs.

Note 2: The investee completed the liquidation process on December 1, 2010, and thus, in accordance with ROC SFAS No. 7, the net income (loss) of this investee company was excluded from the consolidated financial statements since December 1, 2010.

Note 3: As of June 30, 2011, the equity ownership of NCC increased from 89.92% to 97.21% due to ABHC's repurchase of treasury stock.

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

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

- (3) Accounting year of subsidiary different from its controlling parent:

The fiscal year of CICI is from April 1 to March 31 of the following year, in accordance with the Indian regulations. However, the financial reports of CICI are published according to the fiscal year of the Company. In April 2011, CICI has obtained approval to change its fiscal year to calendar year (January 1 to December 31) in accordance with the local regulation.

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

- i. ABHC and its subsidiaries which are invested by the Company indirectly adopt US GAAP. The content and influence of GAAP difference are as follows:

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

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

- ii. CICI's depreciation on fixed assets has been provided on a WDV basis which is a declining-balance method at the rates and basis prescribed by Schedule XIV of the Companies Act, 1956 of India. In April 2011, CICI was approved to apply straight-line method which is consistent with the method applied by the parent company by its local authorities. As of June 30, 2011 and 2010, applying different depreciation method would cause the decrease on profit before tax by \$0 and \$3,604 thousand, respectively.

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

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

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

- b. Principles of preparing consolidated financial statements

The consolidated financial statements include the Company and all of its subsidiaries. Significant transactions between them were eliminated.

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

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

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

- d. Use of estimates

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

- e. Foreign currency transactions

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

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

f. Foreign currency translation of financial statements of foreign operations

- (1) Assets and liabilities are measured at exchange rates prevailing on the balance sheet date;
- (2) Income and expenses are measured at average exchange rates for the year;
- (3) Intercompany transactions and working capital are translated at historical exchange rates;
- (4) Gains or losses from the above translation are usually not recognized for the current period and are recorded as an adjustment to stockholders' equity.

g. Current and non-current assets and liabilities

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

h. Impairment of assets

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

The Company and its subsidiaries reverse an impairment loss recognized in prior periods for assets other than goodwill if there is any indication that the impairment loss recognized no longer exists or has decreased. The carrying value after the reversal should not exceed the recoverable amount or the depreciated or amortized balance of the assets assuming no impairment loss was recognized in prior periods.

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

i. Cash and cash equivalents

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

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

j. Financial assets

The Company and its subsidiaries adopted transaction-date accounting for financial instrument transactions. At the initial recognition, financial instruments are evaluated at fair value. Except for trading-purpose financial instruments, the original cost of financial instruments should include the cost of acquisition or issuance.

The financial instruments held or issued by the Company and its subsidiaries are classified into the following accounts in accordance with the purpose of holding or issuing after the original recognition.

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

Loans and receivables, and held-to-maturity investment securities are measured at amortized cost using the effective interest method. The Company and its subsidiaries consider evidence of impairment for loans and receivables and held-to-maturity investment securities at both specific asset and collective level. All individually significant receivables and held-to-maturity investment securities are assessed for specific impairment. All individually significant loans and receivables and held-to-maturity investment securities found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and receivables and held-to-maturity investment securities that are not individually significant are collectively assessed for impairment by grouping together loans and receivables and held-to-maturity investment securities with similar risk characteristics.

In assessing collective impairment, the Company and its subsidiaries use 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 less than 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. Losses are recognized in profit or loss, and reflected in an allowance account against loans and receivables or held-to-maturity investment securities. Interest on the impaired asset continues to be recognized. When a subsequent event (e.g. repayment by a debtor) causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

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

k. Financial derivatives and hedging

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

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

l. Allowance for doubtful accounts

An allowance for doubtful accounts is provided based on the expected collectability of notes and accounts receivable at year-end. Effective from January 1, 2011, the Company and its subsidiaries adopted the third revision of SFAS No. 34 "Financial Instrument Recognition and Measurement" on the recognition, subsequent measurement and impairment testing of originated loans and receivables and on trouble debt restructuring and modification of debt agreement commencing from January 1, 2011.

m. Real estate investment and construction accounting

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

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

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

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

Building construction cost is recorded by project. Purchase or trade-in of land is recorded as "land held for development". Prepayment for land prior to the transfer of title is recorded as "prepayment for land". The related land and construction costs incurred are recorded as "building construction in progress". Upon the completion of construction, the related land and construction costs are transferred to "real estate held & for sale". The proceeds from pre-sale of real estate are recorded as "advance receipts". The related expenses incurred on such pre-sales are recorded as "deferred selling expenses", which are charged to operations upon the completion and delivery of the real estate.

With reference to recognition of gain or loss on sale of real estate, in theory, it is based upon the date the real property is ready for delivery, assuming full payment is received and the ownership deed is transferred. However, if at the balance sheet date only one criterion has been fulfilled and the remaining criteria are completed in the subsequent period, then the gain or loss is still recognized currently.

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

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

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

n. Accounting for long-term construction contracts

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

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

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

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

o. Deferred assets

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

p. Long-term investments under equity method

All long-term investments are valued at cost. For both equity-method and cost-method investments, the cost of an investment sold is determined using the weighted-average method.

If the Company and its subsidiaries have influence or controlling interest over the investee, it should be valued under the equity method. Long-term investments in which the holding proportion of the investee is 20% ~ 50% (or under 20% but the Company and its subsidiaries have influence over investee) are accounted for by the equity method in the second quarter and at the year-end. Long-term investments in which the holding proportion of the investee is over 50% (or under 50% but the Company and its subsidiaries have influence over the investee) are accounted for by the equity method each quarter.

The difference between investment cost and net equity (the difference) attributed to depreciable, depletable, or amortizable assets is amortized over the estimated remaining economic years. The difference attributed to the carrying amount in excess of or lower than the fair value of assets is eliminated entirely when the difference disappears. The cost of investment in excess of the fair value of identifiable net assets is recognized as goodwill.

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

The difference attributed to the fair value of identifiable net assets in excess of the cost of investment causes a proportional decrease in the carrying amount of non-current assets. When the carrying amount of non-current assets is decreased to zero, the remaining difference is through extraordinary gain or loss. The differences between investment cost and net equity in the previous investments that cannot be attributed to any reason and were originally amortized over five years are no longer amortized starting from January 1, 2006.

The difference between the disposal price and carrying amount of long-term equity investment under the equity method on the disposal date is recognized as gain or loss from disposal of long-term equity investment. The associated capital surplus resulting from long-term equity investment is reclassified into current gain or loss in proportion to disposal of long-term equity investment.

Unrealized inter-company profits or losses resulting from transactions between the Company and its subsidiaries and investees accounted for under the equity method are deferred until realized, or are amortized based on the useful lives of the assets that give rise to such unrealized profits or losses.

When an investee company accounted for under the equity method issues new capital shares, if the existing shareholders do not subscribe to the new shares in proportion to their stock ownership percentage, resulting in a change in investment ratio and an increase or decrease in net equity of the investment, such increase or decrease is adjusted to "capital surplus" and "long-term investments". If the "capital surplus" account should be debited and the balance in "capital surplus" resulting from long-term investments is insufficient, then the difference should be debited to "retained earnings".

If an investee's functional currency is a foreign currency, translation adjustments will result from the process of translating the investee's financial statements into the reporting currency of the Company and its subsidiaries. Such adjustments are accumulated and reported as a separate component of shareholders' equity.

q. Property and equipment

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

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

Depreciable property and equipment and unsold real estate held for lease are stated at cost plus revaluation, if any. Major additions, improvements and replacements are capitalized. For purchase and construction of property and equipment, the interest is an expense until these fixed assets are ready for use and is also capitalized as part of the acquisition costs of the assets.

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

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

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

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

r. Provision for warranty reserve

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

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

s. Pension plan

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

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

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

t. Employee bonuses and directors' and supervisors' remuneration

Employee bonuses and directors' and supervisors' remuneration appropriated after January 1, 2009, are accounted for by Interpretation (96)052 issued by the Accounting Research and Development Foundation (ARDF). The Company and its local subsidiaries estimate the amount of employee bonuses and directors' and supervisors' remuneration according to the Interpretation and recognize it as expenses. Differences between the amount approved in the shareholders' meeting and recognized in the financial statements, if any, are accounted for as changes in accounting estimates and recognized as profit or loss.

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

u. Recognition of revenue

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

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

v. Income tax

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

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

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

w. Earnings per share

Basic earnings per share are computed by dividing the amount of net income (loss) attributable to common stock outstanding for the period by the weighted-average number of common shares outstanding during the period. Potential common stock includes convertible bonds, employee stock options, and employee stock bonuses that have not been resolved in stockholders' meetings. If potential common stock is not dilutive, the Company only discloses basic earnings per share. If it is dilutive, the Company needs to disclose both basic and diluted earnings per share. The calculation of diluted earnings per share is under the assumption that all dilutive potential common shares have been converted, exercised or that all contingently issuable shares have been issued. The weighted-average number of outstanding shares is adjusted retroactively for stock dividends and bonus share issues that were resolved in the shareholders' meetings prior to 2008.

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

x. Operating Segments

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

3. CHANGES IN ACCOUNTING POLICIES

Effective January 1, 2011, the Company and its subsidiaries adopted SFAS No. 41 "Operating Segments." In accordance with SFAS No. 41, the disclosure of operating segment information is to enable users of financial statements to evaluate the nature and financial effects of the business activities in which an entity engages and the economic environment in which it operates. Accordingly, the Consolidated Company determines and presents operating segments based on the information that is internally provided to the chief operating decision maker. In addition, if a financial report contains both the consolidated financial statements of a parent that is within the scope of SFAS No. 41 as well as the parent's separate financial statements; segment information is required only in the consolidated financial statements. This new accounting standard superseded SFAS No. 20 "Segment Reporting." The adoption of this accounting standard did not have any cumulative effect for the six months ended June 30, 2011.

Effective January 1, 2011, the Company adopted the newly revised version of SFAS No. 34 "Financial Instrument Recognition and Measurement." The recognition and subsequent measurement of loans and receivables originated by the Company and accounting treatment by a debtor for modifications in the terms of obligations should be in accordance with SFAS No. 34. The adoption of this amended accounting principle had no significant influence on the Company's net income, stockholders' equity and earnings per share for the six months ended June 30, 2011.

