TYCOONS GROUP ENTERPRISE CO., LTD.

AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

AND INDEPENDENT AUDITORS' REVIEW REPORT

FOR THE SIX MONTHS ENDED JUNE 30, 2014 AND 2013

ADD: No.79-1, Sinle St., Gangshan Dist., Kaohsiung City 820, Taiwan (R.O.C.)

TEL: (07) 621-2191

INDEPENDENT AUDITORS' REVIEW REPORT

NO.11351032ECA

To the Board of Tycoons Group Enterprise Co., Ltd.

We have reviewed the accompanying consolidated balance sheets of Tycoons Group Enterprise Co., Ltd. and its subsidiaries (the “Consolidated Company”) as of June 30, 2014 and 2013 and the related consolidated statements of comprehensive income for the three months ended June 30, 2014 and 2013 and for the six months ended June 30, 2014 and 2013, changes in equity and cash flows for the six months ended June 30, 2014 and 2013. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these consolidated financial statements based on our reviews.

We conducted our reviews in accordance with Statement of Financial Accounting Standards No. 36 “Review of Financial Statements”, issued by the Auditing Standards Committee of the Accounting Research and Development Foundation of the Republic of China. A review consists principally of applying analytical procedures to financial data and of making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards in the Republic of China, the objective of which is the expression of an opinion regarding the consolidated financial statements taken as a whole. Accordingly, we do not express such an opinion.

As discussed in Note 13 to the accompanying consolidated financial statements, the investments accounted for using equity method amounted to NT$107,047 thousand and NT$92,712 thousand as of June 30, 2014 and 2013, respectively, the related share of the profit or loss amounted to profit NT$4,389 thousand, profit NT$867 thousand, profit NT$8,652 thousand and profit NT$7,856 thousand for the three months and six months ended June 30, 2014 and 2013, respectively. These amounts were based on the investees’ unreviewed financial statements for the same reporting periods as those of the Consolidated Company. In arriving at our review conclusion, we did not reviewed the financial statements of Kingford International Limited, Huanghua Jujin Hardware

Products Co., Ltd., Huanghua Jujin Trading Co., Ltd., Baw-Heng Steel (Vietnam) Co., Ltd., Baw-Heng International Co., Ltd., TY Steel Co., Ltd., Yuan Zhen Investment Co., Ltd., Tycoons Group (Brunei) Holding LTD. and Tycoons Vietnam Co., Ltd.. Such financial statements reflect, at June 30, 2014 and 2013, total assets of $4,536,193 thousand and $2,351,596 thousand, constituting 33% and 17%, respectively, and total liabilities of $2,654,816 thousand and $1,062,242 thousand, constituting 38% and 15%, respectively. For the three months and six months ended June 30, 2014 and 2013, their comprehensive income amounted to gain NT$3,841 thousand, loss NT$38,943 thousand, gain NT$29,956 thousand and loss NT$19,342 thousand, or (6)%, (8)%, 17% and 14%, of consolidated comprehensive income (loss), respectively. The subsidiaries of financial statements herein consolidated were not reviewed by independent auditors.

Based on our reviews, except for the information of the investees mentioned in the preceding paragraph based on the unreviewed financial statements where adjustments might have been determined to be necessary if the financial statements were reviewed, we are not aware of any material modifications that should be made to the consolidated financial statements referred to above for them to be in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standards No. 34 “Interim Financial Reporting” endorsed by the Financial Supervisory Commission of the Republic of China.

Baker Tilly Clock & Co
August 14, 2014

Notice to Readers

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

TYCOONS GROUP ENTERPRISE CO., LTD. AND ITS SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Reviewed, Not Audited)

(Expressed in thousands of New Taiwan Dollars)

ASSETS	NOTES	June 30,2014		December 31,2013		June 30,2013	
		Amount	%	Amount	%	Amount	%
CURRENT ASSETS							
Cash and cash equivalents	2,6,37	$ 762,275	5	$ 1,324,377	10	$ 698,698	5
Financial assets at fair value through profit or loss-current	4,7,37	2,534	—	24,309	—	22,325	—
Bond investments with no active market-current	4,10,32	226,426	2	191,832	1	209,666	1
Notes receivable	4,11,37	54,479	—	70,187	1	72,816	1
Accounts receivable	4,11	629,144	5	548,131	4	569,715	4
Other receivables		60,965	—	20,614	—	258,505	2
Current tax assets		629	—	493	—	573	—
Inventories	4,12	2,822,785	21	3,049,598	22	3,836,972	28
Prepayments		225,917	2	217,693	2	268,075	2
Other current assets		9,637	—	5,831	—	18,241	—
Total current assets		4,794,791	35	5,453,065	40	5,955,586	43
NONCURRENT ASSETS							
Available-for-sale financial assets-noncurrent	4,8	344,846	3	267,509	2	244,962	2
Held-to-maturity financial assets-noncurrent	4,9	4,000	—	4,000	—	4,000	—
Bond investments with no active market- noncurrent	4,10,32	182,736	1	177,682	1	168,523	1
Investments accounted for using equity method	4,13	107,047	1	98,367	1	92,712	1
Property, plant and equipment	4,14,32	7,940,240	58	7,483,640	54	6,753,096	48
Intangible assets		4,852	—	3,771	—	730	—
Deferred tax assets		190,199	1	189,431	1	260,385	2
Prepayments for equipment		27,510	—	75,956	1	325,774	2
Refundable deposits		3,013	—	2,663	—	1,646	—
Long-term prepayments for lease	15	72,396	1	74,207	—	72,626	1
Other non-current assets		10,588	—	11,139	—	14,183	—
Total noncurrent assets		8,887,427	65	8,388,365	60	7,938,637	57
TOTAL		$13,682,218	100	$ 13,841,430	100	$13,894,223	100

(Continued)

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

TYCOONS GROUP ENTERPRISE CO., LTD. AND ITS SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Reviewed,Not Audited)

(Expressed in thousands of New Taiwan Dollars)

LIABILITIES AND EQUITY	NOTES	June 30,2014		December 31,2013		June 30,2013	
		Amount	%	Amount	%	Amount	%
CURRENT LIABILITIES							
Short-term borrowings	16,32	$ 2,996,545	22	$ 3,383,174	25	$ 3,896,841	28
Short-term bills payable		—	—	49,988	—	49,998	—
Financial liabilities at fair value through profit or loss- current	4,7	12,071	—	8,078	—	10,845	—
Notes payable		152,009	1	157,661	1	217,421	2
Accounts payable		439,815	3	566,837	4	505,915	4
Other payables		415,930	3	502,543	4	172,350	1
Current tax liabilities		3,391	—	4,615	—	8,740	—
Provisions-current	4,17	34	—	5,529	—	3,734	—
Other current liabilities	4,18	8,712	—	10,159	—	428,408	4
Receipts in advance		121,273	1	98,845	1	147,283	1
Current portion of bonds payable	4,18	—	—	—	—	25,272	—
Current portion of long-term borrowings	19,32	346,030	3	278,137	2	291,650	2
Total current liabilities		4,495,810	33	5,065,566	37	5,758,457	42
NONCURRENT LIABILITIES							
Bonds Payable	4,18	291,653	2	289,798	2	—	—
Long-term borrowings	19,32	2,173,149	16	1,949,770	14	1,002,997	7
Provisions-noncurrent	4,17	14,497	—	13,506	—	13,512	—
Deferred tax liabilities	4,34	68,078	1	52,902	—	99,160	—
Long-term account payable		3,990	—	4,428	—	—	—
Accrued pension liabilities	4,20	7,264	—	7,205	—	7,836	—
Guarantee deposits	31	2,949	—	6,587	—	806	—
Total noncurrent liabilities		2,561,580	19	2,324,196	16	1,124,311	7
Total liabilities		7,057,390	52	7,389,762	53	6,882,768	49
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY							
Capital stock		5,404,245	39	5,404,245	39	5,124,999	37
Capital surplus	18	8,910	—	8,910	—	4,070	—
Retained earnings							
Legal reserve		16,248	—	16,248	—	16,248	—
Unappropriated earnings (Accumulated deficit)		(849,236)	(6)	(889,094)	(6)	(380,665)	(3)
Other equity							
Exchange differences arising from the translation of the foreign operations		330,807	2	254,709	2	485,683	4
Unrealized gain (loss) on available-for-sale financial assets		72,181	1	(5,094)	—	(26,920)	—
Total equity attributable to owners of the Company	21	4,983,155	36	4,789,924	35	5,223,415	38
NON-CONTROLLING INTERESTS	21	1,641,673	12	1,661,744	12	1,788,040	13
Total equity		6,624,828	48	6,451,668	47	7,011,455	51
TOTAL		$ 13,682,218	100	$ 13,841,430	100	$ 13,894,223	100

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

TYCOONS GROUP ENTERPRISE CO., LTD. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Reviewed, Not Audited)

(Expressed in thousands of New Taiwan Dollars)

