

Stock Code: 2511

Prince Housing & Development Corp.



Annual Report 2012

太子建設開發股份有限公司

Spokesperson

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Auditors

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Auditors: Yi-Zhang, Lin

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Overseas Securities Exchange

None

Corporate Website

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Headquarters, Branches and Plant

Headquarters

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Letter to Shareholders

Letter to Shareholders

I. Operating Performance in 2012

Looking back to 2012, global economic went down continually caused by worsen European debt crisis and China's macro-economic control. Domestic economy grew slowly result from decreasing export, second generation national health insurance, taxation of capital gains on securities, price lift and unconfident consuming.

In real estate, luxury home tax, financing controlling, and actual selling price property value reporting shock the luxury house market, especially in Taipei City. However, these policies worked. The government successfully constrained the speculation trade, and steadied the house market price. Last year, we launched app. Customers can look the houses online, get news, life information, discount and so on. Besides, we establish fans group on Facebook to create our blue ocean market. With faithful, reputation and precise choosing valued location, we had caught up and be the top. Completed location were Taipei Shinyi, Prince College, Prince Yan Yan, Prince Ju , Prince Hui , Prince Flora II, Prince Feng Yun Hui , Prince Shi Bo, Prince Shi Yun, and Prince Bon. The sales revenue amounted to NT\$7.892 billion in 2012, net income amounted to NT\$1.786 billion.

II. Business Plan in 2013

Global economies will recover slowly in uncertainty atmosphere. Every country imposed variety fiscal policies looking forward to get out of swamp such as European Union treaties of single fiscal supervising institute, increasing tax in America, devaluing Yen to increase the export. It's hard to see the significant effect on these measures in short term, following American fiscal negotiation, slow-down growth in China and political crisis in the Middle East countries are unsure condition for economy grown-up. In Taiwan, the export trade increased by the global economy recovery and the capital attracted by the law "Strengthen the promotion of Taiwanese investment program back to Taiwan" will resume the consumer confidences and strengthen the domestic demand. Beside, "Economic momentum push up program" develop emerging markets and export service industry, as a result, we can improve our output momentum and consumer markets.

Real estate market bloomed near HSR and along the MRT areas, moreover, expanded to urban cities. For example, HSR areas, along the MRT and essential site in Taichung City are the hot spots. The law of actual selling price property value reporting stroke the over high price in Taipei City, but luxury tax will relieve intention this year. It is worthy to observe if it will bring another upsurge. Expected completed sites this year are Prince Central Park, Prince Fu, Prince Dao, Jing Yun Jian, Flower Expo III, Prince Cloud, and Prince Flower Blossom.

III. Strategy in the future

Our company will push some programs including Young Man First Buy, changing houses, and cooperating with known enterprise to build business building combined with resident. In addition, we launch the business center of environmental buildings and smart management in order to provide complete product and cloud computing system, we expect our customers can enjoy the future life. Our income-producing real estate has stable profit and operating. We persist faithful, profitable on operating, and care about stockholders equity and employee benefits. With three good and one faith spirit, we will continually provide good location, good design, good construction quality and good price buildings.



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Company Profile

I. Company Profile

2.1 Date of Incorporation: September 20, 1973

2.1 Company History

Prince was founded on September 20 by Xiu-Ji, Wu, Yu-Li, Hou, Zum-Xian, Wu, Jum-Jie, Wu, Qing-Yuan, Gao, Gau-Hui, Zheng, Sheng-Ru, Zhuang, Xian-Fu, Zhuang, Zhang-Xing, Wu in 1973. The changes in capital are as followed.

Year	Milestones
1973	Founded on September 20 with NT\$37.5 million capital.
1975	Increased Capital to NT\$97.5 million
1976	Increased capital to NT\$120 million.
1977	Increased capital to NT\$150 million.
1981	Increased capital to NT\$195 million.
1983	Increased capital to NT\$273 million.
1984	Increased capital to NT\$327.6 million.
1989	Increased capital to NT\$1,300 million.
1990	Increased capital to NT\$1,950 million
1991	Increased capital to NT\$2,925 million
1992	Increased capital to NT\$3,948.75 million
1993	Increased capital to NT\$5,330.81 million
1994	Increased capital to NT\$6,396.98 million
1995	Increased capital to NT\$7,036.67 million
1996	Increased capital to NT\$7,388.51 million
1997	Increased capital to NT\$7,979.59 million
1998	Increased capital to NT\$8,777.55 million
1999	Increased capital to NT\$9,216.43 million
2002	Decreased capital to NT\$9,150.76 million
2003	Decreased capital to NT\$9,058.40 million
2005	Decreased capital to NT\$9,013.33 million
2006	Decreased capital to NT\$8,654.26 million
2007	Increased capital to NT\$9,300.1 million
2008	Increased capital to NT\$9,579.11 million
2010	Increased capital to NT\$9,962.27 million
2011	Increased capital to NT\$10,858.88 million
2012	Increased capital to NT\$11,944.76 million



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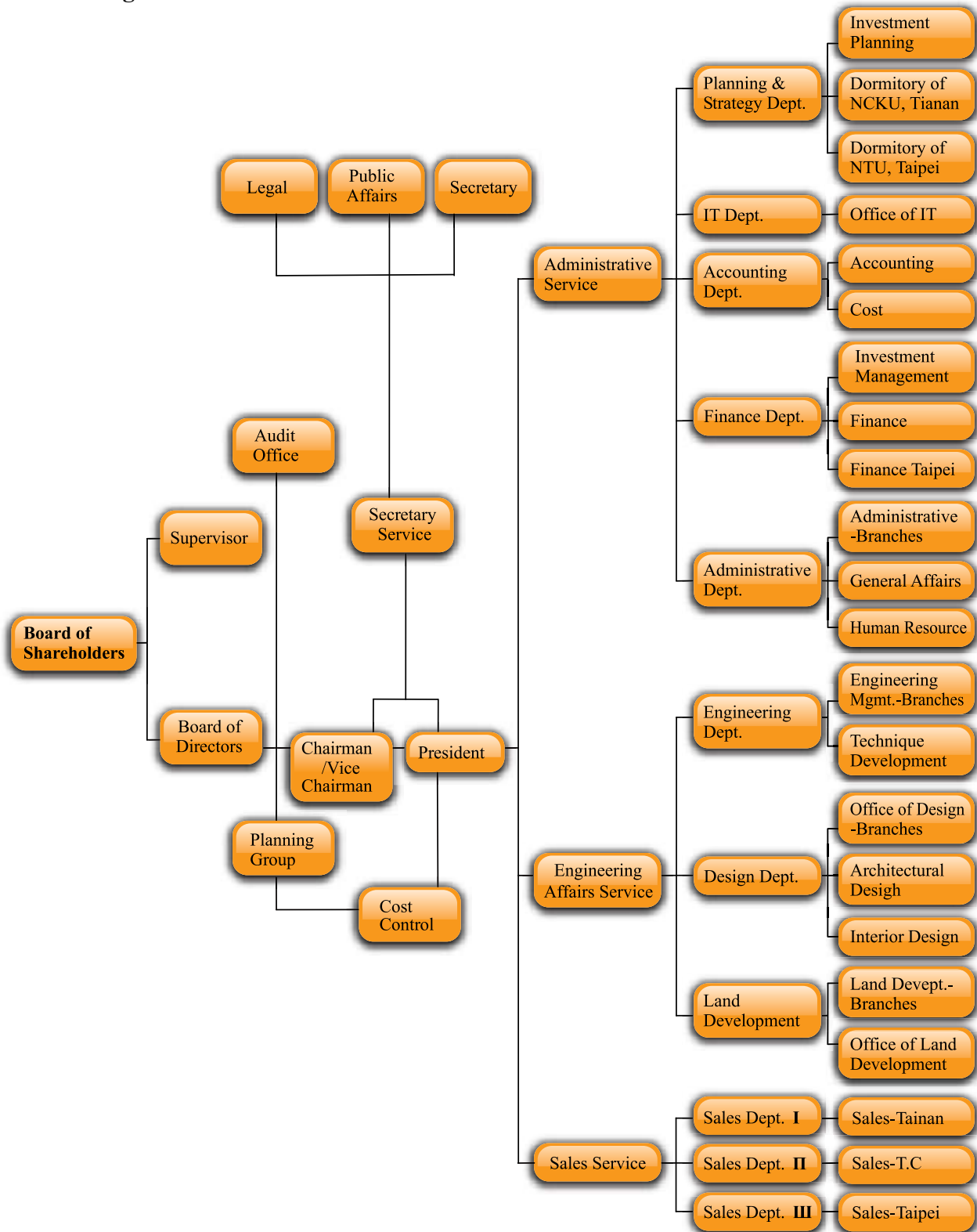


Corporate Governance Report

II. Corporate Governance Report

3.1 Organization

3.1.1 Organization Chart



3.1.2 Major Corporate Functions

Department	Functions
Audit Office	1. Perform auditing activities identified by the Board of Directors. 2. Evaluate the internal control system and identify the effectiveness and the efficiency of each operation cycle. 3. Report periodically the status of audit plan and provide related recommendations as well as continuous improvement. 4. Make certain that Prince is in full compliance with the government laws and regulations.
Secretary Office	1. Legal: A. Manage Prince's involvement in litigation; B. Draft and review contracts and correspondence. C. Participate in negotiation. 2. Public Relationship: a. Borden and deepen Prince's network of relationship across the Foreign Investors, the Security Investment Companies, and company associations. b. Serve as Prince's central contact for media and disseminate information regarding Prince activities to the public. 3. Secretary: Conduct assignments from the Chairman, the supervisors and the Board of Directors, arrange schedules, and manage artist paintings.
Cost Control	1. Follow the company policy to purchase and deliver raw materials. 2. Update continuously individual project cost from planning to settlement.
Planning and Strategy	1. BOT projects: Operate dormitory BOT of National Taiwan University and National Cheng Kung University. 2. Investment Planning: Identify effective investment strategies and conduct investment feasibility evaluation.
Information Technology	1. Overall information technology and information security. 2. Develop and maintain software programs. 3. Run the IT vendor management and the contract, acquisitions, and relationship with strategic IT vendors.
Accounting	1. Accounting: a. Record the transactions on the basis of invoice, bills and vouchers b. Keep bills and vouchers in safe place after including them in files. 2. Prepare interim financial statement. 3. Cost: Prepare different kinds of documents to maintain individual/summary inventory costs.

Department	Functions
Finance	1. Finance a. Collect and analyze the subsidiaries data. b. Monitor the subsidiaries budget operations and make sure they are in line with their budget estimates. 2. Finance: a. Prepare cash budget. b. Collect and distribute cash to support each branch and each subsidiary. c. Pay salaries and manage cash and notes payable in hand. 3. Finance in Taipei: a. Meet and surpass the internal and the subsidiaries financial needs. b. Maintain loans, accounts, and matters related thereof.
Administrative	1. Administrative: Responsible for all general affaires. 2. Human Resource: All matters related to human resource management.
Engineering	1. Conduct surveys, engage in research, analyze results, plan constructions and oversee them along the way. 2. Estimate costs involved and submit proper documents related to the construction quality and construction progress. 3. Technique Development: Research and develop in construction technique and matters about technique cooperation.

3.2 Directors, Supervisors and Management Team

3.2.1 Directors and Supervisors

Title	Name	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors or Supervisors who are spouses or within two degrees of kinship		
					Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Chairman	Hong-Yao Investment Co., Ltd Representative: Na-Tian, Zhuang	6.24.2010	3	6.15.2007	1,660,875	0.17%	2,071,043	0.17%	0	0	0	0	Master of Agricultural Economics, National Taiwan University	None	Director	Zeng Chau-Mei, Wu	In law
					11,970,341	1.25%	14,719,919	1.23%	2,399,681	0.20%	0	0			Director	Jian-De, Wu	In law
															Director	Pien-Zhi, Wu	In law
ViceChairman	Fu-Sheng Development Co., Ltd Representative: Ming-Hui, Zhen	6.24.2010	3	6.15.2007	6,358,944	0.68%	8,153,800	0.68%	0	0	0	0	National Chung Hsing University	Chairman of Fu-Sheng Development Co., Ltd	None	None	None
Managing Director	Bo-Ming, Hao	6.24.2010	3	6.15.2003	13,020,546	1.36%	16,607,789	1.39%	0	0	0	0	Chinese Culture University	Director of Uni-President Co., Ltd Chairman and President of Tainanspin	Director	Bo-Yi, Hao	Sibling
Managing Director	Yong-Yuan Investment Co., Ltd Zhong-Huo, Wu	6.20.2012	1	6.20.2012	10,156,035	0.94%	11,171,638	0.94%	0	0	0	0	Feng Chia University	President of San-Shing Spinning Co., Ltd, Director of Yong-Yuan Investment Co., Ltd, Director of Yong-Shin Investment Co., Ltd	None	None	None
					3,534,622	0.33%	3,888,084	0.33%	948,933	0.08%	0	0					
Managing Director	Jiou-Fu Investment Co., Ltd. Representative: Li-Ling, Zheng	6.24.2010	3	4.3.1989	9,318,280	0.95%	11,395,068	0.95%	0	0	0	0	National Taiwan University	Assistant Vice President of Tainanspin, Managing Director of Nan ITEX Industry Director of Uni-President Asset Mgmt. Group	None	None	None
					0	0.00%	0	0.00%	0	0	0	0					

Title	Name	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors or Supervisors who are spouses or within two degrees of kinship		
					Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Director	Tai-Bo Investment Co., Ltd. Representative: Jian-De, Wu	6.24.2010	3	4.3.1989	35,464,346	3.70%	43,287,399	3.62%	0	0	0	0	MBA	Managing Director of Kun-Ching Development Co. Director of STSP United Corp. CEO of Uni-President Asset Mgmt. Corp.	Director	Zeng Zhau-Mei, Wu	In law
					4,600,780	0.48%	5,736,987	0.48%	178,373	0.01%	0	0			Chairman	Na-Tian Zhuang	In law
															Director	Pien-Zhi, Wu	In law
Director	Cheng-Long Investment Co., Ltd. Representative: Ying-Zhi, Zhuang	6.24.2010	3	4.26.1986	15,191,300	1.59%	18,942,942	1.59%	0	0	0	0	Huang Wu Institute of Technology	President of ShinBo Fiber Co., Ltd.	Supervisor	Ying-Nan, Zhuang	Sibling
					431,781	0.05%	538,412	0.05%	6,023,772	0.50%	0	0					
Director	Cheng-Long Investment Co., Ltd. Representative: Ying-Zhi, Zhuang	6.24.2010	3	6.24.2010	4,075,415	0.43%	5,081,877	0.43%	0	0	0	0	Mater of Science, University of South California	Director of Uni-President Co., Ltd.	Chairman	Na-Tian Zhuang	In law
					7,152,486	0.75%	8,850,310	0.74%	2,892,461	0.24%	0	0			Director	Zeng Zhau Me, Wu	Mother
															Director	Jian-De, Wu	Sibling
Director	Zeng Zhau Mei, Wu	6.24.2010	3	4.26.1986	23,736,122	2.48%	29,269,946	2.45%	0	0	0	0	Junior High School	Managing Director of Tianspin Co., Ltd.	Chairman	Na-Tian Zhuang	In law
															Director	Jian-De, Wu	Son
															Director	Pien-Zhi, Wu	Son
Director	Bo-Ming, Hao	6.24.2010	3	6.15.2004	9,697,878	1.01%	12,092,865	1.01%	0	0	0	0	National Cheng Kong University	Director of Tianspin Co., Ltd. Chairman of Hsin Fu Hsin Industry Co., Ltd. Chairman of Universal Cement Corporation.	Managing Director	Bo-Ming, Hou	Sibling
Director	Zhao-Wen, Huang	6.24.2010	3	6.24.2010	9,272,465	0.97%	11,758,455	0.98%	0	0	0	0	National Chung Hsin University	Vice Chairman of BioSun Technology Co., Ltd.	Director	Zhong-Jian, Wu	In law

Title	Name	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors or Supervisors who are spouses or within two degrees of kinship		
					Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Director	Zhen-Qin, Chen	6.24.2010	3	6.19.2001	1,343,431	0.14%	763,204	0.06%	135	0.00%	0	0	National Cheng Kung University	None	None	None	None
Director	Jing-Xin, Chen	6.24.2010	3	6.15.2004	350,544	0.04%	449,102	0.04%	0	0	0	0	MBA, University of Michigan George Washington University	Manager of Uni-President Co., Ltd	None	None	None
Director	Hong-Yan, Zhuang	6.24.2010	3	6.24.2010	236,909	0.02%	381,263	0.03%	0	0	0	0	Master of Science, University of South California	Senior Engineer of IBM	None	None	None
Director	Jun-Cheng, Kuo	6.24.2010	3	6.24.2010	0	0	0	0	0	0	0	0	Huafan University	Manager of this company	None	None	None
Supervisor	Guang-Wei Investment Co., Ltd Representative: Ying-Na, Zhuang	6.24.2010	3	6.24.2010	12,053,920 920,772	1.26% 0.10%	15,030,754 1,148,164	1.26% 0.10%	0 5,009,346	0 0.42%	0 0	0 0	MBA, Feng Chia University Kinki University, Japan	Chairman of SinBo Fiber Co., Ltd	Director	Ying-Zhi, Zhuang	Sibling
Supervisor	Da-Xiong, Xu	6.24.2010	3	6.24.2010	75,461	0.01%	503,242	0.04%	36,983	0.00%	0	0	MBA, University of Texas National Taiwan University	Vice Chairman of Mau Chiau Architects & Associates and Mau Chiau Consulting Engineers, Inc	None	None	None

Note: Managing Director Zhong-Jian, Wu died on May 2, 2012, and the seat of managing director is substituted by Yong-Yuan Investment Co., Ltd (Rep. Zhong-Huo, Wu)

Major shareholders of the institutional shareholders

12.31.2012

Name of institutional shareholders	Major shareholders of the institutional shareholders
Hong-Yan Investment Co., Ltd	Shi-Hong, Zhuang(34%), Qin-Ti, Wu(33%), Yan-Yo, Zhuang(33%)
Fu-Sheng Investment Co., Ltd	Ming-Hui, Chen(24%), Guo Ying Xun, Chen(22%), Jian-Hau, Chen(16%), Jian-Hong, Chen(15%)
Yong-Yuan Investment Co., Ltd	Zhong-Huo, Wu(27%), Zhong-Jian, Wu(25%), Wu Jun Jie Charitable Foundation(25%), Bo-Hui, Wu(8.5%), Man-Hui, Wu(8.5%), Mei-Xiang, Zhen(3%), Ai-Gui, Huang(3%)
Jiou-Fu Investment Co., Ltd	Chao-Yuan, Zheng(50%), Hong Miao Yu, Cheng(24.5%), Li-Ling, Zheng(6%), Bi-Huei, Zheng(3.5%),
Tai-Bo Investment Co., Ltd	Ping-Zhi, Wu(21%), Ping-Yuan, Wu(21%), Jian-De, Wu(19%), Wei-De, Wu(19%), Zeng Zhao Mei, Wu(9%), Su-Mei, Huang(9%), Cheng-Ta Investment Co., Ltd(1%)
Cheng-Long Investment Co., Ltd	Ying-Zhi, Zhuang(27%), Ying-Nan, Zhuang(26%), Chen Mei Yu, Zhuang(15%), Ling Jing Zhi, Zhuang(15%), Yun-Da, Zhuang(4%), Yun-Zhen, Zhuang(4%), Zhi-Jin, Zhuang(2%), Tina-Ya, Zhuang(2%), Yu-Xuan, Zhuang(2%), Ming-Xuan, Zhuang(3%)
Cheng-Da Investment Co., Ltd	Wei-De, Wu(23%), Jian-De, Wu(23%), Ping-Zhi, Wu(23%), Ping-Yuan, Wu(23%)
Guang-Wei Investment Co., Ltd	Ying-Zhi, Zhuang(26%), Ying-Nan, Zhuang(26%), Chen Mei Yu, Zhuang(10%), Ling Jing Zhi, Zhuang(10%), Yun-Da, Zhuang(7%), Yun-Zhen, Zhuang(7%), Zhi-Jin, Zhuang(4%), Tina-Ya, Zhuang(3%), Yu-Xuan, Zhuang(4%), Ming-Xuan, Zhuang(3%)

Major shareholders of the major shareholders that are juridical persons

12.31.2011

Name of juridical persons	Name of shareholders	Major shareholders of the juridical persons
Tai-Bo Investment Co., Ltd.	Chen-Da Investment Co., Ltd.	Wei-De, Wu(23%), Jian-De, Wu(23%), Ping-Zhi, Wu(23%), Ping-Yuan, Wu(23%)
Yong-Yuan Investment Co., Ltd	Wu Jun Jie Charitable Foundation	None Available

[illegible]

Criteria		Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience				Independence Criteria(Note)									Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director	
		An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8	9	10		
Title & Name	Director	Cheng-Long Investment Co., Ltd. Ying-Zhi, Zhuang														
	Director	Cheng-Ta Investment Co., Ltd. Pien-Chi, Wu														
	Director	Zeng Zhau Mei, Wu			X	X		X				X			X	0
	Director	Bo-Yi, Ho			X	X						X			X	0
	Director	Zhao-Wen, Huang			X		X	X	X	X		X	X	X	X	0
	Director	Zhen-Qin, Chen			X		X	X	X	X	X	X	X	X	X	0
	Director	Jing-Xin, Chen			X		X	X	X	X	X	X	X	X	X	0
	Director	Hong-Yan, Zhuang			X		X	X	X	X	X	X	X	X	X	0
	Director	Jun-Cheng, Kuo			X			X	X	X	X	X	X	X	X	0
	Supervisor	Guang-Wei Investment Co., Ltd Ying-Na, Zhuang														
	Supervisor	Da-Xiong, Xu			X		X	X	X	X	X	X	X	X	X	0

Note: Please tick the corresponding boxes if directors or supervisors have been any of the following during the two years prior to being elected or during the term of office.

1. Not an employee of the Company or any of its affiliates.
2. Not a director or supervisor of the Company or any of its affiliates. The same does not apply, however, in cases where the person is an independent director of the Company, its parent company, or any subsidiary in which the Company holds, directly or indirectly, more than 50% of the voting shares.
3. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or ranking in the top 10 in holdings.
4. Not a spouse, relative within the second degree of kinship, or lineal relative within the fifth degree of kinship, of any of the persons in the preceding three subparagraphs.
5. Not a director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the total number of outstanding shares of the Company or that holds shares ranking in the top five in holdings.
6. Not a director, supervisor, officer, or shareholder holding 5% or more of the share, of a specified company or institution that has a financial or business relationship with the Company.
7. Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides commercial, legal, financial, accounting services or consultation to the Company or to any affiliate of the Company, or a spouse thereof.
8. Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.
9. Not been a person of any conditions defined in Article 30 of the Company Law.
10. Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law.

3.2.2 Management Team

Title	Name	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience(Education)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship		
			Shares	%	Shares	%	Shares	%			Title	Name	Relation
General Manager	Ming-Fan, Xie	07.05.2010	59,950	0.01%	24,459	0.00%	0	0	Master of Civil Engineering, TamKang University	Chairman of Cheng-Shi Construction Co., Ltd and Prince Security Co., Ltd.	None	None	None
Assistant Vice President of Secretary	Sheng-Wei, Mai	09.01.2010	0	0	561	0.00%	0	0	Master of Civil Engineering, National Chung Hsing University	Director of Prince Security Prince	None	None	None
Assistant Vice President of Sales	Wen-Zhen, Qiu	09.01.2010	43,350	0.00%	0	0	0	0	Dept of Architecture, National Taiwan University of Science & Technology	Director of Prince Security Co., Ltd	None	None	None
Manager of Sales III	Ying-Jie, Zhuang	09.01.2010	110,000	0.01%	0	0	0	0	National Taipei College of Business	None	None	None	None
Assistant Manager of Land Development	Xi-Fen, Zhang	01.01.2010	0	0	0	0	0	0	Master of Science Management, National Chiao Tung University	Director of Prince Real Estate Appraisal Co., Ltd	None	None	None
Assistant Manager of Design	De-Ju, Yan	01.01.2010	0	0	0	0	0	0	Master of Architecture, Chung Yuan Christian University	None	None	None	None
Manager of Engineer	Xiao-Yu, Jiang	09.01.2010	0	0	0	0	0	0	National Taiwan University of Science & Technology	Director of Prince Security Co., Ltd	None	None	None
Manager of Administrative	Jun-Cheng, Kuo	09.01.2010	0	0	0	0	0	0	Dept of Architecture, HuaFan University	Director of Time Square International Co., Ltd.	None	None	None
Manager of Finance	Jun-Liang Lin	09.01.2010	7,896	0.00%	0	0	0	0	University of South Australia	Supervisor of Prince Utility Co., Ltd	None	None	None
Manager of Accounting	Da-Cheng, Dai	07.01.2006	3,372	0.00%	0	0	0	0	Dept of Accounting, National Cheng Kung University	Chairman of Jin-Yi-Xing Plywood co., Ltd	None	None	None
Junior Manager of IT	Keng-Wang, Chen	09.01.2010	0	0	0	0	0	0	MBA. National Taiwan University	None	None	None	None
Manager of Planning and Strategy	Jian-Ying, Wu	01.01.2010	0	0	0	0	0	0	MBA, George Washington University	Chairman of Prince Security Co., Ltd	None	None	None

3.2.3 Remuneration of Directors, Supervisors, President, and Vice President

Remuneration of Directors

Title	Name	Remuneration						Ratio of total remuneration (A+B+C+D) to net income(%)		Relevant remuneration received by directors who are also employees								Ratio of total compensation (A+B+C+D+E+F+G) to net income(%)		Compensation paid to directors from an invested company other than the company's subsidiary					
		Base Compensation(A)		Severance Pay(B)		Bonus to Directors(C)		Allowances(D)		Ratio of total remuneration (A+B+C+D) to net income(%)		Salary, Bonuses, and Allowances (E)		Severance Pay (F)		Profit Sharing- Employee Bonus (G)					Exercisable Employee Stock Options (H)		The company	Companies in the consolidated financial statements	
		The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	Cash	Stock	The company	Companies in the consolidated financial statements	Cash	Stock						
Chairman	Hong-Yao Investment Co., Ltd Representative: Na-Tian, Zhuang																								
Vice Chairman	Fu-Sheng Development Co., Ltd Representative: Ming-Hui, Zhen																								
Managing Director	Jiou-Fu Investment Co., Ltd Representative: Li-Ling, Zheng	61,962	0	0	44,264	44,264	6,000	6,000	6.28%	6.28%	10,558	10,558	0	0	15,324	0	15,324	0	0	0	0			7.73%	7.73%
Managing Director	Bo-Ming, Hao																								
Managing Director (end on 5.2.2012)	Zhoung-Jian, Wu																								
Managing Director (start on 20.2012)	Yong-Yuan Investment Co., Ltd Representative: Zhoung-Huo, Wu																								

The number continued in each column included directors mentioned in page 19

Title	Name	Remuneration						Ratio of total remuneration (A+B+C+D) to net income(%)		Relevant remuneration received by directors who are also employees								Ratio of total compensation (A+B+C+D+E+F+G) to net income(%)		Compensation paid to directors from an invested company other than the company's subsidiary
		Base Compensation(A)		Severance Pay(B)	Bonus to Directors(C)		Allowances(D)													
		The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	Salary, Bonuses, and Allowances (E)	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	Cash	Stock	The company	Companies in the consolidated financial statements		
Director	Tai-Bo Investment Co., Ltd Representative: Jian-De, Wu																			
Director	Cheng-Long Investment Co., Ltd Representative: Ying-Zhi, Zhuang																			
Director	Cheng-Ta Investment Co., Ltd. Representative: Pien-Chi, Wu																			
Director	Zeng Zhau Mei, Wu																			
Director	Bo-Yi, Ho																			
Director	Zhao-Wen, Huang																			
Director	Zhen-Qin, Chen																			
Director	Jing-Xin, Chen																			
Director	Hong-Yan, Zhuang																			
Director	Jun-Cheng, Kuo																			

Range of Payroll

Bracket	Name of Directors			
	Total of (A+B+C+D)	Companies in the consolidated financial statements	The company	Total of (A+B+C+D+E+F+G)
	The company			The company
Under NT\$ 2,000,000	None	None	None	None
NT\$2,000,000 ~ NT\$5,000,000	Cheng-Long Investment Co., Ltd. (Representative: Ying-Zhi, Zhuang) Jiou-Fu Investment Co., Ltd. (Representative: Li-Ling, Zheng) Cheng-Ta Investment Co., Ltd. (Representative: Pien-Chi, Wu) Tai-Bo Investment Co., Ltd. (Representative: Jian-De, Wu) Yong-Yuan Investment Co., Ltd. (Representative: Zhoung-Huo, Wu) Zeng Zhou Mei, Wu Hong-Yan, Zhuang Jing-Xin, Chen Bo-Yi, Ho, Zhen-Qin, Chen Zhao-Wen, Huang Jun-Cheng, Kuo	Cheng-Long Investment Co., Ltd. (Representative: Ying-Zhi, Zhuang) Jiou-Fu Investment Co., Ltd. (Representative: Li-Ling, Zheng) Cheng-Ta Investment Co., Ltd. (Representative: Pien-Chi, Wu) Tai-Bo Investment Co., Ltd. (Representative: Jian-De, Wu) Yong-Yuan Investment Co., Ltd. (Representative: Zhoung-Huo, Wu) Zeng Zhou Mei, Wu Hong-Yan, Zhuang Jing-Xin, Chen Bo-Yi, Ho, Zhen-Qin, Chen Zhao-Wen, Huang Jun-Cheng, Kuo	Cheng-Long Investment Co., Ltd. (Representative: Ying-Zhi, Zhuang) Jiou-Fu Investment Co., Ltd. (Representative: Li-Ling, Zheng) Cheng-Ta Investment Co., Ltd. (Representative: Pien-Chi, Wu) Tai-Bo Investment Co., Ltd. (Representative: Jian-De, Wu) Yong-Yuan Investment Co., Ltd. (Representative: Zhoung-Huo, Wu) Zeng Zhou Mei, Wu Hong-Yan, Zhuang Jing-Xin, Chen Bo-Yi, Ho Zhen-Qin, Chen Zhao-Wen, Huang	Cheng-Long Investment Co., Ltd. (Representative: Ying-Zhi, Zhuang) Jiou-Fu Investment Co., Ltd. (Representative: Li-Ling, Zheng) Cheng-Ta Investment Co., Ltd. (Representative: Pien-Chi, Wu) Tai-Bo Investment Co., Ltd. (Representative: Jian-De, Wu) Yong-Yuan Investment Co., Ltd. (Representative: Zhoung-Huo, Wu) Zeng Zhou Mei, Wu Hong-Yan, Zhuang Jing-Xin, Chen Bo-Yi, Ho Zhen-Qin, Chen Zhao-Wen, Huang
NT\$5,000,000 ~ NT\$10,000,000	None	None	Jun-Cheng, Kuo	Jun-Cheng, Kuo
NT\$10,000,000 ~ NT\$15,000,000	None	None	None	None
NT\$15,000,000 ~ NT\$30,000,000	Fu-Sheng Development Co., Ltd. (Representative: Ming-Hui, Zhen) Bo-Ming, Hao	Fu-Sheng Development Co., Ltd. (Representative: Ming-Hui, Zhen) Bo-Ming, Hao	Fu-Sheng Development Co., Ltd. (Representative: Ming-Hui, Zhen) Bo-Ming, Hao	Fu-Sheng Development Co., Ltd. (Representative: Ming-Hui, Zhen) Bo-Ming, Hao
NT\$30,000,000 ~ NT\$50,000,000	ong-Yao Investment Co., Ltd. (Representative: Na-Tian, Zhuang)	ong-Yao Investment Co., Ltd. (Representative: Na-Tian, Zhuang)	Bo-Ming, Hao	Bo-Ming, Hao
NT\$50,000,000 ~ NT\$100,000,000	None	None	None	None
Over NT\$100,000,000	None	None	None	None
Total	16	16	16	16

Remuneration of Supervisors

Title	Name	Remuneration				Ratio of total remuneration (A+B+C) to net income (%)		Compensation paid to supervisors from an invested company other than the company's subsidiary	
		Base Compensation(A)		Bonus to Supervisors(B)		Allowances(C)			
		The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements		
Supervisor	Guang-Wei Investment Co., Ltd Representative: Ying-Na, Zhuang	80	80	3,957	3,957	480	480	0.22%	None
Supervisor	Da-Xiong, Xu							0.22%	

Bracket	Name of Supervisors			
	Total of (A+B+C)			
	The company		Companies in the consolidated financial statements	
Under NT\$ 2,000,000	None		None	
NT\$2,000,000 ~ NT\$5,000,000	Guang-Wei Investment Co., Ltd (Representative: Ying-Na, Zhuang) 、 Da-Xiong, Xu		Guang-Wei Investment Co., Ltd (Representative: Ying-Na, Zhuang) 、 Da-Xiong, Xu	
NT\$5,000,000 ~ NT\$10,000,000	None		None	
NT\$10,000,000 ~ NT\$15,000,000	None		None	
NT\$15,000,000 ~ NT\$30,000,000	None		None	
NT\$30,000,000 ~ NT\$50,000,000	None		None	
Over NT\$50,000,000	None		None	
Total	2		2	

Compensation of President and Vice President

Unit: NT\$ thousands

Title	Name	Salary(A)		Severance Pay (B)		Bonuses and Allowances (C)		Profit Sharing Employee Bonus (D)				Ratio of total compensation (A+B+C+D) to net income(%)		Exercisable Employee Stock Options		Compensation paid to the president and vice president from an invested company other than the company's subsidiary
		The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	Cash	Stock	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	
General Manager	Ming-Fan, Xie	2,793	2,793	0	0	19,625	19,625	4,798	0	4,798	0	1.52%	1.52%	0	0	None

Bracket	Name of Supervisors	
	The company	Companies in the consolidated financial statements
Under NT\$ 2,000,000	0	0
NT\$2,000,000 ~ NT\$5,000,000	0	0
NT\$5,000,000 ~ NT\$10,000,000	0	0
NT\$10,000,000 ~ NT\$15,000,000	0	0
NT\$15,000,000 ~ NT\$30,000,000	Ming-Fan, Xie	Ming-Fan, Xie
NT\$30,000,000 ~ NT\$50,000,000	0	0
NT\$50,000,000 ~ NT\$100,000,000	0	0
Over NT\$100,000,000	0	0
Total	1	1

Unit: NT\$ thousands

	Title	Name	Employee Bonus - in Stock (Fair Market Value)	Employee Bonus - in Cash	Total	Ratio of Total Amount to Net Income (%)
Consultant	Senior Consultant	Gao-Hui, Zheng				
	Managing Director	Bo-Ming, Hao				
Executive Officers	General Manager	Ming-Fan, Xie				
	Assistant Vice President	Sheng-Wei, Mai				
	Assistant Vice President	Wen-Zhen, Qiu				
	Manager	Da-Cheng, Da				
	Manager	Jun-Liang Lin	0	16,709	16,709	0.94%
	Manager	Jun-Cheng, Kuo				
	Manager	Jian-Ying, Wu				
	Manager	Ying-Jie, Zhuang				
	Manager	Xiao-Yu, Jiang				
	Assistant Manager	Xi-Fen, Zhang				
	Assistant Manager	De-Ju, Yan				
	Junior Manager	Keng-Wang, Chen				

3.2.4 Comparison of Remuneration for Directors, Supervisors, Presidents and Vice Presidents in the Most Recent Two Fiscal Years and Remuneration Policy for Directors, Supervisors, Presidents and Vice Presidents

- A. The ratio of total remuneration paid by the company and by all companies included in the consolidated financial statements for the most recent two fiscal years to directors, supervisors, presidents and vice presidents of the Company, to the net income.

Unit: NT\$ thousands

Year	Total remuneration paid to directors, supervisors, presidents and vice presidents		Ratio of total remuneration paid to directors, supervisors, presidents and vice presidents to net income (%)	
	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements
2011	170,037	170,797	7.35%	7.38%
2012	169,841	169,841	9.50%	9.50%

3.3 Implementation of Corporate Governance

3.3.1 Board of Directors

Board of Directors Meeting Status

A total of five meetings of the board of directors were held in 2012. Director and supervisor attendance was as follows:

Title	Name	Attendance in Person(B)	By Proxy	Attendance rate (%) [B/A]	Representative	Remarks
Chairman	Hong-Yao Investment Co. Ltd	5	0	100%	Na-Tian Zhuang	
Vice Chairman	Fu-Sheng Development Co. Ltd	5	0	100%	Ming-Hui Chen	
Managing Director	Bo-Ming Hou	5	0	100%		
Managing Director	Zhong-Jan wu	0	0	0%		Resign in 2012.5.2
Managing Director	Yong-Yuan Investment Co. Ltd	3	0	100%	Zhong He Wu	Assume in 2012.6.20
Managing Director	Jiu-Fu Investment Co. Ltd	5	0	100%	Li-Ling Zheng	
Director	Tai-Bo Investment Co. Ltd	3	2	60%	Jian-De Wu	
Director	Zhao-Mei Wu Zeng	2	3	40%		
Director	Ceng-Long Investment Co. Ltd	3	2	60%	Ying-Zhi Zhuang	
Director	Cheng-Da Investment Co. Ltd	3	2	60%	Ping-Zhi Wu	
Director	Bo-Yi Hou	5	0	100%		
Director	Chao-Wen Huang	5	0	100%		
Director	Ren-Qin Chen	5	0	100%		
Director	Jing-Xing Chen	5	0	100%		
Director	Hong-Yan Jhuang	3	2	60%		
Director	Jun-Cheng Guo	5	0	100%		

Other mentionable items:

1. If there are the circumstances referred to in Article 14-3 of Securities and Exchange Act and resolutions of the directors' meetings objected to by Independent Directors or subject to qualified opinion and recorded or declared in writing, the dates of meetings, sessions, contents of motions, all independents' opinion and the Company's response to independent directors' opinion should be specified: None
2. If there is Directors' avoidance of motions in conflict of interest, the Directors' names, contents of motions, causes for avoidance and voting should be specified: None

3. Measures taken to strengthen the functionality of the Board: The Board of Directors has established an Audit Committee and a Compensation Committee to assist the Board in carrying out its various duties.

Note: When directors' and supervisors' are belong to juridical person shall be showed the company's name and representative.

Note: (i) If director or supervisor resigned before end of year, company shall show date in note, and attendance rate (%) is attendant times of meeting in incumbent period.

(ii) If there is re-election of director and supervisor, company shall show former, new, reappointed member and date in note.
Attendance rate (%) is attendant times of meeting in incumbent period.

3.3.2 Audit Committee or Attendance of Supervisors for Board Meetings

- (I) Audit Committee Meeting Status: Not applicable.
(II) Attendance of supervisors at the board meeting

Attendance of supervisors at the board meeting

A total of five Board of Directors meetings and three discharged meetings were held in 2011. Independent director attendance was as follows:

Title	Name	Attendance in Person(B)	Attendance rate (%) [B/A]	Representative	Remarks
Supervisor	Guang-Wei Investment Co.Ltd	3	60%	Ying-Nan Zhuang	
Supervisor	Da-Xiong Xu	5	100%		
Other mentionable items:					
I. Composition and Responsibilities of Supervisors:					
We have 2 supervisors and no independent director.					
(I) Communications between supervisors and the Company's employees and shareholders. If it is necessary, employees and shareholders have adequate access to the supervisors for communications.					
(II) Communications between supervisors and the Company's Chief Internal Auditor and CPA:					
1. Chief auditor is to have the auditing report submitted to the supervisors in the following month upon the completion of audit; also, the chief auditor is to report the audit at the board meeting.					
2. Supervisors may communicate with the CPA if it is necessary.					
II. If a supervisor expresses an opinion during a meeting of the Board of Directors, the dates of meetings, sessions, contents of motions, resolutions of the directors' meetings and the Company's response to supervisor's opinion should be specified.					

3.3.3 Corporate Governance Execution Status and Deviations from “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies”

Item	Implementation Status	Deviations from “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies” and reasons
1. Shareholding Structure & Shareholders’ Rights (1) Method of handling shareholder suggestions or complaints (2) The Company’s possession of a list of major shareholders and a list of ultimate owners of these major shareholders (3) Risk management mechanism and “firewall” between the Company and its affiliates	The Company has designated appropriate departments to handle shareholder suggestions or complaints. The Finance & Shared Services Division is responsible for collecting the updated information of major shareholders and the list of ultimate owners of these major shareholders. Rules are made to strictly regulate the activities of trading, endorsement and loans between the Company and its affiliates. Also, we followed the “Criteria of Internal Control Mechanism for Public Company” outlined by the Financial Supervisory Commission when drafting the guidelines for the “Supervision and governance of subsidiaries” in order to implement total risk control with respect to subsidiaries.	None
2. Composition and Responsibilities of the Board of Directors (1) Independent Directors (2) Regular evaluation of CPAs’ independence	The Company has fifteen directors but no independent directors. No Audit Committee evaluation of CPA.	

Item	Implementation Status	Deviations from “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies” and reasons
3. Communication channel with stakeholders	The Company has designated appropriate departments, such as Investor Relations, Employee Welfare Committee, Customer Relations etc., to communicate with stakeholders as needed. Furthermore, the contact information providing access to the Company’s spokesperson and relevant departments is available on the Company’s website.	None
4. Information Disclosure (1) Establishment of a corporate website to disclose information regarding the Company’s financials, business and corporate governance status (2) Other information disclosure channels (e.g., maintaining an English-language website, appointing responsible people to handle information collection and disclosure, appointing spokespersons, webcasting investors conference)	The Company has a website (http://www.prince.com.tw/) setup to disclose information regarding the Company’s financials, business and corporate governance status. The company has designated appropriate persons to handle information collection and disclosure and also has established a spokesperson system. Website: http://www.prince.com.tw	None
5. Operations of the Company’s Nomination Committee, Compensation Committee, or other committees of the Board of Directors	5. The Company set up the Remuneration Committee in 2011.9.30, there had been four times meetings until 2013.5.15.	Except Remuneration Committee, corporate governance regulations have been discussing.
6. If the Company has established corporate governance principles based on “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies”, please describe any discrepancy between the principles and their implementation: The Company has not established corporate governance principles based on “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies”.		

Item		Implementation Status			Deviations from “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies” and reasons				
7. Other important information to facilitate better understanding of the Company’s corporate governance practices (e.g., employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors’ and supervisors’ training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors and supervisors):									
(1) Status of employee rights and employee wellness: Please refer to the “Employees” section on pages 57 of this Annual Report.									
(2) Consumer Protection Policy: The company has established service center to process building maintenance, repair, community safe and clean service.									
(3) The Company has purchased D&O insurance for its directors and supervisors since year 2006.									
(4) Directors’ and supervisors’ training records:									
Title	Name	Assumed Date	Study period		Sponsoring Organization	Course	Training hours	Conforming to Regulations	Remarks
			From	To					
Managing Director	Bo-Ming Hou	2010.06.24	2012.5.7	2012.5.7	Taiwan Corporate Governance Association	New amendment and the resolution of the Company Act	3	Yes	
8. If the Company has implemented a self corporate governance evaluation or has authorized any other professional organization to conduct such an evaluation, the evaluation results, major deficiencies or suggestions, and improvements are stated as follows: None									
Note1: Director’ and supervisors’ training records: The company refers to the rule declared by TSEC.									
Note2: If company’s business is in securities, investment trust and advisory, or futures, it shall show risk management policy, standards for risk measuring and protection of consumer and clients.									
Note3: Self-evaluation report of corporate governing is according item in corporate governing, evaluated and stated by company. It shall report situation of operation and execution in each item separately.									

1.3.4 Composition, Responsibilities and Operations of Compensation Committee :

Criteria Title & Name	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independence Criteria(Note)										Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
	An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8	9	10	
Convenrt	X			X	X	X	X	X	X	X	X	X	X	3
Commissioner	X			X	X	X	X	X	X	X	X	X	X	0
Commissioner	X		X	X	X	X	X	X	X	X	X	X	X	2

Remuneration committee was set up in Sep 30, 2011 with 3 committee members and 1 member in waiting list. Their responsibilities are establishing the regulations of remuneration and performance for boards, supervisors and managers, and viewing them regularly. Committee should refer to the industry payment and consider personal performance, company's operations and future risk rather than seek the higher compensation. There were 4 meetings until May 6, 2013.

A total of five Board of Directors meetings and three discharged meetings were held in 2011. Independent director attendance was as follows:

Title	Name	Attendance in Person(B)	Attendance rate (%) [B/A]	Representative	Remarks
Convenrt	Qian, Dai	4	0	100%	
Commissioner	Shu-Fen, Xun	4	0	100%	
Commissioner	Mei-Hui, Qiu	3	1	75%	

3.3.5 Social Responsibility

Item	Implementation Status	Deviations from “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies” and reasons
1. Promote the implementation of corporate governance (1) Corporate defines corporate social responsibility policy or system and review the effect of implementation.	(1) None	(1) The company has not set up corporate social responsibility policy or guidelines yet.
(2) Operation of corporate social responsibility full-time (part-time) unit	(2) None	(2) The company has not set up corporate social responsibility policy or guidelines yet.
(3) Corporate arranges business ethics education, training, and promotion periodically for the directors, supervisors, and employees; also, it is integrated with employee's performance evaluation system for a clear effective reward and punishment system.	(3) None	(3) The company has not set up corporate social responsibility policy or guidelines yet.
2. The development of a sustainable environment (1) The company strives to upgrade the effectiveness of resource utilization; also uses recycled materials that are friendly to the environment	(1) None	(1) The company has not set up corporate social responsibility policy or guidelines yet.
(2) The company establishes adequate environmental management system by the industrial features	(2) None	(2) The company has not set up corporate social responsibility policy or guidelines yet.
(3) The company setups environmental management specialists unit to protect the environment	(3) None	(3) The company has not set up corporate social responsibility policy or guidelines yet.
(4) The company stays alert the impact of climate change on business activities; also, drafts up energy saving and carbon reduction and greenhouse gas reduction strategy.	(4) None	(4) The company has not set up corporate social responsibility policy or guidelines yet.

Item	Implementation Status	Deviations from “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies” and reasons
3. Maintenance of social welfare (1) The company follows the governing labor laws, protect employee’s lawful interest, and establish adequate management and procedure (2) The company provides workers with safe and healthy working environment; also, provide regularly safety and health education. (3) Establishing the communication systems. The company can inform employees when there is a huge effect on the change of operation. (4) The company defines and announces the consumer policy; also, the clear and effective consumer complaints procedures provide for the company products and services. (5) The company works with suppliers to upgrade corporate social responsibility. (6) The company participates in community development and charity activities by commercial activities, materials donation, corporate volunteers’ service, and other free special services.	(1) The company follows the governing labor laws, protects employee’s interest. (2) The company emphasizes labors’ safety by requesting the workers in construction site exactly to launch training program and safety activity guidance. (3) Built up a interior EIP network and employees can receive the latest news and information via it. (4) The company set up consumer complaint hotline combined with technical system to solve problems for clients in time, after repairing we will continue to track the building. (5) None (6) Sponsored arts activities, and provide clothes and foods for minorities.	(1) The company has not set up corporate social responsibility policy or guidelines yet. (2) The company has not set up corporate social responsibility policy or guidelines yet.
4. Enhance information disclosure (1) The way disclosing relevant reliable corporate social responsibility information. (2) The company composes corporate social responsibility report and discloses the promotion of corporate social responsibility.	(1) None (2) None	(1) The company has not set up corporate social responsibility policy or guidelines yet. (2) The company has not set up corporate social responsibility policy or guidelines yet.

Item	Implementation Status	Deviations from "Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies" and reasons
5. If the company has corporate social responsibility defined in accordance with the "Rules Governing Listed & OTC corporate governance," please state the operation and the deviation from the "Rules Governing Listed & OTC corporate governance" : none		
6. Other materials information crucial to corporate social responsibility (such as the system, measures, and performance of the company related to environmental protection, community involvement, social contribution, social service, social charity, consumer's interest human right, safety and health, and social activities): none		
7. Please detail if the company products or corporate social responsibility report is certified by any institutions: none		

3.3.6 Performing integrity operation and adopting measures:

Item	Implementation Status	Deviations from "Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies" and reasons
1. Promulgate ethical corporate management best practice principles (1) Clearly specify ethical corporate management policies in company rules, external documents and undertake to rigorously enforce such policies promised by the board of directors and the managers.	(1) None	(1) The company has not set up ethical corporate management best practice principle yet.
(2) Establish ethical corporate management best practice principle comprehensive programs to forestall unethical conduct ("prevention program"), including operational procedures, guidelines, and training.	(2) None	(2) The company has not set up ethical corporate management best practice principle yet.
(3) When establishing the prevention program, enforce preventive measures against offering and acceptance of bribes and illegal political donations for the higher risk involved in unethical conduct business activities.	(3) None	(3) The company has not set up ethical corporate management best practice principle yet.

Item	Implementation Status	Deviations from “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies” and reasons
2. Implementing ethical management best practice (1) Avoid trading with unethical people and stipulate the ethical behavior clause in the business contacts. (2) Set up the enterprise ethic department to promote the practice and supervise the process. (3) Establish regulations for preventing conflict of interests and provide appropriate state way. (4) Establish effective accounting systems and internal control systems for business activities and prepare audit reports regularly.	(1) None (2) None (3) None (4) None	(1) The company has not set up ethical corporate management best practice principle yet. (2) The company has not set up ethical corporate management best practice principle yet. (3) The company has not set up ethical corporate management best practice principle yet. (4) The company has not set up ethical corporate management best practice principle yet.
3. Establish a formal channel for receiving reports on unethical conduct and a complaint system to handle violation of the ethical corporate management rules.	None	The company has not set up ethical corporate management best practice principle yet.
4. Enhance information disclosure (1) The company set up website to disclose ethical corporate managing information. (2) Other disclosure channels(i.e. English website, designated personnel in charge of company information collection and disclosure)	(1) None (2) None	(1) The company has not set up ethical corporate management best practice principle yet. (2) The company has not set up ethical corporate management best practice principle yet.
5. If the company has ethical corporate management best practice defined in accordance with the “Ethical Corporate Management Best Practice Principles,” please state the operation and the deviation from the “Ethical Corporate Management Best Practice Principles” : none		
6. Other materials information crucial to ethical corporate management best practice principles: none		

3.3.7 The company does not have corporate governance rules and regulations defined; therefore, it is not applicable

3.3.8 Other important information that helps understand corporate governance: None.

3.3.9 Internal Control System Execution Status

1. Declaration of Internal Control: Please refer to following
2. If the company is requested by the SEC to retain CPA's service for examining internal control system, the independent Auditor's Report must be disclosed: None

Prince Housing and Development Corporation Declaration of Internal Control

Date: March 15, 2013

The internal control system in 2012 is with the following declarations made in accordance with self-inspection conducted:

1. We understand it is the responsibility of the company's management to have internal control system established, enforced, and maintained. The company internal control system established to provide a reasonable assurance for the realization of operating effect and efficiency (including profits, performance, and assets safety), the reliability of financial report, and the obedience of relevant regulations.
2. Internal control system is designed with limitations; therefore, no matter how perfect it is designed, an effective internal control system is to ensure the realization of the aforementioned three objectives. Due to the change of environment and condition, the effectiveness of an international control system could change at any time. Our internal control system is designed with self-monitoring mechanism; therefore, we are able to have corrective actions initiated upon identifying any nonconformity.
3. We have based on the internal control criteria of "Governing Rules for handling international; control system by public offering companies" (referred to as "the Governing Rules" hereinafter) to determine the effectiveness of internal control design and enforcement. The internal control divided into five elements: 1. Environment control, 2. Risk analysis, 3. Control process, 4. Information and communication, and 5. Supervision. Each element is subdivided into several items. Please refer to the "Governing Rules" for the details of the said items.
4. We have based on the aforementioned internal control criteria to inspect the effectiveness of internal control design and enforcement.
5. We believe that our audits provide a reasonable basis for our opinion. On December 31, 2011, those standards require that we plan and perform the audit to obtain reasonable assurance about whether the internal control system (including the supervision and management over the subsidiaries) including the fulfillment of business performance and efficiency, the reliability of financial statements and the obedience of governing regulations, and the design and enforcement of internal control system is free of material misstatement and is able to ensure the realization of the aforementioned objectives.
6. The Declaration of Internal Control is the content of our annual report and prospectus for the information of the public. For any forgery and concealment of the aforementioned information to the public, we will be held responsible by law in accordance with Securities Transaction Regulation No. 20, No.32, No.171, and No.174.
7. We hereby declared the Declaration of Internal Control was approved by Board of Directors on March 15, 2013 unanimously by the directors at the meeting.

Prince Housing and Development Corporation
Chairman: Na-Tian Zhuang President: Ming-Fan Xie

3.3.10 The punishment delivered to the company and the staff of the company, or, the punishment delivered by the company to the staff for a violation of internal control system, the major nonconformity, and the corrective action in the most recent years and up to the date of the annual report printed: None

3.3.11 Resolutions reached in the Shareholders' Meeting or by the board of directors in the most recent years and up to the date of the annual report printed:

The company cash dividends distribution \$0.5/share was passed in the board meeting in March 15, 2013, but capital increase out of earnings stock dividends \$1/share (0.1 shares per share) distribution date will depend on shareholders' meeting.

3.3.12 The directors or supervisors who have objected to the resolutions reached by the board of directors and the objections are recorded or declared in writing in the most recent year and up to date of the annual report printed:

The Chairman Na-Tian, Zhuang opposed to Ta-Chen Construction & Engineering Corp's plan of selling the holding shares of our company in the board of directors meeting, March 15, 2013, and other directors had no opposition.