4. CASH AND CASH EQUIVALENTS

	<u>June 30, 2011</u>	<u>June 30, 2010</u>
Cash	\$ 15,175	13,049
Cash in bank	4,562,105	5,174,494
Cash equivalents	231,862	778,673
Total	<u>\$ 4,809,142</u>	<u>5,966,216</u>

5. FINANCIAL ASSETS

	<u>June 30, 2011</u>	<u>June 30, 2010</u>
Financial assets carried at cost — non-current:		
Stock — common stock	\$ 4,907,057	4,632,883
Stock — preferred stock	2,737,707	2,737,707
Total	<u>\$ 7,644,764</u>	<u>7,370,590</u>

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

- a. Because the aforementioned stock investments were not sold and repurchased in the short term or had no active market price, the fair values are unpredictable.
- b. Hsin-Dar Development Co., Ltd. completed its liquidation process on December 23, 2010, and distributed to the Company and its subsidiaries cash and non-cash assets amounting to \$112,545 thousand and \$274,174 thousand, respectively. The non-cash assets include 12,148 thousand shares of Evergreen Steel Corp. (was "Evergreen Development Corp.") and 5,657 thousand shares of Hsin Yung Enterprise Corp. recognized as financial assets carried at cost – non-current of \$209,880 thousand and \$64,294 thousand, respectively. The gain resulting from such transaction amounted to \$32,053 thousand.
- c. For the six months ended June 30, 2011, the Company and its subsidiaries that were distributed cash dividends from Evergreen Steel Corp., Hsin Yung Enterprise Corp. and Wei Dar Investment Co., Ltd. amounting to \$153,875 thousand, \$36,769 thousand, and \$10,715 thousand, respectively. As of June 30, 2011, these dividends had not yet been collected, and were accounted under other financial assets – current.
- d. As of June 30, 2011 and 2010, the Company and its subsidiaries held shares of preferred stock issued by Taiwan High Speed Rail Co., Ltd. (THSRC) as follows:

<u>Type</u>	<u>Shares</u>		<u>Shares</u>	
	<u>(in thousands)</u>	<u>June 30, 2011</u>	<u>(in thousands)</u>	<u>June 30, 2010</u>
A (a)	199,350	\$ 1,993,500	199,350	1,993,500
C (d)	9,800	91,140	9,800	91,140
C (e)	107,500	999,750	107,500	999,750
C (h)	32,250	299,925	32,250	299,925
		3,384,315		3,384,315
Less: dividends		(646,608)		(646,608)
Total		<u>\$ 2,737,707</u>		<u>2,737,707</u>

- e. According to THSRC's most recent financial report which was reviewed by independent experts, there was no indication that an asset may have been impaired. Even though THSRC experienced a series of deficits since it incorporated, the passenger number increased since the second half of the year of 2010, which led to an increase of operating income and gross profit. The operating condition and cash flow are forecasted to ameliorate through the expansion of the operation. Therefore, the Company and its subsidiaries assessed was that there was no impairment loss on the investment in THSRC as of June 30, 2011.

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

6. ACCOUNTS RECEIVABLE, NET

<u>Accounts receivable</u>	<u>June 30, 2011</u>	<u>June 30, 2010</u>
Contract receivables	\$ 2,042,109	2,791,754
Contract retention receivable	1,692,967	1,430,525
Other	1,957	5,982
Subtotal	<u>3,737,033</u>	<u>4,228,261</u>
Less: allowance for doubtful accounts	(95,474)	(107,272)
Total	<u>\$ 3,641,559</u>	<u>4,120,989</u>

The above-mentioned contract retention receivable is 5~10% retention that the owner will deduct when paying the contract amount in order to make sure construction progress is good.

As of June 30, 2011 and 2010, the above contract retention receivable had been billed and would be collected as listed below:

<u>Estimated recovery year</u>	<u>June 30, 2011</u>	<u>June 30, 2010</u>
2011.07.01~2012.06.30	\$ 1,008,013	534,962
2012.07.01 and thereafter	684,954	895,563
	<u>\$ 1,692,967</u>	<u>1,430,525</u>

7. INVENTORY

a. REAL ESTATE AND PARKING SPACES HELD FOR SALE

	<u>June 30, 2011</u>	<u>June 30, 2010</u>
1052C	\$ 113,092	215,058
1062B	-	979,482
1060L	-	402,869
1000E	52,995	52,995
1000H	38,964	-
1000J	38,683	-
1000R	1,811,147	-
Other	24,652	105,961
Subtotal	<u>2,079,533</u>	<u>1,756,365</u>
Less: allowance to reduce inventory to market	(112,247)	(50,342)
Total	<u>\$ 1,967,286</u>	<u>1,706,023</u>

For the six months ended June 30, 2011, due to the disposal of partial real estate held-for-sale,

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

a gain from price recovery of inventory amounted \$1,284 was recognized as a reduction in costs.

b. LAND HELD FOR DEVELOPMENT

	June 30, 2011	June 30, 2010
1100C	\$ 978,054	-
1100K	5,053,588	-
10500	-	231,657
	\$ 6,031,642	231,657

c. BUILDING CONSTRUCTION IN PROGRESS

	June 30, 2011	June 30, 2010	Type of property development
The Village			
10530	\$ 303,635	55,049	Land owned and building constructed by the Company
10620	-	571	"
1063A~F	5,032,334	3,836,739	"
1050F	834,373	351,871	Joint construction with completed units to be shared
1050R	41,900	2,966,943	Joint construction with completed portion to be shared
1060N	-	1,710,885	Land owned and building constructed by the Company
1070E	642,146	320,712	Part of land owned and building constructed by the Company, and part under joint construction with completed units shared
1080F	166,293	16,249	Joint construction with completed units to be shared
1100C	13,292	12	Land owned and building constructed by the Company
1100K	567	-	"
Subtotal	7,034,540	9,259,031	
Less: allowance to reduce inventory to market	-	-	
Total	\$ 7,034,540	9,259,031	

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

- (1) For the year ended June 30, 2011 and 2010, the information of the above mentioned building construction in progress qualified to be accounted under percentage-of-completion method was as follows:

	<u>Amount of Contract</u>	<u>Estimated Construction Cost</u>	<u>Percent Sold</u>	<u>Percent Completed</u>	<u>Estimated Year of Completion</u>	<u>Cumulative Gain (Loss)(Note)</u>
June 30, 2011						
1063A~F	\$ 6,606,141	4,885,548	95.00%	76.81%	2011	1,321,588
1050F	2,007,422	1,323,844	100.00%	41.28%	2011	282,181
1080F	2,974,996	1,910,924	100.00%	2.85%	2013	30,326
1070E	1,530,949	1,093,875	100.00%	37.92%	2012	165,738
	<u>\$ 13,119,508</u>	<u>9,214,191</u>				
June 30, 2010						
1063A~F	\$ 6,137,199	4,625,687	88.24%	55.88%	2011	844,638
1050F	2,007,422	1,391,790	100.00%	15.52%	2011	95,546
1050R	4,706,848	3,845,620	91.80%	67.47%	2011	581,071
1060N	2,085,556	1,668,560	100.00%	75.94%	2010	316,667
	<u>\$ 14,937,025</u>	<u>11,531,657</u>				

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

- (2) For the year ended June 30, 2011 and 2010, capitalizing interest costs were as follows:

	<u>For the six months ended June 30, 2011</u>	<u>For the six months ended June 30, 2010</u>
Interest costs	\$ 164,504	84,576
Capitalized interests	24,336	32,782
Capitalization interest rate	1.88%	1.20%

d. As of June 30, 2011, the prepayment for land was \$9,148 thousand.

e. OTHERS

	<u>June 30, 2011</u>	<u>June 30, 2010</u>
Material on hand	\$ 122,878	79,042

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

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

Project No.	Construction in progress	Billings on uncompleted contracts	Costs of uncompleted contracts in excess of related billings	Billings on uncompleted contracts in excess of related costs
June 30, 2011				
2090E	\$ 283,041	247,965	35,076	-
3050R	3,559,680	3,580,339	-	20,659
3060U	575,206	578,237	-	3,031
3070D	1,629,848	1,757,788	-	127,940
3080A	573,941	590,171	-	16,230
3080D	813,404	788,159	25,245	-
3080G	786,736	1,172,316	-	385,580
3080H	325,107	346,795	-	21,688
3100G	255,414	233,667	21,747	-
4050C	7,310,067	7,121,596	188,471	-
4070C	1,340,826	1,514,769	-	173,943
4070F	2,438,156	2,895,691	-	457,535
4080L	2,196,477	2,614,579	-	418,102
4090B	917,882	1,357,564	-	439,682
4100A	714,820	1,083,701	-	368,881
4100H	355,575	622,482	-	266,907
Overseas Project No. 6060M (NOTE)	2,324,777	2,041,852	282,925	-
Overseas Project No. 6061A (NOTE)	1,482,151	1,242,253	239,898	-
Overseas Project No. 6061B (NOTE)	1,711,961	1,478,616	233,345	-
Overseas Project No. 6061D	3,415,880	3,411,068	4,812	-
Overseas Project No. 6061E	295,658	283,846	11,812	-
Overseas Project No. 6090C	396,775	474,909	-	78,134
8080K	376,478	395,847	-	19,369
Other (1)	85,915	53,083	32,832	-
Other (2)	268,662	344,089	-	75,427
Other (3)	1,127,228	1,127,228	-	-
Overseas Project No. 630100	3,194,169	3,179,972	14,197	-
Overseas Project No. 660100	20,137,173	21,849,322	-	1,712,149
Overseas Project No. Other (1)	17,922,630	16,748,506	1,174,124	-
Overseas Project No. Other (2)	11,183,448	11,560,285	-	376,837
Total	\$ 87,999,085	90,696,695	2,264,484	4,962,094

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

NOTE: The constructions of outer ring road to Hyderabad airport in Andhra, India, and India National Highway of C-12 and C-13 were delayed due to some factors beyond the control of CEC. In the past, CEC's proposals of time extension on projects were all approved by the owners of HGCL and NHAI. However, the proposal of time extension on ORR, C-12, and C-13 projects were not yet approved due to the time restriction and the incompleteness of additional facilities assigned by the owner. As of June 30, 2011, the unapproved billing amount were INR1,173,809 thousand (equivalent to \$756,168 thousand). According to the past experiences, CEC believes that the request for extension of time will be approved and the aforesaid unapproved billing amount will be fully recovered.

