Stock Code:4807

REGAL HOLDING CO., LTD. AND SUBSIDIARIES

Consolidated Financial Statements

With Independent Auditors' Report
For the Years Ended December 31, 2019 and 2018

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**

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

Table of contents

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' Report

To the Board of Directors of

Regal Holding Co., Ltd.:

Opinion

We have audited the consolidated financial statements of Regal Holding Co., Ltd. ("the Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of balance sheets as of December 31, 2019 and 2018, and the consolidated statement of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), Interpretation developed by the International Financial Reporting Interpretations Committee ("IFRIC") or the former Standing Interpretations Committee ("SIC") endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audit in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Based on our judgment, the key audit matters that should be disclosed in this audit report are as follows:

1. Revenue recognition

   Please refer to Note 4(m) and Note 6(s) of the consolidated financial statement for the related disclosures on revenue recognition.

Description of key audit matter:

Revenue is one of the key performance indicators for evaluating the financial and operational performance of the Group and draws public attention. Therefore, the revenue recognition was considered one of the key audit matters in our audit.

How the matter was addressed in our audit:

Our audit procedures included:

Assessing and testing the design, as well as the effectiveness of the operation on internal controls over sales and collection cycle; conducting trend analysis on revenues generated from top ten customers to assess the existence of any significant exception; performing tests of detail on sales transactions to assess the existence of the transactions and the accuracy of the recognized sales as well as the timing of the recognition; performing sales cut-off test over a period prior and post to the balance sheet date by vouching related documents of sales transactions to determine whether revenue have been recognized in proper period.

2. Subsequent measurement of inventories

   Please refer to Note 4(h), Note 5 and Note 6(f) for the related disclosures on subsequent measurement of inventories.

   Description of key audit matter:

   The inventory of the Group comprises gems, jewelry and raw materials. Since fashion and trends keep changing rapidly and constantly, inventories might become out of date and difficult to meet market demand resulting in the risk that net realizable value of inventories is likely to be lower than costs.

   The inventories are measured and recognized subsequently by the Group's management based on both internal and external evidence. Therefore, the subsequent measurement of inventories is considered one of the key audit matters in our audit.

   How the matter was addressed in our audit:

   Our audit procedures included:

   Assessing the reasonableness of accounting policies for subsequent measurement of inventories; obtaining aging analysis of inventories and analyzing changes in inventory age categories to verify the appropriateness of the changes; obtaining details of subsequent measurement of inventories and understanding the reasonableness of selling prices adopted; verifying net realizable value of inventories by vouching the source documents of samples and determining whether related subsequent measurement of inventories has been appropriately disclosed .

Responsibilities of Management and Those Charged Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the IFRSs, IASs, IFRIC, SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (including the Audit Committee) are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2019 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Lily Lu and Chun-Hsiu Kuang.

KPMG

Taipei, Taiwan (Republic of China)
March 13, 2020

Notes to Readers

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

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

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

REGAL HOLDING CO., LTD. AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2019 and 2018

(expressed in thousands of New Taiwan Dollars)

	Assets	December 31, 2019 Amount	%	December 31, 2018 Amount	%
11xx	**Current assets:**				
1100	Cash and cash equivalents (note 6(a))	$ 462,759	24	481,177	28
1110	Financial assets at fair value through profit or loss—current (notes 6(b) and 6(u))	-	-	95,743	5
1170	Trade receivables, net (notes 6(d) and 6(s))	732,314	37	387,257	23
1200	Other receivables (note 6(e))	1,647	-	2,683	-
1220	Current tax assets	14,958	1	-	-
130x	Inventories (note 6(f))	295,233	15	315,397	19
1470	Other current assets (notes 4(c) and 8)	18,486	1	9,666	1
	Total current assets	1,525,397	78	1,291,923	76
15xx	**Non-current assets:**				
1520	Non-current financial assets at fair value through other comprehensive income (note 6(c))	12,200	1	-	-
1600	Property, plant and equipment (notes 6(h), 6(k) and 8)	348,046	18	347,093	20
1755	Right-of-use assets (notes 3(a), 6(i) and 6(l))	1,465	-	-	-
1780	Intangible assets (note 6(j))	40,364	2	33,594	2
1840	Deferred tax assets (note 6(o))	23,218	1	22,398	1
1984	Other financial assets—non-current (note 8)	10,308	-	9,381	1
	Total non-current assets	435,601	22	412,466	24
1xxx	**Total assets**	$ 1,960,998	100	1,704,389	100

	Liabilities and Equity	December 31, 2019 Amount	%	December 31, 2018 Amount	%
21xx	**Current liabilities:**				
2100	Short-term loans (notes 6(h), 6(k) and 8)	$ 693,065	35	-	-
2150	Notes payables	245	-	281	-
2170	Trade payables	57,299	3	50,831	3
2200	Other payables (note 6(t))	86,851	5	163,808	10
2230	Current tax liabilities	-	-	19,143	1
2280	Current lease liabilities (notes 3(a) and 6(l))	1,206	-	-	-
2399	Other current liabilities	4,590	-	1,021	-
	Total current liabilities	843,256	43	235,084	14
25xx	**Non-current liabilities:**				
2570	Deferred tax liabilities (notes 6(o))	38,902	2	56,609	3
2580	Non-current lease liabilities (notes 3(a) and 6(l))	278	-	-	-
2640	Net defined benefit liabilities—non-current (notes 6(n))	27,735	2	29,495	2
2645	Guarantee deposits received	3,814	-	3,569	-
	Total non-Current liabilities	70,729	4	89,673	5
2xxx	**Total liabilities**	913,985	47	324,757	19
31xx	**Equity attributable to owners of the Company (notes 6(g), 6(p) and 6(q))**				
3100	Common stock	384,700	19	385,000	23
3200	Capital surplus	428,182	22	433,262	26
33xx	Retained earnings:				
3310	Legal reserve	70,774	4	50,135	3
3320	Special reserve	28,481	1	28,481	2
3350	Unappropriated retained earnings (accumulated deficits)	(81,257)	(4)	230,640	13
		17,998	1	309,256	18
	Other equity:				
3410	Exchange differences on translation of foreign financial statements	66,091	3	7,984	-
3490	Others	(6,795)	-	(17,248)	(1)
		59,296	3	(9,264)	(1)
	Total equity attributable to owners of the Company:	890,176	45	1,118,254	66
36xx	**Non-controlling interests (note 6(g))**	156,837	8	261,378	15
3xxx	**Total equity**	1,047,013	53	1,379,632	81
2-3xxx	**Total liabilities and equity**	$ 1,960,998	100	1,704,389	100

See accompanying notes to consolidated financial statements.

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

REGAL HOLDING CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2019 and 2018

(expressed in thousands of New Taiwan Dollars, except earnings per share)

		2019		2018	
		Amount	**%**	**Amount**	**%**
4000	**Operating revenues (note 6(s))**	$ 1,809,297	100	2,928,169	100
5000	**Operating costs (notes 6(f), 6(h), 6(i), 6(j), 6(l), 6(m) 6(n)and 12)**	1,583,125	87	2,052,864	70
5900	**Gross profit**	226,172	13	875,305	30
6000	**Operating expenses (notes 6(d), 6(h), 6(i), 6(j), 6(l), 6(m), 6(n), 6(q), 6(t), 7 and 12):**				
6100	Selling expenses	68,965	4	67,994	2
6200	Administrative expenses	180,582	10	230,074	8
6300	Research and development expenses	70,286	4	79,543	3
6450	Impairment loss determined in accordance with IFRS 9	10,337	-	11,424	-
	Total operating expenses	330,170	18	389,035	13
6900	**Operating income (losses)**	(103,998)	(5)	486,270	17
7000	**Non-operating income and expenses (notes 6(b), 6(l), and 6(u)):**				
7010	Other income	12,578	-	20,657	1
7020	Other gains and losses	(15,200)	(1)	(1,830)	-
7050	Finance costs	(4,228)	-	(705)	-
	Total non-operating income and expenses	(6,850)	(1)	18,122	1
7900	**Profit (losses) before income tax**	(110,848)	(6)	504,392	18
7950	**Less: income tax expenses (note 6(o))**	7,522	-	136,986	5
8200	**Profit (losses) for the period**	(118,370)	(6)	367,406	13
8300	**Other comprehensive income:**				
8310	**Components of other comprehensive income that will not be reclassified subsequently to profit or loss**				
8311	Gains (losses) on remeasurements of defined benefit plans	9,240	-	(3,797)	-
8349	Less: income tax related to components of other comprehensive income that will not be reclassified subsequently to profit or loss	-	-	-	-
	Components of other comprehensive income that will not be reclassified subsequently to profit or loss	9,240	-	(3,797)	-
8360	**Items that may be reclassified subsequently to profit or loss**				
8361	Exchange differences on translation of foreign operations	68,969	4	43,333	1
8399	Less: income tax related to items that may be reclassified subsequently to profit and loss	-	-	-	-
	Components of other comprehensive income that will be reclassified subsequently to profit or loss	68,969	4	43,333	1
8300	**Other comprehensive income**	78,209	4	39,536	1
8500	**Total comprehensive income**	$ (40,161)	(2)	406,942	14
8600	**Profit (losses) attributable to (note 6(g)) :**				
8610	Owners of the Company	$ (146,304)	(8)	206,394	8
8620	Non-controlling interests	27,934	2	161,012	5
		$ (118,370)	(6)	367,406	13
	Comprehensive income attributable to (note 6(g)):				
8710	Owners of the Company	$ (79,151)	(4)	239,144	8
8720	Non-controlling interests	38,990	2	167,798	6
		$ (40,161)	(2)	406,942	14
	Earnings (losses) per share (New Taiwan dollars) (note 6(r))				
9750	Basic earnings (losses) per share	$	(3.83)		5.41
9850	Diluted earnings (losses) per share	$	(3.83)		5.40

See accompanying notes to consolidated financial statements.