3.3.13 The resignation or discharge of personnel who are responsible for financial statements in the most recent years and up to the date of the annual report printed:

Title	Name	To assume a post Date	Expiration	The resignation or expiration the reason
Managing Director	Zhong-Jan Wu	2010.06.24	2012.5.2	resign

3.4 CPAs fees

- (1) The non-auditing fees paid to CPAs, CPA firm, and the CPA firm's related party accounted for over a quarter of the total auditing fees, the auditing amount and non-auditing amount; also, the non-auditing service must be disclosed:

CPA firm	Name	Auditing period	Note
KPMG	Yi-Zhang Lin Kuo-Hua Wang	Jan 1, 2012~Dec 31, 2012	

Range of Audit fees and Non-Audit Fees

Unit: NT\$ thousands

Range of Audit Fees	Item	Audit Fees	Non-Audit Fees	Total
1	Below 2,000	0	0	0
2	2,000(included)~4,000	0	0	0
3	4,000(included)~6,000	5,991	4,142	10,133
4	6,000(included)~8,000	0	0	0
5	8,000(included)~10,000	0	0	0
6	More than 10,000(included)	0	0	0

Title	Name	2012		As of Apr. 30, 2013	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Major Shareholder	Uni-President Enterprises Co.	11,345,986	-	-	-
Chairman	Hong-Yao Investment Co. Ltd	188,276	-	-	-
Chairman	Hong-Yao Investment Co. Ltd Rep: Na-Tian Zhuang	1,308,174	-	-	-
Managing Director	Fu-Sheng Development Co. Ltd	741,254	(1,900,000)	(1,900,000)	-
Managing Director	Fu-Sheng Development Co. Ltd Rep: Ming-Hui Chen	474,750	(4,040,000)	(4,040,000)	-
Managing Director	Jiu-fu Investment Co. Ltd	1,035,915	-	-	-
Managing Director	Bo-Ming Hou	1,509,799	-	-	-
Managing Director	Yun Wen Investment Co. Ltd	1,015,603	-	-	-
Managing Director	Zhong-Jan Wu	353,462	-	-	-
Director	Tai-Bo Investment Co. Ltd	3,935,218	-	-	-
Director	Tai-Bo Investment Co. Ltd Rep: Jian-De Wu	521,544	-	-	-
Director	Cheng-Long Investment Co. Ltd	1,722,085	-	-	-
Director	Cheng-Long Investment Co. Ltd Rep: Ying-Zhi Zhuang	48,946	-	-	-
Director	Cheng-Da Investment Co. Ltd	461,988	-	-	-
Director	Cheng-Da Investment Co. Ltd Rep: Ping-Zhi Wu	804,573	-	-	-
Director	Zhao-Mei Wu Zeng	2,660,904	-	-	-
Director	Bo-Yi Hou	1,099,351	-	-	-
Director	Chao-Wen Huang	1,068,950	-	-	-
Director	Ren-Qin Chen	(759,709)	-	-	-
Director	Jing-Xing Chen	40,827	-	-	-
Director	Hong-Yan Jhuang	34,660	-	-	-
Supervisor	Guang-Wei Investment Co. Ltd	1,366,432	-	-	-
Supervisor	Guang-Wei Investment Co. Ltd Rep: Ying-Nan Zhuang	104,378	-	-	-
Supervisor	Da-Xiong Xu	45,749	-	-	-
President	Ming-Fan Xie	5,450	-	-	-
Senior Vice President	Wen-Zhen Qiu	(20,605)	-	(18,000)	-
Manager	Ying-Jie Zhuang	40,000	-	-	-
Manager	Jun-Liang Lin	717	-	-	-
Manager	Da-Chang Dai	306	-	-	-
Vice Assistant President	Keng-Wang Zhen	(290,112)	-	-	-

Note1: Shareholders with a stake of 10 percent or more, the recipient's name shall be disclosed along with a note explaining.

Note2: Where the recipient of the equity transfer or equity pledge has ties to the company, it has to fill in the following tabulation.

Note3: Other directors, supervisors, managers and major shareholders have no change in equity.

Shares Trading with Related Parties

Name	Reason of Transfer	Date of Transaction	Transferee	Relationship between Transferee and Directors, Supervisors, Managers and Major Shareholders	Shares	Transaction Price (NTD)
None.						

Shares Pledge with Related Parties

Name	Reason of Pledge	Date of Transaction	Transferee	Relationship between Transferee and Directors, Supervisors, Managers and Major Shareholders	Shares holding %	Shares Pledged %	Pledged Amount
Fu-Sheng Development Co. Ltd	redeemed	2012.3.20	Grand Bills Finance Corp.	NO	0.68%	0%	(19,000,000)
Tai-Bo Investment Co. Ltd	redeemed	2012.3.20	Mega Bills Finance Co., Ltd	NO	0.44%	0%	(40,400,000)

3.8 The relationship of the top ten shareholders as defined in the Finance Standard Article 6 :

Baseline date: Apr 22, 2013 Unit: Share, %

Name	Shareholding		Spouse & Minor		Shareholding by Nominee Arrangement		The relationship between any of the Company's Top Ten Share holders			Remarks
	Shares	%	Shares	%	Shares	%	Name	Relation		
Uni-President Enterprises Co.	124,805,850	10.45%	0	0	0	0	Tai-Bo Investment Co. Ltd	Director		
Tai-Bo Investment Co. Ltd (Rep. Jiang-De Wu)	53,287,399	4.46%	0	0	0	0	Kao-Quan Investment Co. Ltd	Chairman		
Central Bank Investment of Kingdom of Saudi Arabia entrusted to JP Morgan	36,222,069	3.03%	0	0	0	0	None	None		
Ta-Chen Construction & Engineering Corp	34,435,720	2.88%	0	0	0	0	None	None		
Kao-Quan Investment Co. Ltd (Rep. Qing-Yuan Gao)	31,446,866	2.63%	0	0	0	0	Uni-President Enterprises Co.	Chairman		
Zhao-Mei Wu Zeng	29,269,946	2.45%	0	0	0	0	We-De Wu	Son		
Xing-Yong-Xing Investment Co.,Ltd	20,181,932	1.69%	0	0	0	0	None	None		
Jiu-Fu Investment Co. Ltd	19,076,068	1.60%	0	0	0	0	None	None		
Cheng-Long Investment Co. Ltd	18,942,942	1.59%	0	0	0	0	None	None		
San Shing Spinning Co., Ltd Rep. Jong-Jain Wu	17,245,039	1.44%	0	0	0	0	None	None		

3.9 Investments of Directors, Supervisors, managers and directly or indirectly controlled business on the reinvested business and the total shareholdings ratio:

Baseline date: Apr 22, 2013 Unit: Share; %

Total Shareholding Ratio

Investees	Investment of the Company		Investments from Directors, Supervisors, Managers and directly or Indirectly Controlled Business		Total Investment	
	Shares	%	Shares	%	Shares	%
Cheng-Shi Investment Holding Co., Ltd	120,807,230	100.00%	-	-	120,807,230	100.00%
Ta-Chen Construction & Engineering Corp	-	-	124,000,000	100%	124,000,000	100.00%
Cheng-Shi Construction Co., Ltd	-	-	10,100,000	100%	10,100,000	100.00%
Prince Utility Co., Ltd	-	-	3,070,000	100%	3,070,000	100.00%
Prince Property Management Consulting Co.	17,146,580	100.00%	-	-	17,146,580	100.00%
Prince Security Co., Ltd	-	-	13,172,636	100.00%	13,172,636	100.00%
Prince Apartment Management Maintain Co., Ltd	-	-	3,000,000	100.00%	3,000,000	100.00%
Geng-Ding Co., Ltd	18,000,000	30.00%	-	-	18,000,000	30.00%
Prince Housing Investment Co., Ltd	428	100.00%	-	-	428	100.00%
BioSun Technology Co., Ltd	4,688,000	100.00%	-	-	4,688,000	100.00%
Prince Biotechnology Co., Ltd	250,000	50.00%	250,000	50.00%	500,000	100.00%
Prince Ta-Chen Investment Co., Ltd	12,270,100	99.97%	1,851	0.05%	12,271,951	99.99%
Dong-Feng Enterprises Co., Ltd	20,400,194	100.00%	-	-	20,400,194	100.00%
Uni-President Development Corp.	108,000,000	30.00%	-	-	108,000,000	30.00%
The Splendor Hotel Taichung	97,500,000	50.00%	-	-	97,500,000	50.00%
Time Square International Co., Ltd	60,000,000	100.00%	-	-	60,000,000	100.00%
Jin-Yi-Xing plywood Co., Ltd	151,468	99.65%	-	-	151,468	99.65%
Early Success Investments Ltd.	1,554,660	100.00%	-	-	1,554,660	100.00%
Ming-Da Enterprise Co., Ltd	3,640,000	20.00%	-	-	3,640,000	20.00%
Splendor Assets Management Co., Ltd	50,000	50.00%	-	-	50,000	50.00%
Prince Assets Management LLC.	2,190	100.00%	-	-	2,190	100.00%



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Capital Overview

IV. Capital Overview

4.1 Capital and Shares

4.1.1 Source of Capital

As of 05/15/2013

A. Issued Shares

Investees	Par Value (NTD)	Authorized Capital		Paid-in Capital		Remark		
		Shares	Amount (NTD)	Shares	Amount (NTD)	Sources of Capital	Capital Increased by Assets Other than Cash	Other
Mar 2003	\$10	905,839,645	9,058,396,450	905,839,645	9,058,396,450	Cancellation of Treasury shares	None	
Oct 2005	\$10	1,200,000,000	12,000,000,000	901,333,032	9,013,330,320	Capitalization of retained earnings and cancellation of Treasury shares	None	
May 2006	\$10	1,200,000,000	12,000,000,000	865,126,032	8,651,260,320	Cancellation of Treasury shares	None	
Oct 2007	\$10	1,200,000,000	12,000,000,000	930,010,484	9,300,104,840	Capitalization of retained earnings	None	
Oct 2008	\$10	1,200,000,000	12,000,000,000	957,910,798	9,579,107,980	Capitalization of retained earnings	None	
Oct 2010	\$10	1,200,000,000	12,000,000,000	996,227,230	9,962,272,300	Surplus and capital reserve –capitalization of Treasury shares	None	
Oct 2011	\$10	1,200,000,000	12,000,000,000	1,085,887,681	10,858,876,810	Capitalization of retained earnings	None	
Oct. 2012	\$10	1,200,000,000	12,000,000,000	1,194,476,449	11,944,764,490	Capitalization of retained earnings	None	

B. Type of Stock

As of 05/15/2013

Share Type	Authorized Capital			Remarks
	Issued Shares	Un-issued Shares	Total Shares	
Common Stock	1,194,476,449	5,523,551	1,200,000,000	

C. Aggregated declaration information: N/A**4.1.2 Status of Shareholders**

As of 05/15/2013

Item	Government Agencies	Financial Institutions	Other Juridical Person	Domestic Natural Persons	Foreign Institutions & Natural Persons	Total
Number of Shareholders	1	1	155	51,820	178	52,155
Shareholding (shares)	711	325,000	498,365,665	485,826,808	209,958,265	1,194,476,449
Percentage (%)	0	0.03	41.72	40.67	17.58	100.00

4.1.3 Shareholding Distribution Status**A. Common Shares (The par value for each share is NT\$10)**

As of 05/15/2013

Class of Shareholding (Unit : Share)	Number of Shareholders	Shareholding (Shares)	Percentage
1 ~ 999	30,281	6,834,050	0.57%
1,000 ~ 5,000	14,747	32,180,625	2.69%
5,001 ~ 10,000	3,233	23,737,162	1.99%
10,001 ~ 15,000	1,381	16,906,939	1.42%
15,001 ~ 20,000	574	10,340,204	0.87%
20,001 ~ 30,000	585	14,425,503	1.21%
30,001 ~ 40,000	280	9,978,633	0.84%
40,001 ~ 50,000	179	8,294,181	0.69%
50,001 ~ 100,000	344	24,205,201	2.03%
100,001 ~ 200,000	184	26,666,001	2.23%
200,001 ~ 400,000	129	36,306,298	3.04%
400,001 ~ 600,000	59	28,878,561	2.42%
600,001 ~ 800,000	28	19,785,874	1.66%
800,001 ~ 1,000,000	12	10,687,526	0.89%
1,000,001 or over	139	925,249,691	77.45%
Total	52,155	1,194,476,449	100.00%

4.1.4 List of Major Shareholders

As of 05/15/2013

Shareholder's Name	Shareholding	
	Shares	Percentage
Uni-President Enterprises Corp.	124,805,850	10.45%
Tai-Bo Investment Co. Ltd	53,287,399	4.46%
Central Bank Investment of Kingdom of Saudi Arabia entrusted to JP Morgan	36,222,069	3.03%
Ta Chen Construction & Engineering Corp.	34,435,720	2.88%
Kao-Quan Investment Co. Ltd	31,446,866	2.63%
Wu Ceng Zhao Mei	29,269,946	2.45%
Xin Yong Xing Investment Corp	20,181,932	1.69%
Jiu-Fu Investment Co. Ltd	19,076,068	1.60%
Cheng Long Investment Corp	18,942,942	1.59%
San Shing Spinnign Co., Ltd	17,245,039	1.44%

4.1.5 Market Price, Net Worth, Earnings, and Dividends per Share

Unit: NT\$

Item	2011	2012	01/01/2012-03/31/2012
Market Price per Share			
Highest Market Price	31.50	25.30	22.00
Lowest Market Price	13.00	15.55	19.90
Average Market Price	23.04	20.88	20.99
Net Worth per Share			
Before Distribution	13.97	14.19	14.48
After Distribution	13.47	Note 4	N/A
Earnings per Share			
Weighted Average Shares	1,054,056,584	1,159,462,243	1,159,462,243
Diluted Earnings Per Share	Before retrospectively adjustment 2.20	Before retrospectively adjustment 1.54	0.09
Adjusted Diluted Earnings Per Share	After retrospectively adjustment 1.99	Note 4	
Dividends per Share			
Cash Dividends	0.5	Note 4	N/A
Stock Dividends			
• Dividends from Retained Earnings	1.0	Note 4	N/A
• Dividends from Capital Surplus	0	Note 4	N/A
Accumulated Undistributed Dividends	0	0	N/A
Return on Investment			
Price / Earnings Ratio (Note 1)	1.0	Note 4	N/A
Price / Dividend Ratio (Note 2)	0	Note 4	N/A
Cash Dividend Yield Rate (Note 3)	0	0	N/A

Note 1: Price / Earnings Ratio = Average Market Price / Earnings per Share

Note 2: Price / Dividend Ratio = Average Market Price / Cash Dividends per Share

Note 3: Cash Dividend Yield Rate = Cash Dividends per Share / Average Market Price

Note 4: The shareholders' meeting has not yet determined the distribution of 2011 retained earnings.

4.1.6 Dividend Policy and Implementation Status

A. Dividend Policy

Dividends will allocate in cash and common stocks as 50%-50%. If we need to keep our cash in hand because of the plan of capital outgoings, we will have a higher percentage of distribution of cash dividend. The dividends will be distributed in accordance with the resolution that is approved by the Board of Directors and the Annual Shareholders' Meeting. Weather the percentage of cash or stock dividends of all dividends, it can't be lower than 30%.

B. Implementation

Year \ Item	Cash Dividends	Stock Dividends
2006	0.55	0.75
2007	0.3	0.3
2008	None	None
2009	0.2	0.4
2010	0.9	0.9
2011	0.5	1.0
2012	Distributed by Shareholders' meeting	Distributed by Shareholders' meeting

C. Proposed Distribution of Dividend

1. Available for distribution	
a. Undistributed Earnings in the beginning	587,892,726
b. Less: adjustment of equity investment	(9,357,241)
c. plus: Net income	1,785,929,595
d. Available for distributed accumulated earnings	2,364,465,080
2. Items	
a. a. Provision of legal reserve	178,592,960
b. Payment of cash dividends (\$0.5 per share)	597,238,225
c. Payment of stock dividends (\$1 per share)	1,194,476,450
d. Accumulated un-distributed earnings	394,157,445

Note 1: Distribution of employee bonus: \$32,146,733 (cash); of compensation for Directors and supervisors: \$48,220,099.

4.1.7 The effect of business performance, earnings per stock, and return on investment by stock dividend

Item		Year	2012 (Estimate)
Paid-in capital in beginning (thousands)			11,944,764
Distribution	Cash dividend per share (NT Dollars)		0.50
	Stock dividend per share-retained earnings		0.10
	Stock dividend per share-capital reserve		0
Business performance	Operation income		N/A (Note 1)
	Operation income (compare with last year)		
	Net income		
	Net income (compare with last year)		
	Earning per share		
	Earning per share (compare with last year)		
Fictitious earnings per share & ratio of profit	Average of return on investment		N/A (Note 1)
	Capital increase paid out of earnings -> cash dividend	Fictitious earnings per share	
		Fictitious average of return on investment	
	No capitalization of capital reserve	Fictitious earnings per share	
		Fictitious average of return on investment	
	No capitalization of capital reserve and capital increase paid out of earnings -> cash dividends	Fictitious earnings per share	
		Fictitious average of return on investment	

Note 1: No preparation and declaration of any financial forecast in 2012, therefore, no need to disclose the affect of issuance of bonus shares.

4.1.8 Employee Bonus and Directors' and Supervisors' Remuneration

A. Information Relating to Employee Bonus and Directors' and Supervisors' Remuneration in the Articles of Incorporation

If there are earnings for distribution at the end of each fiscal year, after offsetting any loss of prior year(s) and paying all taxes and dues, 10% of the remaining net earnings shall be set aside as legal reserve, and appropriation will be made as special reserve in accordance with the Securities Exchange Law. The remaining net earnings can be distributed together with prior accumulated inappropriate retained earnings. The Board of Directors will consider the factors that were mentioned above when making the dividend distribution proposal.

Information on employee bonus and compensation for directors and supervisors as given in the company charter:

1. 2 % plus as bonus for employees.
2. 3 % as compensation for directors and supervisors.
3. Shareholders' meeting could resolve the distribution of retained earnings.

B. The base of allocate employee bonus, directors' and supervisors' remuneration and stock dividends:

It's base on the net income, legal reserve, and company charter and reported as an operation expense. However, if there is any difference from the decided amount from shareholders' meeting and the actual amount, it would report as profit/loss of next year.

C. Profit Distribution Approved in Board of Directors Meeting for Employee Bonus and Directors' and Supervisors' Remuneration

(1) Recommended Distribution of Employee Bonus and Directors' and Supervisors' Remuneration:	
Employee Bonus – in Cash	\$32,146,733
Directors' and Supervisors' Remuneration	\$48,220,099

(2) Ratio of Recommended Employee Stock Bonus to Capitalization of Earnings: None

(3) Recounted EPS after Recommended Distribution of Employee Bonus and Directors' and Supervisors' Remuneration:	
Employee Bonus – in Cash	\$32,146,733
Directors' and Supervisors' Remuneration	\$48,220,099
Recounted EPS (NT\$)	\$ 1.54

D. Information of 2012 Earnings Set Aside to Employee Bonus and Directors' and Supervisors' Remuneration: None

4.2 Issuance of Corporate Bonds

- A. On Aug 24th, 2011, Board of Directors decided to issue NTD 10-15 millions of domestic secured convertible bonds (First time) and NTD 10-15 millions of unsecured convertible corporate bonds (Second time). Total is NTD 20-30 millions.
- B. On March 26th, 2012, Board of Directors decided to issue domestic secured corporate bonds and total is within 20 millions. This issuance completed on July 12, 2012.
- C. On March. 15, Board of Directors decided to issue domestic secured corporate bonds \$15 million-\$30 million to strengthen company financial structure.

Issuance of Corporate Bonds

Type of Corporate Bonds	Domestic Secured Corporate Bonds
Issuance Date	101.7.12
Par Value	\$100,000
Issuance price	As Par
Total Price	\$2 millions
Rate	Fixed rate 1.33%
Period	5 years. Mature date:106.7.12
Guarantee Agency	Bank of Taiwan
Underwriter	MasterLind Securities Corporate.
Lawyer	Ho Yen, Yen
Certified Public Accountant	Yi Cheng, Lin and Su Chung, Cheng
Redemption	At maturity
Principle	\$2 millions

4.3 Issuance of Preferred Shares: None**4.4 Global depository receipts:** None**4.5 Employee Stock Options:** None**4.6 Status of New Shares Issuance in Connection with Mergers and Acquisitions:** None**4.7 Information on Implementation of the Company's Funds Utilization Plans**

- (a) Description of the plans: The decisions made by Board of Directors of issuance of bonds in 2011 and 2013 are all in preparation and will be implemented depend on our financial needs.
- (b) Status of implementation: The first secured corporate bonds have implemented on July 12, 2012, with total price NTD\$2 millions to payback our short-term loans.
This implementation has efficiently lower our debt rate and strengthen our financial structures.



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Operational Highlights

V. Operational Highlights

5.1 Business Activities

5.1.1 Business Scope

A. Main areas of business operations

1. Development, operation and rental/sale of farms, forests, and livestock aquaculture farms
2. Commissioned the construction and rental/sale of public housing & commercial buildings, tourist hostels, tourism and recreation business (children's playground, water park, etc.), indoor/outdoor sports place, parking lots, super markets, ports, and warehouses etc.
3. Development, operation and rental of industrial and residential zone.
4. Promoting the business of manufacturing and trading of construction materials and proxy of construction skills.
5. Rental and sale of reality
6. Proxy, business, manufacturing and import of sports equipments
7. The commission of the land readjustment
8. E201010 Landscape engineering
9. I503010 Landscape and interior design
10. ZZ99999 In addition to the licensing business, an operating act is not prohibited or restricted.

B. Revenue distribution

Unit : NT\$ Thousands

Major Divisions	Total Sales in Year 2011	(%) of total sales
Construction Income	7,166,541	91%
Other Operating Income	725,956	9%
Total	7,895,497	100%

C. Current product line, future service and new products development

Current products and services would be the basis to develop the future plan.

1. Operating business

A. Products

- Focus on residential business, plus business building, rental and BOT project.

B. Business management

- implement performance management system
- emphasize on human resources
- By using computer and information tools to strengthen the efficiency and quality of decision.

2. Non-operating business

Integration of enterprise resources of Tainan Group in diversification

- Leisure service: Howard Beach Resort Kenting, Splendor Hotel Taichung, Time Square International Hotel.
- Biochemical Science and Technology: Taiwan Scino Pharm, Prince Technology Co., Ltd., Bio Sun Technology Co., Ltd.

5.1.2 Industry Overview

In recent years, our government keeps releasing a variety of policies to stable the house selling price. The demand for the residence and commercial usage is still the mainstream. Also, we focus on developing the new residential area in sub-urban in northern Taiwan

The correlation among upstream, midstream and downstream

Upstream: The main raw materials of upstream are lands and construction materials. Because of the limited resources of materials, it causes the supply and demand unbalanced. But, as of now, there are more and more replaced construction materials.

Midstream: Contractors of building the project.

Downstream: Real estate breakage is responsible for the sales

5.1.3 Research and Development

Research and development is our target to keep pursuing. Because of the shortage of construction workers and lands, Prince focuses on research and improving our construction skills. Also, we dispatch employees to Japan on a regular basis to learn the latest and the most environmental standardized construction method. In internal management, we use digitized and standardized progress to spread the information over the company to lower operation cost.

5.1.4 Long-term and Short-term Development

A. Short-term Development

1. Operating Business
 - Effective use of assets and accurate to purchase land
 - Proactive to receivables and track cash flow
 - Effective to control cost, personnel training, and prudent investment
2. Real Estate Securitization
 - Old Community Renewal and BOT project.
 - Rental and sell of warehouse and business office building to increase profit.
3. Promote the industry related products to increase income.

B. Long-term Development

Prince focuses on tourism facilities and international hotels. So far, we have Howard Beach Resort Kenting (jointed venture with Howard Hotel), Splendor Hotel (jointed venture with CMP Group) and International Time Square Hotel.

Prince is planning to run “Cloud service system” in order to combine all the basis life services to enhance the living environment into a better level.

5.2.2 Market and Sales Overview

5.2.1 Market Analysis

A. Sales (Service) Region

Area				
Taipei	1. Changchun Building 2. Changchun Office Building 3. I-Kao Building 4. Neihu Financial Center 5. Prince Building 6. President International Tower	1. Pu Lo Wang Shi 2. Prince Town 3. Prince Global Village 4. Shan Ger Li La 5. Prince International Village 6. Prince Sun Town 7. Prince Phoenix Town 8. Prince Tun Yuan 9. Prince Beauty Hall 10. Prince Mei Sui 11. Prince Vacation	12. Prince 101 13. Sansia International Village 14. Guishan Global Village 15. Prince Jin-Hua 16. Prince Sky Building 17. Prince College 18. Taipei Sinyi 19. Central Park 20. Prince Fu	Taipei Area: 1. Taipei City 2. New Taipei City 3. Taoyuan City 4. Hsinchu City/Country
Taichung	Wanton Financial Center	1. Yuan Han Li Chan 2. Prince Seattle 3. Prince Jing Jing Yuan 4. Prince Jung Fu 5. Four Season. Cambridge 6. Prince Manor 7. Ping Chun Fung Chia 8. Prince Sen Huo 9. Prince Yuan Ye 10. Lin Tung Boulevard 11. Prince Zuo Shin Ming A 12. Chan Chan Prince 13. Prince Culture	14. Prince Yo Life 15. Prince New Generation 16. Sung Guan Prince 17. Yun Yun Prince 18. Prince Ju 19. Prince Hui 20. Prince Dau 21. Prince Fu 22. Jing Yun Sian 23. The Cloud Century 24. Prince Hai Yan	Taipei Area: 1. Taichung City 2. Chungwa City/Country
Tainan	1. Prince Building 2. Prince Finance Building	1. Prince Culture 2. Prince Life Park 3. Century Empire 4. Fashion Spring 5. Southern Taiwan Science Splendor 6. Prince Golden Brick 7. Century Splendor 8. Wen Yuan Hall 9. Fashion House 10. Prince Fu Di 11. Prince Wen Yuan	12. Prince. New Culture 13. Golden Age 14. Culture Hall 15. Prince Fung Ho 16. Nan Ger Zi Li 17. Prince New Culture II 18. Prince Hua Bo II 19. Prince Mei Xue 20. Prince Hua Bo III 21. Prince Fung Yun Hui 22. Prince i-Cloud	Taipei Area: 1. Taichung City
Kaohsiung	None	1. Prince Space 2. Prince Harvard 3. Prince Chun Di 4. Prince Dragon House 5. Prince In Mon Hu 6. Prince Chun Pin 7. Prince Chun Pin Haw Chia 8. Prince Dian Sha 9. Prince Sha Lui Di 10. Prince Seattle	11. Prince Tun-Yuan 12. Prince Dragon 13. Prince New York 57th Street 14. Prince Culture 15. Prince Yuan-Shan 16. Prince Town 17. Prince Shi Bo 18. Prince Shi Yun 19. Prince Hua Yang 20. Prince Bon	Kaohsiung Area: 1. Kaohsiung City 2. Pitung City/Country

5.2 Market and Sales Overview

B. Market Share (%) of Major Product

N/A

C. Market demand and supply

1. Supply

- Supply slowed down because of the floor area ration policy.
- Product diversification

2. Demand

- Basic Market: For personal use. The demanders in this category are the real estate demanders because they usually change or buy houses not affected by the economic boom.
- Investment Market:
 - a. Investment market demand: people take the real estate as an investment tool.
 - b. Speculative market demand: it usually happens during the booming economic period.

3. Growth

Prince already focus on its selling and marketing on integrating real estate and high-tech industry. Customers can collect new information, shop, watch entertainment show and understand how Prince manages the communities via internet at home. In the other hand, Prince releases the application system in the smart phone online store which can attract the potential customers to view the case online via smart phone. Customers can also contact us via internet if they have any problem and we could improve the after-sale service time after time.

D. Favorable and Unfavorable Factors in the Long-range Future

1. Competition strength

Since 1973, we insist our spirit of “good location, good design, good quality, and good price.” Also, Tainan Group provides us lot of resource to make the best building in Taiwan.

2. Strength:

- A. Under circumstance of limited supply of land, market price will keep stable.
- B. Government opens the real estate market to foreign and China and they can invest the market directly.
- C. Consumers ask more about the living quality which make them willing to change or purchase a new house.
- D. Administrative region re-design (Taichung, Tainan, and Kaohsiung) and new public transportation (high speed rail, MRT, and high way) has been completed or extended from original route. We expected that will expand the urban living area.

3. Weakness

- A. A lot of pre-sale cases in the past few years made a large amount of inventory.
- B. Government policies are trying to slow down the selling price and speculation.
- C. The consumption ability decline and inflation affect the economic.

4. Corresponding Policy

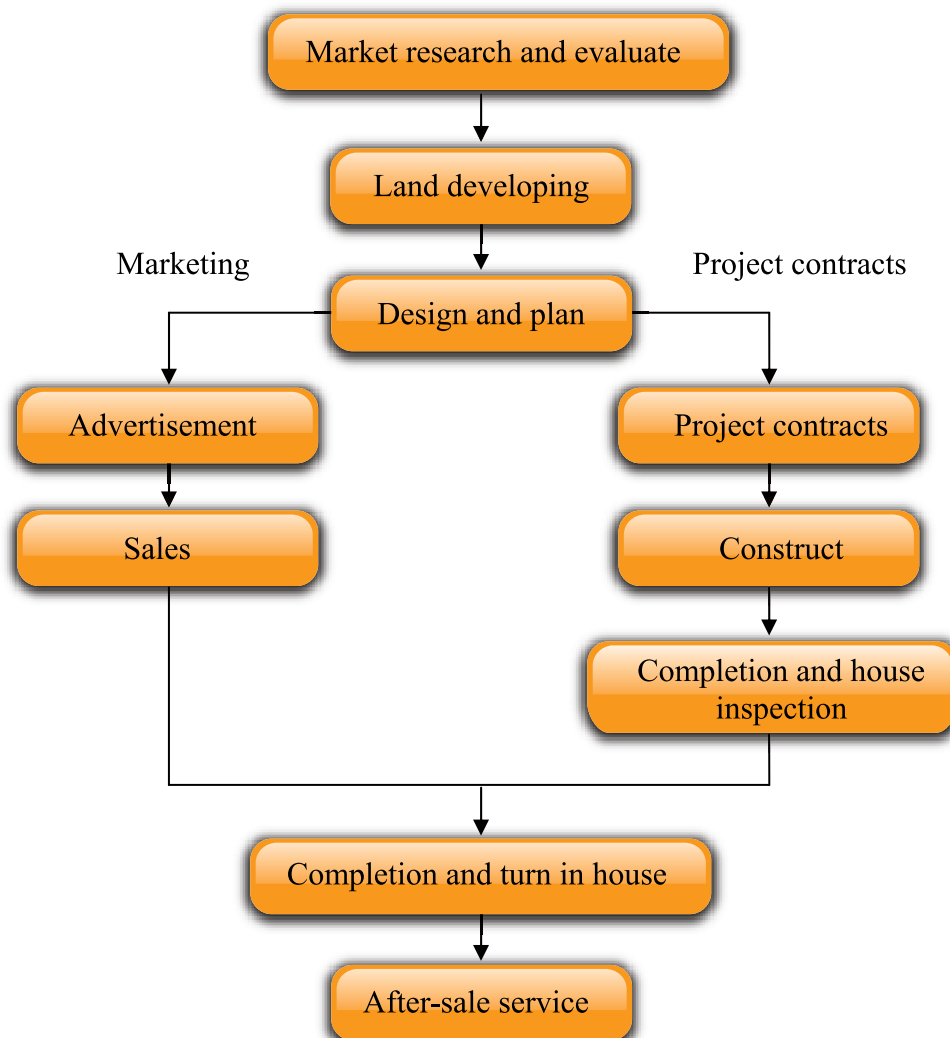
We will focus our project on the spirit of “good location, good design, good quality and good price” plus good after-sale services which will help us keep customers.

5.2.2 The Production Procedures of Main Products

A. Major Products and Their Main Uses

Prince’s main products are houses, apartments, high-end residential buildings, stores, and high-end office buildings.

B. Major Products and Their Production Processes



5.2.3 Supply Status of Main Materials

1. Location: Base on the land information, we evaluate it by researching, a roughly planning, and profit ability analyzing. If we think the land is workable after evaluating it, we would choose it as our construction site.
2. Plan and design: We will analyze again about the land features, laws, market, product position and business plan. Also, do some detail discussion about the flat space, façade, structure and facilities of the product.
3. Sales: Product cost analyzing, selling price planning, advertisement and promotion, and marketing.
4. Project: After getting permission from government, we would start to construct the site base on the permitted design.
5. Registration: After we receive the license and apply for double checking the area, we could register the land to keep the property right.
6. Turn in house: Customer would check before accept the completed and licensed building. After that, Prince will transfer the property right and building to customer.
7. After-sale service: Prince will set up a service center which will provide the services of maintenance of buildings, repair, community safety, and cleanness.

5.2.4 Major Suppliers and Clients

Prince's main products are offered to the public, and we don't have any customer whose purchase value has been reach to 10% of total sales.

A. Major Suppliers Information for the Last Two Calendar Years

Unit : NT\$

2012				2010			
Company Name	Amount	%	Relation with Issuer	Company Name	Amount	%	Relation with Issuer
Cheng-Shi Construction Corp	699,743	12	Subsidiary	Prince Water and Electricity Corp.	367,848	6	Subsidiary
Prince Water and Electricity Corp.	365,254	6	Subsidiary	Cheng-Shi Construction Corp	224,166	4	Subsidiary
Ta Chen Construction & Engineering Corp.	267,329	4	Subsidiary	Ta Chen Construction & Engineering Corp.	158,960	3	Subsidiary

Note 1: Major suppliers mean each commanding 10%-plus share of annual order volume.

5.2.5 Production over the Last Two Years

Unit : Pin / NTD thousands

Sales Year	2012		2011	
	Capacity	Quantity	Capacity	Quantity
House	57,246.39	10,268,926	26,925.04	2,264,355
Total	57,246.39	10,268,926	26,925.04	2,264,355

5.2.6 Sales over the Last Two Years

Unit : Pin / NTD thousands

Sales Major Products	Year	2012		2011	
		Local		Local	
		Quantity	Amount	Quantity	Amount
House		53,631.87	7,892,497	32,044.76	9,023,105
Total		53,631.87	7,892,497	32,044.76	9,023,105

5.3 Human Resources

Year		2011	2012	01/01/2013 - 05/15/2013
Number of Employees	Employees	59	67	71
	Technician	3	5	5
	Others	173	174	179
	Total	235	246	255
Average Age		37	37	38
Average Years of Service		8	8	9
Education	Ph.D.	1	1	1
	Masters	35	36	38
	Bachelor's Degree	151	171	178
	Senior High School	41	29	28
	Below Senior High School	7	9	10

5.4 Disbursement for environmental protection

Under construction period, mud, sands and litters would result in a mess of the environment pollution. Therefore, Prince dispatches our employees to Japan to learn about the construction skills and environmental management. We always try our best to keep the site area being mess up.

5.5 Labor Relations

- Management System: Promotion, welfare, rewards and punishments, vacations, pension, and redundancy payments etc.
- Welfare: Employee welfare committee, education grant, employees' children scholarships, employee training, domestic/foreign company trip, site accident insurance, and etc.
- Prince is in order to enhance the quality of human resources and development advantages, we always hold the education events and training programs in domestic and foreign.
- The company suffered due to loss of labor disputes as so far: None

5.6 Important Contracts

Agreement	Party	Start Date	Content	Restriction
BOT	Prince Housing (A) National Taiwan University (B)	Mar 17, 2005	B should response for access the ownership and the right of use of the land in this program. A should complete the construction in 3 years and operate it for 32 years. Students pay the rent and other expense to A.	1. During the construction period, the ratio of own funds to invest in this program could not lower than 30%. 2. During the operation, the ratio of stock equity to total access could lower than 25%. The ratio of current assets to current liability could not lower than 100%/ 3. None transferable
BOT	Prince Housing (A) National Cheng Kung University (B)	May 10, 2005	B should response for access the ownership and the right of use of the land in this program. A should get the license within 3 years started from the date contract signed. Chartered period for student dormitory is 35 years and shopping mall and hotel is 50years	None transferable
Syndicated Loan	Prince Housing (A) Ta Chong Bank and other 9 financial institutions (B)	July 10, 2006	Total amount is 25 billion. The items are including medium-term loans and commercial paper.	Current ratio, debt ratio, and interest coverage ratio couldn't lower than the restriction number. Bank will check it once a year.
Syndicated Loan	Prince Housing (A) Mega International Commercial Bank and other 7 financial institutions (B)	Jan 4, 2006	Total amount is 21.6 billion. The items are including long-term loans and guarantee receivable.	Current ratio, debt ratio, and interest coverage ratio couldn't lower than the restriction number. Bank will check it once a year.
Syndicated Loan	Prince Housing (A) Ta Chong Bank (B)	June, 2007	Current ratio, debt ratio, and interest coverage ratio couldn't lower than the restriction number.	Current ratio, debt ratio, tangible assets and interest coverage ratio under unconsolidated financial statement couldn't lower than the restriction number.

Agreement	Party	Start Date	Content	Restriction
Cooperation in the construction of housing	Prince Housing (A) Taiwan Sugar Corporation (B)	May 18, 2007	Mainly for the transaction of Koan An lot No.12-12 (Taichung) and He Guan lot No.44 (Tainan)	Agreed to pay for the construction and sales related expenses. No compensation for any reason. According to the contract, need to pay for the deposit of \$181,090 and \$92,780.
Credit case	Prince Housing (A) Mega International Commercial Bank (B)	May 2, 2006	Total amount is 7.85 billion. The items are including medium-term loans and commercial paper. The foundation is provided to establish and operate dormitory BOT of NCKU.	Current ratio, debt ratio, and interest coverage ratio couldn't lower than the restriction number. Bank will check it once a year.
Syndicated Loan	Prince Housing (A) Mega International Commercial Bank and other 7 financial institutions (B)	Dec 14, 2010	Total amount is 36 billion.	Current ratio, debt ratio, and interest coverage ratio couldn't lower than the restriction number. Bank will check it once a year.
Cooperation in the construction of housing	Prince Housing (A) Taiwan Sugar Corporation (B)	Jul 11, 2011 Jul 22, 2011 Sep 2, 2011	Mainly for the transaction of Feng Sheng Ming Ding Lot No. 11 & 12, Qiao Tou Hou Bi Tian Lot No. 48 & 51, and Qiao Tou Qiao Chung Lot No. 117 & 118.	Agreed to pay for the construction and sales related expenses. No compensation for any reason. According to the contract, need to pay for the deposit of \$27,370, \$63,480, and \$92,780.
Cooperation in the construction of housing	Prince Housing (A) Shui-Pin, Tsai (B)	July 12, 2011	Mainly for the transaction of Yu Xian Sec Lot No. 52 of Tai Ping District (Taichung)	According to the contract, total deposit is \$83,930. As of Dec 31, 2012, the balance of deposit was \$83,930.
Cooperation in the construction of housing	Prince Housing (A) Tsai-Yuan, Fang (B) World Vision United Co., Ltd (B)	March 5, 2012 July 17, 2012	Mainly for the transaction of Zhi San Sec. Lot No. 602 & 572 of Shi Lin District (Taipei)	According to the contract, need to pay for the deposit of \$350,000 and \$19,570. As of Dec 31, 2012, the balance of deposit was \$350,000 and \$19,570.



Annual Report 2012



Financial Information

VI. Financial Information

6.1 Five-Year Financial Summary

6.1.1 Condensed Balance Sheet and Statement of Income

Condensed Balance Sheet

Unit : NT \$ thousands

Year Item		Five-Year Financial Summary					1/1/2011- 3/31/2013
		2008	2009	2010	2011	2012	
Current assets		N/A	N/A	N/A	N/A	N/A	22,442,598
Real estate, factories, and facilities							7,024,424
Intangible assets							3,302,597
Other assets							14,534,304
Total assets							47,303,923
Current liabilities	Before distribution						15,133,587
	After distribution						N/A
Non-current liabilities							14,876,719
Total liabilities	Before distribution						30,010,306
	After distribution						N/A
Owner’s equity (parent company)							16,904,288
Capital stock							11,944,765
Capital surplus							521293
Retained earnings	Before distribution						2,852,387
	After distribution						N/A
Other equity							1,646,283
Treasure stock							(60,440)
Non-controlling equity							389,329
Total shareholders’ equity	Before distribution						17,293,617
	After distribution						N/A

Item \ Year	Five-Year Financial Summary					1/1/2013- 3/31/2013
	2008	2009	2010	2011	2012	
Operating revenue	N/A	N/A	N/A	N/A	N/A	2,576,417
Gross profit						866,440
Operating Revenue						146,104
Non-operating income & expense						(39,756)
Pre-tax income						106,348
Income from operations of continued segments - after tax						104,106
Income from discontinued departments						0
Net profit						104,106
Other income (after tax)						55,836
Total net income						159,942
Net profit (parent company)						99,478
Net profit (non-controlling equity)						4,628
Net income (parent company)						155,314
Net income (non-controlling equity)						4,628
Earnings per share						0.09

6.1.2 Five-Year Financial Summary - Domestic Financial Accounting Principle

Condensed Balance Sheet - Domestic Financial Accounting Principle

Unit : NT \$ thousands

Item \ Year		Five-Year Financial Summary				
		2008	2009	2010	2011	2012
Current assets		16,680,226	16,487,721	20,045,183	24,919,460	21,001,978
Funds & Long-term investments		6,221,574	5,931,797	5,200,606	6,296,090	7,100,375
Non current – other financial assets		53,038	243,798	216,322	147,983	808,337
Fixed assets		8,677,702	9,630,882	9,607,662	9,943,368	9,660,797
Intangible assets		2,426	1,213	0	0	0
Other assets		1,173,614	1,154,503	1,147,121	1,212,838	1,609,587
Total assets		32,808,580	33,449,914	36,216,894	42,519,739	40,181,074
Current liabilities	Before distribution	14,336,359	12,111,645	11,194,644	17,059,144	13,505,717
	After distribution	14,336,359	12,303,227	12,091,249	17,602,088	-
Long-term liabilities		7,907,605	10,064,113	11,843,008	10,102,875	9,522,182
Other liabilities		135,221	173,492	182,530	188,869	203,348
Total liabilities	Before distribution	22,379,185	22,349,250	23,220,182	27,350,888	23,231,247
	After distribution	22,379,185	22,540,832	24,116,787	27,893,832	
Capital stock		9,579,108	9,579,108	9,962,272	10,858,877	11,944,765
Capital surplus		674,559	680,469	521,293	521,293	521,293
Retained earnings	Before distribution	219,853	830,111	2,539,453	3,060,374	3,208,115
	After distribution	219,853	638,529	746,243	1,431,542	-
Unrealized gain or loss on financial instruments		34,325	110,515	111,427	851,992	1,416,607
Cumulative translation adjustments		1,615	(12,370)	(44,451)	(30,317)	(43,643)
Net loss unrecognized as pension cost		(19,625)	(26,729)	(32,842)	(32,928)	(36,870)
Treasure stock		(60,440)	(60,440)	(60,440)	(60,440)	(60,440)
Total shareholders' equity	Before distribution	10,429,395	11,100,664	12,996,712	15,168,851	16,949,827
	After distribution	10,429,395	10,909,082	12,100,107	14,625,9071	-

Note 1: The shareholders' meeting has not yet determined the distribution of 2011 retained earnings.

Condensed Statement of Income - Domestic Financial Accounting Principle

Unit : NT \$ thousands
(Except EPS as NT\$)

Item	Year	Five-Year Financial Summary					1/1/2012- 3/31/2012
		2008	2009	2010	2011	2012	
Operating revenue		7,227,721	7,651,315	10,569,802	9,023,105	7,892,497	1,611,076
Gross profit		2,201,100	2,088,677	4,160,620	3,662,849	3,216,120	772,145
Income from operations		1,299,314	1,100,783	2,713,925	2,234,846	1,559,811	529,917
Non-operating income		339,329	266,316	197,728	497,591	679,538	104,624
Non-operating expenses		(1,910,085)	(741,358)	(764,225)	(412,080)	(403,376)	(110,955)
Income from operations of continued segments - before tax		(271,412)	625,741	2,147,428	2,320,357	1,835,973	523,586
Income from operations of continued segments - after tax		(271,470)	603,258	2,130,822	2,314,131	1,785,930	523,586
		(612,105)	893,223	2,143,331	2,117,626	1,991,605	706,852
Income from discontinued departments		0	0	0	0	0	0
Extraordinary gain or loss		0	0	0	0	0	0
Cumulative effect of accounting principle changes		0	0	0	0	0	0
Net income		(271,470)	603,258	2,130,822	2,314,131	1,785,930	523,586
		(612,105)	893,223	2,413,331	2,117,626	1,991,605	709,852
Earnings per share		(0.23)	0.52	1.84	1.99	1.54	0.50
		(0.51)	0.75	2.02	1.77	1.67	0.65

6.1.3 Auditors' Opinions from 2008 to 2012

Year	CPA Firm	CPA's Name	Auditing Opinion
2008	PWC Taiwan	K.H. Wang & Z.M. Liu	Non-standard unqualified opinion
2009	PWC Taiwan	Y.L. Wu & K.H. Wang	Non-standard unqualified opinion
2010	PWC Taiwan	Y.C. Lin & S.C. Chang	Non-standard unqualified opinion
2011	PWC Taiwan	Y.C. Lin & S.C. Chang	Non-standard unqualified opinion
2012	PWC Taiwan	Y.C. Lin & K.H. Wang	Non-standard unqualified opinion

6.1.2 Five-Year Financial Analysis

6.2.1 Financial Analysis

Item		Year	Financial analysis in the past five years					1/1/2013-3/31/2013
			2008	2009	2010	2011	2012	
Financial structure (%)	Ratio of liabilities to assets							63
	Ratio of long-term capital to fixed assets							458
Solvency (%)	Current ratio							148
	Quick ratio							43
	Times interest earned ratio							1.51
Operating ability	Accounts receivable turnover (turns)							1.25
	Average collection period							72
	Inventory turnover (turns)							0.13
	Accounts payable turnover (turns)							0.56
	Average days in sales							702
	Fixed assets turnover (turns)							0.37
	Total assets turnover (turns)							0.05
			N/A	N/A	N/A	N/A	N/A	0.38
Ratio to issued capital (%)	Return on total assets (%)							0.60
	Return on stockholders' equity (%)							1.22
	Ratio to issued capital (%)	Operating income						0.89
		Pre-tax income						4.04
	Profit ratio (%)							0.09
	Earnings per share (\$)							0.13
Cash flow	Cash flow ratio (%)							31.09
	Cash flow adequacy ratio (%)							0.10
	Cash reinvestment ratio (%)							4.59
Leverage	Operating leverage							2.79
	Financial leverage							
Analysis of financial ratio change in the last two years. (If the difference does not exceed 20%, the analysis is not required.)								

6.2.2 Financial Analysis - Domestic Financial Accounting Principle

Item		Year	Financial analysis in the past five years				
			2008	2009	2010	2011	2012
Financial structure (%)	Ratio of liabilities to assets		68	67	64	64	58
	Ratio of long-term capital to fixed assets		211	220	259	254	274
Solvency (%)	Current ratio		116	136	179	146	156
	Quick ratio		8	13	18	12	54
	Times interest earned ratio		0.45	2.53	8.62	6.74	5.62
Operating ability	Accounts receivable turnover (turns)		7.83	24.50	21.95	14.01	6.76
	Average collection period		47	15	17	26	54
	Inventory turnover (turns)		0.33	0.38	0.40	0.27	0.26
	Accounts payable turnover (turns)		2.97	3.84	5.94	5.74	2.68
	Average days in sales		1106	960	903	1352	1404
	Fixed assets turnover (turns)		1.02	0.84	1.10	0.92	0.81
	Total assets turnover (turns)		0.23	0.23	0.30	0.23	0.19
Ratio to issued capital (%)	Return on total assets (%)		0.3	2.75	6.79	6.73	5.12
	Return on stockholders' equity (%)		(3)	6	18	16	11
	Ratio to issued capital (%)	Operating income	14	11	27	21	13
		Pre-tax income	(3)	7	22	21	15
	Profit ratio (%)		(4)	8	20	26	23
	Earnings per share (\$)		(0.23)	0.52	1.84	1.99	1.54
			(0.51)	0.75	2.02	1.77	-
Cash flow	Cash flow ratio (%)		12.57	30.09	10.64	-	61.88
	Cash flow adequacy ratio (%)		8.84	46.97	42.02	22.60	83.94
	Cash reinvestment ratio (%)		9.42	19.26	4.15	-	32.84
Leverage	Operating leverage		1.31	1.43	1.25	1.32	1.48
	Financial leverage		1.65	1.59	1.12	1.22	1.34

6.3 Supervisors' Report in the Most Recent Year

To: The General Meeting of Shareholders as of year 2012

The undersigned has duly audited the Operating Report, Financial Statements and Schedule of Earnings Distribution prepared by the Board of Directors for the year of 2012, and found the same to be true and correct. Therefore, the Supervisors' Report is hereby issued in accordance with Article 219 of Company Law.

Prince Housing & Development Corp.

Supervisors:

Ying-Na, Zhuang

Da-Xiong, Xu

March 15th, 2013

PRINCE HOUSING & DEVELOPMENT CORP.

NON-CONSOLIDATED FINANCIAL STATEMENTS AND REPORT OF INDEPENDENT ACCOUNTANTS DECEMBER 31, 2012 AND 2011

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For the convenience of readers and for information purpose only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

To the Board of Directors and Stockholders of Prince Housing & Development Corp.

We have audited the accompanying non-consolidated balance sheets of Prince Housing & Development Corp. as of December 31, 2012 and 2011, and the related non-consolidated statements of income, of changes in stockholders' equity and of cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the 2012 and 2011 financial statements of certain long-term investments accounted for under the equity method. These long-term equity investments amounted to NT\$1,151,315 thousand and NT\$1,290,718 thousand as of December 31, 2012 and 2011, respectively, and the related net investment income amounted to NT\$137,387 thousand and NT\$383,302 thousand for the years then ended. The financial statements of these investee companies were audited by other auditors whose reports thereon have been furnished to us and our opinion expressed herein, insofar as it relates to the amounts included in the financial statements and the information disclosed in Note 11 relative to these long-term investments, is based solely on the reports of the other auditors.

We conducted our audits in accordance with the "Regulations Governing the Examination of Financial Statements by Certified Public Accountants" and generally accepted auditing standards in the Republic of China. Those standards and rules 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 management, as well as evaluating the overall financial statement presentation. We believe that our audits and the reports of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and reports of other auditors, the non-consolidated financial statements referred to above present fairly, in all material respects, the financial position of Prince Housing & Development Corp. as of December 31, 2012 and 2011, and the results of its operations and its cash flows for the years then ended in conformity with the "Rules Governing the Preparation of Financial Statements by Securities Issuers" and generally accepted accounting principles in the Republic of China.

We have also audited the consolidated financial statements of Prince Housing & Development Corp. and its subsidiaries (not presented herein) as of and for the years ended December 31, 2012 and 2011. In our report dated March 15, 2013, we expressed a modified unqualified opinion on those statements.

PricewaterhouseCoopers, Taiwan

March 15, 2013

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The accompanying non-consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying non-consolidated financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

PRINCE HOUSING & DEVELOPMENT CORP.
NON-CONSOLIDATED BALANCE SHEETS
DECEMBER 31
(Expressed in thousands of New Taiwan dollars)

ASSETS	Notes	2012		2011	
		AMOUNT	%	AMOUNT	%
Current Assets					
Cash and cash equivalents	4(1)	\$ 3,611,373	9	\$ 281,987	1
Financial assets at fair value through profit or loss - current	4(2) and 6	-	-	76,027	-
Notes receivable, net	3 and 4(3)	120,032	-	47,031	-
Accounts receivable, net	3 and 4(4)	1,407,766	4	573,674	2
Accounts receivable - related parties	3 and 5	185,560	-	-	-
Other receivables	3	1,233,941	3	958,531	2
Other financial assets - current	6	782,612	2	85,644	-
Inventories, net	4(5), 5 and 6	13,041,773	32	22,594,959	53
Prepayments		618,921	2	301,607	1
Total current assets		<u>21,001,978</u>	<u>52</u>	<u>24,919,460</u>	<u>59</u>
Funds and Investments					
Financial assets at fair value through profit or loss - non-current	4(2) and 6	76,593	-	-	-
Available-for-sale financial assets - non-current	4(6) and 6	1,489,350	4	971,816	2
Financial assets carried at cost - non-current	4(7) and 6	932,135	2	999,664	2
Long-term equity investments accounted for under the equity method	4(8) and 6	4,331,179	11	4,053,492	10
Investments in real estate	4(9) and 6	271,118	1	271,118	1
Other financial assets - non-current	6	808,337	2	147,983	-
Total funds and investments		<u>7,908,712</u>	<u>20</u>	<u>6,444,073</u>	<u>15</u>
Property, Plant and Equipment, net	4(10) and 6				
Costs					
Land		122,657	-	122,657	-
Buildings		401,309	1	401,309	1
Computer equipment		49,471	-	39,324	-
Transportation equipment		6,367	-	14,807	-
Office equipment		370,188	1	369,680	1
Property held for lease - Land		3,181,239	8	3,243,202	8
Property held for lease - Building		6,670,114	17	6,702,320	16
Leasehold improvements		47,000	-	47,000	-
Other equipment		1,970	-	1,945	-
Cost and revaluation increments		<u>10,850,315</u>	<u>27</u>	<u>10,942,244</u>	<u>26</u>
Less: Accumulated depreciation		(1,189,518)	(3)	(998,876)	(3)
Total property, plant and equipment, net		<u>9,660,797</u>	<u>24</u>	<u>9,943,368</u>	<u>23</u>
Other Assets					
Refundable deposits	7	492,761	1	85,860	-
Other assets - other	5 and 6	1,116,826	3	1,126,978	3
Total other assets		<u>1,609,587</u>	<u>4</u>	<u>1,212,838</u>	<u>3</u>
TOTAL ASSETS		<u>\$ 40,181,074</u>	<u>100</u>	<u>\$ 42,519,739</u>	<u>100</u>

(Continued)

PRINCE HOUSING & DEVELOPMENT CORP.
NON-CONSOLIDATED BALANCE SHEETS
DECEMBER 31
(Expressed in thousands of New Taiwan dollars)

LIABILITIES AND STOCKHOLDERS' EQUITY	Notes	2012		2011	
		AMOUNT	%	AMOUNT	%
Current Liabilities					
Short-term loans	4(11) and 6	\$ 3,820,000	10	\$ 5,367,400	13
Notes and bills payable	4(12) and 6	1,653,227	4	1,380,669	3
Notes payable		16,220	-	135,112	-
Accounts payable		2,092,087	5	750,687	2
Accounts payable - related parties	5	424,886	1	75,893	-
Income tax payable	4(21)	37,775	-	3,001	-
Accrued expenses		683,918	2	437,679	1
Other payables - related parties	5	-	-	240,000	1
Other payables		2,910	-	3,225	-
Receipts in advance	4(13)	1,611,334	4	4,819,011	11
Long-term liabilities - current portion	4(15) and 6	3,094,284	8	3,812,079	9
Other current liabilities		69,076	-	34,388	-
Total current liabilities		<u>13,505,717</u>	<u>34</u>	<u>17,059,144</u>	<u>40</u>
Long-term Liabilities					
Bonds payable	4(14)	2,000,000	5	-	-
Long-term loans	4(15) and 6	7,522,182	19	10,102,875	24
Total long-term liabilities		<u>9,522,182</u>	<u>24</u>	<u>10,102,875</u>	<u>24</u>
Other Liabilities					
Accrued pension liabilities	4(16)	67,507	-	58,682	-
Guarantee deposits received		135,841	-	130,187	-
Total other liabilities		<u>203,348</u>	<u>-</u>	<u>188,869</u>	<u>-</u>
TOTAL LIABILITIES		<u>23,231,247</u>	<u>58</u>	<u>27,350,888</u>	<u>64</u>
Stockholders' Equity					
Capital					
Common stock	1 and 4(17)	11,944,765	30	10,858,877	26
Capital Reserves	4(18)				
Additional paid-in capital - treasury stock transactions		514,061	1	514,061	1
Capital reserve - other		7,232	-	7,232	-
Retained Earnings	4(17)(19)				
Legal reserve		843,650	2	612,237	1
Undistributed earnings		2,364,465	6	2,448,137	6
Other Adjustments to Stockholders' Equity					
Cumulative translation adjustments		(43,643)	-	(30,317)	-
Unrecognized pension cost	4(16)	(36,870)	-	(32,928)	-
Unrealized gain or loss on financial instruments	4(6)	1,416,607	3	851,992	2
Treasury stock	4(20)	(60,440)	-	(60,440)	-
TOTAL STOCKHOLDERS' EQUITY		<u>16,949,827</u>	<u>42</u>	<u>15,168,851</u>	<u>36</u>
Commitments and Contingent Liabilities	5 and 7				
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		<u>\$ 40,181,074</u>	<u>100</u>	<u>\$ 42,519,739</u>	<u>100</u>

PRINCE HOUSING & DEVELOPMENT CORP.
NON-CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31

(Expressed in thousands of New Taiwan dollars, except for earning per share data)

	Notes	2012		2011	
		AMOUNT	%	AMOUNT	%
Operating Revenue	5				
Construction revenues		\$ 7,166,541	91	\$ 8,336,145	92
Other operating revenues		725,956	9	686,960	8
Total Operating Revenues		<u>7,892,497</u>	<u>100</u>	<u>9,023,105</u>	<u>100</u>
Operating Costs	4(23) and 5				
Construction costs		(4,527,939)	(57)	(5,177,346)	(57)
Other operating costs		(148,438)	(2)	(182,910)	(2)
Total Operating Costs		<u>(4,676,377)</u>	<u>(59)</u>	<u>(5,360,256)</u>	<u>(59)</u>
Gross profit		<u>3,216,120</u>	<u>41</u>	<u>3,662,849</u>	<u>41</u>
Operating Expenses	4(23)				
Sales and marketing expenses		(534,567)	(7)	(555,381)	(6)
General and administrative expenses		(1,121,742)	(14)	(872,622)	(10)
Total Operating Expenses		<u>(1,656,309)</u>	<u>(21)</u>	<u>(1,428,003)</u>	<u>(16)</u>
Operating income		<u>1,559,811</u>	<u>20</u>	<u>2,234,846</u>	<u>25</u>
Non-operating Income and Gains					
Interest income	5 and 7	37,635	-	31,955	-
Investment income accounted for under the equity method	4(8)	448,949	6	344,930	4
Dividend income		76,243	1	7,652	-
Gain on disposal of investments		567	-	3,444	-
Gain on valuation of financial assets	4(2)	566	-	27	-
Other non-operating income		115,578	1	109,583	1
Total non-operating Income and Gains		<u>679,538</u>	<u>8</u>	<u>497,591</u>	<u>5</u>
Non-operating Expenses and Losses					
Interest expense	4(5) and 5	(397,688)	(5)	(404,370)	(4)
Foreign exchange losses, net		-	-	(477)	-
Impairment loss	4(7)	-	-	(5,321)	-
Other non-operating losses		(5,688)	-	(1,912)	-
Total non-operating Expenses and Losses		<u>(403,376)</u>	<u>(5)</u>	<u>(412,080)</u>	<u>(4)</u>
Income before income tax		<u>1,835,973</u>	<u>23</u>	<u>2,320,357</u>	<u>26</u>
Income tax expense	4(21)	(50,043)	-	(6,226)	-
Net income		<u>\$ 1,785,930</u>	<u>23</u>	<u>\$ 2,314,131</u>	<u>26</u>
		Before Tax	After Tax	Before Tax	After Tax
Basic Earnings per Share (in dollars)	4(22)				
Net income		\$ 1.58	\$ 1.54	\$ 2.00	\$ 2.00
Diluted Earnings per Share (in dollars)	4(22)				
Net income		\$ 1.58	\$ 1.54	\$ 2.00	\$ 1.99
Assuming the Company treated the stocks held by a subsidiary as long-term investments rather than treasury stock, the pro forma information is as follows:					
Net income		\$ 2,041,648	\$ 1,991,605	\$ 2,123,852	\$ 2,117,626
Basic Earnings Per Share (in dollars)					
Net income		\$ 1.71	\$ 1.67	\$ 1.78	\$ 1.77

The accompanying notes are an integral part of these non-consolidated financial statements.
See report of independent accountants dated March 15, 2013.