DESCRIPTION	NOTE	For the Three Months Ended June 30				For the Six Months Ended June 30			
		2014		2013		2014		2013	
		Amount	%	Amount	%	Amount	%	Amount	%
OPERATING REVENUES	4,23	$ 2,346,410	100	$ 2,502,360	100	$ 4,638,048	100	$ 5,521,815	100
OPERATING COSTS		(2,196,784)	(94)	(2,308,038)	(92)	(4,355,951)	(94)	(5,283,739)	(96)
GROSS PROFIT		149,626	6	194,322	8	282,097	6	238,076	4
OPERATING EXPENSES	28								
Selling and marketing expenses		(55,133)	(2)	(90,584)	(4)	(107,289)	(3)	(151,689)	(3)
General and administrative expenses		(76,631)	(3)	(69,274)	(3)	(145,289)	(3)	(140,679)	(2)
Total operating expenses		(131,764)	(5)	(159,858)	(7)	(252,578)	(6)	(292,368)	(5)
PROFIT (LOSS) FROM OPERATIONS		17,862	1	34,464	1	29,519	—	(54,292)	(1)
NON-OPERATING INCOME AND EXPENSES									
Other income	24	5,656	—	6,915	—	8,030	—	8,971	—
Other gains and losses	25	6,626	—	(219,482)	(8)	72,980	2	(37,300)	—
Finance costs	26	(26,376)	(1)	(29,534)	(1)	(52,784)	(1)	(55,232)	(1)
Share of the profit of associates and joint ventures	13	4,389	—	867	—	8,652	—	7,586	—
Total non-operating income and expenses		(9,705)	(1)	(241,234)	(9)	36,878	1	(75,975)	(1)
PROFIT (LOSS) BEFORE INCOME TAX		8,157	—	(206,770)	(8)	66,397	1	(130,267)	(2)
INCOME TAX (EXPENSE) BENEFIT	27	(3,464)	—	15,409	1	(6,976)	—	174,794	3
NET PROFIT (LOSS)		4,693	—	(191,361)	(7)	59,421	1	44,527	1
OTHER COMPREHENSIVE INCOME									
Exchange differences arising from the translation of the foreign operations	4	(98,054)	(4)	(315,723)	(13)	91,684	2	137,111	2
Unrealized gain (loss) on available-for-sale financial assets		13,530	—	(10,801)	(1)	38,677	1	(33,165)	(1)
Share of the profit of associates and joint ventures		—	—	—	—	90	—	—	—
Income tax relating to the components of other comprehensive income (loss)	27	16,176	1	40,305	2	(15,603)	—	(12,428)	—
Other comprehensive (loss) income for the period, net of income tax		(68,348)	(3)	(286,219)	(12)	114,848	3	91,518	1
TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE PERIOD		$ (63,655)	(3)	$ (477,580)	(19)	$ 174,269	4	$ 136,045	2
NET INCOME (LOSS) ATTRIBUTABLE TO：									
Owners of the Company		$ 1,667	—	$ (143,016)	(5)	$ 40,894	1	$ 31,897	1
Non-controlling interests		3,026	—	(48,345)	(2)	18,527	—	12,630	—
TOTAL COMPREHENSIVE (LOSS) INCOME ATTRIBUTABLE TO：									
Owners of the Company		$ (37,028)	(2)	$ (348,640)	(14)	$ 194,340	4	$ 86,805	1
Non-controlling interests		(26,627)	(1)	(128,940)	(5)	(20,071)	—	49,240	1
(LOSS) EARNING PER SHARE									
Basic	22	—		$ (0.28)		$ 0.08		$ 0.06	
Diluted		—		$ (0.28)		$ 0.07		$ 0.06	

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

TYCOONS GROUP ENTERPRISE CO., LTD. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED ON JUNE 30, 2014 AND 2013

(Reviewed,Not Audited)

(Expressed in thousands of New Taiwan Dollars)

DESCRIPTION	Equity attributable to the owners of the Company								Non controlling interests	Total equity
	Capital Stock			Retained earnings		Other equity				
	Common stock	Capital stock subscribed	Capital surplus	Legal reserve	Unappropriated earnings (Accumulated deficit)	Exchange differences arising from the translation of the foreign operations	Unrealized gain (loss) on available-for-sale financial assets	Subtotal		
BALANCE, JANUARY 1, 2013	$ 4,838,207	$ —	$ 8,250	$ 16,248	$ (277,639)	$ 419,338	$ (15,483)	$ 4,988,921	$ 1,738,800	$ 6,727,721
Capital stock subscribed	—	117,547	—	—	—	—	—	117,547	—	117,547
Convertible bonds converted to ordinary shares	169,245	—	(4,180)	—	(134,923)	—	—	30,142	—	30,142
Net profit for the six months ended June 30, 2013	—	—	—	—	31,897	—	—	31,897	12,630	44,527
Other comprehensive income for the six months ended June 30, 2013, net of income tax	—	—	—	—	—	66,345	(11,437)	54,908	36,610	91,518
Total comprehensive (loss) icome for the period	—	—	—	—	31,897	66,345	(11,437)	86,805	49,240	136,045
BALANCE, JUNE 30, 2013	$ 5,007,452	$ 117,547	$ 4,070	$ 16,248	$ (380,665)	$ 485,683	$ (26,920)	$ 5,223,415	$ 1,788,040	$ 7,011,455
BALANCE, JANUARY 1, 2014	$ 5,404,245	$ —	$ 8,910	$ 16,248	$ (889,094)	$ 254,709	$ (5,094)	$ 4,789,924	$ 1,661,744	$ 6,451,668
Additional acquisition /disposition of partially-owned subsidiaries	—	—	—	—	(1,109)	—	—	(1,109)	—	(1,109)
Net profit for the six months ended June 30, 2014	—	—	—	—	40,894	—	—	40,894	18,527	59,421
Other comprehensive income for the six months ended June 30, 2014, net of income tax	—	—	—	—	73	76,098	77,275	153,446	(38,598)	114,848
Total comprehensive income (loss) for the period	—	—	—	—	40,967	76,098	77,275	194,340	(20,071)	174,269
BALANCE, JUNE 30, 2014	$ 5,404,245	$ —	$ 8,910	$ 16,248	$ (849,236)	$ 330,807	$ 72,181	$ 4,983,155	$ 1,641,673	$ 6,624,828

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

TYCOONS GROUP ENTERPRISE CO., LTD. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Reviewed, Not Audited)

(Expressed in thousands of New Taiwan Dollars)

DESCRIPTION	For the six Months Ended June 30	
	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (Loss) before income tax	$ 66,397	$ (130,267)
Adjustments for:		
Depreciation expense	144,471	162,904
Amortization expense	11,305	12,184
Reversal of impairment loss on accounts receivable	(731)	(15,149)
Impairment loss	—	2,840
Net gain on financial assets and liabilities at fair value through profit or loss	(3,418)	(12,894)
Interest expense	52,784	55,232
Interest income	(4,557)	(5,498)
Share of the profit of associates and joint ventures	(8,652)	(7,586)
Loss on disposal of property, plant and equipment	3,258	2,738
Changes in operating assets and liabilities		
Financial assets held for trading	32,525	(8,639)
Notes receivable	15,708	(36,726)
Accounts receivable	(81,133)	(43,876)
Other receivables	(40,945)	(229,437)
Inventories	226,370	98,986
Prepayments	(8,224)	6,998
Other current assets	(3,806)	(5)
Other noncurrent assets	551	1,144
Financial liabilities held for trading	(3,339)	7,997
Notes payable	(5,652)	18,439
Accounts payable	(127,022)	(497,280)
Other payables	(87,885)	6,279
Provisions	(4,504)	(6,414)
Receipts in advance	22,428	(8,191)
Other current liabilities	(1,447)	288,063
Accrued pension liabilities	59	(17,375)

(Continued)

TYCOONS GROUP ENTERPRISE CO., LTD. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Reviewed, Not Audited)

(Expressed in thousands of New Taiwan Dollars)

DESCRIPTION	For the six Months Ended June 30	
	2014	2013
Cash generated from (used in) operations	$ 194,541	$ (355,533)
Interest received	5,160	5,247
Interest paid	(127,845)	(58,087)
Income taxes (paid) receivable	(8,372)	3,639
Net cash generated from (used in) operating activities	63,484	(404,734)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of bond investments with no active market	(39,648)	(116,926)
Acquisition of investments accounted for using equity method	—	(9,405)
Payments for property, plant and equipment	(488,816)	(811,651)
Proceeds from disposal of property, plant and equipment	20,060	10,498
Acquisition of intangible assets	(1,101)	—
Decrease in Prepayments for equipment	49,075	179,957
(Increase) decrease in refundable deposits	(350)	11,635
Net cash used in investing activities	(460,780)	(735,892)
CASH FLOWS FROM FINANCING ACTIVITIES		
(Decrease) Increase in short-term bills payable	(49,988)	49,998
(Decrease) Increase in short-term borrowings	(386,629)	875,777
Increase in long-term borrowings	291,272	44,789
Decrease in guarantee deposits	(3,638)	(3,964)
Decrease in long-term account payable	(438)	(5,072)
(Decrease) increase in non-controlling interests	(38,598)	36,610
Net Cash (used in) generated from Financing Activities	(188,019)	998,138
EFFECT OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES	23,213	(44,898)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(562,102)	(187,386)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	1,324,377	886,084
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	$ 762,275	$ 698,698

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

TYCOONS GROUP ENTERPRISE CO., LTD. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2014 AND 2013

(Amounts in thousands of New Taiwan dollars, unless otherwise stated)

(Reviewed, Not Audited)

1. ORGANIZATION AND OPERATIONS

Tycoons Group Enterprises Co., Ltd. (the "Company") was incorporated under the Company Law on November 20, 1980. The main business is to produce, process, commerce, export or lease screws, screw nuts, washer, steel thread, heat-processing of metal-blazed, mechanical parts, press-modeling machines as well as heat-processing equipment, and to manufacture, process and export various metal-models, and general international trade business excluding futures transactions.

In January 1995, the Company's stocks were approved by the Financial Supervisory Commission, Executive Yuan, R.O.C for listing on the Taiwan Stock Exchange.

