

FDC International Hotels Corporation and Subsidiaries

Consolidated Financial Statements and Independent
Auditor's Report

For the Years Ended December 31, 2023 and 2022

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Affiliated Enterprise Consolidated Financial Statement Declaration

We hereby declare that we have confirmed the companies which shall be included in the consolidated financial statements of the affiliates and the ones which shall be included in the consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) 10 are identical; the related information has been disclosed in consolidated financial statements and will hence not be included in consolidated financial statements of the affiliates for the year ended in 2023 (from January 1 to December 31, 2023) in accordance with "Criteria Governing Preparation of Affiliation Reports" and "Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises."

Declared by

Company Name: FDC International Hotels Corporation

Chairman: Emile Sheng

March 7, 2024

Independent Auditors' Report

To the Board of Directors and Shareholders of FDC International Hotels Corporation

Audit opinion

We have audited the accompanying consolidated financial statements of FDC International Hotels Corporation and subsidiaries (the "Group"), which comprise the consolidated balance sheet for December 31, 2023 and 2022, and the consolidated statements of comprehensive income, changes in equity and cash flows from January 1 to December 31, 2023 and 2022, and the 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 for December 31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows from January 1 to December 31, 2023 and 2022 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission (FSC) of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulation Governing Auditing and Certification of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the R.O.C.. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. The auditors of the firm, subject to the independence regulations, have maintained independence from the Group in accordance with the Code of Ethics and perform other obligations of such Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for 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 2023 financial statements of the Group. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters for the 2023 consolidated financial statements of the Group are stated as follows:

Recognition of food service income

The Group mainly provides the guest room and food services, and the food service income amount is considered material to the overall financial statements. Since there are numerous transaction parties, and the probability of misstatement is relatively higher, we have listed the recognition of food service income as the key audit matter.

We summarize the main audit procedures executed for the aforementioned matter as follows:

1. Through the implementation of internal control test to understand the internal control and execution status for the Group's recognition of food service income.
2. The entry amount of the food service income is inspected randomly to determine whether the customer bill or signing slip records are consistent with the invoice amount issued, in order to verify the accuracy of the income recognition.

Other Matters

FDC International Hotels Corporation (the "Company") has prepared the parent company only financial statements for the years ended 2023 and 2022, to which we have also respectively provided unqualified opinions and have issued an independent auditor's report with unqualified opinion along with the section of other matters for reference.

Responsibilities of Management Level and Those Charged with 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 the IFRS, IAS, IFRIC, and SIC endorsed and issued into effect by the Financial Supervisory Commission of the R.O.C., and for necessary 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, the management is also responsible for assessing the ability of the Group 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 auditors' report that includes our opinion. The term of "reasonable assurance" refers to high level of assurance. Nevertheless, the audit performed according to the Generally Accepted Auditing Standards cannot guarantee the discovery of material misstatement in the financial statements. Misstatements can arise from fraud or error. Misstatements 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 the consolidated financial statements.

As part of an audit in accordance with the 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 risk of material misstatement of the consolidated financial statements due to fraud or error, design and adopt appropriate countermeasures for the risks assessed, and obtain sufficient and appropriate audit evidence in order to be used as the basis for the 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 internal control of the Group.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management level.
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 ability of the Group to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 relevant notes, 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 for the financial information of individual entities of the Group and provide opinion on the consolidated financial statements. We handle the guidance, supervision and execution of the audit on the Group and are responsible for preparing the opinion for the Group.

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 the governance units with statements that we have complied with relevant matters that may reasonably be thought to bear on our independence, and we have also communicated with the governance units on all relationships and other matters (including relevant protective measures) that may be considered to affect the independence of auditors.

From the matters communicated with those charged with governance, we determine those matters that were of most significant in the audit of the Group's 2023 consolidated financial statements and are therefore the key audit matters. We describe these matters in our auditor's 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.

Deloitte Taiwan

CPA Ya-Ling Wong

Financial Supervisory Commission

Approval Document No.

Jin-Guan-Zheng-Shen-Zi No. 1020025513

CPA Chih-Ming Shao

Securities and Futures Commission Approval

Document No.

Tai-Cai-Zheng-Liu Zi No. 0930128050

March 7, 2024

FDC International Hotels Corporation and Subsidiaries

Consolidated Balance Sheet

December 31, 2023 and 2022

Unit: NT\$ Thousand

Code	Assets	December 31, 2023		December 31, 2022	
		Amount	%	Amount	%
	Current assets (Note 4)				
1100	Cash (Note 6)	\$ 713,840	14	\$ 1,368,484	28
1110	Financial assets at fair value through profit or loss	-	-	199	-
1136	Financial assets measured at amortized cost (Note 7)	698,636	14	300,000	6
1170	Notes and accounts receivable (Notes 8 and 18)	74,714	2	43,602	1
1180	Accounts receivable - related party (Notes 8, 18 and 25)	12,011	-	3,753	-
130X	Inventories (Note 9)	516,182	11	29,524	1
1410	Prepayments	54,503	1	32,783	1
1470	Other current assets	12,778	-	7,905	-
11XX	Total current assets	<u>2,082,664</u>	<u>42</u>	<u>1,786,250</u>	<u>37</u>
	Non-current assets (Note 4)				
1600	Property and equipment (Notes 11, 25 and 26)	1,977,828	40	2,033,611	42
1755	Right-of-use assets (Notes 12)	886,315	18	1,009,403	21
1840	Deferred tax assets (Note 20)	3,227	-	2,767	-
1915	Prepayments for equipment (Note 11)	5,238	-	1,710	-
1920	Refundable deposits	9,732	-	9,226	-
1990	Other non-current assets	17,551	-	18,435	-
15XX	Total non-current assets	<u>2,899,891</u>	<u>58</u>	<u>3,075,152</u>	<u>63</u>
1XXX	Total assets	<u>\$ 4,982,555</u>	<u>100</u>	<u>\$ 4,861,402</u>	<u>100</u>
	Liabilities and Equity				
	Current liabilities (Note 4)				
2130	Contract liabilities (Note 18 and 25)	236,487	5	273,881	6
2170	Notes and accounts payable (Note 14)	130,622	3	131,014	3
2200	Other payables (Notes 11, 15 and 25)	269,085	5	194,294	4
2230	Deferred tax liabilities (Note 20)	70,591	1	36,926	1
2280	Lease liabilities (Notes 12 and 25)	127,445	3	123,273	2
2320	Bonds payable due in one year (Note 13 and 26)	-	-	651,915	13
2399	Other current liabilities	12,742	-	8,164	-
21XX	Total current liabilities	<u>846,972</u>	<u>17</u>	<u>1,419,467</u>	<u>29</u>
	Non-current liabilities (Note 4)				
2530	Bonds payable (Notes 13 and 26)	498,682	10	498,193	10
2580	Lease liabilities (Notes 12 and 25)	799,220	16	922,666	19
2670	Other non-current liabilities (Note 20)	4,496	-	2,988	-
25XX	Total non-current liabilities	<u>1,302,398</u>	<u>26</u>	<u>1,423,847</u>	<u>29</u>
2XXX	Total Liabilities	<u>2,149,370</u>	<u>43</u>	<u>2,843,314</u>	<u>58</u>
	Equity attributable to owners of the Company (Notes 17)				
3100	Common share capital	1,057,787	21	931,078	19
3200	Capital surplus	1,236,779	25	709,026	15
3300	Retained earnings	529,235	11	377,451	8
3400	Other equity	9,384	-	533	-
3XXX	Total equity	<u>2,833,185</u>	<u>57</u>	<u>2,018,088</u>	<u>42</u>
	Total liabilities and equities	<u>\$ 4,982,555</u>	<u>100</u>	<u>\$ 4,861,402</u>	<u>100</u>

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

FDC International Hotels Corporation and Subsidiaries

Consolidated Statement of Comprehensive Income

January 1 to December 31, 2023 and 2022

Unit: Expressed in NT\$ thousand; except (loss) earnings per share expressed in NT\$

Code		2023		2022	
		Amount	%	Amount	%
4000	Operating revenue (Notes 4, 18 and 25)	\$ 2,359,844	100	\$ 2,074,353	100
5000	Operating costs (Notes 9, 19 and 25)	<u>1,576,611</u>	<u>67</u>	<u>1,431,442</u>	<u>69</u>
5900	Gross profit	<u>783,233</u>	<u>33</u>	<u>642,911</u>	<u>31</u>
	Operating expenses (Notes 19 and 25)				
6100	Selling expenses	134,156	5	105,925	5
6200	Administrative expenses	<u>326,687</u>	<u>14</u>	<u>277,538</u>	<u>13</u>
6000	Total operating expenses	<u>460,843</u>	<u>19</u>	<u>383,463</u>	<u>18</u>
6900	Net operating profit (loss)	<u>322,390</u>	<u>14</u>	<u>259,448</u>	<u>13</u>
	Non-operating income and expenses (Note 4)				
7010	Other income (Notes 19 and 22)	17,779	1	28,013	1
7020	Other gains and losses	(5,455)	-	(4,378)	-
7050	Financial costs (Notes 19 and 25)	(24,856)	(1)	(36,875)	(2)
7100	Interest income	37,381	1	3,841	-
7230	Foreign currency exchange net profit (Note 28)	2,141	-	349	-
7235	Gain on financial liabilities at fair value through profit or loss	261	-	240	-
7270	Reversal benefit of impairment of property, plant, and equipment (Note 11)	<u>5,015</u>	<u>-</u>	<u>-</u>	<u>-</u>
7000	Total non-operating incomes and expenses	<u>32,266</u>	<u>1</u>	<u>(9,159)</u>	<u>(1)</u>

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Code		2023		2022	
		Amount	%	Amount	%
7900	Net profit (loss) before income tax	\$ 354,656	15	\$ 250,289	12
7950	Tax income (expense) (Notes 4 and 20)	(71,484)	(3)	(50,722)	(2)
8200	Net profit (loss) for the year	<u>283,172</u>	<u>12</u>	<u>\$ 199,567</u>	<u>10</u>
	Other comprehensive income (loss) (Note 4)				
8360	Items that may be reclassified subsequently to profit or loss				
8361	Difference in exchange from the conversion of financial statements of overseas operating entities	<u>8,851</u>	<u>-</u>	<u>249</u>	<u>-</u>
8300	Other comprehensive income of the year (net amount after tax)	<u>8,851</u>	<u>-</u>	<u>249</u>	<u>-</u>
8500	Total comprehensive income (loss) for the year	<u>\$ 292,023</u>	<u>12</u>	<u>\$ 199,816</u>	<u>10</u>
	Net income (loss) attributable to:				
8610	Owners of the Company	\$ 283,172	12	\$ 199,567	10
8620	Non-controlling interests	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
8600		<u>\$ 283,172</u>	<u>12</u>	<u>\$ 199,567</u>	<u>10</u>
	Total comprehensive income attributable to:				
8710	Owners of the Company	\$ 292,023	12	\$ 199,816	10
8720	Non-controlling interests	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
8700		<u>\$ 292,023</u>	<u>12</u>	<u>\$ 199,816</u>	<u>10</u>
	Earnings (losses) per share (Note 21)				
9750	Basic	<u>\$ 2.76</u>		<u>\$ 2.20</u>	
9850	Dilution	<u>\$ 2.76</u>		<u>\$ 1.98</u>	

