Stock Code:4807

(English Translation of Consolidated Interim Financial Statements and Report Originally Issued in Chinese)

REGAL HOLDING CO., LTD. AND ITS SUBSIDIARIES

Consolidated Interim Financial Statements

September 30, 2017 and 2016
(With Independent Auditors' Review Report Thereon)

Address: The Grand Pavilion Commercial Centre, Oleander Way, 802 West Bay Road, P. O. Box 32052, Grand Cayman KY1-1208, Cayman Islands

Telephone: 66-24-207440-1074

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KPMG
安侯建業聯合會計師事務所
KPMG
台北市11049信義路5段7號68樓(台北101大樓)
68F., TAIPEI 101 TOWER, No. 7, Sec. 5,
Xinyi Road, Taipei City 11049, Taiwan (R.O.C.)
Telephone 電話 + 886 (2) 8101 6666
Fax 傳真 + 886 (2) 8101 6667
Internet 網址 kpmg.com/tw

Independent Auditors' Review Report

To the Board of Directors
Regal Holding Co., Ltd.:

We have reviewed the accompanying consolidated balance sheets of Regal Holding Co., Ltd. (the "Company") and its subsidiaries as of September 30, 2017 and 2016, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the three months ended September 30, 2017 and 2016 and the nine months ended September 30, 2017 and 2016. These consolidated interim financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these consolidated interim financial statements based on our review.

We conducted our reviews in accordance with Statement on Auditing Standard 36, "Engagements to Review Financial Statements". A review consists principally of inquiries of the Company's personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with the generally accepted auditing standards, the objective of which is the expression of an opinion regarding the consolidated interim financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the consolidated interim financial statements referred to in the first paragraph in order for them to be in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Accounting Standard 34 "Interim Financial Reporting" endorsed by the Financial Supervisory Commission of the Republic of China.

KPMG

Taipei, Taiwan (Republic of China)
November 10, 2017

Notes to Readers

The accompanying consolidated financial statements are intended only to present the consolidated statement of financial position, financial performance and its 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 review such consolidated financial statements are those generally accepted and applied in the Republic of China.

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

(English Translation of Consolidated Interim Financial Statements and Report Originally Issued in Chinese)

As of September 30, 2017 and 2016 reviewed only, not audited in accordance with the generally accepted auditing standards

REGAL HOLDING CO., LTD. AND ITS SUBSIDIARIES

Consolidated Balance Sheets

September 30, 2017, December 31, 2016, and September 30, 2016

(Expressed in Thousands of New Taiwan Dollars)

	Assets	September 30, 2017 Amount	%	December 31, 2016 Amount	%	September 30, 2016 Amount	%
11xx	**Current assets:**						
1100	Cash and cash equivalents (note 6(a))	$ 564,834	38	121,032	11	448,639	34
1150	Notes receivable, net (note 6(b))	2,002	-	2,419	-	-	-
1170	Trade receivables, net (note 6(b))	246,309	17	334,029	30	183,489	14
1200	Other receivables (note 6(b))	2,858	-	1,888	-	6,082	-
130x	Inventories (note 6(c))	261,786	18	271,546	24	293,186	22
1470	Other current assets	31,848	2	17,084	2	25,001	2
	Total current assets	1,109,637	75	747,998	67	956,397	72
15xx	**Non-current assets:**						
1600	Property, plant and equipment (notes 6(e), 6(g) and 8)	323,189	22	321,620	29	330,839	25
1780	Intangible assets (note 6(f))	12,681	1	11,870	1	12,028	1
1840	Deferred tax assets	19,825	1	19,655	2	15,550	1
1984	Other financial assets—non-current (note 8)	7,744	1	7,383	1	7,371	1
	Total non-current assets	363,439	25	360,528	33	365,788	28
1xxx	**Total assets**	$ 1,473,076	100	1,108,526	100	1,322,185	100

	Liabilities and Equity	September 30, 2017 Amount	%	December 31, 2016 Amount	%	September 30, 2016 Amount	%
21xx	**Current liabilities:**						
2100	Short-term loans (notes 6(g), 7 and 8)	$ 164,304	11	135,750	12	463,386	35
2150	Notes payable	6,089	-	371	-	3,121	-
2170	Trade payables	47,656	3	53,555	5	38,617	3
2200	Other payables (note 6(o))	99,632	7	93,552	9	74,193	6
2230	Current tax liabilities	23,874	2	32,278	3	41,291	4
2310	Advance receipts	1,113	-	900	-	3,546	-
2399	Other current liabilities	6,142	-	4,618	-	1,462	-
	Total current liabilities	348,810	23	321,024	29	625,616	48
25xx	**Non-Current liabilities:**						
2570	Deferred tax liabilities	24,914	2	24,914	2	321	-
2640	Net defined benefit plan liabilities—non-current	19,493	1	16,889	2	18,544	1
2645	Refundable deposits	3,408	-	2,532	-	2,528	-
	Total non-Current liabilities	47,815	3	44,335	4	21,393	1
2xxx	**Total liabilities**	396,625	26	365,359	33	647,009	49
31xx	**Equity (note 6(k)):**						
	Equity attributable to owners of parent						
3100	Common stock	381,600	26	339,200	31	339,200	26
3200	Capital surplus	418,370	28	170,160	15	170,160	13
33XX	Retained earnings:						
3310	Legal reserve	37,434	3	18,576	2	18,576	1
3320	Special reserve	40,893	3	-	-	-	-
3350	Unappropriated retained earnings	120,275	8	195,540	17	150,947	11
		198,602	14	214,116	19	169,523	12
3410	Exchange differences on translation of foreign financial statements	(32,631)	(2)	(40,893)	(3)	(41,609)	(3)
	Total equity attributable to owners of parent:	965,941	66	682,583	62	637,274	48
36xx	**Non-controlling interests (NCI) (note 6(d))**	110,510	8	60,584	5	37,902	3
3xxx	**Total equity**	1,076,451	74	743,167	67	675,176	51
2-3xxx	**Total liabilities and equity**	$ 1,473,076	100	1,108,526	100	1,322,185	100

See accompanying notes to consolidated interim financial statements.

(English Translation of Consolidated Interim Financial Statements and Report Originally Issued in Chinese)

Reviewed only, not audited in accordance with generally accepted auditing standards

REGAL HOLDING CO., LTD. AND ITS SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the three months and nine months ended September 30, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Common Share)

		For the three months ended September 30				For the nine months ended September 30			
		2017		2016		2017		2016	
		Amount	%	Amount	%	Amount	%	Amount	%
4000	**Operating revenues (note 6(n))**	$ 608,440	100	393,144	100	1,602,534	100	1,674,778	100
5000	**Operating costs (notes 6(c), 6(e), 6(h) and 6(i))**	427,020	70	269,569	69	1,100,064	69	1,152,977	69
5900	**Gross profit**	181,420	30	123,575	31	502,470	31	521,801	31
6000	**Operating expenses (note 6(b), (e), (f), (h), (i), (l), (o), 7 and 12):**								
6100	Selling expenses	20,249	3	13,404	3	48,497	3	42,652	3
6200	Administrative expenses	42,693	7	48,724	12	142,803	9	137,348	8
6300	Research and development expenses	17,691	3	22,276	6	52,902	3	73,592	4
	Total operating expenses	80,633	13	84,404	21	244,202	15	253,592	15
6900	**Operating income**	100,787	17	39,171	10	258,268	16	268,209	16
7000	**Non-operating income and expenses (note 6(p)):**								
7010	Other income	1,928	-	1,552	-	5,002	-	3,112	-
7020	Other gains and losses	(13,142)	(2)	(2,054)	-	(20,841)	(1)	(4,757)	-
7050	Finance costs	(1,965)	-	(2,587)	(1)	(4,583)	-	(6,254)	-
	Total non-operating income and expenses	(13,179)	(2)	(3,089)	(1)	(20,422)	(1)	(7,899)	-
7900	**Profit before tax**	87,608	15	36,082	9	237,846	15	260,310	16
7950	**Less: Tax expense (note 6(j))**	21,882	4	11,511	3	68,434	4	76,457	5
	Profit	65,726	11	24,571	6	169,412	11	183,853	11
8300	**Other comprehensive income:**								
8360	**Other components of other comprehensive income that will be reclassified to profit or loss**								
8361	Exchange differences on translation of foreign financial statements	12,501	2	(12,847)	(3)	9,877	-	(8,691)	(1)
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-	-	-	-	-
8300	**Other comprehensive income**	12,501	2	(12,847)	(3)	9,877	-	(8,691)	(1)
8500	**Total comprehensive income**	$ 78,227	13	11,724	3	179,289	11	175,162	10
	Profit, attributable to:								
8610	Profit, attributable to owners of parent	$ 43,510	7	14,863	4	98,966	6	143,084	9
8620	Profit, attributable to non-controlling interests	22,216	4	9,708	2	70,446	5	40,769	2
		$ 65,726	11	24,571	6	169,412	11	183,853	11
	Comprehensive income attributable to (note 6(d)):								
8710	Comprehensive income, attributable to owners of parent	$ 54,586	9	2,510	1	107,228	7	135,373	8
8720	Comprehensive income, attributable to non-controlling interests	23,641	4	9,214	2	72,061	4	39,789	2
		$ 78,227	13	11,724	3	179,289	11	175,162	10
	Basic earnings per share (note 6(m))								
9750	Basic earnings per share	$	1.14		0.46		2.79		4.46
9850	Diluted earnings per share	$	1.14		0.46		2.79		4.43