The consolidated financial statements are presented in the Company's functional currency, New Taiwan dollars.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were reported to the board of directors and approved for issue on August 14, 2014.

3. APPLICATION OF NEW AND AMENDED STANDARDS AND INTERPRETATIONS

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards ("IFRSs") as endorsed by the Financial Supervisory Commission ("FSC")

Not applicable.

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Consolidated Company

In accordance with Rule No. 1030010325 issued by the Financial Supervisory Commission ("FSC") on April 3, 2014, companies listed for trading on the stock exchange or over-the-counter market or for registration as emerging stock should adopt the 2013 IFRSs (excluding IFRS 9 *Financial Instruments*) endorsed by the FSC beginning in 2015. The new standards, amendments and interpretations which were announced by the International Accounting Standards Board ("IASB") are as follows:

New Standards, Amendments and Interpretations	Effective Date Issued by IASB
Amended IFRS 1 Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters	July 1, 2010
Amended IFRS 1 Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters	July 1, 2011
Amended IFRS 1 Government Loans	January 1, 2013
Amended IFRS 7 Disclosures - Transfers of Financial Assets	July 1, 2011
Amended IFRS 7 Disclosures - Offsetting Financial Assets and Financial Liabilities	January 1, 2013
IFRS 10 Consolidated Financial Statements	January 1, 2013 (Subsidiaries will adopt on January 1, 2014)
IFRS 11 Joint Agreements	January 1, 2013
IFRS 12 Disclosure of Interests in Other Entities	January 1, 2013
IFRS 13 Fair Value Measurement	January 1, 2013
Amended IAS 1 Presentation of Items of Other Comprehensive Income	July 1, 2012
Amended IAS 12 Deferred Tax: Recovery of Underlying Assets	January 1, 2012
Amended IAS 19 Employee Benefits	January 1, 2013
Amended IAS 27 Separate Financial Statements	January 1, 2013
Amended IAS 28 Investments in Associates and Joint Ventures	January 1, 2013
Amended IAS 32 Offsetting Financial Assets and Financial Liabilities	January 1, 2014
IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine	January 1, 2013
Improvements to IFRSs 2010	January 1, 2011
Improvements to IFRSs 2009-2011	January 1, 2013

Except for the following items, the Company believes that the adoption of aforementioned 2013 IFRSs will not have a significant effect on the Company's consolidated financial statements.

(A) IAS 19 Employee Benefits

The amendments to IAS 19 require companies to calculate a "net interest" amount by applying the discount rate to the net defined benefit liability or asset to replace the interest cost and expected return on plan assets used in the previous IAS 19. In addition, the amendments eliminate the accounting treatment of either the corridor approach or the immediate recognition of actuarial gains and losses in profit or loss when they occur, and instead require companies to recognize all actuarial gains and losses immediately through other comprehensive income. The past service cost, on the other hand, will be expensed immediately when it is incurred and will no longer be amortized over the average period before meeting vesting conditions on a straight-line basis. In addition, the amendments also require a broader disclosure of defined benefit plans.

(B) IAS 1 Presentation of Financial Statements

The primary amendment of IAS 1 was requiring profit or loss and other comprehensive income to be presented together, requiring entities to group items presented in other comprehensive income based on whether they are potentially reclassifiable to profit or loss subsequently, and requiring tax associated with items presented before tax to be shown separately for each of the two groups of other comprehensive income items. The Group will follow the amendment of IAS 1 to present the comprehensive income statement.

(C) IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 combines all related standards regarding the disclosures of financial reports of subsidiaries, joint ventures, associates, and non-consolidated entities. The Group will additionally disclose the information on consolidated and non-consolidated entities.

(D) IFRS 13 Fair Value Measurement

IFRS 13 defines the meaning of fair value and sets the method of calculation and the presentation of measurement of fair value. After assessing the standard, the Group does not expect any significant influence on the financial condition and performance, and will follow IFRS 13 to additionally disclose the information on measurement of fair value.

(3) New standards and interpretations of 2013 IFRSs version issued by the IASB but not yet endorsed by the FSC

New Standards, Amendments and Interpretations	Effective Date Issued by IASB
IFRS 9 "Financial Instruments"	January 1, 2018
Amendment to IFRS 11 "Acquisitions of Interests in Joint Operations"	January 1, 2016
IFRS 14 "Regulatory Deferral Accounts"	January 1, 2016
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2017
Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortization"	January 1, 2016
Amendments to IAS 16 and IAS 41 "Agriculture: Bearer Plants"	January 1, 2016
Amendment to IAS 19 "Defined Benefit Plans: Employee Contributions"	July 1, 2014
Amendment to IAS 36 "Recoverable Amount Disclosures for Non-Financial Assets"	January 1, 2014
Amendment to IAS 39 "Novation of Derivatives and Continuation of Hedge Accounting"	January 1, 2014
IFRIC 21 "Levies"	January 1, 2014
Annual Improvements to IFRSs 2010-2012 Cycle	July 1, 2014
Annual Improvements to IFRSs 2011-2013 Cycle	July 1, 2014

The Consolidated Company is assessing the potential impact of the new standards, interpretations and amendments above and has not yet been able to reliably estimate their impact on the consolidated financial statements.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Except for the following, the accounting policies applied in these consolidated financial statements are consistent with those applied in the consolidated financial statements for the year ended December 31,2013.

(1) Statement of compliance

The accompanying consolidated financial statements have been prepared in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and IAS 34, "Interim Financial

Reporting," endorsed by the FSC. The consolidated financial statements do not present all the disclosures required for a complete set of annual consolidated financial statements prepared under Taiwan-IFRSs.

(2) Basis of Preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

(3) Basis of Consolidation

A. Subsidiaries included in the consolidated financial statements:

Investing Company	The name of subsidiary	Nature of operations	
Tycoons Group Enterprise Co., Ltd.	Tycoons Group International Co., Ltd.	Investing industry	British Cayman Island
〃	Yuan Zhen Investment Co., Ltd.	Investing industry	Taiwan
〃	Tycoons Worldwide Group (Thailand) Public Co., Ltd.	Manufacturing industry	Thailand
Tycoons Group International Co., Ltd.	Tycoons Worldwide Group (Thailand) Public Co., Ltd.	Manufacturing industry	Thailand
〃	Baw-Heng Steel (Vietnam) Co., Ltd.	Manufacturing industry	Vietnam
〃	Kingford International Limited	Investing industry	Samoa
〃	Baw-Heng International Co., Ltd.	Trade	Vietnam
〃	TY Steel Co., Ltd.	Manufacturing industry	Thailand
〃	Tycoons Group (Brunei) Holding LTD.	Investing industry	Brunei
Tycoons Worldwide Group (Thailand) Public Co., Ltd.	All Manage International Limited	Investing industry	BVI
〃	TY Steel Co., Ltd.	Manufacturing industry	Thailand
Kingford International Limited	Huanghua Jujin Hardware Products Co., Ltd.	Manufacturing industry	China
Huanghua Jujin Hardware Products Co., Ltd.	Huanghua Jujin Trading Co., Ltd.	Trade	China
Tycoons Group (Brunei) Holding LTD.	Tycoons Vietnam Co., Ltd.	Manufacturing industry	Vietnam

The name of subsidiary	Shareholding %			Note
	June 30, 2014	December 31, 2013	June 30, 2013	
Tycoons Group International Co., Ltd.	100%	100%	100%	
Yuan Zhen Investment Co., Ltd.	100%	100%	100%	1
Tycoons Worldwide Group (Thailand) Public Co., Ltd	72.77%	72.77%	72.73%	
Baw-Heng Steel (Vietnam) Co., Ltd.	71.43%	71.43%	71.43%	1
Kingford International Limited	100%	100%	100%	1
Baw-Heng International Co., Ltd.	－	－	60%	1、2
TY Steel Co., Ltd.	90.27%	88.63%	86.43%	1
All Manage International Limited	72.77%	72.77%	72.73%	1
Huanghua Jujin Hardware Products Co., Ltd.	60%	60%	60%	1
Huanghua Jujin Trading Co., Ltd.	100%	100%	100%	1
Tycoons Group (Brunei) Holding Ltd.	100%	100%	100%	1
Tycoons Vietnam Co., Ltd.	100%	100%	100%	1

Note 1: This is an insignificant subsidiary for which the financial statements are not reviewed.

Note 2: Baw-Heng International Co., Ltd. liquidated in November 2013.

(4) Retirement Benefit Costs

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-time events.

(5) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. Interim period income taxes are assessed on an annual basis and calculated on an interim period's pre-tax income by applying to the tax rate that would be applicable to expected total annual earnings.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The same critical accounting judgments and key sources of estimates and uncertainty have been followed in these consolidated financial statements as were applied in the preparation of the Company's consolidated financial statements for the year ended December 31, 2013.

6. CASH AND CASH EQUIVALENTS

	June 30, 2014	December 31, 2013	June 30, 2013
Cash on hand	$ 785	$ 1,012	$ 818
Bank deposits	658,629	1,269,815	697,880
Cash equivalent			
Fixed deposits	102,861	53,550	－
Total	$ 762,275	$ 1,324,377	$ 698,698

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS-CURRENT

(1) Financial assets held for trading

	June 30, 2014	December 31, 2013	June 30, 2013
Derivative financial assets			
Forward exchange contracts	$ 2,534	$ 20,304	$ 13,984
Foreign currency option	－	3,945	6,305
Mutual funds	－	－	1,962
	2,534	24,249	22,251
Non-derivative financial assets			
Bonds payable-redemption option	－	60	74
	$ 2,534	$ 24,309	$ 22,325

(2) Financial liabilities held for trading

	June 30, 2014		December 31, 2013		June 30, 2013	
Derivative financial liabilities						
Forward exchange contracts	$	7,991	$	5,498	$	10,490
Non-derivative financial liabilities						
Bonds payable-put option		4,080		2,580		355
	$	12,071	$	8,078	$	10,845

The main purpose for the Consolidated Company to engage in foreign currency option and forward exchange contracts transactions is to evade the risk resulting from the fluctuation of currency exchange rate and interest rate. However, those derivative assets and liabilities did not meet the criteria of hedge effectiveness and therefore were not accounted for by using hedge accounting.