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

FDC International Hotels Corporation and Subsidiaries
Consolidated Statement of Changes in Equity
January 1 to December 31, 2023 and 2022

Unit: NT\$ Thousand

		Common share capital			Retained earnings			Other equity	
		Number of shares (in thousands)	Amount	Capital surplus	Legal reserve	Undistributed earnings	Total	Difference in exchange from the conversion of financial statements of overseas operating entities	Total equity
Code									
A1	Balance at January 1, 2022	90,483	\$ 904,826	\$ 645,495	\$ 121,191	\$ 56,693	\$ 177,884	\$ 284	\$ 1,728,489
C15	Cash dividends from capital surplus	-	-	(45,241)	-	-	-	-	(45,241)
I1	Cash capital increase by	2,625	26,252	108,772	-	-	-	-	135,024
D1	2022 Net loss	-	-	-	-	199,567	199,567	-	199,567
D3	Other comprehensive income (loss) for 2022	-	-	-	-	-	-	249	249
D5	Total comprehensive income of 2022	-	-	-	-	199,567	199,567	249	199,816
Z1	Balance as of December 31, 2022	93,108	931,078	709,026	121,191	256,260	377,451	533	2,018,088
	2022 Distribution of earnings								
B1	Statutory reserves	-	-	-	19,957	(19,957)	-	-	-
B5	Cash dividend	-	-	-	-	(131,388)	(131,388)	-	(131,388)
C17	Benefits gained from the company exercising the right of retraction	-	-	75	-	-	-	-	75
I1	Conversion of convertible corporate bonds`	12,671	126,709	527,678	-	-	-	-	654,387
D1	2023 Net loss or profit	-	-	-	-	283,172	283,172	-	283,172
D3	2023 Other comprehensive income	-	-	-	-	-	-	8,851	8,851
D5	Total comprehensive income of 2023	-	-	-	-	283,172	283,172	8,851	292,023
Z1	Balance as of December 31, 2023	105,779	\$ 1,057,787	\$ 1,236,779	\$ 141,148	\$ 388,087	\$ 529,235	\$ 9,384	\$ 2,833,185

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

FDC International Hotels Corporation and Subsidiaries

Consolidated Statement of Cash Flow

January 1 to December 31, 2023 and 2022

Unit: NT\$ Thousand

Code		2023	2022
	Cash flows from operating activities		
A00010	Net profit (loss) before income tax	\$ 354,656	\$ 250,289
	Income/expenses items		
A20100	depreciation expense	314,443	309,736
A20400	Gain on financial liabilities at fair value through profit or loss	(261)	(240)
A20900	Financial cost	24,856	36,875
A21200	Interest income	(37,381)	(3,841)
A22500	Disposal of property and equipment	8,070	2,411
A23800	Reversal benefit of impairment of property, plant, and equipment	(5,015)	-
A24100	Unrealized foreign currency exchange losses	2,218	-
A29900	Profit from lease modification	(416)	(451)
	Net changes in operating assets and liabilities		
A31150	Notes and accounts receivable	(31,117)	(23,899)
A31160	Accounts receivable - related party	(8,258)	44,675
A31200	Inventories	(486,658)	(2,267)
A31230	Prepayments	(24,420)	1,460
A31240	Other current assets	(17,286)	(1,311)
A32125	contract liability	(37,381)	4,749
A32150	Notes and accounts payable	(405)	27,974
A32180	Other payables	62,148	20,862
A32210	Deferred income	4,578	(5,201)
A32230	Other current liabilities	1,540	-
A33000	Cash inflow from operating activities	123,911	661,821
A33100	Interest received	37,381	3,840
A33300	Interest paid	(18,920)	(23,335)
A33500	Income tax paid	(37,702)	(15,109)
AAAA	Net cash in-flows from operating activities	104,670	627,217
	Cash flows from investing activities		
B00040	Acquisition of financial assets measured at amortized cost	(847,722)	(500,000)
B00050	Proceeds from disposal of financial assets measured at amortized cost	459,483	200,000

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Code		2023	2022
B02700	Purchase of property and equipment	(\$ 124,458)	(\$ 29,535)
B02800	Proceeds from disposal of property and equipment	356	105
B03800	Decrease in refundable deposits	(506)	3,798
B06700	Decrease in other non-current assets	<u>1,544</u>	<u>1,139</u>
BBBB	Net cash outflow from investment activities	(<u>511,303</u>)	(<u>324,493</u>)
	Cash flows from financing activities		
C03000	Increase in guarantee deposits	(7)	(52)
C04020	Repayment of the principal portion of lease liabilities	(125,372)	(121,056)
C04500	Cash dividends paid	(131,388)	(45,241)
C09900	Benefits gained from exercising the right of retraction	<u>75</u>	<u>-</u>
CCCC	Net cash inflow (outflow) from financing activities	(<u>256,692</u>)	(<u>166,349</u>)
DDDD	Effect of exchange rate change on cash	<u>8,681</u>	<u>280</u>
EEEE	Net cash increase of the current year	(654,644)	136,655
E00100	Cash balance at the beginning of the year	<u>1,368,484</u>	<u>1,231,829</u>
E00200	Cash balance at the end of the year	<u>\$ 713,840</u>	<u>\$ 1,368,484</u>

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

FDC International Hotels Corporation and Subsidiaries
Notes to Consolidated Financial Statements
January 1 to December 31, 2023 and 2022
(Unless otherwise specified, amounts are in the unit of NT\$ thousand)

1. Company History

FDC International Hotels Corporation (the “Company”) was approved for establishment in November 2012, and the parent company is L' Hotel de Chine Corporation (shareholding percentage of 66.70%), and the Company is mainly in the business of international tourist hotels. The Company’s shares have been publicly listed on the Taiwan Stock Exchange (TWSE) for trading on November 23, 2016.

The consolidated financial statements were expressed in New Taiwan Dollars, which is the Company's functional currency.

2. Approval Date and Procedures of The Financial Statements

These consolidated financial statements were approved by the Board of Directors on March 7, 2024.

3. New Standards, Amendments and Interpretations Adopted

- (1) Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, “IFRSs”) endorsed and issued into effect by the Financial Supervisory Commission (FSC).

The application of aforementioned amendments will not have a significant effect on the Group's accounting policies.

- (2) IFRSs endorsed by FSC applicable in 2024

New, Revised or Amended Standards and Interpretations	Effective Date Announced by IASB(Note 1)
Amendment to IFRS 16 "Lease Liability in a Sale and Leaseback"	January 1, 2024 (Note 2)
Amendment to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2024
Amendment to IAS 1 "Non-current Liabilities with Covenants"	January 1, 2024
Amendments to IAS 7 and IFRS 7 "Supplier Finance Arrangements"	January 1, 2024 (Note 3)

Note 1: Unless stated otherwise, the above New, Revised or Amended Standards and Interpretations are effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: Sellers-lessees shall apply the amendment to IFRS 16 retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16.

Note 3: Upon first applying this amendment, certain disclosure requirements are exempted.

As of the date of approval of these consolidated financial statements, the Group has assessed that amendments to other standards and interpretations are not expected to have a significant impact on the financial position and performance.

- (3) IFRSs already announced by IASB but not yet endorsed and issued into effect by the FSC

New, Revised or Amended Standards and Interpretations	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 "First time of application of IFRS 17 and IFRS 9 - comparison information"	January 1, 2023
Amendment to IAS 21 "Lack of Exchangeability"	January 1, 2025(Note 2)

Note 1: Unless stated otherwise, the above New, Revised or Amended Standards and Interpretations are effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: Applicable for annual reporting periods beginning on or after January 1, 2025. Upon first application of the amendment, the impact amounts will be recognized in retained earnings on the date of initial application. When the Group uses a non-functional currency as its presentation currency, the impact amounts will adjust the foreign currency translation differences for foreign operations under equity on the date of initial application.

As of the date when the consolidated financial statements are authorized and approved, the Group is still continuously assessing the possible impact that the application of aforementioned standards and interpretations will have on the Group's

financial position and financial performance, and will disclose the relevant impact when the assessment is completed.

4. Summary of Significant Accounting Policies

(1) Compliance Statement

The preparation of the consolidated financial statements is based on the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and IFRSs accepted and effectively published by FSC.

(2) Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis, except for financial instruments that are measured at fair values.

The fair value measurements are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- A. Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- B. Level 2 inputs: are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- C. Level 3 inputs: are unobservable inputs for the asset or liability.

(3) Classification of Current and Non-current Assets and Liabilities

Current assets include:

- A. Assets held primarily for the purpose of trading;
- B. Assets that are expected to be realized within twelve months from the balance sheet date; and
- C. Cash (unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the date of statement of financial position).

Current liabilities include:

- A. Liabilities held primarily for the purpose of trading;
- B. Liabilities that are to be settled within 12 months from the balance sheet date; and
- C. Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date.

Assets and liabilities that are not classified as current are classified as non-current.

(4) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e. its subsidiaries). The consolidated statement of comprehensive income has been included in the operating profit or loss of the acquired or disposed subsidiary in the current period from the acquisition date or up to the disposal date. Adjustments have been made to the financial statements of subsidiaries to allow their accounting policies to be consistent with those used by the Group. During the preparation of the consolidated financial statements, the transaction, account balance, revenue and expense among entities have been eliminated completely. The total comprehensive income/loss of the subsidiaries are attributed to the owner's and non-controlling interests of the Company, and the same is true when the non-controlling interests consequently become loss balance.

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

Please see Note 9 and Tables 1 and 2 for details of subsidiaries, percentage of ownership and business.

(5) Foreign currency

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

Foreign currency monetary amount is translated at the closing rate at each date of the balance sheet. Exchange differences arising from settlement or translation are recognized as profit or loss at the period.

Non-monetary foreign currencies held at fair value at the exchange rates prevailing at the date of transaction; however, non-monetary foreign currencies held at fair value through other comprehensive income are recognized in other comprehensive income. Non-monetary items carried at historical cost is reported using the exchange rate at the date of the transaction and will not calculated again.

In preparing the consolidated financial statements, assets and liabilities from foreign operations, including subsidiaries whose location or currency are different from the Company, are translated into the presentation currency, the New Taiwan dollar, at the exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates at the period. The resulting currency translation differences are recognized in other comprehensive income.

(6) Inventories

Inventories are stated at the lower of cost or net realizable value. The lower of cost and net realizable value is based on the individual inventory items. Net realized value is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale. The calculation of the inventory cost uses the weighted average method.

(7) Property and equipment

Property and equipment are recognized at costs and subsequently measured at costs of the amount less accumulated depreciation and accumulated impairment.