See accompanying notes to consolidated interim financial statements.

(English Translation of Consolidated Interim Financial Statements and Report Originally Issued in Chinese)

Reviewed only, not audited in accordance with generally accepted auditing standards

REGAL HOLDING CO., LTD. AND ITS SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the nine months ended September 30, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent									
			Retained earnings							
	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total retained earnings	Exchange differences on translation of foreign financial statements	Total equity attributable to owners of parent	Non-controlling interests	Total equity
Balance at January 1, 2016	$ 320,000	274,336	-	-	185,763	185,763	(33,898)	746,201	34,030	780,231
Appropriation and distribution of retained earnings:										
Legal reserve	-	-	18,576	-	(18,576)	-	-	-	-	-
Cash dividends	-	-	-	-	(159,324)	(159,324)	-	(159,324)	(35,917)	(195,241)
Cash dividends from capital surplus	-	(244,336)	-	-	-	-	-	(244,336)	-	(244,336)
Profit	-	-	-	-	143,084	143,084	-	143,084	40,769	183,853
Other comprehensive income	-	-	-	-	-	-	(7,711)	(7,711)	(980)	(8,691)
Total comprehensive income	-	-	-	-	143,084	143,084	(7,711)	135,373	39,789	175,162
Issue of shares	19,200	140,160	-	-	-	-	-	159,360	-	159,360
Balance at September 30, 2016	$ 339,200	170,160	18,576	-	150,947	169,523	(41,609)	637,274	37,902	675,176
Balance at January 1,2017	$ 339,200	170,160	18,576	-	195,540	214,116	(40,893)	682,583	60,584	743,167
Appropriation and distribution of retained earnings:										
Legal reserve	-	-	18,858	-	(18,858)	-	-	-	-	-
Special reserve	-	-	-	40,893	(40,893)	-	-	-	-	-
Cash dividends	-	-	-	-	(114,480)	(114,480)	-	(114,480)	(22,135)	(136,615)
Profit	-	-	-	-	98,966	98,966	-	98,966	70,446	169,412
Other comprehensive income	-	-	-	-	-	-	8,262	8,262	1,615	9,877
Total comprehensive income	-	-	-	-	98,966	98,966	8,262	107,228	72,061	179,289
Issuance of shares for cash	42,400	247,956	-	-	-	-	-	290,356	-	290,356
Share-based payments	-	254	-	-	-	-	-	254	-	254
Balance at September 30, 2017	$ 381,600	418,370	37,434	40,893	120,275	198,602	(32,631)	965,941	110,510	1,076,451

See accompanying notes to consolidated interim financial statements.

(English Translation of Consolidated Interim Financial Statements and Report Originally Issued in Chinese)

Reviewed only, not audited in accordance with generally accepted auditing standards

REGAL HOLDING CO., LTD. AND ITS SUBSIDIARIES

Consolidated Statements of Cash Flows

For the nine months ended September 30, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars)

	For the nine months ended September 30 2017	2016
Cash flows from (used in) operating activities:		
Profit before tax	$ 237,846	260,310
Adjustments:		
Adjustments to reconcile profit:		
Depreciation expense	33,508	34,972
Amortization expense	3,043	2,943
Provision (reversal of provision) for bad debt expense	(1,171)	1,037
Interest expense	4,583	6,281
Interest income	(340)	(302)
Compensation cost of share-based payments	254	-
Loss on disposal of property, plant and equipment	1,566	288
Loss on disposal of intangible assets	296	-
Total adjustments to reconcile profit	41,739	45,219
Changes in operating assets and liabilities:		
Changes in operating assets:		
Notes receivable	417	2,920
Trade receivables	88,891	209,634
Other receivable	(970)	(1,567)
Inventories	9,760	57,377
Other current assets	(14,764)	(11,086)
Total changes in operating assets	83,334	257,278
Changes in operating liabilities:		
Notes payable	5,718	(21,505)
Trade payable	(5,899)	(26,472)
Other payables	5,985	(36,047)
Advance receipts	213	(12,635)
Other current liabilities	1,524	(10,093)
Net defined benefit plan liabilities	2,604	2,074
Total changes in operating liabilities	10,145	(104,678)
Total changes in operating assets and liabilities	93,479	152,600
Total adjustments	135,218	197,819
Cash inflow generated from operations	373,064	458,129
Interest received	340	302
Interest paid	(4,488)	(6,587)
Income taxes paid	(76,838)	(129,001)
Net cash flows from operating activities	292,078	322,843
Cash flows from investing activities:		
Acquisition of property, plant and equipment	(34,090)	(29,670)
Proceeds from disposal of property, plant and equipment	191	300
Acquisition of intangible assets	(4,035)	(1,134)
Increase in other financial assets－non-current	(361)	(373)
Net cash flows from investing activities	(38,295)	(30,877)
Cash flows from financing activities:		
Increase in short-term loans	28,554	207,298
Increase in guarantee deposits received	876	270
Cash dividends	(136,615)	(439,577)
Proceeds from issuance of shares	290,356	159,360
Net cash flows from financing activities	183,171	(72,649)
Effect of exchange rate changes on cash and cash equivalents	6,848	(6,494)
Net increase in cash and cash equivalents	443,802	212,823
Cash and cash equivalents at beginning of period	121,032	235,816
Cash and cash equivalents at end of period	$ 564,834	448,639

See accompanying notes to consolidated interim financial statements.

REGAL HOLDING CO., LTD. AND ITS SUBSIDIARIES

Notes to the Consolidated Interim Financial Statements

September 30, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(1) Company history

Regal Holding Co., Ltd. (the "Company") was established in the Cayman Islands in October 2014. The main purpose of the establishment, which resulted from organizational restructuring, was to apply to Taiwan Stock Exchange (TWSE) in the Republic of China. In December 2014, after the Company and Regal Jewelry Manufacture Co., Ltd. (RJM) swap its share to restructure the organization, the Company become the holding company of RJM. The Company's shares were listed on the Taiwan Stock Exchange (TWSE) on June 26, 2017. The principal activities of RJM are designing, manufacturing and selling jewelry and gems. Please refer to note 14.

(2) Approval date and procedures of the consolidated interim financial statements:

The Board of Directors authorized issuance of the consolidated interim financial statements on November 10, 2017.

(3) New standards, amendments and interpretations adopted:

(a) The impact of the International Financial Reporting Standards ("IFRSs") endorsed by the Financial Supervisory Commission, R.O.C. ("FSC") which have already been adopted.

