TYCOONS GROUP ENTERPRISE CO., LTD.

AND IT'S SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

AND INDEPENDENT AUDITORS' REPORT

FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

ADD: No.79-1, Sinle St., Gangshan Dist., Kaohsiung City 820,

Taiwan (R.O.C.)

TEL: (07) 621-2191

INDEPENDENT AUDITORS' REPORT

NO.11351030ECA

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

We have audited the accompanying consolidated balance sheets of Tycoons Group Enterprise Co., Ltd. and its subsidiaries (the “Consolidated Company”) as of December 31, 2014 and 2013, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2014 and 2013. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the financial statements of Baw-Heng Steel (Vietnam) Co., Ltd., TY Steel Company Ltd. and Tycoons Vietnam Co., Ltd.. Such financial statements reflect total assets of $4,482,117 thousand and $3,200,737 thousand, were 30% and 23% as of December 31, 2014 and 2013, respectively, and total net operating revenues of $269,338 thousand and $92,314 thousand, constituting 3% and 1% for the years ended December 31, 2014 and 2013, respectively of the related consolidated totals. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our report provided herein, insofar as it related to the amounts included, is based solely on the reports of the other auditors. We did not audit the financial statements of Hurco Automation Ltd., an invested company accounted for using equity method. Investments in this company amounted to $99,227 thousand and $86,389 thousand, both representing 1% as of December 31, 2014 and 2013, and the related share of profit of associates accounted for using the equity method amounted to $12,838 thousand and $10,160 thousand, constituting 4% and (2)% for the year ended December 31, 2014 and 2013. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our report provided herein, insofar as it related to the amounts included, is based solely on the reports of the other auditors.

We conducted our audits in accordance with the "Rules Governing Examinations of Financial Statements by Certified Public Accountants" and generally accepted auditing standards in the Republic of China. Those standards 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 amount 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, base on our audits and the reports of other auditors, the consolidated financial statements referred to in the first paragraph present fairly, in all material respects, the consolidated financial position of Tycoons Group Enterprise Co., Ltd. and its subsidiaries as of December 31, 2014 and 2013, and the results of its consolidated financial performance and its consolidated cash flows for the years then ended, in conformity with the Rules Governing Preparation of the Financial Statements of Securities Issuers, International Financial Reporting Standards, International Accounting Standards, International Financial Reporting Interpretations and standing Interpretations endorsed by the Financial Supervisory Commission of the Republic of China.

We have also audited the standalone financial statements of Tycoons Group Enterprise Co., as of and for the years ended December 31, 2014 and 2013 on which we have issued a modified unqualified opinion.

Baker Tilly Clock & Co
March 30, 2015

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

(Expressed in thousands of New Taiwan Dollars)

ASSETS	NOTES	December 31,2014		December 31,2013	
		Amount	%	Amount	%
CURRENT ASSETS					
Cash and cash equivalents	4,6	$ 447,926	3	$ 1,324,377	10
Financial assets at fair value through profit or loss-current	4,7	40,927	—	24,309	—
Bond investments with no active market-current	4,10,31	387,871	3	191,832	1
Notes receivable	4.11	54,385	—	70,187	1
Accounts receivable	4.11,30	793,426	5	548,131	4
Other receivables		29,545	—	20,614	—
Current tax assets	4,27	642	—	493	—
Inventories	4,12	3,461,758	23	3,049,598	22
Prepayments		322,243	2	217,693	2
Other current assets		35,376	—	5,831	—
Total current assets		5,574,099	36	5,453,065	40
NONCURRENT ASSETS					
Available-for-sale financial assets-noncurrent	4,8	290,938	2	267,509	2
Held-to-maturity financial assets-noncurrent	4,9	4,000	—	4,000	—
Bond investments with no active market-noncurrent	4,10,31	99,705	1	177,682	1
Investments accounted for using equity method	4,13	112,381	1	98,367	1
Property, plant and equipment	4,14,31	8,734,827	58	7,483,640	54
Intangible assets		7,234	—	3,771	—
Deferred tax assets	4,27	170,548	1	189,431	1
Prepayments for equipment		81,942	1	75,956	1
Refundable deposits		3,385	—	2,663	—
Long-term prepayments for lease	15	75,809	—	74,207	—
Other noncurrent assets		28,418	—	11,139	—
Total noncurrent assets		9,609,187	64	8,388,365	60
TOTAL		$ 15,183,286	100	$ 13,841,430	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

(Expressed in thousands of New Taiwan Dollars)

LIABILITIES AND EQUITY	NOTES	December 31,2014		December 31,2013	
		Amount	%	Amount	%
CURRENT LIABILITIES					
Short-term borrowings	16,31	$ 3,742,777	25	$ 3,383,174	25
Short-term bills payable		—	—	49,988	—
Financial liabilities at fair value through profit or loss- current	4,7	1,682	—	8,078	—
Notes payable		211,255	1	157,661	1
Accounts payable		830,125	5	566,837	4
Other payables		251,458	2	502,543	4
Current tax liabilities	4,27	2,265	—	4,615	—
Provisions-current	4,17	—	—	5,529	—
Receipts in advance		109,511	1	98,845	1
Current portion of bonds payable	4,18	254,418	2	—	—
Current portion of long-term borrowings	19,31	509,773	3	278,137	2
Other current liabilities-other		7,019	—	10,159	—
Total current liabilities		5,920,283	39	5,065,566	37
NONCURRENT LIABILITIES					
Bonds Payable	4,18	—	—	289,798	2
Long-term borrowings	19,31	2,294,546	15	1,949,770	14
Deferred tax liabilities	4,27	108,532	1	52,902	—
Long-term account payable		2,702	—	4,428	—
Accrued pension liabilities	4,20	24,425	—	20,711	—
Guarantee deposits received		5,388	—	6,587	—
Total noncurrent liabilities		2,435,593	16	2,324,196	16
Total liabilities		8,355,876	55	7,389,762	53
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY	21				
Capital stock		5,470,911	36	5,404,245	39
Capital surplus		13,445	—	8,910	—
Retained earnings					
Legal reserve		16,248	—	16,248	—
Unappropriated earnings (Accumulated deficits)		(913,529)	(6)	(889,094)	(6)
Other equity					
Exchange differences arising from the translation of the foreign operations		520,974	4	254,709	2
Unrealized gain (loss) on available-for-sale financial assets		12,281	—	(5,094)	—
Total equity attributable to owners of the Company		5,120,330	34	4,789,924	35
NONCONTROLLING INTERESTS		1,707,080	11	1,661,744	12
Total equity		6,827,410	45	6,451,668	47
TOTAL		$ 15,183,286	100	$ 13,841,430	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

FOR THE YEARS ENDED ON DECEMBER 31, 2014 AND 2013

(Expressed in thousands of New Taiwan Dollars)