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

REGAL HOLDING CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the years ended December 31, 2019 and 2018

(expressed in thousands of New Taiwan Dollars)

	Equity attributable to owners of the Company										
			Retained earnings								
	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings (accumulated deficits)	Total retained earnings	Exchange differences on translation of foreign financial statements	Others	Total equity attributable to owners of the Company	Non-controlling interests	Total equity
Balance at January 1, 2018	$ 381,600	418,370	37,434	40,893	142,730	221,057	(28,481)	-	992,546	136,756	1,129,302
Appropriation and distribution of retained earnings:											
Legal reserve appropriated	-	-	12,701	-	(12,701)	-	-	-	-	-	-
Special reserve appropriated	-	-	-	(12,412)	12,412	-	-	-	-	-	-
Cash dividends	-	-	-	-	(114,480)	(114,480)	-	-	(114,480)	(45,607)	(160,087)
Profit for the period	-	-	-	-	206,394	206,394	-	-	206,394	161,012	367,406
Other comprehensive income	-	-	-	-	(3,715)	(3,715)	36,465	-	32,750	6,786	39,536
Total comprehensive income	-	-	-	-	202,679	202,679	36,465	-	239,144	167,798	406,942
Share-based payments	3,400	14,892	-	-	-	-	-	(17,248)	1,044	-	1,044
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	2,431	2,431
Balance at December 31, 2018	385,000	433,262	50,135	28,481	230,640	309,256	7,984	(17,248)	1,118,254	261,378	1,379,632
Appropriation and distribution of retained earnings:											
Legal reserve appropriated	-	-	20,639	-	(20,639)	-	-	-	-	-	-
Cash dividends	-	-	-	-	(154,000)	(154,000)	-	-	(154,000)	(143,531)	(297,531)
Profit (losses) for the period	-	-	-	-	(146,304)	(146,304)	-	-	(146,304)	27,934	(118,370)
Other comprehensive income	-	-	-	-	9,046	9,046	58,107	-	67,153	11,056	78,209
Total comprehensive income	-	-	-	-	(137,258)	(137,258)	58,107	-	(79,151)	38,990	(40,161)
Adjustments for restricted shares to employees	(300)	(5,080)	-	-	-	-	-	5,380	-	-	-
Share-based payments	-	-	-	-	-	-	-	5,073	5,073	-	5,073
Balance at December 31, 2019	**$ 384,700**	**428,182**	**70,774**	**28,481**	**(81,257)**	**17,998**	**66,091**	**(6,795)**	**890,176**	**156,837**	**1,047,013**

See accompanying notes to consolidated financial statements.

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

REGAL HOLDING CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2019 and 2018

(expressed in thousands of New Taiwan Dollars)

		2019	2018
Cash flows from (used in) operating activities:			
Profit (loss) before tax	$	(110,848)	504,392
Adjustments:			
Adjustments to reconcile profit (losses):			
Depreciation expenses		54,308	51,837
Amortization expenses		5,544	4,899
Expected credit losses		10,337	11,424
Interest expenses		4,228	705
Interest income		(3,399)	(1,724)
Share-based payments		5,073	1,044
Loss on disposal of property, plant and equipment		1,568	164
Unrealized foreign exchange losses (gains)		(476)	398
Total adjustments to reconcile profit		77,183	68,747
Changes in operating assets and liabilities:			
Financial assets mandatorily measured at fair value through profit or loss		100,524	(93,986)
Notes receivable		-	2,057
Trade receivable		(329,372)	(168,136)
Other receivable		1,228	(387)
Inventories		38,196	(14,637)
Other current assets		(8,392)	3,140
Total changes in operating assets		(197,816)	(271,949)
Notes payable		(52)	(4,351)
Trade payable		4,341	(858)
Other payable		(86,106)	53,161
Advance receipts		-	(6,481)
Other current liabilities		3,492	(1,430)
Net defined benefit liabilities		5,760	1,461
Total changes in operating liabilities		(72,565)	41,502
Total changes in operating assets and liabilities		(270,381)	(230,447)
Total adjustments		(193,198)	(161,700)
Cash inflows generated from (used in) operations		(304,046)	342,692
Interest received		3,399	1,724
Interest paid		(3,547)	(705)
Income taxes paid		(59,648)	(112,028)
Net cash flows from (used in) operating activities		(363,842)	231,683
Cash flows from (used in) investing activities:			
Acquisition of financial assets at fair value through other comprehensive income		(12,200)	-
Acquisition of property, plant and equipment		(35,553)	(52,984)
Proceeds from disposal of property, plant and equipment		731	73
Acquisition of intangible assets		(10,303)	(25,020)
Increase in other financial assets—non-current		(417)	(1,093)
Net cash flows used in investing activities		(57,742)	(79,024)
Cash flows from (used in) financing activities:			
Increase in short term loans		687,305	(247,752)
Increase in guarantee deposits received		33	322
Payments of lease liabilities		(1,584)	-
Cash dividends paid		(297,531)	(160,087)
Changes in non-controlling interests		-	2,431
Net cash flows from (used in) financing activities		388,223	(405,086)
Effect of exchange rate changes on cash and cash equivalents		14,943	12,294
Net decrease in cash and cash equivalents		(18,418)	(240,133)
Cash and cash equivalents at the beginning of period		481,177	721,310
Cash and cash equivalents at the end of period	$	462,759	481,177

See accompanying notes to consolidated financial statements.

(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 was to restructure its group entities for application to list on Taiwan Stock Exchange ("TWSE") in the Republic of China. The Company become the holding company of Regal Jewelry Manufacture Co., Ltd. ("RJM") by using share swaps with previous shareholders of RJM to restructure the group. The Company's shares have been listed and traded on the TWSE since June 26, 2017. The main business of the Company and subsidiaries are designing, manufacturing, electroplating and selling jewelry and gems. Please refer to note 6(s).

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

The consolidated financial statements were approved by to the Board of Directors on March 13, 2020.

(3) New standards, amendments and interpretations adopted:

(a) The impact of adopting the International Financial Reporting Standards (“IFRSs”) endorsed by the Financial Supervisory Commission, R.O.C. (“FSC”) :

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, 2019.

New, Revised or Amended Standards and Interpretations	Effective date per IASB
IFRS 16 “Leases”	January 1, 2019
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 19 “Plan Amendment, Curtailment or Settlement”	January 1, 2019
Amendments to IAS 28 “Long-term interests in Associates and Joint Ventures”	January 1, 2019
Annual Improvements to IFRS Standards 2015–2017 Cycle	January 1, 2019

Except for IFRS 16“Leases”, the adoption of the above IFRSs would not have any material impact on its consolidated financial statements. The extent and impact of signification changes are as follows:

IFRS 16 replaces the existing leases guidance, including IAS 17 "Leases", IFRIC 4 "Determining whether an Arrangement contains a Lease", SIC-15 "Operating Leases – Incentives" and SIC-27 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease".

The Group applied IFRS 16 using the modified retrospective approach in measuring its right-of-use assets at an amount equal to the lease liability, with no restatement of comparative information. The details of the changes in accounting policies are disclosed below.

(i) Definition of a lease

Previously, the Group determined at contract inception whether an arrangement is or contains a lease under IFRIC 4. Under IFRS 16, the Group assesses whether a contract is or contains a lease based on the definition of a lease, as explained in note 4(j).

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which existing contracts are leases. The Group applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into, or modified on or after, January 1, 2019.

(ii) As a lessee

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under IFRS 16, the Group recognizes its right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet.

The Group decided to apply the recognition exemptions to its short-term leases or its leases of low-value assets such as printers and other office equipment.

At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at January 1, 2019. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

In addition, the Group used the following practical expedients when applying IFRS 16 to leases.

— Applied a single discount rate to a portfolio of leases with similar characteristics.

— Applied the exemption not to recognize right-of-use assets and liabilities for leases with less than 12 months of lease term.

(iii) Impacts on financial statements

On transition to IFRS 16, the Group recognized an additional amount of $3,083 thousands of both right-of-use assets and lease liabilities. When measuring lease liabilities, the Group discounted the lease payments using its incremental borrowing rate at January 1, 2019. The weighted-average rate applied was 2.60%.

(Continued)

The reconciliation between operating lease commitments at the end of the period immediately preceding the date of initial application, and lease liabilities recognized in the balance sheet at the date of initial application, was disclosed as follows:

		January 1, 2019
Operating lease commitments at December 31, 2018	$	2,562
Recognition exemption for:		
short-term leases		(754)
leases of low-value assets		(320)
Extension options reasonably certain to be exercised		1,680
	$	**3,168**
Discounted using the incremental borrowing rate at January 1, 2019 (Lease liabilities recognized at January 1, 2019)	$	**3,083**

(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, 2020 in accordance with Ruling No. 1080323028 issued by the FSC on July 29, 2019:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020
Amendments to IFRS 9, IAS39 and IFRS7 "Interest Rate Benchmark Reform"	January 1, 2020
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020

The Group assesses that the adoption of the abovementioned standards would not have any material impact on its consolidated financial statements.

(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 International Accounting Standards Board (IASB), but have yet to be 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 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2022

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

(Continued)

(4) Summary of significant accounting policies:

The significant accounting policies presented in the consolidated financial statements are summarized below. Except for the changes in accounting policies specifically indicated in note 3 and note 4(j), the following accounting policies were applied consistently throughout the periods presented in the consolidated financial statement.

(a) Statement of compliance

These 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 the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations endorsed by the Financial Supervisory Commission, R.O.C. (hereinafter referred to as "the IFRSs endorsed by the FSC").

(b) Basis of preparation

(i) Basis of measurement

Except for the following significant accounts, the consolidated financial statements have been prepared on a historical cost basis:

1) Financial instruments at fair value through profit or loss are measured at fair value;

2) Financial assets at fair value through other comprehensive income are measured at fair value.

3) The defined benefit liabilities are measured at fair value of the plan assets less the present value of the defined benefit obligation with the limit explained in note 4(n).

(ii) Functional and presentation currency

The functional currency of each entity of the Group is determined based on the primary economic environment in which the entity operates. The consolidated financial statements are presented in New Taiwan dollar, which is the Company's functional currency. All financial information presented in New Taiwan dollar has been rounded to the nearest thousand.

(c) Basis of consolidation

(i) Principles of preparation of the consolidated financial statements

The consolidated financial statements comprise the Company and its subsidiaries. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Gains and losses attributable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Intragroup balances and transactions, and any unrealized income and expenses arising from intragroup transactions are eliminated in preparing the consolidated financial statements.