PRINCE HOUSING & DEVELOPMENT CORP.
NON-CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31
(Expressed in thousands of New Taiwan dollars)

	Capital reserves			Retained earnings		Other adjustments to stockholders' equity				
	Common stock	Additional paid-in capital - treasury stock transactions	Capital reserve -other	Legal reserve	Undistributed earnings	Cumulative translation adjustments	Unrecognized pension cost	Unrealized gain or loss on financial instruments	Treasury stock	Total
<u>2011</u>										
Balance at January 1, 2011	\$ 9,962,272	\$ 514,061	\$ 7,232	\$ 399,155	\$ 2,140,298	(\$ 44,451)	(\$ 32,842)	\$ 111,427	(\$ 60,440)	\$ 12,996,712
Distribution of 2010 net income (Note):										
Legal reserve	-	-	-	213,082	(213,082)	-	-	-	-	-
Cash dividends	-	-	-	-	(896,605)	-	-	-	-	(896,605)
Stock dividends	896,605	-	-	-	(896,605)	-	-	-	-	-
Net income for 2011	-	-	-	-	2,314,131	-	-	-	-	2,314,131
Cumulative translation adjustments	-	-	-	-	-	14,134	-	-	-	14,134
Unrecognized pension cost	-	-	-	-	-	-	(86)	-	-	(86)
Unrecognized gain on financial instruments	-	-	-	-	-	-	-	740,565	-	740,565
Balance at December 31, 2011	<u>\$ 10,858,877</u>	<u>\$ 514,061</u>	<u>\$ 7,232</u>	<u>\$ 612,237</u>	<u>\$ 2,448,137</u>	<u>(\$ 30,317)</u>	<u>(\$ 32,928)</u>	<u>\$ 851,992</u>	<u>(\$ 60,440)</u>	<u>\$ 15,168,851</u>
<u>2012</u>										
Balance at January 1, 2012	\$ 10,858,877	\$ 514,061	\$ 7,232	\$ 612,237	\$ 2,448,137	(\$ 30,317)	(\$ 32,928)	\$ 851,992	(\$ 60,440)	\$ 15,168,851
Distribution of 2011 net income (Note):										
Legal reserve	-	-	-	231,413	(231,413)	-	-	-	-	-
Cash dividends	-	-	-	-	(542,944)	-	-	-	-	(542,944)
Stock dividends	1,085,888	-	-	-	(1,085,888)	-	-	-	-	-
Adjustment of retained earnings due to change in ownership of subsidiaries	-	-	-	-	(9,357)	-	-	-	-	(9,357)
Net income for 2012	-	-	-	-	1,785,930	-	-	-	-	1,785,930
Cumulative translation adjustments	-	-	-	-	-	(13,326)	-	-	-	(13,326)
Unrecognized pension cost	-	-	-	-	-	-	(3,942)	-	-	(3,942)
Unrecognized gain on financial instruments	-	-	-	-	-	-	-	564,615	-	564,615
Balance at December 31, 2012	<u>\$ 11,944,765</u>	<u>\$ 514,061</u>	<u>\$ 7,232</u>	<u>\$ 843,650</u>	<u>\$ 2,364,465</u>	<u>(\$ 43,643)</u>	<u>(\$ 36,870)</u>	<u>\$ 1,416,607</u>	<u>(\$ 60,440)</u>	<u>\$ 16,949,827</u>

Note: The employees' bonuses were \$38,355 and \$41,654 and directors' and supervisors' remuneration were \$57,532 and \$62,482 in 2011 and 2010, respectively, which have been deducted from the statement of income.

The accompanying notes are an integral part of these non-consolidated financial statements.
See report of independent accountants dated March 15, 2013.

PRINCE HOUSING & DEVELOPMENT CORP.
NON-CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31
(Expressed in thousands of New Taiwan dollars)

	2012	2011
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Net income	\$ 1,785,930	\$ 2,314,131
Adjustments to reconcile net income to net cash provided by (used in) operating activities		
Gain on valuation of financial assets	(566)	(27)
Reversal of allowance for doubtful accounts	-	(21,098)
Provision for (reversal of) inventory obsolescence and value decline	(28,252)	34,054
Impairment loss on financial assets carried at cost	-	5,321
Investment income accounted for under the equity method	(448,949)	(344,930)
Cash dividend from equity subsidiaries	180,000	-
Gain of disposal of investments	(567)	(3,444)
Depreciation	202,230	234,450
(Gain) loss on disposal of property, plant and equipment	(1,017)	54
Changes in assets and liabilities		
Financial assets at fair value through profit or loss - current	76,027	(76,000)
Notes receivable	(73,001)	17,810
Accounts receivable	(834,092)	7,232
Accounts receivable - related parties	(185,560)	-
Other receivables	(275,410)	(351,999)
Inventories	9,671,845	(5,683,193)
Prepayments	(317,314)	244,041
Financial assets at fair value through profit or loss - non-current	(76,027)	-
Notes payable	(118,892)	5,351
Accounts payable	1,341,400	51,046
Accounts payable - related parties	348,993	(1,815)
Income tax payable	34,774	3,001
Accrued expenses	246,239	(43,258)
Other payables	(315)	(73,454)
Receipts in advance	(3,207,677)	723,492
Other current liabilities	34,688	(9,632)
Accrued pension liabilities	2,823	(4,829)
Net cash provided by (used in) operating activities	<u>8,357,310</u>	<u>(2,973,696)</u>

(Continued)

PRINCE HOUSING & DEVELOPMENT CORP.
NON-CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31
(Expressed in thousands of New Taiwan dollars)

	2012	2011
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Decrease in other receivables - related parties	\$ -	\$ 413,600
Increase in other financial assets - current	(696,968)	(85,644)
Increase in available-for-sale financial assets - non-current	-	(975)
Proceeds from capital reduction of financial assets carried at cost	67,529	6,237
Increase in long-term investments - subsidiaries	(170,254)	(8,403)
Proceeds from capital reduction of subsidiaries	185,000	-
Proceeds from disposal of long-term investments - subsidiaries	3,541	-
Proceeds from capital reduction of subsidiaries	-	6,840
(Increase) decrease in other financial assets - non-current	(660,354)	68,339
Cash paid for acquisition of property, plant and equipment	(11,098)	(14,608)
Proceeds from disposal of property, plant and equipment	2,049	7
Increase in refundable deposits	(406,901)	(73,272)
Decrease in other assets - other	10,152	7,555
Net cash (used in) provided by investing activities	(1,677,304)	319,676
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
(Decrease) increase in short-term loans	(1,547,400)	1,257,050
Increase in notes and bills payable	272,558	565,994
(Decrease) increase in other payables - related parties	(240,000)	240,000
Increase in bonds payable	2,000,000	-
(Decrease) increase in long-term loans	(3,298,488)	1,406,592
Increase in guarantee deposits	5,654	9,652
Payment of cash dividends	(542,944)	(896,605)
Net cash (used in) provided by financing activities	(3,350,620)	2,582,683
Increase (decrease) in cash and cash equivalents	3,329,386	(71,337)
Cash and cash equivalents at beginning of year	281,987	353,324
Cash and cash equivalents at end of year	\$ 3,611,373	\$ 281,987
<u>Supplemental disclosures of cash flow information</u>		
1. Interest paid	\$ 535,263	\$ 484,555
Interest capitalized	(146,743)	(82,594)
Interest paid (excluding capitalized interest)	\$ 388,520	\$ 401,961
2. Income tax paid	\$ 15,269	\$ 3,225
<u>Non-cash flows from investing and financing activities</u>		
1. Property, plant and equipment transferred from prepaid building and land	\$ -	\$ 619,605
2. Buildings and land held for sale transferred from property held for lease and property, plant and equipment	\$ 90,407	\$ 63,996
3. Financial assets carried at cost - non-current transferred to the available-for-sale financial assets - non-current	\$ -	\$ 84,780

The accompanying notes are an integral part of these non-consolidated financial statements.
See report of independent accountants dated March 15, 2013.

PRINCE HOUSING & DEVELOPMENT CORP.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS,
EXCEPT AS OTHERWISE INDICATED)

1. HISTORY AND ORGANIZATION

Prince Housing & Development Corp. (the “Company”) was incorporated as a company limited by shares under the provisions of the Company Law of the Republic of China (R.O.C.) in September 1973. As of December 31, 2012, the Company’s authorized capital was \$16,000,000 and the paid-in capital was \$11,944,765, consisting of 1,194,476 thousand shares of common stock with a par value of \$10 (in NT dollars) per share. The Company is primarily engaged in the construction, leasing and sale of public housing, commercial building, tourism/recreation place (children’s playground, water park, etc.) and parking lot/parking tower, and leasing and sale of real estate. The common shares of the Company have been listed on the Taiwan Stock Exchange since April 1991. As of December 31, 2012 and 2011, the Company had 246 and 235 employees, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements are prepared in accordance with the “Rules Governing the Preparation of Financial Statements by Securities Issuers” and generally accepted accounting principles in the Republic of China. The Company’s significant accounting policies are summarized as follows:

(1) Foreign currency transactions

- A. Transactions denominated in foreign currencies are translated into functional currency at the spot exchange rates prevailing at the transaction dates. Exchange gains or losses due to the difference between the exchange rate on the transaction date and the exchange rate on the date of actual receipt and payment are recognized in current year’s profit or loss.
- B. Receivables, other monetary assets and liabilities denominated in foreign currencies are translated at the spot exchange rates prevailing at the balance sheet date. Exchange gains or losses are recognized in profit or loss.

(2) Classification of current and non-current items

- A. If assets and liabilities are related to the construction business, they are classified as current or non-current according to their operating cycle; if they are not related to the construction business, they are classified by annual basis.
- B. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:
 - (a) Assets arising from operating activities that are expected to be realized or consumed, or are intended to be sold within the normal operating cycle;
 - (b) Assets held mainly for trading purposes;
 - (c) Assets that are expected to be realized within twelve months from the balance sheet date;
 - (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet

date.

- C. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:
- (a) Liabilities arising from operating activities that are expected to be paid off within the normal operating cycle;
 - (b) Liabilities arising mainly from trading activities;
 - (c) Liabilities that are to be paid off within twelve months from the balance sheet date;
 - (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date.

(3) Cash and cash equivalents

- A. Cash and cash equivalents include cash on hand and in banks and other short-term highly liquid investments which are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value resulting from fluctuations in interest rate.
- B. The Company's statement of cash flows is prepared on the basis of cash and cash equivalents.

(4) Financial assets and financial liabilities at fair value through profit or loss

- A. Financial assets and financial liabilities at fair value through profit or loss are recognized and derecognized using settlement date accounting and are recognized initially at fair value.
- B. These financial instruments are subsequently remeasured and stated at fair value, and the gain or loss is recognized in profit or loss. The fair value of listed stocks, OTC stocks and closed-end mutual funds is based on latest quoted fair prices of the accounting period. The fair value of open-end and balanced mutual funds is based on the net asset value at the balance sheet date.
- C. When a derivative is an ineffective hedging instrument, it is initially recognized at fair value on the date a derivative contract is entered into and is subsequently remeasured at its fair value. If a derivative is a non-option derivative, the fair value initially recognized is zero.
- D. Financial assets and financial liabilities at fair value through profit and loss are classified into asset or liability held for trading and those designated at fair value through profit or loss at inception. Financial assets and financial liabilities are classified as held for trading if acquired principally for the purpose of selling in the short term. Financial assets and financial liabilities designated as at fair value through profit or loss at inception are those that are managed and whose performance is evaluated on a fair value basis, in accordance with a documented Company's investment strategy. Information about these financial assets and financial liabilities are provided internally on a fair value basis to the Company's management. The Company's investment strategy is to invest free cash resources in equity securities or convertible bonds as part of the Company's long-term capital growth strategy. The Company has designated almost all of its compound debt instruments as financial liability at fair value through profit and loss.

(5) Available-for-sale financial assets

- A. Available-for-sale financial assets in equity and debt are recognized and derecognized using trade date accounting and settlement date accounting, respectively, and are initially stated at fair value plus transaction costs that are directly attributable to the acquisition of the financial asset.
- B. The financial assets are remeasured and stated at fair value, and the gain or loss is recognized in equity, until the financial asset is derecognized, at which time the cumulative gain or loss

previously recognized in equity shall be recognized in profit or loss. The fair value of listed stocks, OTC stocks and closed-end mutual funds are based on latest quoted fair prices of the accounting period. The fair values of open-end and balanced mutual funds are based on the net asset value at the balance sheet date.

- C. If there is any objective evidence that the financial asset is impaired, the cumulative loss that had been recognized directly in equity shall be transferred from equity to profit or loss. When the fair value of an equity instrument subsequently increases, impairment losses recognized previously in profit or loss shall not be reversed. When the fair value of a debt instrument subsequently increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss shall be reversed to the extent of the loss recognized in profit or loss.

(6) Financial assets carried at cost

- A. Investment in unquoted equity instruments is recognized or derecognized using trade date accounting and is stated initially at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset.
- B. The investments in equity instruments, including unlisted stocks and emerging stocks, are measured at cost since their fair value cannot be measured reliably.
- C. If there is any objective evidence that the financial asset is impaired, the impairment loss is recognized in profit or loss. Such impairment loss shall not be reversed when the fair value of the asset subsequently increases.

(7) Notes and accounts receivable, other receivables

- A. Notes and accounts receivable are claims resulting from the sale of goods or services. Receivables arising from transactions other than the sale of goods or services are classified as other receivables. Notes and accounts receivable and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment.
- B. The Company assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. If such evidence exists, a provision for impairment of financial asset is recognized. The amount of impairment loss is determined based on the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When the fair value of the asset subsequently increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss shall be reversed to the extent of the loss previously recognized in profit or loss. Such recovery of impairment loss shall not result to the asset's carrying amount greater than its amortized cost where no impairment loss was recognized. Subsequent recoveries of amounts previously written off are recognized in profit or loss.

(8) Inventories

The inventories include "land held for construction", "construction in progress", "buildings and land held for sale". Gains or losses occurring from construction contracts are recognized using the percentage of completion method. Inventories are stated at cost and evaluated at the lower of cost

or net realizable value at the end of period. The individual item approach is used in the comparison of cost and net realizable value. The calculation of net realizable value is based on the estimated selling price in the normal course of business, net of estimated costs of completion and estimated selling expenses. The interest costs related to construction in progress are capitalized during the construction.

(9) Accounting for construction

- A. Effective January 1, 2009, for the 'off plan' housing projects where the Company engages the construction firm to construct, the profit or loss of the 'off plan' housing projects is recognized on a percentage-of-completion basis if the projects meet the criteria of the percentage-of-completion method recognition; for other projects of the 'off plan' housing projects, the costs and profit or loss of the projects are recognized using the completed-contract method when the ownership of the houses are transferred and the houses are handed over, or when the houses are handed over before the balance sheet date (or when the ownership of the houses are transferred before the balance sheet date), but the ownership of the houses are transferred subsequently after the balance sheet date (but the houses are handed over subsequently after the balance sheet date).
- B. For the costs associated with the acquisition of the assets to be allocated over the period when the underlying assets will produce economic benefit to meet the revenue-cost (expense) matching principle, effective January 1, 2001, the Company capitalized interest incurred in accordance with ROC SFAS No. 3, "Borrowing Cost".
- C. The construction-use land refers to the land that is under construction or under planning to be constructed. Such land is stated at the acquisition costs, including the purchase proceeds of the land and all necessary costs to acquire the land.
- D. The selling expenses incurred on the 'off plan' housing sale are recognized initially as "deferred selling expenses", and are reclassified to "operating expenses" when revenue is recognized after the construction of houses is completed.
- E. At the end of year, inventories are evaluated at the lower of cost or net realizable value, and the individual item approach is used in the comparison of cost and net realizable value. The calculation of net realizable value is based on the estimated selling price in the normal course of business, net of estimated costs of completion and estimated selling expenses.

(10) Long-term equity investments accounted for under equity method

- A. Long-term equity investments in which the Company holds more than 20% of the investee company's voting shares or has the ability to exercise significant influence on the investee's operational decisions are accounted for under the equity method.
- B. Effective January 1, 2005, investment loss on the non-controlled entities over which the Company has the ability to exercise significant influence is recognized to the extent that the amount of long-term investments in such investees is written down to zero. However, if the Company continues to provide endorsements, guarantees or financial support for such investees, the investment loss is recognized continuously in proportion to the Company's equity interest in such investees. In the case of controlled entities, the Company recognizes all the losses incurred by such entities that will not be covered by other stockholders. When the operations of such investees become profitable, the Company recognizes the profits until the amount of losses previously recognized by the Company is fully recovered.

- C. Exchange differences arising from translation of the financial statements of overseas investee companies accounted for under the equity method are recorded as “cumulative translation adjustments” under stockholders’ equity.
- D. Long-term equity investments in which the Company holds more than 50% of the investee company’s voting shares or has the ability to control the investee’s operational decision, in accordance with the Statement of Financial Accounting Standards (SFAS) No. 7, “Consolidated Financial Statements”, are accounted for under the equity method and included in the quarterly consolidated financial statements.

(11) Property, plant and equipment

- A. Property, plant and equipment are stated at cost. Interests incurred on the loans used to bring the assets to the condition and location necessary for their intended uses are capitalized.
- B. Depreciation is provided under the straight-line method based on the assets’ estimated economic service lives. The estimated economic service lives of property, plant and equipment are 44~60 years for property held for lease-building, 50~60 years for buildings, and 5~15 years for other property, plant and equipment.
- C. Major improvements and renewals are capitalized and depreciated accordingly. Maintenance and repairs are expensed as incurred.
- D. When an asset is sold or retired, the cost and accumulated depreciation are removed from the respective accounts and any resulting gain or loss on disposal is recorded as non-operating income or expense.

(12) Deferred assets

Deferred assets are stated at cost and are amortized on a straight- line basis over 5 years.

(13) Impairment of non-financial assets

The Company recognizes impairment loss when there is indication that the recoverable amount of an asset is less than its carrying amount. The recoverable amount is the higher of the fair value less costs to sell and value in use. The fair value less costs to sell is the amount obtainable from the sale of the asset in an arm’s length transaction after deducting any direct incremental disposal costs. The value in use is the present value of estimated future cash flows to be derived from continuing use of the asset and from its disposal at the end of its useful life. When the impairment no longer exists, the impairment loss recognized in prior years shall be recovered.

(14) Pension plan

Under the defined benefit pension plan, net periodic pension costs are recognized in accordance with the actuarial calculations. Net periodic pension costs include service cost, interest cost, expected return on plan assets, and amortization of unrecognized net transition obligation and gains or losses on plan assets. Under the defined contribution pension plan, net periodic pension costs are recognized as incurred.

(15) Income tax

- A. Provision for income tax includes deferred income tax resulting from temporary differences, investment tax credits and loss carryforward. Valuation allowance on deferred tax assets is

provided to the extent that it is more likely than not that the tax benefit will not be realized. Over or under provision of prior years' income tax liabilities is included in current year's income tax. When a change in the tax laws is enacted, the deferred tax liability or asset is recomputed accordingly in the period of change. The difference between the new amount and the original amount, that is, the effect of changes in the deferred tax liability or asset, is recognized as an adjustment to current income tax expense (benefit).B. Adjustments of prior years' income tax liabilities are included in the current year's income tax expense.

- C. An additional 10% tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- D. If the amount of regular income tax is more than or equal to the amount of basic tax, the income tax payable shall be calculated in accordance with the Income Tax Act and other relevant laws. Whereas the amount of regular income tax is less than the amount of basic tax, the income tax payable shall also include the difference between the amount of regular income tax and basic tax, in addition to the amount as calculated in accordance with the "Income Tax Act" and other relevant laws. The balance calculated in accordance with the provisions shall not allow for deductions claimed in regard to investment tax credits granted under the provisions of other laws.

(16) Treasury stock

- A. When the Company acquires its issued and outstanding shares as treasury stocks, the book value of those treasury stocks is computed respectively on a weighted-average basis according to the type of shares (common shares) and the reason for reacquisition. Treasury stock transactions should be dealt with in the following ways:
 - (a) Reacquisition: if the shares are purchased, they are stated at the acquisition cost; if the shares are donated, they are stated at fair value.
 - (b) Disposal: when treasury stocks are sold, if the selling price is above the book value, the difference should be credited to the capital surplus-from treasury stock transactions account. If the selling price is below the book value, the difference should first be offset against capital surplus from the same class of treasury stock transactions, and the remainder, if any, debited to retained earnings.
 - (c) Write off: When a company's treasury stock is retired, the treasury stock account should be credited, and the capital surplus-premium on stock account and capital stock account should be debited proportionately according to the share ratio. Any excess of the carrying value of treasury stock over the sum of its par value and premium on stock should first be offset against capital surplus from the same class of treasury stock transactions, and the remainder, if any, debited to retained earnings. Any excess of the sum of the par value and premium on stock of treasury stock over its carrying value should be credited to capital surplus from the same class of treasury stock transactions.
- B. The Company adopted the Statement of Financial Accounting Standards No. 30, "Accounting for Treasury Stocks" since January 1, 2002, which requires the Company's stocks held by subsidiaries should be treated as treasury stock when the Company recognizes investment income or loss and prepares financial statements.

(17) Employees' bonuses and directors' and supervisors' remuneration

Effective January 1, 2008, pursuant to EITF 96-052 of the Accounting Research and

Development Foundation, R.O.C., dated March 16, 2007, “Accounting for Employees’ Bonuses and Directors’ and Supervisors’ Remuneration”, the costs of employees’ bonuses and directors’ and supervisors’ remuneration are accounted for as expenses and liabilities, provided that such recognition is required under legal or constructive obligation and the amounts can be estimated reasonably. However, if the accrued amounts for employees’ bonuses and directors’ and supervisors’ remuneration are significantly different from the actual distributed amounts resolved by the stockholders at their annual stockholders’ meeting subsequently, the differences shall be recognized as gain or loss in the following year. In addition, according to EITF 97-127 of the Accounting Research and Development Foundation, R.O.C., dated March 31, 2008, “Criteria for Listed Companies in Calculating the Number of Shares of Employees’ Stock Bonus”, the Company calculates the number of shares of employees’ stock bonus based on the closing price of the Company’s common stock at the previous day of the stockholders’ meeting held in the year following the financial reporting year, after taking into account the effects of ex-rights and ex-dividends.

(18) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts of assets and liabilities and the disclosures of contingent assets and liabilities at the date of the financial statements and the amounts of revenues and expenses during the reporting period. Actual results could differ from those assumptions and estimates.

(19) Operating segments

- A. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments.
- B. In accordance with R.O.C. SFAS No. 41, “Operating Segments”, segment information is disclosed in the consolidated financial statements rather than in the separate financial statements of the Company.

(20) Settlement date accounting

If an entity recognizes financial assets using settlement date accounting, any change in the fair value of the asset to be received during the period between the trade date and the settlement date is not recognized for assets carried at cost or amortized cost. For financial assets or financial liabilities classified as at fair value through profit or loss, the change in fair value is recognized in profit or loss. For available-for-sale financial assets, the change in fair value is recognized directly in equity.

3. CHANGES IN ACCOUNTING PRINCIPLES

(1) Notes and accounts receivable, other receivables

Effective January 1, 2011, the Company prospectively adopted the amendments of R.O.C. SFAS No. 34, “Financial Instruments: Recognition and Measurement”. The Company recognizes impairment loss on notes receivable, accounts receivable and other receivables when there is an objective evidence of impairment. This accounting change has no significant effect on the Company’s financial statements for the year ended December 31, 2011.

(2) Operating segments

Effective January 1, 2011, the Company adopted the newly issued R.O.C. SFAS No. 41, "Operating Segments" to replace the original R.O.C. SFAS No. 20, "Segment Reporting". In accordance with such standard, the Company restated the segment information for 2010 upon the first adoption of R.O.C. SFAS No. 41. This change in accounting principle had no significant effect on net income and earnings per share for the year ended December 31, 2011.

4. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	December 31,	
	2012	2011
Cash :		
Cash on hand	\$ 2,674	\$ 2,327
Checking accounts	2,302,639	218,115
Savings deposits	1,156,060	61,545
	<u>3,461,373</u>	<u>281,987</u>
Cash equivalents :		
Repurchase of bonds	150,000	-
	<u>\$ 3,611,373</u>	<u>\$ 281,987</u>

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

	December 31,	
	2012	2011
Current items:		
Financial assets held for trading		
Mutual funds	\$ -	\$ 76,000
Valuation adjustments	-	27
	<u>\$ -</u>	<u>\$ 76,027</u>
Non-Current items:		
Financial assets held for trading		
Mutual funds	\$ 76,000	\$ -
Valuation adjustments	593	-
	<u>\$ 76,593</u>	<u>\$ -</u>

(a) The Company recognized net gain of \$566 and \$27 for the years ended December 31, 2012 and 2011, respectively.

(b) For details of pledged assets, please refer to Note 6.

(3) Notes receivable

	December 31,	
	2012	2011
Notes receivable	\$ 123,735	\$ 50,734
Less: Allowance for doubtful accounts	(3,703)	(3,703)
	<u>\$ 120,032</u>	<u>\$ 47,031</u>

(4) Accounts receivable

	December 31,	
	2012	2011
Accounts receivable	\$ 1,414,672	\$ 580,580
Less: Allowance for doubtful accounts	(6,906)	(6,906)
	<u>\$ 1,407,766</u>	<u>\$ 573,674</u>

(5) Inventories

A. Construction in progress

	December 31,	
	2012	2011
<u>Taipei Branch</u>		
Nei Hu Tanmei lot	\$ 2,658,711	\$ 2,450,902
Canon Cooperation Project	1,256,523	1,253,548
Taoyuan Qing Shi Lot No. 462	673,574	665,610
Prince Fu (Taoyuan Qing Sun Lot No. 356-1 & 356-2)	557,816	415,259
Prince Central Park	292,397	70,791
Shi Lin Dist. Zhi San Sec. Lot No. 602, etc.	13,285	-
Taipei Shinyi	-	9,295,035
Prince College	-	1,474,148
	<u>5,452,306</u>	<u>15,625,293</u>
<u>Taichung Branch</u>		
Jing Yun Sian (Tu ku Lot No. 73-11)	583,128	512,985
Hui Li Lot No. 195	551,524	550,340
Tu ku Lot No. 8-2	433,272	-
Prince Dau (Tai Shun Lot No..175)	316,278	227,630
Tai Ho Lot No. 29	198,793	191,581
Prince Fu (Feng Zun Lot No.1053 etc.)	191,621	-
The Cloud Century (Kao An Lot No.12-12)	110,252	67,224
Yong Yong Prince	-	253,877
Pince Ju (Xin Xing Lot No. 34)	-	164,925
San Kuai Cuo Lot 1244	-	154,500
Others	7	4,977
	<u>2,384,875</u>	<u>2,128,039</u>

	December 31,	
	2012	2011
<u>Tainan Branch</u>		
Prince i-Cloud (Ren He Lot No. 1335)	\$ 506,297	\$ 345,325
Prince Flora III (He Guan Lot No.38)	291,617	118,911
Jin Yixing Heban	208,445	208,445
Ching An Sec. Lot No. 373, etc.	183,861	-
Shang Hua Shin Hua Road No. 897	113,838	60,475
Shang Hua Shin Hua Road No. 923	91,449	61,162
Bei An Lot No. 56-10	62,073	62,073
Jin Hua Lot No. 136	23,700	-
Ren Wu Dist. Xia Hai Lot	15,229	-
Prince Flora II	-	20,847
Prince the Gathering(Ren He Lot No. 1278)	-	475,062
Others	3,524	3,524
	<u>1,500,033</u>	<u>1,355,824</u>
<u>Kaohsiung Branch</u>		
Prince Hua Yang (Chiao Tou Dist, Hou Bi Tian Sec.)	80,821	3,664
Prince Shi Bo (Zuo Yingqu Xin Fu Lot)	-	282,848
Others	-	6,933
	<u>80,821</u>	<u>293,445</u>
Total construction in progress	<u>\$ 9,418,035</u>	<u>\$ 19,402,601</u>
B.Land held for construction site		
<u>Taipei Branch</u>		
Zhong Li Pu Ren Lot	\$ 140,156	\$ 140,156
Others	6,276	6,274
	<u>146,432</u>	<u>146,430</u>
<u>Taichung Branch</u>		
Song Quan Lot No. 164 etc.	176,296	176,296
Wu Feng Lot No. 365~420 etc.	175,661	175,661
Song Chang Lot No. 557 etc.	19,912	19,912
Xi Zhou Lot No. 112-54 etc.	11,941	11,941
Feng Zun Lot No. 1053 etc.	-	170,952
Others	24,134	24,135
	<u>407,944</u>	<u>578,897</u>

	December 31,	
	2012	2011
<u>Tainan Branch</u>		
Shan Zhong Lot No. 1468, 1475 & 1476 etc.	\$ 234,699	\$ 234,699
Xue Zhong Lot No. 679 etc.	50,798	50,798
Yong Kang Ding An Lot No. 879 etc.	28,610	28,610
Bei An Lot No. 54-3 etc.	15,344	15,344
Bao An Lot No. 882 etc.	10,325	10,325
Yu Dong Lot No. 995 etc.	-	93,857
Zeng Wen Lot No. 190-1-7 etc.	-	25,314
Others	20,615	20,616
	<u>360,391</u>	<u>479,563</u>
<u>Kaohsiung Branch</u>		
Qian Jin Section Wen Dong Lot No. 16	14,964	14,964
Da Hua Lot No. 434 & 436	13,923	13,923
	<u>28,887</u>	<u>28,887</u>
Total land held for construction site	<u>\$ 943,654</u>	<u>\$ 1,233,777</u>
C. Buildings and land held for sale		
<u>Taipei Branch</u>		
Taipei Shinyi	\$ 315,261	\$ -
Pu Lo Wang Shi	91,760	-
Prince Dragon House III	44,859	47,284
Prince Guo Boa	22,770	22,813
Prince Da Din	12,657	12,466
Prince Vacation	-	20,842
Shangrila	-	17,593
Prince 101	-	10,547
Others	909	3,982
	<u>488,216</u>	<u>135,527</u>
<u>Taichung Branch</u>		
Prince Hui	86,387	-
New Generation	-	128,512
Sung Guan Prince	-	63,405
Others	16,977	20,234
	<u>103,364</u>	<u>212,151</u>

	December 31,	
	2012	2011
<u>Tainan Branch</u>		
Prince Flora II	\$ 169,172	\$ -
Prince the Gathering	75,626	-
Prince Dragon	46,672	55,858
Tun Sha Building III	28,376	28,376
Jun Chan LV	19,725	20,430
Prince Golden Age	19,572	21,854
Won Tung Global lan Tsai House	14,763	14,763
Southern Taiwan Science Splendor	-	151,112
Prince Mei Xue	-	116,682
Prince Flora	-	16,072
Others	11,961	17,336
	<u>385,867</u>	<u>442,483</u>
<u>Kaohsiung Branch</u>		
Prince Bon	419,866	-
Pince Shi Yun	227,119	-
Prince Shi Bo	90,168	-
Prince Dai Din	16,951	18,255
Prince Culture	-	22,304
Others	-	4,296
	<u>754,104</u>	<u>44,855</u>
Total buildings and land held for sale	<u>\$ 1,731,551</u>	<u>\$ 835,016</u>
D.Prepayment for land		
<u>Taipei Branch</u>		
Zhi San Sec. Lot No. 619	\$ 14,819	\$ -
<u>Taichung Branch</u>		
Tu Ku Lot No. 2-8 etc.	-	414,462
Others	1,535	13,277
	<u>1,535</u>	<u>427,739</u>
<u>Tainan Branch</u>		
Ren Wu Dist. Xia Hai Lot No. 978, etc.	384,078	383,265
Others	-	5,919
	<u>384,078</u>	<u>389,184</u>
Total prepayment for land	<u>\$ 400,432</u>	<u>\$ 816,923</u>

E. Prepayment for buildings and land

	December 31,	
	2012	2011
Taisugar Kao An Lot	\$ 543,274	\$ 362,185
Taisugar Qiao Tou Hou Bi Tian Lot	158,854	31,874
Taisugar He Guan Lot	-	45,697
Taisugar Feng Sheng Ming Ding Lot	-	41,145
Others	6	7,960
	<u>\$ 702,134</u>	<u>\$ 488,861</u>

F. Merchandise

Merchandise	\$ 1,357	\$ 1,423
Total inventories	\$ 13,197,163	\$ 22,778,601
Less : Allowance for decline in market value and obsolescence	(155,390)	(183,642)
	<u>\$ 13,041,773</u>	<u>\$ 22,594,959</u>

(a) For details of pledged assets, please refer to Note 6.

(b) For the years ended December 31, 2012 and 2011, the interest capitalized as cost of inventory are as follows:

	2012	2011
Interest paid before capitalization	\$ 544,431	\$ 486,964
Interest capitalized	\$ 146,743	\$ 82,594
Annual interest rate used for capitalization	2.57% ~ 3.32%	2.29% ~ 2.81%

(c) As of December 31, 2012 and 2011, construction contracts that met the requirements to use the percentage of completion method are listed as follows:

2012: None.

	2011				
	Contract sales (VAT excluded)	Estimated total construction cost	Percentage of completion	Expected date of completion	Accumulated construction profit
Taipei Shinyi	\$ 11,375,310	\$ 5,966,140	81%	June, 2012	\$ 4,562,113
Prince College	1,849,266	1,495,970	95%	March, 2012	335,631

(6) Available-for-sale financial assets

	December 31,	
Items	2012	2011
Non-current items:		
Listed (TSE and OTC) stocks	\$ 121,799	\$ 121,799
Adjustment of financial assets held	1,367,551	850,017
	<u>\$ 1,489,350</u>	<u>\$ 971,816</u>

Certain available-for-sale financial assets were pledged as security for short-term and commercial papers payable. For details of pledged assets, please refer to Note 6.

(7) Financial assets carried at cost

Items	December 31,	
	2012	2011
Non-current items:		
Unlisted stocks	\$ 930,359	\$ 997,888
Emerging stocks	1,776	1,776
	<u>\$ 932,135</u>	<u>\$ 999,664</u>

- (a) The Company was committed to invest US\$10,000,000 in President Energy Development Ltd. On June 17, 2010, July 8, 2011, and July 4, 2012, President Energy Development Ltd. reduced its capital and returned share capital amounting to US\$127,500, US\$85,000 and US\$85,000, respectively. As of reporting date, the Company had paid US\$1,275,000 for the shares investment.
- (b) The investments were measured at cost since its fair value cannot be measured reliably.
- (c) Certain financial assets carried at cost had been impaired. Accordingly, the Company recognized impairment loss of \$0 and \$5,321 for the years ended December 31, 2012 and 2011, respectively.
- (d) Certain financial assets carried at cost were pledged as security for short-term and commercial papers payable. For details of pledged assets, please refer to Note 6.

(8) Long-term equity investments accounted for under the equity method

A. Details of long-term equity investments accounted for under the equity method are set forth below:

	December 31,			
	2012		2011	
	Carrying amount	Percentage of ownership	Carrying amount	Percentage of ownership
Cheng-shi Investment Holdings Co., Ltd. (Note 1)	\$ 539,263	100.00%	\$ -	-
Time Square International Hotel	438,189	100.00%	292,974	100.00%
Prince Housing Investment Co., Ltd.	312,282	100.00%	308,137	100.00%
Dong-Feng Enterprises Co., Ltd.	231,522	100.00%	446,010	100.00%
Prince Property Management Consulting Co., Ltd.(formerly Prince Real Estate Agent Co., Ltd.) (Note 2)	223,903	100.00%	2,202	100.00%
Jin Yi Xing Plywood Co., Ltd.	661,381	99.65%	653,212	99.65%
The Splendor Hotel Taichung	383,078	50.00%	391,564	50.00%
Uni-President Development Corp.	980,708	30.00%	911,199	30.00%
Geng-Ding Co., Ltd.	317,735	30.00%	305,165	100.00%
Ming-Da Enterprise Co., Ltd.	132,453	20.00%	134,018	20.00%
Ta-Chen Construction & Engineering Corp.(Note 1)	-	-	330,466	100.00%
Prince Apartment Management Maintain Co., Ltd.(Note 2)	-	-	85,404	100.00%
Others (individually less than 2%)(Note 1, 2)	110,665		193,141	
	<u>\$ 4,331,179</u>		<u>\$ 4,053,492</u>	

(Note 1) Due to the investment structure adjustments in the Group, Ta-Chen Construction & Engineering Corp., Cheng-Shi Construction Co., Ltd. and Prince Utility Co., Ltd. were all changed to be the consolidated entities of Cheng-Shi Investment Holdings Co., Ltd.

(Note 2) Due to the investment structure adjustments in the Group, Prince Real Estate Agent Co., Ltd. as the surviving company merged with Prince Real Estate Appraisal Co., Ltd., Prince Entertainment Co., Ltd. and Prince Property Management Co., Ltd., and was renamed Prince Property Management Consulting Co., Ltd. In addition, Prince Apartment Management Maintain Co., Ltd. and Prince Security Co., Ltd. were both changed to be the consolidated entities of Prince Property Management Consulting Co., Ltd.

- B. Investment income accounted for under the equity method for the years ended December 31, 2012 and 2011 was \$448,949 and \$344,930, respectively.
- C. The investment income (loss) of certain investees for the years ended December 31, 2012 and 2011, accounted for under the equity method, was based on their financial statements for the corresponding periods, which were audited by other auditors. The investment income recognized for these investees for the years ended December 31, 2012 and 2011 was \$137,386 and \$383,302, respectively. As of December 31, 2012 and 2011, long-term equity investments in these investees were \$1,151,315 and \$1,290,718, respectively. The investees whose financial statements were audited by other auditors for the years ended December 31, 2012 and 2011 are as follows: Prince Property Management Consulting Co., Ltd. (Original: Prince Real estate Agent Co., Ltd.), Geng-Ding Co., Ltd., Prince Apartment Management Maintain Co., Ltd., Prince Housing Investment Co., Ltd., BioSun Technology Co., Ltd., Prince Security Co., Ltd., Dong-Feng Enterprises Co., Ltd., Cheng-Shi Construction Co., Ltd., Early Success Investments Limited and Prince Assets Management LLC.
- D. Details of endorsements and guarantees provided to Ta-Chen Construction & Engineering Corp., The Splendor Hotel Taichung and Time Square International Hotel Corp. are described in Note 7.
- E. Certain long-term equity investments were pledged as security for short-term and commercial papers payable. For details of pledged assets, please refer to Note 6.

(9) Real estate investments

- A. Details of real estate investments are set forth below:

	December 31,	
	2012	2011
Beitou District, Zhenxing Section 3, No. 122, etc., Taipei City	\$ 162,426	\$ 162,426
Xiaobei Section No. 966, Tainan City	68,329	68,329
Wenlin Secion 4, Taipei City	38,552	38,552
Others (individually less than 3%)	1,811	1,811
	<u>\$ 271,118</u>	<u>\$ 271,118</u>

- B. For details of pledged assets, please refer to Note 6.

(10) Property, plant and equipment

December 31, 2012			
	Initial cost	Accumulated depreciation	Net book value
Land	\$ 122,657	\$ -	\$ 122,657
Buildings	401,309	(104,006)	297,303
Computer equipment	49,471	(29,505)	19,966
Transportation equipment	6,367	(4,530)	1,837
Office equipment	370,188	(151,699)	218,489
Property held for lease-Land	3,181,239	-	3,181,239
Property held for lease-Buildings	6,670,114	(861,550)	5,808,564
Leasehold improvements	47,000	(37,600)	9,400
Other equipment	1,970	(628)	1,342
	<u>\$ 10,850,315</u>	<u>(\$ 1,189,518)</u>	<u>\$ 9,660,797</u>
December 31, 2011			
	Initial cost	Accumulated depreciation	Net book value
Land	\$ 122,657	\$ -	\$ 122,657
Buildings	401,309	(96,513)	304,796
Computer equipment	39,324	(26,114)	13,210
Transportation equipment	14,807	(9,901)	4,906
Office equipment	369,680	(117,573)	252,107
Property held for lease-Land	3,243,202	-	3,243,202
Property held for lease-Buildings	6,702,320	(720,222)	5,982,098
Leasehold improvements	47,000	(28,200)	18,800
Other equipment	1,945	(353)	1,592
	<u>\$ 10,942,244</u>	<u>(\$ 998,876)</u>	<u>\$ 9,943,368</u>

For details of pledged assets, please refer to Note 6.

(11) Short-term loans

December 31,		
	2012	2011
Unsecured loans	\$ 2,580,000	\$ 880,000
Secured loans	1,240,000	4,487,400
	<u>\$ 3,820,000</u>	<u>\$ 5,367,400</u>
Range of interest rate	<u>2.07%~2.69%</u>	<u>2.00%~2.75%</u>

For details of pledged assets, please refer to Note 6.

(12) Notes and bills payable

	December 31,	
	2012	2011
Commercial papers	\$ 1,655,000	\$ 1,383,000
Less: Unamortized discount	(1,773)	(2,331)
	<u>\$ 1,653,227</u>	<u>\$ 1,380,669</u>
Range of interest rate	<u>0.85%~1.80%</u>	<u>0.90%~2.08%</u>

(a) The above commercial papers were issued by banks and bills financial institutions.

(b) For details of pledged assets, please refer to Note 6.

(13) Receipts in advance

	December 31,	
	2012	2011
Advance real estate receipts	\$ 1,462,659	\$ 4,736,091
Advance rent	148,012	82,263
Other advance receipts	663	657
	<u>\$ 1,611,334</u>	<u>\$ 4,819,011</u>

(14) Bonds payable

	December 31,		Collateral or security
	2012	2011	
2012 1st secured ordinary bonds payable	<u>\$ 2,000,000</u>	<u>\$ -</u>	Note

Note : Please refer to 4(14)A(g).

A. The Company issued secured ordinary bonds payable in July 2012. The significant terms of the bonds are as follows:

- Total issue amount: \$2,000,000
- Issue price: At pay value of \$1,000 per bond.
- Coupon rate: 1.33%
- Terms of interest repayment: The bonds interest is calculated on simple rate every year starting July 2012 based on the coupon rate.
- Repayment term: The bonds are repaid upon the maturity of the bonds.
- Period: 5 years, from July 12, 2012 to July 12, 2017.
- The way of security: The Bonds are secured by Bank of Taiwan.
- Guarantee Bank: The Bonds are guaranteed by Mega International Commercial Bank

(15) Long-term loans

	December 31,	
	2012	2011
Secured bank loans	\$ 10,043,153	\$ 13,215,516
Unsecured loans	175,000	300,000
Long-term commercial papers	400,000	400,000
	10,618,153	13,915,516
Less: Unamortized discount	(1,687)	(562)
Current portion	(3,094,284)	(3,812,079)
	\$ 7,522,182	\$ 10,102,875
Range of maturity dates	2013.02.06~2027.11.02	2013.02.13~2027.11.02
Range of interest rates	0.86%~3.07%	0.86%~3.01%

For detail of pledged assets, please refer to Note 6.

(16) Pension plans

- A. The Company has a non-contributory and funded defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 8% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee.
- B. The following sets forth the pension information based on the actuarial report:
- (a) Actuarial assumptions

	2012	2011
Discount rate	1.75%	1.90%
Rate of compensation increase	1.50%	1.50%
Expected rate of return on plan assets	1.75%	1.90%

(b) The funded status of the plans is as follows:

	December 31, 2012	December 31, 2011
Benefit obligation:		
Vested benefit obligation	(\$ 12,870)	(\$ 27,712)
Non-vested benefit obligation	(60,058)	(53,728)
Accumulated benefit obligation	(72,928)	(81,440)
Additional benefit based on future salaries	(13,996)	(14,020)
Projected benefit obligation	(86,924)	(95,460)
Fair value of plan assets	5,421	23,436
Funded status	(81,503)	(72,024)
Unrecognized loss on plan assets	49,149	43,170
Additional minimum liability recognized	(35,152)	(29,150)
Accrued pension liabilities	(\$ 67,506)	(\$ 58,004)
Vested benefit	\$ 14,419	\$ 30,468

(c) Net pension cost comprises the following:

	For the years ended December 31,	
	2012	2011
Service cost	\$ 630	\$ 688
Interest cost	1,814	1,896
Expected return on plan assets	(445)	(455)
	2,586	2,687
Net pension cost	\$ 4,585	\$ 4,816

Effective July 1, 2005, the Company has established a funded defined contribution pension plan (the "New Plan") under the Labor Pension Act. Employees have the option to be covered under the New Plan. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are portable upon termination of employment. The pension costs under the defined contribution pension plan for the years ended December 31, 2012 and 2011 were \$7,458 and \$6,414, respectively.

(17) Common stock

- A. The stockholders at their annual stockholders' meeting on June 17, 2011 adopted a resolution to increase capital for 89,660 thousand shares through capitalization of unappropriated retained earnings of \$896,605. Pursuant to the approval by the Financial Supervisory Commission, Securities and Futures Bureau, No. 1000035447, the capital increase was effective on July 29, 2011. After the capital increase, the paid-in capital was \$10,858,877.
- B. The stockholders at their annual stockholders' meeting on June 20, 2012 adopted a resolution to increase capital for 108,589 thousand shares through capitalization of unappropriated retained earnings of \$1,085,888. Pursuant to the approval by the Financial Supervisory Commission, Securities and Futures Bureau, No. 1010034424, the capital increase was effective on August 6,

2012. After the capital increase, the paid-in capital was \$ 11,944,765.

(18) Capital reserve

Pursuant to the R.O.C. Company Law, capital reserve arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Law requires that the amount of capital reserve to be capitalized mentioned above should not exceed 10% of the paid-in capital each year. Capital reserve should not be used to cover accumulated deficit unless the legal reserve is insufficient.

(19) Retained earnings

- A. In accordance with the Company's Articles of Incorporation, the Company will take into consideration its future business plans and capital expenditures in determining the amounts of earnings to be retained and to be distributed. In accordance with the Company Law, 10% of the current year's earnings, after payment of all taxes and after offsetting accumulated deficit, shall be set aside as legal reserve until the balance of legal reserve is equal to that of issued share capital. Afterwards, an amount shall be appropriated as special reserve in accordance with applicable legal or regulatory requirements, and then distribution should be in the following order:
- (a) 3% as remuneration to directors and supervisors;
 - (b) At least 2% as bonuses to employees; and
 - (c) Appropriation of the remainder plus prior years' accumulated unappropriated retained earnings shall be proposed by the Board of Directors, taking into consideration the cash requirements for future business and investments and other factors. In principle, cash and stock dividends shall account for 50% and 50%, respectively, of the total dividends distributed. While, in case the Company has the need of reserving cash for a significant capital expenditure plan, or intends to adopt the high cash dividends policy instead to avoid capital inflation, the Board of Directors may adjust the cash and stock dividends payout ratios; however, cash and stock dividends shall account for at least 30% and 30%, respectively, of the total dividends distributed, and the final adjustments shall be approved by the stockholders. The parties entitled to the employees' stock bonus may include the employees of the Company's affiliates who meet certain criteria.
- B. According to the R.O.C. Company Law, except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the balance of the reserve exceeds 25% of the Company's paid-in capital.
- C. As of December 31, 2012 and 2011, the balance of unappropriated retained earnings is as follows:

	2012	2011
Unappropriated retained earnings in and after 1998	<u>\$ 2,364,465</u>	<u>\$ 2,448,137</u>

(a) The appropriations of 2011 and 2010 earnings had been resolved at the stockholders' meetings on June 20, 2012 and June 17, 2011, respectively. Details are summarized below:

	2011		2010	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	\$ 231,413	\$ -	\$ 213,082	\$ -
Stock dividends	1,085,888	1.00	896,605	0.90
Cash dividends	542,944	0.50	896,605	0.90
Employees' cash bonus	41,654	-	38,355	-
Directors' and supervisors' remuneration	62,482	-	57,532	-
	<u>\$ 1,964,381</u>	<u>\$ 1.50</u>	<u>\$ 2,102,179</u>	<u>\$ 1.80</u>

(b) The appropriations of 2012 earnings had been proposed by the Board of Directors on March 15, 2013. Details are summarized below:

	2012	
	Amount	Dividends per share (in dollars)
Legal reserve	\$ 178,593	\$ -
Stock dividends	1,194,476	1.00
Cash dividends	597,238	0.50
Employees' cash bonus	321,147	-
Directors' and supervisors' remuneration	48,220	-
	<u>\$ 2,339,674</u>	<u>\$ 1.50</u>

As of March 15, 2013, the abovementioned 2012 earnings appropriation had not been approved by the stockholders.

- E. Employees' bonus for 2012 and 2011 are estimated and accrued at \$31,640 and \$41,654, respectively, and directors' and supervisors' remuneration for 2012 and 2011 are estimated and accrued at \$47,460 and \$62,482, respectively. The basis of estimates is based on a certain percentage of net income taking into account the legal reserve and other factors prescribed by the Company's Articles of Incorporation (2% and 3% of after-tax earnings for 2011 and 2010, respectively). The estimated amounts were recognized as operating expenses for the years ended December 31, 2012 and 2011. If the estimated amounts differ from the amounts approved by the stockholders, the difference is recognized as income or expense in the following year.
- F. The actual distribution of 2011 and 2010 earnings were as stated in the previous paragraph. The difference of \$328 between the amounts recognized in 2010 (cash bonus to employees of \$38,224 and remunerations to directors and supervisors of \$57,335) and the amount resolved by the stockholders was adjusted in the statement of income for 2011. There was no difference for 2011.

(20) Treasury stock

A. Treasury stocks bought back by the Company:

- (a) For the years ended December 31, 2012 and 2011: None.
- (b) Pursuant to the R.O.C. Securities and Exchange Law, the number of shares bought back as treasury stock should not exceed 10% of the number of the Company's issued and outstanding shares and the amount bought back should not exceed the sum of retained earnings, paid-in capital in excess of par value and realized capital reserve. Treasury stocks to enhance the Company's credit rating and the stockholders' equity should be retired within six months of acquisition.
- (c) Pursuant to the R.O.C. Securities and Exchange Law, treasury stock should not be pledged as collateral and is not entitled to dividends before it is reissued to the employees.

B. Stocks of the Company held by its subsidiaries:

- (a) Effective January 1, 2002, the stocks of the Company held by its subsidiaries are regarded as treasury stocks. Those treasury stocks should be eliminated from the calculation of the Company's weighted-average outstanding shares of EPS.
- (b) As of December 31, 2012 and 2011, the total number of the Company's shares held by its subsidiaries was 35,014 thousand shares and 31,831 thousand shares with an average book value of \$1.73 and \$1.90 (in dollars) per share and market value of \$20.70 and \$16.20 (in dollars) per share, respectively.