DESCRIPTION	NOTE	For the Year Ended December 31			
		2014		2013	
		Amount	%	Amount	%
OPERATING REVENUES	4,23,30	$ 9,006,824	100	$ 10,144,869	100
OPERATING COSTS	28	(8,429,291)	(94)	(9,803,077)	(97)
GROSS PROFIT		577,533	6	341,792	3
OPERATING EXPENSES	28				
Selling and marketing expenses		(225,794)	(3)	(264,912)	(2)
General and administrative expenses		(307,888)	(3)	(279,177)	(3)
Total operating expenses		(533,682)	(6)	(544,089)	(5)
PROFIT (LOSS) FROM OPERATIONS		43,851	—	(202,297)	(2)
NON-OPERATING INCOME AND EXPENSES					
Other income	24	19,668	—	14,923	—
Other gains and losses	25	89,424	1	(242,085)	(2)
Finance costs	26	(113,341)	(1)	(107,277)	(1)
Share of the profit of associates and joint ventures	13	12,337	—	13,182	—
Total non-operating income and expenses		8,088	—	(321,257)	(3)
PROFIT (LOSS) BEFORE INCOME TAX		51,939	—	(523,554)	(5)
INCOME TAX (EXPENSE) BENEFIT	4,27	(36,090)	—	96,681	1
NET PROFIT (LOSS)		15,849	—	(426,873)	(4)
OTHER COMPREHENSIVE INCOME (LOSS)					
Exchange differences arising from the translation of the foreign operations		342,108	4	(184,216)	(2)
Unrealized (loss) gain on available-for-sale financial assets		28,161	—	10,892	—
Actuarial (loss) gain from defined benefit plans		(1,053)	—	(660)	—
Income tax relating to the components of other comprehensive income	4,27	(54,173)	(1)	33,216	1
Other comprehensive income (loss), net of income tax		315,043	3	(140,768)	(1)
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR		$ 330,892	3	$ (567,641)	(5)
NET INCOME (LOSS) ATTRIBUTABLE TO：					
Owners of the Company		$ 2,693	—	$ (335,685)	(3)
Noncontrolling interests		13,156	—	(91,188)	(1)
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO：					
Owners of the Company		$ 285,556	3	$ (490,585)	(4)
Noncontrolling interests		45,336	—	(77,056)	(1)
EARNING (LOSS) PER SHARE	22				
Basic		$ —		$ (0.65)	
Diluted		$ —		$ —	

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 YEARS ENDED DECEMBER 31, 2014 AND 2013

(Expressed in thousands of New Taiwan Dollars)

DESCRIPTION	Equity attributable to the owners of the Company							Noncontrolling interests	Total equity
	Capital Stock		Retained earnings		Other equity				
	Common stock	Capital surplus	Legal reserve	Unappropriated earnings (Accumulated deficits)	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
Issuance of convertible bonds	–	8,910	–	–	–	–	8,910	–	8,910
Convertible bonds converted to common stock	566,038	(8,250)	–	(265,735)	–	–	292,053	–	292,053
Additional disposal or acquisition of interest in subsidiaries	–	–	–	(9,375)	–	–	(9,375)	–	(9,375)
Net loss for 2013	–	–	–	(335,685)	–	–	(335,685)	(91,188)	(426,873)
Other comprehensive income (loss) for 2013, net of income tax	–	–	–	(660)	(164,629)	10,389	(154,900)	14,132	(140,768)
Total comprehensive income (loss) for 2013	–	–	–	(336,345)	(164,629)	10,389	(490,585)	(77,056)	(567,641)
BALANCE, DECEMBER 31, 2013	5,404,245	8,910	16,248	(889,094)	254,709	(5,094)	4,789,924	1,661,744	6,451,668
Convertible bonds converted to common stock	66,666	(1,188)	–	(26,351)	–	–	39,127	–	39,127
Additional disposal or acquisition of interest in subsidiaries	–	5,723	–	–	–	–	5,723	–	5,723
Net Income for 2014	–	–	–	2,693	–	–	2,693	13,156	15,849
Other comprehensive income (loss) for 2014, net of income tax	–	–	–	(777)	266,265	17,375	282,863	32,180	315,043
Total comprehensive income for 2014	–	–	–	1,916	266,265	17,375	285,556	45,336	330,892
BALANCE, DECEMBER 31, 2014	$ 5,470,911	$ 13,445	$ 16,248	$ (913,529)	$ 520,974	$ 12,281	$ 5,120,330	$ 1,707,080	$ 6,827,410

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

FOR THE YEARS ENDED ON DECEMBER 31, 2014 AND 2013

(Expressed in thousands of New Taiwan Dollars)

DESCRIPTION	For the Year Ended December 31	
	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit (loss) before income tax	$ 51,939	$ (523,554)
Adjustments for:		
Depreciation expense	307,330	319,268
Amortization expense	19,650	24,467
Impairment loss recognized (reversal of impairment loss) on notes and accounts receivable	2,020	(18,290)
Impairment loss	—	84,404
Net (gain) loss on financial assets and liabilities at fair value through profit or loss	(44,998)	2,328
Interest expense	113,341	107,277
Interest income	(15,993)	(10,621)
Share of the profit of associates and joint ventures	(12,337)	(13,182)
Loss on disposal of property, plant and equipment	1,659	30,615
Changes in operating assets and liabilities		
Financial assets held for trading	29,179	(12,625)
Notes receivable	15,802	(34,097)
Accounts receivable	(251,835)	(14,230)
Other receivables	(9,315)	8,118
Inventories	(413,828)	888,593
Prepayments	(104,550)	57,380
Other current assets	(29,545)	12,405
Other noncurrent assets	(17,279)	4,188
Financial liabilities held for trading	(7,195)	(10,210)
Notes payable	53,594	(41,321)
Accounts payable	263,288	(436,358)
Other payables	(251,592)	361,574
Provisions	(5,529)	(18,131)
Receipts in advance	10,666	(56,629)
Other current liabilities	(3,140)	(11,086)
Accrued pension liabilities	3,714	(4,500)

(Continued)

TYCOONS GROUP ENTERPRISE CO., LTD. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED ON DECEMBER 31, 2014 AND 2013

(Expressed in thousands of New Taiwan Dollars)

DESCRIPTION	For the Year Ended December 31	
	2014	2013
Cash (used in) generated from operations	$ (294,954)	$ 695,783
Interest received	16,402	10,517
Interest paid	(109,854)	(132,195)
Income taxes paid	(13,303)	(3,730)
Net cash (used in) generated by operating activities	(401,709)	570,375
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of bond investments with no active market	(118,062)	(108,251)
Acquisition of investments accounted for using equity method	—	(9,405)
Payments for property, plant and equipment	(1,238,862)	(2,122,365)
Proceeds from disposal of property, plant and equipment	45,240	16,711
Acquisition of intangible assets	(3,967)	(3,288)
(Increase) decrease in prepayments for equipment	(2,130)	436,302
(Increase) decrease in refundable deposits	(722)	10,618
Increase in long-term prepayments for lease	(888)	(2,821)
Net cash used in investing activities	(1,319,391)	(1,782,499)
CASH FLOWS FROM FINANCING ACTIVITIES		
(Decrease) increase in short-term bills payable	(49,988)	49,988
Increase in short-term borrowings	359,603	362,110
Issuance of bonds	—	300,000
Increase in long-term borrowings	576,412	978,049
(Decrease) increase in guarantee deposits received	(1,199)	1,817
Decrease in long-term account payable	(1,726)	(644)
Increase in noncontrolling interests	32,180	14,132
Net Cash generated by Financing Activities	915,282	1,705,452
EFFECT OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES	(70,633)	(55,035)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(876,451)	438,293
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	1,324,377	886,084
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	$ 447,926	$ 1,324,377

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 YEARS ENDED DECEMBER 31, 2014 AND 2013

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

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 approved by the board of directors and authorized for issue on March 30, 2015.

3. APPLICATION OF NEW AND REVISED STANDARDS, AMENDMENTS 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")

None.

(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 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 Company 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 Company 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 Company 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
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between and Investor and its Associate or Joint Venture”	January 1, 2016
Amendments to IFRS 10, IFRS 12 and IAS 28 “Investment Entities: Applying the Consolidation Exception”	January 1, 2016
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
Amendment to IAS 1 “Disclosure Initiative”	January 1, 2016
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
Amendments to IAS 27 “Investment Entities”	January 1, 2016
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
Annual Improvements to IFRSs 2012-2014 Cycle	January 1, 2016

The 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 financial statements.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The major accounting policies are enumerated:

(1) Statement of compliance

The consolidated financial statements have been prepared in accordance with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, IFRSs, IASs, Interpretations as well as related guidance translated by the ARDF endorsed by the FSC with the effective dates (collectively, “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) Current and Noncurrent Assets and Liabilities

Current assets held for trading purposes and expected to be sold or consumed within one year from the balance sheet date. Current liabilities are obligations incurred for trading purposes and to be settled within one year from the balance sheet date. Assets and liabilities that are not classified as current are noncurrent assets and liabilities, respectively.