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2017:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 10, IFRS 12 and IAS 28 "Investment Entities: Applying the Consolidation Exception"	January 1, 2016
Amendments to IFRS 11 "Accounting for Acquisitions of Interests in Joint Operations"	January 1, 2016
IFRS 14 "Regulatory Deferral Accounts"	January 1, 2016
Amendment to IAS 1 "Presentation of Financial Statements-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
Amendments to IAS 19 "Defined Benefit Plans: Employee Contributions"	July 1, 2014
Amendment to IAS 27 "Equity Method in Separate Financial Statements"	January 1, 2016
Amendments to IAS 36 " Impairment of Non-Financial assets- Recoverable Amount Disclosures for Non Financial Assets"	January 1, 2014

(Continued)

REGAL HOLDING CO., LTD. AND ITS SUBSIDIARIES
Notes to Consolidated Interim Financial Statements

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IAS 39 " Financial Instruments-Novation of Derivatives and Continuation of Hedge Accounting"	January 1, 2014
Annual Improvements to IFRSs 2010 2012 Cycle and 2011 2013 Cycle	July 1, 2014
Annual Improvements to IFRSs 2012 2014 Cycle	January 1, 2016
IFRIC 21 "Levies"	January 1, 2014

The Consolidated Company believes that the adoption of the above IFRSs would not have any material impact on its consolidated interim financial statements.

(b) The impact of IFRS endorsed by FSC but not yet effective

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2018 in accordance with Ruling No. 1060025773 issued by the FSC on July 14, 2017:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendment to IFRS 2 "Classification and Measurement of Share based Payment Transactions"	January 1, 2018
Amendments to IFRS 4 "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts"	January 1, 2018
IFRS 9 "Financial Instruments"	January 1, 2018
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
Amendment to IAS 7 "Statement of Cash Flows -Disclosure Initiative"	January 1, 2017
Amendment to IAS 12 "Income Taxes- Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017
Amendments to IAS 40 "Transfers of Investment Property"	January 1, 2018
Annual Improvements to IFRS Standards 2014–2016 Cycle:	
Amendments to IFRS 12	January 1, 2017
Amendments to IFRS 1 and Amendments to IAS 28	January 1, 2018
IIFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018

(Continued)

REGAL HOLDING CO., LTD. AND ITS SUBSIDIARIES
Notes to Consolidated Interim Financial Statements

Except for the following items, the Consolidated Company believes that the adoption of the above IFRSs would not have any material impact on its consolidated interim financial statements. The extent and impact of signification changes are as follows:

(i) IFRS 9 “Financial Instruments”

IFRS 9 replaces IAS 39 “ Financial Instruments: Recognition and Measurement” which contains classification and measurement of financial instruments, impairment and hedge accounting.

1) Classification- Financial assets

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables, and available for sale.

Based on its preliminary assessment, the Consolidated Company does not believe that the new classification requirements, if applied at September 30, 2017, would have had a material impact on its consolidated interim financial statements.

2) Impairment-Financial assets and contact assets

IFRS 9 replaces the ‘incurred loss’ model in IAS 39 with a forward-looking ‘expected credit loss’ (ECL) model. This will require considerable judgment as to how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

The new impairment model will apply to financial assets measured at amortized cost or FVOCI, except for investments in equity instruments, and to contract assets.

Under IFRS 9, loss allowances will be measured on either of the following bases:

- 12-month ECLs. These are ECLs that result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs. These are ECLs that result from all possible default events over the expected life of a financial instrument.

(Continued)

REGAL HOLDING CO., LTD. AND ITS SUBSIDIARIES
Notes to Consolidated Interim Financial Statements

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not. An entity may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting date. However, lifetime ECL measurement always applies for trade receivables and contract assets without a significant financing component; an entity may choose to apply this policy also for trade receivables and contract assets with a significant financing component.

After the preliminary assessment, the Consolidated Company believes the adoption of IFRS 9 would not have had any material impact.

3) Disclosures

IFRS 9 will require extensive new disclosures, in particular about hedge accounting, credit risk and expected credit losses. Consolidated Company has undertaken to understand the requirement to disclosure in IFRS 9. The relevant information will be disclosed when IFRS 9 is effective.

4) Transition

Changes in accounting policies resulting from the adoption of IFRS 9 will generally be applied retrospectively, except as described below.

- The Consolidated Company plans to take advantage of its exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement (including impairment) changes. The differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 generally will be recognized in retained earnings and reserves as at 1 January 2018.

- The following assessments have to be made on the basis of the facts and circumstances that exist at the date of initial application.

  - The determination of the business model within which a financial asset is held.

  - The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.

  - The designation of certain investments in equity instruments not held for trading as at FVOCI.

(ii) IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes the five-step model framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 "Revenue" and IAS 11 "Construction Contracts".

(Continued)

For the sale of products, revenue is currently recognized when the goods are shipped, which is taken to be the point in time at which the customer accepts the goods and the related risks and rewards of ownership transfer. Revenue is recognized at this point provided that the revenue and costs can be measured reliably, the recovery of the consideration is probable and there is no continuing management involvement with the goods.

Under IFRS 15, revenue will be recognized when a customer obtains control of the goods. After preliminary evaluation, the Consolidated Company believes there will not be a significant impact of the adoption of IFRS 15 owing to negligible difference between the point in time the related risks and rewards of ownerships of the goods transfer and the one customer obtains control of the goods.

(iii) Amendments to IAS 7 "Disclosure Initiative"

The amendments require disclosures that enable users of financial statements to evaluate the changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes.

To satisfy the new disclosure requirements, the Consolidated Company intends to present a reconciliation between the opening and closing balances for liabilities with changes arising from financing activities.

(c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

As of the date the following IFRSs that have been issued by the IASB, but not yet endorsed by the FSC:

New, Revised or Amended Standards and Interpretations	**Effective date per IASB**
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"	Effective date to be determined by IASB
IFRS 16 "Leases"	January 1, 2019
IFRS 17 "Insurance Contracts"	January 1, 2021
IFRIC 23 "Uncertainty over Income Tax Treatments"	January 1, 2019
Amendments to IFRS 9 "Prepayment features with negative compensation"	January 1, 2019
Amendments to IAS 28 "Long-term interests in associates and joint ventures"	January 1, 2019

Those which may be relevant to the Consolidated Company are set out below:

Issuance / Release Dates	Standards or Interpretations	Content of amendment
January 13, 2016	IFRS 16 "Leases"	The new standard of accounting for lease is amended as follows: • For a contract that is, or contains, a lease, the lessee shall recognize a right of use asset and a lease liability in the balance sheet. In the statement of profit or loss and other comprehensive income, a lessee shall present interest expense on the lease liability separately from the depreciation charge for the right of-use asset during the lease term. • A lessor classifies a lease as either a finance lease or an operating lease, and therefore, the accounting remains similar to IAS 17.

The Consolidated Company is evaluating the impact on its consolidated financial position and consolidated financial performance upon the initial adoption of the abovementioned standards or interpretations. The results thereof will be disclosed when the Consolidated Company completes its evaluation.

(4) Summary of significant accounting policies:

Except the following accounting policies mentioned below, the significant accounting policies presented in the accompanying interim consolidated financial statements are consistent with those applied in the 2016 consolidated financial statements. Please refer to note 4 to the 2016 consolidated financial statements for related information.

(a) Statement of compliance

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

These interim consolidated financial statements have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" (hereinafter referred to as the Regulations) and IAS 34 "Interim Financial Reporting" endorsed by the FSC, and do not present all the disclosures required for a complete set of annual consolidated financial statements prepared in accordance with the International Financial Reporting Standards, International Accounting Statements, IFRIC Interpretations, and SIC Interpretations endorsed by the FSC (hereinafter referred to as the IFRSs endorsed by the FSC).

(b) Basis of consolidation

The principles of preparation of the consolidated financial statements are the same as those of the consolidated financial statements for the year ended December 31, 2016. Please refer to note 4(3) of the consolidated financial statements for the year ended December 31, 2016 for related information.