(21) Deferred income tax and income tax expense

A. Income tax expense and income tax payable are reconciled as follows:

	For the years ended December 31,	
	2012	2011
Income tax at statutory tax rate	\$ 312,115	\$ 394,461
Tax effect of permanent and temporary differences	(198,705)	(373,147)
Tax effect of investment tax credits	(41,523)	(6,227)
Tax effect of loss carryforwards	(75,753)	(21,314)
Under provision of prior year's income tax	8,520	-
10% tax on unappropriated earnings	45,389	12,453
Income tax expense	50,043	6,226
Under provision of prior year's income tax	(8,520)	-
Prepaid income tax	(3,748)	(3,225)
Income tax payable	<u>\$ 37,775</u>	<u>\$ 3,001</u>

The difference between financial income and taxable income mainly lies in the tax-exempt income of land.

B. Details of loss carryforwards and investment tax credits resulting in deferred income tax assets are as follows:

	December 31, 2012		December 31, 2011	
	Amount	Tax effect	Amount	Tax effect
Non-current:				
Loss carryforwards	\$ -	\$ -	\$ 451,709	\$ 76,790
Investment tax credits		92,625		14,148
		92,625		90,938
Less: Valuation allowance		(92,625)		(90,938)
		<u>\$ -</u>		<u>\$ -</u>

C. As of December 31, 2012, the Company's investment tax credits consisted of the following:

Regulation	Qualifying item	Total tax credits	Unused tax credits	Final year tax credits are due
Act for Promotion of Private Participation in Infrastructure Projects	Investment	<u>\$ 120,000</u>	<u>\$ 92,625</u>	2016

D. As of December 31, 2012 and 2011, the imputation tax credit account balance amounted to \$43,935 and \$1,777, respectively. The Company distributed unappropriated earnings in 2011 and 2010 as dividends in accordance with the resolution adopted at the stockholders' meeting

D. As of December 31, 2012 and 2011, the imputation tax credit account balance amounted to \$43,935 and \$1,777, respectively. The Company distributed unappropriated earnings in 2011 and 2010 as dividends in accordance with the resolution adopted at the stockholders' meeting on June 20, 2012 and June 17, 2011, respectively. The 2012 and 2011 creditable ratio were 2.73% and 0.16%, respectively. The 2012 estimated creditable ratio was 1.86%. The amount of deductible tax distributable by the Company to its shareholders shall be limited to an amount not exceeding the

amount of the imputation tax credit account balance on the date of distribution of the dividends. Accordingly, the actual creditable ratio for the distribution of 2012 undistributed earnings will be based on the imputation tax credit account balance up to the date of distribution of the dividends.

E. As of December 31, 2012, the Company's income tax returns through 2011 have been assessed by the Tax Authority and there were no disputes existing between the Company and the Tax Authority.

(22) Earnings per share

2012					
	Amount		Weighted average number of shares outstanding during the year (in thousands)	Earnings per share (in dollars)	
	Before tax	After tax		Before tax	After tax
<u>Basic earnings per share</u>					
Net income	\$ 1,835,973	\$ 1,785,930	1,159,462	\$ 1.58	\$ 1.54
Dilutive effect of common stock equivalents:					
Employees' bonus	-	-	1,723		
<u>Diluted earnings per share</u>					
Net income plus the dilutive effect of common stock equivalents	\$ 1,835,973	\$ 1,785,930	1,161,185	\$ 1.58	\$ 1.54

2011					
	Amount		Weighted average number of shares outstanding during the year (in thousands)	Earnings per share (in dollars)	
	Before tax	After tax		Before tax	After tax
<u>Basic earnings per share</u>					
Net income	\$ 2,320,357	\$ 2,314,131	1,159,462	\$ 2.00	\$ 2.00
Dilutive effect of common stock equivalents:					
Employees' bonus	-	-	3,211		
<u>Diluted earnings per share</u>					
Net income plus the dilutive effect of common stock equivalents	\$ 2,320,357	\$ 2,314,131	1,162,673	\$ 2.00	\$ 1.99

- (a) The above weighted-average outstanding common shares have been adjusted retroactively in proportion to retained earnings as of December 31, 2010.
- (b) Effective January 1, 2008, as employees' bonus could be distributed in the form of stock, the diluted EPS computation shall include those estimated shares that would increase from employees' stock bonus issuance in the calculation of the weighted-average number of common shares outstanding during the reporting year, taking into account the dilutive effects of stock bonus on potential common shares; whereas, basic EPS shall be calculated based on the weighted-average number of common shares outstanding during the reporting year that include the shares of employees' stock bonus for the appropriation of prior year earnings, which have already been resolved at the stockholders' meeting held in the reporting year. Since capitalization of employees' bonus no longer belongs to distribution of stock dividends (or retained earnings and capital reserve capitalized), the calculation of basic EPS and diluted EPS for all periods presented shall not be adjusted retroactively. However, the accounting treatment for the appropriation of employees' bonus for 2007 earnings resolved at the stockholders' meeting held in 2008 is still in accordance with the regulations on capitalization of employees' bonus under paragraphs 19 and 39 of R.O.C. SFAS No. 24, "Earnings per Share".

(23) Personnel expenses and depreciation

Personnel expenses and depreciation are summarized as follows:

For the year ended December 31, 2012			
	Operating costs	Operating expenses	Total
Personnel expenses:			
Salaries	\$ 18,427	\$ 396,923	\$ 415,350
Insurance	-	13,589	13,589
Pension	-	12,043	12,043
Others	-	26,340	26,340
	<u>\$ 18,427</u>	<u>\$ 448,895</u>	<u>\$ 467,322</u>
Depreciation	<u>\$ 145,090</u>	<u>\$ 57,140</u>	<u>\$ 202,230</u>

For the year ended December 31, 2011			
	Operating costs	Operating expenses	Total
Personnel expenses:			
Salaries	\$ 12,733	\$ 411,326	\$ 424,059
Insurance	-	12,154	12,154
Pension	-	11,230	11,230
Others	-	14,693	14,693
	<u>\$ 12,733</u>	<u>\$ 449,403</u>	<u>\$ 462,136</u>
Depreciation	<u>\$ 179,483</u>	<u>\$ 54,967</u>	<u>\$ 234,450</u>

5. RELATED PARTY TRANSACTIONS

A. Names of related parties and their relationship with the Company

Names of related parties	Relationship with the Company
Ta-Chen Construcion & Engineering Corp. (Ta-Chen Construction)	Subsidiary accounted for under the equity method
Prince Utility Co., Ltd. (Prince Utility)	Subsidiary accounted for under the equity method
Dong-Feng Enterprises Co. Ltd. (Dong-Feng Enterprises)	Subsidiary accounted for under the equity method
Cheng-Shi Construction Co., Ltd. (Cheng-Shi Construction)	Subsidiary accounted for under the equity method
Prince Security Co., Ltd. (Prince Security)	Subsidiary accounted for under the equity method
Prince Apartment Management Maintain Co., Ltd. (Prince Apartment)	Subsidiary accounted for under the equity method
The Splendor Hotel Taichung (The Splendor Hotel)	Subsidiary accounted for under the equity method
Jin-Yi-Xing Plywood Co., Ltd. (Jin-Yi-Xing plywood)	Subsidiary accounted for under the equity method
BioSun Technology Co., Ltd. (BioSun Technology)	Subsidiary accounted for under the equity method
Chuang, Nan-Tien	The Company's chairman
Hsieh, Ming-Fan	The Company's general manager
Chung, Wu-Chuan	The Chairman's spouse

For other related parties over which the Company exercises significant influence but with which the Company had no material transaction, please refer to Note 11 for related information.

B. Significant transactions and balances with related parties

a. Sales

- (a) On July 8, 2009, the Company signed a house sale contract with the spouse of its chairman, Ms. Chung, Wu-Chuan, in the amount of \$270,060. The Company recognized sale revenue for this contract on a percentage-of-completion basis, amounting to \$50,530 and \$87,760, for the years ended December 31, 2012 and 2011, respectively. As of December 31, 2012 and 2011, accumulated sales revenue recognized for this contract on a percentage-of-completion basis amounted to \$265,944 and \$215,414, respectively. The sale terms of this contract are not significantly different from other sale contracts of the same building case.

b. Purchases

- (a) Details of the Company's subcontracting to related parties and its purchases from related parties for the years ended December 31, 2012 and 2011 are as follows:

	For the years ended December 31,			
	2012		2011	
	Amount	%	Amount	%
Chen-Shi Construction	\$ 699,743	12	\$ 367,848	6
Ta-Chen Construction	365,254	6	158,960	3
Prince Utility	267,329	4	224,166	4
Prince Security	36,094	1	22,391	-
BioSun Technology	14,328	-	13,296	-
Prince Apartment	13,729	-	9,511	-
Others	-	-	3,163	-
	<u>\$ 1,396,477</u>	<u>23</u>	<u>\$ 799,335</u>	<u>13</u>

The Company subcontracted building construction and utilities engineering to related parties, Ta-Chen Construction Company, Prince Utility Company and Chen-Shi Construction Company. Under those subcontracts, acceptance would be done according to the progress of the construction and engineering; payments would be made based on agreed-upon terms of the two parties. Purchases from related parties, Prince Security Company, BioSun Technology Company and Prince Apartment, are based on negotiated terms because the related purchase transactions are unique and not available to third parties.

- (b) As of December 31, 2012 and 2011, unsettled construction contracts that were signed by the Company and Chen-Shi Construction Company totaled \$1,357,473 and \$645,487, respectively; payments already made for those contracts amounted to \$181,392 and \$119,469, respectively; and future payments required under those contracts amounted to \$1,176,081 and \$526,018, respectively.
- (c) As of December 31, 2012 and 2011, unsettled construction contracts that were signed by the Company and Ta-Chen Construction Company totaled \$427,810 and \$400,000, respectively; payments already made for those contracts amounted to \$1,000 and \$213,460, respectively; and future payments required under those contracts amounted to \$426,810 and \$186,540, respectively.
- (d) As of December 31, 2012 and 2011, unsettled construction contracts that were signed by the Company and Prince Utility Company totaled \$372,413 and \$304,060, respectively; payments already made for those contracts amounted to \$9,641 and \$144,682, respectively; and future payments required under those contracts amounted to \$362,772 and \$159,378, respectively.

C. Accounts receivable

	December 31,			
	2012		2011	
	Amount	%	Amount	%
Chung, Wu-Chuan	\$ 185,560	12	\$ -	-

D. Prepayment for land

	December 31,	
	2012	2011
	\$	\$
Jin-Yi-Xing Plywood	238,163	237,350

E. Other assets

- (a) On June 20, 2006, the Company and CHINA METAL PRODUCTS CO., LTD. ("A party") jointly signed a creditor's rights transfer contract with AMIDA TRUSTLINK ASSETS MANAGEMENT CO., LTD. ("B party"). Under the contract, the Company and A party should pay \$2,100,000 each (totaling \$4,200,000) to jointly acquire whole creditor's rights of mortgages, security interests and other dependent claims (collectively referred herein as the creditor's rights) on the Splendor Hotel Taichung Building, and each bears 50% rights and obligations of this acquisition; when all creditor's rights of this object turn into property rights, the Company and A party should pay B party totaling \$1,000,000 as the cost and reward of B party for it is entrusted with the task to help turn the creditor's rights as stated above into property rights, but any excess cost over \$1,000,000 if incurred on this task shall be borne by B party on its own; the Company should pay B party \$300,000 before June 30, 2006, and the Company and A party should jointly issue a promissory note of \$1,800,000 to B party on the signing date; payment should be done before July 15, 2006. The title to the creditor's rights as stated above had been transferred to the Company and A party on August 2, 2006. On December 29, 2006, the Company and A party signed an additional contract following the original contract with B party to raise total acquisition price of the creditor's rights to \$4,750,000 (the Company and A party bear 50% of the price each). As of December 31, 2012, the Company had paid its price.
- (b) The Company and CHINA METAL PRODUCTS CO., LTD. jointly established The Splendor Hotel Chunggang ("A party") by investing \$200,000 each. On November 1, 2006, A party signed a certain assets transfer contract with The Splendor Hotel Chunggang ("B party"). Under the contract, A party should pay B party \$352,310 for related employees' service years, goods purchases and taxes, and A party should pay the shortfall, if any, up to the maximum of \$100,000, and B party does not need to return the remainder, if any, to A party. The above payments required of A party were made from the share capital of its initial establishment.

- (c) The Company's creditor's rights above amounting to \$2,375,000 were originally receivable from The Splendor Hotel Chung-gang. After The Splendor Hotel Chung-gang and The Splendor Hotel Taichung signed a certain assets transfer contract in December, 2006, the creditor's right to the above receivables were transferred to The Splendor Hotel Taichung. As of December 31, 2012 and 2011, the Company's creditor's rights receivable from The Splendor Hotel Taichung both amounted to \$575,000.
- (d) On January 16, 2007, the Company acquired 99.62% ownership in Jin-Yi-Xing Plywood Co., Ltd. by cash. As of December 31, 2012 and 2011, the Company's creditor's rights receivable from Jin-Yi-Xing Plywood Co., Ltd. amounted to \$480,186 and \$490,338, respectively.

F. Accounts payable

	December 31,			
	2012		2011	
	Amount	%	Amount	%
Ta-Chen Construction	\$ 191,827	8	\$ -	-
Cheng-Shi Construction	128,311	5	32,702	4
Prince Utility	98,712	4	40,720	5
Others	6,036	-	2,471	-
	<u>\$ 424,886</u>	<u>17</u>	<u>\$ 75,893</u>	<u>9</u>

G. Financing

- (a) Loans receivable from related parties (shown as other receivables-related parties) Year 2012: None.

For the year ended December 31, 2011					
	Maximum balance date	Maximum balance	Ending balance	Interest rate	Interest expense
Dong-Feng Enterprises	2011.01.01	\$ 413,600	<u>\$ -</u>	2.7%	<u>\$ 3,132</u>

- (b) Loans payable to related parties (shown as other payables-related parties)

For the year ended December 31, 2012					
	Maximum balance date	Maximum balance	Ending balance	Interest rate	Interest expense
Dong-Feng Enterprises	2012.01.01	\$ 240,000	<u>\$ -</u>	2.7%	<u>\$ 4,474</u>

For the year ended December 31, 2011					
	Maximum balance date	Maximum balance	Ending balance	Interest rate	Interest expense
Dong-Feng Enterprises	2011.09.01	\$ 240,000	<u>\$ 240,000</u>	2.7%	<u>\$ 2,166</u>

H. Endorsements and guarantees provided for related parties

- (a) Endorsements and guarantees provided by the related parties as of December 31, 2012 and 2011 were as follows:

Names of Endorsers	December 31, 2012		
	Total Credit Line	Amount Drawn Down	Interest Expense
Dong-Feng Enterprises	\$ 1,810,889	\$ 1,810,889	\$ 14,527
Jin-Yi-Xing Plywood	1,552,889	1,246,889	10,002
Prince Utility	540,651	540,651	4,337
Ta-Chen Construction	-	-	3,260
	<u>\$ 3,904,429</u>	<u>\$ 3,598,429</u>	<u>\$ 32,126</u>

Names of Endorsers	December 31, 2011		
	Total Credit Line	Amount Drawn Down	Interest Expense
Dong-Feng Enterprises	\$ 1,810,889	\$ 1,810,889	\$ 13,582
Jin-Yi-Xing Plywood	2,500,000	1,246,889	8,238
Prince Utility	540,651	540,651	2,189
Ta-Chen Construction	927,889	423,733	3,178
	<u>\$ 5,779,429</u>	<u>\$ 4,022,162</u>	<u>\$ 27,187</u>

- (b) Endorsement and guarantees provided for the related parties are described in Note 7.

I. Salaries/rewards information of key management

	2012	2011
Salaries and bonuses	\$ 115,140	\$ 100,845
Service execution fees	6,480	6,710
Directors' and supervisors' remuneration and employees' bonus	47,460	62,482
	<u>\$ 169,080</u>	<u>\$ 170,037</u>

Note:

- Salaries and bonuses include regular wages, special responsibility allowances, pensions, severance pay, various bonuses, rewards, etc.
- Service execution fees include travel or transportation allowances, special expenditures, various allowances, housing and vehicle benefits, etc.
- Directors' and supervisors' remuneration and employees' bonuses were those amounts estimated and accrued in the statement of income for the current year.

J. Others

- (a) As of December 31, 2012 and 2011, the investee, Jin Yi Xing Plywood Co., Ltd., obtained secured loans from the bank both amounting to \$1,246,889, by providing its land as collateral.

- (b) Certain short and long-term loans of the Company were guaranteed by its chairman, Chuang, Nan-Tien, and general manager, Hsieh, Ming-Fan.
- (c) The accumulated operating losses of the subsidiary, the Splendor Hotel, had exceeded 50% of its paid-in capital and its current liabilities were greater than current assets. The Company was committed to give the Splendor Hotel financial support for its continuing operations for one year from the date of the financial support letter.

6. PLEDGED ASSETS

The details of pledged assets were as follows:

Pledged asset	Book value		Purpose
	December 31, 2012	December 31, 2011	
Demand deposits (shown as other financial assets - current)	\$ 782,612	\$ 85,644	Performance guarantees
Certificate of deposit and checking deposit (shown as other financial assets - non-current)	1,230	1,830	To obtain a higher credit for clients
Demand deposits and certificate of deposit (shown as other financial assets - non-current)	807,107	146,153	Short-term and long-term loans guarantee
Land held for construction	7,087,276	8,632,631	Short-term loans, notes and bills payable and long-term loans
Prepayment for land purchases	146,789	526,209	Short-term loans, notes and bills payable
Buildings and land held for sale	330,592	15,330	Short-term loans, notes and bills payable
Financial assets at fair value through profit or loss - current	76,593	76,027	Long-term loans
Available-for-sale financial assets	1,282,523	843,516	Short-term loans, notes and bills payable
Financial assets carried at cost	575,426	575,426	Short-term loans, notes and bills payable
Long-term equity investments accounted for under the equity method	1,192,440	203,443	Short-term loans, notes and bills payable
Investments in real estate	162,426	162,426	Short-term loans, notes and bills payable and long-term loans
Land	91,782	55,370	Short-term loans, notes and bills payable and long-term loans
Buildings	239,037	95,739	Short-term loans, notes and bills payable and long-term loans
Property held for lease	4,562,712	4,260,463	Short-term loans, notes and bills payable and long-term loans
Other assets - other	1,055,186	1,065,338	Long-term loans
	<u>\$ 18,393,731</u>	<u>\$ 16,745,545</u>	

7. PLEDGED ASSETS

- A. According to the sale contracts, the Company should provide warranty on the house structure and major facilities for one year from the handover day for the houses it sold. However, any damage to the houses caused by disasters, additions to the houses made by the buyers, or events that are not attributed to the Company is not included in the scope of warranty.
- B. Information on the commitments of the Company relating to purchases from related parties is described in Note 5(2).

- C. Information on the commitments of the Company relating to financial support to related parties is described in Note 5(2).
- D. Information on the commitments of the Company on investments and related share capital payment status is described in Note 4(7).
- E. As of December 31, 2012 and 2011, the real estate sale contracts which were signed by the Company and buyers but the ownership of the real estate had not been transferred to the buyers both amounted to \$483,321; payments already made for those contracts both amounted to \$471,166; and future payments required from the buyers under those contracts both amounted to \$12,155.
- F. As of December 31, 2012 and 2011, the details of endorsements and guarantees provided to related parties were as follows:

Company Name	December 31, 2012		December 31, 2011	
	Contract Amount	Amount Used	Contract Amount	Amount Used
The Splendor Hotel Taichung	\$ 1,932,720	\$ 1,717,720	\$ 1,832,720	\$ 1,456,547
Ta-Chen Construction & Engineering Corp.	1,200,000	309,084	1,100,000	478,389
Time Square International Co., Ltd.	900,000	-	1,100,000	305,290
	<u>\$ 4,032,720</u>	<u>\$ 2,026,804</u>	<u>\$ 4,032,720</u>	<u>\$ 2,240,226</u>

For the years ended December 31, 2012 and 2011, the interest income received from the above guarantees and endorsements were \$3,997 and \$9,721, respectively.

- G. On March 17, 2005, the Company ("A party") signed a contract with National Taiwan University ("B party") relating to the construction and operation of dormitories in Changxing St. Campus and Shuiyuan Campus. The major terms of the contract are as follows:
- Under the contract, B party should be responsible for acquiring the ownership or land-use right for this project, and let A party use the land; A party must complete the construction within 3 years from the registration of the superficieses, and may operate the dormitories for 44 years(the Company reached an agreement with B party that the operating period be changed from original 32 years to 44 years), collecting dormitory rentals and use fees of other facilities from students, and should return the related assets to B party on the expiry of the contract.
 - A party should give B party performance guarantee of \$60,000 for the construction on the signing date and \$30,000 for operations before the start of operation. As of December 31, 2012 and 2011, A party had provided performance guarantee with a guarantee letter issued by the bank, both amounting to \$30,000.
 - A party should pay B party land rentals from the registration of the superficieses, according to the terms of the contract, and pay B party operating royalties from the third year of the operation, based on 0.5% of dormitory rentals and use fees of other facilities collected from students.
 - Terms of restrictions for A party:
 - The ratio of A party's own capital invested in this project to total construction cost of this project should be at least 30%;

- ii) During the operation period, the ratio of shareholders' equity to total assets should be at least 25%; and current ratio (current assets/current liabilities) should be at least 100%;
 - iii) All rights acquired by A party under the contract, except other conditions specified in the contract and approved by B party, should not be transferred, leased, registered as a liability/obligation or become an executed object of civil litigation.
- H. On May 10, 2005, the Company ("A party") signed a contract with National Cheng Kung University ("B party") relating to the construction and operation of student dormitories and alumni hall. The major terms of the contract are as follows:
 - (a) Under the contract, B party should be responsible for acquiring the ownership or land-use right for this project, and let A party use the land by way of registration of the superficies; A party must obtain the user license within 3 years after the signing date, and may operate the student dormitories and motorcycle parking lots for 35 years from the start of operation and collect dormitory rentals and use fees of other facilities from students for 50 years from the start of construction, and should return the related assets to B party on the expiry of the contract.
 - (b) A party should give B party performance guarantee of \$50,000 for this project on the signing date, which will be returned in installment according to the contractual terms. As of December 31, 2012 and 2011, A party had provided performance guarantee with a guarantee letter issued by the bank, both amounting to \$20,000.
 - (c) During the operation period, A party should pay B party dormitory operating royalties based on 2% of annual operating revenue of the dormitories and auxiliary facilities operating royalties based on 4% of annual operating revenue of the auxiliary facilities. A party should pay such operating royalties for prior year before the end of June every year. Further, according to the superficies contract signed by the two parties, A party should pay B party land rentals from the registration of superficies.
 - (d) All rights acquired by A party under the contract, except other conditions specified in the contract and approved by B party, should not be transferred, leased, registered as a liability/obligation or become an executed object of civil litigation.
- I. The Company signed a syndicated loan contract with 9 banks - Ta Chong Bank as the lead bank for a credit line of \$2.5 billion. The syndicated loans include medium-term (secured) loans, commercial paper guarantees and long-term (secured) loans. During the loan period, the Company should maintain financial commitments such as current ratio, liability ratio and interest coverage; those financial ratios/restrictions shall be reviewed at least once every year, based on the Company's audited annual consolidated financial statements. If the Company violates the above financial commitments, it might be requested to stop drawing down all or part of the loans, and all or part of the loans might be asked to mature early, as resolved by the majority of the consortium.
- J. The Company signed a syndicated loan contract with 7 banks - Mega International Commercial Bank as the lead bank for a credit line of \$2.16 billion. The syndicated loans include long-term (secured) loans and guarantee payments receivable (secured), which are used to fund the construction of dormitories in Changxing St. Campus and Shuiyuan Campus of National Taiwan University. During the loan period, the Company should maintain financial commitments such as current ratio, liability ratio and interest coverage; those financial ratios/restrictions shall be reviewed at least once every year, based on the Company's audited annual consolidated financial statements. If the Company violates the above financial commitments, it shall improve its financial

position by capital increase or other ways before the end of October of the following year from the year of violation; it would not be regarded as a default if the managing bank confirms that its financial position has improved completely. In case of violation, interest on the loans would be charged at the loan rate specified in the contract plus additional 0.25% per annum from the notification date of the managing bank to the completion date of financial improvement or to the date the Company obtains a waiver from the consortium for its violation.

- K. The Company signed a loan contract with Mega International Commercial Bank for a credit line of \$785 million. The loans include long-term (secured) loans and guarantee payments receivable (secured), which are used to fund the construction of student dormitories and alumnus hall of National Cheng Kung University. During the loan period, the Company should maintain financial commitments such as current ratio, liability ratio and interest coverage; those financial ratios/restrictions shall be reviewed at least once every year. Current ratio and liability ratio shall be reviewed based on the Company's audited annual consolidated financial statements, and interest coverage based on the Company's revenue and expenditure table for the related project. If the Company violates the above financial commitments, it shall improve its financial position by capital increase or other ways before the end of October of the following year from the year of violation; it would not be regarded as a default if the bank confirms that its financial position has improved completely. In case of violation, interest on the loans would be charged at the loan rate specified in the contract plus additional 0.25% per annum from the notification date of the bank to the completion date of financial improvement or to the date the Company obtains a waiver from the bank for its violation.
- L. The Company signed a syndicated loan contract with 9 banks - Mega International Commercial Bank as the lead bank for a credit line of \$3.6 billion. The syndicated loans are medium-term (secured) loans. During the loan period, the Company should maintain financial commitments such as current ratio, liability ratio and interest coverage; those financial ratios/restrictions shall be reviewed at least once every year, based on the Company's audited annual consolidated financial statements. If the Company violates the above financial commitments, it shall improve its financial position before June 30 of the year when it presents the underlying financial statements; it would not be regarded as a default if the Company's semiannual consolidated financial statements of that year reviewed by independent auditor show that the financial ratios/restrictions conform to the commitments again. In case of violation, interest on the loans would be charged at the loan rate of 0.80% per annum from the notification date of the managing bank to the completion date of financial improvement or to the date the Company obtains a waiver from the consortium for its violation.
- M. For the requirement of the syndicated loans of subsidiary-The Splendor Hotel Taichung with SinoPac Bank, the Company promised to maintain financial commitments such as current ratio, liability ratio, tangible net equity and interest coverage. Those financial ratios/restrictions shall be reviewed based on the Company's annual non-consolidated financial statements. If the Company violates the above financial commitments, the managing bank has the right to take the following actions, including but not limited, according to the contract or the resolution of majority of the consortium: 1) request the subsidiary to stop drawing down all or part of the loans; 2) cancel all or part of the credit line of the contract which has not been drawn down yet; 3) announce that all outstanding principal, interest and other accrued expenses payable to the consortium in relation to the loan contract should mature immediately; 4) demand the subsidiary's payment of the

promissory note acquired under the loan contract; 5) exercise creditor's right of mortgage, pledge right, other rights or contract transfer right; 6) exercise other rights given by the laws, the loan contract and other relevant documents; 7) take other actions as resolved by the majority of the consortium.

- N. On May 18, 2007, the Company signed a contract with Taiwan Sugar Corporation ("TSC") in relation to cooperative construction of houses. According to the contract, TSC shall provide Lot Nos. 12-12 and 601-1, Guo-An Sec., Xitun District, Taichung City and Lot No. 44, He-Guan Sec., Annan District, Tainan City; the Company shall provide funding for those projects and repurchase houses and land allocated to TSC amounting to \$1,810,889 and \$927,889, respectively, and shall bear all improvement fees of houses, public facilities and land, selling expenses, and other expenses or contributed expenses required under the decrees. The Company shall not ask for any compensation for price fluctuations or other reasons. Further, under the contract, the Company shall give TSC performance guarantee amounting to \$181,090 and \$92,780, respectively, on the signing date, which will be returned in installments according to the contractual terms. As of December 31, 2012 and 2011, the Company had provided performance guarantee with a guarantee letter of the bank amounting to \$181,090, \$0 and \$181,090, \$24,160, respectively. The development of Lot No. 44, He-Guan Sec., Annan District, Tainan City has been postponed because of the consideration of capital planning, as approved by TSC. According to the Nan-Tu-Kai-Zi Letter No. 0980001113 of Tainan Office of TSC, the Company shall pay compensation fee amounting to \$6,344 for this postponed development. The Company had paid such fee in 2010.
- O. On July 11, July 22 and September 2, 2011, the Company signed a contract with Taiwan Sugar Corporation ("TSC") in relation to cooperative construction of houses. According to the contracts, TSC shall provide Lot Nos. 11 and 12, Ming-Ding Sec., Fongshan District, Kaohsiung City and Lot Nos. 48 and 51, Hou-Bi-Tian Sec., Ciaotou District, Kaohsiung City and Lot Nos. 117 and 118, Qiao-Zhong Sec., Ciaotou District, Kaohsiung City, respectively; the Company shall provide funding for those projects and repurchase houses and land allocated to TSC amounting to \$273,680, \$634,880 and \$157,960, respectively, and shall bear all improvement fees of houses, public facilities and land, selling expenses, and other expenses or contributed expenses required under the decrees. The Company shall not ask for any compensation for price fluctuations or other reasons. Further, under the contract, the Company shall give TSC performance guarantee amounting to \$27,370, \$63,480 and \$15,790, respectively, on the signing date, which will be returned in installments according to the contractual terms. As of December 31, 2012, the Company had provided such performance guarantee with a guarantee letter of bank amounting to \$27,370, \$63,480, 0 and \$27,370, \$63,480, \$15,790.
- P. The Company signed an agreement with Mr. Tsai Shuei-Pin on July 12, 2012 for joint construction of houses. Under those agreements, Mr. Tsai Shuei-Pin, the owner of land, shall provide the land located at No. 52 Yu-Shien Lot, Tai-Pian Dist. Taichung City, and the Company is responsible for the construction; the houses built would be allocated to both sides based on the specified proportion. In addition, the Company shall give performance bond in the amount \$83,930, which would be returned to the Company in installments. As of December 31, 2012 and 2011, balance of the performance bond was \$83,930 and \$66,000, respectively.
- Q. The Company signed an agreement with Mr. Fang Tsai-Yuan and World Vision United Co., Ltd. on March 5, 2012 and July 17, 2012, respectively, for joint construction of houses. Under those agreements, Mr. Fang Tsai-Yuan and World Vision United Co., Ltd., the owners of land,

shall provide the land located at Nos. 572 and 602, Sec. Zhi-Shan 1, Shilin District, Taipei City, respectively, and the Company is responsible for the construction; the houses built up would be allocated to both sides based on the specified proportion. In addition, the Company shall give performance bond in the amount of \$350,000 and \$19,570 to Mr. Fang Tsai-Yuan and World Vision United Co., Ltd., respectively, which would be returned to the Company in installments. As of December 31, 2012, balance of the performance bond was \$350,000 and \$19,570, respectively.

8. SIGNIFICANT CATASTROPHE

None.

9. SUBSEQUENT EVENTS

None.

10. OTHERS

A. The fair values of the financial instruments

	December 31, 2012			December 31, 2011		
	Book value	Fair value		Book value	Fair value	
		Quotations in an active Market	Estimated using a valuation method		Quotations in an active Market	Estimated using a valuation method
Non-derivative financial instruments						
Assets						
Financial assets with book value equal to fair value	\$ 7,341,284	\$ -	\$ 7,341,284	\$ 1,946,867	\$ -	\$ 1,946,867
Financial assets at fair value through profit or loss	76,593	76,593	-	76,027	76,027	-
Available-for-sale financial assets - non-current	1,489,350	1,489,350	-	971,816	971,816	-
Financial assets carried at cost - non-current	932,135	-	-	999,664	-	-
Other financial assets - non-current	808,337	-	808,337	147,983	-	147,983
Refundable deposits	492,761	-	490,261	85,860	-	85,424
Liabilities						
Financial liabilities with book value equal to fair value	8,693,248	-	8,693,248	8,390,665	-	8,390,665
Bonds payable	2,000,000	-	2,000,000	-	-	-
Long-term loans (including current portion)	10,616,466	-	10,616,466	13,914,954	-	13,914,954
Guarantee deposits received	135,841	-	135,152	130,187	-	129,526
Derivative financial instruments: None.						

The methods and assumptions used to estimate the fair values of financial instruments are summarized as follows:

- (a) The due dates of short-term financial instruments are near the balance sheet date. Accordingly, the fair value of short-term financial instruments are estimated based on the amount at the balance sheet date which include the accounts of cash and cash equivalents, notes and accounts receivable, other receivables, other financial assets - current, short-term loans, notes and bills payable, notes and accounts payable, accrued expenses, and other payables.
 - (b) The fair values of pledged deposits (shown as "other financial assets - non-current") are estimated at its book value since its future maturity value will be affected by interest rate changes.
 - (c) The fair value of refundable deposits is based on the discounted value of expected future cash inflows, which are discounted based on the interest rate of one-year time deposit of the Postal Savings System as of December 31, 2012 and 2011.
 - (d) The fair value of ordinary bonds issued by the Company is based on the present value of expected cash flow amount. The discount rate is the effective interest rate of bonds payable in the current market, whose contractual terms are similar to those of ordinary bonds issued by the Company.
 - (e) Since long-term liabilities' interest rates are approximate market interest rates and the discounted value of expected future cash flows are equivalent to the book value, the fair value is estimated at the book value basis.
- C. The Company recognized the amount of \$564,615 and \$740,565 as addition to stockholders' equity for the changes in fair value of available-for-sale financial assets as of December 31, 2012 and 2011, respectively.
- D. As of December 31, 2012 and 2011, the Company's financial assets subjected to fair value risk due to the change in interest rate amounted to \$1,590,949 and \$233,627, respectively. The financial liabilities subjected to cash flow risk due to the change in interest rate amounted to \$16,089,693 and \$20,663,023, respectively.

E. Procedures of financial risk control and hedge

The Company's activities expose it to a variety of financial risks: market risk, credit risk, liquidity risk and cash flow interest rate risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance. The Company uses derivative financial instruments to hedge certain risk exposures.

In order to achieve the goal of risk management, the Company's hedging activities are concentrated in the market value risk and cash flow risk.

F. Information of financial risk

- a. Equity financial instruments: including financial assets at fair value through profit or loss, available-for-sale financial assets and financial assets carried at cost.

- (a) Market risk

The equity financial instruments held by the Company were subject to the fluctuations in market prices. However, since the investment amount was not significant to the Company, it was assessed that the Company was not exposed to significant market risk.

- (b) Credit risk

For financial assets with fair value through profit or loss, the Company had carried out

the transactions through the Taiwan Stock Exchange and GreTai Securities Market. These transactions are carried out only with counterparties with good credit standing and breaches of agreements are not expected. Thus, the likelihood that credit risk would arise is remote. The Company also assesses the credit ratings of the counterparties when they trade. The possibility of default by those parties is low.

(c) Liquidity risk

The equity financial instruments were traded in active markets and it was expected that these financial instruments would be readily sold at amounts approximate to their fair values. In the case of financial assets carried at cost without active market, the liquidity risk is material.

(d) Cash flow risk due to the fluctuation of interest rate

The equity financial instruments held by the Company were not interest-bearing instruments. Thus, the Company was not subject to cash flow risk arising from the fluctuation of the interest rate.

b. Notes and account receivable

(a) Market risk

As the notes and accounts receivable held by the Company was due within one year, it was assessed that the Company was not exposed to significant market risk.

(b) Credit risk

The Company's debtors of receivables have good credit standing and banks would verify debtors' credit appropriately before they release loans. Therefore, it was assessed that the Company was not exposed to significant credit risk from receivables.

(c) Liquidity risk

It was assessed that Company was not exposed to significant liquidity risk as the Company's notes and accounts receivable were all due within one year.

(d) Cash flow risk due to the fluctuation of interest rate

It was assessed that the Company was not exposed to significant cash flow risk due to change in interest rate as the Company's notes and accounts receivable were all due within one year.

c. Loans: including short-term loans, short-term notes and bills payable, bonds payable, long-term loans (including current portion).

(a) Market risk

Loans of the Company are floating interest rate bearing and mostly due within one year. Thus, the Company did not expect to be exposed to significant market risk.

(b) Credit risk

The Company has good credit standing and the transactions with banks were normal. It was assessed that the Company was not exposed to credit risk.

(c) Liquidity risk

The Company's loans are mostly due within one year, and the cycle of housing construction to receivables is within a year. Thus, the working capital of the Company was considered sufficient to support its funding needs. The Company did not expect to be exposed to significant liquidity risk.

(d) Cash flow risk due to the fluctuation of interest rate

Loans of the Company except bonds payable, are floating interest rate bearing. Thus, the

effective interest rate on the loans fluctuated based on changes in market interest rates. As a result, the future cash flow is expected to also fluctuate.

F. Financial statement presentation

Certain accounts in the 2011 financial statements were reclassified to conform with the 2012 financial statement presentation.

11. ADDITIONAL DISCLOSURES REQUIRED BY THE SECURITIES AND FUTURES BUREAU

(1). Related information of significant transactions

Pursuant to the disclosure requirements under the Securities and Exchange Regulations, significant transactions for the year ended December 31, 2012 were as follows:

A. Loans to others attributed to financing activities as of December 31, 2012:

Number	Name	Name of counterparty	Account	Maximum balance during 2012	Ending balance	Interest rate	Nature of financing activity (Note a)	Total transaction amount	Reason for financing	Allowance for doubtful amount		Assets pledged		Loan limit per entity	Maximum amount available for loan	Note
												Item	Value			
0	Prince Housing & Development Corp.	Ta-Chen Construction & Engineering Corp.	Other receivables - related parties	\$ 500,000	\$ 500,000	2.7	2	\$ -	- Additional operating capital	\$ -	-	-	\$ -	\$ 500,000	\$ 6,779,931	1 - 5
0	Prince Housing & Development Corp.	Dong-Feng Enterprises Co., Ltd.	Other receivables - related parties	500,000	-	2.7	2	-	- Additional operating capital	-	-	-	-	500,000	6,779,931	1
0	Prince Housing & Development Corp.	Hsia-Hai re-planning district, re-planning committee, Ren-Wu District, Kaohsiung City.	Other receivables	1,350,000	1,350,000	2.7	1	1,400,000	None	-	-	-	-	1,400,000	6,779,931	1 - 6
1	Prince Apartment Management Maintain Co., Ltd.	Prince Property Management Co., Ltd.	Other receivables - related parties	15,000	-	2.7	2	-	- Additional operating capital	-	-	-	-	15,000	27,141	2 - 7
2	Dong-Feng Enterprises Co., Ltd.	Prince Housing & Development Corp.	Other receivables - related parties	240,000	-	2.7	2	-	- Additional operating capital	-	-	-	-	171,024	171,024	3
3	Ta-Chen Construction & Engineering Corp.	Prince Housing & Development Corp.	Other receivables - related parties	500,000	300,000	2.7	2	-	- Additional operating capital	-	-	-	-	500,000	476,636	4 - 5

Note a : The number represents the nature of financing activities as follows :

1. Trading partner.

2. Short-term financing.

Note 1 : In accordance with the Company's related regulations, the total amount for loan is 40% of its net worth.

Note 2 : In accordance with Prince Apartment Management Maintain Co., Ltd. related regulations, the total amount for loan is 40% of its net worth.

Note 3 : In accordance with Dong-Feng Enterprises Co., Ltd. related regulations, the total amount for loan is 40% of its net worth.

Note 4 : In accordance with Ta-Chen Construction & Engineering Corp., Ltd. related regulations, the total amount for loan is 40% of its net worth. However, the total amount for loan cannot exceed 40% of its net worth for short-term financing.

Note 5 : As of December 31, 2012, the Company had drawn down \$0.

Note 6 : As of December 31, 2012, the Company had drawn down \$1,195,615.

Note 7 : Prince Property Management Co., Ltd. had been dissolved on October 1, 2012 because of the merger in the Group.

B. Endorsements and guarantees provided during the year ended December 31, 2012:

Number	Endorsee		Endorsement limit for a single entity	Highest balance during the period	Outstanding balance as at December 31, 2012	Balance secured by collateral	Ration of accumulated amount to net worth of the company	Maximum amount of endorsement	Note
	Name of endorser	Name of endorsee							
0	Prince Housing & Development Corp.	Ta-Chen Construction & Engineering Corp.	\$ 3,389,965	\$ 1,200,000	\$ 1,200,000	\$ -	7	\$ 8,474,913	1、2、8
0	Prince Housing & Development Corp.	Time Square International Co., Ltd.	3,389,965	1,100,000	900,000	-	5	8,474,913	1、2、9
0	Prince Housing & Development Corp.	The Splendor Hotel Taichung	3,389,965	1,932,720	1,932,720	-	11	8,474,913	1、2、10
1	Ta-Chen Construction & Engineering Corp.	Prince Housing & Development Corp.	1,500,000	927,889	-	-	-	3,000,000	3
2	Dong-Feng Enterprises Co., Ltd.	Prince Housing & Development Corp.	2,000,000	1,810,889	1,810,889	-	424	4,000,000	4、11
3	Prince Utility Co., Ltd.	Prince Housing & Development Corp.	1,000,000	540,651	540,651	-	965	2,000,000	5、12
4	Jin-Yi-Xing plywood Co., Ltd.	Prince Housing & Development Corp.	2,500,000	1,552,889	1,552,889	-	483	5,000,000	6、13
5	Cheng-shi Construction Co., Ltd.	Prince Security Co., Ltd.	100,000	-	-	-	-	200,000	7

Note a : An investee company. The guarantees were provided based on the Company's proportionate share in the investee company.

Note 1 : In accordance with the company's related regulations, the total amount of transactions of endorsements and guarantees for any single of then entity is 20% of the company's net worth.

Note 2 : In accordance with the Company's related regulations, the total accumulated amount of transactions of endorsements and guarantees cannot exceed 50% of the Company's net worth.

Note 3 : In accordance with Ta-Chen Construction & Engineering Corp.'s related regulations, the limit of endorsements and guarantees for any single entity is \$1,500,000, the total accumulated amount is \$3,000,000.

Note 4 : In accordance with Dong-Feng Enterprises Co., Ltd. related regulations, the limit of endorsements and guarantees for any single entity is \$2,000,000, the total accumulated amount is \$4,000,000.

Note 5 : In accordance with Prince Utility Co., Ltd. related regulations, the limit of endorsements and guarantees for any single entity is \$1,000,000, the total accumulated amount is \$2,000,000.

Note 6 : In accordance with Jin-Yi-Xing plywood Co., Ltd. related regulations, the limit of endorsements and guarantees for any single entity is \$2,500,000, the total accumulated amount is \$5,000,000.

Note 7 : In accordance with Cheng-Shi Construction Co., Ltd. related regulations, the limit of endorsements and guarantees for any single entity is \$100,000, the total accumulated amount is \$200,000.

Note 8 : Endorsements and guarantees amount is the amount of the endorsement and guarantee contract signed with the bank. As of December 31, 2012, the Company had drawn down \$309,084.

Note 9 : Endorsements and guarantees amount is the amount of the endorsement and guarantee contract signed with the bank. As of December 31, 2012, the Company had drawn down \$0.

Note 10 : Endorsements and guarantees amount is the amount of the endorsement and guarantee contract signed with the bank. As of December 31, 2012, the Company had drawn down \$1,717,720.

Note 11 : As of December 31, 2012, the Company had drawn down \$1,810,889.

Note 12 : As of December 31, 2012, the Company had drawn down \$540,651.

Note 13 : As of December 31, 2012, the Company had drawn down \$1,246,889.

C. Marketable securities held as at December 31, 2012:

Name of the company	Type of investment	Name of investee companies	Relationship with the Company	General ledger accounts	December 31, 2012				Note
					Number of shares	Carrying amount	Percentage of company's ownership	Market value	
Prince Housing & Development Corp.	Stock	Cheng-Shi Investment Holdings Co., Ltd.	Subsidiary	Long-term equity investments accounted for under the equity method	120,807,230	\$ 539,263	100.00	\$ 11.22	
	"	Prince Property Management Consulting Co., Ltd. (formerly Prince Real Estate Agent Co., Ltd.)	"	"	17,146,580	223,903	100.00	14.08	
	"	Geng-Ding Co., Ltd.	The investee company accounted for under the equity method	"	18,000,000	317,735	30.00	17.65	3
	"	Prince Housing Investment Co., Ltd.	Subsidiary	"	428	312,282	100.00	783,680.91	
	"	BioSun Technology Co., Ltd.	"	"	4,688,000	24,123	100.00	4.84	
	"	Prince Biotechnology Co., Ltd.	"	"	250,000	2,385	50.00	9.54	
	"	Prince Ta-Chen Investment Co., Ltd.	"	"	12,270,100	41,920	99.97	3.42	
	"	Dong-Feng Enterprises Co., Ltd.	"	"	20,400,194	231,522	100.00	20.96	
	"	Uni-President Development Corp.	The investee company accounted for under the equity method	"	108,000,000	980,708	30.00	9.08	4
	"	The Splendor Hotel Taichung	Subsidiary	"	97,500,000	383,078	50.00	3.93	
	"	Time Square International Hotel Co., Ltd.	"	"	60,000,000	438,189	100.00	7.30	
	"	Jin-Yi-Xing Plywood Co., Ltd.	"	"	151,468	661,381	99.65	2,120.19	
	"	Early Success Investments Ltd.	"	"	1,554,660	40,506	100.00	26.05	
	"	Ming-Da Enterprise Co., Ltd.	The investee company accounted for under the equity method	"	3,640,000	132,453	20.00	14.85	
	"	Splendor Asset Management Co., Ltd.	Subsidiary	"	50,000	487	50.00	9.74	
	"	Prince Asset Management Co., Ltd.	"	"	2,190	1,244	100.00	497.67	
	"	Nantex Industry Co., Ltd.	None	Available-for-sale financial assets-	5,838,402	109,470	Note 1	18.75	Listed company, Note 5
	"	ScinoPharm Taiwan, Ltd.	"	"	19,402,348	1,354,284	Note 1	69.80	Listed company, Note 6

Name of the company	Type of investment	Name of investee companies	Relationship with the Company	General ledger accounts	December 31, 2012				Note
					Number of shares	Carrying amount	Percentage of company's ownership	Market value	
Prince Housing & Development Corp.	Stock	Simple Technology Co., Ltd.	None	Available-for-sale financial assets - non-current	127,249	\$ 18,578	Note 1	\$ 146.00	OTC company
	"	Advanced Wireless Semiconductor Company	"	"	197,937	4,137	Note 1	20.90	OTC company
	"	Trade-Van Information Service Co., Ltd.	"	"	85,535	2,036	Note 1	23.80	Listed company
	"	Aetherm Inc.	"	"	45,224	696	Note 1	15.40	OTC company
	"	Genome International Biomedical Co., Ltd.	"	"	1,311	149	Note 1	113.50	OTC company
	"	Universal Venture Capital Investment Corp.	"	Financial assets carried at cost - non-current	1,400,000	14,000	Note 1	Note 2	
	"	President Energy Development Ltd.	"	"	1,275,000	36,989	Note 1	Note 2	
	"	President International Development Corp.	"	"	87,745,770	841,520	6.63	Note 2	7
	"	Grand Bills Finance Corp.	"	"	48,672	473	Note 1	Note 2	
	"	Jia-Cheng Venture Capital Investment Co., Ltd.	"	"	759,024	-	Note 1	Note 2	
	"	Jia-Hua Venture Capital Investment Co., Ltd.	"	"	1,211,228	-	7.90	Note 2	
	Stock	Chipwell Tech. Corp.	None	Financial assets carried at cost - non-current	887,970	1,776	Note 1	Note 2	
	"	Ever-Move Technology Co., Ltd.	"	"	15,381	-	Note 1	Note 2	
	"	Chuang-Jing Technology Co.,	"	"	12,645	-	Note 1	Note 2	
	"	Bao-Mao Technology Co., Ltd.	"	"	27,933	-	Note 1	Note 2	
	"	Jie-Lun Technology Co., Ltd.	"	"	17,280	-	Note 1	Note 2	
	"	Quan-Mao Technology Inc.	"	"	341,745	-	Note 1	Note 2	

Name of the company	Type of investment	Name of investee companies	Relationship with the Company	General ledger accounts	December 31, 2012			
					Number of shares	Carrying amount	Percentage of company's ownership	Market value
Prince Housing & Development Corp.	Stock	Wei-Jun Technology Co., Ltd.	None	Financial assets carried at cost - non-current	1,846	\$ -	Note 1	Note 2
	"	Nanmat Technology Co., Ltd.	"	"	1,099,960	10,700	5.00	Note 2
	"	Southern Science Joint Development Co., Ltd.	"	"	167,700	1,677	10.00	Note 2
	"	Southern Science Joint Development Co., Ltd. - preferred	"	"	2,500,000	25,000	50.00	Note 2
	"	Chieh-Cheng Technology Co., Ltd.	"	"	41,343	-	Note 1	Note 2
	Fund	Mega Diamond Money Market Fund	"	"	6,301,406	76,593	Note 1	12
Cheng-Shi Investment Holdings Co., Ltd.	Stock	Ta-Chen Construction & Engineering Corp.	Subsidiary	Financial assets at fair value through profit or loss-non-Long-term equity investments accounted for under the equity	124,000,000	1,191,591	100.00	9.61
	"	Prince Utility Co., Ltd.	"	"	3,070,000	56,025	100.00	18.25
Ta-Chen Construction & Engineering Corp.	"	Cheng-Shi Construction Co., Ltd.	"	"	10,100,000	108,027	100.00	10.70
	"	Prince Housing & Development Corp.	Parent company	Financial assets at fair value through profit or loss - current	34,435,720	712,819	Note 1	20.70
	"	Nantex Industry Co., Ltd.	None	"	10,285,699	192,857	Note 1	18.75
	Fund	Yuantia Global Realty & Infrastructure Acc.	"	"	1,000,000	7,070	Note 1	7
	Stock	Ta Chen International (Brunei) Corp.	Subsidiary	Long-term equity investments accounted for under the equity	201,000	2,923	100.00	14.54
	"	Prince Biotechnology Co., Ltd.	Affiliated Company	"	225,000	2,147	45.00	9.54
	"	Chipwell Tech. Corp.	None	Financial assets carried at cost - non-current	1,113,000	5,565	Note 1	Note 2
	"	Nanmat Technology Co., Ltd.	"	"	1,233,600	12,000	5.56	Note 2

Name of the company	Type of investment	Name of investee companies	Relationship with the Company	General ledger accounts	December 31, 2012				Note
					Number of shares	Carrying amount	Percentage of company's ownership	Market value	
Prince Housing Investment Co., Ltd.	Stock	PPG Investment Inc.	The investee company accounted for under the equity method	Long-term equity investments accounted for under	273	US\$1,969	27.27	US\$7,212	
	"	Queen Holdings Ltd.	"	"	2,730	US\$9,352	27.27	US\$3,426	
	"	Tou Ihsu Investments Inc.	None	Financial assets carried at cost - non-current	600	US\$0.6	15.00	Note 2	
Prince Ta-Chen Investment Co., Ltd.	Stock	Prince Capital, Inc.	Subsidiary	Long-term equity investments accounted for under the equity method	1	2,640	100.00	2,640	
	"	Chipwell Tech. Corp.	None	Financial assets carried at cost - non-current	207,536	913	Note 1	Note 2	
	"	Da-Hung Technology Co., Ltd.	"	"	300,000	-	Note 1	Note 2	
	"	Ever-More Technology Co., Ltd.	"	"	395,890	-	Note 1	Note 2	
	"	Chuang-Ching Software Co., Formosoft International Inc.	"	"	116,741	819	Note 1	Note 2	
	"	Ke-Ya Technology Co., Ltd.	"	"	53,258	366	Note 1	Note 2	
	"	Jia-Cheng Venture Capital Investment Co., Ltd.	"	"	23,156	-	Note 1	Note 2	
	"	Jia-Hua Venture Capital Investment Co., Ltd.	"	"	291,000	-	Note 1	Note 2	
	"	Quan-Mao Technology Inc.	"	"	480,000	-	Note 1	Note 2	
	"	Jie-Cheng Technology Co., Ltd.	"	"	9,897	-	Note 1	Note 2	
	"	Bao-Mao Technology Co., Ltd.	"	"	41,434	-	Note 1	Note 2	
	"	Universal Chu-Ching Co., Ltd.	"	"	960,697	-	Note 1	Note 2	
	"	Chuang-Jing Technology Co., Ltd.	"	"	71,923	-	Note 1	Note 2	
	"	Wei-Jun Technology Co., Ltd.	"	"	4,842	-	Note 1	Note 2	
	"	Jie-Lun Technology Co., Ltd.	"	"	707	-	Note 1	Note 2	
Prince Ta-Chen Investment Co., Ltd.	Stock	Aetherm Inc.	None	Available-for-sale financial assets - non-current	6,617	-	Note 1	Note 2	
					17,317	267	Note 1	15.40	

December 31, 2012

Name of the company	Type of investment	Name of investee companies	Relationship with the Company	General ledger accounts	Number of shares	Carrying amount	Percentage of company's ownership	Market value	Note
Prince Ta-Chen Investment Co., Ltd.	Fund	Taiwan Best Selection	None	Financial assets at fair value through profit or loss - current	500,000	\$ 5,410	Note 1	\$ 10.82	
	Stock	Genome International Biomedical Co. Ltd.	"	"	92	-	Note 1	113.50	
Prince Utility Co., Ltd.	"	Holux Technology Inc.	"	"	279,509	2,622	Note 1	9.38	
	"	Prince Biotechnology Co., Ltd.	Affiliated Company	Long-term equity investments accounted for under the equity method	5,000	47	Note 1	9.54	
Prince Property Management Consulting Co., Ltd (formerly Prince Real Estate Appraisal Co., Ltd.)	"	Prince Apartment Management Maintain Co., Ltd.	Subsidiary	"	3,000,000	67,853	100.00	22.62	
Prince Apartment Management Maintain Co., Ltd.	"	Prince Security Co., Ltd.	"	"	13,172,636	161,794	100.00	12.25	
	"	Prince Biotechnology Co., Ltd.	Affiliate Company	"	15,000	142	Note 1	9.54	
	"	Prince Housing & Development Corp.	Parent company	Available-for-sale financial assets - non-current	578,486	7,495	Note 1	20.70	
	"	Tainan Spinning Co., Ltd.	None	"	115,733	2,003	Note 1	14.65	
	"	Prince Biotechnology Co., Ltd.	Affiliate Company	Long-term equity investments accounted for under the equity method	5,000	47	Note 1	9.54	
Dong-Feng Enterprises Co., Ltd.	Stock	Amida Trustlink Assets Management Co., Ltd.	The investee company accounted for under the equity method	Long-term equity investments accounted for under the equity method	37,025,625	317,986	45.21	8.59	
	"	Synta Pharmaceuticals Corp.	None	Available-for-sale financial assets - non-current	180,000	47,068	Note 1	US\$261.49	

December 31, 2012

Name of the company	Type of investment	Name of investee companies	Relationship with the Company	General ledger accounts	Number of shares	Carrying amount	Percentage of company's ownership	Market value	Note
Dong-Feng Enterprises Co., Ltd.	Stock	Nantex Industry Co., Ltd.	None	Available-for-sale financial assets - non-current	149,942	2,811	Note 1	18.75	
	"	Sung Gang Asset Management Co., Ltd.	"	"	2,083,333	39,896	Note 1	19.15	
Prince Capital, Inc.	"	Prince Ventures USA Inc.	Subsidiary	Long-term equity investments accounted for under the equity method	1	US\$113	100.00	US\$0.19	
Prince Ventures USA Inc.	Fund	SHORT TERM US TREAS ISS CLASS	None	Financial assets at fair value through profit or loss - current	65,000	US\$66	Note 1	US\$1.00	
	Stock	Synta Pharmaceuticals Corp.	"	"	5,000	US\$45	Note 1	US\$9.02	
Prince Security Co., Ltd.	"	Nanmat Technology Co., Ltd.	"	Financial assets carried at cost - non-current	164,480	1,600	Note 1	Note 2	
Early Success Investments Ltd.	"	Synta Pharmaceuticals Corp.	None	Financial assets at fair value through profit or loss - current	154,800	US\$1,396	Note 1	US\$9.02	
Ta-Chen International (Brunei) Corp.	"	Ta-Chen Construction & Engineering (Vietnam) Corp.	Subsidiary	Long-term equity investments accounted for under the equity method	Note 10	US\$67	100.00	Note 10	

Note 1 : Percentage of company's ownership is less than 5%.