(4) Basis of Consolidation

A. The basis for the consolidated financial statements

The consolidated financial statements incorporated the financial statements of Tycoons Group Enterprise Co., Ltd. and its controlled entities (the subsidiaries).

Income and expenses of subsidiaries acquired or disposed of are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company.

All intra-company transactions, balances, income and expenses are eliminated in full on consolidation.

Attribution of total comprehensive income to non-controlling interests

Total comprehensive income of subsidiaries is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the parent’s ownership interests in subsidiaries

Changes in a parent’s ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary are accounted for as equity transactions. The carrying amounts of the Company interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to shareholders of the Corporation.

B. 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
〃	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
	December 31, 2014	December 31, 2013	
Tycoons Group International Co., Ltd.	100%	100%	
Yuan Zhen Investment Co., Ltd.	100%	100%	
Tycoons Worldwide Group (Thailand) Public Co., Ltd	72.77%	72.77%	
Baw-Heng Steel (Vietnam) Co., Ltd.	71.43%	71.43%	1
Kingford International Limited	100%	100%	
TY Steel Co., Ltd.	90.27%	88.63%	1
All Manage International Limited	72.77%	72.77%	
Huanghua Jujin Hardware Products Co., Ltd.	60%	60%	
Huanghua Jujin Trading Co., Ltd.	100%	100%	
Tycoons Group (Brunei) Holding Ltd.	100%	100%	
Tycoons Vietnam Co., Ltd.	100%	100%	1

Note1: These subsidiaries for which the financial statements are audited by other auditors.

(5) Foreign Currencies

In preparing the financial statements of each individual consolidated entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the closing rates. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise except for exchange differences on transactions entered into in order to hedge certain foreign currency risks.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising on the retranslation of non-monetary items are recognized in profit or loss for the year except for exchange difference arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Consolidated Company' foreign operations (including of the subsidiaries, associates and joint ventures operating in other countries or using currencies different from the Company's) are translated into New Taiwan dollars using exchange rates prevailing at each balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising are recognized in other comprehensive income (attributed to the owners of the Company and non-controlling interests as appropriate).

(6) Inventories

Inventories are stated at the lower of cost or net realizable value. Inventories are recorded at weighted-average cost. Net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale.

(7) Investment in subsidiaries and associates

An associate is an entity over which the Company and its subsidiaries have significant influence and that is neither a subsidiary nor an interest in a joint venture.

The operating results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in an associate is initially recognized at cost and adjusted thereafter to recognize the Consolidated Company' share of the profit or loss and other comprehensive income of the associate. The Consolidated Company also recognize the changes in the share of equity of associates.

When the Consolidated Company subscribe for additional new shares of the associate, at a percentage different from their existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Consolidated Company’ proportionate interest in the associate. The Consolidated Company record such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus. If the Consolidated Company’ ownership interest is reduced due to non-subscription of the new shares of associate, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate is reclassified to profit or loss on the same basis as would be required if the investee had directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for using equity method is insufficient, the shortage is debited to retained earnings.

When the Consolidated Company’ share of losses of an associate equal or exceed their interest in that associate (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Consolidated Company’ net investment in the associate), the Consolidated Company discontinue recognizing their share of further losses. Additional losses and liabilities are recognized only to the extent that the Consolidated Company have incurred legal obligations, or constructive obligations, or made payments on behalf of that associate.

Any excess of the cost of acquisition over the Consolidated Company' share of the net fair value of the identifiable assets and liabilities of an associate recognized at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Consolidated Company’ share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss in the current year.

When impairment loss is evaluated, the entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. An impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment has subsequently increased.

When the Consolidated Company cease to have significant influence over the associate, the Consolidated Company will measure the retained investment at fair value at that date. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. The Consolidated Company account for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities.

When the Consolidated Company transact with their associates, profits and losses on these transactions are recognized in the consolidated financial statements only to the extent of interests in the associate that are not related to the Consolidated Company.

(8) Property, Plant, and Equipment

Property, plant and equipment are stated at cost, less subsequent accumulated depreciation and subsequent accumulated impairment loss.

Properties in the course of construction for production, supply or administrative purposes are carried at cost. Cost includes professional fees and borrowing costs eligible for capitalization. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use and depreciated accordingly.

Depreciation is computed by the straight-line method over the estimated useful lives. The estimated useful lives are as follows:

Land improvement	30	years
Buildings	3 ~ 45	years
Machinery and equipment	3 ~ 15	years
Transportation equipment	5	years
Furniture and fixtures	3 ~ 10	years
Leasehold improvements	2 ~ 15	years
Miscellaneous equipment	2 ~ 15	years

If each component of property, plant and equipment is significant, it is depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimates accounted for on a prospective basis.

Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss in the current year.

(9) <u>Land use rights</u>

The land of Vietnam is owned by the government and the subsidiary acquired the land use right of Vietnam which is classified under non-current assets. Amortization is computed by the straight-line method over the estimated used lives, which amounted to 50 years.

(10) <u>Impairment of Tangible and Intangible Assets</u>

At each balance sheet date, the Consolidated Company review the carrying amounts of their tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Consolidated Company estimate the recoverable amount of the cash-generating unit to which the asset belongs.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount.

When an impairment loss subsequently is reversed, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

(11) Financial Instruments

Financial assets and financial liabilities are recognized when the Consolidated Company become a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

A. Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

a. Measurement category

Financial assets held by the Consolidated Company include financial assets at fair value through profit or loss, available-for-sale financial assets and loans and receivables.

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

Financial assets are classified as at fair value through profit or loss when the financial asset is either held for trading or it is designated as at fair value through profit or loss.

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset.

(b) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

Available-for-sale financial assets are measured at fair value. Changes in the carrying amount of available-for-sale monetary financial assets relating to changes in foreign currency exchange rates, interest income calculated using the effective interest method and dividends on available-for-sale equity investments are recognized in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognized in other comprehensive income and reclassified in profit or loss when the investment is disposed of or is determined to be impaired.

Dividends on available-for-sale equity instruments are recognized when the Consolidated Company' right to receive the dividends is established.

(c) Held-to-maturity investments

Subsequent to initial recognition, held-to-maturity investments are measured at amortized cost using the effective interest method less any impairment.

(d) Loans and receivables

Loans and receivables (including accounts receivable, cash and cash equivalents and bond investments with no active market) are measured at amortized cost using the effective interest method, less any impairment. Interest income is recognized by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

Deposits in banks consisted of highly liquid time deposits that were readily convertible to known amounts of cash and were subject to an insignificant risk of changes in value.

b. Impairment of financial assets

(a) Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each balance sheet date. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

(b) Financial assets carried at amortized cost, such as accounts receivable, other receivables and bond investments with no active market are assessed for impairment on a collective basis even if there is no objective evidence of impairment individually. The amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

(c) The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of accounts receivable, where the carrying amount is reduced through the use of an allowance account.

c. Derecognition of financial assets

The Consolidated Company derecognize a financial asset only when the contractual rights to the cash flows from the asset expire, or when they transfer the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

B. Financial Liabilities and Equity Instruments

a. Classification as debt or equity

Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

b. Financial liabilities

Except to be classified as at fair value through profit or loss, financial liabilities are measured at fair value and cost at the time of acquisition. They are measured subsequently at amortized cost using the effective interest method.

c. Derecognition of financial liabilities

The Consolidated Company derecognizes financial liabilities only when the obligations are discharged cancelled or expires. The difference between the carrying amount of a financial liability removed and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

d. Offsetting financial instruments

Financial assets and liabilities are offset and reported in the net amount in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

(12) Provision

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

(13) Employee benefits costs

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

For defined contribution retirement benefit plans, payments to the benefit plan are recognized as an expense when the employees have rendered service entitling them to the contribution. For defined benefit retirement benefit plans, the cost of providing benefit is recognized based on actuarial calculations.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the Projected Unit Credit Method. All actuarial gains and losses on the defined benefit obligation are recognized immediately in other comprehensive income. Past service cost is recognized immediately to the extent that the benefits are already vested, and otherwise is amortized on a straight-line basis over the average period until the benefits become vested.