<u>Project No.</u>	<u>Construction in progress</u>	<u>Billings on uncompleted contracts</u>	<u>Costs of uncompleted contracts in excess of related billings</u>	<u>Billings on uncompleted contracts in excess of related costs</u>
June 30, 2010				
3050R	\$ 2,637,515	2,657,791	-	20,276
3070D	1,263,272	1,323,865	-	60,593
3080A	338,360	268,125	70,235	-
3080C	172,737	169,364	3,373	-
3080D	522,260	515,792	6,468	-
3080G	431,232	726,740	-	295,508
3080H	163,450	201,847	-	38,397
3080I	296,167	332,963	-	36,796
4050C	6,179,351	5,934,771	244,580	-
4070C	1,047,357	1,287,154	-	239,797
4070F	1,826,609	2,425,812	-	599,203
4080L	1,187,127	1,780,951	-	593,824
4090B	341,873	461,693	-	119,820
8080K	151,780	220,240	-	68,460
Overseas Project No. 6060M	1,751,023	1,894,524	-	143,501
Overseas Project No. 6061A	1,441,779	1,291,684	150,095	-
Overseas Project No. 6061B	1,537,847	1,521,248	16,599	-
Overseas Project No. 6061D	3,662,036	3,682,378	-	20,342
Overseas Project No. 6061E	306,584	290,273	16,311	-
Overseas Project No. 6090C	49,187	389,628	-	340,441
Other (1)	96,061	7,854	88,207	-
Other (2)	66,220	90,196	-	23,976
Other (3)	6,879,858	6,879,858	-	-
Overseas Project No. 630100	3,627,150	3,560,973	66,177	-
Overseas Project No. 660100	16,797,838	16,873,443	-	75,605
Overseas Project No. Other (1)	18,796,204	17,602,678	1,193,526	-
Overseas Project No. Other (2)	9,625,053	10,396,245	-	771,192
Total	\$ 81,195,930	82,788,090	1,855,571	3,447,731

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

As of June 30, 2011 and 2010, the contract price and other related information for major contracts accounted for by the percentage-of-completion method were as follows:

<u>Project No.</u>	<u>Amount of Contract</u>	<u>Estimated Construction Cost</u>	<u>Completed %</u>	<u>Estimated Year of Completion</u>	<u>Cumulative Gain (Loss)</u>	<u>Cumulative Price Adjustment Gain (Loss)</u>
June 30, 2011						
2090E	\$ 1,990,284	1,900,634	14.22%	2011	12,749	-
2100I	1,647,619	1,564,278	0.23%	2013	189	-
3050R	3,947,221	3,795,652	90.18%	2011	136,688	-
3070D	1,906,426	1,777,052	85.49%	2011	110,604	-
3080A	623,902	602,094	91.99%	2011	20,062	-
3080D	984,139	919,628	82.65%	2011	53,319	-
3080G	1,447,789	1,367,486	54.34%	2012	43,637	-
3080H	417,223	384,288	77.92%	2011	25,664	-
3090A	297,173	284,026	47.39%	2012	6,230	-
3100F	291,425	258,149	23.21%	2012	7,725	-
3100G	1,763,654	1,584,970	14.48%	2012	25,877	-
4050C	9,749,798	9,529,475	74.98%	2014	165,190	59,233
4070C	2,714,844	3,288,048	58.21%	2014	(573,204)	-
4070F	4,376,359	4,593,896	57.81%	2013	(217,537)	-
4080L	5,950,478	5,699,852	36.91%	2015	92,513	(6,488)
4090B	4,271,857	4,661,031	28.04%	2012	(389,173)	-
4100A	2,900,691	2,837,084	24.64%	2013	15,675	-
4100H	4,215,238	4,088,723	8.44%	2016	10,672	-
8080K	435,215	354,657	86.50%	2011	69,686	(21)
	<u>\$ 49,931,335</u>	<u>49,491,023</u>			<u>(383,434)</u>	<u>52,724</u>
Expressed in INR						
6060M	\$ 3,849,288	5,988,250	95.98%	2011	(2,138,962)	28,717
6061A	2,428,092	3,309,268	96.15%	2011	(881,176)	-
6061B	2,848,329	3,892,469	95.10%	2011	(1,044,140)	-
6061D	5,323,051	5,776,532	99.64%	2011	(453,481)	-
6061E	473,003	606,173	97.68%	2011	(133,171)	-
6090C	4,185,448	4,137,392	14.72%	2013	7,072	-
	<u>\$ 19,107,211</u>	<u>23,710,084</u>			<u>(4,643,858)</u>	<u>28,717</u>
Expressed in USD						
660100	\$ 885,433	680,433	79.00%	2014	162,279	-

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

<u>Project No.</u>	<u>Amount of Contract</u>	<u>Estimated Construction Cost</u>	<u>Completed %</u>	<u>Estimated Year of Completion</u>	<u>Cumulative Gain (Loss)</u>	<u>Cumulative Price Adjustment Gain (Loss)</u>
June 30, 2010						
2090E	\$ 1,356,539	1,291,942	1.34%	2011	863	-
3050R	3,910,728	3,760,562	67.44%	2011	101,276	-
3070D	1,936,476	1,820,868	65.24%	2011	75,417	-
3080A	763,385	720,991	44.32%	2011	18,791	-
3080C	211,005	191,761	81.86%	2010	15,754	-
3080D	975,923	917,465	53.51%	2011	31,284	-
3080G	1,397,167	1,319,221	30.86%	2012	24,058	-
3080H	417,223	391,592	39.18%	2011	10,041	-
3080I	354,711	330,074	83.50%	2010	20,571	-
3090A	300,000	286,619	14.02%	2012	1,877	-
4050C	9,911,361	9,747,824	62.35%	2014	101,959	59,233
4070C	2,609,616	2,902,522	46.18%	2014	(292,906)	-
4070F	4,251,246	4,519,797	46.36%	2013	(268,552)	-
4080L	5,543,502	5,371,405	21.41%	2015	36,854	(6,488)
4090B	4,126,433	4,044,309	8.28%	2012	6,804	-
4100A	2,837,619	2,761,013	2.26%	2013	1,734	-
8080K	401,289	356,640	37.82%	2011	16,888	(21)
	<u>\$ 41,304,223</u>	<u>40,734,605</u>			<u>(97,287)</u>	<u>52,724</u>
Expressed in INR						
6060M	\$ 3,523,613	5,534,362	81.78%	2010	(2,010,749)	28,717
6061A	2,336,084	3,146,495	91.57%	2010	(810,441)	-
6061B	2,776,400	3,748,544	84.86%	2010	(972,144)	-
6061D	5,323,051	5,644,188	98.88%	2010	(321,138)	-
	<u>\$ 13,959,148</u>	<u>18,073,589</u>			<u>(4,114,472)</u>	<u>28,717</u>
Expressed in USD						
630100	\$ 112,365	112,365	100.00%	2010	-	-
660100	788,924	603,344	65.96%	2013	122,438	-
	<u>\$ 901,289</u>	<u>715,709</u>			<u>122,438</u>	<u>-</u>

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

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

- a. For the six months ended June 30, 2011 and 2010, the information of joint venture agreement that the Company and its subsidiaries entered was as follows:

<u>Project No.</u>	<u>Joint Venture Partner</u>	<u>Joint Venture Percentage</u>	
		<u>The Company : Joint Venture Partner</u>	
4070C	TAISEI Corp.	50%	: 50%
630100	Edward Kraemer and Sons, Inc.	55%	: 45%
650100	McLean Contraction Company	54%	: 46%
650200	PSM Engineering	50.5%	: 49.5%
660100	Fluor Enterprises, Inc.	50%	: 50%

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

	<u>Amount Recognized as Company's Ownership Percentage</u>				
	<u>Company's Ownership Percentage</u>	<u>Company's Ownership</u>		<u>Construction Income</u>	<u>Construction Cost</u>
		<u>Assets</u>	<u>Liabilities</u>		
<u>June 30, 2011</u>					
4070C	50%	285,702	285,702	282,763	282,763
630100	55%	17,885	1,348	(7,444)	4,710
650100	54%	619	619	-	-
660100	50%	3,416,331	2,365,861	2,004,343	1,580,395
<u>June 30, 2010</u>					
4070C	50%	324,088	324,088	362,357	362,357
630100	55%	69,214	6,763	13,154	13,154
650100	54%	695	695	4,868	4,868
650200	50.5%	1,369	1,369	-	-
660100	50%	3,561,012	993,994	2,442,805	1,904,462

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

9. LONG-TERM EQUITY INVESTMENT UNDER EQUITY METHOD

The investment gain (loss) and cumulative translation adjustments for the six months ended June 30, 2010 was based on the investees' financial statements audited by the auditors for the same period. Investment gain/loss and cumulative translation adjustment recognized under the equity method were as follows:

Investee	For the six months ended				
	June 30, 2010			June 30, 2010	
	Original Investment	Ownership %	Carrying Amount	Investment Gain (Loss)	Cumulative Translation Adjustment
Hsin-Dar Development Co., Ltd.	452,250	45.00%	\$ 362,591	12,856	-

Hsin-Dar Development Co., Ltd. completed its liquidation process on December 23, 2010, and distributed to the Company cash and non-cash assets amounting to \$112,545 thousand and \$274,174 thousand, respectively. The non-cash assets include 12,148 thousand shares of Evergreen Steel Corp. (was "Evergreen Development Corp.") and 5,657 thousand shares of Hsin Yung Enterprise Corp. recognized as financial assets carried at cost—non-current of \$209,880 thousand and \$64,294 thousand, respectively. The gain resulting from such transaction amounted to \$32,053 thousand.

10. FIXED ASSETS

As of June 2011 and 2010, the accumulated depreciation was as follows:

	June 30, 2011	June 30, 2010
Buildings	\$ 327,038	300,126
Machinery and equipment	1,784,758	1,367,943
Computer equipment	55,380	50,603
Transportation equipment	169,696	157,373
Furniture and office equipment	158,872	222,480
Leased assets	345,961	476,876
Total	\$ 2,841,705	2,575,401

- a. The accumulated impairment of land and leased assets amounted to \$360,650 thousand and \$525,917 thousand, as of June 30, 2011 and 2010, respectively.
- b. The Consolidated Company revalued its land and fixed assets, which resulted in total revaluation increments of \$5,679 thousand and \$469,248 thousand as of June 30, 2011 and 2010, respectively.

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

11. SHORT-TERM BANK LOANS

<u>Item</u>	<u>June 30, 2011</u>	<u>June 30, 2010</u>
Collateral loans	\$ 4,769,760	5,890,000
Credit loans	2,686,048	1,101,540
	<u>\$ 7,455,808</u>	<u>6,991,540</u>

- a. The Consolidated Company provided collateral for the above collateral loans; please refer to Note 24. The annual interest rates ranged from 1.05% to 2.14% and 1% to 2.07% as of June 30, 2011 and 2010, respectively.
- b. CDC signed a syndicated loan agreement with the bank group, led by Taipei Fubon Bank and Taiwan Life Insurance, with a credit line of \$3,539,760 thousand. The line of credit expires in five years and is collateralized by the land held for development (1100K), unless otherwise agreed to by CDC and the bank group.

12. SHORT-TERM BILLS PAYABLE, NET

<u>Item</u>	<u>June 30, 2011</u>	<u>June 30, 2010</u>
Commercial paper payable	\$ 200,000	700,000
Less: Unamortized discount	-	-
Net	<u>\$ 200,000</u>	<u>700,000</u>

The annual interest rate of the commercial paper ranged from 1.039% to 1.239% and 0.35% to 0.76% as of June 30, 2011 and 2010, respectively.

