Ticker Symbol: 2724

FX Hotels Group Inc.

2018
Annual Report

To search for the annual report: http://mops.twse.com.tw
The Company's website: http://www.fxhotelsgroup.com
Printed on April 30, 2019

I. Name, title, telephone, and email of the Company's spokesperson or acting spokesperson:

Name and title of spokesperson: HOU, CHIA-CHEN/ Senior Vice General Manager
Email: emilyhou@fxhotels.com

Name and title of acting spokesperson: Li−Ping Luo/ Senior Vice President
Email: luoliping@fxhotels.com

Telephone: 8862−55720798

II. Address and Telephone of Main Office and Branch Office:

(I) Operational Headquarters:

Name: FX HOTELS GROUP INC.
Address: Suite 102, Cannon Place, North Sound Rd., George Town, Grand Cayman, KY1−9006, Cayman Islands

Name: FX HOTELS MANAGEMENT INTERNATIONAL LIMITED
Address: 13F,Chun Hoi Commercial Building,688−690 Shanghai Street,Mongkok,Kowloon, Hong Kong

Name: FURAMAXPRESS HOTEL MANAGEMENT AND DEVELOPMENT(BJ) CO.,LTD.
Address: 04K, 4th Floor, No. 68, Beisihuanxi Road, Haidian District, Beijing
Telephone: 8610−65848000

Name: CHINA CAPITAL MANAGEMENT GROUP INC. (CHINA CAPITAL)
Address: Suite 501, 3rd Floor, No. 39, Maizixi Street, Chaoyang District, Beijing
Telephone: 8610−65848084

Name: TAIWAN FX HOTELS COMPANY LIMITED.
Address: No. 131, Sec. 3, Nanjing East Road, Zhongshan District, Taipei City
Telephone: 8862−55720798

(II) Subsidiary and Branch Office:

Name: BEIJING FUSHANG CO., LTD. CO., LTD.
Address: Unit 1, 4th Floor of Shuangqiao Building, No. 68, Beisihuanxi Road, Haidian District, Beijing
Telephone: 8610−58986688

Name: BEIJING YANSHA CO., LTD.
Address: Suite 501, 4th Floor, No. 39, Maizixi Street, Chaoyang District, Beijing
Telephone: 8610−65848077

Name: SUZHOU CO., LTD.
Address: No. 938, Ganjiang Road, Suzhou
Telephone: 86512−67557991

Name: SHENZHEN CO., LTD.
Address: 1st and 3rd through 10th Floors, No. 1, Meizhou Foreign Trade Building, Aiguo Road, Luohu District, Shenzhen
Telephone: 86755−36808600

Name: CHINA CAPITAL MANAGEMENT GROUP INC. (CHINA CAPITAL) Shanghai Branch Office
Address: Suite 119, Building 2, No. 2898, Zhenfeng Highway, Qingcun Township, Fengxian District, Shanghai
Telephone: 8621−51086145

Name: CHINA CAPITAL MANAGEMENT GROUP INC. (CHINA CAPITAL) Xujiahui Branch Offie
Address: No. 500, Tianyaoqiao Road, Shanghai
Telephone: 8621−60919988

Name: CHINA CAPITAL MANAGEMENT GROUP INC. (CHINA CAPITAL) Tianjin Branch Office
Address: East Side at the Intersection of Huaxing Boulevard and Xinzhao Road, Hedong District, Tianjin (11−20 Floors of Yingwang Tower)
Telephone: 8622−24330590

Name: TAIWAN FX HOTELS COMPANY LIMITED. Nanjing East Road Branch
Address: No. 131, Sec. 3, Nanjing East Road, Zhongshan District, Taipei City
Telephone: 8862−55720777

Name: TAIWAN FX HOTELS COMPANY LIMITED. Zhonghua Road Branch, Kaohsiung City
Address: No. 81, Zhonghua 3rd Road, Qianjin District, Kaohsiung City
Telephone: 8867−9708777