The retirement benefit obligation recognized in the consolidated balance sheets represents the present value of the defined benefit obligation as adjusted for unrecognized past service cost, and as reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to the unrecognized past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

Curtailment or settlement gains or losses on the defined benefit plan are recognized when the curtailment or settlement occurs.

(14) Convertible Bonds

The component parts of compound instruments (convertible bonds) issued by the Corporation and its subsidiaries are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

On initial recognition, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortized cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognized and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognized in equity will be transferred to capital surplus - share premium. When the conversion option remains unexercised at the maturity date of the convertible bonds, the balance recognized in equity will be transferred to capital surplus - share premium.

Transaction costs that relate to the issue of the convertible bonds are allocated to the liability components (included in the carrying amount of liabilities) and equity components (included in equity) in proportion to the allocation of the gross proceeds.

(15) Derivative financial instruments

The Company and its subsidiaries enter into a variety of derivative financial instruments to manage their exposure to foreign exchange rate and interest rate risks, including foreign exchange forward contracts and interest rate swap contracts.

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

The effective portion of changes in the fair value of derivatives that are designated and qualified as cash flow hedges is recognized in other comprehensive income and accumulated under the heading of cash flow hedging reserve.

If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains or losses that were recognized in other comprehensive income are reclassified from equity to profit or loss as a reclassification adjustment in the same period or periods during which the hedged forecast cash flows affect profit or loss.

(16) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

A. Sale of goods

Revenue from the sale of goods is recognized when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

(a) The Company has transferred to the buyer the significant risks and rewards of ownership of the goods;

(b) The Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

(c) The amount of revenue can be measured reliably;

(d) It is probable that the economic benefits associated with the transaction will flow to the Company; and

(e) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

In principle, payment term granted to customers is due 30 days from the invoice date or 30 days from the end of the month of when the invoice is issued. Due to the short term nature of the receivables from sale of goods with the immaterial discounted effect, the Company measures them at the original invoice amounts without discounting.

B. Rent income, dividend income and interest income are recognized when it is probable that the economic benefits will flow to the Company and the amount of revenue can be reliably measured, recognized as follows:

(a) Rent income is recognized during the rental period at straight method.

(b) Dividend income is recognized when the shareholder’s right to receive payment has been established.

(c) Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

(17) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

A. Current tax

Income tax on unappropriated earnings (excluding earnings from foreign consolidated subsidiaries) at a rate of 10% is expensed in the year the shareholders approved the appropriation of earnings which is the year subsequent to the year the earnings are generated.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

B. Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, net operating loss carryforwards and unused tax credits to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be recovered. The deferred tax assets which originally not recognized is also reviewed at the end of each reporting period and recognized to the extent that it is probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the year in which the liability is settled or the asset is realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

C. Current and deferred tax for the year

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, which are described in Note 4, the directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years.

The following are the critical judgments, apart from those involving estimations, that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements.

(1) Valuation of Inventory

Inventories are stated at the lower of cost or net realizable value, and the Company use judgment and estimate to determine the net realizable value of inventory at the end of each reporting period.

Due to the rapid industrial changes, the Company estimates the net realizable value of inventory for obsolescence and unmarketable items at the end of reporting period and then writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on assumptions of future demand within a specific time horizon.

For more information, please refer to Note 12.

(2) Impairment assessment on investments accounted for using equity method

The Company assesses the impairment of investments accounted for using the equity method whenever triggering events or changes in circumstances indicate that an investment may be impaired and carrying value may not be recoverable. The Company measures the impairment based on a projected future cash flow of the investees, including the underlying assumptions of sales growth rate and capacity utilization rate formulated by such investees' internal management team, to ensure the reasonableness of such assumptions.

The Consolidated Company did not recognize any impairment loss on investments accounted for using equity method for the years ended December 31, 2014 and 2013.

(3) Estimated impairment of accounts receivable

When there is objective evidence of impairment loss, the Consolidated Company take into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. Where the actual future cash flows are less than expected, a material impairment loss may arise.

For more information, please refer to Note 11.

(4) Impairment assessment of tangible and intangible assets

In the process of evaluating the potential impairment of tangible and intangible assets other than goodwill, the Company is required to make subjective judgments in determining the independent cash flows, useful lives, expected future revenue and expenses related to the specific asset groups with the consideration of the nature of semiconductor industry. Any changes in these estimates based on changed economic conditions or business strategies could result in significant impairment charges or reversal in future years.

As of December 31, 2013, the impairment loss amounted to 84,404 thousand respectively.

(5) Recognition and measurement of defined benefit plans

The resulting pension expense and accrued pension liabilities under defined benefit pension plans are calculated using the Projected Unit Credit Method. Actuarial assumptions comprise the discount rate, employee turnover rate and long-term average future salary rate. Changes in economic circumstances and market conditions will affect these assumptions and may have a material impact on the amount of the expense and the liability.

For more information, please refer to Note 20.

(6) Realization of deferred income tax assets

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilized. Assessment of the realization of deferred income tax assets involves critical accounting judgments and estimates of the management, including the assumptions of expected future sales revenue growth rate and profit rate, tax exempt duration, available tax credits, tax planning, etc. Any variations in global economic environment, industrial environment, and laws and regulations might cause material adjustments to deferred income tax assets.

6. CASH AND CASH EQUIVALENTS

	December 31, 2014	December 31, 2013
Cash on hand	$ 1,261	$ 1,012
Bank deposits	442,498	1,269,815
Cash equivalent		
Time deposits	4,167	53,550
Total	$ 447,926	$ 1,324,377

Deposits in banks consisted of highly liquid time deposits that were readily convertible to known amounts of cash and were subject to an insignificant risk of changes in value.

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

(1) Financial assets held for trading

	December 31, 2014	December 31, 2013
Derivative financial assets		
Forward exchange contracts	$ 21,971	$ 20,304
Foreign currency option	—	3,945
	21,971	24,249
Non-derivative financial asset		
Mutual funds	18,930	—
Bonds payable-redemption option	26	60
	18,956	60
	$ 40,927	$ 24,309

(2) Financial liabilities held for trading

	December 31, 2014	December 31, 2013
Derivative financial liabilities		
Forward exchange contracts	$ 824	$ 5,498
Non-derivative financial libilites		
Bonds payable-put option	858	2,580
	$ 1,682	$ 8,078

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.

