

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

**REGAL HOLDING CO., LTD.
AND ITS SUBSIDIARIES**

CONSOLIDATED INTERIM FINANCIAL STATEMENTS

March 31, 2017 and 2016

(With Independent Auditors' Review Report Thereon)

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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' report and consolidated financial statements, the Chinese version shall prevail.

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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 March 31, 2017 and 2016, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the three months ended March 31, 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)
May 9, 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 Financial Statements and Report Originally Issued in Chinese)
As of March 31, 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

March 31, 2017, December 31, 2016, and March 31, 2016

(Expressed in Thousands of New Taiwan Dollars)

	March 31, 2017		December 31, 2016		March 31, 2016	
	Amount	%	Amount	%	Amount	%
Assets						
Current assets:						
11xx Cash and cash equivalents (note 6(a))	\$ 293,761	25	121,032	11	391,432	28
1150 Notes receivable, net (note 6(b))	-	-	2,419	-	4,886	-
1170 Trade receivables, net (note 6(b))	224,403	19	334,029	30	324,998	23
1200 Other receivables (note 6(b))	2,463	-	1,888	-	4,536	-
130x Inventories (note 6(c))	278,630	24	271,546	24	293,981	21
1470 Other current assets	19,617	2	17,084	2	14,306	1
Total current assets	818,874	70	747,998	67	1,034,139	73
Non-current assets:						
15xx Property, plant and equipment (notes 6(d), 6(f) and 8)	311,788	26	321,620	29	338,048	24
1780 Intangible assets (note 6(e))	13,179	1	11,870	1	13,069	1
1840 Deferred tax assets	19,241	2	19,655	2	15,719	1
1984 Other financial assets—non-current (note 8)	7,639	1	7,383	1	7,053	1
Total non-current assets	351,847	30	360,528	33	373,889	27
Total assets	1,170,721	100	1,108,526	100	1,408,028	100
Liabilities and Equity						
Current liabilities:						
21xx Short-term loans (note 6(f), 7 and 8)	\$ 186,039	16	135,750	12	238,810	17
Notes payable	2,050	-	371	-	9,818	1
Trade payables	38,442	3	53,555	5	46,552	3
Other payables (note 6(m))	72,277	6	93,552	9	109,139	8
Current tax liabilities	52,283	5	32,278	3	93,721	7
Advance receipts	547	-	900	-	17,276	1
Other current liabilities	5,159	-	4,618	-	10,963	1
Total current liabilities	356,797	30	321,024	29	526,279	38
Non-current liabilities:						
25xx Deferred tax liabilities	24,914	2	24,914	2	28,928	2
2570 Net defined benefit plan liabilities	17,328	2	16,889	2	17,275	1
2640 Refundable deposits	2,610	-	2,532	-	2,375	-
Total non-current liabilities	44,852	4	44,335	4	48,578	3
Total liabilities	401,649	34	365,359	33	574,857	41
Equity (note 6(j)):						
Equity attributable to owners of parent						
31xx Common stock	339,200	29	339,200	31	320,000	23
3200 Capital surplus	170,160	15	170,160	15	274,336	19
3300 Retained earnings	250,177	21	214,116	19	244,577	17
3410 Exchange differences on translation of foreign financial statements	(55,822)	(5)	(40,893)	(3)	(33,476)	(2)
Total equity attributable to owners of parent:	703,715	60	682,583	62	805,437	57
Non-controlling interests	65,357	6	60,584	5	27,734	2
36xx Total equity	769,072	66	743,167	67	833,171	59
3xxx Total liabilities and equity	1,170,721	100	1,108,526	100	1,408,028	100

See accompanying notes to financial statements.

(English Translation of Consolidated 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 ended March 31, 2017 and 2016