A list of subsidiaries in the consolidated financial statements is as follows:

			Percentage of ownership (%)		
Name of investor	**Name of subsidiary**	**Business activities**	**September 30, 2017**	**December 31, 2016**	**September 30, 2016**
The Company	Regal Jewelry Manufacture Co., Ltd.(RJM)	Designing, manufacturing and selling jewelry and gems	99.99 %	99.99 %	99.99 %
The Company	GIO VAN GOGH (International) Jewelry Ltd.(GVG Hong Kong)	Investment activities	100.00 %	100.00 %	100.00 %
RJM	Regal Plating Co., Ltd.(RGP)	Plating jewelry and gems	51.00 %	51.00 %	51.00 %
GVG Hong Kong	Gio Van Gogh Shen Zhen Ptd Ltd. (GVG Shen Zhen)	Selling jewelry and gems	100.00 %	100.00 %	100.00 %

In January 2016, GVG Hong Kong made a capital injection amounting to HKD4,000 thousand, which was invested fully by the Company.

In March 2016, GVG Shen Zhen made a capital injection amounting to CNY3,000 thousand, which was invested fully by GVG Hong Kong.

In August 2017, GVG Shen Zhen made a capital injection amounting to CNY295 thousand, which was invested fully by GVG Hong Kong.

All subsidiaries of the Company are included in the consolidated financial statements.

(c) Share-based payment

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

(Continued)

REGAL HOLDING CO., LTD. AND ITS SUBSIDIARIES
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For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions, and there is no true-up for differences between expected and actual outcomes.

(d) Employee benefits

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

(e) Income taxes

Tax expense in the interim financial statements is measured and disclosed according to IAS 34 "Interim Financial Reporting".

Income tax expense for the period is best estimated by multiplying pretax income for the interim reporting period by the effective annual tax rate as forecasted by management. This should be recognized as current tax expense.

Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases shall be measured based on the effective tax rate at the time of realization or liquidation and recognized directly in equity or other comprehensive income as tax expense.

(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty:

The preparation of the consolidated interim financial statements in conformity with IAS 34 "Interim Financial Reporting" endorsed by FSC requires management to make judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amounts of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

For the preparation of the consolidated interim financial statements, estimates and underlying assumptions are reviewed on an ongoing basis in conformity with the IFRSs endorsed by the FSC and are consistent with those disclosed in note 5 to the 2016 consolidated financial statements.

(Continued)

REGAL HOLDING CO., LTD. AND ITS SUBSIDIARIES
Notes to Consolidated Interim Financial Statements

(6) Explanation of significant accounts:

Except for the following disclosures, there is no significant difference as compared with those disclosed in the consolidated financial statements for the year ended December 31, 2016. Please refer to Note 6 of the 2016 annual consolidated financial statements.

(a) Cash and cash equivalents

	September 30, 2017	December 31, 2016	September 30, 2016
Cash	$ 1,879	1,829	1,620
Demand deposits	562,906	118,445	446,969
Checking deposits	49	758	50
Cash and cash equivalents in consolidated statement of cash flows	$ 564,834	121,032	448,639

(b) Trade receivables and other receivables

	September 30, 2017	December 31, 2016	September 30, 2016
Notes receivable	$ 2,002	2,419	-
Trade receivables	252,196	341,049	190,181
Other receivables	2,858	1,888	6,082
Less: allowance for doubtful debts— trade receivables	(5,887)	(7,020)	(6,692)
	$ 251,169	338,336	189,571

The aging analysis of trade receivables and other receivables that were past due but not impaired of the Consolidated Company were as follows:

	September 30, 2017	December 31, 2016	September 30, 2016
Past due 1~90 days	$ 31,604	136,932	33,046
Past due 91~180 days	5,317	783	1,572
	$ 36,921	137,715	34,618

(Continued)

REGAL HOLDING CO., LTD. AND ITS SUBSIDIARIES
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The changes in the aforementioned allowance for doubtful accounts were as follows:

	Individually assessed impairment	Collectively assessed impairment	Total
January 1, 2017	$ 6,100	920	7,020
Reversal of impairment loss recognized	(991)	(180)	(1,171)
Foreign exchange loss	34	4	38
September 30, 2017	$ 5,143	744	5,887
January 1, 2016	$ 5,364	346	5,710
Impairment loss recognized	782	255	1,037
Foreign exchange gain	(48)	(7)	(55)
September 30, 2016	$ 6,098	594	6,692

The average credit terms of sales for the Consolidated Company is 30 days to 60 days. When assessing the collectability of trade receivables, the Consolidated Company will consider any changes of trade receivables from the date the original credit term was issued to the reporting date. The impairment of trade receivables is based on individual customer's credit term, payment history and current financial position. The Consolidated Company believes that there was no objective evidence of significant loss occurred in trade receivables and other receivables that were past due but not impaired.

(c) Inventories

	September 30, 2017		
	Cost	Allowance for loss	Net realizable value
Raw materials	$ 194,816	54,533	140,283
Work in process	101,693	5,327	96,366
Finished goods	11,065	1,327	9,738
Supplies and spare parts	18,721	3,322	15,399
	$ 326,295	64,509	261,786

REGAL HOLDING CO., LTD. AND ITS SUBSIDIARIES
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	December 31, 2016		
	Cost	Allowance for loss	Net realizable value
Raw materials	$ 186,798	51,732	135,066
Work in process	124,581	18,160	106,421
Finished goods	11,619	1,741	9,878
Supplies and spare parts	23,503	3,322	20,181
	$ 346,501	74,955	271,546

	September 30, 2016		
	Cost	Allowance for loss	Net realizable value
Raw materials	$ 209,213	56,838	152,375
Work in process	121,024	9,916	111,108
Finished goods	11,600	1,652	9,948
Supplies and spare parts	23,234	3,479	19,755
	$ 365,071	71,885	293,186

The changes in the aforementioned allowance for loss were as follows:

	For the nine months ended September 30	
	2017	2016
Beginning balances	$ 74,955	70,725
Provision for (reversal of) devaluation and obsolescence of inventory	(10,888)	1,652
Foreign currency translation effects	442	(492)
Ending balances	$ 64,509	71,885

(Continued)

REGAL HOLDING CO., LTD. AND ITS SUBSIDIARIES
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In addition to the normal cost of goods sold, the following loss and revenue were other items which included in the Consolidated Company's operating costs：

	For the three months ended September 30		For the nine months ended September 30	
	2017	2016	2017	2016
Loss (reversal gain) on physical inventory devaluation and obsolescence	$ (1,123)	130	(10,888)	1,652
Revenue from sale of scrap	(146)	(84)	(405)	(11,971)
	$ (1,269)	46	(11,293)	(10,319)

As of September 30, 2017, December 31, 2016, and September 30, 2016, the Consolidated Company did not pledge its inventory as collateral.

(d) Material non-controlling interests of subsidiaries

The material non-controlling interests of subsidiaries were as follows:

Subsidiary	Main operation place/ Country of incorporation	Percentage of non- controlling interests September 30, 2017	December 31, 2016	September 30, 2016
Regal Plating Co., Ltd.	Thailand	49 %	49 %	49 %

The following information of the aforementioned subsidiaries have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers. Included in these information are the fair value adjustment made during the acquisition and relevant difference in accounting principles between the Consolidated Company as at the acquisition date. Intra-group transactions were not eliminated in this information.