The undue derivative financial products were as follows:

December 31, 2014	Currency	Maturity Period	Contracted Amount (in thousand)	
Buy forward exchange	United States dollars	2014.10.31~2015.05.04	USD	2,844
〃	〃	2014.11.18~2015.05.20	USD	4,003
〃	〃	2014.11.24~2015.05.26	USD	1,170
〃	〃	2014.11.27~2015.06.02	USD	720
〃	〃	2014.11.28~2015.06.02	USD	5,000
〃	〃	2014.11.28~2015.06.02	USD	5,000
〃	〃	2014.12.09~2015.06.12	USD	5,975
〃	〃	2014.12.24~2015.06.26	USD	1,420
〃	〃	2014.12.25~2015.06.29	USD	3,708
〃	〃	2013.12.30~2015.07.06	USD	3,000
〃	〃	2013.12.24~2015.04.28	USD	1,895
〃	〃	2013.12.12~2015.06.16	USD	3,000
〃	〃	2013.12.24~2015.06.26	USD	1,700
〃	〃	2013.12.30~2015.07.06	USD	4,000
〃	〃	2013.11.24~2015.02.26	USD	51
〃	〃	2013.11.25~2015.05.29	USD	84
〃	〃	2013.11.26~2015.05.29	USD	2,000
〃	〃	2014.11.28~2015.06.02	USD	2,000
〃	〃	2014.12.09~2015.06.12	USD	2,000
〃	〃	2014.09.30~2015.03.31	USD	6,000
〃	〃	2014.10.17~2015.04.17	USD	3,000
〃	〃	2014.11.05~2015.05.04	USD	3,300
〃	〃	2014.11.10~2015.05.11	USD	2,000
〃	〃	2014.11.21~2015.05.22	USD	5,000
〃	〃	2014.11.26~2015.05.28	USD	1,240
〃	〃	2014.11.27~2015.05.29	USD	2,000
〃	〃	2014.12.02~2015.06.04	USD	3,000
〃	〃	2014.12.09~2015.06.12	USD	3,000
〃	〃	2014.12.26~2015.06.30	USD	1,370
〃	〃	2014.10.08~2015.03.23	USD	2,400
〃	〃	2014.11.03~2015.04.20	USD	1,400
〃	〃	2014.11.25~2015.05.11	USD	2,000
〃	〃	2014.11.28~2015.05.11	USD	1,900
〃	〃	2014.12.09~2015.05.25	USD	2,000
〃	〃	2014.12.09~2015.05.14	USD	1,500
〃	〃	2014.12.09~2015.05.25	USD	1,500
〃	〃	2014.12.30~2015.05.21	USD	2,300
〃	〃	2014.12.31~2015.05.14	USD	2,000
〃	〃	2014.12.31~2015.05.14	USD	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

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS – NONCURRENT

	December 31, 2014	December 31, 2013
Listed shares	$ 200,630	$ 6,714
Emerging market shares	—	173,303
Unlisted shares	90,308	87,492
Total	$ 290,938	$ 267,509

9. HELD-TO-MATURITY FINANCIAL ASSETS – NONCURRENT

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

10. BOND INVESTMENTS WITH NO ACTIVE MARKETS

	December 31, 2014	December 31, 2013
Pledge deposits	$ 326,587	$ 158,841
Restricted deposits	160,989	210,673
Total	$ 487,576	$ 369,514
Current	$ 387,871	$ 191,832
Noncurrent	$ 99,705	$ 177,682
Rate	0.45%～1.65%	2%～2.5%

Refer to note 31 for information relating to bond investments with no active markets pledged as security.

11. NOTES AND ACCOUNTS RECEIVABLE- NET

	December 31, 2014	December 31, 2013
Notes and accounts receivable	$ 933,165	$ 697,132
Less: Allowance for doubtful accounts	(85,354)	(78,814)
Net	$ 847,811	$ 618,318

(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) 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

	December 31, 2014	December 31, 2013
Past due but not impaired		
Less than 90 days	$ 127,106	$ 161,020
91-180 days	52	39,552
181-365 days	—	470
More than 365 days	122	1,252
Total	$ 127,280	$ 202,294

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

	For the Year Ended December 31	
	2014	2013
Balance, beginning of the year	$ 78,814	$ 99,963
Impairment losses recognized on receivables	2,020	—
Less: Impairment losses reversed	—	(18,290)
Effect of exchange rate changes	4,520	(2,859)
Balance, end of the year	$ 85,354	$ 78,814

12. INVENTORIES

	December 31, 2014	December 31, 2013
Goods	$ 44,097	$ 42,013
Finished goods	825,450	546,765
Work in process	337,932	311,245
Raw materials	1,345,942	1,074,074
Supplies	484,564	460,913
Goods in transit	423,773	614,588
Total	$ 3,461,758	$ 3,049,598

(1) The operating cost of the Company includes unallocated overhead amounted to $3,719 thousand and $8,062 thousand for the year ended December 31, 2014 and 2013, respectively.

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

	For the Year Ended December 31	
	2014	2013
Inventory recovery	$ 61,730	$ 71,686

(2) The insurance coverage as of December 31, 2014 and 2013, were $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. During the year ended December 31, 2014 and 2013, TWGPCL reversed a loss on purchase commitment of THB 6.1 million (approximately NTD 5,883 thousand) and THB 5.7 million (approximately NTD 5,540 thousand), respectively , which listed under the other current liabilities.

13. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

(1) Investments in associates consisted of the following.

Investor	Carrying Amount December 31, 2014	Carrying Amount December 31, 2013	Pexcentage of Ownership and Voting Rights Held by the Company December 31, 2014	Pexcentage of Ownership and Voting Rights Held by the Company December 31, 2013
Hurco Automation Co., Ltd.	$ 99,227	$ 86,389	35%	35%
Joint Force International Company Limited	13,154	11,978	30%	30%
	$ 112,381	$ 98,367		

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

	December 31, 2014	December 31, 2013
Total assets	$ 572,486	$ 386,795
Total liabilities	(241,049)	(95,219)
Net assets	$ 331,437	$ 291,576
The Company's share of net assets of associate	$ 112,381	$ 98,367

	For the Year Ended December 31 2014	For the Year Ended December 31 2013
Net revenue	$ 832,070	$ 643,557
Net income	$ 35,447	$ 39,101
The Company's share of the profit of associate	$ 12,337	$ 13,182

The investments accounted for using equity method and the share of profit or loss and other comprehensive income of investment in Hurco Automation was calculated based on the financial statements that have been audited by other auditors; In 2014, the investments accounted for using equity method and the share of profit or loss and other comprehensive income of investment in Joint force was calculated based on the financial statements that have not been reviewed.

14. PROPERTY, PLANT AND EQUIPMENT

Item	For the Year Ended December 31, 2014					
	Balance, Beginning of Year	Additions	Disposals	Reclassification	Effect of Exchange Rate changes	Balance, End of Year
Cost						
Land	$ 854,619	6,524	$ —	$ 1,503	$ 29,872	$ 892,518
Land improvements	138,550	3,371	(694)	111	7,939	149,277
Buildings	2,139,303	686,842	(1,961)	28,718	102,964	2,955,866
Machinery and equipment	5,510,924	116,934	(260,935)	95,511	293,905	5,756,339
Transportation equipment	315,158	11,628	(21,086)	3,911	15,892	325,503
Furniture and fixtures	117,301	10,485	(4,749)	6,050	5,122	134,209
Leasehold improvements	3,952	75,409	—	(732)	88	78,717
Other equipment	426,559	25,580	(1,098)	11,076	21,471	483,588
Construction in progress	1,909,140	258,674	(11,697)	(119,810)	107,161	2,143,468
Total	11,415,506	1,195,447	(302,220)	26,338	584,414	12,919,485
Accumulated depreciation and impairment						
Land improvements	52,925	4,956	—	—	3,011	60,892
Buildings	970,897	76,760	(938)	—	47,097	1,093,816
Machinery and equipment	2,216,377	190,642	(233,148)	(700)	108,514	2,281,685
Transportation equipment	251,790	20,541	(20,071)	—	12,789	265,049
Furniture and fixtures	88,175	8,407	(2,127)	—	3,798	98,253
Leasehold improvements	1,511	578	—	—	7	2,096
Other equipment	350,191	15,755	(611)	—	17,532	382,867
Total	3,931,866	317,639	(256,895)	(700)	192,748	4,184,658
Net	$ 7,483,640	$ 877,808	$ (45,325)	$ 27,038	$ 391,666	$8,734,827