As of June 30, 2014 and 2013, the undue derivative financial products were as follows:

June 30, 2014	Currency	Maturity Period	Contracted Amount (in thousand)	
Buy forward exchange	United States dollars	2014.05.08～2014.08.13	USD	366
〃	〃	2014.05.15～2014.08.19	USD	5,000
〃	〃	2014.05.19～2014.08.21	USD	5,000
〃	〃	2014.05.19～2014.08.21	USD	3,463
〃	〃	2014.05.29～2014.09.02	USD	5,000
〃	〃	2014.04.28～2014.07.31	USD	600
〃	〃	2014.05.08～2014.11.12	USD	3,000
〃	〃	2014.05.19～2014.11.19	USD	2,129
〃	〃	2014.06.27～2014.09.29	USD	228
〃	〃	2014.05.19～2014.08.19	USD	2,839
〃	〃	2014.05.19～2014.08.19	USD	2,000
〃	〃	2014.05.20～2014.11.24	USD	5,000
〃	〃	2014.06.24～2014.09.24	USD	1,029
〃	〃	2014.05.19～2014.08.19	USD	1,998
〃	〃	2014.05.20～2014.11.24	USD	3,000
〃	〃	2014.03.27～2014.09.30	USD	6,000
〃	〃	2014.02.17～2014.08.19	USD	5,000
〃	〃	2014.05.16～2014.09.04	USD	4,200
〃	〃	2014.05.22～2014.09.22	USD	2,000
〃	〃	2014.05.22～2014.09.29	USD	1,000
〃	〃	2014.05.30～2014.09.29	USD	1,000
〃	〃	2014.05.30～2014.11.03	USD	1,000
Sell forward exchange	Euro	2014.05.08～2014.11.12	EUR	1,068
〃	〃	2014.05.09～2014.11.14	EUR	2,000

December 31, 2013	Currency	Maturity Period	Contracted Amount (in thousand)	
Buy foreign currency option	United States dollars	2013.11.18～2014.02.20	USD	2,000
Buy forward exchange	United States dollars	2013.10.07～2014.01.09	USD	6,010
〃	〃	2013.12.12～2014.03.17	USD	400
〃	〃	2013.12.23～2014.03.24	USD	1,313
〃	〃	2013.12.27～2014.03.27	USD	500
〃	〃	2013.12.13～2014.03.13	USD	3,603
〃	〃	2013.12.13～2014.03.13	USD	1,197
〃	〃	2013.12.16～2014.03.17	USD	562
〃	〃	2013.12.23～2014.03.24	USD	3,000
〃	〃	2013.09.19～2014.03.24	USD	2,497
〃	〃	2013.08.30～2014.02.20	USD	1,500
〃	〃	2013.10.03～2014.01.06	USD	1,200
〃	〃	2013.10.09～2014.03.17	USD	5,000
〃	〃	2013.11.19～2014.03.06	USD	1,900
〃	〃	2013.11.19～2014.04.10	USD	2,900
〃	〃	2013.12.17～2014.01.17	USD	3,000
〃	〃	2013.12.24～2014.04.24	USD	4,700
〃	〃	2013.12.25～2014.03.27	USD	6,000
Sell forward exchange	United States dollars	2013.10.09～2014.01.09	USD	907
〃	〃	2013.10.09～2014.01.09	USD	2,000
〃	〃	2013.11.28～2014.06.02	USD	78
〃	〃	2013.11.27～2014.02.28	USD	1,116
〃	Euro	2013.11.20～2014.02.24	EUR	39
〃	〃	2013.11.29～2014.03.03	EUR	1,000

June 30, 2013	Currency	Maturity Period	Contracted Amount (in thousand)	
Buy foreign currency option	United States dollars	2013.06.14～2013.07.16	USD	5,000
〃	〃	2013.06.06～2013.11.20	USD	2,000
Buy forward exchange	United States dollars	2013.06.14～2013.09.13	USD	2,540
〃	〃	2013.06.14～2013.09.13	USD	5,000
〃	〃	2013.06.15～2013.09.16	USD	5,000
〃	〃	2013.06.15～2013.09.16	USD	5,000
〃	〃	2013.06.19～2013.09.18	USD	5,000
〃	〃	2013.06.14～2013.09.13	USD	2,053
〃	〃	2013.06.14～2013.09.13	USD	5,000
〃	〃	2013.04.12～2013.07.11	USD	2,000
〃	〃	2013.04.12～2013.07.11	USD	500
〃	〃	2013.06.14～2013.09.13	USD	5,000
〃	〃	2013.06.15～2013.09.16	USD	500
〃	〃	2013.06.15～2013.09.16	USD	550
〃	〃	2013.06.19～2013.09.18	USD	1,060
〃	〃	2013.06.14～2013.09.13	USD	56
〃	〃	2013.04.23～2013.10.23	USD	2,000
〃	〃	2013.05.14～2013.10.23	USD	3,000
〃	〃	2013.06.13～2013.10.25	USD	2,000
〃	〃	2013.05.14～2013.10.25	USD	2,000
〃	〃	2013.05.30～2013.10.21	USD	2,000
〃	〃	2013.05.27～2013.11.18	USD	3,000
〃	〃	2013.05.30～2013.11.12	USD	2,500
〃	〃	2013.06.28～2013.11.15	USD	4,700
Sell forward exchange	United States dollars	2013.06.25～2013.09.24	USD	2,434
〃	〃	2013.06.26～2013.09.25	USD	1,500
〃	〃	2013.06.28～2013.10.03	USD	1,000
〃	〃	2013.04.05～2013.07.05	USD	1,500
〃	〃	2013.04.05～2013.07.05	USD	1,000
〃	〃	2013.04.06～2013.07.05	USD	2,000
〃	〃	2013.05.02～2013.07.31	USD	310
〃	〃	2013.05.04～2013.08.05	USD	500
〃	〃	2013.05.04～2013.08.05	USD	500
〃	〃	2013.06.20～2013.09.23	USD	159
〃	〃	2013.06.26～2013.09.25	USD	2,000
〃	〃	2013.06.13～2013.12.12	USD	350
〃	〃	2013.06.26～2013.12.26	USD	500
〃	〃	2013.06.25～2013.09.24	USD	1,808
〃	〃	2013.05.04～2013.08.05	USD	174
〃	〃	2013.06.26～2013.09.25	USD	2,000
〃	〃	2013.06.26～2013.09.25	USD	1,000
〃	Euro	2013.06.18～2013.09.17	EUR	435
〃	〃	2013.06.26～2013.09.25	EUR	500

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS – NONCURRENT

	June 30, 2014	December 31, 2013	June 30, 2013
Listed shares	$ 6,903	$ 6,714	$ 7,577
Emerging market shares	254,745	173,303	142,393
Unlisted shares	83,198	87,492	94,992
Total	$ 344,846	$ 267,509	$ 244,962

9. HELD-TO-MATURITY FINANCIAL ASSETS – NONCURRENT

	June 30, 2014	December 31, 2013	June 30, 2013
Taichung Bank Junior Bank	$ 4,000	$ 4,000	$ 4,000

10. BOND INVESTMENTS WITHOUT ACTIVE MARKETS

	June 30, 2014	December 31, 2013	June 30, 2013
Pledge deposits	$ 160,558	$ 158,841	$ 292,007
Restricted deposits	248,604	210,673	86,182
Total	$ 409,162	$ 369,514	$ 378,189
Current	$ 226,426	$ 191,832	$ 209,666
Noncurrent	$ 182,736	$ 177,682	$ 168,523
Rate	0.1％～2.5％	2％～2.5％	1.9％～7.00％

Refer to note 30 for information relating to available-for-sale financial assets pledged as security.

11. NOTES AND ACCOUNTS RECEIVABLE- NET

	June 30, 2014	December 31, 2013	June 30, 2013
Notes and accounts receivable	$ 762,557	$ 697,132	$ 729,407
Less: Allowance for doubtful accounts	(78,934)	(78,814)	(86,876)
Net	$ 683,623	$ 618,318	$ 642,531

(1) The Company's sale agreements typically provide that the payment is due 30 days from the invoice date for a majority of the customers and 30 to 45 days after the end of the month in which sales occur for some customers. The allowance for doubtful receivables is assessed by reference to the collectability of receivables by performing the account aging analysis, historical experience and current financial condition of customers.

(2) Except for those impaired, for the rest of the notes and accounts receivable, the account aging analysis at the end of the reporting period is summarized in the following table. Notes and accounts receivable include amounts that are past due but for which the Company has not recognized an allowance for doubtful receivables after the assessment since there has not been a significant change in the credit quality of its customers and the amounts are still considered recoverable.