Regal Plating Co., Ltd.'s collective financial information

	September 30, 2017	December 31, 2016	September 30, 2016
Current assets	$ 249,597	150,492	91,717
Non-current assets	14,396	9,327	9,453
Current liabilities	(38,002)	(35,795)	(23,480)
Non-current liabilities	(461)	(383)	(339)
Net assets	$ 225,530	123,641	77,351
Non-controlling interests	$ 110,510	60,584	37,902

REGAL HOLDING CO., LTD. AND ITS SUBSIDIARIES
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	For the three months ended September 30		For the nine months ended September 30	
	2017	2016	2017	2016
Sales revenue	$ 161,497	59,318	486,213	246,238
Net income	45,339	19,813	143,768	83,203
Other comprehensive income	2,908	(1,009)	3,296	(2,001)
Comprehensive income	$ 48,247	18,804	147,064	81,202
Profit, attributable to non-controlling interests	$ 22,216	9,708	70,446	40,769
Comprehensive income, attributable to non-controlling interests	$ 23,641	9,214	72,061	39,789
Net cash flows from operating activities			$ 132,944	75,900
Net cash flows from investing activities			-	-
Net cash flows from financing activities			(45,174)	(73,300)
Net increase in cash and cash equivalents			$ 87,770	2,600
Dividends to NCI			$ (22,135)	(35,917)

(e) Property, plant and equipment

The cost, depreciation, and impairment losses of the property, plant and equipment of the Consolidated Company in the nine months ended September 30, 2017 and 2016, were as follows:

	Land	Buildings	Machinery and equipment	Transportation equipment	Office equipment	Land improvement	Equipment to be inspected	Total
Cost or deemed cost:								
Balance at January 1, 2017	$ 158,111	197,794	270,288	15,329	100,596	9,323	-	751,441
Addition	-	799	10,528	1,612	4,913	49	16,189	34,090
Disposals	-	(44)	(15,737)	(19)	(1,388)	-	-	(17,188)
Foreign currency translation effect	1,363	1,719	2,231	162	924	81	303	6,783
Balance at September 30, 2017	$ 159,474	200,268	267,310	17,084	105,045	9,453	16,492	775,126
Balance at January 1, 2016	$ 159,788	197,154	261,174	13,644	93,205	9,363	1,476	735,804
Addition	-	461	13,075	1,891	6,122	23	8,098	29,670
Disposals	-	(151)	(6,198)	(25)	(1,688)	-	-	(8,062)
Reclassification	-	1,251	313	-	150	-	(1,714)	-
Foreign currency translation effect	(1,048)	(1,320)	(1,835)	(121)	(697)	(62)	(120)	(5,203)
Balance at September 30, 2016	$ 158,740	197,395	266,529	15,389	97,092	9,324	7,740	752,209

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Notes to Consolidated Interim Financial Statements

	Land	Buildings	Machinery and equipment	Transportation equipment	Office equipment	Land improvement	Equipment to be inspected	Total
Accumulated depreciation and impairment losses:								
Balance at January 1, 2017	$ -	117,964	211,273	11,074	80,304	9,206	-	429,821
Depreciation	-	7,807	17,576	1,280	6,795	50	-	33,508
Disposals	-	(5)	(14,109)	(19)	(1,298)	-	-	(15,431)
Foreign currency translation effect	-	1,163	1,885	119	792	80	-	4,039
Balance at September 30, 2017	$ -	126,929	216,625	12,454	86,593	9,336	-	451,937
Balance at January 1, 2016	$ -	108,666	194,319	9,744	74,972	9,236	-	396,937
Depreciation	-	8,050	18,926	1,075	6,869	52	-	34,972
Disposals	-	(107)	(5,691)	(18)	(1,658)	-	-	(7,474)
Foreign currency translation effect	-	(849)	(1,502)	(83)	(569)	(62)	-	(3,065)
Balance at September 30, 2016	$ -	115,760	206,052	10,718	79,614	9,226	-	421,370
Carrying amount:								
Balance at January 1, 2017	$ 158,111	79,830	59,015	4,255	20,292	117	-	321,620
Balance at September 30, 2017	$ 159,474	73,339	50,685	4,630	18,452	117	16,492	323,189
Balance at January 1, 2016	$ 159,788	88,488	66,855	3,900	18,233	127	1,476	338,867
Balance at September 30, 2016	$ 158,740	81,635	60,477	4,671	17,478	98	7,740	330,839

Please refer to note 8 for the disclosure of assets pledged as collateral for short-term loans.

(f) Intangible assets

The cost, amortization , and impairment losses of the intangible assets of the Consolidated Company in the nine months ended September 30, 2017 and 2016, were as follows:

		Computer software
Costs:		
Balance at January 1, 2017	$	41,541
Additions		4,035
Disposals		(553)
Foreign currency translation effect		422
Balance at September 30, 2017	$	**45,445**
Balance at January 1, 2016	$	39,927
Additions		1,134
Foreign currency translation effect		(280)
Balance at September 30, 2016	$	**40,781**

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Notes to Consolidated Interim Financial Statements

	Computer software
Amortization and impairment loss:	
Balance at January 1, 2017	$ 29,671
Amortization	3,043
Disposals	(257)
Foreign currency translation effect	307
Balance at September 30, 2017	$ 32,764
Balance at January 1, 2016	$ 26,031
Amortization	2,943
Foreign currency translation effect	(221)
Balance at September 30, 2016	$ 28,753
Carrying amount:	
Balance at January 1, 2017	$ 11,870
Balance at September 30, 2017	$ 12,681
Balance at January 1, 2016	$ 13,896
Balance at September 30, 2016	$ 12,028

(g) Short-term loans

	September 30, 2017	December 31, 2016	September 30, 2016
Secured loans	$ 164,304	135,750	463,386
Unused credit lines	$ 1,439,486	1,454,335	1,133,024
Interest rate (%)	2.50~2.75	2.45~2.50	2.50~2.97

Please refer to note 8 for the information of the collateral for loans.

(h) Operating leases

There were not any non-cancellable operating lease agreements at September 30, 2017, December 31, 2016, and September 30, 2016.

Operating lease expenses were as follows:

	For the three months ended September 30		For the nine months ended September 30	
	2017	2016	2017	2016
Operating costs	$ 31	37	98	113
Operating expenses	584	360	1,584	1,149
Total	$ 615	397	1,682	1,262

(i) Employee benefits — defined benefit plans

Given there was no significant volatility of the market or any significant curtailments, settlements, or other one-time events after the end of the prior fiscal year, pension cost in the interim financial statements is measured and disclosed in accordance with the pension cost determined by the actuarial report issued for the years ended December 31, 2016 and 2015.

The Consolidated Company's pension expenses recognized in profit or loss, were as follows:

	For the three months ended September 30		For the nine months ended September 30	
	2017	2016	2017	2016
Operating costs	$ 533	479	1,571	1,453
Operating expenses	353	254	1,061	768
	$ 886	733	2,632	2,221

(j) Income taxes

(i) The Company was incorporated in the Cayman Islands, where income tax is not required to be paid. RJM & RGP's statutory income tax rate is 20%. GVG Hong Kong 's statutory income tax rate is 16.5%. GVG Shenzhen's statutory income tax rate is 25%.

(ii) The amounts of income tax were as follows:

	For the three months ended September 30		For the nine months ended September 30	
	2017	2016	2017	2016
Current period	$ 21,882	11,511	68,434	76,457

(iii) Examination and approval

In Thailand, where RJM and RGP operates, income taxes do not require approval by the tax authority. Income taxes paid in prior years have received income tax receipts up to 2016. For GVG Hong Kong and GVG Shen Zhen had been approved by the revenue department through 2016.

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REGAL HOLDING CO., LTD. AND ITS SUBSIDIARIES
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(k) Share capital and other equity

As of September 30, 2017, December 31, 2016 and September 30, 2016, the total value of authorized ordinary shares amounted to $600,000. Par value of each share is $10. There were 38,160 thousand, 33,920 thousand and 33,920 thousand ordinary shares issued at September 30, 2017, December 31, 2016 and September 30, 2016, respectively.

Reconciliation of share outstanding for the nine months ended September 30, 2017 and 2016, was as follows (Expressed in Thousand shares):

	Common Stocks	
	For the nine months ended September 30	
	2017	2016
Beginning balances	33,920	32,000
Issued for cash	4,240	1,920
Ending balances	38,160	33,920

(i) Issuance of common stock

Following the resolution of the Board of Directors' meeting held on March 9, 2017, the Company decided to issue new stock comprising 4,240 thousand of common shares to apply to TWSE. According to the Company's Articles, 10% of total issued shares, which is 424 thousand shares, are reserved for employees to subscribe. The shares that are not subscribed by employees would be subscribed by given people contacted by the Chairman of the Company. This cash injection was approved on April 11, 2017, with June 22, 2017 as the record date of capital increase. The cash proceeds from the issuance of new shares were $297,356 thousand in total and the Company collected $290,356 thousand after deducting issuance cost of $7,000 thousand. The cash was fully received and the registration was completed and the premium was $247,956 thousand, recorded under capital surplus.