Item	For the Year Ended December 31, 2013					
	Balance, Beginning of Year	Additions	Disposals	Reclassification	Effect of Exchange Rate changes	Balance, End of Year
Cost						
Land	$ 877,432	$ —	$ (162)	$ (1,187)	$ (21,464)	$ 854,619
Land improvements	142,457	1,789	—	(74)	(5,622)	138,550
Buildings	2,156,035	55,427	(11,181)	(1,083)	(59,895)	2,139,303
Machinery and equipment	5,794,811	83,958	(62,062)	(112,417)	(193,366)	5,510,924
Transportation equipment	323,229	27,032	(22,558)	(757)	(11,788)	315,158
Furniture and fixtures	108,319	13,258	(1,831)	(1,645)	(800)	117,301
Leasehold improvements	2,421	1,541	—	(17)	7	3,952
Other equipment	387,997	7,535	(610)	45,973	(14,336)	426,559
Construction in progress	23,802	1,913,756	(34,775)	(2,292)	8,649	1,909,140
Total	9,816,503	2,104,296	(133,179)	(73,499)	(298,615)	11,415,506
Accumulated depreciation and impairment						
Land improvements	50,267	4,613	—	—	(1,955)	52,925
Buildings	934,030	69,152	(5,038)	(670)	(26,577)	970,897
Machinery and equipment	2,138,650	270,555	(32,729)	(100,953)	(59,146)	2,216,377
Transportation equipment	260,652	19,052	(18,087)	(470)	(9,357)	251,790
Furniture and fixtures	82,689	6,931	(1,419)	(1,179)	1,153	88,175
Leasehold improvements	1,207	303	—	—	1	1,511
Other equipment	341,650	11,164	(523)	9,675	(11,775)	350,191
Total	3,809,145	381,770	(57,796)	(93,597)	(107,656)	3,931,866
Net	$ 6,007,358	$ 1,722,526	$ (75,383)	$ 20,098	$ (190,959)	$ 7,483,640

(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 15 years, respectively.

(2) The insurance coverage as of December 31, 2014 and 2013 were $5,308,534 thousand and $5,036,470 thousand, respectively.

(3) The capitalized interest of the Parent Company for the year ended December 31, 2014 and 2013 were $19 thousand and $152 thousand, with capitalization rates between 0.14% ~ 0.19% and 0.13% ~ 0.22%, respectively.

(4) The Consolidated Company recognized impairment loss amounted to $79,709 thousand for the year ended December 31, 2013.

(5) Mortgaged or pledged property, plant and equipment, see Note 31.

15. LONG-TERM PREPAYMENTS FOR LEASE

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

	For the Year Ended December 31	
	2014	2013
Balance, beginning of the period	$ 74,207	$ 72,406
Add: Additions	888	2,821
Less: Amortization	(2,821)	(2,111)
Effect of exchange rate changes	3,535	1,091
Balance, end of the period	$ 75,809	$ 74,207

16. SHORT-TERM BORROWINGS

	December 31, 2014	December 31, 2013
Bank loans for purchasing materials	$ 3,416,287	$ 3,049,320
Unsecured loans	150,000	160,000
Mortgage loan	176,490	173,854
Total	$ 3,742,777	$ 3,383,174
Rate	1.63%～7.8%	1.2685%～7.8%

17. PROVISIONS

	For the Year Ended December 31	
	2014	2013
Balance, beginning of the period	$ 5,529	$ 11,120
Recognized	—	—
Reversed	(5,529)	(5,591)
Balance, end of the period	$ —	$ 5,529
Current	$ —	$ 5,529

The provision for onerous contracts represents the present value of the future payments that the Consolidated Company 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:

(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. 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 September 30, 2013, 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:

	December 31, 2014	December 31, 2013
Bonds payable	$ 260,000	$ 300,000
Less: Discount on bonds payable	(5,582)	(10,202)
Current portion	(254,418)	—
Total	$ —	$ 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 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 $6. As of December 31, 2014, $40,000 thousand of convertible bonds had been converted into 6,666 thousand common shares.

H. Secured

The bonds were secured by First Commercial Bank.

I. For the convertible corporate bonds issued on September 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”, were $7,722 thousand and $8,910 thousand as of December 31, 2014 and 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 $858 thousand, $2,580 thousand, $26 thousand and $60 thousand as of December 31, 2014 and 2013, respectively.

19. <u>LONG-TERM BORROWINGS</u>

	December 31, 2014				
Creditors	Due Date	Interest Rate (%)	Amount	Payable Within One Year	Description No.
En Tie Bank Ltd.	03/04/2016	2.537～2.6596	$ 120,000	$ 72,000	(1),(2),(3)
En Tie Bank Ltd.	03/04/2016	2.6078	300,000	-	(1),(2),(3)
Kaikorn bank Public Company Limited	01/31/2016	6.325	560,523	223,381	(5)
First Commercial Bank	08/22/2019	1.78～1.88	1,786,601	214,392	(6),(7)
Other Borrowing					
Jigan Hong Kong Holding Co., Ltd.	09/10/2017	4	37,195	-	(8)
Total			2,804,319	$ 509,773	
Less: amounts payable within one year			(509,773)		
Net			$2,294,546		

	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 Borrowing					
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		

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, 2014 and 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 December 31, 2014 and 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.

The company did not meet the consolidated financial covenants required by loan agreement as December 31, 2014 and 2013.

TY did not meet the consolidated financial covenants required by loan agreement as of December 31, 2014 and 2013. TY receive waivers from the syndicated loan members for non-compliance with the financial ratio covenants by the consolidated financial performance of TY for the year ended December 31, 2013; per the loan agreement, TY should enhance its financial situation before the next financial report issuing date for the year ended December 31, 2014.

(8) The loan expired in September, 2017 and interest rate amounted to 4%.

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$3,844 thousand and NT$3,807 thousand in the consolidated statements of comprehensive income ended December 31, 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 consolidated company operates defined benefit plans for qualifying employees of Tycoons Worldwide Group (Thailand) Public Company Limited.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	December 31, 2014	December 31, 2013
Discount rate	1.25％～4.30％	1.50％～3.90％
Future salary rate increase	2.00％～5.00％	2.00％～5.00％
Expected rate of return on plan assets	—	1.75％

The pension costs of the defined benefit plans recognized in profit or loss were as follows:

	For the Year Ended December 31	
	2014	2013
Current service cost	$ 1,596	$ 1,250
Interest cost	678	858
Expected return on plan assets	—	(64)
Gains arising from curtailment or settlement	(135)	(1,479)
Total	$ 2,139	$ 565

The amount arising from the defined benefit obligations of the Consolidated Company in the consolidated balance sheets were as follows:

	December 31, 2014	December 31, 2013
Present value of defined benefit obligation	$ 24,425	$ 22,312
Fair value of plan assets	—	(1,601)
Accrued pension liabilities	$ 24,425	$ 20,711

Movements in the present value of the defined benefit obligations were as follows:

	For the Year Ended December 31	
	2014	2013
Balance, beginning of year	$ 22,312	$ 41,400
Current service cost	1,596	1,250
Interest cost	678	858
Actuarial losses	1,308	687
Benefits paid directly by the Company	(1,264)	(2,342)
Effects of curtailments or settlement	(999)	(18,987)
Effect of exchange rate changes	794	(554)
Balance, end of year	$ 24,425	$ 22,312

Movements in the fair value of the plan assets were as follows:

	For the Year Ended December 31	
	2014	2013
Balance, beginning of year	$ 1,601	$ 3,649
Expected return on plan assets	24	64
Actuarial gains	35	27
Contributions from employer	32	203
Benefits paid	(863)	(2,342)
Received from settlements	(829)	—
Balance, end of year	$ —	$ 1,601

The overall expected rate of return on plan assets was based on the historical return trends, analysts' predictions of the market over the life of related obligation, reference to the performance of the Funds operated by the Committee.