(3) Aging analysis of notes and accounts receivable

	June 30, 2014	December 31, 2013	June 30, 2013
Past due but not impaired			
Less than 90 days	$ 96,375	$ 161,020	$ 123,267
91-180 days	3,324	39,552	49
181-365 days	1,344	470	1,025
More than 365 days	285	1,252	2,410
Total	$ 101,328	$ 202,294	$ 126,751

(4) Movements of the allowance for doubtful accounts were as follows:

	Six Months Ended June 30	
	2014	2013
Balance, beginning of the period	$ 78,814	$ 99,963
Less: Impairment losses reversed	(731)	(15,149)
Effect of exchange rate changes	851	2,062
Balance, end of the period	$ 78,934	$ 86,876

12. INVENTORIES

	June 30, 2014	December 31, 2013	June 30, 2013
Goods	$ 41,800	$ 42,013	$ 42,022
Finished goods	569,655	546,765	1,026,906
Work in process	323,855	311,245	423,600
Raw materials	1,044,537	1,074,074	1,488,266
Supplies	515,227	460,913	525,729
Goods in transit	327,711	614,588	330,449
Total	$ 2,822,785	$ 3,049,598	$ 3,836,972

(1) The operating cost of the Company includes unallocated overhead amounted to $1,218 thousand, $1,966 thousand, $2,457 thousand and $3,867 thousand for the three-months and six-months periods ended June 30, 2014 and 2013, respectively.

Write-down of inventories to net realizable value was included in the cost of revenue, which was as follows:

	Three Months Ended June 30		Six Months Ended June 30	
	2014	2013	2014	2013
Inventory recovery	$ 13,347	$ 75,005	$ 36,456	$ 83,332

(2) The insurance coverage as of June 30, 2014, December 31, 2013 and June 30, 2013 were all $72,400 thousand.

(3) In July 2008, Tycoons Worldwide Group (Thailand) Public Co., Ltd. ("TWGPCL") entered into forward raw material purchase contracts with two overseas companies, and made advance payments to these companies amounting to THB 570 million (approximately NTD 520,695 thousand). On November 30, 2009, however, TWGPCL did not receive the raw material deliveries from the suppliers as requested. Thus, TWGPCL terminated the contracts and request the return of advance payments based on the current market price for the outstanding raw materials, which amounted to THB 288 million. TWGPCL also wrote off THB 282 million (approximately NTD 257,607 thousand) of the advance payments for goods as bad debt expenses in the 2009 profit and loss account, representing the excess of the value of the raw materials at the contract prices over their value at the market price as at the end of November 2009.

For the year ended December 31, 2010, the counterparty repaid approximately THB 39 million (approximately NTD35,627 thousand) through TWGPCL's overseas related company, and TWGPCL reversed allowance for doubtful debt in the same amount. Currently, Tycoons Group International Co., Ltd. is in the process of taking legal action on behalf of the TWGPCL.

(4) TWGPCL had entered into a non-cancellable raw material purchase contract. For the three months and six months ended June 30, 2013, TWGPCL reversed a loss on purchase commitment of THB 7 million (approximately NTD 7,052 thousand) and THB 11.7 million (approximately NTD 11,643 thousand), respectively, TWGPCL recognized a loss of THB 7 million (approximately NTD 7,052 thousand) for the six month ended June 30, 2014, which listed under the other current liabilities.

(5) On June 30, 2013, the Company borrowed inventories from its client, equivalent to the value of $291,622 in order to meet production requirement. The borrowed inventories are recognized as other current liabilities.

13. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

(1) Investments in associates consisted of the following.

	Carrying Amount			% of Ownership and Voting Rights Held by the Company		
Investor	June 30, 2014	December 31, 2013	June 30, 2013	June 30, 2014	December 31, 2013	June 30, 2013
Hurco Automation Co., Ltd.	$ 95,556	$ 86,389	$ 81,179	35%	35%	35%
Joint Force International Company Limited	11,491	11,978	11,533	30%	30%	30%
	$107,047	$ 98,367	$ 92,712			

(2) Financial information of the Company's associates was summarized as follows:

	June 30, 2014	December 31, 2013	June 30, 2013
Total assets	$ 498,850	$ 386,795	$ 468,542
Total liabilities	(183,076)	(95,219)	(192,555)
Net assets	$ 315,774	$ 291,576	$ 275,987
The Company's share of net assets of associate	$ 107,047	$ 98,367	$ 92,712

	Three Months Ended June 30	
	2014	2013
Net revenue	$ 162,112	$ 143,105
Net income	$ 12,653	$ 2,903
The Company's share of net assets of associate	$ 4,389	$ 867

	Six Months Ended June 30	
	2014	2013
Net revenue	$ 385,169	$ 403,483
Net income	$ 24,474	$ 22,868
The Company's share of net assets of associate	$ 8,652	$ 7,586

The investments accounted for using equity method and the share of profit or loss and other comprehensive income of those investments were calculated based on the financial statements that have not been reviewed.

14. PROPERTY, PLANT AND EQUIPMENT

	Six months ended June 30, 2014					
Item	Balance, Beginning of Period	Additions	Disposals	Reclassification	Effect of Exchange Rate changes	Balance, End of Period
Cost						
Land	$ 854,619	$ 4,468	$ —	$ 1,173	$ 5,677	$ 865,937
Land improvements	138,550	2,728	—	114	1,509	142,901
Buildings	2,139,303	5,654	(1,875)	15,055	15,521	2,173,658
Machinery and equipment	5,510,924	66,454	(82,530)	75,981	48,958	5,619,787
Transportation equipment	315,158	7,728	(4,130)	3,650	2,723	325,129
Furniture and fixtures	117,301	1,553	(3,199)	2,525	(223)	117,957
Leasehold improvements	3,952	—	—	5	17	3,974
Other equipment	426,559	4,961	(1,055)	9,202	3,768	443,435
Construction in progress	1,909,140	448,986	(1,290)	(89,135)	18,403	2,286,104
Total	11,415,506	542,532	(94,079)	18,570	96,353	11,978,882
Accumulated depreciation and impairment						
Land improvements	52,925	2,357	—	—	573	55,855
Buildings	970,897	35,361	(897)	—	7,500	1,012,861
Machinery and equipment	2,216,377	86,876	(60,318)	(211)	16,124	2,258,848
Transportation equipment	251,790	9,557	(3,487)	—	2,246	260,106
Furniture and fixtures	88,175	3,752	(1,160)	—	(59)	90,708
Leasehold improvements	1,511	159	—	—	1	1,671
Other equipment	350,191	5,812	(589)	—	3,179	358,593
Total	3,931,866	143,874	(66,451)	(211)	29,564	4,038,642
Net	$7,483,640	$ 398,658	$ (27,628)	$ 18,781	$ 66,789	$7,940,240

	Six months ended June 30, 2013					
Item	Beginning balance	Additions	Disposals	Reclassifications	Net exchange differences	End balance
Cost						
Land	$ 877,432	$ —	$ —	$ (918)	$ 9,953	$ 886,467
Land improvements	142,457	—	—	(95)	4,188	146,550
Buildings	2,156,035	680	(11,745)	21,374	32,905	2,199,249
Machinery and equipment	5,794,811	5,852	(12,764)	(98,216)	95,978	5,785,661
Transportation equipment	323,229	22,121	(8,797)	(176)	4,905	341,282
Furniture and fixtures	108,319	2,815	(708)	1,986	2,608	115,020
Leasehold improvements	2,421	1,049	—	(11)	—	3,459
Other equipment	387,997	6,072	(530)	24,141	5,875	423,555
Construction in progress	23,802	764,260	—	(11,138)	616	777,540
Total	9,816,503	802,849	(34,544)	(63,053)	157,028	10,678,783
Accumulated depreciation and impairment						
Land improvements	50,267	2,496	—	—	724	53,487
Buildings	934,030	36,253	(5,300)	—	13,561	978,544
Machinery and equipment	2,138,650	99,397	(7,871)	(88,030)	41,660	2,183,806
Transportation equipment	260,652	10,792	(6,638)	—	2,863	267,669
Furniture and fixtures	82,689	3,967	(648)	—	3,678	89,686
Leasehold improvements	1,207	146	—	—	—	1,353
Other equipment	341,650	5,308	(491)	—	4,675	351,142
Total	3,809,145	158,359	(20,948)	(88,030)	67,161	3,925,687
Net	$ 6,007,358	$ 644,490	$ (13,596)	$ 24,977	$ 89,867	$ 6,753,096

(1) The significant part of the Company's buildings include main plants and affiliated equipment and the related depreciation is calculated using the estimated useful lives of 3 to 45 years, and 10 to 11 years, respectively.

(2) The insurance coverage as of June 30, 2014, December 31, 2013 and June 30, 2013 were $5,088,880 thousand, $5,036,470 thousand and $5,322,438 thousand, respectively.

(3) The capitalized interest of the Parent Company for the six months ended June 30, 2014 and 2013 were $77,258 thousand and $61 thousand, with capitalization rates between 1.8%～2.87% and 1.92%～2.64%, respectively.

(4) Mortgaged or pledged property, plant and equipment, see Note 30.

15. LONG-TERM PREPAYMENTS FOR LEASE

Movements of the long-term prepayments for lease was as follows:

	Six Months Ended June 30	
	2014	2013
Balance, beginning of the period	$ 74,207	$ 72,406
Less: Amortization	(1,462)	(783)
Effect of exchange rate changes	(349)	1,003
Balance, end of the period	$ 72,396	$ 72,626

16. SHORT-TERM BORROWINGS

	June 30, 2014	December 31, 2013	June 30, 2013
Bank loans for purchasing materials	$ 2,758,398	$ 3,049,320	$ 3,862,455
Unsecured loans	190,000	160,000	34,386
Mortgage loan	48,147	173,854	—
Total	$ 2,996,545	$ 3,383,174	$ 3,896,841
Rate	1.32135%~7.28%	1.2685%～7.8%	1.25%～2.8%

The related to mortgaged asset to short-term borrowing, see Note 30.