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

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

(ii) List of subsidiaries in the consolidated financial statements

Name of investor	Name of subsidiary	Business activities	Percentage of ownership (%) December 31, 2019	Percentage of ownership (%) December 31, 2018
The Company	Regal Jewelry Manufacture Co., Ltd. (RJM)	Designing, manufacturing and selling jewelry and gems	99.99 %	99.99 %
The Company	GIO VAN GOGH (International) Jewelry Ltd. (GVG Hong Kong) (Note 1)	Investment activities	100.00 %	100.00 %
The Company	Regal Management Solution Co., Ltd. (RMS)	Technical services and resources consulting	99.99 % (Note 2)	99.99 % (Note 2)
The Company	Chaporo Co., Ltd. (Chaporo)	Investment activities	70.00 % (Note 3)	70.00 % (Note 3)
The Company	Regal Innovation Co., Ltd. (RGI)	Selling jewelry and gems	100.00 % (Note 4)	- %
RJM	Regal Plating Co., Ltd. (RGP)	Jewelry and gems planting	51.00 %	51.00 %
RJM	Regal Management Solution Co., Ltd. (RMS)	Investment activities	- %	(Note 2)
RJM	Linden Integrated Co., Ltd. (Linden)	Selling jewelry and gems	49.00 % (Note 5)	49.00 % (Note 5)
GVG Hong Kong	Gio Van Gogh Shen Zhen Ptd Ltd. (GVG Shen Zhen) (Note 1)	Selling jewelry and gems	100.00 %	100.00 %

Note 1: A resolution was made by the Board of Directors of the Company on November 13, 2019, for a capital injection amounting to CNY 3,100 thousand into GVG Shen Zhen for it to settle its outstanding debts and fulfill the working capital. The Company thereby made its first investment of capital amounting to CNY 1,400 thousand into GVG Shen Zhen through GVG Hong Kong in December 2019. However, as of December 31, 2019, the injected capital was on hold by GVG Shen Zhen's bank, since the registration procedures have not yet been completed. The Group recorded the injected capital as other current assets.

Note 2: RMS was registered and established by RJM on April 5, 2018, and was transferred to the Company on August 14, 2018 through group restructuring. The Company made a capital injection amounting to THB 10,000 thousand on December 14, 2018.

Note 3: To increase the production capacity of gems and jewelry, a resolution was made by the Board of Directors of the Company on November 12, 2018, for an investment amounting to USD 3,500 thousand to establish a subsidiary, Chaporo Co., Ltd., by owning 70% of its shares, and for an investment amounting to THB 110,000 thousand to acquire Elex Precise Co., Ltd through Chaporo Co., Ltd. by share subscription and acquisition from its previous shareholders. Chaporo was registered and established by the Company in Seychelles on October 5, 2018, and thereafter, the Company made a capital injection amounting to USD 5 thousand on April 30, 2019. However, after evaluating the target company, the Company found that the potential benefits of the acquisition did not meet its expectation. Therefore, the Board of Directors of the Company made a resolution on August 14, 2019, to terminate the acquisition of Elex Precise Co., Ltd.

Note 4: To expand business and manage supply chains, a resolution was made by the Board of Directors of the Company on August 14, 2019, for an investment amounting to NTD 30,000 thousand to establish a subsidiary, Regal Innovation Co., Ltd., by owning 100% of its shares. The incorporation procedures have been completed on October 18, 2019. The registered capital was NTD 30,000 thousand and paid in capital was NTD 25,000 thousand.

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

Note 5: Linden was registered and established by RJM on December 13, 2018. A capital injection amounting to THB 2,450 thousand was made by RJM on December 26, 2018. RJM or RH is responsible for assigning personnel for Linden's management, and those in charged with governance, operating activities, and operating sites. They are also responsible for providing merchandise to Linden. Therefore, the Company has substantive rights of control over Linden.

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

(d) Foreign currencies

(i) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Group entities at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date.

Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currency using the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction, exchange differences are generally recognized in profit or loss.

(ii) Foreign operation

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into the presentation currency at exchange rates at the reporting date. The income and expenses of foreign operations are translated at the average exchange rate in the reporting period. Translation differences are recognized in other comprehensive income.

When a foreign operation is disposed of such that control, significant influence, or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item that are considered to form part of the net investment in the foreign operation are recognized in other comprehensive income.

(e) Classification of current and non-current assets and liabilities

An asset is classified as current under one of the following criteria, and all other assets are classified as non-current.

(i) It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;

(Continued)

(ii) It is held primarily for the purpose of trading;

(iii) It is expected to be realized within twelve months after the reporting period;

(iv) The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current.

An entity shall classify a liability as current when:

(i) It is expected to be settled in the normal operating cycle;

(ii) It is held primarily for the purpose of trading;

(iii) It is due to be settled within twelve months after the reporting period, despite the fact that a long-term refinance is completed or a debt agreement is rearranged during the period between the reporting date and the approval date.

(iv) It does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(f) Cash and cash equivalents

Cash comprises cash on hand, demand deposits, checking deposits and fixed deposits. Cash and cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

(g) Financial instruments

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

Trade receivables issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument. A financial asset (except for a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, in the case of a financial asset or financial liability not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issuance of the financial asset or financial liability. A trade receivable without a significant financing component is initially measured at the transaction price.

(Continued)

(i) Financial assets

On initial recognition, a financial asset is classified as measured at amortized cost, fair value through other comprehensive income ("FVOCI"), or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any impairment. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Fair value through other comprehensive income (FVOCI)

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

Dividend income is recognized in profit or loss on the date on which the Group's right to receive payment is established.

3) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are classified as FVTPL.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

(Continued)

4) Impairment of financial assets

The Group recognizes impairment for expected credit losses ("ECL") on financial assets measured at amortized cost (including cash and cash equivalents, accounts receivable, other receivables, refundable deposits and other financial assets).

At each reporting date, the Group performs impairment assessment on its financial assets and contract assets with significant financing components. The Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Group's historical experience and informed credit assessment, as well as forward looking information. The Group measures impairment at an amount equal to 12 month ECL when the credit risk of a financial asset has not increased significantly. It measures impairment at an amount equal to lifetime ECL when the credit risk of a financial asset has increased significantly. Impairment for accounts receivable and contract assets which do not contain a significant financing component are measured at an amount equal to lifetime ECL.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition, and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Group's historical experience and informed credit assessment, as well as forward looking information.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Impairment for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. The Group recognizes the increase of expected credit losses (or reversal) in profit or loss, as an impairment gain or loss.

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

(Continued)

5) Derecognition of financial assets

Financial assets are derecognized when the contractual rights to the cash flows from the financial assets expire, or when the Group transfers substantially all the risks and rewards of ownership of its financial assets.

(ii) Financial liabilities

1) Other financial liabilities

Financial liabilities not classified as held for trading or designated as at fair value through profit or loss are measured at fair value, including short-term loans, trade payables and other payables. Subsequent to initial recognition, those financial liabilities are measured at amortized cost calculated using the effective interest method, except for short-term financial liabilities, for which interest impacts are insignificant to the measurement. Interest expense not capitalized as capital cost is recognized in profit or loss, and is included in finance costs.

2) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligation has been discharged or cancelled, or has expired. The difference between the carrying amount of a financial liability extinguished and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss, and is included in non-operating income or expenses.

3) Offsetting of financial assets and liabilities

The Group presents financial assets and liabilities on a net basis in the balance sheet when the Group has the legally enforceable right to offset, and intends to settle such financial assets and liabilities on a net basis, or to realize the assets and settle the liabilities simultaneously.

(h) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is calculated using the weighted average method, and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(i) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

(Continued)

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

(ii) Subsequent cost

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

(iii) Depreciation

Except that land is not depreciated, depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment.

The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

Buildings	10~20 years
Machinery and equipment	5 years
Transportation equipment	5 years
Office equipment	3~5 years
Land improvement	5 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(j) Lease

Applicable from January 1, 2019

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date discounted using the Group's incremental borrowing rate. The lease liability is subsequently measured at amortized cost using the effective interest method. When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease payments shall be discounted using the interest rate implicit in the lease if that rate can be reliably determined. If that rate cannot be reliably determined, the Group shall use its incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Applicable before January 1, 2019

Leases in which the Group assumes substantially all of the risks and rewards of ownership are classified as finance leases. On initial recognition, the lease asset is measured at an amount equal to the lower of its fair value or the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to the asset.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Other leases are operating leases and are not recognized in the Group's balance sheets.

Payments made under operating leases (excluding insurance and maintenance expenses) are recognized in expenses on a straight-line basis over the term of the lease. Total income provided from lessor as an incentive to achieve the agreement is recognized as a reduction of expenses on a straight-line basis over the term of the lease.

Contingent rent is recognized as expense in the period in which it is incurred

(k) Intangible assets

The Group's intangible assets are computer programs, which are measured at cost less accumulated amortization and accumulated impairment losses. The amortizable amount is the cost of an asset less its residual value. Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use. The estimated useful lives are 3~5 years.

The amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(Continued)

(l) Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, other than assets arising from inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. If it is not possible to determine the recoverable amount for the individual asset, then the Group will have to determine the recoverable amount for the asset's cash generating unit ("CGU").

The recoverable amount for an individual asset or a CGU is the higher of its fair value less costs to sell and its value in use. If, and only if, the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset shall be reduced to its recoverable amount; and that reduction will be accounted as an impairment loss, which shall be recognized immediately in profit or loss.

An assessment is made at the end of each reporting period as to whether there is any indication that an impairment loss recognized in prior periods for an asset other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amount of that asset is estimated. An impairment loss recognized in prior periods for an asset other than goodwill is reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(m) Revenue

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring goods or services to a customer. The Group recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

(n) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

(ii) Defined benefit plans

A defined benefit plan is a post employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods, based on the discounted present value of the said defined benefit obligation. The fair values of any plan assets are deducted for purposes of determining the Group's net defined benefit obligation. The discount rate used in calculating the present value is the market yield at the reporting date of high quality market corporate bonds or government bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

The calculation is performed annually by a qualified actuary using the projected unit credit method. If the calculation results in a benefit to the Group, the recognized asset is limited to the total of the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In calculating the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Group. An economic benefit is available to the Group if it is realizable during the life of the plan, or on settlement of the plan liabilities.

If the benefits of a plan are amended, the pension cost incurred from the portion of the increased benefit relating to past service provided by employees, is recognized immediately in profit or loss.

Remeasurements of the net defined benefit liability (asset), which comprise (1) actuarial gains and losses, (2) the return on plan assets (excluding interest), and (3) the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income. The Group can reclassify the amounts recognized in other comprehensive income to retained earnings.

(iii) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(o) 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)

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.

(p) Income taxes

Income tax comprise current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes are recognized in profit or loss.

Current taxes comprise the expected tax payable or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are recognized except for the following:

(i) temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits or losses at the time of the transaction;

(ii) temporary differences related to investments in subsidiaries and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and

(iii) taxable temporary differences arising on the initial recognition of goodwill

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reserve, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if the following criteria are met:

(i) the Group has a legally enforceable right to set off current tax assets against current tax liabilities; and

(ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on tither:

1) the same taxable entity; or

2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improves.

(q) Earnings per share

The Group discloses the Company's basic and diluted earnings per share attributable to ordinary shareholders of the Company. Basic earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding. The issued shares from capitalization of retained earnings or capitalization of capital surplus are calculated retrospectively, even the record date of capitalization aforementioned is before the submission date of financial statements.