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

		For the three months ended March 31			
		2017		2016	
		Amount	%	Amount	%
4000	Operating revenues (note 6(l))	\$ 495,291	100	684,047	100
5000	Operating costs (notes 6(c), 6(d), 6(g), 6(h) and 12)	<u>336,529</u>	<u>68</u>	<u>491,400</u>	<u>72</u>
5900	Gross profit	<u>158,762</u>	<u>32</u>	<u>192,647</u>	<u>28</u>
6000	Operating expenses (note 6(b), (d), (e), (g), (h), (m), 7 and 12):				
6100	Selling expenses	15,099	3	15,848	2
6200	Administrative expenses	46,796	9	44,765	7
6300	Research and development expenses	<u>18,173</u>	<u>4</u>	<u>29,179</u>	<u>4</u>
	Total operating expenses	<u>80,068</u>	<u>16</u>	<u>89,792</u>	<u>13</u>
6900	Operating income	<u>78,694</u>	<u>16</u>	<u>102,855</u>	<u>15</u>
7000	Non-operating income and expenses (note 6(n)):				
7010	Other income	891	-	787	-
7020	Other gains and losses	(6,958)	(2)	(2,518)	-
7050	Finance costs	<u>(1,010)</u>	<u>-</u>	<u>(1,727)</u>	<u>-</u>
	Total non-operating income and expenses	<u>(7,077)</u>	<u>(2)</u>	<u>(3,458)</u>	<u>-</u>
7900	Profit before tax	71,617	14	99,397	15
7950	Less: Tax expense (note 6(i))	<u>20,756</u>	<u>4</u>	<u>28,463</u>	<u>4</u>
	Profit	<u>50,861</u>	<u>10</u>	<u>70,934</u>	<u>11</u>
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	(16,274)	(3)	(119)	-
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-
8300	Other comprehensive income	<u>(16,274)</u>	<u>(3)</u>	<u>(119)</u>	<u>-</u>
8500	Total comprehensive income	<u>\$ 34,587</u>	<u>7</u>	<u>70,815</u>	<u>11</u>
	Profit, attributable to:				
8610	Profit, attributable to owners of parent	\$ 36,061	7	58,814	9
8620	Profit, attributable to non-controlling interests	<u>14,800</u>	<u>3</u>	<u>12,120</u>	<u>2</u>
		<u>\$ 50,861</u>	<u>10</u>	<u>70,934</u>	<u>11</u>
	Comprehensive income attributable to:				
8710	Comprehensive income, attributable to owners of parent	\$ 21,132	4	59,236	9
8720	Comprehensive income, attributable to non-controlling interests	<u>13,455</u>	<u>3</u>	<u>11,579</u>	<u>2</u>
		<u>\$ 34,587</u>	<u>7</u>	<u>70,815</u>	<u>11</u>
	Basic earnings per share (note 6(k))				
9750	Basic earnings per share	<u>\$ 1.06</u>		<u>1.84</u>	
9850	Diluted earnings per share	<u>\$ 1.06</u>		<u>1.81</u>	

See accompanying notes to 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 three months ended March 31, 2017 and 2016
(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent						Non-controlling interests	Total equity
	Common stock	Capital surplus	Legal reserve	Retained earnings	Exchange differences on translation of foreign financial statements	Total equity attributable to owners of parent		
Balance at January 1, 2016	\$ 320,000	274,336	-	185,763	(33,898)	746,201	34,030	780,231
Appropriation and distribution of retained earnings:								
Cash dividends	-	-	-	-	-	-	(17,875)	(17,875)
Profit	-	-	-	58,814	-	58,814	12,120	70,934
Other comprehensive income	-	-	-	-	422	422	(541)	(119)
Total comprehensive income	-	-	-	58,814	422	59,236	11,579	70,815
Balance at March 31, 2016	\$ 320,000	274,336	-	244,577	(33,476)	805,437	27,734	833,171
Balance at January 1, 2017	\$ 339,200	170,160	18,576	195,540	(40,893)	682,583	60,584	743,167
Appropriation and distribution of retained earnings:								
Cash dividends	-	-	-	-	-	-	(8,682)	(8,682)
Profit	-	-	-	36,061	-	36,061	14,800	50,861
Other comprehensive income	-	-	-	-	(14,929)	(14,929)	(1,345)	(16,274)
Total comprehensive income	-	-	-	36,061	(14,929)	21,132	13,455	34,587
Balance at March 31, 2017	\$ 339,200	170,160	18,576	231,601	(55,822)	703,715	65,357	769,072

Balance at January 1, 2016

Appropriation and distribution of retained earnings:

 Cash dividends

 Profit

 Other comprehensive income

 Total comprehensive income

Balance at March 31, 2016

Balance at January 1, 2017

Appropriation and distribution of retained earnings:

 Cash dividends

 Profit

 Other comprehensive income

 Total comprehensive income

Balance at March 31, 2017

See accompanying notes to financial statements.