Name: Suzhou Hotel One Co., LTD.
Address: South Square of Changjiang Road Paradise, High−tech District, Suzhou, Province of Jiangsu

Telephone: 88512−68781111

Name: Boutix Hotel Management and Development (Nanjing) Company Limited
Address: No. 18, Lijing Road, High−tech Development Zone, Nanjing
Telephone: 0025−66107355

Name: NANJING JIANGNING CO., LTD.
Address: No. 56, Tianyuan East Road, Jiangning District, Nanjing
Telephone: 0025−66107288

Name: TAIWAN FX HOTELS COMPANY LIMITED. Minsheng Road Branch, Tainan City
Address: 8F, No. 76, Minsheng Road Sec. 2, Central West District, Tainan City
Telephone: 8866−5116977

III. Name, address, website, and telephone of stock transfer agency:

Name: First Securities Inc.
Telephone: 8862−25635711
Address: 5F, No. 22, Changan East Road Section 1, Zhongshan District, Taipei City
Website: http://www.ftsi.com.tw

IV. Name of CPA and name, address, website, and telephone of the accounting firm for the Financial Statement of the latest year:

Name: HLB Candor Taiwan CPAs
CPA: Zhao−Min Lin, Wen−Bin Chen
Address: 13F, No. 159, Sec. 1, Keelung Road, Xinyi District, Taipei City
Telephone: 8862−27638098
Website: http://www.taiwancpa.com.tw

V. Name of trading site for securities listed overseas and how to search for the said overseas securities: None.

VI. Company website: http://www.fxhotelsgroup.com.

VII. List of Members on the Board of Directors (and the nationality and main experience of independent directors with residence registered in Taiwan, too): Refer to Page 11 for details.

VIII. Name, title, telephone, and email of the designated acting person in the nation:

Name and Title: HOU, CHIA-CHEN/ Senior Vice General Manager
Telephone: (8862) 5572−0798
Email: emilyhou@fxhotels.com

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One. Letter to Shareholders

First of all, thank you all for your support and encouragement of the Company over the past year. I would like to take this opportunity to report to you the 2018 business accomplishments, the 2019 business plan overview, the future developmental strategies of the Company and the impacts from the external competition, regulatory environment, and the overall management as follows:

In 2018, tourism remained popular. Tourism in Mainland China has become a powerful driving force for economic growth. The overall income from domestic travel throughout the year showed a two−digit growth. Tourism economy continued to lead in the industry. A headcount of up to 5.54 billion people traveled domestically, a growth of 10.8% from the previous year, contributing to an income of RMB 513 million, a year−on−year growth of 12.3%. A headcount of up to 141 million people traveled from outside the country, a year−on−year growth of 1.2%, contributing to an income from in−coming visitors of US$ 127.1 billion, a year−on−year growth of 3.0%. A headcount of 162 million people departed Mainland China, a year−on−year growth of 13.5%; among them, a headcount of 99.19 million went to Hong Kong, Macao, and Taiwan, a year−on−year growth of 14.0%.

In 2018, the headcount of domestic and international travelers in Taiwan exceeded 50.73 million and the total travel income came to NT$77 billion. The subsidies available for people visiting the southern part of Taiwan, the warm winter travel subsidies for the elderly, the extended warm winter travel program introduced in March 2018 and the coming spring travel project subsidies in April this year are a series of measures enforced by the Tourism Bureau of the Ministry of Transportation and Communications. In addition, there were the “Hualien Tourism Revitalization Plan” introduced after the earthquake in Hualien in 2018 and the “Normal Warm Winter Travel” enforced in the fourth quarter. A total of six major subsidy solutions give optimistic hopes for the overall tourism economy in 2019. It is expected that domestic travels will continue to grow. The press release of the Tourism Bureau claims that the number of visitors to Taiwan has broken the threshold of ten million for four years in a row and in 2018, it broke 11 million for the first time.