(ii) Capital surplus

The balance of capital surplus was as follows:

	September 30, 2017	December 31, 2016	September 30, 2016
Additional paid-in capital	$ 418,370	170,160	170,160

(iii) Retained earnings

Based on the Company's Articles, for so long as the shares are traded on the Emerging Stock Market (ESM) or listed on the Taipei Exchange (TPEx) or TWSE, if there are profits, in making the profits distribution recommendation, the Board shall set aside out of the profits of the Company for each financial year: (i) a reserve for payment of tax for the relevant financial year; (ii) an amount to offset losses incurred in previous years; (iii) ten percent (10%) as reserve and (iv) a special surplus reserve as required by the applicable securities authority of the ROC under the Applicable Public Company Rules. If there should be any remaining profits, subject to the discretion of the Directors, after combining all or part of the accumulated undistributed profits in the previous years and the reversed special surplus reserve, the combined amount shall be allocated as dividends to the Members in proportion to their shareholdings. Subject to the Law in Cayman Islands and the Applicable Public Company Rules and unless otherwise resolved by the Board and the Members, and after having considered the financial, business and operational factors of the Company, the dividends shall not be less than fifty percent (50%) of profit after tax of the relevant year. The distribution may be made by way of cash dividends or by way of stock dividends or a combination thereof, provided that, the cash dividends shall not be less than thirty percent (30%) of the total amount of dividends payable.

1) Special reserve

In accordance with Chin Kuan Cheng Fa No. 1010012865 issued on April 6, 2012, the Company shall set aside a special reserve before earnings distribution, and equal to the net balance of other deductions in shareholders' equity in the current period from net income in the current period and prior unappropriated retained earnings . The special reserve set aside based on the deductions in shareholders' equity that resulted from prior periods cannot be distributed to shareholders. The Company can distribute the special reserve only up to the amount of the reversal of such deductions.

The Company decided to provide a special reserve of $40,893 thousand based on the resolution of the shareholders' meeting held on June 22, 2017.

2) Earnings distribution

Earnings distributions for 2016 and 2015 were decided in resolutions made by shareholders on June 22, 2017 and May 20, 2016,respectively. The dividends distributed to shareholders were as follows:

	2016		2015	
	Amount per share	**Total Amount**	**Amount per share**	**Total Amount**
Dividends distributed to shareholders:				
Cash	$ 3.375	114,480	4.98	159,324

(Continued)

For capital increase in cash to apply for initial public offering, the Company newly issued 4,240 thousand shares at June 22, 2017. Total shares issued were 38,160 thousand shares, after capital increase. The dividend per share was adjusted from $3.375 to $3, accordingly.

For year 2015, cash dividends of $244,336 thousand, with $7.64 per share that resolved in resolution was partly distributed from capital reserve.

The earnings distribution information resolved at the meeting of the Board of Directors and shareholders would be available on the Market Observation Post System Website after the shareholder's meeting.

(l) Share-based payment

(i) For the nine months ended September 30, 2017, the Consolidated Company's share-based payment arrangement were as follows:

	Cash-settled share-based payment plan (reserved for employees to subscribe)
Grant date	June 12, 2017
Number of shares granted	424,000
Contract term (Year)	0.04
Recipients	All employees
Vesting conditions	Immediately vested

1) Determining the fair value of equity instruments granted

The Consolidated Company used Black-Scholes Option Pricing Model in measuring the fair value of the share-based payment at the grant date.

The measurement inputs of the model were as follows:

	Capital increase in cash (reserved for employees to subscribe)
Fair value at grant date in New Taiwan Dollars	66.60
Exercise price in New Taiwan Dollars	66.00
Expected volatility (%)	7.92
Expected life (years)	0.04
Expected dividend (%)	4.50
Risk-free interest rate (%)	0.60

2) Details of the employee stock options as follows:

	For the nine months ended September 30	
	2017	
	Weighted average exercise price	Number of options
Outstanding at January 1	-	-
Granted during the year (number)	66.00	424,000
Exercised during the year (number)	66.00	(424,000)
Outstanding at September 30	-	-
Exercisable at September 30	-	-

3) Expense recognized in profit or loss

The Consolidated Company recognized $254 thousand for the expense resulting from cash injection for share based payment to its employees, recorded under capital surplus for the nine months ended September 30, 2017.

(ii) During the shareholders' meeting on June 22, 2017, the shareholders approved a resolution to issue 340 thousand restricted employee shares amounting to $3,400 thousand, with par value $10 per share. Only full-time employees of Regal Holding Co., Ltd. and its subsidiaries that meet certain conditions are eligible to obtain the restricted employee shares. The application of restricted employee shares have not been registered with the authority yet.

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REGAL HOLDING CO., LTD. AND ITS SUBSIDIARIES
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(m) Earnings per share

The calculation of basic and diluted earnings per share (EPS) was as follows:

	For the three months ended September 30		For the nine months ended September 30	
	2017	2016	2017	2016
Basic EPS:				
Net income attributable to common shares	$ 43,510	14,863	98,966	143,084
Weighted-average number of common shares outstanding (thousands shares)	38,160	32,146	35,473	32,049
Basic EPS (New Taiwan dollars)	$ 1.14	0.46	2.79	4.46
Diluted EPS:				
Net income attributable to common shares shareholders of the Company	$ 43,510	14,863	98,966	143,084
Weighted-average number of common shares outstanding (thousands shares)	38,160	32,146	35,473	32,049
Potential dilutive effect on common stock (thousand shares)				
Influence of employee stock remuneration	22	39	27	277
Weighted- average number of common shares outstanding- diluted(thousand shares)	38,182	32,185	35,500	32,326
Diluted EPS (New Taiwan dollars)	$ 1.14	0.46	2.79	4.43

(n) Revenue

The details of revenue were as follows:

	For the three months ended September 30		For the nine months ended September 30	
	2017	2016	2017	2016
Sales of goods	$ 608,440	393,144	1,602,534	1,674,778

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REGAL HOLDING CO., LTD. AND ITS SUBSIDIARIES
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(o) Employee compensation and directors' remuneration

According to the amendment of the Company's articles of incorporation which was approved by the shareholders' meeting at May 20, 2016, no less than 1% of current-year profit income before tax excluding employee's compensation shall be distributed as employee compensation and no more than 3% of it as remuneration of directors. However, if the Company has an accumulated deficit, the profit should be used to offset the deficit. Compensation and remuneration shall be made by way of cash but may also be made by stock or a combination thereof. The recipients of stock and cash may include the employees of the Company's affiliated companies who meet certain conditions decided by the Board of Directors of the Company.

The Company accrued $519 thousand, $185 thousand, $1,159 thousand and $3,215 thousand for employees' remuneration for the three months ended September 30, 2017 and 2016 and the nine months ended September 30, 2017 and 2016,respectively. The remunerations to directors amounted to $0 for the nine months ended September 30, 2017 and 2016. These amounts were calculated using the Company's net income before tax without the remuneration to employees and directors for each period, multiplied by the proposed percentage which is stated under the Company's proposed Article of Incorporation. These remuneration were expensed under operating costs or expenses for each period. If there are any subsequent adjustments to the actual remuneration amounts after the annual shareholder' meeting, the adjustment will be regarded as changes in accounting estimates and will be reflected in profit or loss in the following year. If employee compensation is made by stock in the resolution of the Board of Directors' meeting, the number of shares will be calculated based on the closing price on the day before resolution.