The actual return on plan assets was $91 thousand in 2013.

The Company elects to disclosure the historical information of experience adjustments were as follows:

	December 31, 2014	December 31, 2013
Present value of defined benefit obligation	$ 24,425	$ 22,312
Fair value of plan assets	—	(1,601)
Contribution status	$ 24,425	$ 20,711
Experience adjustments on plan liabilities	$ (1,184)	$ (178)
Experience adjustments on plan assets	$ 35	$ 27

The Company recognized $1,053 thousand and $660 thousand loss of comprehensive income in 2014 and 2013. The Company expects to make contributions of $100 thousand to the defined benefit plans in the next year starting from December 31, 2014.

21. EQUITY

(1) Capital stock

	December 31, 2014	December 31, 2013
Numbers of shares authorized (in thousands)	640,000	640,000
Shares issued (in thousands)	547,091	540,425

The movement of shares for the years ended December 31, 2014 and 2013 were as follows:

	Numbers of shares issued (in thousands)	Capital	Capital surplus
January 1, 2014	540,425	$ 5,404,245	$ 8,910
Convertible bonds converted to ordinary shares	6,666	66,666	(1,188)
Actual disposal or acquisition of interest in subsidiaries	—	—	5,723
December 31, 2014	547,091	$ 5,470,911	$ 13,445

	Numbers of shares issued (in thousands)	Capital	Capital surplus
January 1, 2013	483,821	$ 4,838,207	$ 8,250
Convertible bonds converted to ordinary shares	56,604	566,038	(8,250)
Actual disposal or acquisition of interest in subsidiaries	—	—	8,910
December 31, 2013	540,425	$ 5,404,245	$ 8,910

(2) Capital surplus

	December 31, 2014	December 31, 2013
Convertible bonds	$ 7,722	$ 8,910
Actual disposal or acquisition of interest in subsidiaries	5,723	—
Total	$ 13,445	$ 8,910

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; in addition, when the company has no deficit, such capital surplus may be distributed as cash dividends or stock dividends up to a certain percentage of Company’s paid-in capital.

(3) RETAINED EARNINGS AND DIVIDEND POLICY

	Legal reserve	Unappropriated earnings	Total
January 1, 2014	$ 16,248	$ (889,094)	$ (872,846)
Actuarial loss on defined benefit plans	—	(777)	(777)
Net income attributable to the owners of the Company	—	2,693	2,693
Convertible bonds	—	(26,351)	(26,351)
December 31, 2014	$ 16,248	$ (913,529)	$ (897,281)

	Legal reserve	Unappropriated earnings	Total
January 1, 2013	$ 16,248	$ (277,639)	$ (261,391)
Additional disposal or acquisition of interest in subsidiaries	—	(9,375)	(9,375)
Actuarial loss on defined benefit plans	—	(660)	(660)
Net loss attributable to the owners of the Company	—	(335,685)	(335,685)
Convertible bonds	—	(265,735)	(265,735)
December 31, 2013	$ 16,248	$ (889,094)	$ (872,846)

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

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

D. The Company appropriates and reverses special reserves under Rule No. 1010012865 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.

E. The Board of Directors' meeting held on March 30, 2015 has approved to offset a deficit and there are no allocation of surplus, employees' bonus and remuneration in 2014. 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 on translating foreign operations	320,801	6,054	326,855
Change in fair value of available-for-sale financial assets	—	(276)	(276)
Share of other comprehensive income of associates and joint ventures	—	11,234	11,234
Income tax effects	(54,536)	363	(54,173)
December 31, 2014	$ 520,974	$ 12,281	$ 533,255

	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 on translating foreign operations	(198,348)	3,132	(195,216)
Change in fair value of available-for-sale financial assets	—	1,771	1,771
Share of other comprehensive income of associates and joint ventures	—	5,989	5,989
Income tax effects	33,719	(503)	33,216
December 31, 2013	$ 254,709	$ (5,094)	$ 249,615

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.

Unrealized gain/loss on available-for-sale financial assets represents the cumulative gains or losses arising from the fair value measurement on available-for-sale financial assets that are recognized in other comprehensive income.

(5) Noncontrolling interests

	2014	2013
Balance, beginning of year	$ 1,661,744	$ 1,738,800
Attributable to noncontrolling interests：		
Share of income (loss) for the period	13,156	(91,188)
Exchange differences on translating foreign operations	32,180	14,132
Balance, end of year	$ 1,707,080	$ 1,661,744

22. <u>EARNINGS PER SHARE</u>

(1) BASIC EARNINGS PER SHARE

	For the Years Ended December 31	
	2014	2013
Profit (loss) for the period attributable to owners of the Company	$ 2,693	$ (335,685)
Weighted average number of ordinary shares outstanding (in thousand shares)	541,865	519,198
Basic EPS	$ —	$ (0.65)

(2) DILUTED EARNINGS PER SHARE

	For the years Ended December 31, 2014
Profit for the period attributable to owners of the Company	$ 2,693
Weighted average number of ordinary shares outstanding (in thousand shares)	541,865
Effect of dilutive potential common shares (in thousand shares)	
Convertible bonds	42,904
Weighted average number of ordinary shares used in the computation of diluted earnings per share (in thousand shares)	584,769
Diluted EPS	$ —

23. OPERATING REVENUES

The analysis of the Consolidated Companys' operating revenues was as follows:

	For the Years Ended December 31	
	2014	2013
Revenue from the sale of goods	$ 8,738,506	$ 9,881,323
Revenue form processing	268,318	263,546
Total	$ 9,006,824	$ 10,144,869

24. OTHER INCOME

	For the Years Ended December 31	
	2014	2013
Interest income	$ 15,993	$ 10,621
Dividends	3,675	4,302
Total	$ 19,668	$ 14,923

25. OTHER GAINS AND LOSSES

	For the Years Ended December 31	
	2014	2013
Loss on disposal of property, plant and equipment	$ (1,659)	$ (30,615)
Foreign exchange gain (loss)	3,473	(125,567)
(Gain) loss on financial assets and liabilities at fair value through profit or loss	44,998	(2,328)
Impairment loss	—	(84,404)
Others	42,612	829
Total	$ 89,424	$ (242,085)

26. FINANCE COSTS

	For the Years Ended December 31	
	2014	2013
Interest expense	$ 113,341	$ 107,277

27. INCOME TAX

(1) Income tax recognized in profit or loss

The major components of income tax (benefit) expense are as follows:

	For the Years Ended December 31	
	2014	2013
Income tax expense (benefit) at the statutory rate	$ 22,750	$ (41,735)
Nondeductible items in determining taxable income	(7,423)	(1,839)
Adjustments for prior years' tax	—	(533)
Loss carryforwards	14,378	(78,958)
The origination and reversal of temporary differences	6,385	26,384
Income tax expenses (benefit)	$ 36,090	$ (96,681)

Current income tax expense (benefit) recognized in profit or loss are as follows:

	For the Years Ended December 31	
	2014	2013
Current tax expense	$ 10,877	$ 15,785
Adjustments for prior years' tax	—	(533)
Net effect of deferred income tax	25,213	(111,933)
	$ 36,090	$ (96,681)

The applicable tax used above is the corporate tax rate of 17% payable by the Company in ROC, while the applicable tax rate used by subsidiaries in China is 25%. Tax rates used by other subsidiaries operating in other jurisdictions are based on the tax laws in those jurisdictions.