I. 2018 Business Accomplishments

(I) Accomplishments in Implementation of Operation Plan
Faced with this situation, the Company decided to give up its strategy to expand deployment on a large scale; instead, it turned to the dual−development strategy, that is, to secure existing market and to enhance membership loyalty at the same time. While perfecting, supporting, and enhancing existing stores, new stores will only be opened in prioritized commercial areas in prioritized cities or in national sightseeing spots in the future. The emphasis will be placed on the quality instead of the quantity. Despite the few number of new stores, they are the best of the best. Each store will be a money−maker. The consolidated revenue throughout 2018 totaled NT$644,489 thousand and the consolidated net losses after tax came to NT$4,248 thousand; the after−tax EPS was NT$0.06. The occupancy rate in 2018 for the main scope of operation, guest rooms of hotels, was 71.35% and the mean price of the guest rooms was NT$1,453.98.

(II) Budget implementation status:
The annual budget has been appropriated by the Company and each unit will analyze the differences on a monthly basis to realize effective budget management.

(III) Financial income and expenditure and profitability analysis

Unit: NT$1,000

Analysis Item \ Year			2017	2018
Financial Income and Expenditure	Net Operating Income		757,162	644,489
	Operating Gross Profit		112,005	41,890
	(After–tax) Net Profit		(245,593)	(4,248)
Profitability	Return on Assets (%)		(15.60)	0.58
	Return on Equity (%)		(706.86)	(9.64)
	Ratio in Paid–in Capital (%)	Business Interest	(18.93)	(18.38)
		Net Profit before Tax	(34.57)	(0.15)
	Net Profit Rate (%)		(32.44)	(0.66)
	Earnings per Share ($)		(4.05)	(0.06)

(IV) Research and Development Status: Not Applicable.

II. Overview of 2018 Business Plan

(I) Operation Policy

1. Secure existing hotels by upgrading the quality of their software and hardware and unifying the standards for products and services, turning them smart and further differentiating from low–end economic hotels.
2. Join hands with affiliated hotels in the Asia Pacific Region and make the best of hotel resources in 17 popular travel spots that are unprecedented in the industry in order to add to the divergence of FX as the brand.
3. Up to date. Extensive efforts are made to develop the official website and Wechat of the Group, make online payment, booking, and prize claiming available, and promote preferred deal agreements with corporate customers when booking rooms on the official website. Meanwhile, the self–owned hotel system is perfected and upgraded to establish a relationship with the OTA reservation platform, such as the DLHIS product to attract quality customers. Taiwan tourism is proactively promoted through collaboration with airliners. Preferred deals are introduced to effectively increase the willingness of nationals to travel domestically and also to attract international visitors from the Top 5 countries, namely Mainland China, Japan, Macao and Hong Kong, Korea, and Thailand.
4. As smart hotels emerge, the Group will further introduce smart hotel products in order to add technology as part of the fashionable features of our hotels.
5. In order to increase the scale of revenue and to strengthen its brand image, the Company will focus on the operations and developments of existing hotels and proactively promote the membership system so that brand awareness of FX will be maximized. A high return rate and a high level of loyalty among the members also help support the occupancy. Meanwhile, the Company attends various international travel fairs in order to maximize its exposure and distribution channels and to attract customers from more markets for maximized interests and more diversified opportunities to explore additional channels.

(II) Expected Sales and Rationales

FX has been adhering to correct beliefs and with the market presence and accumulated customer base over the years and the combination of trendy fashion and internationalization, it has been devoted to internal control and management and proactively reduces expenses in order to fulfill the goal of maximized profits. In addition, FX is constantly enhancing and innovating on proposals and measures. It is hence believed that the market share of FX will climb further in 2019.