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REGAL HOLDING CO., LTD. AND ITS SUBSIDIARIES

Consolidated Statements of Cash Flows

For the three months ended March 31, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars)

	For the three months ended March 31	
	2017	2016
Cash flows from (used in) operating activities:		
Profit before tax	\$ 71,617	99,397
Adjustments:		
Adjustments to reconcile profit:		
Depreciation expense	11,243	11,760
Amortization expense	1,025	1,015
Provision (reversal of provision) for bad debt expense	(1,019)	420
Interest expense	1,010	1,727
Interest income	(9)	(9)
Loss on disposal of property, plan and equipment	1,448	84
Total adjustments to reconcile profit	13,698	14,997
Changes in operating assets and liabilities:		
Changes in operating assets:		
Notes receivable	2,419	(1,966)
Trade receivables	110,789	68,724
Other receivable	(575)	(21)
Inventories	(7,084)	56,582
Other current assets	(2,533)	(391)
Total changes in operating assets	103,016	122,928
Changes in operating liabilities:		
Notes payable	1,679	(14,808)
Trade payable	(15,113)	(18,537)
Other payables	(21,455)	(1,407)
Advance receipts	(353)	1,095
Other current liabilities	541	(592)
Net defined benefit plan liabilities	439	805
Total changes in operating liabilities	(34,262)	(33,444)
Total changes in operating assets and liabilities	68,754	89,484
Total adjustments	82,452	104,481
Cash inflow generated from operations	154,069	203,878
Interest received	9	9
Interest paid	(830)	(1,727)
Income taxes paid	(337)	(139)
Net cash flows from operating activities	152,911	202,021
Cash flows from investing activities:		
Acquisition of property, plant and equipment	(9,812)	(9,855)
Proceeds from disposal of property, plant and equipment	179	297
Acquisition of intangible assets	(2,589)	(114)
Increase in other financial assets—non-current	(256)	(55)
Net cash flows from investing activities	(12,478)	(9,727)
Cash flows from financing activities:		
Increase in short-term loans	50,289	(17,278)
Increase in guarantee deposits received	78	117
Cash dividends	(8,682)	(17,875)
Net cash flows from financing activities	41,685	(35,036)
Effect of exchange rate changes on cash and cash equivalents	(9,389)	(1,642)
Net increase in cash and cash equivalents	172,729	155,616
Cash and cash equivalents at beginning of period	121,032	235,816
Cash and cash equivalents at end of period	\$ 293,761	391,432

See accompanying notes to financial statements.

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As of March 31, 2017 and 2016 reviewed only, not audited in accordance with the generally
accepted auditing standards

REGAL HOLDING CO., LTD. AND ITS SUBSIDIARIES

Notes to the Consolidated Interim Financial Statements

March 31, 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 for Taiwan Stock Exchange Corporation (TWSE) in the Republic of China. On 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 obtained Emerging Stock Market registration in the Republic of China on November 28, 2016. The principal activities of RJM are designing, manufacturing and selling jewellery and gem. 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 May 9, 2017.

(3) New standards, amendments and interpretations adopted:

- (a) Impact of the International Financial Reporting Standards ("IFRSs") endorsed by the Financial Supervisory Commission, R.O.C. ("FSC") which have already taken effect

According to Ruling issued in year 2016, by the FSC, public entities are required to conform to the IFRSs which were issued by the International Accounting Standards Board (IASB) before January 1, 2016, and were endorsed by the FSC on January 1, 2017 in preparing their financial statements. The related new standards, interpretations and amendments are as follows:

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
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

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

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
Amendments to IAS 36 "Impairment of Non-Financial assets- Recoverable Amount Disclosures for Non Financial Assets"	January 1, 2014
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 assessed that the initial application of the above IFRSs would not have any material impact on the consolidated financial statements.

(b) Newly released or amended standards and interpretations not yet endorsed by the FSC

The FSC announced that the Consolidated Company should apply IFRS 9 and IFRS 15 starting January 1, 2018. As of the date, the Consolidated Company's financial statements were issued, the FSC has yet to announce the effective dates of the other IFRSs. A summary of the new standards and amendments issued by the IASB but not yet endorsed by the FSC as of the end of reporting date is as follows:

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
IFRS 9 "Financial Instruments"	January 1, 2018
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 15 "Revenue from Contracts with Customers"	January 1, 2018
IFRS 16 "Leases"	January 1, 2019
Amendment to IFRS 2 "Clarifications of Classification and Measurement of Share based Payment Transactions"	January 1, 2018
Amendment to IFRS 15 "Clarifications of IFRS 15"	January 1, 2018
Amendment to IAS 7 "Disclosure Initiative"	January 1, 2017
Amendment to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017
Amendments to IFRS 4 "Insurance Contracts"(Applicable for IFRS 9 "Financial Instruments" with IFRS 4 "Insurance Contracts")	January 1, 2018
Annual Improvements to IFRS Standards 2014–2016 Cycle:	
IFRS 12 "Disclosure of Interests in Other Entities"	January 1, 2017
IFRS 1 "First-time Adoption of International Financial Reporting Standards" and IAS 28 "Investments in Associates and Joint Ventures"	January 1, 2018
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018