13. UNEARNED RECEIPTS

<u>Item</u>	<u>June 30, 2011</u>	<u>June 30, 2010</u>
Advance real estate receipts	\$ 4,319,987	4,367,719
Unearned rent	7,404	1,058
Others	262	303
	<u>\$ 4,327,653</u>	<u>4,369,080</u>

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

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

<u>Nature of Loans</u>	<u>Maturity Period</u>	<u>Amount</u>	<u>Note</u>
June 30, 2011			
Collateral loans	2012.06~2025.07	\$ 8,089,900	Repay in installments beginning June 2012.
Credit loans	2012.05~2016.07	2,021,968	Repay in installments beginning May 2012 or at the maturity date.
Less: Current portion		<u>(1,708,051)</u>	
		<u>\$ 8,403,817</u>	
June 30, 2010			
Collateral loans	2010.07~2025.07	\$ 9,696,923	Repay in installments beginning July 2010, or repay at the maturity date.
Credit loans	2010.11~2015.05	984,280	Repay in installments beginning November 2010.
Less: Current portion		<u>(708,945)</u>	
		<u>\$ 9,972,258</u>	

- a. As of June 30, 2011 and 2010, the related interest rates for the above bonds payable and long-term loans were from 0.43% to 2.22% and from 0.4% to 3.25%. For the collateral for the above long-term loans, please refer to Note 24.
- b. The loan agreement requires the Company's subsidiaries to maintain certain financial ratios: current ratio>100%, debt-to-equity ratio<200%. As of June 30, 2011 and 2010, the Company's subsidiaries were not in violation of the terms of the loan agreement.

15. CAPITAL STOCK

The Company was established through share exchange with CEC on April 8, 2010, with capital of \$8,411,581 thousand. As of June 30, 2011 and 2010, the Company's authorized capital was \$10,000,000 thousand, of which \$8,411,581 thousand, representing 841,158 thousand shares, was issued and outstanding at a par value of \$10 (dollars).

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

16. CAPITAL SURPLUS

- a. The Company was established on April 8, 2010, and issued 841,158 thousand shares in exchange for CEC's stock. The net equity of CEC's stock in excess of par value of the Company's stock amounted to \$7,368,919 thousands and was credited to capital surplus.
- b. According to Article 30 of the Business Mergers and Acquisitions Act, any undistributed retained earnings after the share exchange of a company with another company are recorded as the capital surplus of the other company, and such distribution is immune from the restrictions provided in Article 241(1) of the Company Act.

17. LEGAL RESERVE AND EARNINGS DISTRIBUTION

Under the Company's Articles of Incorporation, 10% of the Company's net income less any deficit should first be appropriated as legal reserve. The remaining balance along with cumulative retained earnings is distributable earnings, of which at least 50% should be appropriated in the following manner:

- a. 0.5% as employee bonuses;
- b. 0.5% as remuneration of directors and supervisors;
- c. 99% as dividends to shareholders.

Per SFB regulations, if the aforementioned special surplus is a contra account to stockholders' equity accumulated from prior years, special surplus of the same amount from unappropriated earnings of prior years cannot be distributed. For subsequent reversal of the contra account to stockholders' equity, the amount of the reversal may be appropriated.

A dividend in accordance with the aforementioned distribution ratio does not have to be distributed if it is less than \$0.3 per share. The cash dividends distributed cannot be less than 20% of total dividends distributed. However, a stock dividend may be distributed instead if the cash dividend per share is less than \$0.1.

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

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

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

	2010
Cash dividends (dollars)	\$ 0.60

As of June 30, 2011, the aforesaid dividend payable for 2010 amounted to \$504,695 thousand was unpaid and accounted under dividend payable.

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

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

The differences between the approved amounts of the bonus to employees and the remuneration to directors and supervisors and the accrual amounts reflected in the financial statements in 2010 were primarily due to changes in estimates and had been adjusted in profit or loss for 2011.

For the six months ended June 30, 2011 and 2010, the Company estimated employee bonuses, and directors' and supervisors' remuneration were \$2,124 thousand, \$1,416 thousand and \$2,124 thousand, \$1,416 thousand, respectively. The number of shares of stock distributed as dividends was determined based on the closing price on the day prior to the shareholders' meeting in consideration to the ex-rights and ex-dividend effects. Differences between the amount approved in the shareholders' meeting and in the amount accrued in current year statements, if any, will be accounted for as changes in accounting estimation and will be recognized as profit or loss in 2012 and 2011.

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

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

18. INCOME TAXES

a. The Company and its local subsidiaries are subject to statutory income tax rate of 17% for both the six months ended June 30, 2011 and 2010. The Company and its local subsidiaries also comply with the Income Basic Tax Act when calculating its alternative minimum tax.

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

	For the six months ended June 30, 2011	For the six months ended June 30, 2010
Current income tax expense	\$ 82,477	148,011
Overestimation of prior years' income tax	(49)	(1,011)
Additional 10% surtax on unappropriated earnings	65,200	1,014
Deferred income tax (benefit) expense	(3,592)	24,355
Income tax expense from continuing operations	<u>\$ 144,036</u>	<u>172,369</u>

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

	For the six months ended June 30, 2011	For the six months ended June 30, 2010
Provision for warranty	\$ 10,266	2,418
Unrealized construction loss	(24,126)	70,832
Provision for completion of work by subcontractors	(5,058)	10,610
Loss carry-forwards	143,263	(140,572)
Others	11,000	11,297
Effect on deferred income tax of statutory tax rate change	-	9,375
Valuation allowance	(138,897)	60,395
	<u>\$ (3,592)</u>	<u>24,355</u>

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

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

	<u>For the six months ended June 30, 2011</u>	<u>For the six months ended June 30, 2010</u>
Income tax calculated on net income (before tax)	\$ 166,751	327,507
Tax-exempt gain on disposal of land	(64,291)	(41,789)
Temporary difference between completed contract method and percentage-of-completion method	36,118	(72,572)
Gain on long-term equity investment, net	-	(107,927)
Overestimation of prior years' income tax	(49)	(1,011)
Additional 10% surtax on unappropriated earnings	65,200	1,014
Effect on deferred income tax of statutory tax rate change	-	9,375
Valuation allowance	(379,697)	60,395
Dividend revenue	(34,231)	-
Loss carry-forwards	352,812	-
Others	1,423	(2,623)
Income tax expense	<u>\$ 144,036</u>	<u>172,369</u>

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

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

	June 30, 2011		
	<u>Amount</u>	<u>Income tax effect</u>	
		<u>Current</u>	<u>Non-current</u>
Deferred tax assets:			
Provision for warranty	\$ 405,140	68,874	-
Loss carryforwards	4,820,070	275,600	543,812
Unrealized construction loss	729,091	123,945	-
Unrealized impairment of long-term equity investment	124,447	21,156	-
Provision for completion of work by subcontractors	460,521	78,289	-
Inventory valuation loss	59,811	10,168	-
Investment tax credit	317,506	-	53,976
Others	742	126	-
		<u>578,158</u>	<u>597,788</u>
Less: Allowance for deferred tax assets		<u>(482,169)</u>	<u>(597,788)</u>
Net deferred tax assets		<u>\$ 95,989</u>	<u>-</u>
Deferred tax liabilities:			
Unrealized asset gain — building	\$ -	-	-
Unrealized construction gain	137,904	23,444	-
Fixed assets difference between financial accounting and tax accounting	738,192	125,492	-
Other	257,388	43,756	-
Deferred tax liabilities		<u>\$ 192,692</u>	<u>-</u>

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

	June 30, 2010		
	Amount	Income tax effect	
		Current	Non-current
Deferred tax assets:			
Provision for warranty	\$ 512,899	87,193	-
Loss carryforwards	4,434,684	49,710	704,186
Unrealized construction loss	724,178	123,110	-
Unrealized impairment of long-term equity investment	124,447	21,156	-
Provision for completion of work by subcontractors	483,029	82,115	-
Inventory valuation loss	3,573	607	-
Investment tax credit	-	-	-
Others	3,300	561	-
		<u>364,452</u>	<u>704,186</u>
Less: Allowance for deferred tax assets		<u>(230,604)</u>	<u>(704,186)</u>
Net deferred tax assets		<u><u>\$ 133,848</u></u>	<u><u>-</u></u>
Deferred tax liabilities:			
Unrealized asset gain—building	\$ 142,721	24,263	-
Unrealized construction gain	258,620	43,965	-
Fixed assets difference between financial accounting and tax accounting	661,929	112,528	-
Other	242,482	41,222	-
Deferred tax liabilities		<u><u>\$ 221,978</u></u>	<u><u>-</u></u>

e. According to ROC Income Tax Act, net losses are deductible as verified and determined by tax authorities in the preceding 10 years. The Company's estimated unused loss carry-forwards were as follows:

Year of loss	Unused amount	Year of expiry
2010	\$ 104,672	2020
2011	66,545	2021
	<u><u>\$ 171,217</u></u>	

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

f. As of June 30, 2011 and 2010, inappropriate earnings were as follows:

	<u>June 30, 2011</u>	<u>June 30, 2010</u>
Accumulated earnings	\$ 628,272	480,861
Balance of the imputation credit account	\$ 70,085	-
		<u>2010 (Actual)</u>
Creditable ratio for distribution of earnings		<u>2.91%</u>

19. EARNINGS PER SHARE

	<u>For the six months ended</u> <u>June 30, 2011</u>		<u>For the six months ended</u> <u>June 30, 2010</u>	
	<u>Before Tax</u>	<u>After Tax</u>	<u>Before Tax</u>	<u>After Tax</u>
Basic earnings per share				
Net income	\$ 511,743	498,795	480,861	480,861
Weighted-average number of outstanding shares (in thousands)	\$ 841,158	841,158	841,158	841,158
Basic earnings per share—current period (dollars)	\$ 0.61	0.59	0.57	0.57
Diluted earnings per share				
Net income	\$ 511,743	498,795	480,861	480,861
Weighted-average number of outstanding shares (in thousands)	841,158	841,158	841,158	841,158
Diluted potential common stock—employee bonuses (in thousands)	662	622	113	113
Effect of dilutive potential common stock (in thousands)	\$ 841,820	841,820	841,271	841,271
Diluted earnings per share—current period (dollars)	\$ 0.61	0.59	0.57	0.57

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

20. PENSION PLAN

- a. For the six months ended June 30, 2011 and 2010, accrued pension liabilities and pension costs were as follows:

	June 30, 2011	June 30, 2010
Pension fund on June 30	\$ 193,067	203,445
Pension expenses — current		
Defined benefit net pension cost	\$ 15,847	14,586
Defined contribution net pension cost	\$ 17,923	14,468
Accrued pension liabilities on June 30	\$ 251,061	163,618

For the six months ended June 30, 2011 and 2010, under the defined contribution pension plan, the Company and its local subsidiaries contributed pension expenses amounting to \$12,427 thousand and \$11,098 thousand, respectively, to the Bureau of Labor Insurance.