Note 2 : We have not received the financial statements from management. Thus the net value cannot be measured.

Note 3 : 12,000,000 shares of outstanding common stock were used as collateral for loan.

Note 4 : 108,000,000 shares of outstanding common stock were used as collateral for loan.

Note 5 : 4,088,451 shares of outstanding common stock were used as collateral for loan.

Note 6 : 17,276,000 shares of outstanding common stock were used as collateral for loan.

Note 7 : 60,000,000 shares of outstanding common stock were used as collateral for loan.

Note 8 : 30,763,397 shares of outstanding common stock were used as collateral for loan.

Note 9 : 7,715,980 shares of outstanding common stock were used as collateral for loan.

Note 10 : Not applicable for a limited company.

D. Accumulated additions and disposals of individual marketable security exceeding \$100 million or 20% of the Company's contributed capital:

Investor	Marketable securities	General ledger account	Counterparty	Relationship with the Company	Beginning balance		Addition		Disposal			Other increase (decrease)		Ending balance		
					Number of shares (in thousands)	Amount	Number of shares (in thousands)	Amount	Number of shares (in thousands)	Selling price	Book value	Gain (loss) on disposal	Number of shares (in thousands)	Amount	Number of shares (in thousands)	Amount
Prince Housing & Development Corp.	Prince Property Management Consulting Co., Ltd.	Long-term equity investments accounted for under the equity method	None	Subsidiary	1,000	\$ 2,202	13,000	\$ 130,000	-	\$ -	\$ -	\$ -	3,147	\$ 91,701	17,147	\$ 223,903

Note : Including investment income (loss) accounted for under the equity method and the equity increase from share conversion in business combination.

E. Acquisition of real estate exceeding \$100 million or 20% of the Company's contributed capital:

If the counterparty is a related party, information pertaining to previous transactions on the property is disclosed below:

Acquiring company	Type of property	Date of transaction (Note A)	Transaction amount	Payment status	Counterparty	Relationship with the Company	Original owner	Relationship of the original owner with the Company	Date of the original transaction	Amount	Basis for price determination	Acquisition purpose and current status on usage	Other commitments
Prince Housing & Development Corp.	Ming Ding Lot (including land and buildings)	2012/11/7	\$ 273,680	\$ 273,680	Taiwan Sugar Corporation	None	-	-	-	\$ -	Negotiated price	Construction	Note
	He Guan Lot (including land and buildings)	2012/12/10	241,600	241,600	"	"	-	-	-	-	"	"	"
	Qiao Zhong Lot (including land and buildings)	2012/12/20	157,960	157,960	"	"	-	-	-	-	"	"	"

Note : Please refer to Note 7. N and O.

F. Disposal of real estate exceeding \$100 million or 20% of the Company's contributed capital:

Company name	Property	Date of disposal (Note 1)	Date of acquisition	Book value	Disposal amount	Status of collection of proceeds	Gain (loss) on disposal (Note 2)	Relationship with the Counterparty	Reason of disposal	Basis or reference used in setting the price	Other commitments
Prince Housing & Development Corp.	San Kuai Cuo Lot No.1244	2012/03/20	2008/05/22	\$ 155,200	\$ 240,347	\$ 240,347	\$ 84,596	Third party	For operating use	Market value	-
	Yu Dong Lot No.995	2011/11/29	1996/05/23	93,857	108,395	108,395	9,719	Third party	For operating use	Market value	-

Note 1: The signing date of the contract. As of December 31, 2012, the land had been transferred to the counterparty.

Note 2: Using disposal amount less its cost and related expenses.

G. Purchases from or sales to related parties exceeding \$100 million or 20% of the Company's contributed capital during the year ended December 31, 2012:

Company	Counterparty	Relationship with the Company	Transactions			Differences in transaction terms compared to third party transactions			
			Purchases/(Sales)	Amount	% of total Purchases (Sales)	Credit terms	Unit price	Credit terms	Balance
Prince Housing & Development Corp.	Cheng-Shi Construction Co., Ltd.	Subsidiary	Purchases	\$ 699,743	12%	Note A	Note B	Note B	(\$ 128,311)
	Ta-Chen Construcion & Engineering Corp.	"	"	365,254	6%	"	"	"	(191,827)
	Prince Utility Co., Ltd.	"	"	267,329	4%	"	"	"	(98,712)
									% of total accounts / notes receivable (payable)
									(5%)
									(8%)
									(4%)

Note A: Progress payments were made in accordance with the contract terms.

Note B: It is reasonable compared to the normal trading terms.

I. Information on derivative instruments transactions: None.

(2). Disclosure information of investee company

Information of investee companies as December 31, 2012 is disclosed below:

Investor	Investee	Location	Main activities	Initial investment amount			Holding status			Net income (loss) of investee company			Investment income (loss) recognized by the Company			
				December 31, 2012	Currency	December 31, 2011	Number of shares	Percentage	Carrying amount	Currency	Amount	Currency	Amount	Currency	Amount	Note
Prince Housing & Development Corp.	Ta-Chen Construction & Engineering Corp.	Taiwan	Construction	\$ -	NTD	\$ 1,240,000	-	-	\$ -	NTD	\$ 292,425	NTD	\$ 88,626	NTD	\$ -	1、2
	Prince Utility Co., Ltd.	Taiwan	Electricity and water pipe maintenance	-	NTD	38,800	-	-	-	NTD	22,144	NTD	10,165	NTD	-	1、2
	Cheng-Shi Investment Holdings Co., Ltd.	Taiwan	General investments	1,379,950	NTD	-	120,807,230	100.00	539,263	NTD	-	NTD	-	NTD	-	2
	Prince Property Management Consulting Co., Ltd.(formerly Prince Real Estate Agent)	Taiwan	Management and consulting	181,000	NTD	10,000	17,146,580	100.00	223,903	NTD	2,034	NTD	1,019	NTD	1,019	2
	Prince Real Estate Appraisal Co., Ltd.	Taiwan	Real estate appraisal	-	NTD	1,000	-	-	-	NTD	(88)	NTD	265	NTD	-	3
	Geng-Ding Co., Ltd.	Taiwan	Hotels and catering	120,000	NTD	120,000	18,000,000	30.00	317,735	NTD	41,902	NTD	12,571	NTD	12,571	
	Prince Apartment Management Mainttain Co., Ltd.	Taiwan	Management of apartments	-	NTD	30,000	-	-	-	NTD	8,039	NTD	8,462	NTD	-	1、2
	Prince Housing Investment Co., Ltd.	British Virgin Islands	Overseas investment	4,280	USD	4,280	428	100.00	312,282	NTD	18,094	NTD	18,094	NTD	18,094	2
	BioSun Technology Co., Ltd.	Taiwan	Anti-mildew's import and export	46,880	NTD	46,880	4,688,000	100.00	24,123	NTD	(7,633)	NTD	(7,633)	NTD	(7,633)	2
	Prince Biotechnology Co., Ltd.	Taiwan	Research and development of biological preparation	2,500	NTD	2,500	250,000	50.00	2,385	NTD	104	NTD	52	NTD	52	2
	Prince Security Co., Ltd.	Taiwan	Security	-	NTD	10,000	-	-	-	NTD	19,449	NTD	5,990	NTD	5,990	1、2
	Prince Ta-Chen Investment Co., Ltd.	Taiwan	General investments	198,940	NTD	198,940	12,270,100	99.97	41,920	NTD	(388)	NTD	(388)	NTD	(388)	2
	Dong-Feng Enterprises Co., Ltd.	Taiwan	Housebuilders and sales	965,034	NTD	1,150,034	20,400,194	100.00	231,522	NTD	64,002	NTD	64,002	NTD	64,002	1、2

Investor	Investee	Location	Main activities	Initial investment amount			Holding Status			Net income (loss) of investee company		Investment income (loss) recognized by the Company				
				Currency	December 31, 2012	Currency	December 31, 2011	Number of shares	Percentage	Currency	Carrying amount	Currency	Amount	Currency	Amount	Note
Prince Housing & Development Corp.	Uni-President Development Corp.	Taiwan	Leasing of buildings	NTD	\$ 1,080,000	NTD	\$ 1,080,000	108,000,000	30.00	NTD	\$ 980,708	NTD	\$ 231,725	\$	69,509	
	Cheng-Shi Construction Co., Ltd.	Taiwan	Construction	NTD	-	NTD	61,150	-	-	NTD	-	NTD	7,038	NTD	7,092	1、2
	The Splendor Hotel Taichung	Taiwan	Hotels and catering	NTD	975,000	NTD	975,000	97,500,000	50.00	NTD	383,078	NTD	(16,972)	NTD	(8,486)	2
	Time Square International Co., Ltd.	Taiwan	Hotels and catering	NTD	600,000	NTD	600,000	60,000,000	100.00	NTD	438,189	NTD	138,779	NTD	145,215	2
	Jin-Yi-Xing Plywood Co., Ltd.	Taiwan	Manufacture of plywoods	NTD	636,194	NTD	636,194	151,468	99.65	NTD	661,381	NTD	8,198	NTD	8,169	2
	Early Success Investments Ltd.	Brish Virgin Islands	Overseas investment	NTD	33,018	NTD	33,018	1,554,660	100.00	NTD	40,506	NTD	19,919	NTD	19,919	2
	Ming-Da Enterprise Co., Ltd.	Taiwan	Real estate trading	NTD	127,400	NTD	127,400	3,640,000	20.00	NTD	132,453	NTD	765	NTD	(1,565)	
	Splendor Assets Management Co., Ltd.	Taiwan	Management consulting	NTD	500	NTD	500	50,000	50.00	NTD	487	NTD	2	NTD	1	2
Cheng Shi Investment Holdings Co., Ltd.	Prince Assets Management LLC.	Hong Kong	Overseas investment	NTD	62,631	NTD	72,956	2,190	100.00	NTD	1,244	NTD	18,779	NTD	7,871	2
	Ta-Chen Construction & Engineering Corp.	Taiwan	Construction	NTD	1,191,591	NTD	-	124,000,000	100.00	NTD	1,191,591	NTD	292,425	NTD	-	2
	Prince Utility Co., Ltd.	Taiwan	Electricity and water pipe maintenance	NTD	56,025	NTD	-	3,070,000	100.00	NTD	56,025	NTD	22,144	NTD	-	2
	Cheng-Shi Construction Co., Ltd.	Taiwan	Construction	NTD	108,027	NTD	-	10,100,000	100.00	NTD	108,027	NTD	7,038	NTD	-	2
Ta-Chen Construction Engineering Corp.	Prince Entertainment Co., Ltd.	Taiwan	Management of entertainment	NTD	-	NTD	4,900	-	-	NTD	-	NTD	(88)	NTD	-	3

Investor	Investee	Location	Major activities	Initial investment amount			Holding Status			Net income (loss) of investee company		Investment income (loss) recognized by the Company		Note
				December 31, 2012	Currency	December 31, 2011	Number of shares	Percentage	Carrying amount	Currency	Amount	Currency	Amount	
Ta-Chen Construction & Engineering Corp.	Ta-Chen International (Brunei) Corp.	Brunei	Overseas investment	\$ 5,916	NTD	\$ 1,964	201,000	100.00	\$ 2,923	NTD	(\$ 2,877)	NTD	\$ -	2
	Prince Biotechnology Co., Ltd.	Taiwan	Research and development of biological preparation	2,250	NTD	2,250	225,000	45.00	2,147	NTD	104	NTD	-	2
	Prince Security Co., Ltd.	Taiwan	Security	-	NTD	10,000	-	-	-	NTD	19,449	NTD	-	2
Prince Housing Investment Co., Ltd.	PPG Investment Inc.	USA	Overseas investment	1,909	USD	1,909	273	27.27	1,969	USD	(487)	USD	-	-
	Queen Holdings Ltd.	British Virgin Islands	Overseas investment	4,091	USD	4,091	2,730	27.27	9,352	USD	2,110	USD	-	-
Prince Ta-Chen Investment Co., Ltd.	Prince Capital, Inc.	British Virgin Islands	Overseas investment	26,727	NTD	26,727	1	100.00	2,640	NTD	(3)	NTD	-	2
Prince Utility Co., Ltd.	Prince Biotechnology Co., Ltd.	Taiwan	Research and development of biological preparation	50	NTD	50	5,000	1.00	47	NTD	104	NTD	-	2
Prince Property Management Consulting Co., Ltd. (formerly Prince Real Estate Agent Co., Ltd.)	Prince Apartment Management Maintain Co., Ltd.	Taiwan	Management of apartments	67,853	NTD	-	3,000,000	100.00	67,853	NTD	8,039	NTD	-	2
	Prince Security Co., Ltd.	Taiwan	Security	159,611	NTD	-	13,172,636	100.00	161,794	NTD	19,449	NTD	-	2
	Prince Biotechnology Co., Ltd.	Taiwan	Research and development of biological preparation	150	NTD	-	15,000	3.00	142	NTD	104	NTD	-	2

Investor	Investee	Location	Major activities	Initial investment amount			Holding Status			Net income (loss) of investee company			Investment income (loss) recognized by the Company		
				December 31, 2012	Currency	December 31, 2011	Number of shares	Percentage	Currency	Carrying amount	Currency	Amount	Currency	Amount	Note
Prince Apartment Management Mainland Co., Ltd.	Prince Security Co., Ltd.	Taiwan	Security	\$ -	NTD	\$ 10,000	-	-	NTD	\$ -	NTD	\$ 19,449	NTD	\$ -	2
	Prince Property Management Co., Ltd.	Taiwan	Development of public housing and building and its rental	-	NTD	5,000	-	-	NTD	-	NTD	(22)	NTD	-	3
	Prince Biotechnology Co., Ltd.	Taiwan	Research and development of biological preparation	50	NTD	50	5,000	1.00	NTD	47	NTD	104	NTD	-	2
Dong-feng Enterprises Co., Ltd.	Amida Trustlink Assets Management Co., Ltd.	Taiwan	Development of public housing and building and its rental	459,295	NTD	459,295	37,025,625	45.21	NTD	317,986	NTD	72,678	NTD	-	-
	Prince Ventures USA Inc.	British Virgin Islands	Overseas investment	20,511	NTD	20,511	1	100.00	USD	113	USD	(2)	NTD	-	2
Prince Capital, Inc.	Prince Property Management Co., Ltd.	Taiwan	Development of public housing and building and its rental	-	NTD	5,000	-	-	NTD	-	NTD	(22)	NTD	-	3
Ta-Chen International (Brunei) Corp.	Ta-Chen Construction & Engineering (Vietnam) Corp.	Vietnam	Construction	201	USD	66	-	100.00	USD	67	USD	(99)	USD	-	2

Note 1 : The difference between the income (loss) of the investee and the investment income (loss) of the investee recognized by the Company is the investment income (loss) of the investee recognized by the Company in proportion to the share ownership and unrealized gain (loss) from elimination of inter-company transactions.

Note 2 : Subsidiary.

Note 3 : It had been dissolved on October 1, 2012 because of the merger in the Group.

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

12. Segment Information

In accordance with R.O.C. SFAS No. 41, "Operating Segments", segment information is disclosed in the consolidated financial statements.

PRINCE HOUSING & DEVELOPMENT CORP. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AND REPORT OF INDEPENDENT ACCOUNTANTS DECEMBER 31, 2012 AND 2011

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For the convenience of readers and for information purpose only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

To the Board of Directors and Stockholders of Prince Housing & Development Corp.

We have audited the accompanying consolidated balance sheets of Prince Housing & Development Corp. and subsidiaries as of December 31, 2012 and 2011, and the related consolidated statements of income, of changes in stockholders' equity and of cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the 2012 and 2011 financial statements of certain long-term investments accounted for under the equity method. These long-term equity investments amounted to NT\$810,735 thousand and NT\$760,609 thousand as of December 31, 2012 and 2011, respectively, and the related net investment income amounted to NT\$63,192 thousand and NT\$31,553 thousand for the years then ended. We also did not audit the financial statements of certain subsidiaries which statements reflect total assets of NT\$1,450,174 thousand and NT\$1,491,576 thousand, as of December 31, 2012 and 2011, respectively, both representing 3% of the related consolidated totals, and total operating revenue of NT\$518,027 thousand and NT\$1,282,619 thousand, representing 4% and 9% of the related consolidated totals for the years then ended. The financial statements of these investee companies and subsidiaries were audited by other auditors whose reports thereon have been furnished to us and our opinion expressed herein, insofar as it relates to the amounts included in the financial statements is based solely on the reports of the other auditors.

We conducted our audits in accordance with the "Regulations Governing the Examination of Financial Statements by Certified Public Accountants" and generally accepted auditing standards in the Republic of China. Those standards and rules 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 management, as well as evaluating the overall financial statement presentation. We believe that our audits and the reports of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and reports of other auditors, the consolidated financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Prince Housing & Developments Corp. and subsidiaries as of December 31, 2012 and 2011, and the results of their operations and their cash flows for the years then ended in conformity with the “Rules Governing the Preparation of Financial Statements by Securities Issuers” and generally accepted accounting principles in the Republic of China.

PricewaterhouseCoopers, Taiwan

March 15, 2013

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The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

PRINCE HOUSING & DEVELOPMENT CORP. AND SUBSIDIARIES
NON-CONSOLIDATED BALANCE SHEETS
DECEMBER 31
(Expressed in thousands of New Taiwan dollars)

ASSETS	Notes	2012		2011	
		AMOUNT	%	AMOUNT	%
Current Assets					
Cash and cash equivalents	4(1)	\$ 4,352,233	9	\$ 1,122,874	2
Financial assets at fair value through profit or loss - current	4(2) and 6	260,236	1	352,661	1
Notes receivable, net	3 and 4(3)	140,694	-	58,645	-
Accounts receivable, net	3, 4(4) and 5	2,426,231	5	1,237,872	2
Other receivables	3 and 4(21)	1,255,947	3	966,298	2
Other financial assets - current	6	825,630	2	94,833	-
Inventories, net	4(5) and 6	15,522,871	32	25,391,618	50
Prepayments		668,937	1	349,791	1
Deferred income tax assets - current	4(21)	20,239	-	-	-
Other current assets		24,825	-	23,336	-
Total current assets		<u>25,497,843</u>	<u>53</u>	<u>29,597,928</u>	<u>58</u>
Funds and Investments					
Financial assets at fair value through profit or loss - non-current	4(2) and 6	76,593	-	-	-
Available-for-sale financial assets - non-current	4(6) and 6	1,581,087	3	1,017,055	2
Financial assets carried at cost - non-current	4(7) and 6	965,951	2	1,034,854	2
Long-term equity investments accounted for under the equity method	4(8) and 6	1,923,896	4	1,805,826	3
Investments in real estate	4(9) and 6	271,118	1	271,118	-
Other financial assets - non-current	6	1,138,343	2	826,051	2
Total funds and investments		<u>5,956,988</u>	<u>12</u>	<u>4,954,904</u>	<u>9</u>
Property, Plant and Equipment, net	4(10) and 6				
Cost					
Land		2,775,597	6	2,780,311	6
Buildings		4,233,465	9	3,379,320	7
Machinery and equipment		12,008	-	15,344	-
Computer and communication equipment		51,719	-	56,995	-
Transportation equipment		29,115	-	17,232	-
Office equipment		909,717	2	866,404	2
Leased assets		71,848	-	-	-
Property held for lease - Land		3,205,959	6	3,267,922	6
Property held for lease - Buildings		6,629,884	14	6,662,160	13
Leasehold improvements		47,000	-	47,000	-
Other equipment		90,620	-	88,749	-
Cost and revaluation increments		<u>18,056,932</u>	<u>37</u>	<u>17,181,437</u>	<u>34</u>
Less: Accumulated depreciation		(1,925,736)	(4)	(1,493,769)	(3)
Construction in progress and prepayments for equipment		7,277	-	540,458	1
Total property, plant and equipment, net		<u>16,138,473</u>	<u>33</u>	<u>16,228,126</u>	<u>32</u>
Intangible Assets					
Trademarks		1,072	-	1,366	-
Patents		-	-	273	-
Computer software costs		8,960	-	17,466	-
Deferred pension costs	4(16)	3,776	-	5,667	-
Total intangible assets		<u>13,808</u>	<u>-</u>	<u>24,772</u>	<u>-</u>
Other Assets					
Refundable deposits		692,938	2	295,137	1
Deferred income tax assets - non-current	4(21)	612	-	-	-
Other assets - other		123,859	-	120,884	-
Total other assets		<u>817,409</u>	<u>2</u>	<u>416,021</u>	<u>1</u>
TOTAL ASSETS		<u>\$ 48,424,521</u>	<u>100</u>	<u>\$ 51,221,751</u>	<u>100</u>

(Continued)

PRINCE HOUSING & DEVELOPMENT CORP. AND SUBSIDIARIES
NON-CONSOLIDATED BALANCE SHEETS
DECEMBER 31
(Expressed in thousands of New Taiwan dollars)

LIABILITIES AND STOCKHOLDERS' EQUITY	Notes	2012		2011	
		AMOUNT	%	AMOUNT	%
Current Liabilities					
Short-term loans	4(11) and 6	\$ 4,360,000	9	\$ 5,586,400	11
Notes and bills payable	4(12) and 6	1,952,887	4	1,880,177	4
Notes payable		209,390	-	425,005	1
Accounts payable		3,176,615	6	1,597,775	3
Income tax payable	4(21)	42,477	-	9,039	-
Accrued expenses		1,263,588	3	806,940	2
Other payables		52,720	-	119,030	-
Receipts in advance	4(13)	2,331,351	5	5,850,696	11
Long-term loans - current portion	4(15) and 6	3,777,505	8	4,068,868	8
Other current liabilities		90,330	-	86,917	-
Total current liabilities		<u>17,256,863</u>	<u>35</u>	<u>20,430,847</u>	<u>40</u>
Long-term Liabilities					
Bonds payable	4(14)	2,000,000	4	-	-
Long-term loans	4(15) and 6	10,171,369	21	13,617,609	27
Long-term notes payable		54,534	-	-	-
Long-term payables		796,845	2	796,845	1
Total long-term liabilities		<u>13,022,748</u>	<u>27</u>	<u>14,414,454</u>	<u>28</u>
Reserves					
Land value incremental reserve		<u>495,328</u>	<u>1</u>	<u>495,328</u>	<u>1</u>
Other Liabilities					
Accrued pension liabilities	4(16)	107,066	-	99,286	-
Guarantee deposits received		141,344	1	156,957	1
Other liabilities - other		67,226	-	65,991	-
Total other liabilities		<u>315,636</u>	<u>1</u>	<u>322,234</u>	<u>1</u>
TOTAL LIABILITIES		<u>31,090,575</u>	<u>64</u>	<u>35,662,863</u>	<u>70</u>
Stockholders' Equity					
Capital					
Common stock	1 and 4(17)	11,944,765	24	10,858,877	21
Capital Reserves	4(18)				
Additional paid-in capital - treasury stock transactions		514,061	1	514,061	1
Capital reserve - others		7,232	-	7,232	-
Retained Earnings	4(17)(19)				
Legal reserve		843,650	2	612,237	1
Undistributed earnings		2,364,465	5	2,448,137	5
Other Adjustments to Stockholders' Equity					
Cumulative translation adjustments		(43,643)	-	(30,317)	-
Unrecognized pension cost	4(16)	(36,870)	-	(32,928)	-
Unrealized gain or loss on financial instruments	4(6)	1,416,607	3	851,992	1
Treasury stock	4(20)	(60,440)	-	(60,440)	-
Total Parent Company Stockholders' Equity		<u>16,949,827</u>	<u>35</u>	<u>15,168,851</u>	<u>29</u>
Minority interest		384,119	1	390,037	1
TOTAL STOCKHOLDERS' EQUITY		<u>17,333,946</u>	<u>36</u>	<u>15,558,888</u>	<u>30</u>
Commitments and Contingent Liabilities	5 and 7				
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		<u>\$ 48,424,521</u>	<u>100</u>	<u>\$ 51,221,751</u>	<u>100</u>

The accompanying notes are an integral part of these non-consolidated financial statements.
See report of independent accountants dated March 15, 2013.

PRINCE HOUSING & DEVELOPMENT CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31
(Expressed in thousands of New Taiwan dollars, except for earnings per share data)

	Notes	2012		2011	
		AMOUNT	%	AMOUNT	%
Operating Revenue	5				
Construction revenues		\$ 10,769,213	73	\$ 10,785,238	74
Other operating revenues		3,888,529	27	3,804,704	26
Total Operating Revenues		<u>14,657,742</u>	<u>100</u>	<u>14,589,942</u>	<u>100</u>
Operating Costs	4(23)				
Construction costs		(7,979,496)	(54)	(7,427,954)	(51)
Other operating costs		(2,004,601)	(14)	(2,187,863)	(15)
Total Operating Costs		<u>(9,984,097)</u>	<u>(68)</u>	<u>(9,615,817)</u>	<u>(66)</u>
Gross profit		<u>4,673,645</u>	<u>32</u>	<u>4,974,125</u>	<u>34</u>
Operating Expenses	4(23)				
Sales and marketing expenses		(650,627)	(4)	(679,208)	(4)
General and administrative expenses		(2,133,168)	(15)	(1,717,141)	(12)
Total Operating Expenses		<u>(2,783,795)</u>	<u>(19)</u>	<u>(2,396,349)</u>	<u>(16)</u>
Operating income		<u>1,889,850</u>	<u>13</u>	<u>2,577,776</u>	<u>18</u>
Non-operating Income and Gains					
Interest income		37,454	-	32,780	-
Investment income accounted for under the equity method	4(8)	131,135	1	70,974	1
Dividend income		91,609	1	16,664	-
Gain on valuation of financial assets	4(2)	-	-	26,447	-
Other non-operating income		176,699	1	168,283	1
Total Non-operating Income and Gains		<u>436,897</u>	<u>3</u>	<u>315,148</u>	<u>2</u>
Non-operating Expenses and Losses					
Interest expense	4(5)	(468,104)	(4)	(502,568)	(4)
Loss on disposal of property, plant and equipment		(4,708)	-	(83,714)	(1)
Impairment loss	4(7)	(330)	-	(5,581)	-
Loss on valuation of financial assets	4(2)	(14,426)	-	-	-
Other non-operating losses		(20,615)	-	(37,492)	-
Total Non-operating Expenses and Losses		<u>(508,183)</u>	<u>(4)</u>	<u>(629,355)</u>	<u>(5)</u>
Income before income tax		<u>1,818,564</u>	<u>12</u>	<u>2,263,569</u>	<u>15</u>
Income tax expense	4(21)	(42,719)	-	(19,294)	-
Consolidated net income		<u>\$ 1,775,845</u>	<u>12</u>	<u>\$ 2,244,275</u>	<u>15</u>
Attributable to:					
Equity holders of the Company		\$ 1,785,930	12	\$ 2,314,131	16
Minority interest		(10,085)	-	(69,856)	(1)
		<u>\$ 1,775,845</u>	<u>12</u>	<u>\$ 2,244,275</u>	<u>15</u>
Basic Earnings Per Share (in dollars)	4(22)	<u>Before Tax</u>	<u>After Tax</u>	<u>Before Tax</u>	<u>After Tax</u>
Net income (loss)		\$ 1.58	\$ 1.54	\$ 2.01	\$ 2.00
Diluted Earnings Per Share (in dollars)	4(22)				
Net income		\$ 1.57	\$ 1.54	\$ 2.01	\$ 1.99

The accompanying notes are an integral part of these non-consolidated financial statements.
See report of independent accountants dated March 15, 2013.

PRINCE HOUSING & DEVELOPMENT CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011
(Expressed in thousands of New Taiwan dollars)

	Capital reserves		Retained earnings		Other adjustments to stockholders' equity			Treasury stock	Minority interest	Total
	Common stock	Additional paid-in capital - treasury stock transactions	Capital reserve - others	Legal reserve	Undistributed earnings	Cumulative translation adjustments	Unrecognized pension cost	Unrealized gain or loss on financial instruments		
2011										
Balance at January 1, 2011	\$ 9,962,272	\$ 514,061	\$ 7,232	\$ 399,155	\$ 2,140,298	(\$ 44,451)	(\$ 32,842)	\$ 111,427	\$ 60,440	\$ 13,440,634
Distribution of 2010 net income (Note):										
Legal reserve	-	-	-	213,082	(213,082)	-	-	-	-	-
Cash dividends	-	-	-	-	(896,605)	-	-	-	-	(896,605)
Stock dividends	896,605	-	-	-	(896,605)	-	-	-	-	-
Consolidated net income for 2011	-	-	-	-	2,314,131	-	-	-	-	2,244,275
Cumulative translation adjustments	-	-	-	-	-	14,134	-	-	-	14,134
Unrecognized pension cost	-	-	-	-	-	-	(86)	-	-	(86)
Unrealized gain on financial instruments	-	-	-	-	-	-	-	740,565	-	740,565
Minority interest	-	-	-	-	-	-	-	-	15,971	15,971
Balance at December 31, 2011	\$ 10,858,877	\$ 514,061	\$ 7,232	\$ 612,237	\$ 2,448,137	(\$ 30,317)	(\$ 32,928)	\$ 851,992	\$ 60,440	\$ 15,558,888
2012										
Balance at January 1, 2012	\$ 10,858,877	\$ 514,061	\$ 7,232	\$ 612,237	\$ 2,448,137	(\$ 30,317)	(\$ 32,928)	\$ 851,992	\$ 60,440	\$ 15,558,888
Distribution of 2011 net income (Note):										
Legal reserve	-	-	-	231,413	(231,413)	-	-	-	-	-
Cash dividends	-	-	-	-	(542,944)	-	-	-	-	(542,944)
Stock dividends	1,085,888	-	-	-	(1,085,888)	-	-	-	-	-
Adjustment of retained earnings due to change in ownership of subsidiaries	-	-	-	-	(9,357)	-	-	-	-	(9,357)
Consolidated net income for 2012	-	-	-	-	1,785,930	-	-	-	-	1,775,845
Cumulative translation adjustments	-	-	-	-	-	(13,326)	-	-	-	(13,326)
Unrecognized pension cost	-	-	-	-	-	-	(3,942)	-	-	(3,942)
Unrealized gain on financial instruments	-	-	-	-	-	-	-	564,615	-	564,615
Minority interest	-	-	-	-	-	-	-	-	4,167	4,167
Balance at December 31, 2012	\$ 11,944,765	\$ 514,061	\$ 7,232	\$ 843,650	\$ 2,364,465	(\$ 43,643)	(\$ 36,870)	\$ 1,416,607	\$ 60,440	\$ 17,333,946

Note: The employees' bonuses were \$38,355 and \$41,654 and directors' and supervisors' remuneration were \$57,532 and \$62,482 in 2011 and 2010, respectively, which have been deducted from the statement of income.

The accompanying notes are an integral part of these non-consolidated financial statements.
See report of independent accountants dated March 15, 2013.

PRINCE HOUSING & DEVELOPMENT CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31
(Expressed in thousands of New Taiwan dollars)

	2012	2011
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Consolidated net income	\$ 1,775,845	\$ 2,244,275
Adjustments to reconcile consolidated net income to net cash provided by (used in) operating activities		
Loss (gain) on valuation of financial assets	14,426	(26,447)
Provision for doubtful accounts	103	-
Transfer of allowance for doubtful accounts to other non-operating income	-	(21,167)
Provision for (reversal of) inventory obsolescence and value decline	(28,252)	34,054
Impairment loss on financial assets carried at cost	330	5,581
Investment income accounted for under the equity method	(131,135)	(70,974)
Gain on disposal of investments	-	(3,444)
Depreciation	457,684	459,923
Loss on disposal of property, plant and equipment	4,708	83,714
Transfer of property, plant and equipment to other non-operating losses	4,421	11,877
Amortization	9,000	8,954
Changes in assets and liabilities		
Financial assets at fair value through profit or loss - current	76,027	(69,397)
Notes receivable	(82,049)	35,366
Accounts receivable	(1,188,462)	(72,983)
Other receivables	(289,649)	(335,594)
Inventories	9,978,055	(5,453,346)
Prepayments	(319,146)	235,864
Other current assets	(1,489)	26,322
Deferred income tax assets	(20,851)	-
Financial assets at fair value through profit or loss - non-current	(76,027)	-
Deferred pension costs	1,891	-
Notes payable	(215,615)	92,089
Accounts payable	1,578,840	(165,567)
Income tax payable	33,438	9,039
Accrued expenses	456,648	158,039
Other payables	(66,310)	9,879
Receipts in advance	(3,519,345)	1,598,696
Other current liabilities	3,413	15,017
Accrued pension liabilities	3,838	(5,280)
Other liabilities - other	1,235	(2,278)
Net cash provided by (used in) operating activities	<u>8,461,572</u>	<u>(1,197,788)</u>

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PRINCE HOUSING & DEVELOPMENT CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31
(Expressed in thousands of New Taiwan dollars)

	2012	2011
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Increase in other financial assets - current	(\$ 730,797)	(\$ 94,833)
Decrease in available-for-sale financial assets - non-current	583	382
Increase in financial assets carried at cost - non-current	-	(1,600)
Proceeds from capital reduction of financial assets carried at cost	67,529	7,244
Increase in other financial assets - non-current	(312,292)	(268,965)
Acquisition of property, plant and equipment	(508,195)	(1,053,447)
Proceeds from disposal of property, plant and equipment	40,628	1,267
Increase in refundable deposits	(397,801)	(153,687)
Increase in other assets - other	(2,902)	(29,306)
Net cash used in investing activities	(1,843,247)	(1,592,945)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
(Decrease) increase in short-term loans	(1,226,400)	540,108
Increase in notes and bills payable	72,710	744,600
Increase in bond payable	2,000,000	-
(Decrease) increase in long-term loans	(3,737,603)	2,151,284
Increase in long-term notes payable	54,534	-
(Decrease) increase in guarantee deposits	(15,613)	34,624
Payment of cash dividends	(542,944)	(896,605)
Increase in minority interest	4,167	15,971
Net cash (used in) provided by financing activities	(3,391,149)	2,589,982
Effect of foreign exchange rate changes on cash	2,183	2,058
Increase (decrease) in cash and cash equivalents	3,229,359	(198,693)
Cash and cash equivalents at beginning of year	1,122,874	1,321,567
Cash and cash equivalents at end of year	<u>\$ 4,352,233</u>	<u>\$ 1,122,874</u>
<u>Supplemental disclosures of cash flow information</u>		
1. Interest paid	\$ 684,214	\$ 591,489
Interest capitalized	(152,134)	(91,210)
Interest paid (excluding capitalized interest)	<u>\$ 532,080</u>	<u>\$ 500,279</u>
2. Income tax paid	<u>\$ 30,132</u>	<u>\$ 10,255</u>
<u>Non-cash flows from investing and financing activities</u>		
1. Property, plant and equipment transferred from prepayments for building and land	<u>\$ -</u>	<u>\$ 619,605</u>
2. Buildings and land held for sale transferred from property held for lease and property, plant and equipment	<u>\$ 90,407</u>	<u>\$ 388,137</u>
3. Financial assets carried at cost - non-current transferred to available-for-sale financial assets - non-current	<u>\$ -</u>	<u>\$ 84,780</u>

PRINCE HOUSING & DEVELOPMENT CORP. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS,
EXCEPTAS OTHERWISE INDICATED)

1. HISTORY AND ORGANIZATION

Prince Housing & Development Corp. (the “Company”) was incorporated as a company limited by shares under the provisions of the Company Law of the Republic of China (R.O.C.) in September 1973. As of December 31, 2012, the Company’s authorized capital was \$16,000,000 and the paid-in capital was \$11,944,765, consisting of 1,194,476 thousand shares of common stock with a par value of \$10 (in NT dollars) per share. The Company is primarily engaged in the construction, leasing and sale of public housing, commercial building, tourism/recreation place (children’s playground, water park, etc.) and parking lot/parking tower, and leasing and sale of real estate. The common shares of the Company have been listed on the Taiwan Stock Exchange since April 1991. As of December 31, 2012 and 2011, the Company had 2,775 and 2,732 employees, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying consolidated financial statements of the Company and its subsidiaries (collectively referred herein as the “Group”) are prepared in accordance with the “Rules Governing the Preparation of Financial Statements by Securities Issuers” and generally accepted accounting principles in the Republic of China. The Group’s significant accounting policies are as follows:

(1) Foreign currency transactions

- A. All majority-owned subsidiaries or controlled entities, which the Company owns less than 50% of the voting rights of the investee companies directly or indirectly, are included in the consolidated financial statements. The income (loss) of the subsidiaries is included in the consolidated statement of income effective on the date the Company gains control over the subsidiaries. The income (loss) of the subsidiaries is excluded from the consolidated statement of income effective the date on which the Company loses control over the subsidiaries. Significant intercompany transactions and assets and liabilities arising from intercompany transactions are eliminated.

B. Subsidiaries included in the consolidated financial statements and their changes in 2011:

Investor	Subsidiary	Main activities	Ownership(%)		Note
			December 31,		
			2012	2011	
Prince Housing & Development Corp.	Ta-Chen Construction & Engineering Corp.	Construction	-	100.00	5
	Prince Utility Co., Ltd.	Electricity and water pipe maintenance	-	100.00	5
	Prince Property Management Consulting Co., Ltd.(formerly Prince Real Estate Agent Co., Ltd.)	Real estate managers	100.00	100.00	6

Investor	Subsidiary	Main activities	Ownership(%)		Note	
			2012	2011		
Prince Housing & Development Corp.	Prince Real Estate Appraisal Co., Ltd.	Real estate appraisal	–	83.33	6	
	Cheng-Shi Investment Holdings Co., Ltd.	General investments	100.00	–	7	
	Prince Apartment Management Maintain Co., Ltd.,	Management of apartment	–	100.00	8	
	Prince Housing Investment Co., Ltd	Overseas investment	100.00	100.00		
	Prince Biotechnology Co., Ltd.	Research and development of biological preparation	100.00	100.00	3	
	BioSun Technology Co., Ltd.	Anti-mildew's import and export	100.00	100.00		
	Prince Ta-Chen Investment Co., Ltd.	General investments	99.97	99.97		
	Dong-Feng Enterprises Co., Ltd.	Housebuilders and sales	100.00	100.00		
	Prince Security Co., Ltd.	Security	–	100.00	4、8	
	Cheng-Shi Construction Co., Ltd.	Construction	–	100.00	5	
	The Splendor Hotel Taichung	Hotels and catering	50.00	50.00	1	
	Time Square International Co., Ltd.	Hotels and catering	100.00	100.00		
	Jin-Yi-Xing Plywood Co., Ltd.	Manufacture of plywood	99.65	99.65		
	Early Success Investments Ltd.	Overseas investment	100.00	100.00		
	Prince Assets Management LLC.	Overseas investment	100.00	87.60		
	Splendor Assets Management Co., Ltd.	Management consulting	50.00	50.00	1	
	Ta-Chen Construction & Engineering Corp.	Prince Entertainment Co., Ltd.	Management of entertainment	–	98.00	6
		Ta-Chen International (Brunei) Corp.	Overseas investment	100.00	100.00	
Cheng-Shi Investment Holdings Co., Ltd.	Ta-Chen Construction & Engineering Corp.	Construction	100.00	–	5	
	Prince Utility Co., Ltd.	Electricity and water pipe maintenance	100.00	–	5	
	Cheng-Shi Construction Co., Ltd.	Construction	100.00	–	5	
Prince Property Management Consulting Co., Ltd.(formerly Prince Real Estate Agent Co., Ltd.)	Prince Apartment Management Maintain Co., Ltd.,	Management of apartment	100.00	–	8	
	Prince Security Co., Ltd.	Security	100.00	–	4、8	
Prince Ta-Chen Investment Co., Ltd.	Prince Capital Inc.	Overseas investment	100.00	100.00		
Prince Capital Inc.	Prince Ventures USA Inc.	Overseas investment	100.00	100.00		
Prince Apartment Management Maintain Co., Ltd.,	Prince Property Management Co., Ltd.	Development of public housing and building and	–	100.00	2、6	
Ta-Chen International (Brunei)Corp.	Ta Chen Construction & Engineering (Vietnam) Corp.	Construction	100.00	100.00		

Note 1: The Company does not directly or indirectly own 50% above of voting shares of The Splendor Hotel Taichung and Splendor Assets Management Co., Ltd. However, as the Company has control over the finance and operations of the two companies, they are included in the consolidated financial statements.

Note 2: As of December 31, 2011, Prince Apartment Management Maintain Co., Ltd. and Prince Security Co., Ltd. own 50% of voting shares of Prince Property Management Co., Ltd., respectively.

Note 3: As of December 31, 2012 and 2011, the Company, Ta-Chen Construction & Engineering Corp., Prince Utility Co., Ltd., Prince Property Management Consulting

Co., Ltd. (formerly Prince Real Estate Agent Co., Ltd.), Prince Real Estate Appraisal Co., Ltd., Prince Apartment Management Maintain Co., Ltd. and Prince Entertainment Co., Ltd. owned 50%, 45%, 1%, 3%, 0%, 1%, 0% and 50%, 45%, 1%, 1%, 1%, 1%, 1% of voting shares of Prince Biotechnology Co., Ltd., respectively.

Note 4: As of December 31, 2011, the Company, Ta-Chen Construction & Engineering Corp., Prince Utility Co., Ltd., Prince Property Management Consulting Co., Ltd. (formerly Prince Real Estate Agent Co., Ltd.) Prince Real Estate Appraisal Co., Ltd., Prince Apartment Management Maintain Co., Ltd., Prince Entertainment Co., Ltd. owned 25%, 25%, 12%, 1%, 2%, 25% and 10% of voting shares of Prince Security Co., Ltd.

Note 5: Due to the investment structure adjustments in the Group, Ta-Chen Construction & Engineering Corp., Cheng-Shi Construction Co., Ltd. and Prince Utility Co., Ltd. became the consolidated entities of Cheng-Shi Investment Holdings Co., Ltd.

Note 6: Due to the investment structure adjustments in the Group, Prince Real Estate Agent Co., Ltd. as the surviving company merged with Prince Real Estate Appraisal Co., Ltd., Prince Entertainment Co., Ltd. and Prince Property Management Co., Ltd., and was renamed Prince Property Management Consulting Co., Ltd.

Note 7: Newly incorporated in the fourth quarter, 2011.

Note 8: Due to the investment structure adjustments in the Group, Prince Apartment Management Maintain Co., Ltd. and Prince Security Co., Ltd. became the consolidated entities of Prince Property Management Consulting Co., Ltd.

C. Subsidiaries not included in the consolidated financial statements

None.

D. Adjustments for subsidiaries with different balance sheet dates

None.

E. Special operating risk of foreign subsidiaries

None.

F. Nature and extent of the restrictions on fund remittance from subsidiaries to the parent company

None.

G. Contents of subsidiaries' securities issued by the parent company

As of December 31, 2012 and 2011, the total number of the Company's shares held by its subsidiaries, Ta-Chen Construction & Engineering Corp. and Prince Apartment Management Maintain Co., Ltd., was 35,014 thousand shares and 31,831 thousand shares with an average book value of \$1.73 and \$1.90 (in dollars), respectively. These shares have been included in the Company's treasury stock.

H. Information on convertible bonds and common stock issued by subsidiaries

(a) Subsidiary, Cheng-Shi Construction Co., Ltd. made capital increase by cash amounting to \$40,000, as resolved by the Board of Directors in April, 2012.

(b) Subsidiary, Prince Property Management Consulting Co., Ltd. (formerly Prince Real Estate Agent Co., Ltd.) made capital increase by cash amounting to \$130,000, as resolved by the Board of Directors in August, 2012.

(2) Foreign currency transactions

Assets and liabilities of foreign subsidiaries are translated into New Taiwan dollars using the exchange rates at the balance sheet date. Equity accounts are translated at historical rates except for beginning retained earnings, which are carried forward from prior year's balance. Dividends

are translated at the rates prevailing at the date of declaration. Profit and loss accounts are translated at weighted-average rates of the year. The resulting translation differences are included in “cumulative translation adjustments” under stockholders’ equity.

(3) Foreign currency transactions

- A. Transactions denominated in foreign currencies are translated into functional currency at the spot exchange rates prevailing at the transaction dates. Exchange gains or losses due to the difference between the exchange rate on the transaction date and the exchange rate on the date of actual receipt and payment are recognized in current year’s profit or loss.
- B. Receivables, other monetary assets and liabilities denominated in foreign currencies are translated at the spot exchange rates prevailing at the balance sheet date. Exchange gains or losses are recognized in profit or loss.
- C. When a gain or loss on a non-monetary item is recognized directly in equity, any exchange component of that gain or loss shall be recognized directly in equity. Conversely, when a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss shall be recognized in profit or loss. However, non-monetary items that are measured on a historical cost basis are translated using the exchange rate at the date of the transaction.

(4) Classification of current and non-current items

- A. If assets and liabilities are related to the construction business, they are classified as current or non-current according to their operating cycle; if they are not related to the construction business, they are classified by annual basis.
- B. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:
 - (a) Assets arising from operating activities that are expected to be realized or consumed, or are intended to be sold within the normal operating cycle;
 - (b) Assets held mainly for trading purposes;
 - (c) Assets that are expected to be realized within twelve months from the balance sheet date;
 - (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.
- C. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:
 - (a) Liabilities arising from operating activities that are expected to be paid off within the normal operating cycle;
 - (b) Liabilities arising mainly from trading activities;
 - (c) Liabilities that are to be paid off within twelve months from the balance sheet date;
 - (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date.

(5) Cash and cash equivalents

- A. Cash and cash equivalents include cash on hand and in banks and other short-term highly liquid investments which are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value resulting from fluctuations in interest rate.
- B. The Group’s statement of cash flows is prepared on the basis of cash and cash equivalents.

(6) Financial assets and financial liabilities at fair value through profit or loss

- A. Financial assets and financial liabilities at fair value through profit or loss are recognized and derecognized using settlement date accounting and are recognized initially at fair value.
 - B. These financial instruments are subsequently remeasured and stated at fair value, and the gain or loss is recognized in profit or loss. The fair value of listed stocks, OTC stocks and closed-end mutual funds is based on latest quoted fair prices of the accounting period. The fair value of open-end and balanced mutual funds is based on the net asset value at the balance sheet date.
 - C. When a derivative is an ineffective hedging instrument, it is initially recognized at fair value on the date a derivative contract is entered into and is subsequently remeasured at its fair value. If a derivative is a non-option derivative, the fair value initially recognized is zero.
 - D. Financial assets and financial liabilities at fair value through profit and loss are classified into asset or liability held for trading and those designated at fair value through profit or loss at inception. Financial assets and financial liabilities are classified as held for trading if acquired principally for the purpose of selling in the short term. Financial assets and financial liabilities designated as at fair value through profit or loss at inception are those that are managed and whose performance is evaluated on a fair value basis, in accordance with a documented Company's investment strategy. Information about these financial assets and financial liabilities are provided internally on a fair value basis to the Company's management. The Company's investment strategy is to invest free cash resources in equity securities or convertible bonds as part of the Company's long-term capital growth strategy. The Company has designated almost all of its compound debt instruments as financial liability at fair value through profit and loss.
- (7) Available-for-sale financial assets
- A. Available-for-sale financial assets in equity and debt are recognized and derecognized using trade date accounting and settlement date accounting, respectively, and are initially stated at fair value plus transaction costs that are directly attributable to the acquisition of the financial asset.
 - B. The financial assets are remeasured and stated at fair value, and the gain or loss is recognized in equity, until the financial asset is derecognized, at which time the cumulative gain or loss previously recognized in equity shall be recognized in profit or loss. The fair value of listed stocks, OTC stocks and closed-end mutual funds are based on latest quoted fair prices of the accounting period. The fair values of open-end and balanced mutual funds are based on the net asset value at the balance sheet date.
 - C. If there is any objective evidence that the financial asset is impaired, the cumulative loss that had been recognized directly in equity shall be transferred from equity to profit or loss. When the fair value of an equity instrument subsequently increases, impairment losses recognized previously in profit or loss shall not be reversed. When the fair value of a debt instrument subsequently increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss shall be reversed to the extent of the loss recognized in profit or loss.
- (8) Financial assets carried at cost
- A. Investment in unquoted equity instruments is recognized or derecognized using trade date accounting and is stated initially at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset.
 - B. The investments in equity instruments, including unlisted stocks and emerging stocks, are

measured at cost since their fair value cannot be measured reliably.

- C. If there is any objective evidence that the financial asset is impaired, the impairment loss is recognized in profit or loss. Such impairment loss shall not be reversed when the fair value of the asset subsequently increases.

(9) Notes, accounts and other receivables

- A. Notes and accounts receivable are claims resulting from the sale of goods or services. Receivables arising from transactions other than the sale of goods or services are classified as other receivables. Notes, accounts and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment.
- B. The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. If such evidence exists, a provision for impairment of financial asset is recognized. The amount of impairment loss is determined based on the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When the fair value of the asset subsequently increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss shall be reversed to the extent of the loss previously recognized in profit or loss. Such recovery of impairment loss shall not result to the asset's carrying amount greater than its amortized cost where no impairment loss was recognized. Subsequent recoveries of amounts previously written off are recognized in profit or loss.

(10) Inventories

The inventories include "land held for construction", "construction in progress", "buildings and land held for sale". Gains or losses occurring from construction contracts are recognized using the percentage of completion method. Inventories are stated at cost and evaluated at the lower of cost or net realizable value at the end period. The individual item approach is used in the comparison of cost and net realizable value. The calculation of net realizable value is based on the estimated selling price in the normal course of business, net of estimated costs of completion and estimated selling expenses. The interest costs related to construction in progress are capitalized during the construction.

(11) Accounting for construction

- A. Effective January 1, 2009, for the 'off plan' housing projects where the Company engages the construction firm to construct, the profit or loss of the 'off plan' housing projects is recognized on a percentage-of-completion basis if the projects meet the criteria of the percentage-of-completion method recognition; for other projects of the 'off plan' housing projects, the costs and profit or loss of the projects are recognized using the completed-contract method when the ownership of the houses are transferred and the houses are handed over, or when the houses are handed over before the balance sheet date (or when the ownership of the houses are transferred before the balance sheet date), but the ownership of the houses are transferred subsequently after the balance sheet date (but the houses are handed over subsequently after the balance sheet date).
- B. For the costs associated with the acquisition of the assets to be allocated over the period when the underlying assets will produce economic benefit to meet the revenue-cost (expense) matching principle, effective January 1, 2001, the Company capitalized interest incurred in

accordance with ROC SFAS No. 3, "Borrowing Cost".

- C. The construction-use land refers to the land that is under construction or under planning to be constructed. Such land is stated at the acquisition costs, including the purchase proceeds of the land and all necessary costs to acquire the land.
- D. The selling expenses incurred on the 'off plan' housing sale are recognized initially as "deferred selling expenses", and are reclassified to "operating expenses" when revenue is recognized after the construction of houses is completed.
- E. At the end of year, inventories are evaluated at the lower of cost or net realizable value, and the individual item approach is used in the comparison of cost and net realizable value. The calculation of net realizable value is based on the estimated selling price in the normal course of business, net of estimated costs of completion and estimated selling expenses.

(12) Long-term equity investments accounted for under the equity method

- A. Long-term equity investments in which the Company holds more than 20% of the investee Company's voting shares or has the ability to exercise significant influence on the investee's operational decisions are accounted for under the equity method.
- B. Effective January 1, 2005, investment loss on the non-controlled entities over which the Group has the ability to exercise significant influence is recognized to the extent that the amount of long-term investments in such investees is written down to zero. However, if the Group continues to provide endorsements, guarantees or financial support for such investees, the investment loss is recognized continuously in proportion to the Group's equity interest in such investees. In the case of controlled entities, the Group recognizes all the losses incurred by such entities that will not be covered by other stockholders. When the operations of such investees become profitable, the Group recognizes the profits until the amount of losses previously recognized by the Group is fully recovered.
- C. Exchange differences arising from translation of the financial statements of overseas investee companies accounted for under the equity method are recorded as "cumulative translation adjustments" under stockholders' equity.
- D. Long-term equity investments in which the Company hold more than 50% of the investee Company's voting shares or has the ability to control the investee's operational decision, in accordance with Statement of Financial Accounting Standards (SFAS) No. 7, "Consolidated Financial Statements", are accounted for under the equity method and included in the quarterly consolidated financial statements.

(13) Property, plant and equipment

- A. Property, plant and equipment are stated at cost. Interests incurred on the loans used to bring the assets to the condition and location necessary for their intended uses are capitalized.
- B. Depreciation is provided under the straight-line method based on the assets' estimated economic service lives. The estimated economic service lives of property, plant and equipment are 44~60 year for property held for lease-buildings, 50~60 years for buildings, and 5~15 years for other property, plant and equipment.
- C. Major improvements and renewals are capitalized and depreciated accordingly. Maintenance and repairs are expensed as incurred.
- D. When an asset is sold or retired, the cost and accumulated depreciation are removed from the respective accounts and any resulting gain or loss on disposal is recorded as non-operating income or expense.

(14) Deferred assets

Deferred assets are stated at cost and are amortized on a straight-line basis over 5 years.

(15) Impairment of non-financial assets

The Group recognizes impairment loss when there is indication that the recoverable amount of an asset is less than its carrying amount. The recoverable amount is the higher of the fair value less costs to sell and value in use. The fair value less costs to sell is the amount obtainable from the sale of the asset in an arm's length transaction after deducting any direct incremental disposal costs. The value in use is the present value of estimated future cash flows to be derived from continuing use of the asset and from its disposal at the end of its useful life. When the impairment no longer exists, the impairment loss recognized in prior years shall be recovered.