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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 40 " Transition of Investment Property"	January 1, 2018

The Consolidated Company is still currently determining the potential impact of the standards listed below:

Issuance / Release Dates	Standards or Interpretations	Content of amendment
May 28, 2014	IFRS 15 "Revenue from	IFRS 15 establishes a five step model for recognizing revenue that applies to all contracts with customers, and will supersede IAS 18 "Revenue," IAS 11 "Construction Contracts," and a number of revenue related interpretations. The amendments issued on April 12, 2016, clarify how to (i) identify performance obligations in a contract; (ii) determine whether a company is a principal or an agent; (iii) account for a license for intellectual property (IP); and (iv) apply transition requirements.
April 12, 2016	Contracts with Customers"	

The Consolidated Company is evaluating the impact on its financial position and financial performance of 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

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).

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

(b) Basis of consolidation

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

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

Name of investor	Name of subsidiary	Business activities	Percentage of ownership (%)		
			March 31, 2017	December 31, 2016	March 31, 2016
The Company	Regal Jewelry Manufacture Co., Ltd.(RJM)	Designing, manufacturing and selling jewellery and gem	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 jewellery and gem	51.00 %	51.00 %	51.00 %
GVG Hong Kong	Gio Van Gogh Shen Zhen Ptd Ltd. (GVG Shen Zhen)	Selling jewellery and gem	100.00 %	100.00 %	100.00 %

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

In March 2016, GVG Shen Zhen made a capital injection amounting to RMB3,000 thousands, and it was invested fully by the GVG Hong Kong.

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

(c) 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.

(d) Income taxes

Tax expense in the interim financial statements is measured and disclosed according to paragraph B12 of 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.

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

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

The preparation of the interim consolidated 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 interim consolidated 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.

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

	<u>March 31, 2017</u>	<u>December 31, 2016</u>	<u>March 31, 2016</u>
Cash	\$ 1,934	1,829	675
Demand deposits	291,780	118,445	390,707
Checking deposits	<u>47</u>	<u>758</u>	<u>50</u>
Cash and cash equivalents in consolidated statement of cash flows	<u>\$ 293,761</u>	<u>121,032</u>	<u>391,432</u>

(b) Trade receivables and other receivables

	<u>March 31, 2017</u>	<u>December 31, 2016</u>	<u>March 31, 2016</u>
Notes receivables	\$ -	2,419	4,886
Trade receivables	230,260	341,049	331,146
Other receivables	2,463	1,888	4,536
Less: allowance for doubtful debts -- trade receivables	(5,857)	(7,020)	(6,148)
	<u>\$ 226,866</u>	<u>338,336</u>	<u>334,420</u>

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

	<u>March 31, 2017</u>	<u>December 31, 2016</u>	<u>March 31, 2016</u>
Past due 1~90 days	\$ 49,929	136,932	55,236
Past due 91~180 days	<u>939</u>	<u>783</u>	<u>23,678</u>
	<u>\$ 50,868</u>	<u>137,715</u>	<u>78,914</u>

(Continued)

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

The changes in the aforementioned allowance for doubtful accounts were as follows:

	<u>Individually assessed impairment</u>	<u>Collectively assessed impairment</u>	<u>Total</u>
January 1, 2017	\$ 6,100	920	7,020
Impairment loss recognized (reversed)	(975)	(44)	(1,019)
Foreign exchange loss (gain)	<u>(125)</u>	<u>(19)</u>	<u>(144)</u>
March 31, 2016	<u>\$ 5,000</u>	<u>857</u>	<u>5,857</u>
January 1, 2016	\$ 5,364	346	5,710
Impairment loss recognized (reversed)	125	295	420
Foreign exchange loss (gain)	<u>21</u>	<u>(3)</u>	<u>18</u>
March 31, 2016	<u>\$ 5,510</u>	<u>638</u>	<u>6,148</u>

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 assesses 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

	<u>March 31, 2017</u>		
	<u>Cost</u>	<u>Allowance for loss</u>	<u>Net realizable value</u>
Raw materials	\$ 190,555	46,153	144,402
Work in process	112,597	7,317	105,280
Finished goods	12,839	1,285	11,554
Supplies and spare parts	<u>20,668</u>	<u>3,274</u>	<u>17,394</u>
	<u>\$ 336,659</u>	<u>58,029</u>	<u>278,630</u>

(Continued)