21. DISCLOSURE OF FINANCIAL INSTRUMENT INFORMATION

- a. Information on fair value

The following table does not include short-term financial instruments. Since such financial instruments will soon mature, the carrying amount is a reasonable basis to estimate fair value. Short-term financial instruments include cash and cash equivalents, accounts receivable, notes receivable, other financial assets, short-term debt, accounts payable, notes payable, other accounts payable, etc.

As of June 30, 2011 and 2010, the information on the Company and its subsidiaries' financial assets and liabilities was as follows:

	Carrying Amount	June 30, 2011		Carrying Amount	June 30, 2010	
		Fair Value			Fair Value	
		Quoted Market Price	Evaluation		Quoted Market Price	Evaluation
		Price	Evaluation		Price	Evaluation
Financial Assets:						
Financial assets carried at cost—non-current	\$ 7,644,764	Note b(1)	Note b(1)	7,370,590	Note b(1)	Note b(1)
Financial Liabilities:						
Long-term loans (including current portion)	-	-	-	1,300,000	Note b(2)	1,300,000

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

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

- (1) Financial assets carried at cost: For investments over which the Company and its subsidiaries does not exercise significant influence and which do not have quoted market prices in an active market, the fair value cannot be reliably measured.
- (2) Fair value of long-term loans is estimated using the present value of future cash flows discounted by the interest rates the Company and its subsidiaries may obtain for similar loans.

c. The Company and its subsidiaries provided financial instruments as collateral for long-term debt payable as of June 30, 2011 and 2010. Please refer to Note 24.

d. Information on financial risk

- (1) Credit risk

As of June 30, 2011 and 2010, guarantees provided for construction warranties of other construction companies amounted to approximately \$12,562,487 thousand.

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

- (2) Liquidity risk

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

- (3) Cash flow risk of change in interest rate

As of June 30, 2011 and 2010, financial liabilities exposed to cash flow interest rate risk amounted to \$17,567,676 thousand and \$16,372,743 thousand, respectively. Since the Company and its subsidiaries' short-term and long-term loans are floating-rate loans, the effective interest rate of the short-term and long-term debt would change if the market rate changed.

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

22. OTHERS

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

	June 30, 2011			June 30, 2010		
	Foreign Currency	Exchange Rate	NTD	Foreign Currency	Exchange Rate	NTD
Financial Assets						
<u>Monetary Items</u>						
INR	\$ 1,067,651	0.6442	687,781	1,822,848	0.6962	1,269,067
USD	181,061	28.73	5,201,870	142,627	32.28	4,603,992
Financial Liabilities						
<u>Monetary Items</u>						
INR	651,075	0.6442	419,423	456,599	0.6962	317,885
USD	39,970	28.73	1,148,340	53,592	32.28	1,729,956

23. RELATED-PARTY TRANSACTIONS

a. Names of related parties and relationship with the Company

Name of Related Party	Relationship
Mr. Liang-Jim Chang	CDC's chairman
Ms. Mei-Ling Tsai	Spouse of CDC's chairman
Taiwan Synthetic Rubber Corp.	Its director is CEC's Chairman.
Metropolis Property Management Corp.	Its chairman is CEC Retailer Development Corp.'s chairman. (CEC Retailer Development Corp.'s liquidation was completed on December 3, 2010.)
Shen Ye Construction Co., Ltd.	An investee company accounted for under the equity method by the Company's subsidiary.
ABF Barge LLC	ABHC's investee company under equity method
Robert H. Luffy	ABHC's predecessor general manager.

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

b. Significant transactions with related parties

(1) Sales

<u>For the six months ended</u> <u>June 30, 2011</u>	<u>Location</u>	<u>Amount of</u> <u>contract</u>	<u>Billed in this</u> <u>period</u>	<u>Total billed to</u> <u>date</u>
Mr. Liang-Jim Chang	1063A	\$ 40,752	210	8,350

<u>For the six months ended</u> <u>June 30, 2010</u>	<u>Location</u>	<u>Amount of</u> <u>contract</u>	<u>Billed in this</u> <u>period</u>	<u>Total billed to</u> <u>date</u>
Ms. Mei-Ling Tsai	1063A	\$ 40,752	7,720	7,720

CEC sold the real estate to its related party, Ms. Mei-Ling Tsai, for the six months ended June 30, 2010. The prices and collection terms of contracts with related parties are the same as those in general transactions. Due to Ms. Mei-Ling Tsai's financial planning, Ms. Tsai transferred the property to her husband Mr. Liang-Jim Chang during the first quarter of 2011.

(2) For the six months ended June 30, 2010, CEC Retailer Development Corp. paid Metropolis Property Management Corp. \$3,854 thousand, as management and maintenance cost.

(3) Receivables from and payables to related parties

<u>Other receivables — related party</u>	<u>June 30, 2011</u>		<u>June 30, 2010</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Taiwan Synthetic Rubber Corp.	\$ 104	-	-	-

<u>Accounts payable — related party</u>				
Metropolis Property Management Corp.	\$ -	-	674	100
Shen Ye Construction Co., Ltd.	502	100	-	-
	<u>\$ 502</u>	<u>100</u>	<u>674</u>	<u>100</u>

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

(4) Financing to related parties (other receivables — related party)

<u>Related Party</u>	<u>June 30, 2011</u>			
	<u>Maximum Balance</u>	<u>Ending Balance</u>	<u>Interest Rate</u>	<u>Interest Income</u>
ABF Barge LLC	<u>\$ 290,058</u>	<u>269,750</u>	6%	<u>8,092</u>

<u>Related Party</u>	<u>June 30, 2010</u>			
	<u>Maximum Balance</u>	<u>Ending Balance</u>	<u>Interest Rate</u>	<u>Interest Income</u>
ABF Barge LLC	<u>\$ 394,282</u>	<u>343,059</u>	6%	<u>10,292</u>

(5) Lease contracts

<u>June 30, 2011</u>	<u>Location</u>	<u>Period</u>	<u>Payment</u>		<u>Rent Revenue</u>
			<u>Rent/Mo.</u>	<u>Term</u>	
Taiwan Synthetic Rubber Corp.	13F., No. 95, Sec. 2, Dunhua S. Rd., Da-an District, Taipei 106, Taiwan, R.O.C.	2010.05.02 ~2013.03.31	<u>\$ 445</u>	Monthly	<u>2,734</u>

(6) As of June 30, 2010, ABHC Company's account receivable from Robert H. Luffy was USD\$3,488 thousand, in accordance with the employment contract and employee remuneration plan, and ABHC Company acquired offered assets as collateral

24. PLEDGED ASSETS

As of June 30, 2011 and 2010, the following assets were pledged:

<u>Assets</u>	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>Note</u>
Restricted deposits (other financial assets — current)	\$ 559,334	643,573	(a)
Inventory (construction)	6,271,635	2,195,138	(b)
Fixed assets- land and buildings (book value)	4,298,551	3,360,346	(b) 、 (c)
Fixed assets- leased assets (book value)	4,403,003	6,076,925	(b) 、 (c)
Total	<u>\$ 15,532,523</u>	<u>12,275,982</u>	

Purpose of pledge:

- (a) Construction warranty, guarantees for contract performance and advance payment, payback reserve and hedging instruments;
- (b) Loan collateral;
- (c) Construction warranty.

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

25. MAJOR COMMITMENTS AND CONTINGENCIES

- a. As of June 30, 2011 and 2010, promissory notes issued for contract performance, issuance of commercial paper, and construction warranty amounted to \$26,242,885 thousand and \$32,061,051 thousand, respectively. In addition, as of December 31, 2004, because the Company had acquired the certifications of completion of C260 and C270 projects from THSRC, the Company recognized a provision for warranty amounting to \$455,991 thousand and \$981,156 thousand, respectively, which was estimated based on the possibility of disasters within three to ten years in the future. For the six months ended June 30, 2011 and 2010, the Company deducted the current operating costs of \$26,826 thousand and \$0 of C260 and C270 projects, respectively.
- b. As of June 30, 2011 and 2010, promissory notes receivable for construction contracts amounted to \$6,293,692 thousand and \$5,936,461 thousand, respectively.
- c. As of June 30, 2011, the Company had outstanding letters of credit for USD479 thousand.
- d. As of June 30, 2011 and 2010, realty advance sales and total sales of completed realty amounted to \$15,854,085 thousand and \$17,468,124 thousand, and the advance receipts from these sales were \$4,319,987 thousand and \$4,367,719 thousand, respectively.
- e. As of June 30, 2011 and 2010, the major construction contracts amounted to \$49,931,335 thousand, INR19,107,211 thousand, and USD885,433 thousand, and to \$41,304,223 thousand, INR13,959,148 thousand, and USD901,289 thousand, respectively, and the total billed amounts of the contracts were \$90,696,695 thousand and \$82,788,090 thousand, respectively.
- f. As of June 30, 2011, CDC signed a contract of purchasing the land for \$26,991 thousand, and \$9,148 thousand has been paid in accordance with the contract.
- g. As of June 30, 2011 and 2010, guarantees provided for contract performance and construction warranties of other construction companies, including jointly liable contracts, amounted to approximately \$12,562,487 thousand.

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

h. The joint construction contracts with several landowners as of June 30, 2011 and 2010 are detailed below:

Contract Title	Landowner	Nature of Joint Construction	Estimated Year of Completion	June 30, 2011	June 30, 2010
1050R	Formosan Rubber Group Inc.	Joint construction with completed portion to be shared	2011	\$ -	30,000
1060N	Mrs. Xiu Mei Chen	Joint construction with completed units to be shared	2010	-	15,531
1050F	Mr. Chong-Ren Cai, etc.	Joint construction with completed units to be shared	2011	22,063	68,690
1070E	Mr. Hsin-Jung Chen, Mr. Hsin-Ren Chen	Joint construction with completed units to be shared	2012	43,847	46,646
1080F	Formosan Rubber Group Inc. , Chen Yang Development Corp.	Joint construction with completed units to be shared	Unknown	49,905	27,900
Fu-Zhou St.	Mrs. Jin-Xiu Jian Wang etc.	Joint construction with completed units to be shared	Unknown	14,603	14,603
Tian-Jin St.	Mr. Wen-Xiang Lian etc.	Joint construction with completed units to be shared	Unknown	27,457	16,038
YongSheng Park	Fu Bai Shi Construction Co., Ltd.	Joint construction with completed units to be shared	Unknown	40,000	40,000
				<u>\$ 197,875</u>	<u>259,408</u>

i. CEC had a disagreement with the Construction and Planning Agency, Ministry of the Interior, the proprietor of the project "Hua-Jiang Bridge (the 4th project) and Add-on Works", about whether a barrier to construction would influence the achievement of CEC's construction.