(16) Pension plan

Under the defined benefit pension plan, net periodic pension costs are recognized in accordance with the actuarial calculations. Net periodic pension costs include service cost, interest cost, expected return on plan assets, and amortization of unrecognized net transition obligation and gains or losses on plan assets. Under the defined contribution pension plan, net periodic pension costs are recognized as incurred.

(17) Income tax

A. Provision for income tax includes deferred income tax resulting from temporary differences, investment tax credits and loss carryforward. Valuation allowance on deferred tax assets is provided to the extent that it is more likely than not that the tax benefit will not be realized. Over or under provision of prior years' income tax liabilities is included in current year's income tax. When a change in the tax laws is enacted, the deferred tax liability or asset is recomputed accordingly in the period of change. The difference between the new amount and the original amount, that is, the effect of changes in the deferred tax liability or asset, is recognized as an adjustment to current income tax expense (benefit).

B. Adjustments of prior years' income tax liabilities are included in the current year's income tax expense.

C. An additional 10% tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

D. If the amount of regular income tax is more than or equal to the amount of basic tax, the income tax payable shall be calculated in accordance with the Income Tax Act and other relevant laws. Whereas if the amount of regular income tax is less than the amount of basic tax, the income tax payable shall also include the difference between the amount of regular income tax and basic tax, in addition to the amount as calculated in accordance with the "Income Tax Act" and other relevant laws. The balance calculated in accordance with the provisions shall not allow for deductions claimed in regard to investment tax credits granted under the provisions of other laws.

E. The income tax of subsidiaries reflected in the consolidated financial statements is in accordance with the local relevant laws and regulations.

(18) Treasury stock

A. When the Company acquires its issued and outstanding shares as treasury stocks, the book value of those treasury stocks is computed respectively on a weighted-average basis according to the type of shares (common shares) and the reason for reacquisition. Treasury stock transactions should be dealt with in the following ways:

- (a) Reacquisition: if the shares are purchased, they are stated at the acquisition cost; if the shares are donated, they are stated at fair value.
 - (b) Disposal: when treasury stocks are sold, if the selling price is above the book value, the difference should be credited to the capital surplus-from treasury stock transactions account. If the selling price is below the book value, the difference should first be offset against capital surplus from the same class of treasury stock transactions, and the remainder, if any, debited to retained earnings.
 - (c) Write off: when a Company's treasury stock is retired, the treasury stock account should be credited, and the capital surplus-premium on stock account and capital stock account should be debited proportionately according to the share ratio. Any excess of the carrying value of treasury stock over the sum of its par value and premium on stock should first be offset against capital surplus from the same class of treasury stock transactions, and the remainder, if any, debited to retained earnings. Any excess of the sum of the par value and premium on stock of treasury stock over its carrying value should be credited to capital surplus from the same class of treasury stock transactions.
- B. The Company adopted the Statement of Financial Accounting Standards No. 30, "Accounting for Treasury Stocks" since January 1, 2002, which requires the Company's stock held by subsidiaries should be treated as treasury stock when the Company recognizes investment income or loss and prepares financial statements.

(19) Employees' bonuses and directors' and supervisors' remuneration

Effective January 1, 2008, pursuant to EITF 96-052 of the Accounting Research and Development Foundation, R.O.C., dated March 16, 2007, "Accounting for Employees' Bonuses and Directors' and Supervisors' Remuneration", the costs of employees' bonuses and directors' and supervisors' remuneration are accounted for as expenses and liabilities, provided that such recognition is required under legal or constructive obligation and the amounts can be estimated reasonably. However, if the accrued amounts for employees' bonuses and directors' and supervisors' remuneration are significantly different from the actual distributed amounts resolved by the stockholders at their annual stockholders' meeting subsequently, the differences shall be recognized as gain or loss in the following year. In addition, according to EITF 97-127 of the Accounting Research and Development Foundation, R.O.C., dated March 31, 2008, "Criteria for Listed Companies in Calculating the Number of Shares of Employees' Stock Bonus", the Company calculates the number of shares of employees' stock bonus based on the closing price of the Company's common stock at the previous day of the stockholders' meeting held in the year following the financial reporting year, and after taking into account the effects of ex-rights and ex-dividends.

(20) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts of assets and liabilities and the disclosures of contingent assets and liabilities at the date of the financial statements and the amounts of revenues and expenses during the reporting period. Actual results could differ from those assumptions and estimates.

(21) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is responsible for

allocating resources and assessing performance of the operating segments. In accordance with R.O.C. SFAS No. 41, “Operating Segments”, segment information is disclosed in the consolidated financial statements rather than in the separate financial statements of the Company.

(22) Settlement date accounting

If an entity recognizes financial assets using settlement date accounting, any change in the fair value of the asset to be received during the period between the trade date and the settlement date is not recognized for assets carried at cost or amortized cost. For financial assets or financial liabilities classified as at fair value through profit or loss, the change in fair value is recognized in profit or loss. For available-for-sale financial assets, the change in fair value is recognized directly in equity.

3. CHANGES IN ACCOUNTING PRINCIPLES

A. Notes, accounts and other receivables

Effective January 1, 2011, the Group prospectively adopted the amendments to R.O.C. SFAS No. 34, “Financial Instruments: Recognition and Measurement.” The Group recognizes impairment loss on notes, accounts and other receivables when there is an objective evidence of impairment. This accounting change has no significant effect on the Group’s consolidated financial statements as of and for the year ended December 31, 2011.

B. Operating segments

Effective January 1, 2011, the Group adopted R.O.C. SFAS No. 41, “Operating Segments” to replace the original R.O.C. SFAS No. 20, “Segment Reporting”. In accordance with such standard, the Group restated the segment information for 2010 upon the first adoption of R.O.C. SFAS No. 41. This change in accounting principle had no significant effect on net income and earnings per share for the year ended December 31, 2011.

4. DETAILS OF SIGNIFICANT ACCOUNTS

(1). Cash and cash equivalents

	December 31,	
	2012	2011
Cash:		
Cash on hand	\$ 12,706	\$ 9,495
Checking accounts	2,412,193	352,637
Savings deposits	1,649,391	692,195
Time deposits	21,943	3,547
	4,096,233	1,057,874
Cash equivalents:		
Repurchase of bonds	256,000	65,000
	<u>\$ 4,352,233</u>	<u>\$ 1,122,874</u>

(2). Financial assets at fair value through profit or loss

	December 31,	
	2012	2011
Current items:		
Financial assets held for trading		
Listed (TSE and OTC) stocks	\$ 263,029	\$ 264,955
Mutual funds	17,665	93,778
	280,694	358,733
Valuation adjustments	(20,458)	(6,072)
	<u>\$ 260,236</u>	<u>\$ 352,661</u>
Non-Current items:		
Financial assets held for trading		
Mutual funds	\$ 76,000	\$ -
Valuation adjustments	593	-
	<u>\$ 76,593</u>	<u>\$ -</u>

1. The Group recognized net (loss) gain of (\$14,426) and \$26,447 for the years ended December 31, 2012 and 2011, respectively.

2. For details of pledged assets, please refer to Note 6.

(3). Notes receivable

	December 31,	
	2012	2011
Notes receivable	\$ 144,397	\$ 62,348
Less: Allowance for doubtful accounts	(3,703)	(3,703)
	<u>\$ 140,694</u>	<u>\$ 58,645</u>

(4). Accounts receivable

	December 31,	
	2012	2011
Accounts receivable	\$ 2,433,470	\$ 1,245,008
Less: Allowance for doubtful accounts	(7,239)	(7,136)
	<u>\$ 2,426,231</u>	<u>\$ 1,237,872</u>

(5). Inventories

	December 31,	
	2012	2011
Construction in progress	\$ 26,256,361	\$ 32,464,832
Less: Advance construction receipts	(23,301,771)	(22,268,433)
Construction in progress, net	2,954,590	10,196,399
Land held for construction site	10,153,301	13,495,155
Buildings and land held for sale	1,677,831	781,227
Prepayment for land	162,269	579,573
Prepayment for buildings and land	702,134	488,861
Merchandise	28,136	34,045
Total inventories	15,678,261	25,575,260
Less : Allowance for decline in market value and obsolescence	(155,390)	(183,642)

A. For details of pledged assets, please refer to Note 6.

B. For the years ended December 31, 2012 and 2011, the interest capitalized as cost of inventory are as follows:

	2012	2011
Interest paid before capitalization	\$ 579,981	\$ 593,778
Interest capitalized	\$ 152,134	\$ 91,210
Annual interest rate used for capitalization	1.25%~3.32%	1.68%~3.18%

C. Disclosure of significant construction :

(a) As of December 31, 2012, significant construction are set forth below:

Name of construction contract	Contract amount	Estimated construction cost	Percentage of completion	Accumulated construction profit/(loss)
Kaohsiung MRT	\$ 12,309,685	\$ 13,591,830	100.00%	(\$ 1,282,145)
Taipei City Hall Bus Station	4,611,635	4,503,753	99.82%	107,688
New construction of Chaozhou Railway Station	3,598,095	3,454,171	38.56%	55,497
Tseng-Wen Reservoir	3,593,220	3,530,296	71.53%	45,010
Taoyuan MRT Airport Line - CU03	1,650,937	1,612,757	94.15%	35,947
Western Coast Expressway - WH53-1	1,302,523	1,305,694	95.61%	(3,171)

(b) As of December 31, 2011, significant construction are set forth below:

Name of construction contract	Contract amount	Estimated construction cost	Percentage of completion	Accumulated construction profit/(loss)
Kaohsiung MRT	\$ 12,206,760	\$ 13,590,812	100.00%	(\$ 1,384,051)
Taipei City Hall Bus Station	4,833,457	4,725,575	95.89%	103,448
New construction of Chaozhou Railway Station	3,598,095	3,454,171	2.12%	3,051
Tseng-Wen Reservoir	3,593,220	3,530,296	67.30%	42,348
Taoyuan MRT Airport Line - CU03	1,654,692	1,602,757	86.25%	44,794
Western Coast Express - WH69-1	1,459,522	1,317,047	100.00%	142,475
Western Coast Express - WH53-1	1,252,428	1,195,691	68.01%	38,587

(6). Available-for-sale financial assets

Items	December 31,	
	2012	2011
Non-current items:		
Listed (TSE and OTC) stock	\$ 161,146	\$ 161,146
Adjustment of financial assets held for trading	1,419,941	855,909
	<u>\$ 1,581,087</u>	<u>\$ 1,017,055</u>

Certain available-for-sale financial assets were pledged as security for short-term and commercial papers payable. For details of pledged assets, please refer to Note 6.

(7). Financial assets carried at cost

Items	December 31,	
	2012	2011
Non-current items:		
Unlisted stocks	\$ 958,610	\$ 1,027,513
Emerging stocks	7,341	7,341
	<u>\$ 965,951</u>	<u>\$ 1,034,854</u>

- (a) The Company was committed to invest US\$10,000,000 in President Energy Development Ltd. On June 17, 2010, July 8, 2011 and July 4, 2012, President Energy Development Ltd. reduced its capital and returned share capital amounting to US\$127,500, US\$85,000 and US\$85,000, respectively. As of reporting date, the Company had paid US\$1,275,000 for the shares investment.
- (b) The investments were measured at cost since its fair value cannot be measured reliably.
- (c) Certain financial assets carried at cost had been impaired. Accordingly, the Group recognized impairment loss of \$330 and \$5,581 for the years ended December 31, 2012 and 2011, respectively.
- (d) Certain financial assets carried at cost were pledged as security for short-term and commercial papers payable. For details of pledged assets, please refer to Note 6.

(8) Long-term equity investments accounted for under the equity method

A. Details of long-term equity investments accounted for under the equity method are set forth below.

	December 31,			
	2012		2011	
	Carrying amount	Percentage of ownership	Carrying amount	Percentage of ownership
Geng-Ding Co., Ltd.	\$ 317,735	30.00%	\$ 305,165	30.00%
Uni-President Development Corp.	980,708	30.00%	911,199	30.00%
Amida Trustlink Assets Managemnt Co., Ltd.	164,806	45.21%	131,407	45.21%
PPG Investment Inc.	57,077	27.27%	63,512	27.27%
Queen Holdings Ltd.	271,117	27.27%	260,525	27.27%
Ming-Da Enterprise Co., Ltd.	132,453	20.00%	134,018	20.00%
	<u>\$ 1,923,896</u>		<u>\$ 1,805,826</u>	

B. Details of investment income accounted for under the equity method are set forth below:

Investee companies	2012	2011
Geng-Ding Co., Ltd.	\$ 12,571	\$ 13,719
Uni-President Development Corp.	69,509	30,454
Amida Trustlink Assets Management Co., Ltd.	32,818	(5,873)
PPG Investment Inc.	(3,908)	8,056
Queen Holdings Ltd.	21,711	15,651
Ming-Da Enterprise Co., Ltd.	(1,566)	8,967
	<u>\$ 131,135</u>	<u>\$ 70,974</u>

C. The investment income of certain investees for the years ended December 31, 2012 and 2011, accounted for under the equity method, was based on their financial statements for the corresponding periods, which were audited by other auditors. The investment income recognized for these investees for the years ended December 31, 2012 and 2011 was \$63,192 and \$31,553, respectively. As of December 31, 2012 and 2011, long-term equity investments in these investees were \$810,735 and \$760,609, respectively. The investees whose financial statements were audited by other auditors for the years ended December 31, 2012 and 2011 were as follows: Geng-Ding Co., Ltd., Amida Trustlink Assets Management Co., Ltd., PPG Investment Inc. and Queen Holdings Ltd.

D. Certain long-term equity investments were pledged as security for short-term loans and commercial papers payable. For details of pledged assets, please refer to Note 6.

(9) Investments in real estate

A. Details of real estate investments are set forth below:

	December 31,	
	2012	2011
Beitou District, Zhenxing Section 3, No. 122, etc., Taipei City	\$ 162,426	\$ 162,426
Xiaobei Section No. 966, Tainan City	68,329	68,329
Wenlin Section 4, Taipei City	38,552	38,552
Others (individually less than 3%)	1,811	1,811
	<u>\$ 271,118</u>	<u>\$ 271,118</u>

B. For details of pledged assets, please refer to Note 6.

(9) Property, plant and equipment

	December 31, 2012		
	Initial cost	Accumulated depreciation	Net book value
Land	\$ 2,775,597	\$ -	\$ 2,775,597
Buildings	4,233,465	(605,617)	3,627,848
Machinery and equipment	12,008	(1,896)	10,112
Computer and communication equipment	51,719	(29,696)	22,023
Transportation equipment	29,115	(6,093)	23,022
Office equipment	909,717	(369,762)	539,955
Leased assets	71,848	-	71,848
Property held for lease - Land	3,205,959	-	3,205,959
Property held for lease - Buildings	6,629,884	(863,179)	5,766,705
Leasehold improvements	47,000	(37,600)	9,400
Other equipment	90,620	(11,893)	78,727
Construction in progress and prepayments for equipment	7,277	-	7,277
	<u>\$ 18,064,209</u>	<u>(\$ 1,925,736)</u>	<u>\$ 16,138,473</u>

	December 31, 2011		
	Initial cost	Accumulated depreciation	Net book value
Land	\$ 2,780,311	\$ -	\$ 2,780,311
Buildings	3,379,320	(444,484)	2,934,836
Machinery and equipment	15,344	(1,859)	13,485
Computer and communication equipment	56,995	(29,510)	27,485
Transportation equipment	17,232	(11,980)	5,252
Office equipment	866,404	(245,007)	621,397
Property held for lease - Land	3,267,922	-	3,267,922
Property held for lease - Buildings	6,662,160	(724,587)	5,937,573
Leasehold improvements	47,000	(28,553)	18,447
Other equipment	88,749	(7,789)	80,960
Construction in progress and prepayments for equipment	540,458	-	540,458
	<u>\$ 17,721,895</u>	<u>(\$ 1,493,769)</u>	<u>\$ 16,228,126</u>

For details of pledged assets, please refer to Note 6.

(11) Short-term loans

	December 31,	
	2012	2011
Unsecured loans	\$ 2,890,000	\$ 959,400
Secured loans	1,470,000	4,627,000
	<u>\$ 4,360,000</u>	<u>\$ 5,586,400</u>
Range of interest rate	<u>1.50%~2.69%</u>	<u>2.00%~2.75%</u>

For details of pledged assets, please refer to Note 6.

(12) Notes and bills payable

	December 31,	
	2012	2011
Commercial papers	\$ 1,955,000	\$ 1,883,000
Less: Unamortized discount	(2,113)	(2,823)
	<u>\$ 1,952,887</u>	<u>\$ 1,880,177</u>
Range of interest rate	<u>0.85%~1.80%</u>	<u>0.90%~2.08%</u>

(a) The above commercial papers were issued by banks and bills financial institutions.

(b) For details of pledged assets, please refer to Note 6.

(13) Notes and bills payable

	December 31,	
	2012	2011
Advance real estate receipts	\$ 1,421,450	\$ 4,719,446
Advance construction receipts	633,630	953,023
Advance rent	148,012	82,263
Other advance receipts	128,259	95,964
	<u>\$ 2,331,351</u>	<u>\$ 5,850,696</u>

(14) Bonds payable

	December 31,		Collateral or security
	2012	2011	
2012 1st secured ordinary bonds payable	<u>\$ 2,000,000</u>	<u>\$ -</u>	Note

Note: Please refer to Note 4(14)A(g).

The Company issued secured ordinary bonds payable in July 2012. The significant terms of the bonds are as follows:

- (a) Total issue amount: \$2,000,000
- (b) Issue price: At pay value of \$100 per bond.
- (c) Coupon rate: 1.33%
- (d) Terms of interest repayment: The bonds interest is calculated on simple rate every year starting July 2012 based on the coupon rate.
- (e) Repayment term: The bonds are repaid upon the maturity of the bonds.
- (f) Period: 5 years, from July 12, 2012 to July 12, 2017.
- (g) The way of security: The Bonds are secured by Bank of Taiwan.
- (h) Guarantee Bank: The Bonds are guaranteed by Mega International Commercial Bank.

(15) Long-term loans

	December 31,	
	2012	2011
Secured bank loans	\$ 10,060,561	\$ 16,987,039
Unsecured loans	3,490,000	300,000
Long-term commercial paper	400,000	400,000
	<u>13,950,561</u>	<u>17,687,039</u>
Less: Unamortized discount	(1,687)	(562)
Current portion	(3,777,505)	(4,068,868)
	<u>\$ 10,171,369</u>	<u>\$ 13,617,609</u>
Range of maturity dates	<u>101.02.06~116.11.02</u>	<u>101.02.13~116.11.02</u>
Range of interest rates	<u>0.86%~3.07%</u>	<u>0.86%~3.01%</u>

(16) Pension plans

The Company and its R.O.C. subsidiaries have a non-contributory and funded defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 8% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. The following sets forth the pension information based on the actuarial report:

(a) Actuarial assumptions

	2012	2011
Discount rate	1.50%~1.75%	1.90%
Rate of compensation increase	1.50%~2.00%	1.50%~2.00%
Expected rate of return on plan assets	1.50%~1.75%	1.50%~1.90%

(b) The funded status of the plans as of December 31, 2012 and 2011 is as follows:

	December 31, 2012	December 31, 2011
Benefit obligation:		
Vested benefit obligation	(\$ 39,542)	(\$ 45,769)
Non-vested benefit obligation	(105,893)	(106,402)
Accumulated benefit obligation	(145,435)	(152,171)
Additional benefit based on future salaries	(25,356)	(25,864)
Projected benefit obligation	(170,791)	(178,035)
Fair value of plan assets	49,064	65,598
Funded status	(121,727)	(112,437)
Unrealized net transition obligation	11,668	13,126
Unrecognized loss on plan assets	47,904	40,748
Complement recognized accrued pension liabilities	(40,646)	(37,764)
Accrued pension liabilities	(\$ 102,801)	(\$ 96,327)

(C) Net pension cost comprises the following:

	2012	2011
Service cost	\$ 1,506	\$ 1,898
Interest cost	3,383	3,410
Expected return on plan assets	(1,246)	(1,161)
Amortization of unrecognized net transition obligation	1,458	1,458
Amortization of unrecognized loss in plan assets	2,377	2,588
Net pension cost	<u>\$ 7,478</u>	<u>\$ 8,193</u>

Effective July 1, 2005, the Company and its R.O.C. subsidiaries have established a funded defined contribution pension plan (the “New Plan”) under the Labor Pension Act. Employees have the option to be covered under the New Plan. Under the New Plan, the Company and its R.O.C. subsidiaries contribute monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are portable upon termination of employment. The pension costs under the defined contribution pension plan for the years ended December 31, 2012 and 2011 were \$61,243 and \$55,780, respectively.

(17) Common stock

The stockholders at their annual stockholders’ meeting on June 17, 2011 adopted a resolution to increase capital for 89,660 thousand shares through capitalization of unappropriated retained earnings of \$896,605. Pursuant to the approval by the Financial Supervisory Commission, Securities and Futures Bureau, No. 1000035447, the capital increase was effective on July 29, 2011. After the capital increase, the paid-in capital was \$ 10,858,877.

The stockholders at their annual stockholders’ meeting on June 20, 2012 adopted a resolution to increase capital for 108,589 thousand shares through capitalization of unappropriated retained earnings of \$1,085,888. Pursuant to the approval by the Financial Supervisory Commission, Securities and Futures Bureau, No. 1010034424, the capital increase was effective on August 6, 2012. After the capital increase, the paid-in capital was \$ 11,944,765.

(18) Capital reserves

Pursuant to the R.O.C. Company Law, capital reserve arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Law requires that the amount of capital reserve to be capitalized mentioned above should not exceed 10% of the paid-in capital each year. Capital reserve should not be used to cover accumulated deficit unless the legal reserve is insufficient.

(19) Retained earnings

- A. In accordance with the Company's Articles of Incorporation, the Company will take into consideration its future business plans and capital expenditures in determining the amounts of earnings to be retained and to be distributed. In accordance with the Company Law, 10% of the current year's earnings, after payment of all taxes and after offsetting accumulated deficits, shall be set aside as legal reserve until the balance of legal reserve is equal to that of issued share capital. Afterwards, an amount shall be appropriated as special reserve in accordance with applicable legal or regulatory requirements, and then distribution should be in the following order:
- (a) 3% as remuneration to directors and supervisors;
 - (b) At least 2% as bonuses to employees; and
 - (c) Appropriation of the remainder plus prior year's accumulated unappropriated retained earnings shall be proposed by the Board of Directors, taking into consideration the cash requirements for future business and investments and other factors. In principle, cash and stock dividends shall account for 50% and 50%, respectively, of the total dividends distributed. While, in case the Company has the need for reserving cash for a significant capital expenditure plan, or intends to adopt the high cash dividends policy instead to avoid capital inflation, the Board of Directors may adjust the cash and stock dividends payout ratios; however, cash and stock dividends shall account for at least 30% and 30%, respectively, of the total dividends distributed, and the final adjustments shall be approved by the stockholders. The parties entitled to the employees' stock bonus may include the employees of the Company's affiliates who meet certain criteria.
- B. According to the R.O.C. Company Law, except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the balance of the reserve exceeds 25% of the Company's paid-in capital.
- C. As of December 31, 2012 and 2011, the balance of unappropriated retained earnings is as follows:

	December 31,	
	2012	2011
Unappropriated retained earnings in and after 1998	\$ 2,364,465	\$ 2,448,137

- D. (a) The appropriation of 2011 and 2010 earnings had been resolved at the stockholders' meetings on June 20, 2012 and June 17, 2011, respectively. Details are summarized below:

	2011		2010	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	\$ 231,413	\$ -	\$ 213,082	\$ -
Stock dividends	1,085,888	1.00	896,605	0.90
Cash dividends	542,944	0.50	896,605	0.90
Employees' cash bonus	41,654	-	38,355	-
Directors' and supervisors' remuneration	62,482	-	57,532	-
	<u>\$ 1,964,381</u>	<u>\$ 1.50</u>	<u>\$ 2,102,179</u>	<u>\$ 1.80</u>

- (b) The appropriation of 2012 earnings had been proposed by the Board of Directors on March 15, 2013. Details are summarized below:

	2012	
	Amount	Dividends per share (in dollars)
Legal reserve	\$ 178,593	\$ -
Stock dividends	1,194,476	1.00
Cash dividends	597,238	0.50
Employees' cash bonus	32,147	-
Directors' and supervisors' remuneration	48,220	-
	<u>\$ 2,050,674</u>	<u>\$ 1.50</u>

As of report day, the abovementioned 2012 earnings appropriation had not been approved by the stockholders.

- E. Employees' bonus for 2012 and 2011 are estimated and accrued at \$31,640 and \$41,654, respectively, and directors' and supervisors' remuneration for 2012 and 2011 are estimated and accrued at \$47,460 and \$62,482, respectively. The basis of estimates is based on a certain percentage of net income taking into account the legal reserve and other factors prescribed by the Company's Articles of Incorporation (2% and 3% of after-tax earnings of 2011 and 2010, respectively). The estimated amounts were recognized as operating expenses for the years ended December 31, 2012 and 2011. If the estimated amounts differ from the amounts approved by the stockholders, the difference is recognized as income or expenses in the following year.
- F. The actual distribution of 2011 and 2010 earnings was as stated in the previous paragraph. The difference of \$328 between the amounts recognized in 2010 (cash bonus to employees of \$38,224 and remunerations to directors and supervisors of \$57,335) and the amount resolved

by the stockholders was adjusted in the statement of income of 2011. There was no difference for 2011.

(20) Treasury stock

A. Treasury stocks bought back by the Company:

- (a) For the years ended December 31, 2012 and 2011: None.
- (b) Pursuant to the R.O.C. Securities and Exchange Law, the number of shares bought back as treasury stock should not exceed 10% of the number of the Company's issued and outstanding shares and the amount bought back should not exceed the sum of retained earnings, paid-in capital in excess of par value and realized capital reserve. Treasury stocks to enhance the Company's credit rating and the stockholders' equity should be retired within six months of acquisition.
- (c) Pursuant to the R.O.C. Securities and Exchange Law, treasury stock should not be pledged as collateral and is not entitled to dividends before it is reissued to the employees.

B. Stocks of the Company held by its subsidiaries:

- (a) Effective January 1, 2002, the stocks of the Company held by its subsidiaries are regarded as treasury stocks. Those treasury stocks should be eliminated from the calculation of the Company's weighted-average outstanding shares of EPS.
- (b) As of December 31, 2012 and 2011, the total number of the Company's shares held by its subsidiaries was 35,014 thousand shares and 31,831 thousand shares with an average book value of \$1.73 and \$1.90 (in dollars) per share and market value of \$20.70 and \$16.20 (in dollars) per share, respectively.

(21) Deferred income tax and income tax expense

A. Income tax expense and income tax payable are reconciled as follows:

	For the years ended December 31,	
	2012	2011
Income tax at statutory tax rate	\$ 309,156	\$ 384,807
Tax effect of permanent and temporary differences	(151,827)	(410,192)
Tax effect of investment tax credits	(41,523)	(6,227)
Tax effect of loss carryforwards	(108,021)	36,889
Net change in deferred income tax	(20,851)	-
Under provision of prior year's income tax	10,396	-
10% tax on unappropriated retained earnings	45,389	14,017
Income tax expense	42,719	19,294
Under provision of prior year's income tax	(10,396)	-
Net change in deferred income tax	20,851	-
Prepaid income tax	(12,333)	(11,709)
Income tax payable (Note)	\$ 40,841	\$ 7,585
Note: Income tax payable	\$ 42,477	\$ 9,039
Income tax refundable	(1,636)	(1,454)
Income tax payable, net	\$ 40,841	\$ 7,585

The difference between financial income and taxable income is mainly due to the tax-exempt income of land.

- B. Details of temporary differences, loss carryforwards and investment tax credits resulting in deferred income tax assets and liabilities are as follows:

	December 31, 2012		December 31, 2011	
	Amount	Tax effect	Amount	Tax effect
<u>Current:</u>				
Temporary difference:				
Employee benefits	\$ 1,200	\$ 204	\$ 2,280	\$ 388
Loss carryforwards	117,852	20,035	-	-
Less: Valuation allowance		-		(388)
		<u>\$ 20,239</u>		<u>\$ -</u>
<u>Non-Current:</u>				
Temporary difference:				
Employee benefits	\$ 3,600	\$ 612	\$ 4,800	\$ 816
Loss on investment	3,496	594	-	-
Loss carryforwards	1,395,637	237,264	3,470,973	590,065
Investment tax credits	-	92,625	-	14,148
		331,095		605,029
Less: Valuation allowance		(330,483)		(605,029)
		<u>\$ 612</u>		<u>\$ -</u>

- C. As of December 31, 2012, unused loss carryforwards amounted to \$257,299, which will expire from 2016 to 2022.
- D. As of December 31, 2012, the Company's investment tax credits consisted of the following:

Regulation	Qualifying item	Total tax credits	Unused tax credits	Final year tax credits are due
Act for Promotion of Private Participation in Infrastructure Projects	Investment	<u>\$ 120,000</u>	<u>\$ 92,625</u>	2016

- E. As of December 31, 2012 and 2011, the imputation tax credit account balance amounted to \$43,935 and \$1,777, respectively. The Company distributed unappropriated earnings in 2011 and 2010 as dividends in accordance with the resolution adopted at the stockholders' meeting on June 20, 2012 and June 17, 2011, respectively. The 2012 and 2011 creditable ratio were 2.73% and 0.16%, respectively. The 2012 estimated creditable ratio was 1.86%. The amount of deductible tax distributable by the Company to its shareholders shall be limited to an amount not exceeding the amount of the imputation tax credit account balance on the date of distribution of the dividends. Accordingly, the actual creditable ratio for the distribution of 2012 undistributed earnings will be based on the imputation tax credit account balance up to the date of distribution of the dividends.
- F. As of December 31, 2012, the Company's income tax returns through 2011 have been assessed by the Tax Authority and there were no disputes existing between the Company and the Tax Authority.

(22) Earnings per share

		2012			
		Weighted average number of shares outstanding during the year		Earnings per share (in dollars)	
Amount		(in thousands)			
Before tax	After tax			Before tax	After tax
<u>Basic earnings per share</u>					
Net income	\$ 1,828,649	\$ 1,785,930	1,159,462	\$ 1.57	\$ 1.54
Dilutive effect of common stock equivalents:					
Employees' bonus	-	-	1,723		
<u>Diluted earnings per share</u>					
Consolidated net income plus dilutive effect of common stock equivalents	\$ 1,828,649	\$ 1,785,930	\$ 1,161,185	\$ 1.57	\$ 1.54
		2011			
		Weighted average number of shares outstanding during the year		Earnings per share (in dollars)	
Amount		(in thousands)			
Before tax	After tax			Before tax	After tax
<u>Basic earnings per share</u>					
Net income	\$ 2,333,425	\$ 2,314,131	1,159,462	\$ 2.01	\$ 1.99
Dilutive effect of common stock equivalents:					
Employees' bonus	-	-	3,211		
<u>Diluted earnings per share</u>					
Consolidated net income plus dilutive effect of common stock equivalents	\$ 2,333,425	\$ 2,314,131	\$ 1,162,673	\$ 2.01	\$ 1.99

- A. The above weighted-average outstanding common shares have been adjusted retroactively in proportion to retained earnings as of December 31, 2010.
- B. Effective January 1, 2008, as employees' bonus could be distributed in the form of stock, the diluted EPS computation shall include those estimated shares that would be increased from employees' stock bonus issuance in the calculation of the weighted-average number of common shares outstanding during the reporting year, which taking into account the dilutive effects of stock bonus on potential common shares; whereas, basic EPS shall be calculated based on the weighted-average number of common shares outstanding during the reporting year that include the shares of employees' stock bonus for the appropriation of prior year earnings, which have already been resolved at the stockholders' meeting held in the reporting year. Since capitalization of employees' bonus no longer belongs to distribution of stock dividends (or retained earnings and capital reserve capitalized), the calculation of basic EPS and diluted EPS for all periods presented shall not be adjusted retroactively. However, the accounting treatment for the appropriation of employees' bonus for 2007 earnings resolved

at the stockholders' meeting held in 2008 is still in accordance with the regulations on capitalization of employees' bonus under paragraphs 19 and 39 of R.O.C. SFAS No. 24, "Earnings per Share".

(23) Personnel expenses, depreciation and amortization

Personnel expenses, depreciation and amortization are summarized as follows:

For the year ended December 31, 2012			
	Operating costs	Operating expenses	Total
Personnel expenses:			
Salaries	\$ 852,525	\$ 724,155	\$ 1,576,680
Insurance	58,391	54,436	112,827
Pension	32,321	36,400	68,721
Others	22,680	46,378	69,058
	<u>\$ 965,917</u>	<u>\$ 861,369</u>	<u>\$ 1,827,286</u>
Depreciation	<u>\$ 274,940</u>	<u>\$ 182,744</u>	<u>\$ 457,684</u>
Amortization	<u>\$ 7,219</u>	<u>\$ 1,781</u>	<u>\$ 9,000</u>

For the year ended December 31, 2011			
	Operating costs	Operating expenses	Total
Personnel expenses:			
Salaries	\$ 778,881	\$ 740,269	\$ 1,519,150
Insurance	46,707	50,723	97,430
Pension	26,183	37,790	63,973
Others	19,604	32,324	51,928
	<u>\$ 871,375</u>	<u>\$ 861,106</u>	<u>\$ 1,732,481</u>
Depreciation	<u>\$ 313,166</u>	<u>\$ 146,757</u>	<u>\$ 459,923</u>
Amortization	<u>\$ 5,587</u>	<u>\$ 3,367</u>	<u>\$ 8,954</u>

5. RELATED PARTY TRANSACTIONS

A. Names of related parties and their relationship with the Company

Names of related parties	Relationship with the Company
Amida Trustlink Assets Management Co., Ltd. (Amida Trustlink Assets)	Subsidiary accounted for under the equity method
Uni-President Development Corp. (Uni-President Development)	Subsidiary accounted for under the equity method
Ming-Da Enterprise Co., Ltd. (Ming-Da Enterprise)	Subsidiary accounted for under the equity method
Chuang, Nan-Tien	The Company's chairman
Hsieh, Ming-Fan	The Company's general manager
Chung, Wu-Chuan	The Chairman's spouse

B. Significant transactions and balances with related parties

a. Sales

(a) On July 8, 2009, the Company signed a house sale contract with the spouse of its chairman, Ms. Chung, Wu-Chuan, in the amount of \$270,060. The Company recognized sale revenue for this contract on a percentage-of-completion basis, amounting to \$50,530 and \$87,760, for the years ended December 31, 2012 and 2011, respectively. As of December 31, 2012 and 2011, accumulated sales revenue recognized for this contract on a percentage-of-completion basis amounted to \$265,944 and \$215,414, respectively. The sale terms of this contract are not significantly different from other sale contracts of the same building transaction.

(b)

	For the years ended December 31,			
	2012		2011	
	Amount	Percentage of net sales	Amount	Percentage of net sales
Ming-Da Enterprise	\$ 210,573	\$ 1	\$ 8,031	\$ -
Uni-President Development	(\$ 31,468)	-	\$ 285,968	2
	<u>\$ 179,105</u>	<u>\$ 1</u>	<u>\$ 293,999</u>	<u>\$ 2</u>

As of December 31, 2012 and 2011, status of the construction of the related party undertaken by Ta-Chen Construction & Engineering Corp. was as follows:

	December 31,	
	2012	2011
Uni-President Development		
Total amount of construction contracts that were signed but had not been settled yet	\$ 4,611,634	\$ 4,833,457
Construction payments received	(4,580,097)	(4,474,573)
Construction payments receivable	<u>\$ 31,537</u>	<u>\$ 358,884</u>
Ming-Da Enterprise		
Total amount of construction contracts that were signed but had not been settled yet	\$ 292,642	\$ 8,030
Construction payments received	(190,809)	(5,168)
Construction payments receivable	<u>\$ 101,833</u>	<u>\$ 2,862</u>

c. Accounts receivable

	December 31,			
	2012		2011	
	Amount	%	Amount	%
Chung, Wu-Chuan	\$ 185,560	8	\$ -	-
Uni-President Development	36,608	2	95,031	8
Ming-Da Enterprise	18,021	-	-	-
	<u>\$ 240,189</u>	<u>10</u>	<u>\$ 95,031</u>	<u>8</u>

- d. On June 20, 2006, the Company and CHINA METAL PRODUCTS CO., LTD (“A party”) jointly signed a creditor’s rights transfer contract with AMIDATRUSTLINK ASSETS MANAGEMENT CO., LTD. (“B party”). Under the contract, the Company and A party should pay \$2,100,000 each (totaling \$4,200,000) to jointly acquire whole creditor’s rights of mortgages, security interests and other dependent claims (collectively referred herein as the creditor’s rights) on the Splendor Hotel Taichung Building, and each bears 50% rights and obligations of this acquisition; when all creditor’s rights of this object turn into property rights, the Company and A party should pay B party totaling \$1,000,000 as the cost and reward of B party for it is entrusted with the task to help turn the creditor’s rights as stated above into property rights, but any excess cost over \$1,000,000 if incurred on this task shall be borne by B party on its own; the Company should pay B party \$300,000 before June 30, 2006, and the Company and A party should jointly issue a promissory note of \$1,800,000 to B party on the signing date; payment should be done before July 15, 2006. The title to the creditor’s rights as stated above had been transferred to the Company and A party on August 2, 2006. On December 29, 2006, the Company and A party signed an additional contract following the original contract with B party to raise total acquisition price of the creditor’s rights to \$4,750,000 (the Company and A party bear 50% of the price each). As of December 31, 2012, the Company had paid its price.
- e. Certain short and long-term loans of the Company were guaranteed by its chairman, Chuang, Nan-Tien, and general manager, Hsieh, Ming-Fan.

f. Salaries/rewards information of key management

	2012	2011
Salaries and bonuses	\$ 115,140	\$ 100,845
Service execution fees	6,480	6,710
Directors' and supervisors' remuneration and employees' bonus	47,460	62,482
	<u>\$ 169,080</u>	<u>\$ 170,037</u>

Note:

- (a) Salaries and bonuses include regular wages, special responsibility allowances, pensions, severance pay, various bonuses, rewards, etc.
- (b) Service execution fees include travel or transportation allowances, special expenditures, various allowances, housing and vehicle benefit, etc.
- (c) Directors' and supervisors' remuneration and employees' bonuses were those amounts estimated and accrued in the statement of income for the current year.

6. PLEDGED ASSETS

The details of pledged assets were as follows:

Pledged asset	Book value		Purpose
	December 31,		
	2012	2011	
Demand deposits, certificate of deposit and checking deposit (shown as "other financial assets - current" and "other financial assets - non-current")	\$ 1,963,973	\$ 920,884	To obtain a higher credit for client, performance gurantee, construction performance gurantee, short-term and long-term loans, short-term commercial papers issue, member reward points and gift coupons trust account
Financial assets at fair value through profit or loss - current	154,391	256,195	Construction performance guarantees, short-term and long-term loans
Land held for construction	7,087,276	8,632,631	Short-term loans, notes and bills payable and long-term loans
Prepayment for land purchases	146,789	526,209	Short-term loans, notes and bills payable
Buildings and land held for sale	330,592	15,330	Short-term loans, notes and bills payable
Available-for-sale financial assets	1,282,523	843,516	Short-term loans, notes and bills payable
Financial assets carried at cost	575,426	575,426	Short-term loans, notes and bills payable
Long-term equity investments accounted for under the equity	1,192,440	203,443	Short-term loans, notes and bills payable
Investments in real estate	162,426	162,426	Short-term loans, notes and bills payable and long-term loans
Land	4,402,493	4,366,081	Construction performance gurantee, short-term loans, notes and bills payable and long-term loans
Buildings	2,481,091	2,142,808	Short-term loans, notes and bills payable and long-term loans
Property held for lease	4,598,727	4,296,762	Construction performance gurantee, short-term loans, notes and bills payable and long-term loans
	\$ 24,378,147	\$ 22,941,711	

7. COMMITMENTS AND CONTINGENT LIABILITIES

- A. According to the sale contracts, the Company should provide warranty on the house structure and major facilities for one year from the handover day for the houses it sold. However, any damage to the houses caused by disasters, additions to the houses made by the buyers, or events that are not attributed to the Company is not included in the scope of warranty.
- B. Information on the commitments of the Company on investments and related share capital payment status is described in Note 4(7).
- C. As of December 31, 2012 and 2011, the real estate sale contracts which were signed by the Company and buyers but wherein the ownership of the real estate had not been transferred to the buyers both amounted to \$483,321; payments already made for those contracts both amounted to \$471,166; and future payments required from the buyers under those contracts both amounted to \$12,155.

D. On March 17, 2005, the Company (“A party”) signed a contract with National Taiwan University (“B party”) relating to the construction and operation of dormitories in Changxing St. Campus and Shuiyuan Campus. The major terms of the contract are as follows:

- (a) Under the contract, B party should be responsible for acquiring the ownership or land-use right for this project, and let A party use the land; A party must complete the construction within 3 years from the registration of the superficies, and may operate the dormitories for 44 years, (the Company reached an agreement with B party that the operating period be changed from the original 32 years to 44 years), collect dormitory rentals and use fees of other facilities from students, and should return the related assets to B party on the expiry of the contract.
- (b) A party should give B party a performance guarantee of \$60,000 for the construction on the signing date and \$30,000 for operations before the start of operation. As of December 31, 2012 and 2011, A party had provided performance guarantee with a guarantee letter issued by the bank, both amounting to \$30,000.
- (c) A party should pay B party land rentals from the registration of the superficies, according to the terms of the contract, and pay B party operating royalties from the third year of the operation, based on 0.5% of dormitory rentals and use fees of other facilities collected from students.
- (d) Terms of restrictions for A party:
 - i) The ratio of A party’s own capital utilized in this project to total construction cost of this project should be at least 30%;
 - ii) During the operation period, the ratio of shareholders’ equity to total assets should be at least 25%; and current ratio (current assets/current liabilities) should be at least 100%;
 - iii) All rights acquired by A party under the contract, except other conditions specified in the contract and approved by B party, should not be transferred, leased, registered as a liability/obligation or become an executed object of civil litigation.

E. On May 10, 2005, the Company (“A party”) signed a contract with National Cheng Kung University (“B party”) relating to the construction and operation of student dormitories and alumni hall. The major terms of the contract are as follows:

- (a) Under the contract, B party should be responsible for acquiring the ownership or land-use right for this project, and let A party use the land by way of registration of the superficies; A party must obtain the user license within 3 years after the signing date, and may operate the student dormitories and motorcycle parking lots for 35 years from the start of operation and collect dormitory rentals and use fees of other facilities from students for 50 years from the start of construction, and should return the related assets to B party on the expiry of the contract.
- (b) A party should give B party performance guarantee of \$50,000 for this project on the signing date, which will be returned in installment according to the contractual terms. As of December 31, 2012 and 2011, A party had provided performance guarantee with a guarantee letter issued by the bank, both amounting to \$20,000.
- (c) During the operation period, A party should pay B party dormitory operating royalties based on 2% of annual operating revenue of the dormitories and auxiliary facilities operating royalties based on 4% of annual operating revenue of the auxiliary facilities. A party should pay such operating royalties for prior year before the end of June every year. Further,

according to the superficies contract signed by the two parties, A party should pay B party land rentals from the registration of superficies.

- (d) All rights acquired by A party under the contract, except other conditions specified in the contract and approved by B party, should not be transferred, leased, registered as a liability/obligation or become an executed object of civil litigation.
- F. The Company signed a syndicated loan contract with 9 banks - Ta Chong Bank as the lead bank for a credit line of \$2.5 billion. The syndicated loans include medium-term (secured) loans, commercial paper guarantees and long-term (secured) loans. During the loan period, the Company should maintain financial commitments such as current ratio, liability ratio and interest coverage; those financial ratios/restrictions shall be reviewed at least once every year, based on the Company's audited annual consolidated financial statements. If the Company violates the above financial commitments, it might be requested to stop drawing down all or part of the loans, and all or part of the loans might be asked to mature early, as resolved by the majority of the consortium.
- G. The Company signed a syndicated loan contract with 7 banks - Mega International Commercial Bank as the lead bank for a credit line of \$2.16 billion. The syndicated loans include long-term (secured) loans and guarantee payments receivable (secured), which are used to fund the construction of dormitories in Changxing St. Campus and Shuiyuan Campus of National Taiwan University. During the loan period, the Company should maintain financial commitments such as current ratio, liability ratio and interest coverage; those financial ratios/restrictions shall be reviewed at least once every year, based on the Company's audited annual consolidated financial statements. If the Company violates the above financial commitments, it shall improve its financial position by capital increase or other ways before the end of October of the following year from the year of violation; it would not be regarded as a default if the managing bank confirms that its financial position has improved completely. In case of violation, interest on the loans would be charged at the loan rate specified in the contract plus additional 0.25% per annum from the notification date of the managing bank to the completion date of financial improvement or to the date the Company gains the relief from the consortium for its violation.
- H. The Company signed a loan contract with Mega International Commercial Bank for a credit line of \$785 million. The loans include long-term (secured) loans and guarantee payments receivable (secured), which are used to fund the construction of student dormitories and alumnus hall of National Cheng Kung University. During the loan period, the Company should maintain financial commitments such as current ratio, liability ratio and interest coverage; those financial ratios/restrictions shall be reviewed at least once every year. Current ratio and liability ratio shall be reviewed based on the Company's audited annual consolidated financial statements, and interest coverage based on the Company's revenue and expenditure table for the related project. If the Company violates the above financial commitments, it shall improve its financial position by capital increase or other ways before the end of October of the following year from the year of violation; it would not be regarded as a default if the bank confirms that its financial position has improved completely. In case of violation, interest on the loans would be charged at the loan rate specified in the contract plus additional 0.25% per annum from the notification date of the bank to the completion date of financial improvement or to the date the Company obtains a waiver from the bank for its violation.
- I. The Company signed a syndicated loan contract with 9 banks - Mega International Commercial Bank as the lead bank for a credit line of \$3.6 billion. The syndicated loans are medium-term

(secured) loans. During the loan period, the Company should maintain financial commitments such as current ratio, liability ratio and interest coverage; those financial ratios/restrictions shall be reviewed at least once every year, based on the Company's audited annual consolidated financial statements. If the Company violates the above financial commitments, it shall improve its financial position before June 30 of the year when it presents the underlying financial statements; it would not be regarded as a default if the Company's semiannual consolidated financial statements of that year reviewed by independent auditors show that the financial ratios/restrictions conform to the commitments. In case of violation, interest on the loans would be charged at the loan rate of 0.80% per annum from the notification date of the managing bank to the completion date of financial improvement or to the date the Company obtains a waiver from the consortium for its violation.

- J. On May 18, 2007, the Company signed a contract with Taiwan Sugar Corporation ("TSC") in relation to cooperative construction of houses. According to the contract, TSC shall provide Lot Nos. 12-12 and 601-1, Guo-An Sec., Xitun District, Taichung City and Lot No. 44, He-Guan Sec., Annan District, Tainan City; the Company shall provide funding for those projects and repurchase houses and land allocated to TSC amounting to \$1,810,889 and \$927,889, respectively, and shall bear all improvement fees of houses, public facilities and land, selling expenses, and other expenses or contributed expenses required under the decrees. The Company shall not ask for any compensation for price fluctuations or other reasons. Further, under the contract, the Company shall give TSC performance guarantee amounting to \$181,090 and \$92,780, respectively, on the signing date, which will be returned in installments according to the contractual terms. As of December 31, 2012 and 2011, the Company had provided performance guarantee with a guarantee letter of the bank amounting to \$181,090, \$0 and \$181,090, \$24,160, respectively. The development of Lot No. 44, He-Guan Sec., Annan District, Tainan City has been postponed because of the consideration of capital planning, as approved by TSC. According to the Nan-Tu-Kai-Zi Letter No. 0980001113 of Tainan Office of TSC, the Company shall pay compensation fee amounting to \$6,344 for this postponed development. The Company had paid such fee in 2010.
- K. On July 11, July 22 and September 2, 2011, the Company signed a contract with Taiwan Sugar Corporation ("TSC") in relation to cooperative construction of houses. According to the contracts, TSC shall provide Lot Nos. 11 and 12, Ming-Ding Sec., Fongshan District, Kaohsiung City and Lot Nos. 48 and 51, Hou-Bi-Tian Sec., Ciaotou District, Kaohsiung City and Lot Nos. 117 and 118, Qiao-Zhong Sec., Ciaotou District, Kaohsiung City, respectively; the Company shall provide funding for those projects and repurchase houses and land allocated to TSC amounting to \$273,680, \$634,880 and \$157,960, respectively, and shall bear all improvement fees of houses, public facilities and land, selling expenses, and other expenses or contributed expenses required under the decrees. The Company shall not ask for any compensation for price fluctuations or other reasons. Further, under the contract, the Company shall give TSC performance guarantee amounting to \$27,370, \$63,480 and \$15,790, respectively, on the signing date, which will be returned in installments according to the contractual terms. As of December 31, 2012, the Company had provided such performance guarantee with guarantee letter of the bank amounting to \$27,370, \$63,480, \$0 and \$27,370, \$63,480, \$15,790, respectively.
- L. The Company signed an agreement with Mr. Tsai Shuei-Pin on July 12, 2012 for joint construction of houses. Under those agreements, Mr. Tsai Shuei-Pin, the owner of land, shall provide the land located at No. 52 Yu-Shien Lot, Tai-Pian Dist. Taichung City, and the Company is responsible for the construction; the houses built would be allocated to both sides based on the specified

proportion. In addition, the Company shall give performance bond in the amount \$83,930, which would be returned to the Company in installments. As of December 31, 2012 and 2011, balance of the performance bond was \$83,930 and \$66,000, respectively.

- M. The Company signed an agreement with Mr. Fang Tsai-Yuan and World Vision United Co., Ltd. on March 5, 2012 and July 17, 2012, respectively, for joint construction of houses. Under those agreements, Mr. Fang Tsai-Yuan and World Vision United Co., Ltd., the owners of land, shall provide the land located at Nos. 572 and 602, Sec. Zhi-Shan 1, Shilin District, Taipei City, respectively, and the Company is responsible for the construction; the houses built up would be allocated to both sides based on the specified proportion. In addition, the Company shall give performance bond in the amount of \$350,000 and \$19,570 to Mr. Fang Tsai-Yuan and World Vision United Co., Ltd., respectively, which would be returned to the Company in installments. As of December 31, 2012, balance of the performance bond was \$350,000 and \$19,570, respectively.
- N. As of December 31, 2012 and 2011, performance guarantee letters issued for construction undertaking, warranty and leases of subsidiary, Ta-Chen Construction & Engineering Corp., amounted to \$1,339,546 and \$1,485,232, respectively.
- O. Subsidiary, Ta-Chen Construction & Engineering Corp., undertook the construction of Kaohsiung Rapid Transit Corporation and subcontracted the red line CR2 section utility environmental control project to TECO Electric and Machinery Co., Ltd. on January 20, 2003. TECO Electric and Machinery Co., Ltd. claimed that as the prices relating to construction rose considerably one year after the start of this project, it had the right to ask for additional project payments from Ta-Chen Construction & Engineering Corp. in accordance with Article 227-2 of Civil Code and the original evidence letters 4 & 5, in which TECO Electric and Machinery Co., Ltd. claimed that the two sides had had the agreement on additional project payments. Therefore, TECO Electric and Machinery Co., Ltd. filed a civil lawsuit for the dispute and asked for payments from Ta-Chen Construction & Engineering Corp. amounting to \$83,891. On March 3, 2010, TECO Electric and Machinery Co., Ltd. revised the payments asked for to \$70,894. In December, 2010, the two sides reached an out-of-court settlement that Ta-Chen Construction & Engineering Corp. was not required to give any additional payment. However, in the out-of-court settlement Ta-Chen Construction & Engineering Corp. agreed that for the case a subcontractor of TECO Electric and Machinery Co., Ltd. filed a lawsuit against TECO Electric and Machinery Co., Ltd., asking for additional project payments from TECO Electric and Machinery Co., Ltd. amounting to \$122,072, it would subsidize for TECO Electric and Machinery Co., Ltd. as far as 10% of additional project payments (the scope of 10% is limited only to the principal of additional project payments asked for) the subcontractor has the right to ask for after the lawsuit above was finalized or an out-of-court settlement was reached. As the final judgment of the lawsuit has not come out, Ta-Chen Construction & Engineering Corp. did not accrue any losses for this case.
- P. Subsidiary, Ta-Chen Construction & Engineering Corp., undertook the construction of Kaohsiung Rapid Transit Corporation and subcontracted the red line CR2 section utility environmental control project to TECO Electric and Machinery Co., Ltd. on January 20, 2003. TECO Electric and Machinery Co., Ltd. filed a civil lawsuit against Ta-Chen Construction & Engineering Corp., asking for project payments from Ta-Chen Construction & Engineering Corp. amounting to \$41,785. In December, 2010, the two sides reached an out-of-court settlement that Ta-Chen Construction & Engineering Corp. shall pay TECO Electric and Machinery Co., Ltd. \$25,071 (including taxes) after the lawsuit was withdrawn (such amount was accrued in the financial

statements of Ta-Chen Construction & Engineering Corp. and had been paid as of December 31, 2011). The remaining \$16,714 would be paid by Ta-Chen Construction & Engineering Corp. according to the contractual terms after Ta-Chen Construction & Engineering Corp. received payments from Kaohsiung Rapid Transit Corporation.