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

	December 31, 2016		
	Cost	Allowance for loss	Net realizable value
	Raw materials	\$ 186,798	51,732
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
	March 31, 2016		
	Cost	Allowance for loss	Net realizable value
Raw materials	\$ 205,012	45,922	159,090
Work in process	126,035	18,400	107,635
Finished goods	20,939	12,554	8,385
Supplies and spare parts	28,001	9,130	18,871
	\$ 379,987	86,006	293,981

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

	For the three months ended March 31	
	2017	2016
Beginning balances	\$ 74,955	70,725
Provision for (reversal of) devaluation and obsolescence of inventory	(15,414)	15,229
Foreign currency translation effects	(1,512)	52
Year end balances	\$ 58,029	86,006

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 March 31	
	2017	2016
Loss (reversal gain) on physical inventory devaluation and obsolescence	\$ (15,414)	15,229
Revenue from sale of scrap	(148)	(587)
	\$ (15,562)	14,642

(Continued)

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

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

(d) Property, plant and equipment

The cost, depreciation, and impairment losses of the property, plant and equipment of the Consolidated Company in the three months ended March 31, 2017 and 2016, were as follows:

	<u>Land</u>	<u>Buildings</u>	<u>Machinery and equipment</u>	<u>Transportation equipment</u>	<u>Office equipment</u>	<u>Land improvement</u>	<u>Equipment to be inspected</u>	<u>Total</u>
Cost or deemed cost:								
Balance at January 1, 2017	\$ 158,111	197,794	270,288	15,329	100,596	9,323	-	751,441
Addition	-	375	5,281	4	1,301	-	2,851	9,812
Disposals	-	(44)	(7,983)	(19)	(437)	-	-	(8,483)
Foreign currency translation effect	(3,337)	(4,176)	(5,690)	(323)	(2,128)	(197)	(13)	(15,864)
Balance at March 31, 2017	<u>\$ 154,774</u>	<u>193,949</u>	<u>261,896</u>	<u>14,991</u>	<u>99,332</u>	<u>9,126</u>	<u>2,838</u>	<u>736,906</u>
Balance at January 1, 2016	\$ 159,788	197,154	261,174	13,644	93,205	9,363	1,476	735,804
Addition	-	143	6,463	5	1,584	23	1,637	9,855
Disposals	-	-	(2,706)	-	(449)	-	-	(3,155)
Reclassification	-	143	302	-	152	-	(597)	-
Foreign currency translation effect	681	836	1,047	58	374	40	(11)	3,025
Balance at March 31, 2016	<u>\$ 160,469</u>	<u>198,276</u>	<u>266,280</u>	<u>13,707</u>	<u>94,866</u>	<u>9,426</u>	<u>2,505</u>	<u>745,529</u>
Accumulated depreciation and impairment losses:								
Balance at January 1, 2017	\$ -	117,964	211,273	11,074	80,304	9,206	-	429,821
Depreciation	-	2,623	5,886	389	2,329	16	-	11,243
Disposals	-	(5)	(6,427)	(19)	(405)	-	-	(6,856)
Foreign currency translation effect	-	(2,501)	(4,456)	(235)	(1,703)	(195)	-	(9,090)
Balance at March 31, 2017	<u>\$ -</u>	<u>118,081</u>	<u>206,276</u>	<u>11,209</u>	<u>80,525</u>	<u>9,027</u>	<u>-</u>	<u>425,118</u>
Balance at January 1, 2016	\$ -	108,666	194,319	9,744	74,972	9,236	-	396,937
Depreciation	-	2,710	6,448	328	2,257	17	-	11,760
Disposals	-	-	(2,343)	-	(431)	-	-	(2,774)
Foreign currency translation effect	-	418	761	36	304	39	-	1,558
Balance at March 31, 2016	<u>\$ -</u>	<u>111,794</u>	<u>199,185</u>	<u>10,108</u>	<u>77,102</u>	<u>9,292</u>	<u>-</u>	<u>407,481</u>
Carrying amount:								
Balance at January 1, 2017	<u>\$ 158,111</u>	<u>79,830</u>	<u>59,015</u>	<u>4,255</u>	<u>20,292</u>	<u>117</u>	<u>-</u>	<u>321,620</u>
Balance at March 31, 2017	<u>\$ 154,774</u>	<u>75,868</u>	<u>55,620</u>	<u>3,782</u>	<u>18,807</u>	<u>99</u>	<u>2,838</u>	<u>311,788</u>
Balance at January 1, 2016	<u>\$ 159,788</u>	<u>88,488</u>	<u>66,855</u>	<u>3,900</u>	<u>18,233</u>	<u>127</u>	<u>1,476</u>	<u>338,867</u>
Balance at March 31, 2016	<u>\$ 160,469</u>	<u>86,482</u>	<u>67,095</u>	<u>3,599</u>	<u>17,764</u>	<u>134</u>	<u>2,505</u>	<u>338,048</u>