Except that own land depreciation is not recognized, for the rest of the property and equipment, depreciation is recognized using the straight-line method, and each significant part is depreciated separately. The Group reviews the estimated useful lives, residual values and depreciation method at least at the end of each reporting period, and with the effect of any changes in estimates accounted for on a prospective basis.

On derecognition of an item of property and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

(8) Impairments of property and equipment, right-of-use assets

At the end of each reporting period, the Group reviews whether there is any indication that its property and equipment, and right-of-use assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When impairment loss subsequently reverses, the carrying amounts of the asset or cash-generating units are increased to the revised recoverable amounts. However, the increased carrying amounts shall not exceed the carrying amounts of the assets or cash-generating units which were not recognized as impairment loss at the past period (less depreciation). The reversal of impairment loss is recognized as profit or loss.

(9) Contract liability

It refers to advance receipt of deposits and vouchers, and it has been recognized as operating income during the provision of the service.

(10) Financial Instruments

Financial assets and financial liabilities are recognized when a group entity becomes a party to the contractual provisions of the instruments.

At initial recognition, the financial assets and liabilities are measured at its fair value. In the case of the financial assets and liabilities not at fair value through profit or loss, transaction costs are directly attributable to the acquisition or issue of financial assets and financial liabilities. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

A. Financial assets

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

(a) Classification of measurement

Financial assets held by the Group are classified to financial assets measured at fair value through profit or loss and financial assets measured at amortized cost.

i. Financial assets measured at fair value through profit or loss

Financial assets measured at fair value through other comprehensive income refer to financial assets compulsorily measured at fair value through profit or loss. Financial assets compulsorily measured at fair value

through profit or loss include unspecified equity instrument investment measured at fair value through other comprehensive income, and investments not conforming with the classification of debt instrument measured at amortized cost or measured at fair value through other comprehensive income.

Financial assets measured at fair value through profit or loss are measured at fair value, and its measured profit or loss is recognized under the other profit or loss. For the fair value determination method, please refer to Note 25.

ii. Financial assets measured at amortized cost

When the financial assets invested by the Group satisfies the following two criteria at the same time, it is classified as the amortized cost financial assets:

- (i). Where the financial assets are held under certain business model, and the purpose of such model is to hold the financial assets in order to collect contract cash flows; and
- (ii). Where contract terms generated cash flow of specific date, and such cash flow is completely for the payment of the interest of principle and external circulating principle amount.

After the financial assets at amortized cost (including the cash and accounts receivable at amortized cost) are recognized originally, effective interest rate is used to determine the total carrying amount with the deduction of any amortized cost of impairment loss. Any currency exchange loss is recognized as profit or loss.

Except for the following two conditions, the interest income is calculated by multiplying the effective interest rate with the financial asset total carrying amount:

- (i). For purchased or originated credit-impaired financial assets, the interest income is calculated by multiplying the effective interest rate after credit adjustment with the financial asset amortized cost.
- (ii). For non-purchased or originated credit-impaired financial assets but subsequently becoming credit-impaired financial assets, the interest income shall be calculated by multiplying the effective

interest rate from the next reporting period after the credit impairment with the financial asset amortized cost.

Credit losses on financial assets are significant financial difficulty of the issuer or borrower, a breach of contract, it becoming probable that the borrower will enter bankruptcy or other financial reorganization, or the disappearance of an active market for the financial asset because of financial difficulties.

Cash equivalents, for the purpose of meeting short-term cash commitments, consist of time deposits and investments of high liquidity that can be readily converted into known amounts of cash, which are subject to an insignificant risk of changes in value and acquired within three months.

(b) Impairment of financial assets

The Group assesses the impairment loss of the amortized cost financial assets (including notes and accounts receivable and accounts receivable-related party), debt instrument measured at fair value through other comprehensive income, lease payments receivable and contract assets according to the expected credit loss on each date of balance sheet. The loss allowance for accounts receivable and lease payments receivable are measured at an amount equal to useful lives expected credit losses. Other financial assets are assessed to determine whether the credit risk has significantly increased since the original recognition. If there is no significant increase, then the allowance loss is recognized according to the 12-month expected credit loss. If it has increased significantly, then allowance loss is recognized according to the lifetime expected credit loss.

Expected credit losses are weighted average credit losses with the probability of default events. The 12-month expected credit losses are expected credit losses that result from default events possible within 12 months after the reporting date. Lifetime expected credit losses result from all possible default events over the expected life of the financial instruments.

For the purpose of internal controls on credit risk, without considering the collaterals held, the Group determines that a breach of contract of

financial assets has occurred when there is internal or outside information indicates that it is not possible the borrower pays off the debt.

The carrying amounts of impairment loss of all financial assets are decreased via the allowance account; however, the allowance loss of a debt instrument measured at fair value through other comprehensive income is recognized in the other comprehensive income, such that its carrying amount is not reduced.

(c) Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of financial assets at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of a debt instrument measured at fair value through other comprehensive income in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss. On derecognition of Investments in equity instruments measured at fair value through other comprehensive income, the cumulative gain or loss that had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

B. Equity instrument

The equity instruments issued by the Group are recognized based on the amount obtained from the payment amount less the direct issuance cost.

C. Financial liability

(a) Follow-up measurement

Except for the following conditions, all financial liabilities are measured at amortized cost using effective interest method.

Financial liabilities measured at fair value through profit or loss

Financial liabilities measured at fair value through profit or loss are held for trading and stated at fair value, and any relevant gains or losses are

recognized in profit or loss. For the fair value determination method, please refer to Note 25.

(b) Derecognition of financial liabilities

On the derecognition of financial liabilities, the difference between their carrying amount and the consideration paid and payable, including any transfer of non-cash assets or liabilities, is recognized as profit or loss.

D. Convertible corporate bonds

The compound financial instruments (convertible corporate bonds) issued by the Group are classified as financial liabilities or equity according to the substance of contract agreements and the definition of financial liabilities and equity instruments, and its components are classified as financial liabilities and equity during the initial recognition.

During the initial recognition, the fair value of the liability component is estimated similar to nonconvertible instrument based on the market interest rate at that time, and before the execution of conversion or maturity date, it is measured at amortized cost using the effective interest method. The liability component of embedded non-equity derivatives is measured at fair value.

The conversion right classified as equity is equivalent to the remaining balance of the overall fair value of the compound instrument less the fair value of the liability independently determined, and after deducting the effect of income tax, it is recognized as equity, which is not subsequently measured. During the execution of the conversion right, its related liability component and amount of equity are then recognized as share capital and capital surplus - issuance premium. If the conversion right of convertible corporate bonds is not executed by the maturity date, the amount recognized under equity is then recognized as capital surplus - issuance premium

Related transaction cost for the issuance of convertible corporate bonds is allocated to the liability of the instrument (recognized under the liability carrying amount) and the equity component (recognized under equity) according to the total price allocation ratio.

(11) Revenue recognition

The Group recognizes income after the contract performance obligations are identified on the customer's contracts and of the contract performance obligations are

satisfied. The source of income of the Group includes guest room income and food service income, which are recognized as income when services are actually provided.

(12) Leases

At the inception of a contract, the Group assesses whether the contract is, or contains, a lease.

For contracts containing lease and non-lease components, the Group allocates the consideration in the contract based on the relative independent price and handles it separately.

A. The Group as the lessor

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

B. The Group as the Lessee

Except for payments for low-value asset leases and short-term leases applicable to exemption of recognition are recognized as expenses on a straight-line basis, the Group recognizes right-of-use assets and lease liabilities for all leases at the commencement date of the lease.

Right-of-use assets are initially measured at cost (including initial measurement of lease liabilities), which are subsequently measured at cost less accumulated depreciation and accumulated impairment losses, and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the consolidated balance sheet.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments. The lease payments are discounted using the interest rate in a lease if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, or indicator or rate used for determination of the lease payment such that the future lease payment is changed, the Group remeasures the lease liabilities with a corresponding

adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized as profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheet.

The Group and the lessor have engaged in rent negotiation directly related to COVID-19 to adjust the rent before the maturity date of June 30, 2023 such that the rent is reduced. Such negotiation has not caused material changes on other tenancy terms. The Group chooses to adopted the practical expedient method to handle the rent renegotiation satisfying the aforementioned criteria, and whether the negotiation refers to lease amendment is not assessed, but the reduction of lease payment is recognized as profit or loss (recognized as operating cost deduction and operating expense deduction) upon the occurrence of reduction event or condition, and the lease liabilities are also adjusted correspondingly.

The change of rent not determined by indicator or rate in the lease agreements is recognized as expense during the time of occurrence of the current year.

(13) Government grants

A government grant is recognized only when there is reasonable assurance that the Group will comply with any conditions attached to the grant and the grant will be received.

Government grants related to income are recognized in profit or loss according to a systematic basis during the period when relevant cost for such intended grant is recognized as expense by the Group. Government grants obtained by the Group based on the criteria that non-current asset are required to be acquired through purchase or other methods is recognized as deferred income, and are recognized in profit or loss during relevant asset useful lifetime based on a reasonable and systematic basis.

The government grants receivable as compensation for costs already incurred or for immediate financial support, with no future related costs, shall be recognized as profit or loss in the period in which it is receivable.

(14) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a

period and should be recognized as expenses in that period when the employees render service.

B. Pensions

For defined contribution plans, the amount of contribution payable in respect of service rendered by employees in that period should be recognized as expenses.

(15) Income tax

The provision for income tax recognized in profit or loss comprises current and deferred tax.

A. Current tax

The Group has determined the current income (losses) and calculated taxes payable (receivable) in accordance with regulations established by the jurisdiction for tax return.

According to Income Tax Act in Republic of China, an additional income tax levied at unappropriated earnings are recognized in the year of the resolution of the shareholders' meeting.

Income tax payable for prior period is adjusted to the current income tax.

B. Deferred tax

Deferred tax is accounted for temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit or loss.

Deferred tax liability is generally recognized for all taxable temporary differences. Deferred tax asset is recognized for deductible temporary differences to the extent that taxable profit is probably available.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, except where the Group can control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deductible temporary differences associated with such investments are only recognized to the extent that it is probable that there will be sufficient taxable profits to realize the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the date of balance sheet and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to

be recovered. The deferred tax assets originally not recognized is also reviewed at the date of balance sheet and increased to the extent that it is probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the year in which the liability is settled or the asset is recovered, based on tax rates and laws that have been enacted or substantively enacted by the date of balanced sheet. The measurement of deferred tax liabilities and assets reflects the tax consequences that arise from the manner in which the Group expects, at the date of balance sheet, to recover or settle the carrying amount of its assets and liabilities.

C. Current and deferred tax for the year

Current and deferred tax for the year is recognized in profit or loss.

5. Significant Accounting Assumptions and Judgments, and Major Sources of Estimation Uncertainty

In the application of the Group's accounting policies, the management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experiences and other factors that are considered relevant. Actual results may differ from these estimates.