- Q. Subsidiary, Ta-Chen Construction & Engineering Corp. (“Ta-Chen”), undertook the project of “The Transbasin Diversion Tunnel of Tsengwen Reservoir”. This project has been stopped by the occurrence of Typhoon Morakot (88 Flood). The Southern Region Water Resources Office, WRA, MOEA (“SRWRO”) has reached an out-of-court settlement with Ta-Chen for part of the litigation and has compensated Ta-Chen \$26,300 for additional costs incurred during the stoppage period. While, the loss compensation litigation against SRWRO regarding the contract termination is still on-going.
- R. Subsidiary, Ta-Chen Construction & Engineering Corp. (“Ta-Chen”), and Hung-Yi Construction Corp. and Evergreen International Engineering Corp. (collectively referred herein as the joint constructors) jointly undertook the construction of the new office building of the American Institute in Taiwan. As the joint constructors and the owner of this project both claim the counterparty defaulted on the contract, they terminated the contract and referred the dispute to arbitration. Through the first-phase arbitration in USA during September 4, 2012 and November 6, 2012, the arbitral court rendered a decision that the project owner’s reasons to terminate the contract are acceptable. However, the issues on loss compensation and construction payment the project owner was seeking will be put into the second-phase arbitration. The court date of the second-phase arbitration is to be decided by the arbitrators. Ta-Chen has appointed attorneys to handle this case. As this case has not yet gone into the second-phase arbitration, the rights and obligations of both sides have not been confirmed. So Ta-Chen did not accrue any losses for this case.
- S. Certain construction contracts undertaken by subsidiary, Ta-Chen Construction & Engineering Corp., specify that default penalty shall be computed according to the contractual terms if the construction is not completed in the prescribed period.
- T. As of December 31, 2012 and 2011, subsidiary, The Splendor Hotel Taichung, had signed fixed assets purchase and repair contracts totaling \$894,055 and \$942,938, respectively; unpaid amount for those contracts was \$111,991 and \$405,802, respectively.
- U. As of December 31, 2012 and 2011, unpaid rental for lease contracts of subsidiary, The Splendor Hotel Taichung, amounted to \$15,517 and \$13,097, respectively.
- V. As of December 31, 2012 and 2011, subsidiary, The Splendor Hotel Taichung, had signed gift coupon performance guarantee contract with banks amounting to \$25,689 and \$28,581, respectively, of which \$25,689 and \$28,184, respectively, had been drawn down.
- W. On May 27, 2011, subsidiary, The Splendor Hotel Taichung, signed a syndicated loan contract with 3 banks, SinoPac Bank, etc., in the amount of \$3.3 billion, with Prince Housing & Development Corp. and China Metal Products Co., Ltd. as guarantors. Under the contract, the subsidiary promised its tangible net equity shall not be negative and current ratio, liability ratio, tangible net equity and interest coverage of Prince Housing & Development Corp. and China Metal Products Co., Ltd. shall conform to certain criteria as specified in the contract. If the subsidiary violates above financial commitments, the managing bank has the right to take the following actions, including but not limited, according to the contract or the resolution of majority of the consortium: 1) request the subsidiary to stop drawing down all or part of the loans; 2) cancel all or part of the

credit line of the contract which has not been drawn down yet; 3) announce that all outstanding principal, interest and other accrued expenses payable to the consortium in relation to the loan contract should mature immediately; 4) demand the subsidiary's payment of the promissory note acquired under the loan contract; 5) exercise creditor's right of mortgage, pledge right, other rights or contract transfer right; 6) exercise other rights given by the laws, the loan contract and other relevant documents; 7) take other actions as resolved by the majority of the consortium.

X. Subsidiary, Time Square International Co., Ltd., has leased offices and operational places by way of operating leases starting from February 14, 2011 with lease term of 25 years. Future minimum payments required under those leases according to the contractual terms are as follows:

Year	Minimum rental payments
2013	\$ 304,625
2014	383,932
2015	397,174
Total amount from 2016~2020	1,988,896
Total amount from 2021~2025	2,007,266
Total amount from 2026~2030	2,022,655
Total amount from 2031~2035	2,039,824

8. SIGNIFICANT CATASTROPHE

None.

9. SUBSEQUENT EVENTS

None.

10. OTHERS

A. Financial statement presentation

Certain accounts in the 2011 consolidated financial statements were reclassified to conform with the 2012 consolidated financial statement presentation.

B. The fair values of the financial instruments

	December 31, 2012			December 31, 2011		
	Fair value		Book value	Fair value		Book value
	Quotations in an active market	Estimated using a valuation method		Quotations in an active market	Estimated using a valuation method	
Non-derivative financial instruments						
Assets						
Financial assets with book value equal to fair value	\$ 9,000,735	\$ -	\$ 9,000,735	\$ -	\$ 3,480,522	\$ 3,480,522
Financial assets at fair value through profit or loss	260,236	260,236	-	352,661	-	-
Available-for-sale financial assets - non - current	1,581,087	1,581,087	-	1,017,055	-	-
Financial assets carried at cost - non - current	965,951	-	-	1,034,854	-	-
Other financial assets - non-current	1,138,343	-	1,138,343	826,051	826,051	826,051
Refundable deposits	692,938	-	689,422	295,137	293,639	293,639
Liabilities						
Financial liabilities with book value equal to fair value	11,015,200	-	11,015,200	10,415,327	10,415,327	10,415,327
Bonds payable	2,000,000	-	2,000,000	-	-	-
Long-term loans	13,948,874	-	13,948,874	17,686,477	17,686,477	17,686,477
Guarantee deposits received	141,344	-	140,627	156,957	156,161	156,161
Derivative financial instruments: None.						

The methods and assumptions used to estimate the fair values of financial instruments are summarized as follows:

- (a) The due dates of short-term financial instruments are near the balance sheet date. Accordingly, the fair value of short-term financial instruments are estimated based on the amount at the balance sheet date which include the accounts of cash and cash equivalents, notes and accounts receivable, other receivables, other financial assets-current, short-term loans, notes and bills payable, notes and accounts payable, accrued expenses, and other payables.
 - (b) The fair value of pledged deposits (shown as “other financial assets - non-current”) is estimated at its book value since its future maturity value will be affected by interest rate changes.
 - (c) The fair value of refundable deposits is based on the discounted value of expected future cash inflows, which is discounted based on the interest rate of one-year time deposit of the Postal Savings System at December 31, 2012 and 2011.
 - (d) The fair value of ordinary bonds issued by the Company is based on the present value of expected cash flow amount. The discount rate is the effective interest rate of bonds payable in the current market, whose contractual terms are similar to those of ordinary bonds issued by the Company.
 - (e) Since long-term liabilities’ interest rates are approximate market interest rates and the discounted value of expected future cash flows are equivalent to the book value, the fair value is estimated at the book value basis.
- C. The Company recognized the amount of \$564,615 and \$740,565 as addition to stockholders’ equity for the changes in fair value of available-for-sale financial assets as of December 31, 2012 and 2011, respectively.
- D. As of December 31, 2012 and 2011, the Group’s financial assets subjected to fair value risk due to the change in interest rate amounted to \$1,963,973 and \$920,884, respectively. The financial liabilities subjected to cash flow risk due to the change in interest rate amounted to \$20,261,761 and \$25,153,054, respectively.

E. Procedures of financial risk control and hedge

The Group’s activities expose it to a variety of financial risks: market risk, credit risk, liquidity risk and cash flow interest rate risk. The Group’s overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group’s financial performance. The Group uses derivative financial instruments to hedge certain risk exposures. In order to achieve the goal of risk management, the Group’s hedging activities are concentrated in the market value risk and cash flow risk.

F. Information of financial risk

- a. Equity financial instruments: including financial assets at fair value through profit or loss, available-for-sale financial assets and financial assets carried at cost.

- (a) Market risk

The equity financial instruments held by the Group were subject to the fluctuations in market prices. However, since the investment amount was not significant to the Group, it was assessed that the Group was not exposed to significant market risk.

- (b) Credit risk

For financial assets at fair value through profit or loss, the Group had carried out the transactions through the Taiwan Stock Exchange and GreTai Securities Market. These

transactions are carried out only with counterparties with good credit standing and breaches of agreements is not expected. Thus, the likelihood that credit risk would arise is remote. The Group also assesses the credit ratings of the counterparties when they trade. Thus, the possibility of default by those parties is low.

(c) Liquidity risk

The equity financial instruments were traded in active markets and it was expected that these financial instruments would be readily sold at amounts approximate to their fair values. In the case of financial assets carried at cost without active market, the liquidity risk is material.

(d) Cash flow risk due to the fluctuation of interest rate

The equity financial instruments held by the Group were not interest-bearing instruments. Thus, the Group was not subject to cash flow risk arising from the fluctuation of the interest rate.

b. Notes and account receivable

(a) Market risk

As the notes and accounts receivable held by the Group was due within one year, it was assessed that the Group was not exposed to significant market risk.

(b) Credit risk

The Group's debtors of receivables have good credit standing and banks would verify debtors' credit appropriately before they release loans. Therefore, it was assessed that the Group was not exposed to significant credit risk from receivables.

(c) Liquidity risk

It was assessed that Group was not exposed to significant liquidity risk as the Group's notes and accounts receivable were all due within one year.

(d) Cash flow risk due to the fluctuation of interest rate

It was assessed that the Group was not exposed to significant cash flow risk due to change in interest rate as the notes and accounts receivable of Group's receivables were all due within one year.

c. Loans: including short-term loans, short-term notes and bills payable, long-term loans (including current portion).

(a) Market risk

Loans of the Group were with floating interest rate and mostly due within one year. Thus, the Group did not expect to be exposed to significant market risk.

(b) Credit risk

The Group has good credit standing and the transactions with banks were normal. It was assessed that the Group was not exposed to credit risk.

(c) Liquidity risk

The Group's loans are mostly due within one year, and the cycle of housing construction to receivables is within a year. Thus, the working capital of the Group was considered sufficient to support its funding needs. The Group did not expect to be exposed to significant liquidity risk.

(d) Cash flow risk due to the fluctuation of interest rate

Loans of the Group, except bonds payable, are floating interest rate bearing. Thus, the effective interest rate on the loan fluctuated according to changes in market interest rate. As a result, the future cash flow is expected to fluctuate.

11. ADDITIONAL DISCLOSURES REQUIRED BY THE SECURITIES AND FUTURES BUREAU

(1) Related information of significant transactions

Pursuant to the disclosure requirements under the Securities and Exchange Regulations, significant transactions for the year ended December 31, 2012 were as follows:

A. Loans to others attributed to financing activities as of December 31, 2012:

Number	Name	Name of counterparty	Account	Maximum balance during 2012	Ending balance	Interest rate	Nature of financing activity (Note a)	Total transaction amount	Reason for financing	Allowance for doubtful amount	Assets pledged	Loan limit per entity	Maximum amount available for loan	Note
0	Prince Housing & Development Corp.	Ta-Chen Construction & Engineering Corp.	Other receivables - related parties	\$ 500,000	\$ 500,000	2.7	2	\$ -	- Additional operating capital	\$ -	-	\$ 500,000	\$ 6,779,931	1、5
0	Prince Housing & Development Corp.	Dong-Feng Enterprises Co., Ltd.	Other receivables - related parties	500,000	-	2.7	2	-	- Additional operating capital	-	-	500,000	6,779,931	1
0	Prince Housing & Development Corp.	Hsia-Hai re-planning district, re-planning committee, Ren-Wu District, Kaohsiung City.	Other receivables	1,350,000	1,350,000	2.7	1	1,400,000	None	-	-	1,400,000	6,779,931	1、6
1	Prince Apartment Management Maintain Co., Ltd.	Prince Property Management Co., Ltd.	Other receivables - related parties	15,000	-	2.7	2	-	- Additional operating capital	-	-	15,000	27,141	2、7
2	Dong-Feng Enterprises Co., Ltd.	Prince Housing & Development Corp.	Other receivables - related parties	240,000	-	2.7	2	-	- Additional operating capital	-	-	171,024	171,024	3
3	Ta-Chen Construction & Engineering Corp.	Prince Housing & Development Corp.	Other receivables - related parties	500,000	300,000	2.7	2	-	- Additional operating capital	-	-	500,000	476,636	4、5

Note a : The number represents the nature of financing activities as follows :

1.Trading partner.

2.Short-term financing.

Note 1 : In accordance with the Company's related regulations, the total amount for loan is 40% of its net worth.

Note 2 : In accordance with Prince Apartment Management Maintain Co., Ltd. related regulations, the total amount for loan is 40% of its net worth.

Note 3 : In accordance with Dong-Feng Enterprises Co., Ltd. related regulations, the total amount for loan is 40% of its net worth.

Note 4 : In accordance with Ta-Chen Construction & Engineering Corp., Ltd. related regulations, the total amount for loan is 40% of its net worth. However, the total amount for loan cannot exceed 40% of its net worth for short-term financing.

Note 5 : As of December 31, 2012, the Company had drawn down \$0.

Note 6 : As of December 31, 2012, the Company had drawn down \$1,195,615.

Note 7 : Prince Property Management Co., Ltd. had been dissolved on October 1, 2012 because of the merger in the Group.

B. Endorsements and guarantees provided during the year ended December 31, 2012:

Number	Endorsee		Endorsement limit for a single entity	Highest balance during the period	Outstanding balance as at December 31, 2012	Balance secured by collateral	Ratio of accumulated amount to net worth of the company	Maximum amount of endorsement	Note
	Name of endorser	Name of endorsee							
0	Prince Housing & Development Corp.	Ta-Chen Construction & Engineering Corp.	\$ 3,389,965	\$ 1,200,000	\$ 1,200,000	-	7	\$ 8,474,913	1 - 2 - 8
0	Prince Housing & Development Corp.	Time Square International Co., Ltd.	3,389,965	1,100,000	900,000	-	5	8,474,913	1 - 2 - 9
0	Prince Housing & Development Corp.	The Splendor Hotel Taichung	3,389,965	1,932,720	1,932,720	-	11	8,474,913	1 - 2 - 10
1	Ta-Chen Construction & Engineering Corp.	Prince Housing & Development Corp.	1,500,000	927,889	-	-	-	3,000,000	3
2	Dong-Feng Enterprises Co., Ltd.	Prince Housing & Development Corp.	2,000,000	1,810,889	1,810,889	-	424	4,000,000	4 - 11
3	Prince Utility Co., Ltd.	Prince Housing & Development Corp.	1,000,000	540,651	540,651	-	965	2,000,000	5 - 12
4	Jin-Yi-Xing plywood Co., Ltd.	Prince Housing & Development Corp.	2,500,000	1,552,889	1,552,889	-	483	5,000,000	6 - 13
5	Cheng-shi Construction Co., Ltd.	Prince Security Co., Ltd.	100,000	-	-	-	-	200,000	7

Note a : An investee company. The guarantees were provided based on the Company's proportionate share in the investee company.

Note 1 : In accordance with the company's related regulations, the total amount of transactions of endorsements and guarantees and the limit of endorsements and guarantees for any single of then entity is 20% of the company's net worth.

Note 2 : In accordance with the Company's related regulations, the total accumulated amount of transactions of endorsements and guarantees cannot exceed 50% of the Company's net worth.

Note 3 : In accordance with Ta-Chen Construction & Engineering Corp.'s related regulations, the limit of endorsements and guarantees for any single entity is \$1,500,000, the total accumulated amount is \$3,000,000.

Note 4 : In accordance with Dong-Feng Enterprises Co., Ltd. related regulations, the limit of endorsements and guarantees for any single entity is \$2,000,000, the total accumulated amount is \$4,000,000.

Note 5 : In accordance with Prince Utility Co., Ltd. related regulations, the limit of endorsements and guarantees for any single entity is \$1,000,000, the total accumulated amount is \$2,000,000.

Note 6 : In accordance with Jin-Yi-Xing plywood Co., Ltd. related regulations, the limit of endorsements and guarantees for any single entity is \$2,500,000, the total accumulated amount is \$5,000,000.

Note 7 : In accordance with Cheng-Shi Construction Co., Ltd. related regulations, the limit of endorsements and guarantees for any single entity is \$100,000, the total accumulated amount is \$200,000.

Note 8 : Endorsements and guarantees amount is the amount of the endorsement and guarantee contract signed with the bank. As of December 31, 2012, the Company had drawn down \$309,084.

Note 9 : Endorsements and guarantees amount is the amount of the endorsement and guarantee contract signed with the bank. As of December 31, 2012, the Company had drawn down \$0.

Note 10 : Endorsements and guarantees amount is the amount of the endorsement and guarantee contract signed with the bank. As of December 31, 2012, the Company had drawn down \$1,717,720.

Note 11 : As of December 31, 2012, the Company had drawn down \$1,810,889.

Note 12 : As of December 31, 2012, the Company had drawn down \$540,651.

Note 13 : As of December 31, 2012, the Company had drawn down \$1,246,889.

C. Marketable securities held as at December 31, 2012:

Name of the company	Type of investment	Name of investee companies	Relationship with the Company	General ledger accounts	December 31, 2012				Note
					Number of shares	Carrying amount	Percentage of company's ownership	Market value	
Prince Housing & Development Corp.	Stock	Cheng-Shi Investment Holdings Co., Ltd.	Subsidiary	Long-term equity investments accounted for under the equity method	120,807,230	\$ 539,263	100.00	\$ 11.22	
	"	Prince Property Management Consulting Co., Ltd. (formerly Prince Real Estate Agent Co., Ltd.)	"	"	17,146,580	223,903	100.00	14.08	
	"	Geng-Ding Co., Ltd.	The investee company accounted for under the equity method	"	18,000,000	317,735	30.00	17.65	3
	"	Prince Housing Investment Co., Ltd.	Subsidiary	"	428	312,282	100.00	783,680.91	
	"	BioSun Technology Co., Ltd.	"	"	4,688,000	24,123	100.00	4.84	
	"	Prince Biotechnology Co., Ltd.	"	"	250,000	2,385	50.00	9.54	
	"	Prince Ta-Chen Investment Co., Ltd.	"	"	12,270,100	41,920	99.97	3.42	
	"	Dong-Feng Enterprises Co., Ltd.	"	"	20,400,194	231,522	100.00	20.96	
	"	Uni-President Development Corp.	The investee company accounted for under the equity method	"	108,000,000	980,708	30.00	9.08	4
	"	The Splendor Hotel Taichung	Subsidiary	"	97,500,000	383,078	50.00	3.93	
	"	Time Square International Hotel Co., Ltd.	"	"	60,000,000	438,189	100.00	7.30	
	"	Jin-Yi-Xing Plywood Co., Ltd.	"	"	151,468	661,381	99.65	2,120.19	
	"	Early Success Investments Ltd.	"	"	1,554,660	40,506	100.00	26.05	
	"	Ming-Da Enterprise Co., Ltd.	The investee company accounted for under the equity method	"	3,640,000	132,453	20.00	14.85	
	"	Splendor Asset Management Co., Ltd.	Subsidiary	"	50,000	487	50.00	9.74	
	"	Prince Asset Management Co., Ltd.	"	"	2,190	1,244	100.00	497.67	
	"	Nantex Industry Co., Ltd.	None	Available-for-sale financial assets-	5,838,402	109,470	Note 1	18.75	Listed company, Note 5

Name of the company	Type of investment	Name of investee companies	Relationship with the Company	General ledger accounts	December 31, 2012				Note
					Number of shares	Carrying amount	Percentage of company's ownership	Market value	
Prince Housing & Development Corp.	Stock	Simple Technology Co., Ltd.	None	Available-for-sale financial assets-non-current	127,249	\$ 18,578	Note 1	\$ 146.00	OTC company
"	"	Advanced Wireless Semiconductor Company	"	"	197,937	4,137	Note 1	20.90	OTC company
"	"	Trade-Van Information Service Co., Ltd.	"	"	85,535	2,036	Note 1	23.80	Listed company
"	"	Atherm Inc.	"	"	45,224	696	Note 1	15.40	OTC company
"	"	Genome International Biomedical Co., Ltd.	"	"	1,311	149	Note 1	113.50	OTC company
"	"	Universal Venture Capital Investment Corp.	"	Financial assets carried at cost - non-current	1,400,000	14,000	Note 1	Note 2	
"	"	President Energy Development Ltd.	"	"	1,275,000	36,989	Note 1	Note 2	
"	"	President International Development Corp.	"	"	87,745,770	841,520	6.63	Note 2	7
"	"	Grand Bills Finance Corp.	"	"	48,672	473	Note 1	Note 2	
"	"	Jia-Cheng Venture Capital Investment Co., Ltd.	"	"	759,024	-	Note 1	Note 2	
"	"	Jia-Hua Venture Capital Investment Co., Ltd.	"	"	1,211,228	-	7.90	Note 2	
Stock		Chipwell Tech. Corp.	None	Financial assets carried at cost - non-current	887,970	1,776	Note 1	Note 2	
"	"	Ever-Move Technology Co., Ltd.	"	"	15,381	-	Note 1	Note 2	
"	"	Chuang-Jing Technology Co.,	"	"	12,645	-	Note 1	Note 2	
"	"	Bao-Mao Technology Co., Ltd.	"	"	27,933	-	Note 1	Note 2	
"	"	Jie-Lun Technology Co., Ltd.	"	"	17,280	-	Note 1	Note 2	
"	"	Quan-Mao Technology Inc.	"	"	341,745	-	Note 1	Note 2	

Name of the company	Type of investment	Name of investee companies	Relationship with the Company	General ledger accounts	December 31, 2012			
					Number of shares	Carrying amount	Percentage of company's ownership	Note
Prince Housing & Development Corp.	Stock	Wei-Jun Technology Co., Ltd.	None	Financial assets carried at cost - non-current	1,846	\$ -	Note 1	Note 2
	"	Nannat Technology Co., Ltd.	"	"	1,099,960	10,700	5.00	Note 2
	"	Southern Science Joint Development Co., Ltd.	"	"	167,700	1,677	10.00	Note 2
	"	Southern Science Joint Development Co., Ltd. - preferred	"	"	2,500,000	25,000	50.00	Note 2
	"	Chieh-Cheng Technology Co., Ltd.	"	"	41,343	-	Note 1	Note 2
	Fund	Mega Diamond Money Market Fund	"	Financial assets at fair value through profit or loss-non-	6,301,406	76,593	Note 1	12
Cheng-Shi Investment Holdings Co., Ltd.	Stock	Ta-Chen Construction & Engineering Corp.	Subsidiary	Long-term equity investments accounted for under the equity	124,000,000	1,191,591	100.00	9.61
	"	Prince Utility Co., Ltd.	"	"	3,070,000	56,025	100.00	18.25
Ta-Chen Construction & Engineering Corp.	"	Cheng-Shi Construction Co., Ltd.	"	"	10,100,000	108,027	100.00	10.70
	"	Prince Housing & Development Corp.	Parent company	Financial assets at fair value through profit or loss - current	34,435,720	712,819	Note 1	20.70
	"	Nantex Industry Co., Ltd.	None	"	10,285,699	192,857	Note 1	18.75
	Fund	Yuantan Global Realty & Infrastructure Acc.	"	"	1,000,000	7,070	Note 1	7
	Stock	Ta Chen International (Brunei) Corp.	Subsidiary	Long-term equity investments accounted for under the equity	201,000	2,923	100.00	14.54
	"	Prince Biotechnology Co., Ltd.	Affiliated Company	"	225,000	2,147	45.00	9.54
	"	Chipwell Tech. Corp.	None	Financial assets carried at cost - non-current	1,113,000	5,565	Note 1	Note 2
	"	Nannat Technology Co., Ltd.	"	"	1,233,600	12,000	5.56	Note 2

Name of the company	Type of investment	Name of investee companies	Relationship with the Company	General ledger accounts	December 31, 2012				Note
					Number of shares	Carrying amount	Percentage of company's ownership	Market value	
Prince Housing Investment Co., Ltd.	Stock	PPG Investment Inc.	The investee company accounted for under the equity method	Long-term equity investments accounted for under	273	US\$1,969	27.27	US\$7,212	
	"	Queen Holdings Ltd.	"	"	2,730	US\$9,352	27.27	US\$3,426	
	"	Tou Itsu Investments Inc.	None	Financial assets carried at cost - non-current	600	US\$0.6	15.00	Note 2	
Prince Ta-Chen Investment Co., Ltd.	Stock	Prince Capital, Inc.	Subsidiary	Long-term equity investments accounted for under the equity method	1	2,640	100.00	2,640	
	"	Chipwell Tech. Corp.	None	Financial assets carried at cost - non-current	207,536	913	Note 1	Note 2	
	"	Da-Hung Technology Co., Ltd.	"	"	300,000	-	Note 1	Note 2	
	"	Ever-More Technology Co., Ltd.	"	"	395,890	-	Note 1	Note 2	
	"	Chuang-Ching Software Co.,	"	"	116,741	819	Note 1	Note 2	
	"	Formosoft International Inc.	"	"	53,258	366	Note 1	Note 2	
	"	Ke-Ya Technology Co., Ltd.	"	"	23,156	-	Note 1	Note 2	
	"	Jia-Cheng Venture Capital Investment Co., Ltd.	"	"	291,000	-	Note 1	Note 2	
	"	Jia-Hua Venture Capital Investment Co., Ltd.	"	"	480,000	-	Note 1	Note 2	
	"	Quan-Mao Technology Inc.	"	"	9,897	-	Note 1	Note 2	
	"	Jie-Cheng Technology Co., Ltd.	"	"	41,434	-	Note 1	Note 2	
	"	Bao-Mao Technology Co., Ltd.	"	"	960,697	-	Note 1	Note 2	
	"	Universal Chu-Ching Co., Ltd.	"	"	71,923	-	Note 1	Note 2	
	"	Chuang-Jing Technology Co., Ltd.	"	"	4,842	-	Note 1	Note 2	
	"	Wei-Jun Technology Co., Ltd.	"	"	707	-	Note 1	Note 2	
	"	Jie-Lun Technology Co., Ltd.	"	"	6,617	-	Note 1	Note 2	
Prince Ta-Chen Investment Co., Ltd.	Stock	Aetherm Inc.	None	Available-for-sale financial assets - non-current	17,317	267	Note 1	15.40	

Name of the company	Type of investment	Name of investee companies	Relationship with the Company	General ledger accounts	December 31, 2012				Note
					Number of shares	Carrying amount	Percentage of company's ownership	Market value	
Prince Ta-Chen Investment Co., Ltd.	Fund	Taiwan Best Selection	None	Financial assets at fair value through profit or loss - current	500,000	\$ 5,410	Note 1	\$ 10.82	
Prince Utility Co., Ltd.	Stock	Genome International Biomedical Co. Ltd.	"	"	92	-	Note 1	113.50	
	"	Holux Technology Inc.	"	"	279,509	2,622	Note 1	9.38	
	"	Prince Biotechnology Co., Ltd.	Affiliated Company	Long-term equity investments accounted for under the equity method	5,000	47	Note 1	9.54	
Prince Property Management Consulting Co., Ltd. (formerly Prince Real Estate Appraisal Co., Ltd.)	"	Prince Apartment Management Maintain Co., Ltd.	Subsidiary	"	3,000,000	67,853	100.00	22.62	
Prince Apartment Management Maintain Co., Ltd.	"	Prince Security Co., Ltd.	"	"	13,172,636	161,794	100.00	12.25	
	"	Prince Biotechnology Co., Ltd.	Affiliate Company	"	15,000	142	Note 1	9.54	
	"	Prince Housing & Development Corp.	Parent company	Available-for-sale financial assets - non-current	578,486	7,495	Note 1	20.70	
	"	Tainan Spinning Co., Ltd.	None	"	115,733	2,003	Note 1	14.65	
Dong-Feng Enterprises Co., Ltd.	"	Prince Biotechnology Co., Ltd.	Affiliate Company	Long-term equity investments accounted for under the equity method	5,000	47	Note 1	9.54	
	Stock	Amida Trustlink Assets Management Co., Ltd.	The investee company accounted for under the equity method	Long-term equity investments accounted for under the equity method	37,025,625	317,986	45.21	8.59	
	"	Synta Pharmaceuticals Corp.	None	Available-for-sale financial assets - non-current	180,000	47,068	Note 1	US\$261.49	

Name of the company	Type of investment	Name of investee companies	Relationship with the Company	General ledger accounts	December 31, 2012			Note
					Number of shares	Carrying amount	Percentage of company's ownership	Market value
Dong-Feng Enterprises Co., Ltd.	Stock	Nantex Industry Co., Ltd.	None	Available-for-sale financial assets - non-current	149,942	2,811	Note 1	18.75
Prince Capital, Inc.	"	Sung Gang Asset Management Co., Ltd.	"	"	2,083,333	39,896	Note 1	19.15
	"	Prince Ventures USA Inc.	Subsidiary	Long-term equity investments accounted for under the equity method	1	US\$113	100.00	US\$0.19
Prince Ventures USA Inc.	Fund	SHORT TERM US TREAS ISS CLASS	None	Financial assets at fair value through profit or loss - current	65,000	US\$66	Note 1	US\$1.00
Prince Security Co., Ltd.	Stock	Synta Pharmaceuticals Corp.	"	"	5,000	US\$45	Note 1	US\$9.02
	"	Nannat Technology Co., Ltd.	"	Financial assets carried at cost - non-current	164,480	1,600	Note 1	Note 2
Early Success Investments Ltd.	"	Synta Pharmaceuticals Corp.	None	Financial assets at fair value through profit or loss - current	154,800	US\$1,396	Note 1	US\$9.02
Ta-Chen International (Brunei) Corp.	"	Ta-Chen Construction & Engineering (Vietnam) Corp.	Subsidiary	Long-term equity investments accounted for under the equity method	Note 10	US\$67	100.00	Note 10

Note 1 : Percentage of company's ownership is less than 5%.

Note 2 : We have not received the financial statements from management. Thus the net value cannot be measured.

Note 3 : 12,000,000 shares of outstanding common stock were used as collateral for loan.

Note 4 : 108,000,000 shares of outstanding common stock were used as collateral for loan.

Note 5 : 4,088,451 shares of outstanding common stock were used as collateral for loan.

Note 6 : 17,276,000 shares of outstanding common stock were used as collateral for loan.

Note 7 : 60,000,000 shares of outstanding common stock were used as collateral for loan.

Note 8 : 30,763,397 shares of outstanding common stock were used as collateral for loan.

Note 9 : 7,715,980 shares of outstanding common stock were used as collateral for loan.

Note 10 : Not applicable for a limited company.

D. Accumulated additions and disposals of individual marketable security exceeding \$100 million or 20% of the Company's contributed capital:

Investor	Marketable securities	General ledger account	Counterparty	Relationship with the Company	Beginning balance		Addition		Disposal				Other increase (decrease)		Ending balance	
					Number of shares (in thousands)	Amount	Number of shares (in thousands)	Amount	Number of shares (in thousands)	Selling price	Book value	Gain (loss) on disposal	Number of shares (in thousands)	Amount	Number of shares (in thousands)	Amount
Prince Housing & Development Corp.	Prince Property Management Consulting Co., Ltd.	Long-term equity investments accounted for under the equity method	None	Subsidiary	1,000	\$ 2,202	13,000	\$ 130,000	-	\$ -	\$ -	\$ -	3,147	\$ 91,701	17,147	\$ 223,903

Note : Including investment income (loss) accounted for under the equity method and the equity increase from share conversion in business combination.

E. Acquisition of real estate exceeding \$100 million or 20% of the Company's contributed capital:

If the counterparty is a related party, information pertaining to previous transactions on the property is disclosed below:

Acquiring company	Type of property	Date of transaction (Note A)	Transaction amount	Payment status	Counterparty	Relationship with the Company	Relationship of the original owner with the Company		Date of the original transaction	Amount	Basis for price determination	Acquisition purpose and current status on usage	Other commitments
							Original owner	with the Company					
Prince Housing & Development Corp.	Ming Ding Lot (including land and buildings)	2012/11/7	\$ 273,680	\$ 273,680	Taiwan Sugar Corporation	None	-	-	-	\$ -	Negotiated price	Construction	Note
	He Guan Lot (including land and buildings)	2012/12/10	241,230	241,230	"	"	-	-	-	-	"	"	"
	Qiao Zhong Lot (including land and buildings)	2012/12/20	157,960	157,960	"	"	-	-	-	-	"	"	"

Note : Please refer to Note 7. N and O.

F. Disposal of real estate exceeding \$100 million or 20% of the Company's contributed capital:

Company name	Property	Date of disposal (Note 1)	Date of acquisition	Book value	Disposal amount	Status of collection of proceeds	Gain (loss) on disposal (Note 2)	Counterparty	Relationship with the Company	Reason of disposal	Basis or reference used in setting the price	Other commitments
Prince Housing & Development Corp.	San Kuai Cuo Lot No.1244	2012/03/20	2008/05/22	\$ 155,200	\$ 240,347	\$ 240,347	\$ 84,596	Third party	None	For operating use	Market value	-
	Yu Dong Lot No.995	2011/11/29	1996/05/23	93,857	108,395	108,395	9,719	Third party	None	For operating use	Market value	-

Note 1: The signing date of the contract. As of December 31, 2012, the land had been transferred to the counterparty.

Note 2: Using disposal amount less its cost and related expenses.

G. Purchases from or sales to related parties exceeding \$100 million or 20% of the Company's contributed capital during the year ended December 31, 2012:

Company	Counterparty	Relationship with the Company	Transactions			Differences in transaction terms compared to third party transactions			Accounts / notes receivable (payable)		Note
			Purchases /(Sales)	Amount	% of total Purchases (Sales)	Credit terms	Unit price	Credit terms	Balance	% of total accounts / notes receivable (payable)	
Prince Housing & Development Corp.	Cheng-Shi Construction Co., Ltd.	Subsidiary	Purchases	\$ 699,743	12%	Note A	Note B	Note B	(\$ 128,311)	(5%)	
	Ta-Chen Construction & Engineering Corp.	"	"	365,254	6%	"	"	"	(191,827)	(8%)	
	Prince Utility Co., Ltd.	"	"	267,329	4%	"	"	"	(98,712)	(4%)	

Note A: Progress payments were made in accordance with the contract terms.

Note B: It is reasonable compared to the normal trading terms.

H. Receivables from related parties exceeding \$100 million or 20% of the Company's contributed capital as at December 31, 2012:

Creditor	Counterparty	Relationship with the Company	Balance as at December 31, 2012	Turnover rate	Overdue receivables			Allowance for doubtful accounts
					Amount	Action Taken	Amount collected subsequent to the balance sheet date	
Prince Housing & Development Corp.	The Splendor Hotel Taichung	Subsidiary	Other assets \$ 575,000	-	\$ -	-	\$ -	-
	Jin Yi Xing Plywood Co., Ltd.	Subsidiary	Other assets \$ 480,185	-	-	-	-	-
	Chung, Wu-Chuan	The Chairman's spouse	Accounts receivable \$ 185,560	-	-	-	185,560	-

I. Information on derivative instruments transactions: None.

(2) Disclosure information of investee company

Information of investee companies as December 31, 2012 is disclosed below:

Investor	Investee	Location	Main activities	Initial investment amount			Holding status			Net income (loss) of investee company		Investment income (loss) recognized by the Company		Note
				December 31, 2012	Currency	December 31, 2011	Number of shares	Percentage	Carrying amount	Currency	Amount	Currency	Amount	
Prince Housing & Development Corp.	Ta-Chen Construction & Engineering Corp.	Taiwan	Construction	\$ -	NTD	\$ 1,240,000	-	-	\$ -	NTD	\$ 292,425	NTD	\$ 88,626	1、2
	Prince Utility Co., Ltd.	Taiwan	Electricity and water pipe maintenance	-	NTD	38,800	-	-	-	NTD	22,144	NTD	10,165	1、2
	Cheng-Shi Investment Holdings Co., Ltd.	Taiwan	General investments	1,379,950	NTD	-	120,807,230	100.00	539,263	NTD	-	NTD	-	2
	Prince Property Management Consulting Co., Ltd (formerly Prince Real Estate Agent)	Taiwan	Management and consulting	181,000	NTD	10,000	17,146,580	100.00	223,903	NTD	2,034	NTD	1,019	2
	Prince Real Estate Appraisal Co., Ltd.	Taiwan	Real estate appraisal	-	NTD	1,000	-	-	-	NTD	(88)	NTD	265	3
	Geng-Ding Co., Ltd.	Taiwan	Hotels and catering	120,000	NTD	120,000	18,000,000	30.00	317,735	NTD	41,902	NTD	12,571	
	Prince Apartment Management Maintain Co., Ltd	Taiwan	Management of apartments	-	NTD	30,000	-	-	-	NTD	8,039	NTD	8,462	1、2
	Prince Housing Investment Co., Ltd.	British Virgin Islands	Overseas investment	4,280	USD	4,280	428	100.00	312,282	NTD	18,094	NTD	18,094	2
	BioSun Technology Co., Ltd.	Taiwan	Anti-mildew's import and export	46,880	NTD	46,880	4,688,000	100.00	24,123	NTD	(7,633)	NTD	(7,633)	2
	Prince Biotechnology Co., Ltd.	Taiwan	Research and development of biological preparation	2,500	NTD	2,500	250,000	50.00	2,385	NTD	104	NTD	52	2
	Prince Security Co., Ltd.	Taiwan	Security	-	NTD	10,000	-	-	-	NTD	19,449	NTD	5,990	1、2
	Prince Ta-Chen Investment Co., Ltd.	Taiwan	General investments	198,940	NTD	198,940	12,270,100	99.97	41,920	NTD	(388)	NTD	(388)	2
	Dong-Feng Enterprises Co., Ltd.	Taiwan	Housebuilders and sales	965,034	NTD	1,150,034	20,400,194	100.00	231,522	NTD	64,002	NTD	64,002	1、2

Investor	Investee	Location	Main activities	Initial investment amount			Holding Status			Net income (loss) of investee company		Investment income (loss) recognized by the Company		Note
				December 31, 2012	Currency	December 31, 2011	Number of shares	Percentage	Carrying amount	Currency	Amount	Currency	Amount	
Prince Housing & Development Corp.	Uni-President Development Corp.	Taiwan	Leasing of buildings	\$ 1,080,000	NTD	\$ 1,080,000	108,000,000	30.00	\$ 980,708	NTD	\$ 231,725	NTD	\$ 69,509	
	Cheng-Shi Construction Co., Ltd.	Taiwan	Construction	-	NTD	61,150	-	-	-	NTD	7,038	NTD	7,092	1、2
	The Splendor Hotel Taichung	Taiwan	Hotels and catering	975,000	NTD	975,000	97,500,000	50.00	383,078	NTD	(16,972)	NTD	(8,486)	2
	Time Square International Co., Ltd.	Taiwan	Hotels and catering	600,000	NTD	600,000	60,000,000	100.00	438,189	NTD	138,779	NTD	145,215	2
	Jin-Yi-Xing Plywood Co., Ltd.	Taiwan	Manufacture of plywoods	636,194	NTD	636,194	151,468	99.65	661,381	NTD	8,198	NTD	8,169	2
	Early Success Investments Ltd.	British Virgin Islands	Overseas investment	33,018	NTD	33,018	1,554,660	100.00	40,506	NTD	19,919	NTD	19,919	2
	Ming-Da Enterprise Co., Ltd.	Taiwan	Real estate trading	127,400	NTD	127,400	3,640,000	20.00	132,453	NTD	765	NTD	(1,565)	
	Splendor Assets Management Co., Ltd.	Taiwan	Management consulting	500	NTD	500	50,000	50.00	487	NTD	2	NTD	1	2
	Prince Assets Management LLC.	Hong Kong	Overseas investment	62,631	NTD	72,956	2,190	100.00	1,244	NTD	18,779	NTD	7,871	2
	Ta-Chen Construction & Engineering Corp.	Taiwan	Construction	1,191,591	NTD	-	124,000,000	100.00	1,191,591	NTD	292,425	NTD	-	2
Cheng Shi Investment Holdings Co., Ltd.	Prince Utility Co., Ltd.	Taiwan	Electricity and water pipe maintenance	56,025	NTD	-	3,070,000	100.00	56,025	NTD	22,144	NTD	-	2
	Cheng-Shi Construction Co., Ltd.	Taiwan	Construction	108,027	NTD	-	10,100,000	100.00	108,027	NTD	7,038	NTD	-	2
Ta-Chen Construction & Engineering Corp.	Prince Entertainment Co., Ltd.	Taiwan	Management of entertainment	-	NTD	4,900	-	-	-	NTD	(88)	NTD	-	3

Investor	Investee	Location	Major activities	Initial investment amount			Holding Status			Net income (loss) of investee company			Investment income (loss) recognized by the Company			
				December 31,		December 31, 2011	Number of shares	Percentage	Carrying amount	Currency	Amount	Currency	Amount	Currency	Amount	Note
				Currency	2012											
Ta-Chen Construction & Engineering Corp.	Ta-Chen International (Brunei) Corp.	Brunei	Overseas investment	NTD	\$ 5,916	\$ 1,964	201,000	100.00	\$ 2,923	NTD	NTD	\$ 2,877	NTD	\$ -	-	2
	Prince Biotechnology Co., Ltd.	Taiwan	Research and development of biological preparation	NTD	2,250	2,250	225,000	45.00	2,147	NTD	NTD	104	NTD	-	-	2
	Prince Security Co., Ltd.	Taiwan	Security	NTD	-	10,000	-	-	-	NTD	NTD	19,449	NTD	-	-	2
Prince Housing Investment Co., Ltd.	PPG Investment Inc.	USA	Overseas investment	USD	1,909	1,909	273	27.27	1,969	USD	USD	(487)	USD	-	-	-
	Queen Holdings Ltd.	British Virgin Islands	Overseas investment	USD	4,091	4,091	2,730	27.27	9,352	USD	USD	2,110	USD	-	-	-
	Prince Capital Inc.	British Virgin Islands	Overseas investment	NTD	26,727	26,727	1	100.00	2,640	NTD	NTD	(3)	NTD	-	-	2
Prince Utility Co., Ltd.	Prince Biotechnology Co., Ltd.	Taiwan	Research and development of biological preparation	NTD	50	50	5,000	1.00	47	NTD	NTD	104	NTD	-	-	2
Prince Property Management Consulting Co., Ltd (formerly Prince Real Estate Agent Co., Ltd.)	Prince Apartment Management Maintain Co., Ltd.	Taiwan	Management of apartments	NTD	67,853	-	3,000,000	100.00	67,853	NTD	NTD	8,039	NTD	-	-	2
	Prince Security Co., Ltd.	Taiwan	Security	NTD	159,611	-	13,172,636	100.00	161,794	NTD	NTD	19,449	NTD	-	-	2
	Prince Biotechnology Co., Ltd.	Taiwan	Research and development of biological preparation	NTD	150	-	15,000	3.00	142	NTD	NTD	104	NTD	-	-	2

Investor	Investee	Location	Major activities	Initial investment amount				Holding Status			Net income (loss) of investee company		Investment income (loss) recognized by the Company			
				Currency	December 31, 2012	Currency	December 31, 2011	Number of shares	Percentage	Currency	Carrying amount	Currency	Amount	Currency	Amount	Note
Prince Apartment Management Maintain Co., Ltd.	Prince Security Co., Ltd.	Taiwan	Security	NTD	\$ -	NTD	\$ 10,000	-	-	NTD	\$ -	NTD	\$ 19,449	NTD	\$ -	2
	Prince Property Management Co., Ltd.	Taiwan	Development of public housing and building and its rental	NTD	-	NTD	5,000	-	-	NTD	-	NTD	(22)	NTD	-	3
	Prince Biotechnology Co., Ltd.	Taiwan	Research and development of biological preparation	NTD	50	NTD	50	5,000	1.00	NTD	47	NTD	104	NTD	-	2
Dong-Feng Enterprises Co., Ltd.	Amida Trustlink Assets Management Co., Ltd.	Taiwan	Development of public housing and building and its rental	NTD	459,295	NTD	459,295	37,025,625	45.21	NTD	317,986	NTD	72,678	NTD	-	-
	Prince Capital, Inc.	Brish Virgin Islands	Overseas investment	NTD	20,511	NTD	20,511	1	100.00	USD	113	USD	(2)	NTD	-	2
Prince Security Co., Ltd.	Prince Property Management Co., Ltd.	Taiwan	Development of public housing and building and its rental	NTD	-	NTD	5,000	-	-	NTD	-	NTD	(22)	NTD	-	3
Ta-Chen International (Brunei) Corp.	Ta Chen Construction & Engineering (Vietnam) Corp.	Vietnam	Construction	USD	201	USD	66	-	100.00	USD	67	USD	(99)	USD	-	2

Note 1: The difference between the income (loss) of the investee and the investment income (loss) of the investee recognized by the Company is the investment income (loss) of the investee recognized by the Company in proportion to the share ownership and unrealized gain (loss) from elimination of inter-company transactions.

Note 2: Subsidiary.

Note 3: It had been dissolved on October 1, 2012 because of the merger in the Group.

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

(4) Intercompany Relationships and Significant Intercompany Transactions

Transactions amount between the Company and subsidiaries exceeding \$100 million or 2% of the Company's contributed capital are as follows:
For the year ended December 31, 2012:

No.	Company name	Counterparty	Relationship The Company to the consolidated subsidiaries	Transaction			Percentage of consolidated total operating revenues or total assets
				General ledger account	Amount	Transaction terms	
0	Prince Housing & Development Corp.	Ta-Chen Construction & Engineering Corp.	"	Purchases	\$ 365,254	Negotiated terms	2.49%
0		Ta-Chen Construction & Engineering Corp.		Accounts payable	191,827	-	0.40%
0		Ta-Chen Construction & Engineering Corp.		Endorsement and guarantee	309,084	In accordance with endorsement and guarantee procedures	Note 1
0		Prince Utility Co., Ltd.		Purchases	267,329	Negotiated terms	1.82%
0		Prince Utility Co., Ltd.		Accounts payable	98,712	-	0.20%
0		The Splendor Hotel Taichung	"	Endorsement and guarantee	1,717,720	In accordance with endorsement and guarantee procedures	Note 2
0		The Splendor Hotel Taichung	"	Other assets	575,000	Creditor's rights purchase contract	1.19%
0		Cheng-Shi Construction Co., Ltd.	"	Purchases	699,743	Negotiated terms	4.77%
0		Cheng-Shi Construction Co., Ltd.	"	Accounts payable	128,311	-	0.26%
0		Jin-Yi-Xing plywood Co., Ltd.	"	Other assets	480,186	Creditor's rights purchase contract	0.99%
0		Jin-Yi-Xing plywood Co., Ltd.	"	Prepayment for Land	238,163	Negotiated terms	0.49%
1	Dong-Feng Enterprises Co., Ltd.	Prince Housing & Development Corp.	The consolidated subsidiaries to the Company	Endorsement and guarantee	1,810,889	In accordance with endorsement and guarantee procedures	Note 3
2	Prince Utility Co., Ltd.	Prince Housing & Development Corp.	"	Endorsement and guarantee	540,651	-	Note 4
3	Jin-Yi-Xing plywood Co., Ltd.	Prince Housing & Development Corp.	"	Endorsement and guarantee	1,246,889	-	Note 5

Note: One side of transactions are disclosed among the company and subsidiaries.

Note 1: Percentage of consolidated total stockholders' equity is 1.78%.

Note 2: Percentage of consolidated total stockholders' equity is 9.91%.

Note 3: Percentage of consolidated total stockholders' equity is 10.45%.

Note 4: Percentage of consolidated total stockholders' equity is 3.12%.

Note 5: Percentage of consolidated total stockholders' equity is 7.19%.

For the year ended December 31, 2011:

No.	Company name	Counterparty	Relationship The Company to the consolidated subsidiaries	Transaction			Percentage of consolidated total operating revenues or total assets
				General ledger account	Amount	Transaction terms	
0	Prince Housing & Development Corp.	Ta-Chen Construction & Engineering Corp.	"	Purchases	\$ 365,254	Negotiated terms	2.49%
0		Ta-Chen Construction & Engineering Corp.	"	Accounts payable	191,827	-	0.40%
0		Ta-Chen Construction & Engineering Corp.	"	Endorsement and guarantee	309,084	In accordance with endorsement and guarantee procedures	Note 1
0		Prince Utility Co., Ltd.	"	Purchases	267,329	Negotiated terms	1.82%
0		Prince Utility Co., Ltd.	"	Accounts payable	98,712	-	0.20%
0		The Splendor Hotel Taichung	"	Endorsement and guarantee	1,717,720	In accordance with endorsement and guarantee procedures	Note 2
0		The Splendor Hotel Taichung	"	Other assets	575,000	Creditor's rights purchase contract	1.19%
0		Cheng-Shi Construction Co., Ltd.	"	Purchases	699,743	Negotiated terms	4.77%
0		Cheng-Shi Construction Co., Ltd.	"	Accounts payable	128,311	-	0.26%
0		Jim-Yi-Xing plywood Co., Ltd.	"	Other assets	480,186	Creditor's rights purchase contract	0.99%
0		Jim-Yi-Xing plywood Co., Ltd.	"	Prepayment for Land	238,163	Negotiated terms	0.49%
1	Dong-Feng Enterprises Co., Ltd.	Prince Housing & Development Corp.	The consolidated subsidiaries to the Company	Endorsement and guarantee	1,810,889	In accordance with endorsement and guarantee procedures	Note 3
2	Prince Utility Co., Ltd.	Prince Housing & Development Corp.	"	Endorsement and guarantee	540,651	-	Note 4

Note: One side of transactions are disclosed among the company and subsidiaries.

Note 1: Percentage of consolidated total stockholders' equity is 3.07%.

Note 2: Percentage of consolidated total stockholders' equity is 9.36%.

Note 3: Percentage of consolidated total stockholders' equity is 1.96%.

Note 4: Percentage of consolidated total stockholders' equity is 2.72%.

Note 5: Percentage of consolidated total stockholders' equity is 11.64%.

Note 6: Percentage of consolidated total stockholders' equity is 1.54%.

Note 7: Percentage of consolidated total stockholders' equity is 3.47%.

Note 8: Percentage of consolidated total stockholders' equity is 8.01%.

12. Segment information

A. General information

Management has determined the reportable operating segments based on the reports reviewed by the chief operating decision-maker that are used to make strategic decisions. The chief operating decision-maker considers the business from a product perspective.

B. Measurement of segment information

The chief operating decision-maker assesses the performance of the operating segments based on the profit (loss) before taxes. This measurement basis excludes the effects of non-recurring revenues/expenditures from the operating segments. Accounting policies of operating segments are the same as the summary of significant accounting policies in Note 2 to the consolidated financial statements.

C. Information on segment profit (loss) and assets

The segment information provided to the chief operating decision-maker for the reportable segments is as follows:

Item	December 31, 2012				
	Construction	Hotel	Others	Write-off and Adjustment	Total
Operating Revenues, net	\$ 12,253,632	\$ 3,156,196	\$ 792,626	\$ 1,544,712	\$ 14,657,742
Costs and Expenses	(10,967,953)	(2,684,260)	(670,899)	1,555,220	(12,767,892)
Segment Income	1,285,679	471,936	121,727		1,889,850
Interest income	47,808	911	29,366	40,631	37,454
Investment income accounted for under the equity method	457,967	-	50,622	377,454	131,135
Gain on valuation of financial assets	170,607	566	20,076	191,249	-
General revenues	254,275	15,116	30,697	31,780	268,308
Interest expense	(369,979)	(138,755)	(1)	40,631	(468,104)
Loss on valuation of financial assets	-	-	-	14,426	(14,426)
Loss on disposal of property, plant and equipment	(-)	(2,479)	(3,246)	1,017	(4,708)
General expenses	(13,952)	(1,410)	(7,485)	1,902	(20,945)
Segment income before tax	1,832,405	345,885	241,756		1,818,564
Income tax expense	(51,791)	(19,831)	(9,881)	878	(42,719)
Consolidated income	\$ 1,780,614	\$ 365,716	\$ 231,875		\$ 1,775,845
Segment assets	\$ 41,053,912	\$ 10,202,175	\$ 2,713,964	5,545,530	\$ 48,424,521

Item	December 31, 2011				
	Construction	Hotel	Others	Write-off and Adjustment	Total
Operating Revenues, net	\$ 11,839,898	\$ 2,347,878	\$ 1,456,826	\$ 1,054,660	\$ 14,589,942
Costs and Expenses	(9,687,553)	(2,306,903)	(1,084,810)	(1,067,100)	(12,012,166)
Segment Income	2,152,345	40,975	372,016		2,577,776
Interest income	38,491	912	24,474	31,097	32,780
Investment income accounted for under the equity method	348,011	-	20,306	297,343	70,974
Gain on valuation of financial assets	-	-	-	26,447	26,447
General revenues	174,437	13,091	4,430	7,011	184,947
Interest expense	(386,422)	(144,089)	(3,154)	(31,097)	(502,568)
Loss on valuation of financial assets	(168,350)	-	(1,708)	170,058	-
Loss on disposal of property, plant and equipment	-	(83,714)	-	-	(83,714)
General expenses	(18,560)	(11,566)	(9,446)	(3,501)	(43,073)
Segment income before tax	2,139,952	(184,391)	406,918		2,263,569
Income tax expense	(6,226)	-	(10,972)	(2,096)	(19,294)
Consolidated (loss) income	\$ 2,133,726	\$ 184,391	\$ 395,946		\$ 2,244,275
Segment assets	\$ 43,359,292	\$ 10,117,340	\$ 2,928,780	5,183,661	\$ 51,221,751

D. Reconciliation for segment profit (loss) and assets

Sales between segments are carried out at arm's length. The revenue from external parties reported to the chief operating decision-maker is measured in a manner consistent with that in the income statement. The amounts provided to the chief operating decision-maker with respect to total assets are measured in a manner consistent with that in the balance sheet. Information on adjusted consolidated total profit (loss) and segment profit (loss) after taxes and assets and reconciliation for segment assets for this year is given in Note 12(C).

E. Revenue information by category

The chief operating decision-maker considers the business from a product perspective. Product category information is given in Note 12(C).

F. Revenue information by geographic area

The Group operates mainly in Taiwan; it has no external customer revenue from other regions. Therefore, revenue information by geographic area is not disclosed.

G. Information on major customers

The Group had no major customers in 2012 and 2011; information on major customers is not disclosed.

13. DISCLOSURES RELATING TO THE ADOPTION OF IFRSs

Pursuant to the regulations of the Financial Supervisory Commission, Executive Yuan, R.O.C., effective January 1, 2013, a public company whose stock is listed on the Taiwan Stock Exchange Corporation or traded in the GreTai Securities Market should prepare financial statements in accordance with the International Financial Reporting Standards (“IFRSs”), International Accounting Standards (“IASs”), and relevant interpretations and interpretative bulletins that are ratified by the Financial Supervisory Commission.