Based on the third item of article 28 of the contract, CEC's position is that if the reason construction cannot begin is not due to CEC, CEC can terminate the contract, and in January 2005, CEC filed a dispute appeal and mediation application with the Public Construction Commission, Executive Yuan. CEC decided not to adopt the intercession in the first quarter of 2006, and it lodged an appeal with the Taipei District Court. In the opinion of the lawyer, the controversy over this project is because the Water Resources Agency disagreed with CEC's decision on dike breaking, and the proprietor announced the cancellation of construction in March and April 2006. Therefore, the above-mentioned circumstances are not due to CEC. CEC is optimistic about the outcome since "the beginning of construction cannot be achieved" and "termination of the contract because construction cannot begin is not due to CEC."

The estimated loss was \$53,114 thousand and \$50,000 thousand in 2005 and 2004, respectively.

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

On March 23, 2011, Taiwan High Court ruled that the Construction and Planning Agency should pay liquidated damage of \$27,673 thousand to CEC, and the case was closed.

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

- (1) Period of contract:

Beginning the day after the date of signing the contract, the construction period cannot be longer than five years, and North Shore Corp. must acquire a sewage license before completing the project. The operating period is 35 years. North Shore Corp. should sign a transfer contract 2 years before the end of the operating period to transfer all the assets and affiliated businesses, and then make a provision for warranty for 3 years.

- (2) Authority and scope of operating:

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

- (3) Endorsements/guarantees:

- i. Providing \$100,000 thousand as endorsement/guarantee before signing the contract.
- ii. Within the operating period, North Shore Corp. should bear less than \$175,000 thousand of professional management expenses to assure the quality and the administration of the contract. For the first three years of operating after the date of signing and for the three years before transferring, North Shore Corp. should pay \$10,000 thousand each year, and pay \$5,000 thousand each remaining year.

- k. As of June 30, 2011, ABHC had signed long-term lease contracts. Annual rent in the next five years is summarized as follows:

<u>Period</u>	<u>Amount</u>
2011.07.01~2012.06.30	\$ 17,442
2012.07.01~2013.06.30	13,518
2013.07.01~2014.06.30	6,628
2014.07.01~2015.06.30	3,459
2015.07.01~2016.06.30	3,430
	<u>\$ 44,477</u>

26. MAJOR DISASTER LOSSES: None.

27. SIGNIFICANT SUBSEQUENT EVENTS: None

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

28. OTHER

a. Liquidity analysis of assets and liabilities

	June 30, 2011		
	Expected collection or payment within 12 months	Expected collection or payment exceeding 12 months	Total
Assets			
Cash and cash equivalents	\$ 4,809,142	-	4,809,142
Derivative financial assets for hedging – current	27,312	-	27,312
Notes receivable, net	336,741	57,706	394,447
Accounts receivable, net	2,725,080	916,479	3,641,559
Other receivables– related party, net	269,854	-	269,854
Other financial assets – current	1,182,676	267,964	1,450,640
Inventory	8,609,278	6,556,216	15,165,494
Costs of uncompleted contracts in excess of related billings	1,651,424	613,060	2,264,484
Deferred selling expenses	538,182	172,153	710,335
Prepayments	677,717	-	677,717
Other current assets	1,673,285	-	1,673,285
Total current assets	\$ 22,500,691	8,583,578	31,084,269
Liabilities			
Short-term bank loans	\$ 3,306,048	4,149,760	7,455,808
Short-term bills payable, net	200,000	-	200,000
Accounts payable	2,128,244	2,024,033	4,152,277
Accrued expenses	705,117	-	705,117
Dividend payable	504,695	-	504,695
Unearned receipts	3,809,604	518,049	4,327,653
Billings on uncompleted contracts in excess of related costs	405,317	4,556,777	4,962,094
Current portion of long-term liabilities	1,708,051	-	1,708,051
Other current liabilities	444,476	993,506	1,437,982
Total current liabilities	\$ 13,211,552	12,242,125	25,453,677

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

	June 30, 2010		
	Expected collection or payment within 12 months	Expected collection or payment exceeding 12 months	Total
Assets			
Cash and cash equivalents	\$ 5,966,216	-	5,966,216
Derivative financial assets for hedging – current	2,585	-	2,585
Notes receivable, net	349,030	736	349,766
Accounts receivable, net	2,657,400	1,463,589	4,120,989
Other receivables – related party, net	343,059	-	343,059
Other financial assets – current	1,176,301	34,572	1,210,873
Inventory	11,275,753	-	11,275,753
Costs of uncompleted contracts in excess of related billings	577,824	1,277,747	1,855,571
Deferred selling expenses	412,065	361,016	773,081
Prepayments	1,912,800	-	1,912,800
Other current assets	299,372	-	299,372
Total current assets	\$ 24,972,405	3,137,660	28,110,065
Liabilities			
Short-term bank loans	\$ 6,991,540	-	6,991,540
Short-term bills payable, net	700,000	-	700,000
Accounts payable	2,367,542	1,686,333	4,053,875
Accrued expenses	626,476	-	626,476
Unearned receipts	2,605,416	1,763,664	4,369,080
Billings on uncompleted contracts in excess of related costs	716,048	2,731,683	3,447,731
Current portion of long-term liabilities	708,945	-	708,945
Other current liabilities	847,144	963,471	1,810,615
Total current liabilities	\$ 15,563,111	7,145,151	22,708,262

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

b. Employee, depreciation, depletion and amortization expenses summary

	For the six ended June 30, 2011			For the six ended June 30, 2010		
	Operating Costs	Operating Expenses	Total	Operating Costs	Operating Expenses	Total
Employee expenses						
Salary expenses	936,981	322,621	1,259,602	511,143	161,237	672,380
Labor and health insurance expenses	246,255	53,872	300,127	146,267	27,521	173,788
Pension expenses	106,567	35,485	142,052	57,334	17,483	74,817
Other employee expenses	71,307	31,164	102,471	51,933	18,170	70,103
Depreciation expenses	469,131	38,661	507,792	115,338	23,787	139,125
Depletion expenses	-	-	-	-	-	-
Amortization expenses	65,955	-	65,955	6,184	-	6,184

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

29. DISCLOSURES REQUIRED

a. Information on significant transactions

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

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

Guarantor	Guaranteed party		Limit on guarantees provided to a single business	Maximum balance of endorsements/guarantees for the period	Ending balance of endorsements/guarantees	Collateral	Cumulative guarantee as percentage of net worth of the most recent financial statements	Maximum amount of endorsements/guarantees
Name of the company	Name of the company	Relationship with the Company						
Continental Holdings Corp.	Continental Engineering Corp.	Note 2	95,800,536	9,307,607	9,115,355	-	57.09%	95,800,536 (Note 1)
	CEC International Corp. (India) Private Limited Ltd.	Note 3	95,800,536	6,569,315	6,411,078	-	40.15%	95,800,536 (Note 1)

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

Maximum endorsements/guarantees: \$95,800,536 thousand = \$15,966,756 thousand × 6

Endorsements/guarantees to a single business enterprise are limited to six times the net equity value of the Company's most recent financial statements: \$95,800,536 thousand = \$15,966,756 thousand × 6

Note 2: Subsidiary company directly owned by the Company; an endorsement/guarantee for construction and bank loans.

Note 3: Subsidiary company indirectly owned by the Company; an endorsement/guarantee for construction.

Note 4: The endorsements/guarantees were eliminated when compiling the consolidated financial statements.

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

(3) Schedule 3: Marketable securities held on June 30, 2011:

Holding Company	Type of Marketable Security	Name of Marketable Security	Relationship with the Company	Account	June 30, 2011				Note
					Shares	Book Value	%	Market Value/Equity (dollars)	
The Company	Common stock	Continental Engineering Corp.	An investee company accounted for under the equity method	Long-term investment under the equity method	451,483,877	8,184,228	100.00	18.19	(Note 1)
"	"	Continental Development Corp.	"	"	300,000,000	7,765,444	100.00	25.88	"

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

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

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

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

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

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

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

(8) 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 Holdings Corp.	Continental Development Corp.	Subsidiary	420,000	-	-		420,000	-

Note: Receivables from related parties was dividend receivable which was eliminated when compiling the consolidated financial statements.

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

b. Information on investee companies

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

Investor	Name of investee company	Address	Main business	Original investment amount		Ownership			Current net income (loss) of investee company	Current gain (loss) on investment recognized by the Company	Note
				June 30,2011	June 30,2010	Number of shares	Ratio	Amount			
Continental Holdings Corp.	Continental Engineering Corp.	No. 95, Sec. 2, Dunhua S. Rd., Da-an District, Taipei 106, Taiwan, R.O.C.	Comprehensive construction	8,844,949	8,844,949	451,483,877	100.00%	8,184,228	61,370	53,712	Note 1
"	Continental Development Corp.	12F., No. 95, Sec. 2, Dunhua S. Rd., Da-an District, Taipei 106, Taiwan, R.O.C.	Housing and building development and lease	6,620,748	6,620,748	300,000,000	100.00%	7,765,444	524,577	524,577	"
Continental Engineering Corp.	North Shore Corp.	19F., No. 95, Sec. 2, Dunhua S. Rd., Da-an District, Taipei 106, Taiwan, R.O.C.	Pollution protection and other environmental sanitation	600,000	600,000	60,000,000	54.55%	610,112	(1,201)	Not Applicable	"

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

Investor	Name of investee company	Address	Main business	Original investment amount		Ownership			Current net income (loss) of investee company	Current gain (loss) on investment recognized by the Company	Note
				June 30,2011	June 30,2010	Number of shares	Ratio	Amount			
Continental Engineering Corp.	Hsin-Dar Environment Engineering Co., Ltd.	19F., No. 95, Sec. 2, Dunhua S. Rd., Da-an District, Taipei 106, Taiwan, R.O.C.	Plumbing	400,000	400,000	40,000,000	100.00%	339,579	(9,657)	Not Applicable	Note 1
"	CEC International Corp. (India) Pvt. Ltd.	New Delhi, India	Construction projects	321,114	321,114	43,981,492	100.00%	61,777	(21,239)	"	"
"	CEC International Corp.	British Virgin Islands	Investment and holding	1,305,504	1,305,504	39,139,940	100.00%	2,008,769	55,963	"	"
Continental Development Corp.	CEC Commercial Development Corp.	No. 218, Lequn 3 rd Rd., Zhongshan district, Taipei 104, Taiwan, R.O.C.	Housing and building development and lease	976,539	976,539	22,913,175	80.64%	1,252,102	23,176	"	"
CEC International Corp.	New Continental Corp.	British Virgin Islands	Investment and holding	USD 50,592	USD 50,592	5,696	56.36%	USD 85,612	USD 3,547	"	"
New Continental Corp.	American Bridge Holding Company	Pittsburgh, PA, U.S.A.	Investment and holding	USD 74,106	USD 74,106	3,547,187	97.21%	USD 141,089	USD 3,652	"	"
Hsin-Dar Environment Engineering Co., Ltd.	Shen-Da Construction Co., Ltd.	17F., No. 182, Sec. 2, Dunhua S. Rd., Da-an District, Taipei 106, Taiwan, R.O.C.	Construction projects	51,000	51,000	5,100,000	51.00%	13,804	3,429	"	"
"	North Shore Corp.	19F., No. 95, Sec. 2, Dunhua S. Rd., Da-an District, Taipei 106, Taiwan, R.O.C.	Pollution protection and other environmental sanitation	500,000	500,000	50,000,000	45.45%	510,928	(1,201)	"	"

Note 1: The investment income/loss for the six months ended June 30, 2011 was based on the investees' financial statements audited by the auditors for the same period.