Diluted earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares, such as employee compensation .

(r) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group). Operating results of the operating segment are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance. Each operating segment consists of discrete financial information.

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

The preparation of the consolidated financial statements in conformity with the Regulations and the IFRSs endorsed by the FSC requires management to make judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the following period.

There are no judgments made in applying accounting policies that have significant effects on the amounts recognized in the consolidated financial statements.

Inventories are the account with assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year. As inventories are stated at the lower of cost and net realizable value, the management has to determine net realizable value of inventories at the end of reporting period by judgments and estimation. The management estimates the inventory obsolescence and decline in market value and then writes down the cost of inventories to net realizable value.

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

	December 31, 2019	December 31, 2018
Cash	$ 6,844	4,431
Demand deposits	424,907	414,914
Checking deposits	508	52
Fixed deposits	30,500	61,780
Cash and cash equivalents in consolidated statement of cash flows	$ **462,759**	**481,177**

Please refer to note 6(v) for the interest risk and sensitivity analysis of the financial assets and liabilities of the Group.

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

	December 31, 2019	December 31, 2018
Mandatorily measured at fair value through profit or loss:		
Offshore fund beneficiary certificate	$ **-**	**95,743**

The Group uses derivative financial instruments to hedge its foreign exchange risks. There is no outstanding forward exchange contract as of December 31, 2019.

For the net gain or loss arising from the fair value remeasurement of non-derivatives and derivative contracts in profit or loss, please refer to note 6(u).

The Group's financial assets measured at fair value through profit or loss were not pledged as collateral as of December 31, 2018.

(c) Financial assets at fair value through other comprehensive income—non-current

	December 31, 2019	December 31, 2018
Financial assets at fair value through other comprehensive income:		
Unlisted stocks – foreign companies	$ **12,200**	**-**

The Group designated the investments shown above as equity securities at fair value through other comprehensive income because these equity securities represent those investments that the Group intends to hold for long-term strategic purposes.

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

(d) Trade receivables

	December 31, 2019	December 31, 2018
Trade receivables	$ 749,940	394,050
Less: loss allowance	(17,626)	(6,793)
	$ 732,314	387,257

The Group applies the simplified approach to assess its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information, including macroeconomic and relevant industry information.

The Group's analysis on the expected credit loss of its trade receivables in the region of Thailand as of December 31, 2019 and 2018 was as follows:

	December 31, 2019		
	Book value of trade receivables	Lifetime expected credit loss rate (%)	Allowance for lifetime expected credit loss
Not yet due	$ 552,982	-	-
Past due 1~30 days	94,745	-	-
Past due 91~180 days	462	8.31	38
Past due 181~365 days	293	41.67	122
Over 1 year	5,579	100.00	5,579
	$ 654,061		5,739

	December 31, 2018		
	Book value of trade receivables	Lifetime expected credit loss rate (%)	Allowance for lifetime expected credit loss
Not yet due	$ 267,663	-	-
Past due 1~30 days	3,450	-	-
Past due 31~60 days	211	-	-
Past due 91~180 days	1	5.56	-
Over 1 year	5,266	100.00	5,266
	$ 276,591		5,266

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

The Group's analysis on the expected credit loss of its trade receivables in other regions as of December 31, 2019 and 2018 was as follows:

	December 31, 2019		
	Book value of trade receivables	Lifetime expected credit loss rate (%)	Allowance for lifetime expected credit loss
Not yet due	$ 48,022	0.40	190
Past due 1~30 days	36,513	1.59	582
Past due 31~60 days	274	11.96	33
Past due 61~90 days	349	21.16	74
Past due 91~180 days	178	33.98	60
Past due 181~365 days	218	57.42	125
Over 1 year	10,325	100.00	10,325
	$ 95,879		11,389

	December 31, 2018		
	Book value of trade receivables	Lifetime expected credit loss rate (%)	Allowance for lifetime expected credit loss
Not yet due	$ 41,542	0.66	272
Past due 1~30 days	52,834	2.00	1,059
Past due 31~60 days	17,682	3.98	703
Past due 61~90 days	3,702	7.18	266
Past due 91~180 days	10	16.79	2
Past due 181~365 days	137	36.09	50
Over 1 year	1,552	100.00	1,552
	$ 117,459		3,904

The movements of the loss allowance for trade receivables were as follows:

	2019	2018
Balance at the beginning	$ 6,793	5,530
Impairment losses recognized	10,337	11,424
Amounts written off	-	(10,393)
Foreign currency translation effects	496	232
Balance at the end	$ 17,626	6,793

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

(e) Other receivables

	December 31, 2019	December 31, 2018
Other receivables	$ 1,647	2,683
Less: loss allowance	-	-
	$ 1,647	2,683

The Group did not have any past due other receivables as of December 31, 2019 and 2018.

For further credit risk information, please refers to note 6(v).

(f) Inventories

	December 31, 2019		
	Cost	Allowance for devaluation and obsolescence	Net realizable value
Raw materials	$ 246,238	51,842	194,396
Work in process	85,653	10,442	75,211
Finished goods	20,083	5,107	14,976
Supplies and spare parts	14,533	3,883	10,650
	$ 366,507	71,274	295,233

	December 31, 2018		
	Cost	Allowance for devaluation and obsolescence	Net realizable value
Raw materials	$ 250,688	57,182	193,506
Work in process	95,067	5,375	89,692
Finished goods	25,321	5,098	20,223
Supplies and spare parts	14,170	2,194	11,976
	$ 385,246	69,849	315,397

The movements of the allowance for devaluation and obsolescence in inventories were as follows:

	2019	2018
Beginning balances	$ 69,849	75,590
Reversal of the allowance for devaluation and obsolescence of inventory	(2,550)	(8,479)
Foreign currency translation effects	3,975	2,738
Ending balances	$ 71,274	69,849

In addition to the regular costs of goods sold, the following profit and loss were the components included in the Group's operating costs:

		2019	2018
Reversal gain on the allowance for inventory devaluation and obsolescence	$	(2,550)	(8,479)
Revenue from sales of scrap		(10,919)	(15,028)
	$	(13,469)	(23,507)

As of December 31, 2019 and 2018, the Group did not pledge the inventories as collateral.

(g) 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 December 31, 2019	Percentage of non-controlling interests December 31, 2018
Regal Plating Co., Ltd.	Thailand	49 %	49 %

The following information of the aforementioned subsidiary has been prepared in accordance with the IFRSs endorsed by the FSC. Intra-group transactions were not eliminated in this information.

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

		December 31, 2019	December 31, 2018
Current assets	$	303,083	562,582
Non-current assets		26,743	27,070
Current liabilities		(13,706)	(60,291)
Non-current liabilities		(866)	(885)
Net assets	$	315,254	528,476
Non-controlling interests	$	154,474	258,953

		2019	2018
Sales revenue	$	517,506	1,326,895
Net income	$	57,427	328,609
Other comprehensive income		22,272	13,848
	$	79,699	342,457
Profit for current period attributable to non-controlling interests	$	28,139	161,018
Comprehensive income attributable to non-controlling interests	$	39,053	167,804

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

		2019	2018
Net cash flows from operating activities	$	201,697	136,480
Net cash flows used in financing activities		(292,920)	(93,075)
Net increase (decrease) in cash and cash equivalents	$	**(91,223)**	**43,405**
Dividends to non-controlling interests	$	**(143,531)**	**(45,607)**

(h) Property, plant and equipment

The cost, depreciation, and impairment losses of the property, plant and equipment of the Group for the years ended December 31, 2019 and 2018, 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, 2019	$	166,532	235,535	306,509	26,438	123,628	9,936	3,900	872,478
Additions		-	1,069	14,566	5,255	10,042	419	4,202	35,553
Disposals		-	-	(28,047)	(1,986)	(1,997)	-	-	(32,030)
Reclassification		-	13	7,414	2	324	-	(7,753)	-
Foreign currency translation effect		9,888	13,996	18,139	1,599	7,356	593	199	51,770
Balance at December 31, 2019	$	**176,420**	**250,613**	**318,581**	**31,308**	**139,353**	**10,948**	**548**	**927,771**
Balance at January 1, 2018	$	160,312	201,678	277,782	17,173	108,316	9,503	23,575	798,339
Additions		-	25,610	22,529	8,459	16,567	74	(20,255)	52,984
Disposals		-	-	(4,866)	-	(5,606)	(10)	-	(10,482)
Foreign currency translation effect		6,220	8,247	11,064	806	4,351	369	580	31,637
Balance at December 31, 2018	$	**166,532**	**235,535**	**306,509**	**26,438**	**123,628**	**9,936**	**3,900**	**872,478**
Accumulated depreciation and impairment losses:									
Balance at January 1, 2019	$	-	149,210	252,349	16,542	97,481	9,803	-	525,385
Depreciation		-	14,644	23,163	3,357	11,481	60	-	52,705
Disposals		-	-	(26,513)	(1,255)	(1,963)	-	-	(29,731)
Foreign currency translation effect		-	8,992	14,948	1,001	5,842	583	-	31,366
Balance at December 31, 2019	$	-	**172,846**	**263,947**	**19,645**	**112,841**	**10,446**	-	**579,725**
Balance at January 1, 2018	$	-	130,212	223,512	12,995	88,957	9,402	-	465,078
Depreciation		-	13,719	24,678	2,993	10,401	46	-	51,837
Disposals		-	-	(4,838)	-	(5,397)	(10)	-	(10,245)
Foreign currency translation effect		-	5,279	8,997	554	3,520	365	-	18,715
Balance at December 31, 2018	$	-	**149,210**	**252,349**	**16,542**	**97,481**	**9,803**	-	**525,385**
Carrying amount:									
Balance at December 31, 2019	$	**176,420**	**77,767**	**54,634**	**11,663**	**26,512**	**502**	**548**	**348,046**
Balance at December 31, 2018	$	**166,532**	**86,325**	**54,160**	**9,896**	**26,147**	**133**	**3,900**	**347,093**
Balance at January 1, 2018	$	**160,312**	**71,466**	**54,270**	**4,178**	**19,359**	**101**	**23,575**	**333,261**

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

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

(i) Right-of-use assets

The Group leases buildings. Information about leases for which the Group as a lessee was presented below:

		Buildings
Cost:		
Balance at January 1, 2019	$	-
Effects of retrospective application		3,083
Balance at January 1, 2019 after adjustment		3,083
Foreign currency translation effect		(45)
Balance at December 31, 2019	$	**3,038**
Accumulated depreciation:		
Balance at January 1, 2019	$	-
Effects of retrospective application		-
Balance at January 1, 2019		-
Depreciation		1,603
Foreign currency translation effect		(30)
Balance at December 31, 2019	$	**1,573**
Carrying amount:		
Balance at December 31, 2019	$	**1,465**

The Group leases its office space under operating lease for the year ended December 31, 2018, please refer to note 6(m).