The Group has considered the possible impact of COVID-19 on the development and economic environment of our nation in recent period with respect to relevant significant accounting estimates of cash flow estimation, growth rate, discount rate and profitability. The management will continue review the estimates and the underlying assumptions on an ongoing basis. Revisions to accounting estimates are recognized in the period when the estimates are revised if the revisions affect only that period. If revisions affect both current and future periods, the accounting estimates are recognized in the current and future periods.

6. Cash

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Cash on hand and penny cash	\$ 5,367	\$ 4,991
Check and demand deposit	508,473	833,493
Cash equivalents (investments with original maturities within three months)		
Time deposits	<u>200,000</u>	<u>530,000</u>
	<u>\$ 713,840</u>	<u>\$ 1,368,484</u>

The market rate intervals of demand deposits at the end of the balance sheet date were as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Demand deposits	0.30%~1.15%	0.39%~0.46%
Time deposits with original maturities exceeding three months	1.41%~1.42%	0.95%~1.45%

7. Financial assets measured at amortized cost

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Current</u>		
Domestic investment		
Time deposits with original maturities exceeding three months(1)	\$ 300,000	\$ 300,000
Foreign investment		
U.S. Treasury securities (2)	<u>260,881</u>	<u>-</u>
	<u>\$ 698,636</u>	<u>\$ 300,000</u>

(1). The annual interest rates for fixed deposits with original maturities exceeding three months as of December 31,2023 and 2022 ranged from 1.30% to 5.53% and 0.86% to 1.175%, respectively.

(2). The company purchased 1-year U.S. Treasury securities in July 2023, with an effective interest rate of 6.27% as of December 31,2023.

The Group invests only in debt instruments with a credit rating of investment grade or higher (including) and those assessed as having low credit risk for impairment. Credit rating information is provided by independent rating agencies. The consolidated company continuously monitors external rating information to oversee changes in the credit risk of the invested debt instruments. It also reviews other information such as bond yield curves and significant debtor news to assess whether the credit risk of the debt instruments has significantly increased since their initial recognition.

The Group takes into account the historical default loss rates for each rating level provided by external rating agencies, as well as the current financial condition of the debtor and the forecast for the industry in which it operates. This information is used to measure the expected credit losses over a 12-month period or over the remaining life of the investment in debt instruments.

8. Notes and accounts receivable

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Notes receivable	\$ 1,172	\$ -
Trade receivable	73,542	43,602
Less: Allowance for bad debts	<u>-</u>	<u>-</u>
	<u>74,714</u>	<u>43,602</u>
Accounts receivable - related party (Note 25)	12,011	3,753
Less: Allowance for bad debts	<u>-</u>	<u>-</u>
	<u>12,011</u>	<u>3,753</u>
	<u>\$ 86,725</u>	<u>\$ 47,355</u>

The policy estimates appropriated by the Group according to the expected credit loss on the balance sheet date shall include the uncollectable amount of accounts receivable, in order to ensure the uncollectible accounts receivable has been listed to appropriate adequate loss allowance.

The loss allowance for accounts receivable of the Group is measured at an amount equal to useful lives expected credit losses according to IFRS9. For the useful lives expected credit losses, transaction counterparty' default on records and present financial position, economic trends and industry outlook are considered in order to recognize the loss allowance of accounts receivable. The experience on the Group's credit losses presents that the customer group is large and customers are not correlated to each other, such that the concentration of credit risk is limited. Thus the rate of expected credit losses is set based on number of days of overdue of accounts only.

The aging of account receivables of the Group was as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Not overdue	\$ 86,700	\$ 46,978
Overdue 0~90 days	<u>25</u>	<u>377</u>
	<u>\$ 86,725</u>	<u>\$ 47,355</u>

9. Inventories

	December 31, 2023	December 31, 2022
Food	\$ 11,574	\$ 17,757
Beverage	10,626	8,033
Goods for sale	2,959	3,734
Construction land	491,023	-
	<u>\$ 516,182</u>	<u>\$ 29,524</u>

Inventory-related operating costs for 2023 and 2022 were NT\$463,390 thousand and NT\$427,923 thousand respectively.

In September 2023, the Group acquired the Palazzo Vivarelli Colonna real estate in Italy through its subsidiary Sine Qua Non S.R.L. for investment and construction purposes. The acquisition cost of the real estate was NT\$485,517 thousand (€14,288 thousand), with an estimated construction cost of €22,912 thousand.

10. Subsidiaries

The basis for the consolidated financial statements is as follows:

Name of investor	Name of subsidiary	Business nature	Shareholding percentage		Explanation
			December 31, 2023	December 31, 2022	
The Company	FDC ITALIAN HOTELS S.R.L.	Investments	100.00	100.00	
FDC ITALIAN HOTELS S.R.L.	FDC (Hangzhou) Consulting & Management Co., Ltd.	Hotel and catering service management	100.00	100.00	Note 1
FDC ITALIAN HOTELS S.R.L.	SINE QUA NON S.R.L.	Real estate management activities	100.00	-	Note 2

Note 1: In June 2023, the consolidated company made a cash capital increase of €17,600 thousand in FDC Italian Hotels S.R.L.

Note 2: Subsidiary FDC Italian Hotels S.R.L. increased the investment of €10 thousand on SINE QUA NON S.R.L. in September 2023, and included in the consolidated entity, additionally, in June 2023, a cash capital increase of €17,110 thousand euros was made.

Note 3: The aforementioned subsidiaries included in the consolidated financial statements were recognized according to the financial statements audited by CPAs for the same period.

11. Property and equipment

	Land	Building	Business facilities	Lease improvements	Other equipment	Total
<u>Cost</u>						
Balance as of January 1, 2023	\$ 131,649	\$ 1,507,147	\$ 202,652	\$ 1,137,122	\$ 145,466	\$ 3,124,036
Addition	-	92,888	23,214		15,733	131,835
Disposal	-	(1,261)	(9,003)	(8,045)	(12,781)	(31,090)
Reclassification	-	1,020	30	-	-	1,050
Balance as of December 31, 2023	<u>\$ 131,649</u>	<u>\$ 1,599,794</u>	<u>\$ 216,893</u>	<u>\$ 1,129,077</u>	<u>\$ 148,418</u>	<u>\$ 3,225,831</u>
<u>Accumulated depreciation and impairment</u>						
Balance as of January 1, 2023	\$ -	\$ 482,901	\$ 108,206	\$ 433,400	\$ 65,918	\$ 1,090,425
depreciation expense	-	58,255	25,358	83,100	18,544	185,257
Disposal	-	(437)	(8,595)	(1,880)	(11,752)	(22,664)
Impairment reversal gain	-	-	-	(5,015)	-	(5,015)
Balance as of December 31, 2023	<u>\$ -</u>	<u>\$ 540,719</u>	<u>\$ 124,969</u>	<u>\$ 509,605</u>	<u>\$ 72,710</u>	<u>\$ 1,248,003</u>
Net amount as of December 31, 2023	<u>\$ 131,649</u>	<u>\$ 1,059,075</u>	<u>\$ 91,924</u>	<u>\$ 619,472</u>	<u>\$ 75,708</u>	<u>\$ 1,977,828</u>
<u>Cost</u>						
Balance at January 1, 2022	\$ 131,649	\$ 1,497,573	\$ 211,456	\$ 1,136,292	\$ 142,281	\$ 3,119,251
Addition	-	9,579	7,146	1,124	9,801	27,650
Disposal	-	(5)	(15,950)	(294)	(6,616)	(22,865)
Balance as of December 31, 2022	<u>\$ 131,649</u>	<u>\$ 1,507,147</u>	<u>\$ 202,652</u>	<u>\$ 1,137,122</u>	<u>\$ 145,466</u>	<u>\$ 3,124,036</u>
<u>Accumulated depreciation and impairment</u>						
Balance at January 1, 2022	\$ -	\$ 425,538	\$ 97,514	\$ 350,425	\$ 54,876	\$ 928,353
depreciation expense	-	57,363	25,834	83,122	16,102	182,421
Disposal	-	-	(15,142)	(147)	(5,060)	(20,349)
Balance as of December 31, 2022	<u>\$ -</u>	<u>\$ 482,901</u>	<u>\$ 108,206</u>	<u>\$ 433,400</u>	<u>\$ 65,918</u>	<u>\$ 1,090,425</u>
Net amount as of December 31, 2022	<u>\$ 131,649</u>	<u>\$ 1,024,246</u>	<u>\$ 94,446</u>	<u>\$ 703,722</u>	<u>\$ 79,548</u>	<u>\$ 2,033,611</u>

The property and equipment of the Group are for own use.

Depreciation is computed on a straight-line basis over the following estimated useful life:

Building	
Main building	50 years
Others	5~30 years
Business facilities	2~20 years
Lease improvements	5~20 years
Other equipment	3~20 years

Please see Note 26 for the amount of property and equipment used by the Group to set pledges for bank loans and use as corporate bond collaterals.

The acquisition of property and equipment includes non-cash items, and its amount adjustment is as follows:

	<u>2023</u>	<u>2022</u>
Addition of property and equipment	\$ 131,835	\$ 27,650
Decrease in prepayments for equipment	5,238	(342)
Decrease in equipment payments payable (recognized as other payables)	(<u>12,615</u>)	<u>2,227</u>
	<u>\$ 124,458</u>	<u>\$ 29,535</u>

12. Lease agreements

(1) right-of-use asset

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Carrying amount of right-of-use assets		
Land	\$ 172	\$ 862
Building	882,176	1,008,489
Other equipment	<u>3,967</u>	<u>52</u>
	<u>\$ 886,315</u>	<u>\$ 1,009,403</u>

	<u>2023</u>	<u>2022</u>
Addition to right-of-use assets	<u>\$ 6,098</u>	<u>\$ -</u>
Depreciation expense of right-of-use assets		
Land	\$ 690	\$ 690
Building	126,313	126,490
Other equipment	<u>2,183</u>	<u>135</u>
	<u>\$ 129,186</u>	<u>\$ 127,315</u>

(2) lease liabilities

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Carrying amount of lease liabilities		
Current	<u>\$ 127,445</u>	<u>\$ 123,273</u>
Non-current	<u>\$ 799,220</u>	<u>\$ 922,666</u>

The discount rate of lease liabilities used by the Group for assets as follow :

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Land	1.625%	1.625%
Building	1.625%	1.625%
Other equipment	1.625%	1.625%

(3) Material leases and terms

The Group leases several lands, buildings and other equipment for operation use with the lease term of 2~20 years. Upon the termination of the lease period, the Group has no bargain purchase option for leased assets. In addition, according to the agreement, unless the consent of the lessor is obtained, the Group shall not sublease or transfer all or a portion of the lease subject matter to others.

The property lease of the Group includes contingent rent clauses. To maintain the operational flexibility, the Group included the variable payment in the lease clauses, and the variable payment was calculated according to the specific percentage of each operation place revenue.