17. PROVISIONS- CURRENT

	Six months ended June 30, 2014		
	Employee benefits	Onerous contracts	Total
Balance, beginning of the period	$ 13,506	$ 5,529	$ 19,035
Recognized	991	—	991
Reversed	—	(5,495)	(5,495)
Balance, end of the period	$ 14,497	$ 34	$ 14,531
Current	$ —	$ 34	$ 34
Noncurrent	$ 14,497	$ —	$ 14,497

	Six months ended June 30, 2013		
	Employee benefits	Onerous contracts	Total
Balance, beginning of the period	$ 12,540	$ 11,120	$ 23,660
Recognized	972	—	972
Reversed	—	(7,386)	(7,386)
Balance, end of the period	$ 13,512	$ 3,734	$ 17,246
Current	$ —	$ 3,734	$ 3,734
Noncurrent	$ 13,512	$ —	$ 13,512

(1) The provision for employee benefits will reverse when the actual payment.

(2) The provision for onerous contracts represents the present value of the future payments that the Corporation and its subsidiaries were presently obligated to make under non-cancellable onerous purchase and service contracts, less revenue expected to be earned on the contracts.

18. BONDS PAYABLE

On July 31, 2012, the Company issued secured, domestic convertible bonds with a face value of $300,000 thousand. The details of the convertible bonds payable are as follows:

	June 30, 2014
Bonds payable	$ 148,000
Less: Discount on bonds payable	(3,628)
Total	$ 144,372
Less: Defined transition of bonds payable	(119,100)
Net	$ 25,272

(1) The main terms of the secured domestic convertible bonds are as follow:

A. Total price: $ 300,000 thousand.

B. Stated interest rate and payment term: Stated rate is 0%, principal shall be redeemed at 100% of the face value when due.

C. Issue type: Domestic secured convertible bonds issued in registered form, in denomination of $100 thousand or the exact multiple thereof, issued at 100% of principal amount.

D. Issue period: Three years.

E. Redemption at the option of the Company:

a. Unless previously converted or repurchased, the bonds will be redeemed at the face value at maturity.

b. The withdraw price before maturity

(i) The Company may redeem all of the bonds with prior notice (actual number of days after one month of issuing till the 40th day before redemption) at any time, provided that the closing price of the Company’s shares on the TSE reaches 130% of the conversion price for 30 consecutive trading days.

(ii) When over 90% of the bonds had been redeemed, bought back or converted, the Company may redeem the remaining bonds with prior notice.

F. Put option of the bondholders

The Issuer will, on the second anniversary of the Issue Date, at the option of any bondholders by giving prior notice to the Issuer, redeem all or any portion of the Bonds at 102.01% of the face value.

G. Conversion

The conversion price will be $5.3.

H. Secured

The bonds were secured by First Commercial Bank.

I. For the convertible corporate bonds issued on July 31, 2013 by the Company, the conversion right, separated from the liability as regulated in the Republic of China Statements of Financial Accounting Standards (SFAS) No.36 and listed as “additional paid-in capital-warrants”, was $0 thousand and $4,070 thousand as of December 31 and June 30, 2013. Under SFAS No. 34 the embedded redemption option and put option does not have direct relationship with the economic attributes and risks of the primary liability contracts. Thus they are to be separately recognized and accounted, and the net amount were recognized as “financial liabilities at fair value through profit or loss”, and “financial assets at fair value through profit or loss” amounting to $0 thousand, $0 thousand, $74 thousand and $355 thousand as of December 31 and June 30, 2013, respectively.

J. Under the agreed conditions, the company may redeem all of the bonds with prior notice before maturity at any time, provided that the outstanding shares below 10% of all issued share. This condition had been met on July 26, 2013. As of December 31, 2013, all convertible bonds had been converted into $56,604 thousand shares.

(2) On Septemper 30, 2013, the Company issued secured, domestic convertible bonds with a face value of $300,000 thousand. The fourth details of the convertible bonds payable are as follows:

	June 30, 2014		June 30, 2013	
Bonds payable	$	300,000	$	300,000
Less: Discount on bonds payable		(8,347)		(10,202)
Total	$	291,653	$	289,798

The main terms of the secured domestic convertible bonds are as follow:

A. Total price: $ 300,000 thousand.

B. Stated interest rate and payment term: Stated rate is 0%, principal shall be redeemed at 100% of the face value when due.

C. Issue type: Domestic secured convertible bonds issued in registered form, in denomination of $100 thousand or the exact multiple thereof, issued at 100% of principal amount.

D. Issue period: Three years.

E. Redemption at the option of the Company:

a. Unless previously converted or repurchased, the bonds will be redeemed at the face value at maturity.

b. The withdraw price before maturity

(i) The Company may redeem all of the bonds with prior notice (actual number of days after three month of issuing till the 40th day before redemption) at any time, provided that the closing price of the Company's shares on the TSE reaches 130% of the conversion price for 30 consecutive trading days.

(ii) When over 90% of the bonds had been redeemed, bought back or converted, the Company may redeem the remaining bonds with prior notice.

F. Put option of the bondholders

The Issuer will, on the second anniversary of the Issue Date, at the option of any bondholders by giving prior notice to the Issuer, redeem all or any portion of the Bonds at 102.01% of the face value.

G. Conversion

The conversion price will be $6.

H. Secured

The bonds were secured by First Commercial Bank.

I. For the convertible corporate bonds issued on Septemper 30, 2013 by the Company, the conversion right, separated from the liability as regulated in the Republic of China Statements of Financial Accounting Standards (SFAS) No.36 and listed as “additional paid-in capital-warrants”, was both $8,910 thousand as of June 30, 2014 and December 31, 2013. Under SFAS No. 34 the embedded redemption option and put option does not have direct relationship with the economic attributes and risks of the primary liability contracts. Thus they are to be separately recognized and accounted, and the net amount were recognized as “financial liabilities at fair value through profit or loss”, and “financial assets at fair value through profit or loss” amounting to $0 thousand, $4,080 thousand, $60 thousand and $2,580 thousand as of June 30, 2014 and December 31, 2013, respectively.

19. LONG-TERM BORROWINGS

	June 30, 2014				
Creditors	Due Date	Interest Rate (%)	Amount	Payable Within One Year	Description No.
En Tie Bank Ltd.	105.03.04	2.537～2.6596	$ 456,000	$ 72,000	(1)(2)
Kaikorn bank Public Company Limited	105.01.31	6.325	346,200	173,100	(5)
First Commercial Bank	108.08.22	2.23～2.87	1,682,172	100,930	(6)(7)
Other					
Jigan Hong Kong Holding Co., Ltd.	104.09.01	4	34,807	－	(8)
Total			2,519,179	$ 346,030	
Less: amounts payable within one year			(346,030)		
Net			$ 2,173,149		

	December 31, 2013				
Creditors	Due Date	Interest Rate (%)	Amount	Payable Within One Year	Description No.
En Tie Bank Ltd.	03/04/2016	2.7748~2.8118	$ 192,000	$ 72,000	1,2,3
TMB Bank	04/30/2014	5.75～5.875	34,889	34,889	4
Kaikorn bank Public Company Limited	01/31/2016	6.325	428,121	171,248	5
First Commercial Bank	08/22/2019	2.2～2.45	1,537,913	—	6,7
Other					
Jigan Hong Kong Holding Co., Ltd.	09/01/2015	4	34,984	—	8
Total			2,227,907	$ 278,137	
Less: amounts payable within one year			(278,137)		
Net			$ 1,949,770		

	June 30, 2013				
Creditors	Due Date	Interest Rate (%)	Amount	Payable Within One Year	Description No.
En Tie Bank Ltd.	03/04/2016	2.741～2.8996	$ 228,000	$ 72,000	1,2
TMB Bank	04/30/2014	5.625～5.75	56,174	38,560	4
Kaikorn bank Public Company Limited	01/31/2016	6.08	543,270	181,090	5
First Commercial Bank	08/22/2019	2.1835	467,203	—	6,7
Total			1,294,647	$ 291,650	
Less: amounts payable within one year			(291,650)		
Net			$ 1,002,997		

Description of bank borrowings:

(1) Repayable starting on the 18th month after the date of credit drawing in six-monthly installments for a total of 8 installments, repayments of 12% of the principal are due on the first to the seventh installments and 16% of the principal for the final installment.

(2) Borrowing covenants:

In the duration of the loan contract, the consolidated financial statements, audited by independent auditors, of the borrower are to satisfy the covenants set out below.

a. Current ratio: The ratio of current assets to current liabilities shall not be lower than 100%.

b. Debt ratio: The ratio of debts to tangible net value shall not be higher than 150%.

c. Interest and current liability cover: The ratio of the sum of earnings before interest and tax (EBIT), depreciation and amortization expenses to the sum of the liabilities of the current period which shall be repaid in one year plus interest expenses shall not be lower than 110%.

d. Net tangible asset value: It shall not be lower than $5 billion.

(3) The company did not meet the consolidated financial covenants required by loan agreement as of December 31, 2013. Per the loan agreement, the borrower should enhance its financial situation within six months upon receiving the notice from the arrangement bank. Otherwise, the borrower should pay the handling fee.

(4) Repayable by 11 six-monthly repayments started from 2007.