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

(Continued)

REGAL HOLDING CO., LTD. AND ITS SUBSIDIARIES
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(e) Intangible assets

The cost, amortization, and impairment losses of the intangible assets of the Consolidated Company in the three months ended March 31, 2017 and 2016, were as follows:

	<u>Computer software</u>
Costs:	
Balance at January 1, 2017	\$ 41,541
Additions	2,589
Foreign currency translation effect	<u>(885)</u>
Balance at March 31, 2017	<u>\$ 43,245</u>
Balance at January 1, 2016	\$ 39,927
Additions	114
Foreign currency translation effect	<u>168</u>
Balance at March 31, 2016	<u>\$ 40,209</u>
Amortization and impairment loss:	
Balance at January 1, 2017	\$ 29,671
Amortization	1,025
Foreign currency translation effect	<u>(630)</u>
Balance at March 31, 2017	<u>\$ 30,066</u>
Balance at January 1, 2016	\$ 26,031
Amortization	1,015
Foreign currency translation effect	<u>94</u>
Balance at March 31, 2016	<u>\$ 27,140</u>
Carrying amount:	
Balance at January 1, 2017	<u>\$ 11,870</u>
Balance at March 31, 2017	<u>\$ 13,179</u>
Balance at January 1, 2016	<u>\$ 13,896</u>
Balance at March 31, 2016	<u>\$ 13,069</u>

(Continued)

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

(f) Short-term loans

	<u>March 31,</u> <u>2017</u>	<u>December</u> <u>31, 2016</u>	<u>March 31,</u> <u>2016</u>
Secured loans	\$ <u>186,039</u>	<u>135,750</u>	<u>238,810</u>
Unused credit lines	\$ <u>1,370,487</u>	<u>1,454,335</u>	<u>1,283,145</u>
Interest rate (%)	<u>2.50~2.75</u>	<u>2.45~2.50</u>	<u>2.95~2.97</u>

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

(g) Operating leases

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

Operating lease expenses were as follows:

	<u>For the three months ended March 31</u>	
	<u>2017</u>	<u>2016</u>
Operating costs	\$ 35	38
Operating expenses	<u>456</u>	<u>383</u>
Total	<u>\$ 491</u>	<u>421</u>

(h) 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:

	<u>For the three months ended March 31</u>	
	<u>2017</u>	<u>2016</u>
Operating costs	\$ 520	489
Operating expenses	<u>358</u>	<u>259</u>
	<u>\$ 878</u>	<u>748</u>

(Continued)

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

(i) 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 March 31	
	2017	2016
Current period	\$ 20,756	28,463

(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 2015. For GVG Hong Kong and GVG Shen Zhen had been approved by the revenue department through 2015.

(j) Share capital and other equity

Except for the following, there were no significant changes in the Consolidated Company's share capital and other equity for the three months ended March 31, 2017 and 2016. Please refer to the 2016 consolidated financial statements for related information

The resolution was passed during the general meeting of shareholders held on March 9, 2017 for the newly issuance of 4,240 thousand shares before applying for Taiwan Stock Exchange Corporation (TWSE) in the Republic of China. In accordance with the Company's articles of incorporation, the company shall set aside 10% of newly share amounting to 424 thousand shares for the company's employees to subscribe. If the employees give up or undersubscribe the shares, chairman of the board is authorized to appoint specific investors to subscribe. The relevant statutory procedures had been effective on April 11, 2017.

Earnings distributions for 2016 and 2015 were decided in resolutions made by the board of directors and shareholders on March 9, 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	12.62	403,660

(Continued)

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

For year 2015, cash dividends of \$244,336 thousand dollar, with \$7.64 per share that resolved in resolution was partly distributed from capital reserve. The earnings distribution information would be available on the Market Observation Post System Website after the shareholder's meeting.