For the years ended December 31, 2016 and 2015, the remuneration to employees amounted to $2,153 thousands and $40,984 thousands, respectively, the remuneration to directors amounted to $0. There was no difference from the resolution of the Board of Directors' meeting. The relevant information in 2016 is available on the Market Observation Post System website.

(p) Non-operating income and expenses

(i) Other income

The details of other income are as follows:

	For the three months ended September 30		For the nine months ended September 30	
	2017	**2016**	**2017**	**2016**
Interest Income	$ 51	45	340	302
Others	1,877	1,507	4,662	2,810
	$ 1,928	1,552	5,002	3,112

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(ii) Other gains and losses

The details of other gains and losses are as follows:

	For the three months ended September 30		For the nine months ended September 30	
	2017	**2016**	**2017**	**2016**
Loss on disposal of property, plant and equipment	$ (78)	(12)	(1,566)	(288)
Loss on disposal of intangible assets	(2)	-	(296)	-
Foreign exchange loss, net	(13,061)	(2,042)	(18,698)	(4,469)
Others	(1)	-	(281)	-
	$ (13,142)	(2,054)	(20,841)	(4,757)

(iii) Finance cost

The details of finance cost are as follows:

	For the three months ended September 30		For the nine months ended September 30	
	2017	**2016**	**2017**	**2016**
Interest expense on loans from banks	$ (1,965)	(2,587)	(4,583)	(6,254)

(q) Financial instruments

Except for the following, there was no significant change in the fair value of the financial instruments of the Consolidated Company and its exposure to credit risk, liquidity risk and market risk due from the financial instruments. Please refer to the 2016 consolidated financial statements for related information.

(i) Credit risk

The Consolidated Company's trade receivable are obviously concentrated on the main customers, which amounted to $144,363 thousand, $203,708 thousand, $82,387 thousand respectively, accounted for 59%, 61% and 45% of the total amount of accounts receivable as of September 30, 2017, December 31, 2016, and September 30, 2016, respectively.

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(ii) Liquidity Risk

The following table shows the contractual maturity of the financial liabilities excluding the impact of estimated interest.

		Carrying amount	Contractual cash flows	Less than 1 year	1-2 years	More than 2 years
September 30, 2017						
Non-derivative financial liabilities						
Short-term bank loans	$	164,304	164,304	164,304	-	-
Accruals payable		105,598	105,598	105,598	-	-
Refundable deposits		3,408	3,408	-	-	3,408
	$	273,310	273,310	269,902	-	3,408
December 31, 2016						
Non-derivative financial liabilities						
Short-term bank loans	$	135,750	135,750	135,750	-	-
Accruals payable		108,815	108,815	108,815	-	-
Refundable deposits		2,532	2,532	-	-	2,532
	$	247,097	247,097	244,565	-	2,532
September 30, 2016						
Non-derivative financial liabilities						
Short-term bank loans	$	463,386	463,386	463,386	-	-
Accruals payable		86,692	86,692	86,692	-	-
Refundable deposits		2,528	2,528	-	-	2,528
	$	552,606	552,606	550,078	-	2,528

The Consolidated Company does not expect the cash flows included in the maturity analysis to occur significantly earlier or at significantly different amounts.

(iii) Market risk- Currency risk

1) Currency risk exposure

The Consolidated Company's significant exposure to foreign currency risk was as follows :

		September 30, 2017			December 31, 2016			September 30, 2016		
		Foreign currency (in thousands)	Exchange rate	Amount	Foreign currency (in thousands)	Exchange rate	Amount	Foreign currency (in thousands)	Exchange rate	Amount
Financial assets										
Monetary items										
USD	$	16,069	30.26	486,248	5,992	32.25	193,247	5,244	31.36	164,443

(Continued)

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2) Sensitivity analysis

The Consolidated Company's exposure to foreign currency risk mainly arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, trade and other receivables, that are denominated in foreign currency.

A 1% strengthening (weakening) of the TWD against the USD as at September 30, 2017 and 2016, would have decreased (increased) net profit before tax for the nine months ended September 30, 2017 and 2016, by $4,862 thousand and $1,644 thousand, respectively.

3) Exchange gains and losses of monetary items

Due to the different types of functional currency of the Consolidated Company, the Consolidated Company discloses its exchange gains and losses of monetary items aggregately. The Company's exchange loss, including realized and unrealized, were $(13,061) thousand, $(2,042) thousand, $(18,698) thousand and $(4,469) thousand for the three months ended September 30, 2017 and 2016 and the nine months ended September 30, 2017 and 2016, respectively.

(iv) Interest rate analysis

Please refer to the notes on liquidity risk management and interest rate exposure of the Consolidated Company's financial assets and liabilities.

If the interest rate had increased / decreased by 1%, the Consolidated Company's net income before taxation would have decreased / increased by 1,643 thousand and 4,634 thousand for the nine months ended September 30, 2017 and 2016 with all other variable factors remaining constant. This was mainly due to the Consolidated Company's borrowing at flexible.

(v) Fair Value Information

1) Categories and fair value of financial instruments

The financial assets of the Consolidated Company include cash and cash equivalents, notes receivables, trade receivables, other receivables, other financial assets— non-current, etc. Financial liabilities measured at amortization cost include short-term loans, notes payable, trade payables, other payables, and refundable deposits—non-current, etc. Since the book value of the aforementioned financial assets and liabilities is a reasonable approximation of fair value, disclosures of fair value is not required.

(r) Financial Risk Management

There were no significant changes in the objectives and policies concerning the financial risks the Consolidated Company was exposed to. Please refer to the 2016 consolidated financial statements for related information.

(Continued)

(s) Capital management

The purpose, policy, procedures, and summarized quantitative data of the Consolidated Company's capital management were the same as those disclosed in the 2016 consolidated financial statements. Please refer to the 2016 consolidated financial statements for related information.

(7) Related-party transactions:

(a) Name and relationship with related parties

The followings are natural people or entities that have had transactions with related party during the periods covered in the consolidated interim financial statements.

Name of related party	Relationship with the Consolidated Company
PHACHARAPON PHAIBOONS UNTORN	The Chairman of the Company
Ru-Yin, Lin	Key management personnel
SARAYUTH MUNG CHITVITSAVAKORN	Legal representative of the Board of Directors

(b) Significant transactions with related parties—Guarantee

The Consolidated Company's Chairman, key management personnel and legal representative of the Board of Directors provided personal guarantee for bank loans of consolidated company without any guarantee fees.

(c) Key management personnel compensation

Key management personnel compensation comprised:

	For the three months ended September 30		For the nine months ended September 30	
	2017	2016	2017	2016
Short-term employee benefits	$ 4,653	4,287	13,589	15,825
Post-employment benefits	37	568	113	1,163
	$ 4,690	4,855	13,702	16,988

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(8) Pledged assets:

The carrying amounts of pledged assets were as follows:

Pledged assets	Object	September 30, 2017	December 31, 2016	September 30, 2016
Land	Short-term loans	$ 151,019	149,728	150,324
Buildings	Short-term loans	41,323	45,705	47,471
Other financial assets (non-current)	Guarantee for electricity supply	4,147	4,080	4,073
		$ 196,489	199,513	201,868

(9) Significant commitments and contingencies:

The credit line of guarantee provided by bank was as follows:

	September 30, 2017	December 31, 2016	September 30, 2016
Electricity guarantee	$ 3,911	3,846	3,840

(10) Losses due to major disasters:None

(11) Subsequent events:None

(12) Other:

A summary of personnel costs, depreciation, depletion and amortization is as follows:

Function	For the three months ended September 30					
	2017			2016		
Account	Operating cost	Operating expenses	Total	Operating cost	Operating expenses	Total
Personnel costs						
Salaries	117,128	42,464	159,592	122,185	38,641	160,826
Health insurance	-	132	132	-	106	106
Pension	533	353	886	479	254	733
Other personnel expense	4,145	8,056	12,201	3,200	7,295	10,495
Depreciation	7,841	3,349	11,190	7,299	4,277	11,576
Amortization	-	996	996	-	970	970