(5) 10 semi-annual repayments started from 2007. A syndication loan arranged by Kasikornbank Public Limited Company for Tycoons Worldwide Group (Thailand) Public Company Limited ("TWGPCL"), a consolidated subsidiary. The loan contract stipulated that the reviewed/ audited financial statements of TWGPCL must satisfy the following financial ratio covenants throughout the term of the contract.

a. Quick Ratio: ratio of cash, cash equivalent, short-term investment and account receivable divided by total current liabilities not lower than 1.1 times;

b. Debt to Equity Ratio: ratio of (a) sum of interest bearing debt and all outstanding contingent liability, to (b) the total equity not higher than 1.25:1;

c. Debt Service Coverage Ratio: for the first two years, the ratio of (a) EBITDA to (b) sum of scheduled debt service of principal and interest not lower than 1.10:1 and after that not lower than 1.25:1.

TWGPCL was unable to maintain financial ratios stipulated in an agreement and has received a confirmation from the lender to waive as of the first half in 2014 and the year of 2013.

(6) Repayable starting on the 30th month after the date of credit drawing in six-monthly installments for a total of 10 installments, repayments of 7% of the principal are due on the first to the sixth installments and 12% of the principal are due on the seventh to the ninth installments, rest of all for the final installment.

(7) A syndication loan arranged by First Commercial Bank for TY Steel Co., Ltd. ("TY") a consolidated subsidiary. The loan contract stipulated that the reviewed/audited financial statements of TY must satisfy the following financial ratio covenants throughout the term of the contract.

a. Current ratio: The ratio of current assets to current liabilities shall not be lower than 100%.

b. Debt ratio: The ratio of debts to tangible net value shall not be higher than 120%.

c. Interest and current liability cover: The ratio of the sum of earnings before interest and tax (EBIT), depreciation and amortization expenses to the sum of the liabilities of the current period which shall be repaid in one year plus interest expenses shall not be lower than 400%.

d. Net tangible asset value: It shall not be lower than $6 billion.

TY was unable to maintain financial ratios stipulated in an agreement and has received a confirmation from the lender to waive as of the 2013.

(8) The loan arranged by Jigan Hong Kong Holding Co., and the interest rate is 4%, expired in September, 2015.

20. <u>RETIRED BENEFIT PLANS</u>

(1) Defined contribution plans

The Company adopted a pension plan according to the Labor Pension Act (the "LPA"), which is a defined contribution plan. Based on the LPA, the Corporation makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages. Accordingly the Company recognized expenses of NT$944 thousand and NT$874 thousand in the consolidated statements of comprehensive income for the three months ended June 30, 2014 and 2013, respectively; and of NT$1,866 thousand and NT$1,923 thousand in the consolidated statements of comprehensive income for the six months ended June 30, 2014 and 2013, respectively.

(2) Defined benefit plans

The Company adopted the defined benefit plan under the Labor Standards Law, under which pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The company contribute amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name.

The relating pension expenses under defined benefit plans were calculated using actuarially determined pension cost discount rate as of December 31, 2013 and 2012, and recognized in respective periods in the following line items:

	Three months ended June 30	
	2014	2013
Operating costs	$ —	$ 131
General and administrative expenses	$ 45	$ —

	Six months ended June 30	
	2014	2013
Operating costs	$ —	$ 262
General and administrative expenses	$ 91	$ —

21. EQUITY

(1) Capital stock

	June 30, 2014	December 31, 2013	June 30, 2013
Numbers of shares authorized (in thousands)	640,000	640,000	640,000
Shares issued (in thousands)	540,425	540,425	512,500

(2) Capital surplus

	June 30, 2014	December 31, 2013	June 30, 2013
Convertible bonds	$ 8,910	$ 8,910	$ 4,070

The capital surplus from share issued in excess of par(additional paid-in capital from issuance of common shares etc.) and the part of accepted donation is able to offset the deficit. Besides, it’s able to issue by Cash dividends or to allot Captital stock which however is limited to 10% of the Company’s paid-in capital and once a year.

(3) RETAINED EARNINGS AND DIVIDEND POLICY

	Legal reserve	Unappropriated earnings	Total
January 1, 2014	$ 16,248	$ (889,094)	$ (872,846)
Additional acquisition / disposition of partially-owned subsidiaries	—	(1,109)	(1,109)
Share of other comprehensive income of associates and Joint ventures-Actuarial gain arising from defined benefit plans	—	73	73
Net income attributable to the owners of the Company	—	40,894	40,894
June 30, 2014	$ 16,248	$ (849,236)	$ (832,988)

	Legal reserve	Unappropriated earnings	Total
January 1, 2013	$ 16,248	$ (277,639)	$ (261,391)
Net income attributable to the owners of the Company	—	31,897	31,897
Convertible bonds	—	(134,923)	(134,923)
June 30, 2013	$ 16,248	$ (380,665)	$ (364,417)

A. Based on the Company's Articles of Incorporation, the current year's earnings, if any, shall be distributed in the following order:

a. Payment of all taxes and dues.

b. Offset against prior years' operating losses, if any.

c. Set aside 10% of the remaining amount as legal reserve.

d. The amount of distributable earnings after deducting items (a), (b) and (c), shall be distributed in the following percentage according to the resolution of the meeting of stockholders:

(i) Directors' and supervisors' remuneration: 1% of the earnings.

(ii) Employees' bonus: 2% ~ 5% of the earnings.

(iii) Set aside certain amount as special reserve or retained earnings, if necessary.

(iv) Stockholders' bonus: balance of the earnings after deducting (i), (ii) and (iii), plus beginning undistributed earnings. According to the Company's Articles of Incorporation, 50% ~ 100% of the distributable retained earnings shall be distributed as stockholders' bonus, of which at most 40% is payable by cash. Stock dividend will be distributed in lieu of cash dividend when the amount of cash dividend is less than $0.1 per share.

B. Appropriation of earnings to legal reserve could be made until the legal reserve equals the Company's paid-in capital. Legal reserve may be used to offset deficit. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

C. The Company appropriates and reverses special reserves under Rule No. 1010012865, Rule No. 1010047490 issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs". Distributions can be made out of any subsequent reversal of the debit to other equity item.

D. The general shareholders' meeting held on June 25, 2014 has approved to offset a deficit in 2013. Information about the bonus to employees, directors and supervisors is available on the Market Observation Post System website of the TSE.

E. The general shareholders’ meeting held on June 11, 2013 has approved to offset a deficit in 2012. Information about the bonus to employees, directors and supervisors is available on the Market Observation Post System website of the TSE.

(4) Other equity items

	Exchange differences arising from the translation of the foreign operations	Unrealized gain (loss) on available-for-sale financial assets	Total
January 1, 2014	$ 254,709	$ (5,094)	$ 249,615
Exchange differences arising from the translation of the foreign operations	91,684	—	91,684
Changes in fair value of available-for-sale financial assets	—	238	238
Share of other comprehensive income of associates and joint ventures	—	77,037	77,037
Income tax effects	(15,586)	—	(15,586)
JUNE 30, 2014	$ 330,807	$ 72,181	$ 402,988

	Exchange differences arising from the translation of the foreign operations	Unrealized gain (loss) on available-for-sale financial assets	Total
January 1, 2013	$ 419,338	$ (15,483)	$ 403,855
Exchange differences arising from the translation of the foreign operations	79,934	—	79,934
Changes in fair value of available-for-sale financial assets	—	2,492	2,492
Share of other comprehensive income of associates and joint ventures	—	(15,090)	(15,090)
Income tax effects	(13,589)	1,161	(12,428)
JUNE 30, 2013	$ 485,683	$ (26,920)	$ 458,763

The exchange differences arising on translation of foreign operation's net assets from its functional currency to Company's presentation currency are recognized directly in other comprehensive income and also accumulated in the foreign currency translation reserve.

(5) Non-controlling interests

	For the Six Months Ended June 30	
	2014	2013
Balance, beginning of period	$ 1,661,744	$ 1,738,800
Attributable to non-controlling interests：		
Share of profit for the period	18,527	12,630
Exchange differences arising from the translation of the foreign operations	(38,598)	36,610
Balance, end of period	$ 1,641,673	$ 1,788,040

22. EARNINGS PER SHARE

	For the Three Months Ended June 30	
	2014	2013
Basic EPS (NT$)	$ －	$ (0.28)
Diluted EPS (NT$)	$ －	$ (0.28)

	For the Six Months Ended June 30	
	2014	2013
Basic EPS (NT$)	$ 0.08	$ 0.06
Diluted EPS (NT$)	$ 0.07	$ 0.06

(1) Basic EPS

	For the Three Months Ended June 30			
	2014		2013	
Profit (Loss) for the period attributable to owners of the Company	$	1,667	$	(143,016)
Weighted average number of ordinary shares outstanding (in thousand shares)		540,424		504,620
Basic EPS	$	—	$	(0.28)

	For the Six Months Ended June 30			
	2014		2013	
Profit for the period attributable to owners of the Corporation	$	40,894	$	31,897
Weighted average number of ordinary shares outstanding (in thousand shares)		540,424		498,780
Basic EPS	$	0.08	$	0.06

(2) DILUTED EARNINGS PER SHARE

	For the Three Months Ended June 30			
	2014		2013	
Profit (Loss) for the period attributable to owners of the Company	$	2,453	$	(142,844)
Weighted average number of ordinary shares outstanding (in thousand shares)		540,424		504,620
Convertible bonds		57,582		—
Weighted average number of ordinary shares used in the computation of diluted earnings per share (in thousand shares)		598,006		504,620
Diluted EPS	$	—	$	(0.28)

	For the Six Months Ended June 30	
	2014	2013
Profit for the period attributable to owners of the Company	$ 43,203	$ 32,620
Weighted average number of ordinary shares outstanding (in thousand shares)	540,424	498,780
Convertible bonds	57,582	25,000
Weighted average number of ordinary shares used in the computation of diluted earnings per share (in thousand shares)	598,006	523,780
Diluted EPS	$ 0.07	$ 0.06