The Company discloses the following information in advance prior to the adoption of IFRSs under the requirements of Jin-Guan-Zheng-Shen-Zi Order No. 0990004943 of the Financial Supervisory Commission, dated February 2, 2010:

A. Major contents and status of execution of the Company’s plan for IFRSs adoption:

The Company has formed an IFRSs group headed by the Company’s General Manager, which is responsible for setting up a plan relative to the Company’s transition to IFRSs. The major contents and status of execution of this plan are outlined below:

Working Items for IFRSs Adoption	Status of Execution
1. Formation of an IFRSs group Completed	Completed
2. Setting up a plan relative to the Company’s transition to IFRSs Completed	Completed
3. Identification of the differences between current accounting policies and IFRSs	Completed
4. Identification of consolidated entities under the IFRSs framework Completed	Completed
5. Evaluation of the impact of each exemption and option of the Company under IFRS 1 - First-time Adoption of International Financial Reporting Standards	Completed
6. Evaluation of needed information system adjustments Completed	Completed
7. Evaluation of needed internal control adjustments Completed	Completed
8. Establish IFRSs accounting policies Completed	Completed
9. Selection of exemptions and options available under IFRS 1 - First-time Adoption of International Financial Reporting Standards	Completed
10. Preparation of statement of financial position on the date of transition to IFRSs	Completed
11. Preparation of IFRSs comparative financial information for 2012 In progress	In progress
12. Completion of relevant internal control (including financial reporting process and relevant information system) adjustments	Completed

B. Material differences that may arise between current accounting policies used in the preparation of financial statements and IFRSs and “Rules Governing the Preparation of Financial Statements by Securities Issuers” that will be used in the preparation of financial statements in the future:

The Company uses the IFRSs already ratified currently by the Financial Supervisory Commission and the “Rules Governing the Preparation of Financial Statements by Securities Issuers” that will be applied in 2013 as the basis for evaluation of material differences in accounting policies as mentioned above. However, the Company’s current evaluation results may be different from the actual differences that may arise when new issuances of or amendments to IFRSs are subsequently ratified by the Financial Supervisory Commission or relevant interpretations or amendments to the “Rules Governing the Preparation of Financial Statements by Securities Issuers” come in the future. The impact of material differences identified by the Company that may arise between the current accounting policies used in the preparation of financial statements and the IFRSs and “Rules Governing the Preparation of Financial Statements by Securities Issuers” that will be used in the preparation of financial statements in the future, and the effects of exemptions selected by the Company under IFRS 1 - First-time Adoption of International Financial Reporting Standards (refer to Note 13(3)) are set forth below:

1. Reconciliation of balance sheet accounts with material differences between different accounting policies adopted as at January 1, 2012:

	Accounting Standards in R.O.C.	Adjustment	IFRSs	Remark
ASSETS :				
Construction contracts receivable	\$ -	\$ 1,196,132	\$ 1,196,132	(1)
Inventories	25,391,618	(8,262,042)	17,129,576	(1) 、(2) 、(4)
Available-for-sale financial assets - non-current	1,017,055	381,613	1,398,668	(3)
Other current assets	23,336	688,395	711,731	(2)
Property, plant and equipment, net	16,228,126	(9,383,227)	6,844,899	(4) 、(5)
Investment property	-	7,784,047	7,784,047	(4)
Other intangible assets	-	3,397,138	3,397,138	(5)
Others	8,561,616	(245,289)	8,316,327	(2) 、(3) 、(4) 、(7)
Total assets	51,221,751	(4,443,233)	46,778,518	
Liabilities :				
Construction contracts payable	-	953,023	953,023	(1)
Receipts in advance	5,850,696	(953,023)	4,897,673	(1)
Land value incremental reserve	495,328	(495,328)	-	(6)
Deferred tax liabilities	-	496,717	496,717	(6)
Other liabilities - other	65,991	404,504	470,495	(7)
Others	29,250,848	92,933	29,343,781	
Total liabilities	35,662,863	498,826	36,161,689	
Stockholders' equity				
Undistributed earnings (accumulated deficit)	2,448,137	(5,246,617)	(2,798,480)	(2) 、(5) 、(7) 、(8)
Others	13,110,751	304,558	13,415,309	(3) 、(8)
Total stockholders' equity	15,558,888	(4,942,059)	10,616,829	
Total liabilities and stockholders' equity	51,221,751	(4,443,233)	46,778,518	

Reasons for differences are outlined below:

- (1) In accordance with IAS 11, 'Construction Contracts', an entity should present the considerations received from or paid to customers due to construction contracts as assets or liabilities. Therefore, the Company increased due from customers on construction contracts and due to customers on construction contracts by \$1,196,132 and \$953,023, respectively, and decreased inventories and advances received by \$1,196,132 and \$953,023, respectively, on the date of transition to IFRSs.
- (2) If the Company is required to provide construction services together with construction materials in order to perform its contractual obligation to deliver real estate to the buyers, the revenue from the 'off plan' houses sale transactions is recognized on a percentage-of-completion basis, simultaneously when it meets the recognition criteria specified in EITF 78-099. An agreement for the construction of real estate is a construction contract within the scope of IAS 11, "Construction Contracts", and IAS 11 applies only when the buyer is able to specify the major structural elements of the design of the real estate before construction begins and/or specify major structural changes once construction is in progress. The buyers of the Company's 'off plan' houses sale contracts have only limited ability to affect the design of the real estate or have ability to specify minor changes to the basic design of the real estate only. Therefore, in accordance with IFRIC 15, "Agreements for the Construction of Real Estate", the Company's 'off plan' houses sale contracts belong to the agreements of sale of goods, which are within the scope of IAS 18, "Revenue" and, accordingly, revenue from those 'off plan' houses sale contracts is accounted for as sale of goods under IAS 18. In addition, In accordance with EITF 74-083 and EITF 84-025, selling expenses the Company paid for the construction contract shall be deferred first, and then shall be reclassified as expenses on a percentage-of-completion basis. Those selling expenses which are not probable to produce the inflow of future economic benefit shall be expensed as incurred. The Company, therefore, decreased "Inventories" (Construction in progress) by \$5,548,154, decreased "prepayments (deferred selling expenses)" (shown as "assets - others" above) by \$91,061, increased "other current assets" (deferred selling expenses) by \$688,395 and decreased "Undistributed earnings" by \$4,950,820 at the opening IFRS balance sheet date.
- (3) In accordance with the amended "Rules Governing the Preparation of Financial Statements by Securities Issuers", dated July 7, 2011, unlisted stocks and emerging stocks held by the Company should be measured at cost and recognized in "Financial assets carried at cost". However, in accordance with IAS 39, "Financial Instruments: Recognition and Measurement", investments in equity instruments without an active market but with reliable fair value measurement (i.e. the variability of the estimation interval of reasonable fair values of such equity instruments is insignificant, or the probability for these estimates can be made reliably) should be measured at fair value. Therefore, the Company decreased "financial assets carried at cost - non-current" (shown as "assets - others" above), increased "available-for-sale financial assets - non-current" by \$140,301, and designated such financial assets carried at cost as available-for-sale financial assets, and increased other comprehensive income by \$241,312, which was the difference between the fair value and the carrying amount, at the opening IFRS balance sheet date in accordance with the "Rules Governing the Preparation of Financial Statements by Securities Issuers" amended on December 22, 2011.
- (4) In accordance with current accounting standards in R.O.C., the Company's real estate that is leased to others and land held for gaining long-term capital increment and not for normal business or sale in short-term and land held whose future use purpose has not been determined

are presented in the “Fixed assets”, “Inventory” and “Investment in real estate” accounts accordingly. In accordance with IAS 40, “Investment Property”, property that meets the definition of investment property is classified and accounted for as “Investment property”. Therefore, the Company reclassified “inventories” (Land held for construction site) amounting to \$1,517,756, “property, plant and equipment – Property held for lease – Land” amounting to \$3,267,922, “property, plant and equipment – Property held for lease – Buildings” amounting to \$2,727,251 and “Investment in real estate” (shown as “assets- others”) amounting to \$271,118 to “Investment property” by \$7,784,047.

- (5) The Company contracted with National Taiwan University to provide construction of the government’s infrastructure assets for public services and operate those assets for Changxing St. Campus for 32 years and 6 months, and for Shuiyuan Campus for 32 years and 4 months after construction is completed. When the term of operating period expires, the underlying infrastructure assets will be transferred to National Taiwan University without consideration. The current accounting standards in R.O.C. regulate that costs incurred in the construction shall be recognized as acquisition costs of fixed assets and amortized over the operating period. In accordance with IFRIC 12, “Service Concession Arrangements”, construction costs of a service concession arrangement shall be allocated to construction services and operating services based on their relative fair values, and the operator subsequently recognizes and measures revenue in accordance with IAS 11, “Construction Contracts”, and IAS 18, “Revenue”, respectively, for the services it performs. The fair values are determined based on the way the grantor pays considerations to the operator specified in the agreement, and are recognized as intangible assets or financial assets. The Company therefore reclassified “property, plant and equipment – Property held for lease – Buildings” amounting to \$3,213,345 and “property, plant and equipment – Machinery and equipment” amounting to \$150,146 to “other intangible assets” by \$3,397,138, and increased “Undistributed earnings” by \$33,647 at the opening IFRS balance sheet date.
- (6) The current accounting standards in R.O.C. regulate that reserve for land revaluation increment tax should be presented under ‘Reserves - reserve for land revaluation increment tax’. However, in accordance with IAS 12, ‘Income Taxes’, land revaluation increment tax is within the scope of income taxes, and should be presented under ‘Deferred income tax liabilities’. Therefore, the Company increased deferred income tax liabilities and decreased reserves - reserve for land revaluation increment tax both by \$495,328 on the date of transition to IFRSs.
- (7) In accordance with current accounting standards in R.O.C., for the Company’s long-term lease contracts with variable rents which are adjusted year by year, the lease payment is recognised as an expense for each period based on each rent agreement. However, in accordance with IAS 17, ‘Leases’, all lease payments stipulated in the lease contracts should be recognised as an expense over the lease term on a straight-line basis. Therefore, the Company increased deferred income tax assets (shown within ‘Assets-others’ in the table above) and other liabilities-others by \$68,766 and \$404,504, respectively, and decreased undistributed earnings by \$335,738 on the date of transition to IFRSs.
- (8) The Company has elected to reset the cumulative translation differences arising on the translation of the financial statements of foreign operations under R.O.C. GAAP to zero on the date of transition to IFRSs, and to deal with translation differences arising subsequent to the transition date in accordance with IAS 21, ‘The Effects of Changes in Foreign Exchange Rates’. Therefore, the Company increased cumulative translation adjustment by \$30,317 (shown within

‘Shareholders’ equity-others’ in the table above) and decreased undistributed earnings by \$30,317 on the date of transition to IFRSs.

2. Reconciliation of balance sheet accounts with material differences between different accounting policies adopted as at December 31, 2012:

	Accounting Standards in R.O.C.	Adjustment	IFRSs	Remark
ASSETS :				
Construction contracts receivable	\$ -	\$ 914,634	\$ 914,634	(1)
Inventories	15,522,871	(2,432,390)	13,090,481	(1) 、(4)
Available-for-sale financial assets - non-current	1,581,087	239,919	1,821,006	(3)
Other current assets	24,825	494,014	518,839	(2)
Property, plant and equipment, net	16,138,473	(9,104,510)	7,033,963	(4) 、(5)
Investment property	-	7,625,630	7,625,630	(4)
Other intangible assets	-	3,315,404	3,315,404	(5)
Others	15,157,265	(595,540)	14,561,725	(2) 、(3) 、(4) 、(7)
Total assets	48,424,521	457,161	48,881,682	
Liabilities :				
Construction contracts payable	-	633,630	633,630	(1)
Receipts in advance	2,331,351	(633,630)	1,697,721	(1)
Land value incremental reserve	495,328	(495,328)	-	(6)
Deferred tax liabilities	-	496,139	496,139	(6)
Other liabilities - other	67,226	542,875	610,101	(7)
Others	28,196,670	124,564	28,321,234	
Total liabilities	31,090,575	668,250	31,758,825	
Stockholders’ equity				
Undistributed earnings (accumulated deficit)	578,535	(5,258,278)	(4,679,743)	(2) 、(5) 、(7)
Net income	1,785,930	4,803,225	6,589,155	(2) 、(5) 、(7)
Others	14,969,481	243,964	15,213,445	(3)
Total stockholders’ equity	17,333,946	(211,089)	17,122,857	
Total liabilities and stockholders’ equity	48,424,521	457,161	48,881,682	

Reasons for differences are outlined below:

- (1) In accordance with IAS 11, ‘Construction Contracts’, an entity should present the considerations received from or paid to customers due to construction contracts as assets or liabilities. Therefore, the Company increased due from customers on construction contracts and due to customers on construction contracts both by \$914,634, and decreased inventories and advances received both by \$633,630, on the date of transition to IFRSs.
- (2) If the Company is required to provide construction services together with construction materials in order to perform its contractual obligation to deliver real estate to the buyers, the revenue from the ‘off plan’ houses sale transactions is recognized on a percentage-of-completion basis, simultaneously when it meets the recognition criteria specified in EITF 78-

099. An agreement for the construction of real estate is a construction contract within the scope of IAS 11, “Construction Contracts”, and IAS 11 applies only when the buyer is able to specify the major structural elements of the design of the real estate before construction begins and/or specify major structural changes once construction is in progress. The buyers of the Company’s ‘off plan’ houses sale contracts have only limited ability to affect the design of the real estate or have ability to specify minor changes to the basic design of the real estate only. Therefore, in accordance with IFRIC 15, “Agreements for the Construction of Real Estate”, the Company’s ‘off plan’ houses sale contracts belong to the agreements of sale of goods, which are within the scope of IAS 18, “Revenue” and, accordingly, revenue from those ‘off plan’ houses sale contracts is accounted for as sale of goods under IAS 18. In addition, In accordance with EITF 74-083 and EITF 84-025, selling expenses the Company paid for the construction contract shall be deferred first, and then shall be reclassified as expenses on a percentage-of-completion basis. Those selling expenses which are not probable to produce the inflow of future economic benefit shall be expensed as incurred. The Company, therefore, decreased “Undistributed earnings” by \$4,950,820, decreased “prepayments (deferred selling expenses)” (shown as “assets - others” above) by \$532,596, increased “other current assets - other” (deferred selling expenses) by \$494,014, increased “operating revenue” by \$10,972,512, increased “operating costs” by \$635,916 and decreased “other revenues” by \$1,709 at the opening IFRS balance sheet date.

- (3) In accordance with the amended “Rules Governing the Preparation of Financial Statements by Securities Issuers”, dated July 7, 2011, unlisted stocks and emerging stocks held by the Company

should be measured at cost and recognized in “Financial assets carried at cost”. However, in accordance with IAS 39, “Financial Instruments: Recognition and Measurement”, investments in equity instruments without an active market but with reliable fair value measurement (i.e. the variability of the estimation interval of reasonable fair values of such equity instruments is insignificant, or the probability for these estimates can be made reliably) should be measured at fair value. Therefore, the Company decreased “financial assets carried at cost - non-current” (shown as “assets - others” above), and increased “available-for-sale financial assets - non-current” both by \$74,907, and designated such financial assets carried at cost as available-for-sale financial assets, and increased other comprehensive income by \$165,012, which was the difference between the fair value and the carrying amount, at the opening IFRS balance sheet date in accordance with the “Rules Governing the Preparation of Financial Statements by Securities Issuers” amended on December 22, 2011.

- (4) In accordance with current accounting standards in R.O.C., the Company’s real estate that is leased to others and land held for gaining long-term capital increment and not for normal business or sale in short-term and land held whose future use purpose has not been determined are presented in the “Fixed assets”, “Inventory” and “Investment in real estate” accounts accordingly. In accordance with IAS 40, “Investment Property”, property that meets the definition of investment property is classified and accounted for as “Investment property”. Therefore, the Company reclassified “inventories” (Land held for construction site) amounting to \$1,517,756, “property, plant and equipment – Property held for lease – Land” amounting to \$3,205,959, “property, plant and equipment – Property held for lease – Buildings” amounting to \$2,630,797 and “Investment in real estate” (shown as “assets-

others”) amounting to \$271,118 to “Investment property” by \$7,625,630.

- (5) The Company contracted with National Taiwan University to provide construction of the government’s infrastructure assets for public services and operate those assets for Changxing St. Campus for 32 years and 6 months, and for Shuiyuan Campus for 32 years and 4 months after construction is completed. When the term of operating period expires, the underlying infrastructure assets will be transferred to National Taiwan University without consideration. The current accounting standards in R.O.C. regulate that costs incurred in the construction shall be recognized as acquisition costs of fixed assets and amortized over the operating period. In accordance with IFRIC 12, “Service Concession Arrangements”, construction costs of a service concession arrangement shall be allocated to construction services and operating services based on their relative fair values, and the operator subsequently recognizes and measures revenue in accordance with IAS 11, “Construction Contracts”, and IAS 18, “Revenue”, respectively, for the services it performs. The fair values are determined based on the way the grantor pays considerations to the operator specified in the agreement, and are recognized as intangible assets or financial assets. The Company, therefore, reclassified “property, plant and equipment – Property held for lease – Buildings” amounting to \$3,135,908 and “property, plant and equipment – Machinery and equipment” amounting to \$131,846 to “other intangible assets” by \$3,315,404, increased “Undistributed earnings” by \$33,647, decreased “operating costs” by \$77,436 and increased “operating expenses” by \$63,433 at the opening IFRS balance sheet date.
- (6) The current accounting standards in R.O.C. regulate that reserve for land revaluation increment tax should be presented under ‘Reserves - reserve for land revaluation increment tax’. However, in accordance with IAS 12, ‘Income Taxes’, land revaluation increment tax is within the scope of income taxes, and should be presented under ‘Deferred income tax liabilities’. Therefore, the Company increased deferred income tax liabilities and decreased reserves - reserve for land revaluation increment tax both by \$495,328 on the date of transition to IFRSs.
- (7) In accordance with current accounting standards in R.O.C., for the Company’s long-term lease contracts with variable rents which are adjusted year by year, the lease payment is recognised as an expense for each period based on each rent agreement. However, in accordance with IAS 17, ‘Leases’, all lease payments stipulated in the lease contracts should be recognised as an expense over the lease term on a straight-line basis. Therefore, the Company increased deferred income tax assets (shown within ‘Assets-others’ in the table above) and other liabilities-others by \$92,288 and \$542,875, respectively, decreased undistributed earnings by \$335,738, increased operating expenses by \$138,371 and decreased tax expenses by \$23,522, on the date of transition to IFRSs.
3. Reconciliation of income statement accounts with material differences between different accounting policies adopted for the three-month period ended March 31, 2012:

	Accounting Standards in R.O.C.	Adjustment	IFRSs	Remark
Operating revenue	\$ 14,657,742	\$ 10,972,512	\$ 25,630,254	(1)
Operating costs	(9,984,097)	(5,345,213)	(15,329,310)	(1)
Operating expenses	(2,783,795)	(614,257)	(3,398,052)	(2) 、(3)
Net operating income	1,889,850	5,013,042	6,902,892	(2)
Non-operating revenue and expenses	(71,286)	15,109	(56,177)	(4) 、(5)
Income before tax	1,818,564	5,028,151	6,846,715	(4)
Income tax expense	(42,719)	(226,487)	(269,206)	(3) 、(4)
Minority interest	10,085	1,561	11,646	
Net income	1,785,930	4,803,225	6,589,155	

- (1) Adjustment of operating revenue and operating costs, please refer to Note 13B2.(2) and (5).
- (2) Adjustment of operating expenses, please refer to Note 13B2.(2), (5) and (7).
- (3) The current accounting standards in R.O.C. regulate that the land revaluation increment tax paid by the Company for the sale of land should be presented under ‘Operating expenses’. However, in accordance with IAS 12, ‘Income Taxes’, land revaluation increment tax is within the scope of income taxes, and should be presented under ‘Income tax expense’. Therefore, the Company increased income tax expense and decreased operating expenses both by \$249,873 on the date of transition to IFRSs.
- (4) Adjustment of operating expenses, please refer to Note 13B2. (7).
- C. The Company has elected the following exemptions in accordance with IFRS 1, “First-time Adoption of International Financial Reporting Standards” and “Rules Governing the Preparation of Financial Statements by Securities Issuers” that are expected to be applicable in 2013:
1. Business combinations
The Company has elected not to apply the requirements in IFRS 3, “Business Combinations”, retrospectively to business combinations that occurred prior to transition to IFRSs.
 2. Share-based payment transactions
The Company has elected not to apply the requirements in IFRS 2, “Share-based Payment”, retrospectively to equity instruments that were vested arising from share-based payment transactions prior to transition to IFRSs.
 3. Deemed cost
For the land which was accounted for under ‘Property, plant and equipment’ that was revalued under R.O.C. GAAP before the date of transition to IFRSs, but was later accounted for under ‘Inventories’ because its future use purpose had not been decided, and was reclassified to ‘Investment property’ on the date of transition to IFRSs, the Company has elected to use the revalued amount under R.O.C. GAAP at the date of the revaluation as the ‘deemed cost’ of the asset under IFRSs.
 4. Employee benefits
The Company has elected to recognize all cumulative actuarial gains and losses for all employee benefit plans in ‘retained earnings’ at the opening IFRS balance sheet date, and to disclose the information of present value of defined benefit obligation, fair value of plan assets, gain or loss on plan assets and experience adjustments under the requirements of

paragraph 120A (P), IAS 19, “Employee Benefits”, based on their prospective amounts for financial periods from the opening IFRS balance sheet date.

5. Cumulative translation differences

The Company has elected to reset the cumulative translation differences arising on the translation of the financial statements of foreign entities under ROC GAAP to zero at the opening IFRS balance sheet date, and to deal with translation differences arising subsequent to the opening IFRS balance sheet date in accordance with IAS 21, “The Effects of Changes in Foreign Exchange Rates”.

6. Designation of previously recognized financial instruments

The Company has elected to designate certain “financial assets carried at cost” as available-for-sale financial assets.

7. Borrowing costs

The Company has elected to apply the transitional provisions in paragraphs 27 and 28 of IAS 23, “Borrowing Costs”, amended in 2007 from the opening IFRS balance sheet date.

The selection of exemptions above may be different from the actual selection at the date of transition to IFRSs due to the issuance of related regulations by competent authorities, changes in economic environment, or changes in the evaluation of the impact of the Company’s selection of exemptions.



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Review of Financial Conditions, Operating Results, and Risk Management

VII. Review of Financial Conditions, Operating Results, and Risk Management

VI. Financial Information

7.1 Analysis of Financial Status

Unit : NT \$ thousands

Item	Year		Difference		
	2012	2011	Amount	%	Note
Current Assets	21,001,978	24,919,460	(3,917,482)	(15.72)	1
Fund and Investment	7,100,375	6,296,090	804,285	12.77	1
Other Financial Assets	808,337	147,983	660,354	446.24	2
Fixed Assets	9,660,797	9,943,368	(282,571)	(2.84)	1
Other Assets	1,609,587	1,212,838	396,749	32.71	3
Total Assets	40,181,074	42,519,739	(2,338,665)	(5.50)	1
Current Liabilities	13,505,717	17,059,144	(3,553,427)	(20.83)	4
Long-term Liabilities	9,522,182	10,102,875	(580,693)	(5.75)	1
Other Liabilities	203,348	188,869	14,479	7.67	1
Total Liabilities	23,231,247	27,350,888	(4,119,641)	(15.06)	1
Capital stock	11,944,765	10,858,877	1,085,888	10.00	1
Capital surplus	521,293	521,293	0	0.00	1
Retained Earnings	3,208,115	3,060,374	147,741	4.83	1
Unrealized Gain or Loss on Financial Instruments	1,416,607	851,992	564,615	66.27	5
Cumulative Translation Adjustment	(43,643)	(30,317)	13,326	43.96	6
Net Loss Not Recognized as Pension Cost	(36,870)	(32,928)	3,942	11.97	1
Treasury Stock	(60,440)	(60,440)	0	0.00	1
Total Stockholders' Equity	16,949,827	15,168,851	1,780,976	11.74	1

1. Changes do not over 20%.
2. Other financial assets: decrease in pledge deposit.
3. Other assets: guarantee deposits increasing
4. Current liabilities: long term loans due within one year.
5. Unrealized gain or loss on financial instruments: gain recognized on financial assets in available-for-sale.
6. Cumulative translation adjustment: changes in foreign exchange rate.

7.2 Analysis of Operating Results

Unit : NT \$ thousands

Item \ Year	2012	2011	Difference	
			Amount	%
Gross Sales	9,052,719	9,807,196	(754,477)	-7.69
Less: Sales Returns	(1,160,222)	(784,091)	376,131	47.97
Net Sales	7,892,497	9,023,105	(1,130,608)	-12.53
Cost of Sales	(4,676,377)	(5,360,256)	(683,879)	-12.76
Gross Profit	3,216,120	3,662,849	(446,729)	-12.20
Operating Expenses	(1,656,309)	(1,428,003)	228,306	15.99
Operating Income	1,559,811	2,234,846	(675,035)	-30.20
Non-operating Income and Gains	679,538	497,591	181,947	36.57
Non-operating Expenses and Losses	(403,376)	(412,080)	(8,704)	-2.11
Income Before Tax	1,835,973	2,320,357	(484,384)	-20.88
Tax Benefit (Expense)	(50,043)	(6,226)	43,817	703.77
Net Income	1,785,930	2,314,131	(528,201)	-22.83

1. Sales returns: increasing in sales return results from the return and giveaway
2. Gross Profit and Net Income decrease because of the decreasing in gross sales and increasing in operating expenses.
3. Non-operating Income and Gains increases because of investment income.
4. Tax Benefit (Expense) increases because of the increasing of undistributed earnings.

7.3 Analysis of Cash Flow

7.3.1 Cash Flow Analysis for the Current Year

Unit : NT \$ thousands

Cash and Cash Equivalents, Beginning of Year (1)	Net Cash Flow from Operating Activities (2)	Cash Outflow (3)	Cash Surplus (Deficit) (1)+(2)-(3)	Leverage of Cash Deficit	
				Investment Plans	Financing Plans
\$281,987	\$8,357,310	(\$5,027,924)	\$3,611,373	None	None
Cash flow in 2012: 1. Cash outflow from operating activities: \$8,357,310 2. Cash inflow from investing activities: (\$1,677,304) 3. Cash inflow from financing activities: (\$3,350,620)					

7.3.2 Remedy for Cash Deficit and Liquidity Analysis

Item	Year		
	2012	2011	Difference
Cash Flow Ratio (%)	61.88%	(17.43%)	N/A
Cash Flow Adequacy Ratio (%)	83.94%	22.60%	271.42%
Cash Reinvestment Ratio (%)	32.84%	(3.74%)	N/A

7.3.3 Cash Flow Analysis for the Current Year

Cash and Cash Equivalents, Beginning of Year (1)	Net Cash Flow from Operating Activities (2)	Cash Outflow (3)	Cash Surplus (Deficit) (1)+(2)-(3)	Leverage of Cash Deficit	
				Investment Plans	Financing Plans
3,611,373	1,249,537	(4,019,663)	841,247	None	None
Cash flow in 2011: 1. Cash inflow from operating activities: Completion of current construction in progress. 2. Cash outflow from investing activities: Increase in long term equity investment. 3. Cash outflow from financing activities: Loan repayment and payment of cash dividend.					

7.4 Major Capital Expenditure Items:

Major capital expenditure occurred recent years is coming from cash flow from operating activities.

7.5 Investment Policy in Last Year, Main Causes for Profits or Losses, Improvement Plans and the Investment Plans for the Coming Year:

Net income of our investments Ta-Chen Construction & Engineering Corp, and Time Square International Co., Ltd are \$292,425 thousands, and \$138,779 thousands respectively. Net losses of The Splendor Hotel Taichung is (\$16,972) thousands. The main reasons of these losses are described as following:

- The Splendor Hotel Taichung: occupation rate has raised, however, the cost of modification of market place occurred losses.

7.6 Analysis of Risk Management

7.6.1 Effects of Changes in Interest Rates, Foreign Exchange Rates and Inflation on Corporate Finance, and Future Response Measures

(1) Interest rate

In the future, the company will carefully monitor interest rate movements and adopt proper hedging strategies and other capital markets financing instruments to ensure that our financing costs are at a comparatively low level.

(2) Foreign exchange rates

None.

(3) Inflation

Our strategy for inflation impact is joint procurement to achieve best cost control.

7.6.2 Policies, Main Causes of Gain or Loss and Future Response Measures with Respect to High-risk, High-leveraged Investments, Lending or Endorsement Guarantees, and Derivatives Transactions

The company did not engage in any high-risk or high-leveraged investments. The transactions and procedures related to lending and endorsement are based on the Company's "Procedures of Lending" and "Procedures of Endorsement Guarantee".

7.6.3 Future Research & Development Projects and Corresponding Budget

None.

7.6.4 Effects of and Response to Changes in Policies and Regulations Relating to Corporate Finance and Sales

Prince always pays close attention to any changes in local and foreign policies and makes appropriate amendments to our systems when necessary. During 2012 and as of the date of publication of this annual report, changes in related laws had impacted the investors' willing to purchase. Prince has now broadened our business to income-producing property to balance the wave in local and foreign policies.

7.6.5 Effects of and Response to Changes in Technology and in Industry Relating to Corporate Finance and Sales

None.

7.6.6 The Impact of Changes in Corporate Image on Corporate Risk Management, and the Company's Response Measures

None.

7.6.7 Expected Benefits from, Risks Relating to and Response to Merger and Acquisition Plans

None.

7.6.8 Expected Benefits from, Risks Relating to and Response to Factory Expansion Plans

None.

7.6.9 Risks Relating to and Response to Excessive Concentration of Purchasing Sources and Excessive Customer Concentration

None.

7.6.10 Effects of, Risks Relating to and Response to Large Share Transfers or Changes in Shareholdings by Directors, Supervisors, or Shareholders with Shareholdings of over 10%

Director Zhong-Jian, Wu resigned in May 02 2012.

The new director Yong-Yuan Investment Co., Ltd (Rep: Zhong-Huo, Wu) was elected in the shareholders meeting 2012 and taking office on Jun 20, 2012.

7.6.11 Effects of, Risks Relating to and Response to Changes in Control over the Company

None.

7.6.12 Litigation or Non-litigation Matters

None.

7.6.13 Other Major Risks

None.

VIII. Special Disclosure

None.



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Special Disclosure

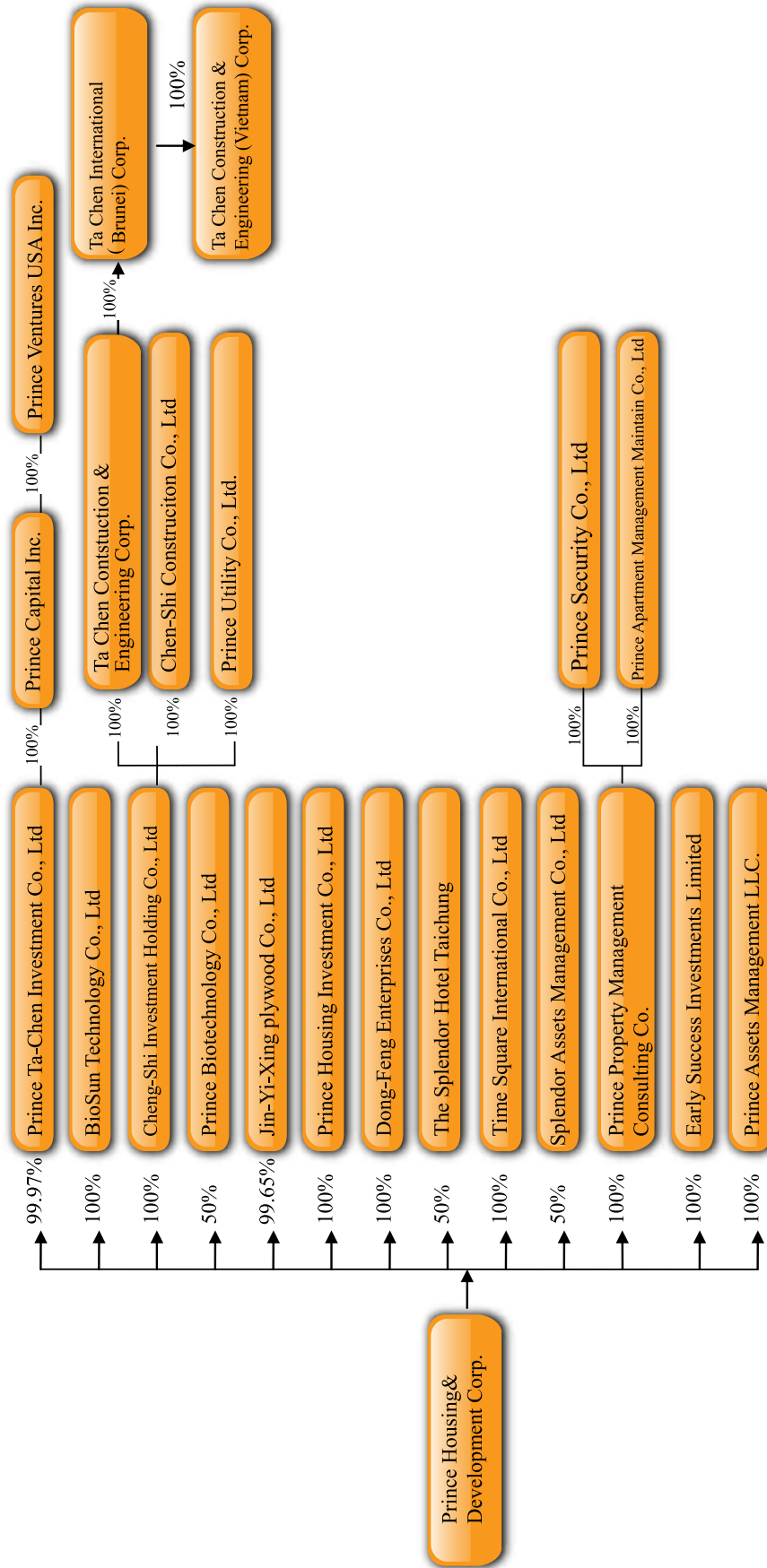
VIII. Special Disclosure

I. Related Party

(I) Consolidated financial statements of the related party

1. Related party

(1) Organizational structure of related party:



(2) Basic Data of Affiliated Enterprises

Unit : NT \$ thousands

Name of Corporation	Date of Establishment	Address	Capital	Major Business/Production Items
Prince Housing& Development Corp.	1973.09.22	19F., No.30, Zhongzheng S. Rd., Yongkang Dist., Tainan City	\$ 11,944,764	Build pubic housing, commerical buildings, parking Lot, parking tower and sale and rent
Ta-Chen Construction & Engineering Corp	1959.05.11	19F., No.30, Zhongzheng S. Rd., Yongkang Dist., Tainan City	1,240,000	Architecture design and construction
Prince Utility Co., Ltd	1977.03.01	19F., No.30, Zhongzheng S. Rd., Yongkang Dist., Tainan City	30,700	Electric Power and water supply pipeline setup
Prince Apartment Management Maintain Co., Ltd	1996.08.05	18F., No.30, Zhongzheng S. Rd., Yongkang Dist., Tainan City	30,000	Apartment management and maintain service
Prince Housing Investment Co., Ltd	1997.06.27	Citco Building Wickhams Cay. P. O Box 622, Road Town, Tortol, British Virgin Islands	140,413	Overseas Investments
Prince Biotechnology Co., Ltd	1999.10.30	21F., No.11, Songgao Rd., Xinyi Dist., Taipei City	5,000	Research and development of making medicine with biotechnology
BioSun Technology Co., Ltd	1996.11.11	21F., No.11, Songgao Rd., Xinyi Dist., Taipei City	46,880	R&D of making medicine with biotechnology and export/import fungicide
Prince Security Co., Ltd	2000.04.07	17F., No.30, Zhongzheng S. Rd., Yongkang Dist., Tainan City	131,726	Security service
Prince Ta-Chen Investment Co., Ltd	2000.05.30	21F., No.11, Songgao Rd., Xinyi Dist., Taipei City	122,738	Investments
Dong-Feng Enterprises Co., Ltd	1963.02.28	19F., No.30, Zhongzheng S. Rd., Yongkang Dist., Tainan City	204,002	Investment of cultured fish, water pond, architecture and cement industries
The Splendor Hotel Taichung	2006.10.25	No.1049, Jianxing Rd., West Dist., Taichung City	1,950,000	Tourist Hotel
Cheng-Shi Construction Co., Ltd	1976.01.22	19F., No.30, Zhongzheng S. Rd., Yongkang Dist., Tainan City	101,000	Construction industry

Unit : NT \$ thousands

Name of Corporation	Date of Establishment	Address	Capital	Major Business/Production Items
Prince Capital Inc.	2000.09.26	23F.-1, No.161, Songde Rd., Xinyi Dist., Taipei City	26,727	Overseas Investments
Prince Ventures USA Inc.	2000.09.26	23F.-1, No.161, Songde Rd., Xinyi Dist., Taipei City	20,511	Overseas Investments
Time Square International Co., Ltd	2007.01.22	No.10, Sec. 5, Zhongxiao E. Rd., Xinyi Dist., Taipei City	600,000	Hotel
Jin-Yi-Xing plywood Co., Ltd	1969.03.10	18F., No.30, Zhongzheng S. Rd., Yongkang Dist., Tainan City	152,000	Particle board manufacture
Prince Property Management Consulting Co.	1992.11.09	19F., No.30, Zhongzheng S. Rd., Yongkang Dist., Tainan City	171,466	Management the leasing of residential and commercial building and real estate
Early Success Investments Limited	2007.05.09	P.O.Box.957,Offshore Incorporatines Centre, Road Town, Tortola, British Virgin Islands	51,102	Overseas Investments
Splendor Assets Management Co., Ltd	2008.07.29	16F.-11, No.1049, Jianxing Rd., West Dist., Taichung City	1,000	Management Consulting
Prince Assets Management LLC.	2007.08.02	Unit 2204, 22nd Floor, Convention Plaza Office Tower, NO. 1 Harbour Road, Wanchai, Hong Kong.	62,632	Overseas Investments
Ta Chen International (Brunei) Corp	2010.11.09	34,3rd Floor, Britannia House,Jalan Cator Bandar seri Begawan BS8811 Brunei Darussalam	5,916	Overseas Investments
Ta Chen Construction & Engineering (Vietnam) Corp.	2011.07.29	Vietnam,	5,770	Overseas Investments
Cheng-Shi Investment Holding Co.	2012.12.31	19F., No.30, Zhongzheng S. Rd., Yongkang Dist., Tainan City	1,208,072	Investment

(3) Data of Common Shareholders of Treared-as Controlled Companies and Affiliates: None

(4) Business of Prince Housing& Development Co and its Affiliated Enterprises

- (i) The business of Prince Housing& Development Co. covers: construction, power and water supply pipeline setup, real estate appraisal and agent, overseas investments, Recreation and entertainment management, R&D of making medicine with biotechnology and export/

import fungicide, Apartment management and maintain service, Security service, hotel, and particle board manufacture etc.

(ii) Business with relationship among affiliated enterprises as following:

Our projects are consigned to Ta-Chen Construction & Engineering Corporation, Cheng-Shi Construction Co., Ltd and Prince Utility Co., Ltd. For saving cost, parts of residual houses were consigned to Prince Real estate Agent Co., Ltd to sell. To supply after-sell services, parts of buildings were consigned to Prince Apartment Management Maintain Co., Ltd and Prince Security Co., Ltd.

(5) Directors, Supervisors, and President of Affiliated enterprises

Name of Corporation	Title	Name or Representative	Shareholding	
			Shares	%
Prince Housing & Development Corp.	Chairman	Hong-Yao Investment Co. Ltd	2,071,043	0.17%
	Chairman(Hong-Yao Rep.)	Na-Tian Zhuang	14,719,919	1.23%
	Managing Director	Fu-Sheng Development Co. Ltd	8,153,800	0.68%
	Managing Director(Fu-Sheng Rep.)	Ming-Hui Chen	5,222,252	0.44%
	Managing Director	Bo-Ming Hou	16,607,789	1.39%
	Managing Director	Yun Wen Investment Co. Ltd	11,171,638	0.94%
	Director(Yun Wen Rep.)	Cheng-Ho Wu	3,888,084	0.33%
	Director	Zhao-Mei Wu Zeng	29,269,946	2.45%
	Director	Ceng-Long Investment Co. Ltd	18,942,942	1.59%
	Director(Ceng-Long Rep.)	Ying-Zhi Zhuang	538,412	0.05%
	Director	Cheng-Da Investment Co. Ltd	5,081,877	0.43%
	Director(Cheng-Da Rep.)	Ping-Zhi Wu	8,850,310	0.74%
	Managing Director	Jiu-Fu Investment Co. Ltd	11,395,068	0.95%
	Managing Director(Jiu-Fu Rep.)	Li-Ling Zheng	-	-
	Director	Bo-Yi Hou	12,092,865	1.01%
	Director	Ren-Qin Chen	763,204	0.06%
	Director	Jun-Cheng Guo	-	-
	Director	Jing-Xing Chen	449,102	0.04%
	Director	Tai-Bo Investment Co. Ltd	43,287,399	3.62%
	Director(Tai-Bo Rep.)	Jian-De Wu	5,736,987	0.48%
	Director	Hong-Yan Jhuang	381,263	0.03%

Name of Corporation	Title	Name or Representative	Shareholding	
			Shares	%
	Director	Chao-Wen Huang	11,758,455	0.98%
	Supervisor	Guang-Wei Investment Co. Ltd	15,030,754	1.26%
	Supervisor(Guang-Wei Rep.)	Ying-Nan Zhuang	1,148,164	0.10%
	Supervisor	Da-Xiong Xu	503,242	0.04%
Ta-Chen Construction & Engineering Corp	Chairman/Supervisor	Cheng-Shi Investment Holding Co.	124,000,000	100.00%
	Chairman (Cheng-Shi Rep.)	Rong-Tian Zhang	-	-
	Director(Cheng-Shi Rep.)	Jun-Liang Lin	-	-
	Director(Cheng-Shi Rep.)	Jian-Ying Wu	-	-
Prince Utility Co., Ltd	Supervisor(Cheng-Shi Rep.)	Ya-Ting Hsue	-	-
	Chairman/Supervisor	Cheng-Shi Investment Holding Co.	3,070,000	100.00%
	Chairman(Cheng-Shi Rep.)	Ming-Fan Xie	-	-
	Director(Cheng-Shi Rep.)	Kun-Bo Ye	-	-
	Director(Cheng-Shi Rep.)	Jian-Ying Wu	-	-
	Director(Cheng-Shi Rep.)	Wen-Zhen Qiu	-	-
	Supervisor(Prince Rep.)	Jun-Liang Lin	-	-
	Chairman/Supervisor	Prince Property Management Consulting Co.	3,000,000	100.00%
Prince Apartment Management Maintain Co., Ltd	Chairman(Prince Property Rep.)	Ming-Fan Xie	-	-
	Director(Prince Property Rep.)	Sheng-We Mia	-	-
	Director(Prince Property Rep.)	Yin-Jia Zheng	-	-
	Director(Prince Property Rep.)	Kun-Bo Ye	-	-
	Director(Prince Property Rep.)	Wen-Zhen Qiu	-	-
	Director(Prince Property Rep.)	Jian-Ying Wu	-	-
	Supervisor (Prince Property Rep.)	Da-Chang Dai	-	-
	Director	Prince Housing& Development Corp.	428	100.00%
Prince Housing Investment Co., Ltd	Chairman(Prince Rep.)	Nan-Tian Zhuang	-	-
Prince Biotechnology Co., Ltd	Chairman/Supervisor	Prince Housing& Development Corp.	250,000	50.00%
	Chairman(Prince Rep.)	Nan-Tian Zhuang	-	-
	Director(Prince Rep.)	Ming-Fan Xie	-	-
	Director(Prince Rep.)	Jian-Ying Wu	-	-

Name of Corporation	Title	Name or Representative	Shareholding	
			Shares	%
	Director	Ta-Chen Construction & Engineering Corp	225,000	45.00%
	Director(Da-Cheng Rep.)	Sheng-Wei Mai	-	-
	Supervisor (Prince Rep.)	Jun-Liang Lin	-	-
	Chairman/Supervisor	Prince Property Management Consulting Co	4,688,000	100%
	Chairman(Prince Rep.)	Ming-Hui Chen	-	-
BioSun Technology Co., Ltd	Vice Chairman(Prince Rep.)	Zhao-Wen Huang	-	-
	Director(Prince Rep.)	Jian-Ying Wu	-	-
	Director(Prince Rep.)	Bo-Ming Hou	-	-
	Director(Prince Rep.)	Ming-Fan Xie	-	-
	Supervisor(Prince Rep.)	Sheng-Wei Mai	-	-
Prince Security Co. Ltd.	Director	Prince Property Management Consulting	13,172,636	100.00%
	Chairman (Prince Property Rep.)	Ming-Fan Xie	-	-
	Director(Prince Property Rep.)	Xiao-Yu Jiang	-	-
	Director(Prince Property Rep.)	Wen-Zhen Qiu	-	-
	Director(Prince Property Rep.)	Jian-Ying Wu	-	-
	Director(Prince Property Rep.)	Ying-Jie Zhuang	-	-
	Director(Prince Property Rep.)	Jun-Liang Lin	-	-
	Supervisor(Prince Property Rep.)	Xiao-Yu Jiang	-	-
	Director	Da-Chang Dai	-	-
	Director and Supervisor	Prince Housing & Development Corp.	12,270,100	99.97%
Prince Ta-Chen Investments Corp.	Chairman (Prince Rep.)	Na-Tian, Zhuang	-	-
	Director (Prince Rep.)	Ming-Fan Xie	-	-
	Director (Prince Rep.)	Jing-Ying Wu	-	-
	Director (Prince Rep.)	Sheng-Wei Mai	-	-
	Supervisor (Prince Rep.)	Jun-Liang Lin	-	-
Don-Fung Corp.	Director and Supervisor	Prince Housing & Development Corp.	20,400,194	100.00%
	Chairman (Prince Rep.)	Na-Tian, Zhuang	-	-
	Director (Prince Rep.)	Ming-Fan Xie	-	-
	Director (Prince Rep.)	Sheng-Wei Mai	-	-
	Supervisor (Prince Rep.)	Da-Chang Dai	-	-

Name of Corporation	Title	Name or Representative	Shareholding	
			Shares	%
Splendor Hotel	Director	Prince Housing & Development Corp.	97,500,000	50.00%
	Chairman (Prince Rep.)	Jun-Xian Wang	-	-
	Director (Prince Rep.)	Na-Tian, Zhuang	-	-
	Director (Prince Rep.)	Sheng-Wei Mai	-	-
	Director	China Metal Products Co. Ltd.	97,500,000	50.00%
	Vice Chairman (China Metal Rep.)	Huai-Chen Chen	-	-
Cheng-Shi Construction Corp.	Director (China Metal Rep.)	Ming-Xian He	-	-
	Supervisor	Jun-Lin Chai	-	-
	Director and Supervisor	Cheng-Shi Investment Holding Co.	10,100,000	100%
	Director (Cheng-Shi Investment Rep.)	Ming-Fan Xie	-	-
	Director (Cheng-Shi Investment Rep.)	Zheng-Long Cai	-	-
	Director (Cheng-Shi Investment Rep.)	Jing-Ying Wu	-	-
Times Square International Hotel	Supervisor (Cheng-Shi Investment Rep.)	Da-Chang Dai	-	-
	Director and Supervisor	Prince Housing & Development Corp.	60,000,000	100.00%
	Chairman (Prince Rep.)	Na-Tian, Zhuang	-	-
	Vice Chairman (Prince Rep.)	Ming-Hui, Zhen	-	-
	Managing Director (Prince Rep.)	Zhong-Jan, Wu	-	-
	Managing Director (Prince Rep.)	Bo-Ming, Hou	-	-
	Managing Director (Prince Rep.)	Li-Ling Zheng	-	-
	Director (Prince Rep.)	Ren-Qin Zhen	-	-
	Director (Prince Rep.)	Ying-Zhi Zhuang	-	-
	Director (Prince Rep.)	Zhao-Mei Wu Zeng	-	-
	Director (Prince Rep.)	Cheng-Da Wu	-	-
	Director (Prince Rep.)	Jing-Xing Zhen	-	-
	Director (Prince Rep.)	Bo-Yi Hou	-	-
	Director (Prince Rep.)	Jun-Cheng Guo	-	-
	Director (Prince Rep.)	Chao-Wen Huang	-	-
	Director (Prince Rep.)	Ping-Zhi Wu	-	-
	Director (Prince Rep.)	Hong-Yan Zhuang	-	-

Name of Corporation	Title	Name or Representative	Shareholding	
			Shares	%
Chin-I-Shin PlywoodCorp.	Supervisor (Prince Rep.)	Ying-Nan Zhuang	-	-
	Supervisor(Prince Rep.)	Da-Xiong Xu	-	-
	Director and Supervisor	Prince Housing & Development Corp.	151,468	99.65%
	Chairman (Prince Rep.)	Da-Chang Dai	-	-
	Director (Prince Rep.)	De-Sheng Zheng	-	-
	Director (Prince Rep.)	Tian-Long Lu	-	-
	Supervisor (Prince Rep.)	Bao-Zhu Guo	-	-
Prince Property Management Consulting Co.	Director and Supervisor	Prince Housing & Development Corp.	17,146,580	100.00%
	Chairman (Prince Rep.)	Na-Tian, Zhuang	-	-
	Director (Prince Rep.)	Ming-Hui, Zhen	-	-
	Director (Prince Rep.)	Li-Ling Zheng	-	-
	Director (Prince Rep.)	Bo-Ming, Hou	-	-
	Director (Prince Rep.)	Zhong-Jan, Wu	-	-
	Supervisor(Prince Rep.)	Ming-Fan Xie	-	-
Early Success Investments Limited	Director	Prince Housing & Development Corp.	1,554,660	100.00%
	Director (Prince Rep.)	Na-Tian, Zhuang	-	-
	Director (Prince Rep.)	Ming-Fan Xie	-	-
	Director	Prince Housing & Development Corp.	50,000	50.00%
Splendor Asset Management Corp.	Chairman (Prince Rep.)	Jun-Xian Wang	-	-
	Director (Prince Rep.)	Na-Tian, Zhuang	-	-
	Director (Prince Rep.)	Sheng-Wei Mai	-	-
	Director	China Metal Products Co. Ltd.	50,000	50.00%
	Director (China Metal Rep.)	Ming-Xian He	-	-
Prince Asset Management Corp.	Director (China Metal Rep.)	Huai-Chen Chen	-	-
	Supervisor	Jun-Lin Chai	-	-
	Director	Prince Housing & Development Corp.	2,190	100.00%
	Director (Prince Rep.)	Na-Tian, Zhuang	100	-
	Director	Ren-Qin Zhen	100	-
	Director	Jing-Ying Wu	-	-
	Director	Wan-Jun Wu	10	-

Name of Corporation	Title	Name or Representative	Shareholding	
			Shares	%
Prince Capital Inc.	Director	Prince Ta-Chen Investments Corp.	1	100%
	Director (Prince Da-Chen Rep.)	Da-Xiong Xu	-	-
	Director	Prince Capital Inc.	1	100%
	Director (Prince Capital Rep.)	Da-Xiong Xu	-	-
Ta-Chen International (Brunei) Company	Director	Ta Chen Construction & Engineering Corp.	201,000	100%
	Director (Da-Chen Rep.)	Rong-Tian Chang	-	-
	Director	Ta-Chen International (Brunei) Company	195,000	100%
Cheng-Shi Investment Holding Co.	Director (Da-Chen Rep.)	Rong-Tian Chang	-	-
	Director and Supervisor	Prince Housing & Development Corp.	120,807,230	100.00%
	Chairman (Prince Rep.)	Na-Tian, Zhuang	-	-
	Director (Prince Rep.)	Ming-Hui, Zhen	-	-
	Director (Prince Rep.)	Li-Ling Zheng	-	-
	Director (Prince Rep.)	Bo-Ming, Hou	-	-
	Director (Prince Rep.)	Zhong-Jan, Wu	-	-
	Supervisor (Prince Rep.)	Ming-Fan Xie	-	-

2. Affiliates Operations Overview

Unit : NT \$ thousands

Company Name	Capita;	Total assets	Total liabilities	Equity	Operating Revenue	Operating Income	Net Income	EPS
							(After tax)	(After tax)
Prince Housing & Development Corp.	11,944,764	40,181,074	23,231,247	16,949,827	7,892,497	1,559,811	1,785,930	1.54
Ta Chen Construction & Engineering Corp.	1,240,000	3,327,233	2,135,642	1,191,591	4,035,216	104,292	292,425	2.36
Prince Water and Electricity Corp.	30,700	195,291	139,266	56,025	289,396	3,194	22,144	7.21
Prince Apartment management and maintenance corp.	30,000	94,385	26,532	67,853	159,575	3,522	8,039	2.68
Prince Housing Investments Corp.	140,413	335,433	18	335,415	-	(51)	18,094	42.276
Prince Bioechnology Co., Ltd	5,000	4,771	-	4,771	-	(107)	104	0.21
Bio Sun Technology Co., Ltd.	46,880	24,066	1,355	22,711	18,237	956	(7,633)	(1.63)
Prince Security Group	131,726	212,634	51,266	161,368	378,857	20,316	19,499	3.09
Prince Ta-Chen Investments Corp.	122,738	42,604	671	41,933	-	-	(388)	(0.03)
Don-Fung Corp.	204,002	427,702	143	427,559	15,152	14,714	64,002	1.7
Splendor Hotel	1,950,000	6,054,674	5,288,519	766,155	741,241	47,867	(16,972)	(0.09)
Cheng-Shi Construction Corp	101,000	301,807	193,780	108,027	762,479	1,511	7,038	0.77
Prince Capital Inc.	26,727	3,269	629	2,640	-	(45)	(89)	(89)
Prince Ventures USA Inc.	20,511	3,826	557	3,269	-	(45)	(45)	(45)
Time Square International Hotel	600,000	1,195,398	757,209	438,189	1,909,504	128,787	138,779	2.31
Chin-I-Shin Plywood Corp.	152,000	1,517,920	1,196,702	321,218	-	(125)	8,198	53.93
Prince Property Management Consulting Co.	171,466	241,563	147	241416	9	(188)	2,034	0.36
Early Success Investments Limited	51,102	40,506	-	40,506	-	-	19,919	12.81

Company Name	Capital	Total assets	Total liabilities	Equity	Operating Revenue	Operating Income	Net Income	EPS
							(After tax)	(After tax)
Splendor Asset Management Corp.	1,000	974	-	974	-	-	2	0.02
Prince Asset Management Corp.	62,632	1,300	56	1,244	-	(101)	18,779	7,511.53
Ta-Chen International (Brunei) Company	5,916	2,923	-	2,923	-	-	(2,877)	-
Ta-Chen Construction & Engineering (Vietnam) Corp.	5,770	2,636	703	1,933	-	-	(2,908)	-
Cheng-Shi Investment Holding Co.	1,208,072	1,355,644	-	1,355,644	-	-	-	-

8.1.2 Affiliates consolidated financial statements

Please refer to the page 130– 187.

8.1.3 Reports on relations between : None °

8.2 Information of private offered securities : None

8.2 The Shares in the Company Held or Disposed of by Subsidiaries in the Most Recent Years:

Unit: NT\$ thousands; Shares; %

Name of subsidiary	Stock capital collected	Fund source	Shareholding ratio of the company	Date of acquisition or disposition	Shares and amount acquired	Shares and amount disposed of	Investment gain (loss)	Shareholdings & amount in the most recent year	Mortgage	Endorsement amount made for the subsidiary	Amount loaned to the subsidiary
Ta Chen Construction & Engineering Corp.	\$1,240,000 (Note)	Operating Capital	100%	None	0	0	0	34,435,720 shares	None (Note)	\$800,000 (Note)	\$500,000 (Note)
					0	0		\$726,594			
Prince Apartment management and maintenance corp.	\$30,000 (Note)	Operating Capital	100%	None	0	0	0	578,486 shares	None (Note)	0 (Note)	0 (Note)
					0	0		\$12,206			

Note: until Apr. 30, 2013

8.4 Other Necessary Supplement: None °

PRINCE HOUSING & DEVELOPMENT CORP.

Na-Tian, Zhuang , Chairman



太子建設
Prince Housing & Development Corp.

Taiwan Stock Exchange Market Observation Post System:

<http://newmops.twse.com.tw>

Prince annual report is available at : <http://www.twse.com.tw>

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