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

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

(2) Schedule 2: Loans to others:

No.	Lender	Borrower	Account	Highest amount	JUNE 30, 2011	Amount occurred during the period	Interest rate	Nature	Amount of commercial dealings	Financing purpose	Allowance for bad debt amount	Pledges		Maximum amount to individual	Maximum total financing amount
												Item	Value		
1	American Bridge Co.	ABF Barge	Prepayment	290,058	269,750	269,750	6%	Short-term financing	-	To acquire equipment	-	-	-	1,149,200	1,149,200

Note 1: The board meeting of American Bridge Co. decided to limit the financing to an individual borrower to USD 40,000 thousand.

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

Guarantor	Guaranteed party		Limit on guarantees provided to a single business	Maximum balance of endorsements/guarantees of the period	Ending balance of endorsements/guarantees	Collateral	Cumulative guarantee as percentage of net worth of the most recent financial statements	Maximum amount of endorsements/guarantees (Note13)
	Name of the company	Name of the company						
Continental Engineering Corp.	Fu Tsu Construction Co., Ltd.	Note 6	24,633,624	11,151,487	11,151,487	-	135.81%	49,267,248 (Note 1)
"	Evergreen Construction Co., Ltd.	Note 6	"	1,411,000	1,411,000	-	17.18%	"
"	CEC International Corp.	Note 10	16,422,416	862,460	833,170	-	10.15%	16,422,416 (Note 2)
"	American Bridge Corp.	Note 7	24,633,624	13,383,000	12,928,500	-	157.45%	49,267,248 (Note 1)
"	"	Note 8	16,422,416	2,602,250	2,513,875	-	30.62%	16,422,416 (Note 2)

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

Guarantor	Guaranteed party		Limit on guarantees provided to a single business	Maximum balance of endorsements/ guarantees of the period	Ending balance of endorsements/ guarantees	Collateral	Cumulative guarantee as percentage of net worth of the most recent financial statements	Maximum amount of endorsements/ guarantees (Note13)
Name of the company	Name of the company	Relationship with the Company						
"	CEC International Corp. (India) Pvt. Ltd.	Note 9	24,633,624	6,578,227	6,422,545	-	78.22%	49,267,248 (Note 1)
"	"	Note 10	16,422,416	178,440	172,380	-	2.10%	16,422,416 (Note 2)
"	Hsin-Dar Environment Engineering Co., Ltd.	Note 10	"	460,000	460,000	-	5.60%	"
Continental Development Corp.	CEC Commercial Development Corp.	Note 10	15,530,888	1,000,000	1,000,000	-	12.88%	15,530,888 (Note 3)
CEC Commercial Development Corp.	Continental Development Corp.	Note 11	4,657,947	1,000,000	1,000,000	1,200,000	64.41%	4,657,947 (Note 4)
New Continental Corp.	American Bridge Holding Company	Note 9	24,633,624	135,452	130,852	-	3.23%	49,276,248 (Note 5)

Note 1: According to Continental Engineering Corp., the amount of total endorsements/guarantees is limited to six times the net equity value of the company's most recent financial statements in the event of joint liability in joint ventures with other companies in the same industry: \$8,211,208 thousand \times 6 = \$49,267,248 thousand

Endorsements/guarantees to a single business are limited to three times the net equity value of the company's most recent financial statements: \$8,211,208 thousand \times 3 = \$24,633,624 thousand

Note 2: According to Continental Engineering Corp., the amount of total endorsements/guarantees is limited to two times the net equity value of the company's most recent financial statements except in the event of joint liability in joint ventures with other companies in the same industry: \$8,211,208 thousand \times 2 = \$16,422,416 thousand

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

Endorsements/guarantees to a single business are limited to three times the net equity value of the company's most recent financial statements: \$8,211,208 thousand $\times 2 =$ \$16,422,416 thousand

Note 3: According to Continental Development Corp., the amount of total endorsements/guarantees is limited to two times the net equity value of the company's most recent financial statements in the event of joint liability in joint ventures with other companies in the same industry: \$7,765,444 thousand $\times 2 =$ \$15,530,888 thousand

Endorsements/guarantees to a single business are limited to three times the net equity value of the company's most recent financial statements: \$7,765,444 thousand $\times 2 =$ \$15,530,888 thousand

Note 4: According to CEC Commercial Development Corp., the amount of total endorsements/guarantees is limited to three times the net equity value of the company's most recent financial statements in the event of joint liability in joint ventures with other companies in the same industry: \$1,522,649 thousand $\times 3 =$ \$4,657,947 thousand

Endorsements/guarantees to a single business are limited to three times the net equity value of the company's most recent financial statements: \$1,522,649 thousand $\times 3 =$ \$4,657,947 thousand

Note 5: According to New Continental Corp., the amount of total endorsements/guarantees is limited to six times the net equity value of the parent company's (CEC) most recent financial statements in the event of joint liability in joint ventures with other companies in the same industry: \$8,211,208 thousand $\times 6 =$ \$49,267,248 thousand

Endorsements/guarantees to a single business are limited to three times the net equity value of the company's most recent financial statements: \$8,211,208 thousand $\times 3 =$ \$24,633,624 thousand

Note 6: The Company should provide a guarantee to other companies in the same industry based on the undertaken projects.

Note 7: Subsidiary company indirectly owned over 50% by the Company; an endorsement/guarantee for construction.

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

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

Note 9: Subsidiary company directly owned over 50% by the Company; an endorsement/guarantee for construction.

Note 10: Subsidiary company directly owned over 50% by the Company; not an endorsement/guarantee for construction.

Note 11: Parent company which directly held the Company over 50%; not an endorsement/guarantee for construction.

Note 12: The endorsements/guarantees were eliminated when compiling the consolidated financial statements.

Note 13: The amount of endorsements/guarantees provided by each subsidiary does not exceed the maximum amount of endorsement limit of each company.

Note 14: Transactions denominated in foreign currencies are translated into New Taiwan Dollars at the exchange rate prevailing on the balance sheet date, and the exchange rate of USD and INR were 28.73 and 0.6442 on 30 June, 2011, respectively.

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

(4) Schedule 4: Marketable securities held on June 30,2011:

Holding Company	Kinds and Names of Securities	Relationship with the Issuer of Securities	Account in Books	End of the Period				Note
				Shares	Book Value	Shareholding Ratio	Market Value (expressed in dollars)	
Continental Engineering Corp.	Euro-Asia Investment Holding Co.	-	Financial assets carried at cost -- non-current	1,450,000	14,500	14.87	7.70	
"	Evergreen Steel Corp.	-	"	25,645,907	443,080	6.28	27.51	
"	Shin Yung Enterprise Corp.	-	"	12,256,347	130,287	8.45	17.11	
"	Wei Dar Investment Co., Ltd.	-	"	36,000,000	453,643	18.00	11.32	
"	JieBang Consultant Management Co., Ltd.	-	"	300,000	3,000	6.00	10.57	
"	Taiwan Motp MacDonald Ltd.	-	"	380,000	5,796	19.00	11.33	
"	Taiwan High Speed Rail Corp. – common stock	The Company is a corporate director.	"	201,735,000	1,928,375	3.10	5.10	
"	(A (I) registered preferred stock)	"	"	99,675,000	800,950	3.83	5.10	Note 2
"	(C (IV) registered preferred stock)	"	"	9,800,000	73,840	27.45	5.10	"
"	(C (V) registered preferred stock)	"	"	59,125,000	445,442	23.80	5.10	"
"	(C (VIII) registered preferred stock)	"	"	32,250,000	252,073	15.73	5.10	"
"	International Property & Finance Co., Ltd.	-	"	26,301	-	1.64	-	
"	Shin Yu Energy Development Co., Ltd.	-	"	22,405,297	-	9.00	-	
"	North Shore Corp.	An investee company accounted for under the equity method	Long-term investment under equity method	60,000,000	610,112	54.55	10.17	
"	Hsin-Dar Environment Engineering Co., Ltd.	"	"	40,000,000	339,579	100.00	8.49	
"	CEC International Corp. (India) Pvt. Ltd.	"	"	43,981,492	61,777	100.00	INR 2.18	

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

Holding Company	Kinds and Names of Securities	Relationship with the Issuer of Securities	Account in Books	End of the Period				Note
				Shares	Book Value	Shareholding Ratio	Market Value (expressed in dollars)	
Continental Engineering Corp.	CEC International Corp.	An investee company accounted for under the equity method	Long-term investment under equity method	39,139,940	2,008,769	100.00	USD 1.79	
Continental Development Corp.	Taiwan High Speed Rail Corp. – common stock	-	Financial assets carried at cost – non-current	201,735,000	1,928,376	3.10	5.10	
"	(A (I) registered preferred stock)	-	"	99,675,000	800,950	3.83	5.10	Note 2
"	(C (V) registered preferred stock)	-	"	48,375,000	364,452	19.47	5.10	"
Continental Development Corp.	CEC Commercial Development Corp.	An investee company accounted for under the equity method	Long-term investment under equity method	22,913,175	1,252,102	80.65	54.65	
CEC International Corp.	New Continental Corp. common stock	"	"	5,696	USD 85,612	56.36	USD 13,961.90	
New Continental Corp.	American Bridge Holding Co. common stock	"	"	3,547,187	USD 141,089	97.21	USD 39.77	
Hsin-Dar Environment Engineering Co., Ltd.	Shen-Da Construction Corp., Ltd.	"	"	5,100,000	13,804	51.00	10.12	
"	North Shore Corp.	"	"	50,000,000	510,928	45.45	10.17	

Note 1: The above securities invested by the Company as subsidiaries were eliminated when compiling the consolidated financial statements.