(k) Earnings per share

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

	<u>For the three months ended March 31</u>	
	<u>2017</u>	<u>2016</u>
Basic EPS:		
Net income attributable to common shares	\$ <u>36,061</u>	<u>58,814</u>
Weighted-average number of common shares outstanding (thousands shares)	<u>33,920</u>	<u>32,000</u>
Basic EPS (New Taiwan dollars)	\$ <u>1.06</u>	<u>1.84</u>
Diluted EPS:		
Net income attributable to common shares shareholders of the Company	\$ <u>36,061</u>	<u>58,814</u>
Weighted-average number of common shares outstanding (thousands shares)	33,920	32,000
Potential dilutive effect on common stock (thousand shares)		
Influence of employee stock remuneration	<u>18</u>	<u>530</u>
Weighted- average number of common shares outstanding- diluted(thousand shares)	<u>33,938</u>	<u>32,530</u>
Diluted EPS (New Taiwan dollars)	\$ <u>1.06</u>	<u>1.81</u>

(l) Revenue

The details of revenue were as follows:

	<u>For the three months ended March 31</u>	
	<u>2017</u>	<u>2016</u>
Sales of goods	\$ <u>495,291</u>	<u>684,047</u>

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

(m) Employee compensation and directors' and supervisors' 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 remuneration of directors and supervisors shall be distributed as employee compensation and no more than 3% of it as remuneration of directors and supervisors. 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 \$416 thousands and \$3,030 thousands for employees' remuneration for the three months ended March 31, 2017 and 2016, respectively. 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.

For the year 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 information is available on the Market Observation Post System website.

(n) Non-operating income and expenses

(i) Other income

The details of other income are as follows:

	<u>For the three months ended March 31</u>	
	<u>2017</u>	<u>2016</u>
Interest Income	\$ 9	9
Rental Income	-	-
Others	<u>882</u>	<u>778</u>
	<u>\$ 891</u>	<u>787</u>

(Continued)

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

(ii) Other gains and losses

The details of other gains and losses are as follows:

	<u>For the three months ended March 31</u>	
	<u>2017</u>	<u>2016</u>
Loss on disposal of property, plant and equipment	\$ (1,448)	(84)
Foreign exchange loss, net	(5,227)	(2,434)
Others	(283)	-
	<u>\$ (6,958)</u>	<u>(2,518)</u>

(iii) Finance cost

The details of finance cost are as follows:

	<u>For the three months ended March 31</u>	
	<u>2017</u>	<u>2016</u>
Interest expense on loans from banks	<u>\$ (1,010)</u>	<u>(1,727)</u>

(o) 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 note 25 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 \$125,367 thousands, \$203,708 thousands, \$204,960 thousands respectively, accounted for 56%, 61% and 63% of the total amount of accounts receivable as of March 31, 2017, December 31, 2016, and March 31, 2016, respectively.

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

(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
March 31, 2017					
Non-derivative financial liabilities					
Short-term bank loans	\$ 186,039	186,039	186,039	-	-
Accruals payable	92,318	92,318	92,318	-	-
Refundable deposits	2,610	2,610	-	-	2,610
	<u>\$ 280,967</u>	<u>280,967</u>	<u>278,357</u>	<u>-</u>	<u>2,610</u>
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
	<u>\$ 247,097</u>	<u>247,097</u>	<u>244,565</u>	<u>-</u>	<u>2,532</u>
March 31, 2016					
Non-derivative financial liabilities					
Short-term bank loans	\$ 238,810	238,810	238,810	-	-
Accruals payable	101,412	101,412	101,412	-	-
Refundable deposits	2,375	2,375	-	-	2,375
	<u>\$ 342,597</u>	<u>342,597</u>	<u>340,222</u>	<u>-</u>	<u>2,375</u>

(iii) Market risk- Currency risk

1) Currency risk exposure

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

	March 31, 2017			December 31, 2016			March 31, 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	\$ 7,961	30.33	241,457	5,992	32.25	193,247	13,708	32.19	441,260

(Continued)

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

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% appreciating (depreciating) of the NTD against the USD as at March 31, 2017 and 2016, would have increased (decreased) net profit before tax for the three months ended March 31, 2017 and 2016, by \$2,415 thousand and \$4,412 thousand, respectively.

3) Exchange gains and losses of monetary items

Due to the numerous type of functional currency of the Consolidated Company, the Consolidated Company disclose its exchange gains and losses of monetary items aggregately. The Company's exchange loss, including realized and unrealized, were \$5,227 thousands and \$2,434 thousands for the three months ended March 31, 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 increased / decreased by 1,860 thousands and 2,388 thousands for the three months ended March 31, 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. Financial liabilities measured at amortization cost include short-term loans, notes payable, trade payables, other payables, and refundable deposits— non-current. 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.

(Continued)

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

(p) 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.

(q) 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) Parent company and its ultimate control entity

The company is the ultimate controlling of the Group.