(4) Information on other lease

	2023	2022
Low-value asset lease expenses	<u>\$ 2,908</u>	<u>\$ 1,370</u>
Variable lease payment expenses not included in the measurement of the lease liabilities	<u>\$ 59,632</u>	<u>\$ 17,122</u>
Total cash outflow for leases	<u>\$ 203,931</u>	<u>\$ 123,222</u>

13. Bonds payable

	December 31, 2023	December 31, 2022
Domestic unsecured convertible bonds (1)	\$ -	\$ 662,700
Less: Bonds discount	-	(10,785)
Less: Amount due in one year	<u>-</u>	<u>(651,915)</u>
	500,000	500,000
Domestic secured bonds (2)	(<u>1,318</u>)	(<u>1,807</u>)
Less: Bonds discount	<u>498,682</u>	<u>498,193</u>
	<u>\$ 498,682</u>	<u>\$ 498,193</u>
	\$ -	\$ 662,700

(1) Domestic unsecured convertible bonds

The Company issued the first domestic unsecured convertible bonds on December 24, 2018, the total face value of issuance was NT\$800,000 thousand, coupon rate of 0%, issuance period of 5 years, and the total issuance amount was NT\$801,600 thousand, and the amount was collected in full in December 2018. Bond holders may convert the bonds into common shares of the Company at the conversion price of NT\$68.8 per share according to the conversion regulations during the period from the next day when the present issuance of convertible bonds have reached three full months to the

maturity date. The expected number of shares of conversion is 11,624 thousand shares. The present convertible bond conversion price adjustment criteria include that when the percentage of common share cash dividends distributed by the Company over the market price per share exceeds 1.5%, the conversion price shall be reduced according to the percentage of the market price per share on the ex-dividend date. After the historical adjustments, the conversion price has been adjusted to NT\$52.3 per share on September 2, 2023.

For the period from the next day of three months after the issuance of convertible bond to the date of forty days before the maturity of the issuance period, if the common stock closing price of the Company continues to reach 30% (inclusive) of the conversion price for thirty business days ; or the balance of the outstanding convertible bond is lower than 10% of the total original issuance amount, the Company may inform bond holders to redeem all of the outstanding bonds in cash at the bond face value. According to the issuance method described, due to the company's common stock closing price exceeding the conversion price of the convertible bonds by 30% or more for 30 consecutive trading days, the board of directors approved the redemption of the remaining unconverted shares on August 3 ,2023, setting September 26, 2023 as the redemption base date. All of the company's bonds were converted into common stock before the end of September 2023 totaling 15,296 thousand shares.

For the present convertible bonds uses the date after three full years from the issuance as the reverse repurchase base date for early reverse repurchase of the present bonds by the bond holders. The bond holders may request the Company to redeem the present convertible bonds held based on the face value of the bond.

The convertible corporate bonds include the liability and equity components, and the equity component is expressed as capital surplus - subscription right under the equity item.

	<u>Amount</u>
Issue amount (less transaction cost of NT\$5,380 thousand)	\$ 796,220
Equity component (less transaction cost of NT\$378 thousand allocated)	(56,022)
Redemption and put option derivatives (less transaction cost of NT\$30 thousand allocated)	(<u>4,370</u>)
Primary liability at issue date (less transaction cost of NT\$4,972 thousand allocated)	735,828
Corporate bonds payable converted into common shares (2,625 thousand shares already converted)	(135,065)
Interest calculated at effective rate of 1.6735%	<u>51,152</u>
Bonds payable balance as of December 31, 2022	651,915
Interest calculated at effective rate of 1.6735%	<u>2,932</u>
Corporate bonds payable converted into common shares (12,671 thousand shares already converted)	(<u>654,847</u>)
Bonds payable balance as of December 31, 2023	<u>\$ -</u>

(2) Domestic secured convertible bonds

The Company issued the first domestic secured ordinary bonds on September 8, 2022, the total amount of issuance was NT\$500,000 thousand, at the face value per bond of NT\$1,000 thousand, coupon rate of 0.58%, interest paid annually, issuance period of 5 period, and the amount was collected in full in September 2022. For the present bonds, principal was repaid at once from the issuance to the maturity, and dematerialized issuance was adopted.

Please refer to Note 26 for information on domestic secured ordinary bonds used as collaterals for pledges of lands and buildings of the Company.

14. Notes and accounts payable

The average period for the products purchase by the Group is 45 days. The Group complies with the payment terms negotiated by both parties to ensure that all payable amounts are repaid within the credit time-limit agreed.

15. Other payables

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Wages and bonuses payable	\$ 108,024	\$ 89,893
Other payables - related party (Note 25)	56,919	17,700
Equipment payments payable	14,096	1,481
Employee saving programs payable	11,335	6,943
Labor and health insurances payable	7,989	7,600
Utility expenses payable	5,734	5,138
Rent payable	3,627	3,877
Labor fees payable	2,040	1,480
Others	59,321	60,182
	<u>\$ 269,085</u>	<u>\$ 194,294</u>

16. Post-employment benefit plans

(1) Defined contribution plan

The pension system of the "Labor Pension Act" is applicable to the Company, belonging to the affirmed appropriation of pension plan under the management of the government, and pension is appropriated at the rate of 6% of the monthly salary of employees into the personal dedicated account of the Bureau of Labor Insurance.

(2) Defined benefit retirement plan

The retirement pension system implemented by our company under the "Labor Standards Act" of our country is a defined benefit retirement plan managed by the government. The payment of employee retirement pensions is calculated based on the number of years of service and the average wage of the six months prior to the approved retirement date. Our company allocates 2% of the total monthly salary of employees for retirement pensions, which is deposited in a special account at the Bank of Taiwan in the name of the Labor Pension Reserve Supervision Committee. Before the end of each year, if the estimated balance of the special account is insufficient to pay the workers expected to meet the retirement criteria within the next year, the difference will be allocated in a lump sum before the end of March of the following year. This special account is managed by the Bureau of Labor Funds, Ministry of Labor, and our company does not have the right to influence the investment management strategy.

17. Equity

(1) Common share capital

Common shares issued

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Number of shares authorized (in thousands)	<u>120,000</u>	<u>120,000</u>
Authorized capital	<u>\$ 1,200,000</u>	<u>\$ 1,200,000</u>
Issued and paid shares (in thousands)	<u>105,779</u>	<u>93,108</u>
Issued capital	<u>\$ 1,057,787</u>	<u>\$ 931,078</u>

A holder of issued common shares with par value of NT\$10 per share is entitled to vote and to receive dividends.

Up to December 31, 2023 and 2022, the accumulated number of convertible corporate bonds for conversion into common shares requested by the convertible corporate bond holders were 15,296 thousand shares and 2,625 thousand shares respectively. Accordingly, the Company has delivered new shares to bond holders according to the conversion regulations.

(2) Capital surplus

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>May be used for compensating loss, issuance of cash or replenishing share capital (Note)</u>		
Share premium	\$ 543,423	\$ 543,423
Corporate bond conversion premium	692,472	118,387
Difference between actual price of subsidiary equity acquired and the book value	809	809
Benefits gained from exercising the right of reclamation	75	-
<u>Shall not be used for any purpose</u>		
Convertible bonds subscription right	<u>\$ -</u> <u>\$ 709,026</u>	<u>\$ 46,407</u> <u>\$ 709,026</u>

Note: Such type of capital surplus may be used to offset a deficit. In addition, when the company has no deficit, such capital surplus may be distributed as cash or stock dividends to the paid-in capital. However, stock dividends may not exceed a certain percent of the paid-in capital.

(3) Retained earnings and dividend policy

According to the Company's earnings distribution policy of the amended Articles of Incorporation approved by the shareholders' meeting through resolution in May 2020, If the Company has a surplus earning after the final account of a fiscal year, after taxes are paid according to the laws and accumulated losses are compensated, 10% of the surplus earning shall be appropriated as the legal reserve 10%; however, if the legal reserve has reached the paid-in capital of the Company, such appropriation may be exempted from the appropriation, and special reserve is further appropriated or reversed from the remaining surplus earning according to the laws. If there is still remaining surplus earnings, it is combined with the undistributed retained earnings as dividends for the board of directors to establish a proposal for the distribution of surplus earnings. When the distribution is made via the method of issuance of new shares, it shall be reported to the shareholders' meeting for resolution before execution of the distribution.

The Company may authorize the board of directors to distribute the distributable dividends and bonuses, capital surplus or legal reserve in whole or in part in cash after a resolution has been adopted by a majority of votes at a board meeting attended by more than two-thirds of the total number of directors; and in addition thereto a report of such distribution shall be submitted to the shareholders' meeting. The cash dividends issued by the Company each year shall be more than 20% of the total dividends. For the distribution policy on remunerations of employees and directors specified in the Articles of Incorporation of the Company, please refer to Note 19-(5) Remunerations of Employees and Directors.

According to the resolution of the board of directors of the Company on March 3, 2022, the deficit compensation proposal was established and cash dividends were issued with the capital surplus - share premium of NT\$45,241 thousand, for the issuance of NT\$0.5 per share. The proposal for 2021 deficit compensation has been approved by the general shareholders' meeting on May 27, 2022.

The Company's 2022 earnings distribution proposal is as follows:

	2022
Statutory reserves	<u>\$ 19,957</u>
Cash dividend	<u>\$ 131,388</u>
Cash dividend per share (NT\$)	<u>\$ 1.3</u>

Note: Due to the company's convertible bonds being converted into common shares, which affects the number of outstanding common shares, the cash dividend per common share has been adjusted to NT\$1.26.

The Company's 2023 earnings distribution proposal established by the board of directors on March 7, 2024 is as follows:

	2023
Statutory reserves	<u>\$ 28,317</u>
Cash dividend	<u>\$ 211,557</u>
Cash dividend per share (NT\$)	<u>\$ 2.0</u>

The aforementioned cash dividends have been distributed according to the board resolution, and the rest is pending for resolution of the shareholders' meeting to be held on May 27, 2024.

18. Revenue

	2023	2022
Income from contracts with customers		
Food service income	\$ 1,253,148	\$ 1,152,208
Guest room income	943,228	816,682
Other income	<u>163,468</u>	<u>105,463</u>
	<u>\$ 2,359,844</u>	<u>\$ 2,074,353</u>

(1) Statements of contracts with customers

The Group provides the guest room and food services to customers, and income is recognized when provision of services is confirmed.

(2) Contract balance

	December 31, 2023	December 31, 2022	January 1, 2022
Notes and accounts receivable	<u>\$ 74,714</u>	<u>\$ 43,602</u>	<u>\$ 19,704</u>
Accounts receivable - related party	<u>\$ 12,011</u>	<u>\$ 3,753</u>	<u>\$ 48,428</u>
contract liability			
Guest room and food services	\$ 236,170	\$ 272,912	\$ 267,515
Others	<u>317</u>	<u>969</u>	<u>1,592</u>
	<u>\$ 236,487</u>	<u>\$ 273,881</u>	<u>\$ 269,107</u>

The change of the contract liabilities was mainly due to the difference between the time when the contract performance was satisfied and the time when the customer payment was made. For 2023 and 2022, the contract liabilities at the beginning of the

year and the amount of income recognized for each year were NT\$203,943 thousand and NT\$191,884 thousand respectively.