(j) Intangible assets

The cost, amortization, and impairment losses of the intangible assets of the Group for the years ended December 31, 2019 and 2018, were as follows:

		Computer software	Trademark	Total
Costs:				
Balance at January 1, 2019	$	73,786	-	73,786
Additions		9,454	849	10,303
Foreign currency translation effect		4,412	8	4,420
Balance at December 31, 2019	$	**87,652**	**857**	**88,509**

(Continued)

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

	Computer software	Trademark	Total
Balance at January 1, 2018	$ 42,755	-	42,755
Additions	25,020	-	25,020
Disposals	(89)	-	(89)
Reclassification	3,999	-	3,999
Foreign currency translation effect	2,101	-	2,101
Balance at December 31, 2018	$ 73,786	-	73,786
Amortization and impairment loss:			
Balance at January 1, 2019	$ 40,192	-	40,192
Amortization	5,544	-	5,544
Foreign currency translation effect	2,409	-	2,409
Balance at December 31, 2019	$ 48,145	-	48,145
Balance at January 1, 2018	$ 33,993	-	33,993
Amortization	4,899	-	4,899
Disposals	(89)	-	(89)
Foreign currency translation effect	1,389	-	1,389
Balance at December 31, 2018	$ 40,192	-	40,192
Carrying amount:			
Balance at December 31, 2019	$ 39,507	857	40,364
Balance at December 31, 2018	$ 33,594	-	33,594
Balance at January 1, 2018	$ 8,762	-	8,762

(k) Short-term loans

	December 31, 2019	December 31, 2018
Letters of credit	$ 248,753	-
Secured bank loans	444,312	-
	$ 693,065	-
Unused credit lines	$ 1,481,013	1,873,991
Interest rate (%)	1.25~2.8	-

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

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

(l) Lease liabilities

	December 31, 2019		
	Future minimum lease payments	**Interests**	**Present value of minimum lease payments**
Less than one year	$ 1,227	21	1,206
Between one and five years	280	2	278
	$ **1,507**	**23**	**1,484**
Current	$ **1,227**	**21**	**1,206**
Non-current	$ **280**	**2**	**278**

There were no significant issuance, repurchases and repayments of lease liabilities for the year ended December 31, 2019.

The amounts recognized in profit or loss were as follows:

	2019
Interests on lease liabilities	$ **61**
Expenses relating to short-term leases	$ **655**
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	$ **334**

The amounts recognized in the statement of cash flows for the Group was as follows:

	2019
Total cash outflow for leases	$ **2,634**

(i) Building leases

As of December 31, 2019, the Group leases buildings for its office space, which typically run for a period of 1 to 2 years. Some leases include an option to renew the lease for an additional period of the same duration after the end of the contract term.

(ii) Other leases

The Group also leases printers and other office equipment with contract terms of one to five years. These leases are short-term leases or leases of low-value items. The Group has elected not to recognize its right-of-use assets and lease liabilities for these leases.

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

(m) Operating leases—lessee

There were not any non-cancellable operating lease agreements at December 31, 2018.

Operating lease expenses were as follows:

	2018
Operating costs	$ 222
Operating expenses	3,283
Total	$ 3,505

(n) Employee benefits

(i) Defined benefit plans

Reconciliation of defined benefit obligation at present value and plan asset at fair value were as follows:

	December 31, 2019	December 31, 2018
Net defined benefit liabilities	$ 27,735	29,495

1) Movements in present value of the defined benefit obligations

The movements in present value of the defined benefit obligations for the Group were as follows:

	2019	2018
Defined benefit obligations at the beginning	$ 29,495	23,249
Current service costs and interest cost	6,910	4,624
Remeasurements of the net defined benefit liabilities		
—Actuarial gains and losses arising from changes in adjustments based on experiences	(2,237)	13,083
—Actuarial gains and losses arising from changes in demographic assumptions	(9,976)	(9,814)
—Actuarial gains and losses arising from changes in financial assumptions	2,973	528
Past service costs	2,357	-
Effect of movements in exchange rates	1,802	927
Benefits paid	(3,589)	(3,102)
Defined benefit obligations at December 31	$ 27,735	29,495

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

2) Expenses recognized in profit or loss

The expenses recognized in profit or loss for the Group were as follows:

		2019	2018
Current service costs	$	5,838	3,942
Net interest of net liabilities for defined benefit obligations		1,072	682
Past service costs		2,357	-
	$	**9,267**	**4,624**
Operating costs	$	5,583	2,913
Administration expenses		3,684	1,711
	$	**9,267**	**4,624**

3) Remeasurement of defined benefit liabilities recognized in other comprehensive income

The Group's remeasurements of the defined benefit liabilities recognized in other comprehensive income for the years ended December 31, 2019 and 2018, were as follows:

		2019	2018
Accumulated amounts at the beginning	$	(15,981)	(12,184)
Amounts recognized during the period		9,240	(3,797)
Accumulated amounts at December 31	$	**(6,741)**	**(15,981)**

4) Actuarial assumptions

The principal actuarial assumptions at the reporting date were as follows:

	December 31, 2019	December 31, 2018
Discount rate (monthly paid employees)	1.52%~1.71%	3.38%~3.56%
Discount rate (daily paid employees)	1.50%~1.89%	3.56%~3.66%
Future salary increase rate (monthly paid employees)	4.26%	5.04%
Future wages increase rate (daily paid employees)	2.86%	3.04%

The expected payments to be made by the Group to the defined benefit plans for the one-year period after the reporting date is $5,461 thousand.

The weighted average lifetimes of the defined benefits plans for daily paid and monthly paid employees are 18 years and 14 years, respectively.

5) Sensitivity analysis

If the actuarial assumptions had changed, the impact on the present value of the defined benefit obligation shall be as follows:

	Impact on defined benefit obligations	
	Increased 0.50%	**Decreased 0.50%**
December 31, 2019		
Discount rate (changes: 0.50%)	(457)	864
Future salary increasing rate (changes: 0.50%)	470	(438)
December 31, 2018		
Discount rate (changes: 0.50%)	(899)	949
Future salary increasing rate (changes: 0.50%)	445	(411)

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown above. The method used in the sensitivity analysis is consistent with the calculation of pension liabilities in the balance sheets.

There is no change in the method and assumptions used in the preparation of sensitivity analysis for 2019 and 2018.

(ii) Defined contribution plans

The Group allocates 6% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under these defined contribution plans, the Group allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligation.

The pension costs incurred from the contributions to the Bureau of the Labor Insurance amounted to $280 thousand and $193 thousand for the years ended December 31, 2019 and 2018, respectively.

(o) Income taxes

(i) The Company was incorporated in the Cayman Islands, where corporate income tax is not required to be paid. RJM, RGP, RMS, Linden and RGI' 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%.

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

(ii) The components of income tax in the years 2019 and 2018 were as follows:

		2019	2018
Current tax expense			
Current period	$	24,724	123,640
Deferred tax expenses (benefits)			
Origination and reversal of temporary differences		(17,202)	13,346
Income tax expense	$	7,522	136,986

Reconciliation of income tax and profit before tax for 2019 and 2018 was as follows:

		2019	2018
Profit (losses) excluding income tax	$	(110,848)	504,392
Income tax using the statutory tax rate at each jurisdictions	$	11,485	108,458
Estimated tax arising from subsidiary's earning distribution		(7,357)	26,651
Non-deductible expenses		3,394	1,877
Total	$	7,522	136,986

(iii) Deferred tax assets and liabilities

1) Unrecognized deferred tax assets

Deferred tax assets have not been recognized in respect of the following items:

		December 31, 2019	December 31, 2018
The carryforward of unused tax losses	$	24,281	-

Based on the tax regulations in the respective jurisdictions where the subsidiaries are located, tax-losses incurred from the tax exempt business during the tax exemption period can be carried forward and deducted for income tax reporting purposes within five years after the expiry of the tax exemption period. Tax losses derived from non-tax exempt business can be carried forward and deducted for tax reporting purposes within five years after the year when the tax losses are incurred.

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilize the benefits therefrom.

As of December 31, 2019, the unrecognized deferred tax assets was RJM's estimated 2019 tax losses amounting to $121,407 thousand, which can be carried forward up to five years until 2024.

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

2) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2019 and 2018 were as follow:

Deferred tax liabilities:

		Taxable investment income
Balance at January 1, 2019	$	(56,609)
Recognized in profit or loss		17,707
Balance at December 31, 2019	$	**(38,902)**
Balance at January 1, 2018	$	(42,621)
Recognized in profit or loss		(13,988)
Balance at December 31, 2018	$	**(56,609)**

Deferred tax assets:

		Impairment losses on trade receivables	Impairment losses on inventories	Accrued pension liabilities	Others	Total
Balance at January 1, 2019	$	1,359	13,669	5,821	1,549	22,398
Recognized in profit or loss		2,067	(529)	(696)	(1,347)	(505)
Effect of exchange rate changes		99	807	344	75	1,325
Balance at December 31, 2019	$	3,525	13,947	5,469	277	23,218
Balance at January 1, 2018	$	920	15,117	4,572	323	20,932
Recognized in profit or loss		396	(2,002)	1,051	1,197	642
Effect of exchange rate changes		43	554	198	29	824
Balance at December 31, 2018	$	1,359	13,669	5,821	1,549	22,398

(iv) Examination and approval

The Company is not required to pay income tax in the country where it is incorporated.

In Thailand, where RJM, RGP, RMS, and Linden operates, the corporate income tax returns are examined by the tax authority without issuing official approval certificates. Income taxes paid in prior years have received income tax receipts up to 2018. Corporate income tax returns submitted by GVG Hong Kong and GVG Shen Zhen had been approved by the revenue department through 2018.

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

(p) Capital and other equity

Reconciliation of share outstanding for the years ended December 31, 2019 and 2018 was as follow:

Unit: thousand shares

	Common Stock	
	2019	**2018**
Balance of outstanding shares on December 31 (as of balance of outstanding shares on January 1)	38,160	38,160
Restricted shares issued to employees at January 1	340	-
Restricted shares granted to employees	-	340
Restricted shares canceled	(30)	-
Balance of restricted shares issued to employees on December 31	310	340
Balances of total shares issued on December 31	**38,470**	**38,500**

As of December 31, 2019 and 2018, the total value of authorized ordinary shares each amounted to $600,000 thousand, with a par value of $10 per share. There were $384,700 thousand and $385,000 thousand ordinary shares issued at December 31, 2019 and 2018, respectively.