(b) Significant transactions with related parties—Guarantee

The Consolidated Company's key management 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 March 31	
	2017	2016
Short-term employee benefits	\$ 6,693	7,160
Post-employment benefits	1,059	269
	<u>\$ 7,752</u>	<u>7,429</u>

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

(8) Pledged assets:

The carrying amounts of pledged assets were as follows:

Pledged assets	Object	March 31, 2017	December 31, 2016	March 31, 2016
Land	Short-term loans	\$ 146,568	149,728	151,962
Buildings	Short-term loans	43,195	45,705	51,192
Other financial assets (non-current)	Electricity guarantee	3,999	4,080	4,090
		<u>\$ 193,762</u>	<u>199,513</u>	<u>207,244</u>

(9) Significant commitments and contingencies:

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

	March 31, 2017	December 31, 2016	March 31, 2016
Electricity guarantee	<u>\$ 3,769</u>	<u>3,846</u>	<u>3,855</u>

(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 March 31					
	2017			2016		
	Operating cost	Operating expenses	Total	Operating cost	Operating expenses	Total
Account						
Personnel costs						
Salaries	113,509	43,209	156,718	146,373	54,704	201,077
Health insurance	-	156	156	-	32	32
Pension	520	358	878	489	259	748
Other personnel expense	3,173	5,023	8,196	3,315	5,384	8,699
Depreciation	7,166	4,077	11,243	7,683	4,077	11,760
Amortization	-	1,025	1,025	-	1,015	1,015

(Continued)

Regal Holding Co., Ltd. and its Subsidiaries
Notes to Consolidated Financial Statements

(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 three-months ended March 31, 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:

Name of company	Counterparty	Nature of relationship	Transaction details				Transactions in terms other than the regular terms		Note and accounts receivable (payable)		Note
			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)	
RGP	RJM	RJM's subsidiary	Sales	(101,451)	(99.85)	within 45 days	Note 1	-	76,941	99.79	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's subsidiary company	76,941	4.15	-		36,778	-

Note 1: For period ended 04 May 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			Percentage of the consolidated net revenue or total assets
				Account name	Amount	Trading terms	
1	RGP	RJM	1	Sales	101,451	The price calculation is made by the consent of the both parties.	20.48%
1	RGP	RJM	1	Trade receivables	76,941	Within 45 days	6.57%

(Continued)

Regal Holding Co., Ltd. and its Subsidiaries

Notes to Consolidated Financial Statements

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 three months ended March 31, 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		Balance as of March 31, 2017			Net income (losses) of investee	Share of profits/losses of investee	Note
				March 31, 2017	December 31, 2016	Shares (thousands)	Percentage of ownership	Carrying value			
The Company	RJM	Thailand	Designing, Manufacturing and Selling jewellery and gem	300,000	300,000	4,549,998	99.99 %	711,466	51,899	51,899	Eliminate in the consolidated financial statements
The Company	GVG Hong Kong	Hong Kong	Investment Activities	22,050	4,050	5,000,000	100.00 %	8,639	(1,806)	(1,806)	
RJM	RGP	Thailand	Plating jewellery and gem	11,647	11,647	127,500	51.00 %	63,613	30,205	15,405	

(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		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
					Remittance	Recovery						
GVG (Shenzhen)	Selling jewellery and gem	RMB 4,000	2	(note 4)	(note 4)	(note 4)	(note 4)	(1,746)	100.00 %	(1,746)	7,361	-

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: Quarter financial statement 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

(Continued)

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

(14) Segment information:

	For the three months ended March 31			
	2017			
	Manufacturing and Selling jewellery and gem department	Electric plating department	Adjustments and eliminations	Total
Revenue:				
Revenue from external customers	\$ 495,138	153	-	495,291
Revenue from transactions with other operating segments	<u>-</u>	<u>101,451</u>	<u>(101,451)</u>	<u>-</u>
Total revenue	<u>\$ 495,138</u>	<u>101,604</u>	<u>(101,451)</u>	<u>495,291</u>
Reportable segment profit or loss	<u>\$ 41,412</u>	<u>30,205</u>	<u>-</u>	<u>71,617</u>
	For the three months ended March 31			
	2016			
	Manufacturing and Selling jewellery and gem department	Electric plating department	Adjustments and eliminations	Total
Revenue:				
Revenue from external customers	\$ 684,047	-	-	684,047
Revenue from transactions with other operating segments	<u>78</u>	<u>74,511</u>	<u>(74,589)</u>	<u>-</u>
Total revenue	<u>\$ 684,125</u>	<u>74,511</u>	<u>(74,589)</u>	<u>684,047</u>
Reportable segment profit or loss	<u>\$ 74,662</u>	<u>24,735</u>	<u>-</u>	<u>99,397</u>