19. Net income

(1) Other income

	2023	2022
Income from government grants (Note 22)	\$ 493	\$ 7,266
Others	<u>17,286</u>	<u>20,747</u>
	<u>\$ 17,779</u>	<u>\$ 28,013</u>

(2) Depreciation

	2023	2022
Property and equipment right-of-use asset	\$ 185,257	\$ 182,421
	<u>129,186</u>	<u>127,315</u>
	<u>\$ 314,443</u>	<u>\$ 309,736</u>
Analysis by function		
Operating cost	\$ 264,638	\$ 259,860
Operating expenses	<u>49,805</u>	<u>49,876</u>
	<u>\$ 314,443</u>	<u>\$ 309,736</u>

(3) Financial cost

	2023	2022
Interest for lease liabilities	\$ 16,019	\$ 17,918
Interest for bonds payable	8,836	18,955
Others	<u>1</u>	<u>2</u>
	<u>\$ 24,856</u>	<u>\$ 36,875</u>

(4) Employee benefit expense

	2023	2022
Short-term employee benefits	\$ 606,723	\$ 544,151
Post-employment benefits		
Defined contribution plans	24,969	<u>22,565</u>
Defined benefit plan	1,540	-
Other employee benefits	<u>20,666</u>	<u>19,492</u>
	<u>\$ 653,898</u>	<u>\$ 586,208</u>

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	<u>2023</u>	<u>2022</u>
Analysis by function		
Operating cost	\$ 451,633	\$ 413,160
Operating expenses	<u>202,265</u>	<u>173,048</u>
	<u>\$ 653,898</u>	<u>\$ 586,208</u>

(5) Remunerations of employees and directors

The Group appropriates the remunerations of employees and directors according to the ratios of 0.01%~3% for the remuneration of employees and no higher than 1% for the remuneration of directors, respectively, of the net profit before tax. For the 2023 and 2022, the estimates of the remunerations of employees and directors according to the aforementioned 0.01% and 0.5% of net profit before tax and the resolutions were made by the board of directors on March 7, 2023 and March 14, 2024, respectively.

	<u>2023</u>	<u>2022</u>
Employee remuneration	<u>\$ 36</u>	<u>\$ 26</u>
Remuneration of directors	<u>\$ 1,780</u>	<u>\$ 1,260</u>

If the amount in the annual consolidated financial statements still has any changes after the date it is approved and published, it is regarded as changes on accounting estimates and will be adjusted to the next year.

There was no difference between the distribution amount of remunerations of employees and directors resolved in 2023 and 2022, the amount recognized in the 2023 and 2022 financial statements.

Please visit “Market Observation Post System” (MOPS) website under the Taiwan Stock Exchange for information on the remuneration of employees and directors resolved by the board of directors of the Company.

20. Income tax

(1) Main components of income tax expense (gain) recognized in profit or loss

	<u>2023</u>	<u>2022</u>
Current tax		
Income tax expense generated in the current year	\$ 71,519	\$ 36,934
Adjustment on prior years	<u>34</u>	(<u>552</u>)
	<u>71,553</u>	<u>36,382</u>
Deferred tax		
Income tax expense generated in the current year	(35)	14,340
Adjustment on prior years	(<u>34</u>)	<u>-</u>
	(<u>69</u>)	<u>14,340</u>
Income tax expense (gain) recognized in profit or loss	<u>\$ 71,484</u>	<u>\$ 50,722</u>

A reconciliation of accounting income and income tax expense (gain) is as follows:

	<u>2023</u>	<u>2022</u>
Net income (loss) before tax	<u>\$ 354,656</u>	<u>\$ 250,289</u>
Income tax expense (gain) of net income (loss) before tax calculated at the statutory rate	\$ 70,931	\$ 50,058
Nondeductible tax expenses	594	2,647
Income with tax exemption	(151)	(1,431)
Unrecognized deductible temporary differences	76	-
Adjustment on prior years	<u>34</u>	(<u>552</u>)
Income tax expense recognized in profit or loss (gain)	<u>\$ 71,484</u>	<u>\$ 50,722</u>

(2) Current income tax liabilities

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Current income tax liabilities		
Income taxes payable	<u>\$ 70,591</u>	<u>\$ 36,926</u>

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(3) Deferred tax assets

Changes in deferred tax assets were as follows:

2023

	Balance at the beginning of the year	Defined benefit costs recognized in profit or loss	Balance at the end of the year
<u>Deferred tax assets</u>			
Temporary difference			
Unrealized expenses	\$ 1,389	\$ 878	\$ 2,267
Unrealized impairment loss	1,113	(1,113)	-
Others	<u>265</u>	<u>695</u>	<u>960</u>
	<u>\$ 2,767</u>	<u>\$ 460</u>	<u>\$ 3,227</u>
<u>Deferred tax assets</u>			
Temporary difference			
Unrealized exchange gains	<u>\$ -</u>	<u>\$ 391</u>	<u>\$ 391</u>

2022

	Balance at the beginning of the year	Defined benefit costs recognized in profit or loss	Balance at the end of the year
<u>Deferred tax assets</u>			
Temporary difference			
Unrealized expenses	\$ 1,612	(\$ 223)	\$ 1,389
Unrealized impairment loss	1,113	-	1,113
Loss carryforwards	14,019	(14,019)	-
Others	<u>363</u>	<u>(98)</u>	<u>265</u>
	<u>\$ 17,107</u>	<u>(\$ 14,340)</u>	<u>\$ 2,767</u>

(4) Amount of deductible temporary differences not recognized as deferred tax assets in the individual balance sheet

	<u>2023</u>	<u>2022</u>
Deductible temporary differences		
Impairment loss	<u>\$ 548</u>	<u>\$ -</u>

(5) Income tax examination

The tax authorities have examined the income tax returns of the Company through 2021.

21. Earnings (Loss) per share

	<u>2023</u>	<u>2022</u>
Basic earnings (loss) per share (NT\$)	<u>\$ 2.76</u>	<u>\$ 2.20</u>
Diluted earnings per share (NT\$)	<u>\$ 2.76</u>	<u>\$ 1.98</u>

Weighted average number of ordinary shares in computation of the earnings (loss) of the earnings (loss) per share was as follows:

Net profit (loss) for the year

	<u>2023</u>	<u>2022</u>
Net income (loss) used in the computation of basic earnings (loss) per share	\$ 283,172	\$ 199,567
Effect of potentially dilutive ordinary shares:		
Post-tax interest for convertible bonds	<u>-</u>	<u>9,851</u>
Net income (loss) used in the computation of diluted earnings (loss) per share	<u>\$ 283,172</u>	<u>\$ 209,418</u>

Number of shares

	<u>2023</u>	<u>2022</u>
Weighted average number of ordinary shares (in thousands) in computation of basic earnings per share	102,418	90,691
Effect of potentially dilutive ordinary shares:		
Convertible corporate bonds	-	15,087
Employee remuneration	<u>1</u>	<u>1</u>
Weighted average number of ordinary shares (in thousands) in computation of diluted earnings per share	<u>102,419</u>	<u>105,779</u>

Since the Company offered to settle compensation paid to employees in cash or shares, the Company assumed the entire amount of the compensation would be settled in shares and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares was included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

Since 2022 indicated a loss, the Company had not presumed to distribute remuneration of employees in the form of shares and had not considered the potential ordinary shares of convertible bonds for the computation of diluted loss per share of the antidilutive effect.

22. Government grants

- (1) For the period from January 1 to December 31, 2023, according to the “Regulations for Relief and Revitalization Measures for Industry Enterprises with Operational Difficulties in Response to the Impact of Severe Pneumonia with Novel Pathogens of MOEA”, the Company received the salary subsidy of NT\$103 thousand, dining marketing subsidy of NT\$100 thousand, employment assistance of NT\$261 thousand, for a total of NT\$493 thousand (recognized as other income).
- (2) For the period from January 1 to December 31, 2022, according to the “Regulations for Relief and Revitalization Measures for Industry Enterprises with Operational Difficulties in Response to the Impact of Severe Pneumonia with Novel Pathogens of MOEA”, the Company received the salary subsidy of NT\$103 thousand, epidemic rent subsidy of TN\$353 thousand and wedding order cancellation and extension subsidy of NT\$6,810 thousand, for a total of NT\$7,266 thousand (recognized as other income).

23. Capital risk management

The Group manages its capital to ensure that the Group are able to maximize shareholders return as a going concern through the optimization of the debt and equity balance. The overall strategy of the Group has no major changes from previous years.

The Group's capital structure consists of net liabilities and equities of the Group. In addition, the Group is allowed not to follow other external laws or regulations on capital.

The key management of the Group reviews its capital structure annually, including the consideration on costs of every type of capital and relevant risks. Based on the key management's advice, the Group balances its overall capital structure through payment of dividends and issuance of new debt issuance or debt repayment, etc.

24. Financial Instruments

- (1) Information on fair value - financial instruments that are not measured at fair value
December 31, 2022

		Fair value			
	Carrying amount	Level 1	Level 2	Level 3	Total
<u>Financial liability</u>					
Financial liabilities measured at amortized cost					
- Convertible bonds	\$651,915	\$ -	\$ -	\$649,910	\$649,910

- (2) Information on fair value - financial instruments measured at fair value on a recurring basis

1. Fair value hierarchy

December 31, 2022

	Level 3
<u>Financial liabilities measured at fair value through profit or loss - current</u>	
Derivatives	\$ 199

2. Reconciliation of Level 3 fair value measurements on financial instruments.
2023

	Amount
<u>Financial assets measured at fair value through profit or loss - current</u>	
Balance at January 1, 2023	\$ 199
Defined benefit costs recognized in profit or loss	261
Corporate bonds payable converted into common shares	(460)
Balance as of December 31, 2023	\$ -

2022

	Amount
<u>Financial assets measured at fair value through profit or loss - current</u>	
Balance at January 1, 2022	\$ -
Defined benefit costs recognized in profit or loss	240
Corporate bonds payable converted into common shares	(41)
Balance as of December 31, 2022	\$ 199

3. Valuation techniques and input value used in Level 3 fair value measurement
The Group's estimates on the fair value of convertible bond liability component and the fair value of derivatives were determined according to the

valuation report provided by independent financial expert based on the option valuation model.

(3) Categories of financial instruments

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Financial assets</u>		
Measured at fair value through profit or loss		
Mandatory to be measured at fair value through profit or loss	\$ -	\$ 199
Measured at amortized cost (Note 1)	1,520,937	1,732,462
<u>Financial liability</u>		
Measured at fair value through profit or loss (Note 2)	899,019	1,476,053

Note 1: Balance includes cash and cash equivalent, notes and accounts receivable, accounts receivable - related party, other receivables (including related party) (recognized as other current assets) and refundable deposits, and other financial assets measured at amortized cost.

Note 2: Balance includes notes and accounts payable (including related party), other payables (including related party), bonds payable (including those due to in one year) and guarantee deposits received (recognized as other non-current liabilities), and other financial liabilities measured at amortized cost.