23. OPERATING REVENUES

The analysis of the Company operating revenues was as follows:

	For the Three Months Ended June 30	
	2014	2013
Revenue from the sale of goods	$ 2,278,260	$ 2,436,578
Revenue form processing	68,150	65,782
Total	$ 2,346,410	$ 2,502,360

	For the Six Months Ended June 30	
	2014	2013
Revenue from the sale of goods	$ 4,506,328	$ 5,392,470
Revenue form processing	131,720	129,345
Total	$ 4,638,048	$ 5,521,815

24. OTHER INCOME

	For the Three Months Ended June 30	
	2014	2013
Interest income	$ 2,183	$ 3,442
Dividends	3,473	3,473
Total	$ 5,656	$ 6,915

	For the Six Months Ended June 30	
	2014	2013
Interest income	$ 4,557	$ 5,498
Dividends	3,473	3,473
Total	$ 8,030	$ 8,971

25. OTHER GAINS AND LOSSES

	For the Three Months Ended June 30	
	2014	2013
Gain (Loss) on disposal of property, plant and equipment	$ 943	$ (2,148)
Foreign exchange gain (loss)	14,417	(221,633)
(Loss) Gain on financial assets and liabilities at fair value through profit or loss	(8,434)	6,598
Others (loss) income	(300)	541
Impairment loss	—	(2,840)
Total	$ 6,626	$ (219,482)

	For the Six Months Ended June 30	
	2014	2013
Loss on disposal of property, plant and equipment	$ (3,258)	$ (2,738)
Foreign exchange gain (loss)	56,027	(49,488)
Gain on financial assets and liabilities at fair value through profit or loss	3,418	12,894
Others income	16,793	4,872
Impairment loss	—	(2,840)
Total	$ 72,980	$ (37,300)

26. FINANCE COSTS

	For the Three Months Ended June 30	
	2014	2013
Interest expense	$ 26,376	$ 29,534

	For the Six Months Ended June 30	
	2014	2013
Interest expense	$ 52,784	$ 55,232

27. INCOME TAX

(1) Income tax recognized in profit or loss

	Three Months Ended June 30	
	2014	2013
Current tax expenses	$ 3,401	$ —
Deferred tax expenses (benefit)	63	(15,409)
Income tax expenses (benefit) recognized in profit or loss	$ 3,464	$ (15,409)

	Six Months Ended June 30	
	2014	2013
Current tax expenses	$ 7,012	$ —
Deferred tax (benefit) expenses	(36)	(174,794)
Income tax expenses (benefit) recognized in profit or loss	$ 6,976	$ (174,794)

(2) Income tax recognized in other comprehensive income

	Three Months Ended June 30	
	2014	2013
Exchange differences arising from the translation of the foreign operations	$ 16,176	$ 39,691
Fair value measurement of available-for-sale financial asset	—	614
	$ 16,176	$ 40,305

	Six Months Ended June 30			
	2014		2013	
Exchange differences arising from the translation of the foreign operations	$	(15,586)	$	(13,589)
Fair value measurement of available-for-sale financial asset		—		1,161
Share of other comprehensive income of associates and joint ventures		(17)		—
	$	(15,603)	$	(12,428)

(3) Integrated income tax information：

	June 30, 2014		December 31, 2013		June 30, 2013	
Imputation credits accounts	$	4,653	$	4,320	$	4,320

	2014	2013
Estimated/actual creditable ratio for the distribution of earnings	—	1.37%

(4) The Tycoons Group International Co., Ltd. a consolidated subsidiary of the Company, is registered in British Cayman Islands. Foreign source income is exempt from income tax in British Cayman Islands. The Company has no business activities in British Cayman Island.

Tycoons Worldwide Group (Thailand) Public Co., Ltd. a consolidated subsidiary of the Company, was granted promotional privileges on October 11, 1996, to manufacture steel wire rods and screws under category 2.15 manufacture of steel wire, round bars or steel billets and category 4.7 manufacture of metal wire or wire product. In accordance with promotional privileges, the company must export over 30% of annual gross sales at F.O.B. price. The promotional privileges includes exemption of import duty and business tax on machinery imported or manufactured locally, exemption of import duty and business tax on raw materials and supplies imported for its manufacture for a period of 5 years. From the first revenue making year, the company is exempted from corporate income tax for a period of 8 year; and an additional 5% deduction of the taxable export income, for the amount in excess of the taxable export income from the year before, for a period of 10 years.

Tycoons Worldwide Group (Thailand) Public Co., Ltd. was granted promotional privileges on April 9, 2003, to manufacture bolt & nut and screws under category 4.7 manufacture of metal wire or wire product. The promotional privilege entitles the company to exemption of import duty on machinery and raw materials and other essential materials imported for export sale for a period of 5 years. From the first revenue making year, the company is also exempted from corporate income tax on income derived from the business promoted for a period of 8 years, and 50% corporate income tax deduction upon the expiration of the complete corporate income tax exemption for an additional 5 years. The company is also entitled to an additional 5% deduction of the taxable export income, for the amount in excess of the taxable export income from the year before, for a period of 10 years. These privileges are subjected to the regulation set forth by the local government.

Kingford International Limited, a subsidiary of the Company, is registered in Samoa. Foreign source income is exempt from local income tax. The subsidiary has no business activities in Samoa.

Baw-Heng Steel (Vietnam) Co., Ltd., a subsidiary of the Company, has received promotional privilege from the local government. Under such privilege, the subsidiary would be exempt from certain taxes and duties, including 15% corporate income tax for 12 years from the date when revenue is first earned and 28% afterward, exemption of corporate income tax for 3 years from the first profitable year and 50% exemption for the 7 years after. The year 2007 is the first year the subsidiary began business and made profit. Consequently, the subsidiary is currently 50% exempt from taxation, and therefore, not required to recognize income tax payable.

(5) Income tax assessments

The Company's income tax returns through 2011 have been assessed by the tax authorities.

28. THE PERSONNEL, DEPRECIATION AND AMORTIZATION EXPENSES OF THE COMPANY

	For the Three Months Ended June 30					
	2014			2013		
	Classified as operating cost	Classified as operating expenses	Total	Classified as operating cost	Classified as operating expenses	Total
Personnel expenses						
Payroll expense	$ 57,355	$ 41,515	$ 98,870	$ 64,802	$ 36,216	$ 101,018
Insurance expense	2,263	2,662	4,925	1,872	2,274	4,146
Pension	549	440	989	702	303	1,005
Others	1,373	967	2,340	966	762	1,728
Depreciation	62,556	7,348	69,904	78,293	8,558	86,851
Amortization	4,846	1,109	5,955	6,034	996	7,030

	For the Six Months Ended June 30					
	2014			2013		
	Classified as operating cost	Classified as operating expenses	Total	Classified as operating cost	Classified as operating expenses	Total
Personnel expenses						
Payroll expense	$ 117,255	$ 79,427	$ 196,682	$ 128,465	$ 69,189	$ 197,654
Insurance expense	4,962	5,374	10,336	3,788	4,720	8,508
Pension	1,095	862	1,957	1,385	800	2,185
Others	2,599	1,787	4,386	2,115	1,346	3,461
Depreciation	129,884	14,587	144,471	148,529	17,215	165,744
Amortization	9,122	2,183	11,305	10,394	1,790	12,184

29. RELATED-PARTY TRANSACTIONS

(1) Tycoons Group Enterprise Co., Ltd. is the ultimate parent company.

(2) Compensation of key management

The compensation to directors and other key management personnel were as follows:

	For the Three Months Ended June 30	
	2014	2013
Short-term employee benefits	$ 5,849	$ 3,290

	For the Six Months Ended June 30	
	2014	2013
Short-term employee benefits	$ 11,328	$ 9,512

30. <u>MORTGAGED OR PLEDGED ASSETS</u>

The Company's assets mortgaged or pledged as collateral for long-term borrowings and short-term borrowings were as follows (listed based on their carrying amounts):

	June 30, 2014	December 31, 2013	June 30, 2013
Bond investments with no active market	$ 409,162	$ 369,514	$ 378,189
Property, plant and equipment	5,250,231	5,173,254	5,444,921
Total	$ 5,659,393	$ 5,542,768	$ 5,823,110

31. <u>COMMITMENTS AND CONTINGENT LIABILITIES</u>

(1) As of June 30, 2014 and 2013, the balances of unused letters of credit for the Company were USD0 and USD1,915, respectively.

As of June 30, 2014 and 2013, the balances of unused letters of credit for the Tycoons Group International Co., Ltd. were USD3,699,832 and USD7,217,000, respectively.

(2) As of June 30, 2014 and 2013, the Company provided guarantee note deposits were $966,030 thousand and $220,000 thousand,respectively, to the banks as securities against credit facilities.

(3) As of June 30, 2014 and 2013, Tycoons Worldwide Group (Thailand) Public had raw material purchase commitments amounting to USD 22 million and USD 29 million respectively. The materials will be shipped to the company within 90～180 days from the contract date.

(4) As of June 30, 2014 and 2013, TWGPCL had capital commitments both amounting to approximately Baht 7 million(NTD$6,817 thousand) both, relating to purchasing equipment and build improvement.

(5) As of June 30, 2014 and 2013, the TWGPCL had outstanding bank guarantees amounting to be both Baht 57 million(NTD$52,759 thousand), issued by banks on behalf of the company in respect of certain performance bonds for electricity and others.

32. <u>SUBSEQUENT LOSSES</u>: None.

33. <u>SUBSEQUENT EVENTS</u>: None.