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Function / Account	For the nine months ended September 30					
	2017			2016		
	Operating cost	Operating expenses	Total	Operating cost	Operating expenses	Total
Personnel costs						
Salaries	345,337	134,376	479,713	417,412	139,151	556,563
Health insurance	-	423	423	-	299	299
Pension	1,571	1,061	2,632	1,453	768	2,221
Other personnel expense	11,018	19,926	30,944	9,849	16,849	26,698
Depreciation	23,425	10,083	33,508	22,469	12,503	34,972
Amortization	-	3,043	3,043	-	2,943	2,943

(Continued)

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(13) Other disclosures:

(a) Information on significant transactions:

The following were the information on significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Consolidate Company for the nine-months ended September 30, 2017:

(i) Lending to other parties:None

(ii) Guarantees and endorsements for other parties:None

(iii) Information regarding securities held at the reporting date (subsidiary, associates and joint ventures not included):None

(iv) Information regarding purchase or sale of securities for the period exceeding 300 million or 20% of the Company's paid-in capital:None

(v) Information on acquisition of real estate with purchase amount exceeding 300 million or 20% of the Company's paid-in capital:None

(vi) Information regarding receivables from disposal of real estate exceeding 300 million or 20% of the Company's paid-in capital:None

(vii) Information regarding related-parties purchases and/or sales exceeding 100 million or 20% of the Company's paid-in capital:

			Transaction details				Transactions in terms other than the regular terms		Note and accounts receivable (payable)		
Name of company	Counterparty	Nature of relationship	Purchase/Sale	Amount	Percentage of total purchases (sales)(%)	Credit terms (days)	Unit price	Payment terms	Ending balance of notes and accounts receivable (payable)	Percentage of total notes and accounts receivable (payable)	Note
RGP	RJM	RJM's subsidiary	Sales	(455,706)	(93.73)	45~60 days	Note 1	-	87,803	79.91	Note 2

Note 1: The price was calculated by the mutual negotiable prices.

Note 2: Related-party transactions have been eliminated in the preparation of the consolidated financial statements.

(viii) Information regarding receivables from related-parties exceeding 100 million or 20% of the Company's paid-in capital::

Name of company	Counter-party	Nature of relationship	Ending balance (Note 2)	Turnover rate	Overdue		Amounts received in subsequent period (Note 1)	Allowance for bad debts
					Amount	Action taken		
RGP	RJM	RJM' subsidiary company	87,803	5.88	-		40,190	-

Note 1: For period ended 25 October 2017.

Note 2: Related-party transactions have been eliminated in the preparation of the consolidated financial statements.

(ix) Information regarding trading in derivative financial instruments: None

(x) Significant transactions and business relationship between the parent company and its subsidiaries for the three months ended March 31, 2017:

No.	Name of company	Name of counter-party	Nature of relationship	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
1	RGP	RJM	1	Sales	455,706	The price calculation is made by the consent of the both parties.	28.44%
1	RGP	RJM	1	Trade receivables	87,803	45~60 days	5.96%

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Note 1: Company numbering as follow:

1.represent RGP。

Note 2: The numbering of the relationship between transaction parties as follows:

1. Subsidiary to parent company.

Note 3: The account should be disclosed if the amount is over 1% of the total assets from the statement of financial position and total operating revenue from the statement of comprehensive income.

(b) Related information on investee companies:

The following is the information on investees for the nine months ended September 30, 2017 (excluding information on investees in Mainland China):

(In Thousands of New Taiwan Dollars)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount: September 30, 2017	Original investment amount: December 31, 2016	Balance as of September 30, 2017: Shares (thousands)	Balance as of September 30, 2017: Percentage of ownership	Balance as of September 30, 2017: Carrying value (note 1)	Net income (losses) of investee (note 1)	Share of profits/losses of investee (note 1)	Note
The Company	RJM	Thailand	Designing, Manufacturing and Selling jewelry and gem	300,000	300,000	4,549,998	99.99 %	825,510	142,995	142,995	Eliminate in the consolidated financial statements
The Company	GVG Hong Kong	Hong Kong	Investment Activities	22,050	22,050	5,000,000	100.00 %	6,427	(4,260)	(4,260)	〃
RJM	RGP	Thailand	Plating jewelry and gem	11,647	11,647	127,500	51.00 %	113,116	143,768	80,158 (note 2)	〃

Note 1: Investment gains (losses) have been recognized by using the equity method based on the financial statements of the investee companies reviewed by the Company's Certified Public Accountant.

Note 2: The investment gains included the inter-company gross profit amounting to $6,836 thousand .

(c) Information on investment in mainland China:

(i) The names of investees in Mainland China, the main businesses and products, and other information:

(In Thousands of New Taiwan Dollars)

Name of investee	Major business project	Paid-in Capital	Investment Method (note 1)	Accumulated outflow of Cumulated investment amount remitted from Taiwan at beginning of period	Investment amount remitted or recovered: Remittance	Investment amount remitted or recovered: Recovery	Cumulated investment amount remitted from Taiwan at end of period	Current profit of investee company (note 3)	Shareholding ratio of direct or indirect investment of the company	Investment gains or losses (note 2 and 3)	Book value of investment at end of year (note 2 and 3)	Accumulated investment income remitted
GVG (Shen Zhen	Selling jewelry and gem	CNY 4,295	2	(note 4)	(note 4)	(note 4)	(note 4)	(4,145)	100.00 %	(4,145)	6,499	-

Note1: Investment methods are divided into the following three kinds;

(1)Invest in Mainland China directly

(2)Invest in GVG Hong Kong, and then invest in Mainland China.

(3)Other methods。

Note 2: Long-term investment at end of period and investment gains or losses have been eliminated in the preparation of the consolidated financial statements。

Note 3: Financial statements of the investee company were examined by the auditors of parent company. Those investment gains or losses end of the investment at end of period have been recognized by the equity method based on the financial statements of the investee company.

Note 4 :The Company is not a Taiwan local company, so no investment amount is shown.

(ii) Limitation on investment in Mainland China:None

(iii) Significant inter-company transactions with the Mainland China investee company:None

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(14) Segment information:

	For the three months ended September 30 2017			
	Manufacturing and selling gems and jewelry department	Electro-plating department	Adjustments and eliminations	Total
Revenue:				
Revenue from external customers	$ 578,538	29,902	-	608,440
Revenue from transactions with other operating segments	-	131,595	(131,595)	-
Total revenue	$ 578,538	161,497	(131,595)	608,440
Reportable segment profit or loss	$ 42,269	45,339	-	87,608

	For the nine months ended September 30 2016			
	Manufacturing and selling gems and jewelry department	Electro-plating department	Adjustments and eliminations	Total
Revenue:				
Revenue from external customers	$ 393,144	-	-	393,144
Revenue from transactions with other operating segments	-	59,318	(59,318)	-
Total revenue	$ 393,144	59,318	(59,318)	393,144
Reportable segment profit or loss	$ 16,269	19,813	-	36,082

	For the three months ended September 30 2017			
	Manufacturing and selling gems and jewelry department	Electro-plating department	Adjustments and eliminations	Total
Revenue:				
Revenue from external customers	$ 1,572,027	30,507	-	1,602,534
Revenue from transactions with other operating segments	-	455,706	(455,706)	-
Total revenue	$ 1,572,027	486,213	(455,706)	1,602,534
Reportable segment profit or loss	$ 94,078	143,768	-	237,846

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	For the nine months ended September 30			
	2016			
	Manufacturing and selling gems and jewelry department	Electro-plating department	Adjustments and eliminations	Total
Revenue:				
Revenue from external customers	$ 1,674,778	-	-	1,674,778
Revenue from transactions with other operating segments	155	246,238	(246,393)	-
Total revenue	$ 1,674,933	246,238	(246,393)	1,674,778
Reportable segment profit or loss	$ 177,107	83,203	-	260,310

For the three months ended September 30, 2017 and 2016 and nine months ended September 30, 2017 and 2016, the adjustments and eliminations of operating segments were 131,595 thousand, 59,318 thousand, 455,706 thousand and 246,393 thousand, respectively.