(2) Income tax recognized in other comprehensive income

	For the Years Ended December 31	
	2014	2013
Exchange differences arising from the translation of the foreign operations	$ (54,536)	$ 33,719
Related to unrealized gain/loss on available-for-sale financial assets	363	(503)
	$ (54,173)	$ 33,216

(3) Current tax assets and liabilities

		December 31, 2014		December 31, 2013
Current tax assets				
Tax refund receivable	$	642	$	493
Current tax liabilities				
Income tax payable	$	2,265	$	4,615

(4) Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities were as follows:

For the year ended December 31, 2014

Deferred Tax Assets	Balance, beginning of year	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Effect of foreign currency exchange differences	Balance, end of year
Temporary differences					
Exchange difference on foreign operations	$ (52,169)	$ —	$ (54,536)	$ —	$ (106,705)
Exchange gain(loss)	416	(69)	—	—	347
Unrealized gain on the transactions with subsidiaries and associates	609	15	—	—	624
Related to unrealized gain/loss on financial assets and liabilities	(733)	(1,094)	—	—	(1,827)
Related to unrealized gain/loss on available-for-sale financial assets	—	—	363	—	363
Unrealized gain on the disposal of property, plant and equipment	—	178	—	—	178
Cost of goods sold-unallocated overhead	513	(286)	—	—	227
Interest expenses	158	469	—	—	627
Unrealized loss on inventories	10,014	(5,189)	—	236	5,061
Impairment loss	15,030	(4,063)	—	598	11,565
Provisions-employee benefits	2,701	159	—	(226)	2,634
Provisions-onerous contracts	1,106	(1,133)	—	1,196	1,169
Loss carry forwards	158,884	(14,200)	—	3,069	147,753
Total	$ 136,529	$ (25,213)	$ (54,173)	$ 4,873	$ 62,016
Deferred tax assets	$ 189,431	$ (24,119)	$ 363	$ 4,873	$ 170,548
Deferred tax liabilities	$ 52,902	$ 1,094	$ 54,536	$ —	$ 108,532

For the year ended December 31, 2013

Deferred Tax Assets	Balance, beginning of year	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Effect of foreign currency exchange differences	Balance, end of year
Temporary differences					
Exchange difference on foreign operations	$ (85,888)	$ –	$ 33,719	$ –	$ (52,169)
Exchange gain(loss)	(157)	573	–	–	416
Unrealized gain on the transactions with subsidiaries and associates	747	(138)	–	–	609
Related to unrealized gain/loss on financial assets and liabilities	3	(736)	–	–	(733)
Related to unrealized gain/loss on available-for-sale financial assets	503	–	(503)	–	–
Accrued pension liability	2,046	(2,046)	–	–	–
Cost of goods sold-unallocated overhead	794	(281)	–	–	513
Interest expenses	–	158	–	–	158
Unrealized loss on inventories	879	9,690	–	(555)	10,014
Impairment loss	–	15,942	–	(912)	15,030
Provisions-employee benefits	–	2,865	–	(164)	2,701
Provisions-onerous contracts	–	1,173	–	(67)	1,106
Loss carry forwards	78,704	84,733	–	(4,553)	158,884
Total	$ (2,369)	$ 111,933	$ 33,216	$ (6,251)	$ 136,529
Deferred tax assets	$ 81,128	$ 114,554	$ –	$ (6,251)	$ 189,431
Deferred tax liabilities	$ 83,497	$ 2,621	$ (33,216)	$ –	$ 52,902

(5) As of December 31, 2014, the balances of income tax deductible from the losses carried forward from previous operating periods for the Consolidated Company are as follows:

December 31, 2014

Loss making year	Loss carry forwards	Expiry year
2005	$ 19,366	2018
2006	48,307	2016
2006	105,105	2018
2007	84,278	2018
2007	92,938	2017
2008	6,926	2018
2009	276,760	2018
2009	369,290	2019
2010	121,280	2018
2012	118,423	2017
2012	73,243	2022
2013	430,952	2018
2013	53,586	2023
2014	38,801	2024
Total	$ 1,839,255	

(6) Integrated income tax information：

	December 31, 2014	December 31, 2013
Imputation credits accounts	$ 4,957	$ 4,653

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

(7) Unappropriated earnings information：

	December 31, 2014	December 31, 2013
Unappropriated earnings generated on and after January 1, 1998	$ (913,529)	$ (889,094)

(8) 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 20% 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.

Tycoons Vietnam Co., Ltd., a subsidiary of the Parent Company, has received promotional privilege from the local government. Under such privilege, the subsidiary would be exempt from certain taxes and duties, including 20% corporate income tax for 10 years from the date when revenue is first earned and 22% afterward, exemption of corporate income tax for 2 years from the first profitable year and 50% exemption for the 4 years after. The year 2013 is the first year the subsidiary began business and made profit. Consequently, the subsidiary is currently exempt from taxation, and therefore, not required to recognize income tax payable.

(9) 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 CONSOLIDATED COMPANY

	For the Year Ended December 31, 2014			For the Year Ended December 31, 2013		
	Classified as operating cost	Classified as operating expenses	Total	Classified as operating cost	Classified as operating expenses	Total
Personnel expenses						
Payroll expense	$ 264,382	$ 154,464	$ 418,846	$ 243,859	$ 143,282	$ 387,141
Insurance expense	9,151	10,646	19,797	7,556	10,712	18,268
Pension	3,620	2,300	5,920	2,758	1,571	4,329
Others	7,005	5,068	12,073	4,227	2,583	6,810
Depreciation	277,496	29,834	307,330	285,206	34,062	319,268
Amortization	15,308	4,342	19,650	19,778	4,689	24,467

29. NON-CASH TRANSACTIONS

For the years ended December 31, 2014 and 2013, the Company entered into the following non-cash investing and fianacing activities:

	For the Year Ended December 31,2014	For the Year Ended December 31,2013
Unrealized gain/loss on financial instrument	$ 17,375	$ 10,389
Exchange difference arising from the translation of the foreign operations	$ 266,265	$ (164,629)
Convertible bonds converted to common stock	$ 66,666	$ 566,038

30. RELATED-PARTY TRANSACTIONS

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

(2) Significant transactions with related parties

A. Sales

	For the Year Ended December 31,2014		For the Year Ended December 31,2013	
	Amount	%	Amount	%
Associates	$ 8,680	-	$ 5,140	-

B. Accounts Receivable

	December 31,2014			December 31,2013		
	Amount		%	Amount		%
Associates	$	5,684	1	$	1,861	-

(3) Compensation of key management

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

	For the Year Ended December 31, 2014		For the Year Ended December 31, 2013	
Short-term employee benefits	$	23,644	$	23,950

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

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

	December 31, 2014		December 31, 2013	
Bond investments with no active market	$	487,576	$	369,514
Property, plant and equipment		5,486,812		5,173,254
Total	$	5,974,388	$	5,542,768

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

(1) As of December 31, 2014 and 2013, the balances of unused letters of credit for the Company were both USD 0.

As of December 31, 2014 and 2013, the balances of unused letters of credit for the Tycoons Group International Co., Ltd. were USD 226 thousand and USD 8,589 thousand respectively.

(2) As of December 31, 2014 and 2013, the Company provided guarantee note deposits were $967,030 thousand and $220,000 thousand to the banks as securities against credit facilities.

(3) As of December 31, 2014 and 2013, Tycoons Worldwide Group (Thailand) Public Co., Ltd. had raw material purchase commitments amounting to USD 12 million and USD 16 million respectively. The materials will be shipped to the company within 90-180 days from the contract date.

(4) As of December 31, 2014 and 2013, Tycoons Worldwide Group (Thailand) Public Co., Ltd. had capital commitments amounting to approximately Baht 9 million and Baht 2 million, respectively, relating to purchase of machine and equipment.

(5) As of December 31, 2014 and 2013, Tycoons Worldwide Group (Thailand) Public Co., Ltd. had outstanding bank guarantees amounting to Baht 57 million, issued by banks on behalf of the company in respect of certain performance bonds for electricity use among others.

33. SUBSEQUENT LOSSES: None.

34. SUBSEQUENT EVENTS: None.

35. OTHER: None.