(i) Issuance of common stock

During the shareholders' meeting, the shareholders approved a resolution on June 22, 2017 to issue 340 thousand restricted shares to employees amounting $3,400 thousand, with par value of $10 per share. Only full-time employees of the Group that meet certain conditions are eligible to be granted. The application for issuance of the restricted shares was registered at the Securities and Futures Bureau of the FSC. on December 21, 2017. A resolution was made by Board of Directors on November 12, 2018, to issue those restricted shares and to decide November 28, 2018, as the record date of the issuance. The registration for capital increase had been completed. The company granted 340 thousand restricted shares to employees in 2018, resulting in increase in capital surplus—restricted shares amounting $14,892 thousand.

A resolution was made by the Board of Directors on August 14, 2019 to cancel a total of 30 thousand shares which were recalled on April 18, 2019 and June 5, 2019, with a par value of $10 per share. The record date of the transaction was August 16, 2019. The registration for the cancellation has been completed. These procedures resulted in adjusting capital surplus–restricted shares to employees for $1,314 thousand and employee's unearned remuneration for $1,614 thousand.

As of November 19, 2019, the Company recalled 70 thousand restricted shares due to the resignation of the employees, with a par value of $10 per share, and correspondingly adjusted its capital surplus—restricted shares to employees and employee's unearned remuneration for $3,766 thousand, respectively. A resolution was made by the Board of Directors on March 13, 2020, to cancel the recalled shares, with the record date of the cancellation on March 17, 2020.

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

(ii) Capital surplus

The balance of capital surplus was as follows:

	December 31, 2019	December 31, 2018
Additional paid-in capital	$ 418,370	418,370
Restricted shares to employees	9,812	14,892
	$ 428,182	433,262

(iii) Retained earnings

1) Special reserve

In accordance with Ruling No. 1010012865 issued by FSC on April 6, 2012, the Company shall set aside a special reserve before earnings distribution equal to the net balance of other deductions in shareholders' equity in the current period from the net income in the current period and the 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 its special reserve with an amount not exceeding that of the reversal of such deductions.

The Company decided to reverse a special reserve of $12,412 as a reduction of other equity based on the resolution of the shareholders' meeting held on May 28, 2018.

2) Earnings distribution

	2018		2017	
	Amount per share	Total Amount	Amount per share	Total Amount
Dividends distributed to shareholders:				
Cash	$ 4.000	154,000	3.000	114,480

The Company recalled 30 thousand restricted employee shares, wherein the dividend per share for 2018 was adjusted from NT $4 to NT $4.003.

The earnings distribution information resolved during the meeting of the Board of Directors and shareholders would be available on the Market Observation Post System Website.

(q) Share-based payment

During the shareholders' meeting, the shareholders approved a resolution on June 22, 2017 to issue 340 thousand restricted shares to employees amounting $3,400 thousand, with par value of $10 per share. Only full time employees of the Group that meet certain conditions are eligible to be granted. The application for issuance of the restricted shares was registered at the Securities and Futures Bureau of the FSC. on December 21, 2017. A resolution was made by Board of Directors on November 12, 2018, to issue those restricted shares and to decide November 28, 2018, as the record date of the issuance. The registration for capital increase had been completed.

The restricted stocks are kept by a trust, which is appointed by the Company, before those are vested. These shares shall not be sold, pledged, transferred, gifted, or disposed of by any other means to third parties prior to vesting. Except for the restricted rights due to custodian and vesting conditions, other rights are equal to the issued common stocks. If an employee fails to meet the vesting conditions, the Company will recall its restricted shares.

	Restricted to employees shares issued in 2018
Grant date	November 12, 2018
Number of shares granted	340,000
Vesting periods	2～3
Vesting conditions	Note
Exercise price (dollars)	0
Adjusted exercise price (dollars)	0

Note: For employees whose years of service and performance meet the conditions under the Restricted Shares Plan, the shares are proportionately vest as follows: Over 1 year: 0%; over 2 years: 50%; over 3 years: 50%.

(i) The fair value of share-based payment is based on closing price at the grant date.

(ii) Details on restricted shares are as follows:

Unit: thousand shares

	2019
Number of shares on January 1	340
Forfeited during the year	(100)
Number of shares on December 31	**240**

(iii) The share-based payment cost in 2019 was $5,073 thousand. The unvested share-based payment as of December 31, 2019 was $6,795 thousand, as a reduction of other equity. Please refer to note 6(p) for the changes in share capital and other equity.

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

(r) Earnings per share

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

Unit: thousand shares

		2019	2018
Basic earnings (losses) per share:			
Net income (losses) attributable to common stocks	$	(146,304)	206,394
Weighted-average number of common stocks outstanding		38,160	38,160
Basic earnings (losses) per share (New Taiwan dollars)	$	(3.83)	5.41
Diluted earnings (losses) per share:			
Net income (losses) attributable to common stocks	$	(146,304)	206,394
Weighted-average number of common stocks outstanding		38,160	38,160
Potential dilutive effect on common stocks			
Influence of employee stock remuneration		-	49
Restricted shares granted to employees		-	4
Weighted-average number of common shares outstanding —diluted		38,160	38,213
Diluted earnings (losses) per share (New Taiwan dollars)	$	(3.83)	5.40

The potential shares with dilutive effect were anti-dilutive in 2018 due to the net losses incurred and thus were not included in calculating diluted earnings per share.

(s) Revenue from contracts with customers

(i) Disaggregation of revenue

		2019	2018
Primary geographical markets:			
Thailand	$	1,105,299	2,204,549
United States		240,936	252,247
France		190,511	202,267
United Kingdom		154,913	153,984
Other		117,638	115,122
	$	1,809,297	2,928,169

(Continued)

		2019	2018
Main product/service line			
Designing, manufacturing and selling jewelry and gems	$	1,432,918	2,100,901
Electroplating		376,379	827,268
	$	1,809,297	2,928,169

(ii) Remaining balances of contracts

		December 31, 2019	December 31, 2018	December 31, 2018
Accounts receivables	$	-	-	2,013
Trade receivable		749,940	394,050	225,033
Less: loss allowance		(17,626)	(6,793)	(5,530)
Total	$	732,314	387,257	221,516

For details on trade receivables and impairments, please refer to note 6(d).

(t) Employee compensation and directors' remuneration

According to the amendment of the Company's Articles of Incorporation which was approved during the shareholders' meeting at May 20, 2016, no less than 1% of the current-year profit before tax, excluding employee compensation and directors' remuneration, shall be distributed as employee compensation, and no more than 3% of the profit as remuneration to directors. However, if the Company has an accumulated deficit, the profit should first be used to offset the deficit. The compensation and remuneration shall be made by way of cash or stock, or a combination of both, wherein the recipients 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 did not accrue its employee compensation and directors' remuneration for the year ended December 31, 2019, since it suffered a net loss before taxation. The Company accrued $2,354 thousand for employees' remuneration and $0 for the remunerations to directors for the year ended December 31, 2018. 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 Article of Incorporation. These remunerations were expensed under operating costs or expenses for each period. The relevant information would be available on the Market Observation Post System website. The amounts, as stated in the consolidated financial statements, were identical to those of the actual distributions for 2019 and 2018.

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

(u) Non-operating income and expenses

(i) Other income

The details of other income were as follows:

		2019	2018
Interest income	$	3,399	1,724
Others		9,179	18,933
Total	$	**12,578**	**20,657**

(ii) Other gains and losses

The details of other gains and losses were as follows:

		2019	2018
Losses on disposal of property, plant and equipment	$	(1,568)	(164)
Foreign exchange losses, net		(13,865)	(1,759)
Profit from FVTPL		343	416
Others		(110)	(323)
Total	$	**(15,200)**	**(1,830)**

(iii) Finance costs

The details of finance costs were as follows:

		2019	2018
Interest expenses on loans from banks	$	4,167	705
Interest expenses on lease liabilities		61	-
	$	**4,228**	**705**

(v) Financial instruments

(i) Credit risk

1) Risk exposure

The carrying amount of financial assets represents the maximum amount exposed to credit risk.

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

2) Concentration of credit risk

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, the management also considers the statistical information on the Group's customer base, including the default risk of the industry and country in which customers operate. These factors may have an influence on credit risk. The Group's trade receivables were obviously concentrated on three main customers, which accounted for 92% and 76% of the total amount of trade receivables as of December 31, 2019 and 2018. As of December 31, 2019 and 2018 the Group's trade receivables concentrated on three main customers were $674,089 thousand and $293,490 thousand, respectively.

3) Credit risk of receivables

Please refer to note 6(d) for information on credit risk of trade receivables; and note 6(f) for details of other receivables. Other receivables were primarily miscellaneous receivables from employees, which would be deducted from payrolls. Therefore, other receivables were determined to have a low credit risk.

(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
December 31, 2019					
Non-derivative financial liabilities					
Short-term loans	$ 693,065	693,065	693,065	-	-
Payables	116,720	116,720	116,720	-	-
Lease liabilities	1,484	1,484	1,206	278	-
Guarantee deposits received	3,814	3,814	-	-	3,814
	$ 815,083	815,083	810,991	278	3,814
December 31, 2018					
Non-derivative financial liabilities					
Payables	$ 137,303	137,303	137,303	-	-
Guarantee deposits received	3,569	3,569	-	-	3,569
	$ 140,872	140,872	137,303	-	3,569

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

(Continued)

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

(iii) Currency risk

1) Currency risk exposure

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

		December 31, 2019			December 31, 2018	
		Foreign currency (in thousands)	Exchange rate	Amount	Foreign currency (in thousands)	Exchange rate	Amount
Financial assets							
Monetary items							
USD	$	13,580	29.98	407,138	10,286	30.72	315,943
Financial liabilities							
Monetary items							
USD		2,127	29.98	63,782	-	-	-

2) Sensitivity analysis

The Group's exposure to foreign currency risk mainly arises from the translation of the foreign currency exchange gains and losses on trade receivables and short-term loans, which are denominated in foreign currency.

A strengthening (weakening) of the TWD against the USD for 1% as of December 31, 2019 and 2018, would have decreased (increased) net profit (loss) before tax for the years ended December 31, 2019 and 2018, by $3,434 thousand and $3,159 thousand, respectively. The analysis is performed on the same basis for the prior year.

3) Exchange gains and losses of monetary items

Due to the different types of functional currency of the Group, the Group discloses its exchange gains and losses of monetary items aggregately. The Company's exchange gain (loss), including realized and unrealized, were $13,865 thousand and $1,759 thousand for the years ended December 31, 2019 and 2018, respectively.