(4) Financial risk management objectives and policies

The risk control and hedge strategy of the Group are effected by the operation environment; however, the Group has executed appropriated risk management and control operation according to the nature of business and the principle of risk diversification. Such risks include market risk, credit risk and liquidity risk.

1. Exchange rate risk

Exchange rate risk arises for the Group due to its engagement in investments in financial instruments denominated in foreign currencies, making the company exposed to fluctuations in exchange rates.

As of the balance sheet date, the book value of monetary assets and monetary liabilities denominated in non-functional currencies (including items

denominated in non-functional currencies that have been offset in the consolidated financial statements) can be referenced in Note 28.

Sensitivity analysis

The Group is primarily affected by fluctuations in the exchange rate of the U.S. dollar.

The table below provides a detailed sensitivity analysis of how a 1% increase and a decrease in the exchange rate between the New Taiwan Dollar (the functional currency) and the U.S. dollar would affect the consolidated company. The 1% sensitivity ratio is used internally by the company for reporting exchange rate risk to key management personnel and also represents the management's assessment of a reasonable range of possible changes in foreign exchange rates. The sensitivity analysis includes only those foreign currency monetary items that are outstanding and adjusts their year-end conversion by a 1% change in exchange rates. Positive numbers in the table indicate that a 1% appreciation of the New Taiwan Dollar relative to the U.S. dollar would result in an increase (or decrease) in pre-tax net income; a 1% depreciation of the New Taiwan Dollar relative to the U.S. dollar would have the opposite effect on pre-tax net income, represented by the same amount in negative figures.

	<u>The impact of TWD against USD</u>	
	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Profit and loss	<u>\$ 6,093</u>	<u>\$ 208</u>

2. Interest rate risk

The Group is exposed to interest rate risk for the reason that it has borrowed money at variable rate. The hedge is evaluated by the Group on a regular basis, which makes its point of view and the established risk preference identical.

The carrying accounts of financial assets and liabilities exposed to interest rate risk at the date of balance sheet are as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Fair value interest rate risk		
- Financial assets	\$ 798,636	\$ 730,000
- lease liabilities	926,665	1,045,939
- Bonds payable	498,682	1,150,108
Cash flow interest rate risk		
- Financial assets	608,473	933,493

Sensitivity analysis

The following sensitivity analysis is determined in accordance with interest rate risk of non-derivative instruments at the date of balance sheet. For the floating rate liabilities, the analysis is to assume that the amount of liabilities outstanding at the date of balance sheet is all outstanding at the reporting period. The rate of change is expressed as the increment or decrement by 50 basis points when reporting to the management personnel of the Group, which also represents the management's assessment of the reasonable interest rate change.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's net income (loss) before tax as of December 31, 2023 and 2022 would increase/decrease by NT\$3,042 thousand and increase/decrease NT\$4,667 thousand, respectively.

3. Credit risk

The credit risk exposure of the Group is mainly affected by the individual condition of each customer. However, the management considers the basic statistical data of customers of the Group.

The Group has established the credit policy, and according to such policy, before the Company makes standard payment terms, it is necessary to analyze the credit rating of each new customer individually. Credit extension limits are established according to each individual customer respectively, and such limits reviewed periodically. Customers failing to satisfying the company credit rating standard, the prepayment method is adopted as the basis to engage in transaction with the Group.

The Group has set the allowance for loss account to reflect the estimated losses for accounts receivable. The allowance for debt account mainly consists of specific loss component relating to individually significant exposure, and combinational loss component established for losses already occurred but not yet identified in similar asset groups. Combinational loss account allowance account is determined based on the past payment statistical data of similar financial assets.

The customer group of the Group is large and customers are not correlated to each other, such that the concentration of credit risk is not high.

4. Liquidity risk

The Group manages liquidity risk by monitoring and maintaining a level of cash deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In addition, the management of the Group monitors the utilization of borrowings and ensures compliance with loan conditions.

The bank borrowing is a material source of liquidity to the Group.

(a) Liquidity and interest risks of non-derivative financial liabilities

The analysis on the remaining contractual maturity for the non-derivative financial liabilities is performed based on the earliest date on which the Group may be required to pay, and is prepared based on the undiscounted cash flows of financial liabilities (including principle and estimated interest). Accordingly, for the bank loans to which the Group may be requested for immediate repayment are within the earliest period listed in the table below, and the probability of the banks exercising such right is not considered. The analysis of other non-derivative financial liabilities maturity analysis is prepared according to the repayment date agreed. For the interest cash flow paid at variable rate, its undiscounted interest amount is inferred and obtained from the yield rate curve of the balance sheet date.

December 31, 2023

	1~3 months	3 months~1 year	Over 1 year
<u>Non-derivative</u>			
<u>financial liabilities</u>			
Non-interest bearing			
liabilities	\$ 398,950	\$ -	\$ -
lease liabilities	35,575	105,835	843,000
Fixed-rate			
instruments	725	2,175	505,139
	<u>\$ 435,250</u>	<u>\$ 108,010</u>	<u>\$ 1,348,139</u>

The further information on a maturity analysis of lease liability is below:

	Within 1 year	1~5 years	5~10 years	10~15 years	Over 15 years
lease liabilities	<u>\$ 141,410</u>	<u>\$ 556,972</u>	<u>\$ 264,992</u>	<u>\$ 21,036</u>	<u>\$ -</u>

December 31, 2023

	<u>1~3 months</u>	<u>3 months~1 year</u>	<u>Over 1 year</u>
<u>Non-derivative financial liabilities</u>			
Non-interest bearing liabilities	\$ 325,132	\$ -	\$ -
lease liabilities	34,736	104,474	980,346
Fixed-rate instruments	725	664,875	507,798
	<u>\$ 360,593</u>	<u>\$ 769,349</u>	<u>\$ 1,488,144</u>

The further information on a maturity analysis of lease liability is below:

	<u>Within 1 year</u>	<u>1~5 years</u>	<u>5~10 years</u>	<u>10~15 years</u>	<u>Over 15 years</u>
lease liabilities	<u>\$139,210</u>	<u>\$555,541</u>	<u>\$372,216</u>	<u>\$ 52,589</u>	<u>\$ -</u>

The amount of the aforementioned floating rate instrument of non-derivative liabilities will change resulting from the floating rate is different from the interest rate estimated at the date of balance sheet

(b) Financing amount

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Unsecured bank loan amount		
- Amount used	\$ -	\$ -
- Amount unused	-	100,000
	<u>\$ -</u>	<u>\$ 100,000</u>
Secured bank loan amount		
- Amount used		\$ -
- Amount unused	\$ -	1,000,000
	<u>1,000,000</u>	<u>\$ 1,000,000</u>

25. Related party transaction

Except for other notes disclosed, transactions between the Group and related parties are as follows:

(1) Related party name and categories

<u>Related Party Name</u>	<u>Relationship with the Group</u>
L' Hotel de Chine Corporation (LDC)	Parent
Splendor Restaurant Co., Ltd. (Splendor)	Fellow subsidiary
LDC Italian Hotels S.R.L	Fellow subsidiary
Taiwan Cement Corp. (TCC)	Substantial related party
TCC Tung-Li Green Energy Corporation	Substantial related party
TCC (Hangzhou) Environmental Protection Technology Co., Ltd.	Substantial related party

<u>Related Party Name</u>	<u>Relationship with the Group</u>
TCC Energy Storage Technology Corporation (NHOA TCC)	Substantial related party

(2) Operating revenue

<u>Related party category</u>	<u>2023</u>	<u>2022</u>
LDC	\$ 48,860	\$ 54,149
Substantial related party	<u>7,111</u>	<u>8,021</u>
	<u>\$ 55,971</u>	<u>\$ 62,170</u>

Transaction prices and payment collection periods with the related party are appropriate to the terms for non-related parties.

(3) Purchase

<u>Related Party Category/Name</u>	<u>2023</u>	<u>2022</u>
LDC	<u>\$ 11,381</u>	<u>\$ 3,044</u>

Transaction prices and loan payment periods between the Group and related party are negotiated by both parties.

(4) Expenses for brand licensing and joint marketing expenses and lease agreements

<u>Related Party Category/Name</u>	<u>2023</u>	<u>2022</u>
<u>Operating cost and expense</u>		
LDC	<u>\$ 87,883</u>	<u>\$ 79,258</u>
<u>Interest expense</u> (recognized as financial cost)		
LDC	<u>\$ 10,686</u>	<u>\$ 12,254</u>
<u>Lease expense</u> (recognized as operating expense)		
LDC	<u>\$ 56,533</u>	<u>\$ 16,000</u>

<u>Account</u>	<u>Related Party Name</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Lease liabilities (including current and non-current)	LDC	<u>\$ 613,591</u>	<u>\$ 710,912</u>

LDC provides some of the management services to the Group, and the Group recognizes and pays the brand licensing and joint marketing expenses, and also allocates to relevant departments for which such expenses are incurred. The amounts and terms for the brand licensing and joint marketing expenses paid by the Group are determined based on the negotiation of both parties.

The Group leases places from the LDC for the expansion of food and guest room services, and the lease periods are between 2014~2029. The lease contracts include the contingent rent clauses, and the variable lease payments are calculated according to a specific percentage of the revenue of each operation place. For the lease contracts between the Group and related parties, rents are negotiated and determined based on the market price and comply with the general payment terms.

(5) Receivables from related parties

<u>Related Party Name</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
LDC	\$ 10,922	\$ 1,609
Substantial related party	<u>1,089</u>	<u>2,144</u>
	<u>\$ 12,011</u>	<u>\$ 3,753</u>

No deposits were collected for the outstanding receivables from related parties. For the receivables from related parties as of December 31, 2023 and 2022, the allowance for loss were not appropriated.

(6) Other payables - related party (recognized as other payables)

<u>Related party category</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
LDC	<u>\$ 56,919</u>	<u>\$ 17,700</u>

(7) Other advance receipts - related party (recognized as contract liabilities)

<u>Related party category</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
TCC (Hangzhou)		
Environmental Protection	<u>\$ 317</u>	<u>\$ 969</u>

(8) Acquisition of property and equipment

<u>Related Party Name</u>	<u>Amount of acquisition</u>	
	<u>January 1 to December 31, 2023</u>	<u>January 1 to December 31, 2022</u>
LDC	<u>\$ 553</u>	<u>\$ 255</u>

(9) Disposal of property and equipment

<u>Related Party Name</u>	<u>Disposal proceeds</u>		<u>Disposal gain (loss)</u>	
	<u>January 1 to December 31, 2023</u>	<u>January 1 to December 31, 2022</u>	<u>January 1 to December 31, 2023</u>	<u>January 1 to December 31, 2022</u>
LDC	<u>\$ -</u>	<u>\$ 26</u>	<u>\$ -</u>	<u>\$ 11</u>

10. Remuneration of key management personnel

	2023	2022
Short-term employee benefits	\$ 38,107	\$ 34,657
Pensions	1,827	1,418
	<u>\$ 39,934</u>	<u>\$ 36,075</u>

The remuneration of directors and other key management personnel were determined by the Remuneration Committee in accordance with the individual performance and the market trends.