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.

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

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

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

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

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

Purchasing (Selling) Party	Counter-Party	Relationship	Transactions with Controlling Company				Uncommon Transactions		Accounts and Notes Receivable (Payable)		Remark
			Purchases (Sales)	Amount	% of Total Purchases (Sales)	Term	Unit Price	Term	Balance	% of Total Accounts and Notes Receivable (Payable)	
Continental Engineering Corp.	Continental Development Corp.	Related party of the Company	Construction contract	(889,120)	(15)%	The same as those in general transactions	-		477,551	17%	Note 1
Continental Development Corp.	Continental Engineering Corp.	Related party of the Company	Construction project	1,019,534	46%	"	-		(477,551)	(37)%	

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 compiling the consolidated financial statements.

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

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

Company Having Receivable	Counter-Party	Relationship	Balance of Accounts Receivable – Related Parties	Turnover Ratio	Overdue Receivables		Subsequent Received Amount Accounted for under Accounts Receivable – Related Parties	Provision for Bad Debt Allowance
					Amount	Treatment		
Continental Engineering Corp.	Continental Development Corp.	Related party of the Company	477,551	3.82	-	-	43,065	-

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

(10) Transactions involving financial derivatives:

A: As of June 30, 2011, CDC engaged in a cash flow hedge through foreign currency deposit of USD 951 thousand.

B: As of June 30, 2011, ABHC's derivative financial instruments held not for trading were as follows:

Holding Company	Amount of Contract / Notional Principal	Contract period	Selling rate	Buying rate
American Bridge Holding Company	USD 1,910	2002.11~2014.11	USD-Bond-Market	3.69%
"	USD 790	2001.09~2013.08	USD-LIBOR-BBA	4.98%
"	USD 1,380	2000.11~2015.05	USD-LIBOR-BBA	7.15%

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

- c. Information on investment in Mainland China: None.
d. Intercompany business relationship and significant transactions

(1) For the six months ended June 30, 2011

No. (Note 1)	Company Name	Counter-Party	Nature of Relationship (Note 2)	Intercompany Transactions			Percentage of Consolidated Total Gross Sales or Total Assets
				Financial Statement Item	Amount	Terms	
0	Continental Holdings Corp.	Continental Engineering Corp.	1	Rental expenses	5,521	The same as those in general transactions	-%
		"	1	Operating expenses	3,841	"	-%
		Continental Development Corp.	1	Earned revenue receivable	420,000	-	-%
1	Continental Engineering Corp.	Continental Holdings Corp.	2	Rental revenues	5,521	The same as those in general transactions	-%
		"	2	Other non-operating income	3,841	"	-%
		Continental Development Corp.	3	Rental revenues	5,521	"	-%
		"	3	Other non-operating income	7,676	"	-%
		"	3	Accounts receivable	477,551	-	1%
		"	3	Other account receivable	1,264	-	-%
		"	3	Construction contract income	899,120	The same as those in general transactions	8%
		"	3	Unearned receipts	2,174,923	-	4%
		CICI	3	Other receivables	21,705	-	-%
		"	3	Construction costs	22,433	The same as those in general transactions	-%
		"	3	Construction costs	10,343	"	-%
		ABC	3	Other non-operating income	17,756	"	-%
		Hsin-Dar Environment Engineering Co., Ltd.	3	Rental revenue	1,458	The same as those in general transactions	-%

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

No. (Note 1)	Company Name	Counter-Party	Nature of Relationship (Note 2)	Intercompany Transactions			
				Financial Statement Item	Amount	Terms	Percentage of Consolidated Total Gross Sales or Total Assets
1	Continental Engineering Corp.	Shen-Da Construction Corp., Ltd.	3	Construction costs	2,128	"	-%
2	Continental Development Corp.	Continental Engineering Corp.	3	Construction costs	856,573	"	7%
		"	3	Building construction in progress	7,659	-	-%
		"	3	Realty sales costs	34,888	The same as those in general transactions	-%
		"	3	Building construction in progress	2,174,923	-	4%
		"	3	Rental expense	5,521	The same as those in general transactions	-%
		"	3	Operating expense	7,676	"	-%
		"	3	Account payable	478,815	-	-%
		"	Continental Holdings Corp.	3	Dividend payable	420,000	-
3	Hsin-Dar Environment Engineering Co., Ltd.	Continental Engineering Corp.	3	Operating expense	1,458	The same as those in general transactions	-%
		North Shore Corp.	3	Operating income	8,959	"	-%
		"	3	Accounts payable	3,982	-	-%

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

No. (Note 1)	Company Name	Counter-Party	Nature of Relationship (Note 2)	Intercompany Transactions			Percentage of Consolidated Total Gross Sales or Total Assets
				Financial Statement Item	Amount	Terms	
4	North Shore Corp.	Hsin-Dar Environment Engineering Co., Ltd.	3	Operating costs	8,959	The same as those in general transactions	-%
		"	3	Accounts receivable	3,982	-	-%
		Shen-Da Construction Corp., Ltd.	3	Accounts payable	136,139	-	-%
5	CICI	Continental Engineering Corp.	3	Accounts payable	21,705	-	-%
		"	3	Other operating cost	22,433	The same as those in general transactions	-%
		"	3	Construction contract income	10,343	"	-%
6	Shen-Da Construction Corp., Ltd.	Continental Engineering Corp.	3	Construction contract income	2,128	"	-%
		North Shore Corp.	3	Accounts receivable	136,139	-	-%
7	ABC	Continental Engineering Corp.	3	Sundry expenses	17,756	The same as those in general transactions	-%

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

(2) For the six months ended June 30, 2010

No. (Note 1)	Company Name	Counter Party	Nature of Relationship (Note 2)	Intercompany Transactions			Percentage of Consolidated Total Gross Sales or Total Assets
				Financial Statement Item	Amount	Terms	
0	Continental Holdings Corp.	Continental Engineering Corp.	1	Rental expenses	3,864	The same as those in general transactions.	-%
		"	1	Accrued expenses	4,299	-	-%
1	Continental Engineering Corp.	Continental Holdings Corp.	2	Rental revenues	3,680	The same as those in general transactions.	-%
		"	2	Other receivables	4,964	-	-%
		Continental Development Corp.	3	Unearned receipts	189,607	The same as those in general transactions.	2%
		"	3	Accounts receivable	199,087	-	-%
		"	3	Other receivables	1,196,775	-	2%
		North Shore Corp.	3	Accounts receivable	20,876	-	-%
		CICI	3	Accounts receivable	4,400	-	-%
		"	3	Accounts payable	7,628	-	-%
		"	3	Construction costs	79,884	The same as those in general transactions.	1%
		ABC	3	Other non-operating revenue	19,490	"	-%
2	Continental Development Corp.	Continental Engineering Corp.	3	Realty sales cost	189,607	"	2%
		"	3	Accounts payable	199,087	-	-%
		"	3	Other current liabilities	13,580	-	-%
		"	3	Other accounts payable	1,183,195	-	2%
3	Hsin-Dar Environment Holdings Co., Ltd.	North Shore Corp.	3	Other operating income	9,073	The same as those in general transactions.	-%
		"	3	Accounts receivable	5,394	-	-%

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

No. (Note 1)	Company Name	Counter Party	Nature of Relationship (Note 2)	Intercompany Transactions			
				Financial Statement Item	Amount	Terms	Percentage of Consolidated Total Gross Sales or Total Assets
4	North Shore Corp.	Continental Engineering Co.	3	Accounts payable	20,876	-	-%
		Hsin-Dar Environment Holdings Co., Ltd.	3	Other operating costs	9,073	The same as those in general transactions.	-%
		"	3	Accounts payable	5,394	-	-%
		Shen-Da Construction Corp.	3	Construction costs	134,628	The same as those in general transactions.	1%
		"	3	Accounts receivable	39,954	-	-%
		"	3	Other receivables	3,386	-	-%
5	CICI	Continental Engineering Corp.	3	Accounts receivable	7,628	-	-%
		"	3	Accounts payable	4,400	-	-%
		"	3	Construction contract income	79,884	The same as those in general transactions.	1%
6	CEC Retailer Development Corp.	CEC Commercial Development Corp.	3	Other operating income	9,200	"	-%
		"	3	Accounts receivable	1,092	-	-%
5	CEC Commercial Development Corp.	CEC Retailer Development Corp.	3	Operating costs	9,200	The same as those in general transactions.	-%
		"	3	Accounts payable	1,092	-	-%
6	ABC	Continental Engineering Corp.	3	Sundry expenses	19,490	The same as those in general transactions.	-%
7	Shen-Da Construction Corp.	North Shore Corp.	3	Unearned receipts	144,396	-	1%
		"	3	Accounts payable	43,340	-	-%

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

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

- a. 0 represents the Company.
- b. serial numbers for the subsidiaries begin from number 1.

Note 2: Relationships are as follows:

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

30. BUSINESS SEGMENT FINANCIAL INFORMATION

Information by industry

	June 30, 2011				
	Construction	Real estate	Investment	Adjustment and write-off	Total
Segment revenues from external customers	\$ 9,340,057	2,433,047	-	-	11,773,104
Intersegment revenues	910,162	-	578,289	(1,488,451)	-
Total revenues	\$ 10,250,218	2,433,047	578,289	(1,488,451)	11,773,104
Segment profit or loss	\$ 180,445	585,453	511,743	(585,948)	691,693
Segment total assets	\$ 27,442,509	25,363,945	16,534,546	(16,986,970)	52,444,030
	June 30, 2010				
	Construction	Real estate	Investment	Adjustment and write-off	Total
Segment revenues from external customers	\$ 6,716,806	3,274,403	-	-	9,991,209
Intersegment revenues	190,670	-	512,615	(703,285)	-
Total revenues	\$ 6,907,476	3,274,403	512,615	(703,285)	9,991,209
Segment profit or loss	\$ 575,471	303,186	480,861	(555,432)	804,086
Segment total assets	\$ 28,215,234	24,862,921	15,972,585	(17,403,461)	51,647,279

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

The Consolidated Company identify the entity's operating segments based on the decision of the chief operating decision maker and perform quantitative threshold testing in accordance with SFAS No. 41 "Operating Segments."

For the six months ended June 30, 2011, operating segments required to be disclosed are categorized as Construction Business, Real Estate Business, and Investment Business. The main operating activities of Construction Business are civil engineering and constructions. The main operating activities of Real Estate 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 Consolidated Company assessed performance of the segments based on the segments' net income after taxes. Segments' net income after taxes is prepared consistently with that presented in the consolidated financial statements.