(iv) Interest rate analysis

The following sensitivity analysis is based on the exposure to interest rate risk for derivative and non-derivative financial instruments on the reporting date

If the interest rate had increased / decreased by 1%, the Group's net income(loss) before taxation would have decreased / increased by $6,931 thousand and $0 thousand for the years ended December 31, 2019 and 2018 with all other variable factors remaining constant. This was mainly due to the Group's borrowing at variable rate.

(Continued)

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

(v) Fair value information

1) Categories and fair value of financial instruments

The carrying amount and the fair value of financial assets and financial liabilities, including fair value hierarchy disclosures were as follows; except for financial instruments not measured at fair value whose carrying amount is a reasonable approximation of the fair value and disclosure of fair value information for such instruments is not required:

	December 31, 2019				
	Carrying amount	Fair value Level 1	Level 2	Level 3	Total
Financial assets at fair value through other comprehensive income					
Unlisted equity instruments measured at fair value	$ 12,200	-	-	12,200	12,200
Financial assets measured at amortized cost					
Cash and cash equivalents	462,759	-	-	-	-
Trade receivables	732,314	-	-	-	-
Other receivables	1,647	-	-	-	-
Other financial assets — non-current	10,308	-	-	-	-
Total	$ 1,219,228	-	-	12,200	12,200
Financial liabilities measured at amortized cost					
Short-term loans	$ 693,065	-	-	-	-
Notes and accounts payables	57,544	-	-	-	-
Other payables	59,176	-	-	-	-
Lease liabilities	1,484	-	-	-	-
Guarantee deposits received	3,814	-	-	-	-
Total	$ 815,083	-	-	-	-

(Continued)

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

	December 31, 2018				
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through profit or loss					
Non-derivative financial assets mandatorily measured at fair value through profit or loss	$ 95,743	95,743	-	-	95,743
Financial assets measured at amortized cost					
Cash and cash equivalents	481,177	-	-	-	-
Trade receivables	387,257	-	-	-	-
Other receivables	2,683	-	-	-	-
Other financial assets — non-current	9,381	-	-	-	-
Subtotal	880,498	-	-	-	-
Total	$ 976,241	95,743	-	-	95,743
Financial liabilities measured at amortized cost					
Notes and accounts payables	$ 51,112	-	-	-	-
Other payables	86,191	-	-	-	-
Guarantee deposits received	3,569	-	-	-	-
Total	$ 140,872	-	-	-	-

2) Valuation techniques for financial instruments measured at fair value — non-derivative

The fair value of offshore fund beneficiary certificate financial instruments was estimated based on the quoted prices in an active market set by the fund management company. The fair value of unlisted equity instruments is estimated and calculated by using the discounted cash flow method on an assumption that the fair values are the present value of the future cash flows that the investee companies expect to produce, using the discount rate which reflects the time value of money and the investment risk premium.

3) The Group seeks to use market observable inputs when measuring the fair values of assets and liabilities. Different levels of the fair value hierarchy to be used in determining the fair value of financial instruments are as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. such as prices) or indirectly (i.e. derived from calculation of prices).
- Level 3: inputs for the assets or liability that are not based on observable market data (unobservable inputs).

4) Reconciliation of Level 3 fair values

	Unlisted equity instruments
Balance at January 1, 2019	-
Acquisition	12,200
Balance at December 31, 2019	$ **12,200**

5) Quantified information on significant unobservable inputs (Level 3) used in fair value measurement

Quantified information of significant unobservable inputs was as follows:

Item	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Financial assets at fair value through other comprehensive income－equity investments without an active market	Discounted Cash Flow Method	· Annual revenue growth rate forecast · Weighted average cost of capital · Liquidity discount · Minority interest discount · Sustainable return rate	The estimated fair value would increase (decrease) if: · Weight average cost of capital, minority interest discount, and liquidity discount were lower (higher); or · Sustainable return rate were higher (lower); or · Annual revenue growth forecast were higher (lower).

(Continued)

6) Fair value measurements in Level 3 — sensitivity analysis of reasonably possible alternative assumptions

The Group's measurement of fair values for financial instrument is reasonable. However, a different valuation technique or possible changes to one of the significant unobservable inputs would have different effects. For fair value measurements in Level 3, one of the key significant unobservable inputs is the annual revenue growth rate forecast. The Group did not disclose the sensitivity analysis of that forecast because the possible changes in the annual revenue growth rate forecast would not cause significant potential financial impact.

(w) Financial risk management

(i) Overview

The Group's exposures to the following risks from its financial instruments:

1) credit risk

2) liquidity risk

3) market risk

The following likewise discusses the Group's objectives, policies and processes for measuring and managing the above-mentioned risks. For more disclosures about the quantitative effects of these risks' exposures, please refer to the respective notes in the accompanying consolidated financial statements.

(ii) Structure of risk management

The Group identifies and analyzes its risks to set appropriate control procedures to ensure the effectiveness of risk management.

The Group uses derivatives to hedge risks. In order to lower the exchange rate risk, interest risk and credit risk, derivatives and non-derivative financial instruments are monitored by its finance management committee and regulated by its internal policies. The internal auditors continuously undertake reviews on policy compliance and maximum risk exposures.

The Group does not trade in financial instruments, including derivatives, for the purpose of arbitrage.

Finance management committee regularly reports to the Board of Directors on operation of derivative and non-derivative financial instruments.

(iii) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers.

1) Trade and other receivable

In order to reduce the credit risk from receivables, the Group evaluate customers' financial status and obtain insurance coverage for trade receivables from overseas customers. In addition, the Group regularly assesses the collectability and records allowance for expected credit loss. In conclusion, the Company's management is able to control credit risk from trade receivable effectively.

In accordance with the credit policy, all of operating units in the Group are required to perform an analysis of each new customer's credit risk and management before offering payment and delivery terms. The internal risk management evaluates customer credit quality based on financial status, past experience and other factors. An individual risk limit is set on the basis of internal and external ratings. The used credit limit is monitored regularly.

2) Investments

The exposure to credit risk for the bank deposits and other financial instruments is measured and monitored by the Group's finance management committee, and is properly reviewed and approved based on the approval authority. The Group deals with banks and financial institutions with good credit rating, and selects target companies with caution to control its exposure. Consequently, there is no significant credit risk arising from these counterparties.

3) Guarantees

The Group's policy is to provide endorsements and guarantees only to counter parties who meet the requirements in the Group's Regulations Governing Making Endorsements/ Guarantees. As of December 31, 2019 and 2018, the endorsement and guarantees provided by the Group were $0 and $9,234 thousand, respectively.

(iv) Liquidity risk

The finance management committee monitors working capital demand based on forecasts. The Group maintains sufficient fund to fulfill operational requirements and retain sufficient credit line to avoid violation of related terms and conditions. The forecast is in consideration of finance project and compliance with the terms of loan agreements. Besides, as of December 31, 2019 and 2018, the Group's unused credit line were $1,525,983 thousand and $1,873,991 thousand, respectively.

(v) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other prices, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

1) Currency risk

The Group is exposed to currency risk on sales and borrowings that are denominated in a currency other than the respective functional currencies of the Group's entities, such as NTD, Thai Baht(THB), Hong Kong dollar(HK) and Chinese Yuan (RMB). The currencies used in these transactions are the US Dollar (USD).

The Group does not have significant net exposure to currency risk arising from its receivables and payables denominated in a foreign currency. The Group uses natural hedge as its policy to hedge currency risk.

2) Interest rate risk

The Group's financial assets with exposure to fluctuation in fair value due to changes in interest rates are bank deposits; financial liabilities with that exposure are short-term loans. However, the changes in fair value of financial instrument due to changes in interest rates are immaterial.

3) Other price risk

The Group held unlisted investments for which there is no quoted market price in active markets. These are strategic investments and are not held for trading. The Group does not actively trade the investment positions. The Group does not expect that there is a significant market risk related to these investments.

(x) Capital management

The Group's objectives for managing capital to safeguard the capacity to continue to operate, to continue to provide a return on shareholders, to maintain the interest of other related parties, and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the dividend payments to the shareholders, reduce the capital for return to shareholders, issue new shares, or sell assets to settle any liabilities.

The Group use the debt-to-equity ratio to manage capital. This ratio is the total debt divided by the total equity. The total debt is derived from the total liabilities in the balance sheet. The total equity includes common stocks, capital surplus, retained earnings, other equity and non-controlling interest.

The Group's collective quantitative data is as follows:

	December 31, 2019	December 31, 2018
Total liabilities	$ 913,985	324,757
Total equity	$ 1,047,013	1,379,632
Debt-to-equity ratio	87.29 %	23.54 %

As of December 31, 2019, there were no changes in the Group's approach to manage capital.

(y) Investing and financing activities not affecting current cash flow

The Group's investing and financing activities which did not affect the current cash flow were derived from the acquisition of its right-of-use assets from its lease transactions. Please refer to notes 6(i) and 6(l).

Reconciliation of liabilities arising from financing activities was as follows:

	January 1, 2019	Cash flows	Non-cash changes Foreign exchange movement	December 31, 2019
Short-term loans	$ -	687,305	5,760	693,065
Lease liabilities	3,083	(1,584)	(15)	1,484
Total liabilities from financing activities	$ 3,083	685,721	5,745	694,549

The Group had neither investing nor financing activity which did not affect the current cash flow for the year ended December 31, 2018. The cash flow arising from financing activities was as follows:

	January 1, 2018	Cash flows	Non-cash changes Foreign exchange movement	December 31, 2018
Short-term loans	$ 247,752	(247,752)	-	-

(7) Related-party transactions:

Key management personnel compensation comprised:

	2019	2018
Short-term employee benefits	$ 16,354	17,769
Post-employment benefits	384	(29)
	$ 16,738	17,740

(8) Pledged assets:

The carrying amounts of pledged assets were as follows:

Pledged assets	Object	December 31, 2019	December 31, 2018
Restricted bank deposits	Please refer to 4(c) Note 1	$ 6,027	-
Property, plant and equipment:			
Land	Short-term loans	176,420	166,532
Buildings	Short-term loans	38,905	45,452
Other financial assets－non-current:			
Refundable deposits	Guarantee for electricity supply	4,730	4,411
		$ 226,082	216,395

(9) Significant commitments and contingencies:

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

	December 31, 2019	December 31, 2018
Electricity guarantee	$ 4,460	4,158

(10) Losses due to major disasters: None

(11) Subsequent events: None

(12) Other:

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

Function / Account	2019			2018		
	Operating cost	Operating expenses	Total	Operating cost	Operating expenses	Total
Personnel costs						
Salaries	427,188	169,839	597,027	674,571	206,915	881,486
Health insurance	-	546	546	-	280	280
Pension	5,583	3,964	9,547	2,913	1,904	4,817
Remuneration of director	-	3,860	3,860	-	3,230	3,230
Other personnel expense	17,610	25,821	43,431	18,787	33,658	52,445
Depreciation	35,273	19,035	54,308	34,627	17,210	51,837
Depletion	-	-	-	-	-	-
Amortization	1,127	4,417	5,544	86	4,813	4,899

(Continued)

REGAL HOLDING CO., LTD. AND SUBSIDIARIES
Notes to the 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 Group for the year ended December 31, 2019:

(i) Lending to other parties:

Number (note 1)	Name of lender	Name of borrower	Account name	Related party	Maximum balance of financing to other parties during the period (note 4)	Ending balance (note 5)	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower (note 2)	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits (note 3)	Maximum limit of fund financing (note 3)
													Item	Value		
0	The Company	GVG Shen Zhen	Receivable from related party	Yes	8,828	-	-	-	2	-	Operating capital	-	-	-	178,035	356,070

Note 1: The number representation as follows:

1. No.0 represents the Company.
2. No.1 and thereafter represent the subsidiary companies.

Note 2: The nature of financing is classified as follows:

1. No.1 represents the business-related
2. No.2 represents the short-term financing

Note 3: For business-related, the total amount available for lending shall not exceed 40% of the amount of the net value of the Company. The total amount for lending to a company shall not exceed the amount of inter-company's sales or purchase, whichever is higher.
For short-term financing, the total amount available for lending shall not exceed 40% of the amount of the net value of the Company. The total amount for lending to a company shall not exceed 20% of the amount of the net value of the Company.
The net value of the Company is in accordance with its latest financial statements.

Note 4: The maximum balance of financing to other parties beginning from the reporting period to the month the Company issued its financial statements.

Note 5: The balance was cancelled by the Board of Directors during the meeting held on March 8, 2019.

(ii) Guarantees and endorsements for other parties:

No. (note 1)	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise (note 3)	Maximum balance for guarantees and endorsements during the period (note 4)	Balance of guarantees and endorsements as of reporting date (note 5)	Actual usage amount during the period	Property pledged for guarantees and endorsements (amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements (note 3)	Parent company endorsements/ guarantees to third parties on behalf of subsidiary	Subsidiary endorsements/ guarantees to third parties on behalf of parent company	Endorsements/ guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company (note 2)										
0	The Company	GVG Shen Zhen	2	178,035	9,234	-	-	-	-	356,070	Y	N	Y

Note 1: The number representation as follows:

1. No.0 represents the Company.
2. No.1 and thereafter represent subsidiary companies.

Note 2: The relationship between guarantor a guarantee is as follows Only category is required to be filled:

1. Ordinary business relationship.
2. A subsidiary whose common stock is more than 50% owned by the guarantors.
3. An investee whose common stock is more than 50% owned by the parent company and its subsidiary is agreeable.
4. The parent company owns, directly or indirectly via subsidiaries, more than 50% of the guarantor's commons stock.
5. A company in the same trade that is mutually guaranteed pursuant to the covenants of a construction contract upon contracting a project.
6. A company that is guaranteed proportionately according to the guarantor's ownership percentage due to co-investee by various investors.
7. The endorsements/guarantees that joint companies in the same industry provide among themselves and several security for a performance guarantee of a sales contract for pre-construction homes pursuant to Consumer Protection Act for each other.

Note 3: The total amount of endorsements/guarantees of the Group shall not exceed 40% of the amount of the net value of the Company.
The total amount of external endorsements/guarantees of the Company shall not exceed 40% of the amount of the net value of the Company.
The total amount of endorsements/guarantees for each party shall not exceed 20% of the amount of the net value of the Company However, subsidiaries whose voting shares are 100% owned, directly or indirectly, by the Company are not subject to the above restrictions.

Note 4: The maximum balance of endorsements/guarantees for other parties beginning from the reporting period to the month the Company issued its financial statements.

Note 5: The balance was cancelled by the Board of Directors during the meeting held on March 8, 2019.

(Continued)

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

(iii) Information regarding securities held at the reporting date (excluding subsidiary, associates and joint ventures):

Name of holder	Category and name of security	Relationship with company	Account	Ending balance				Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value	
RGI	SELF PICK INC.	-	Non-current financial assets at fair value through other comprehensive income	2,400	7,200	15.93	7,200	
RGI	SELF TOKEN INC.	-	Non-current financial assets at fair value through other comprehensive income	500	5,000	6.25	5,000	

(iv) Information regarding purchase or sale of securities for the period exceeding 300 million or 20% of the Company's paid-in capital:

(In thousands of New Taiwan Dollars)

Name of company	Category and name of security	Account	Name of counter-party	Relationship with the company	Beginning Balance		Purchases		Sales				Ending Balance	
					Shares	Amount	Shares	Amount	Shares	Price	Cost (note)	Gain (loss) on disposal (note)	Shares	Amount
RGP	Bualuang Thanasarn Plus 25/18	Financial assets mandatorily measured at fair value through profit or loss — current	-	-	10,000	95,743	-	-	10,000	100,867	100,867	343	-	-

Note : Cost includes evaluation of profit and loss of $343 thousand and foreign currency translation effect $4,781 thousand.

(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	(141,127)	(24.66)	45~60 days	Note 1	-	53,578	6.67	Note 2

Note 1: The price was determined by mutual agreements.

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: None

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

(x) Significant transactions and business relationship between the parent company and its subsidiaries for the year ended December 31, 2019:

No. (note 1)	Name of company	Name of counter-party	Nature of relationship (note 2)	Intercompany transactions			
				Account	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
1	RGP	RJM	1	Sales	141,127	The price calculation is made by the consent of the both parties.	7.80%
1	RGP	RJM	1	Trade receivables	53,578	45~60 days	2.73%

(Continued)

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

Note 1: Company numbering as follow:

No.1 represents RGP.

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

No.1 represents a subsidiary to the 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 year ended December 31, 2019 (excluding information on investees in China):

(In Thousands of New Taiwan Dollars)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount December 31, 2019	Original investment amount December 31, 2018	Balance as of December 31, 2019 Shares (thousands)	Balance as of December 31, 2019 Percentage of ownership	Balance as of December 31, 2019 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 gems	300,000	300,000	4,549,998	99.99 %	894,423	(111,664)	(111,664)	Eliminated in the consolidated financial statements
The Company	GVG Hong Kong	Hong Kong	Investment activities	31,605	25,510	5,900,000	100.00 %	(1,564)	(4,597)	(4,597)	〃
The Company	RMS	Thailand	Investment activities	9,560	9,560	3,996,000	99.99 %	6,417	(3,463)	(3,463)	〃
The Company	Chaporo	Seychelles	Investment activities	154	-	3,500,000	70.00 %	115	(36)	(36)	〃
The Company	RGI	Taiwan	Selling jewelry and gems	25,000	-	2,500,000	100.00 %	23,803	(1,197)	(1,197) (note 2)	
RJM	RGP	Thailand	Plating jewelry and gems	11,647	11,647	127,500	51.00 %	160,548	57,427	29,759 (note 2)	〃
RJM	Linden	Thailand	Selling jewelry and gems	2,335	2,335	245,000	49.00 %	2,269	(401)	(197)	〃

Note 1: Investment gains (losses) have been recognized based on the financial statements of the investee companies audited by the Company's auditor.

Note 2: The investment gains included the inter-company gross profit amounting to $471 thousand.

(c) Information on investment in China:

(i) The names of investees in 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 gems	CNY 5,000	2	(note 4)	(note 4)	(note 4)	(note 4)	(4,573)	100.00 %	(4,573)	(7,670)	-

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

(1) Invest in China directly

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

(3) Other methods

Note 2: Long-term investment at the period end 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 the parent company. Those investment gains (losses) have been recognized based on the financial statements of the investee company.

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

(ii) Limitation on investment in China: None

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

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

(14) Segment information:

(a) General information

The Group has two reportable segments: manufacturing and selling gems and jewelry department and electro-plating department. The Group did not allocate income tax expense to reportable segments. Each reportable segment profit or loss included depreciation expenses, amortization expenses, and all other significant non-cash items. The reportable amount is consistent with that in the report used by the chief operating decision maker. The accounting policies of the operating segments are the same as described in note (4) significant accounting policies. The Group's operating segments' profits and losses are measured based on the income before income tax, and used as the basis for assessing the segments' performance. Adjustments and eliminations mainly arose from inter-segment transaction.

	2019			
	Manufacturing and selling gems and jewelry department	**Electro-plating department**	**Adjustments and eliminations**	**Total**
Revenue:				
Revenue from external customers	$ 1,432,918	376,379	-	1,809,297
Revenue from transactions with other operating segments	-	141,127	(141,127)	-
Interest income	1,717	1,682	-	3,399
Total revenue	$ 1,434,635	519,188	(141,127)	1,812,696
Interest expense	$ 4,228	-	-	4,228
Depreciation and amortization	$ 51,137	8,715	-	59,852
Reportable segment profit or loss	$ (168,275)	57,427	-	(110,848)

	2018			
	Manufacturing and selling gems and jewelry department	**Electro-plating department**	**Adjustments and eliminations**	**Total**
Revenue:				
Revenue from external customers	$ 2,100,901	827,268	-	2,928,169
Revenue from transactions with other operating segments	1,638	499,627	(501,265)	-
Interest income	925	799	-	1,724
Total revenue	$ 2,103,464	1,327,694	(501,265)	2,929,893
Interest expense	$ 705	-	-	705
Depreciation and amortization	$ 49,721	7,015	-	56,736
Reportable segment profit or loss	$ 175,783	328,609	-	504,392

For the years ended December 31, 2019 and 2018, the adjustments and eliminations of operating segments were (141,127) thousand and (501,265) thousand, respectively.

(Continued)

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

(b) Product and service information

For the details refer to note 6(s).

(c) Geographic information

In presenting information on the basis of geography, segment revenue is based on the geographical location of customers and segment assets are based on the geographical location of the assets.

Revenue from external customers: please refer to notes 6(s).

Non-current assets:

Geographical information	December 31, 2019	December 31, 2018
Thailand	$ 387,945	379,826
Other countries	1,930	861
Total	$ **389,875**	**380,687**

Non-current assets include property, plant and equipment, and intangible assets excluding non-current financial assets at fair value through other comprehensive income, deferred tax assets and other financial assets — non-current.

(d) Major customers

	2019	2018
Customer D from manufacturing and selling jewelry and gems department	$ 702,276	$ 1,276,230
Customer D from electro-plating department	376,103	826,574
	$ **1,078,379**	**2,102,804**