26. Pledged Assets

The following assets are pledged as collaterals for bank loans and corporate bonds:

	December 31, 2023	December 31, 2022
Land	\$ 131,649	\$ 131,649
Building	957,194	918,240
	<u>\$ 1,088,843</u>	<u>\$ 1,049,889</u>

27. Significant Contingent Liabilities and Unrecognized Commitments

For December 31, 2023 and 2022, the amounts of guaranteed bills issued by the Group due to lease were NT\$46,250 thousand respectively.

As of December 31, 2023, the Group had committed to contracts for interior design work amounting to NT\$64,331 thousand (€1,893 thousand), with an unpaid amount of NT\$59,080 thousand (€1,739 thousand).

28. Information on foreign currency assets and liabilities that have a significant impact

The information provided below is summarized in foreign currencies other than the functional currencies of the individual entities within the consolidated company. The exchange rates disclosed refer to the rates used to convert these foreign currencies into the functional currencies. Significant foreign currency assets and liabilities are as follows:

December 31, 2023

	Foreign Currency	Exchange Rate	Book Value
Foreign Currency Assets			
<u>Monetary Items</u>			
USD	\$ 19,843	30.705 (USD : TWD)	\$ 609,281

December 31, 2022

	Foreign Currency	Exchange Rate	Book Value
Foreign Currency Assets			
<u>Monetary Items</u>			
USD	\$ 677	30.71 (USD : TWD)	\$ 20,795

For the fiscal years 2023 and 2022, the Group reported net foreign exchange gains (both realized and unrealized) of NT\$2,141 thousand and NT\$349 thousand, respectively, primarily due to fluctuations in the US dollar exchange rate.

29. Other Disclosures

- (1) Information about significant transactions and (2) investees:
1. Loaning of funds to others: None.
 2. Provision of endorsements/guarantees to others: None.
 3. Marketable securities held: Table 1.
 4. Marketable securities acquired and disposed at costs or prices at least NT\$300 million or 20% of the paid-in capital: Table 2.
 5. Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital: Table 3.
 6. Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital: None.
 7. Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: None.
 8. Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: None.
 9. Relevant information on investees: Table 4.
 10. Derivative instrument transactions: Note 13 and 24.

- (3) Information on Investment in Mainland China:
1. Information on any investees in mainland China, showing the company name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the year, repatriations of investment income, and limit on the amount of investment in the mainland China area: Table 5.
 2. Significant direct or indirect transactions through a third area with the investee in the Mainland Area, and its prices and terms of payment, unrealized gain or loss are as follows: None.
 - (a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the year.
 - (b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the year.
 - (c) The amount of property transactions and the amount of the resultant gains or losses.
 - (d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.
 - (e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds.
 - (f) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receiving of services.
- (4) Information on major shareholders, names, numbers of shares held, and shareholding percentages of shareholders with hold 5% or more of the equity: Table 6.

30. Segment Information

Information provided the key operating decision maker for resources allocation and performance evaluation of department focuses on each classification of products provided or service rendered. The segments of the Group required for reporting are as follows:

(1) Segment income and operation results

The analysis on the revenue and operating result of the continuing operation unit of the Group according to the segments required for reporting is as follows:

	Segment revenue		Segment profit or loss	
	2023	2022	2023	2022
Catering segment	\$ 1,253,148	\$ 1,152,208	\$ 99,677	\$ 100,606
Guest room segment	943,228	816,682	536,101	455,303
Others	<u>163,468</u>	<u>105,463</u>	<u>147,455</u>	<u>87,002</u>
	<u>\$2,359,844</u>	<u>\$2,074,353</u>	783,233	642,911
Operating expenses			(460,843)	(383,463)
Financial cost			(24,856)	(36,875)
Other net				
non-operating				
income and expense			<u>57,122</u>	<u>27,716</u>
Net profit (loss) before				
income tax			<u>\$ 354,656</u>	<u>\$ 250,289</u>

Segment profit or loss refers to the net income (loss) of each segment, excluding the income tax gains (expenses). The amount of measurement provided to the key operating decision maker for resource allocation and performance evaluation of departments.

(2) Segment total assets

The asset measured amount of the Group was not provided to the operation decision maker as the basis for performance measurement.

FDC International Hotels Corporation and Subsidiaries
Marketable securities held
December 31, 2023

Table 1Unit: NT\$ Thousand

Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	As of December 31, 2023				Footnote
				Number of shares	Book value	Ownership%	Fair value	
FDC International Hotels Corporation	<u>Bonds</u> U.S. Treasury securities	—	Financial assets measured at amortized cost	-	\$ 260,881	-	\$ 260,881	

FDC International Hotels Corporation and Subsidiaries
Marketable securities acquired and disposed at costs or prices at least NT\$300 million or 20%
2023

Table 2

Unit: NT\$ Thousand

Investor	Marketable securities	General ledger account	Counterparty	Relationship	Balance as at January 1, 2023		Addition		Disposal				Other adjustment items	Balance as at December 31, 2023		Footnote
					Number of shares	Amount	Number of shares	Amount	Number of shares	Selling price	Book value	Gain (loss) on disposal		Number of shares	Amount	
FDC International Hotels Corporation	<u>Bonds</u>															
	U.S. Treasury securities	Financial assets measured at amortized cost	-	-	-	\$ -	-	\$ 510,884	-	\$ 258,614	\$ 253,407	\$ 5,207 (Note 1)	\$ 13,119 (Note 1)	-	\$ 260,881	
	<u>Stocks</u> FDC Italian Hotels S.R.L.	Investments accounted for using the equity method	Cash capital increase	Note 2	-	13,356	-	589,072	-	-	-	-	7,031 (Note 3)	-	609,459	Note 4
FDC Italian Hotels S.R.L.	<u>Stocks</u> Sine Qua Non S.R.L.	Investments accounted for using the equity method	Cash capital increase	Note 2	-	€3 thousand	-	€17,110 thousand	-	-	-	-	(€50 thousand) (Note 3)	-	€17,063 thousand	Note 4

Note 1 : Recognition of interest income and net foreign exchange gains.

Note 2 : Subsidiaries °

Note 3 : Includes translation differences from the financial statements of foreign operations and the share of profit or loss of subsidiaries recognized using the equity method.

Note 4 : Offsetting has been applied in the preparation of the consolidated financial statements.

FDC International Hotels Corporation and Subsidiaries

Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital

December 31, 2023

Table 3Unit: NT\$ Thousand

Real estate acquired by	Real estate	Date of the event	Amount (Note)	Status of payment (Note)	Counterparty	Relationship	Information on prior transaction if the counterparty is a related party				Basis or reference used in setting the price	Purpose of acquisition and utilization	Other commitments
							Owner	Relationship with the issuer	Date of transfer	Amount			
Sine Qua Non S.R.L.	Land and plants	2023/9/5	\$ 492,982 (€14,508 thousand)	\$ 485,517 (€14,288 thousand)	CDP Real Asset Società di Gestione del Risparmio S.p.A.	Non-related parties	—	—	—	\$ -	Taking into account market conditions and real estate appraisal reports.	Sale or lease after investment and construction	—

Note: Converted based on the exchange rate of EUR\$1 = \$33.98 as of December 31, 2023.

FDC International Hotels Corporation and Subsidiaries
Information on investees, location and other relevant information
2023

Table 4 Unit: NT\$ Thousand

Name of investor	Name of investee	Location	Main business	Initial investment amount		Balance at December 31, 2023			Current gain (loss) of the investee	Investment gain (loss) recognized for the year	Remarks
				December 31, 2023	December 31, 2022	Number of shares (in thousands)	Ratio	Carrying amount			
The Company	FDC Italian Hotels S.R.L. (Note)	Italy	Investments	\$ 602,399	\$ 13,327	-	100	\$ 609,459	(\$ 1,820)	(\$ 1,820)	Subsidiaries
FDC ITALIAN HOTELS S.R.L	Sine Qua Non S.R.L. (Note)	Italy	Real estate management activities	581,738 (€17,120 thousand)	313 (€ 10 housand)	-	100	579,791 (€17,063housand)	(1,698) (€(50) housand)	(1,698) (€(50) housand)	Subsidiaries

Note 1 : Converted based on the exchange rate of EUR\$1 = \$33.98 as of December 31, 2023.

Note 2 : Converted based on the average exchange rate of EUR\$1 = \$33.70 as of December 2023.

Note 3 : The amount has been written-off in preparation of the consolidated financial statements.

FDC International Hotels Corporation and Subsidiaries
Information on Investment in Mainland China
2023

Table 5

Unit In Thousands of New Taiwan Dollars, Unless Stated Otherwise

Name of Investee in Mainland China	Main business	Paid-in capital (Note 1)	Investment method	Accumulated investment amount of outflow from Taiwan at the beginning of the year	Outward remittance or repatriation of investment amount at beginning of the year		Accumulated investment amount of outflow from Taiwan at the end of the year (Note 1)	Current loss of the investee (Note 2)	Ownership percentage of direct or indirect investment	Investment loss recognized for the year (Note 2)	Carrying amount at end of the year (Note 1)	Accumulated repatriation of investment income as of end of the year	Remarks
					Outward remittance (Note 1)	Repatriation							
FDC (Hangzhou) Consulting & Management Co., Ltd.	Hotel and catering service management	\$ 10,194 (EUR 300 thousand).	Investment in Mainland China through a company in a third region	\$ -	\$ 10,194 (EUR 300 thousand).	\$ -	\$ 10,194 (EUR 300 thousand).	\$ 404 (EUR 12 thousand).	100	\$ 404 (EUR 12 thousand).	\$ 10,976 (EUR 209 thousand).	\$ -	Note 3

Accumulated investment amount of outflow in China mainland from Taiwan at the end of the year (Note 1)	Investment amount approved by Investment Commission, MOEA (Note 1)	limitation on investee regulated under Investment Commission, MOEA
\$ 10,194 (EUR 300 thousand)	\$ 10,194 (EUR 300 thousand)	\$ 1,699,911

Note 1: It was calculated according to the exchange rate of EUR\$1=\$33.98 on December 31, 2023.

Note 2: It was calculated according to the average exchange rate of EUR\$1=\$33.70 on December 2023.

Note 3: It was calculated according to the financial statements audited by CPAs.

FDC International Hotels Corporation
Information on Major Shareholders
December 31, 2023

Table 6

Name of major shareholder	Share	
	Number of shares held	Shareholding
L' Hotel de Chine Corporation	61,925,502	58.44%

Note: This table is based on the information provided by the Taiwan Depository & Clearing Corporation for shareholders holding greater than five percent of the shares completed the process of registration and book-entry delivery in dematerialized form, including treasury stocks, at the last business date of current quarter. There may be a discrepancy in the number of shares recorded on the consolidated financial statements and its dematerialized securities arising from the difference in basis of preparation.