(III) Important Production and Distribution Policy and Future Company Development Strategy

Due to the impacts of the macroeconomic environment on five−star high−end hotels, FX mid−end business hotels will be expanded as an exception in prioritized areas such as CBD or core commercial districts in first−line cities and provincial cities while securing their existing market share in the future. They will account for more market shares and will steadily make money. In terms of the market strategy, for low−end hotels, the focus will be "service, comfort, and core location". For five−star hotels, on the other hand, the emphasis will be "fashion, interaction, and friendly price." Meanwhile, the focus will significantly be placed on the development of the membership base, maintenance of customer loyalty, reinforcement of brand construction, and enhancement of overall quality.

III. Impacts from External Competition, Regulatory Environment, and Overall Operational Setting

The economy of Mainland China has been steadily growing over the past few years. The GDP from 2014 to 2017 grew 7.3%, 6.9%, 6.7%, and 6.9%, respectively. The GDP of 2018 was RMB 90030.9 billion, a growth of 6.6% from the previous year. Various commercial activities such as exhibitions and meetings that are brought about by economic growths will attract more and more people who travel for business. These business travelers and tourists generally have higher demand for accommodations. Economic hotels are unable to fully satisfy their demand and the luxurious pricing of high−end hotels is also a burden for them. Besides, starting in 2014, the overall hotel market has been showing a decline. High−end five−star hotels, in particular, have borne severe losses. In addition, the GDP in the region of Taiwan between 2014 and 2018 was 4.02%, .81%, 1.51%, 3.08%, and 2.63%, respectively. The GDP in 2018 was NT$1681.1 billion. The headcount of visitors to Taiwan has been breaking the ten million threshold each year between 2015 and 2018. In 2018, in particular, it reached 11,066,707, a growth of 3.05% and it keeps growing. Therefore, mid−end business hotels of the FX brand on the Mainland China market will secure a greater market share in the future. Strategically, for low−end hotels, the focus will be "service, comfort, and core location". For five−star hotels, on the other hand, the emphasis will be "fashion, interaction, and friendly price." Under the macro−environment where the tourism income and the number of people traveling in Mainland China and the number of visitors to Taiwan consistently grew, one has every reason to remain optimistic.

In December 2016, the Mainland China government officially announced its "13th Five−Year Plan" for developing the tourist industry, which defines the general train of thought, basic goals, main missions, and protective measures for the development of tourism for the duration of the 13th Five−Year Plan. The goal is a headcount of 6.7 billion people as a whole on the tourism market, total tourism investment size of RMB 2000 billion, and total tourism income of RMB 7000 billion in 2020. It is planned that a headcount of 6.4 billion people will be traveling domestically, 150 million people will be traveling from overseas, and 150 million people will traveling overseas in 2020, contributing as a whole of up to 12% to the national economy, of at least 85%, in particular, to dining, lodging, and transportation combined. Meanwhile, tourism exchange with Taiwan will be specifically deepened to consolidate the main facilitating effect that tourism exercises in the interaction between people across the Taiwan Strait, to promote orderly development of travels to Taiwan among residents in Mainland China, and to advance collaboration between the West Strait

Economic Zone and Taiwan, Xiamen, and Kinmen, Fuzhou, and Matsu in tourism. This is in favor of hotels across the Taiwan Strait.

In addition, for the region of Taiwan, after the Warm Winter Project introduced by the Tourism Bureau in 2018, the Spring Travel Project was introduced in 2019. Through the Spring Travel Project, the Tourism Bureau under the Ministry of Transportation and Communications hopes to better combine local characteristics. County Governments are given the authority to plan tourism activities that are suitable for their locality and reflective of the local resources, features, industrial development or tourism development needs to accordingly attract and retain customers, instill new momentum into the local sightseeing industry, and vitalize local industrial economy.

2019 will mark a year where the Group will grow steadily and secure existing developments while we maintain and enhance profits from existing hotels, expanding projects in prioritized areas, and enhance brand awareness and brand image by upgrading online features. It is my belief that with joint efforts from all colleagues, the Company will accomplish its goals.

Thank you again for your long–term support and advice.

To:
FX HOTELS GROUP INC. 2019 General Shareholders' Meeting

Chairman:
Chung, Sheng Young

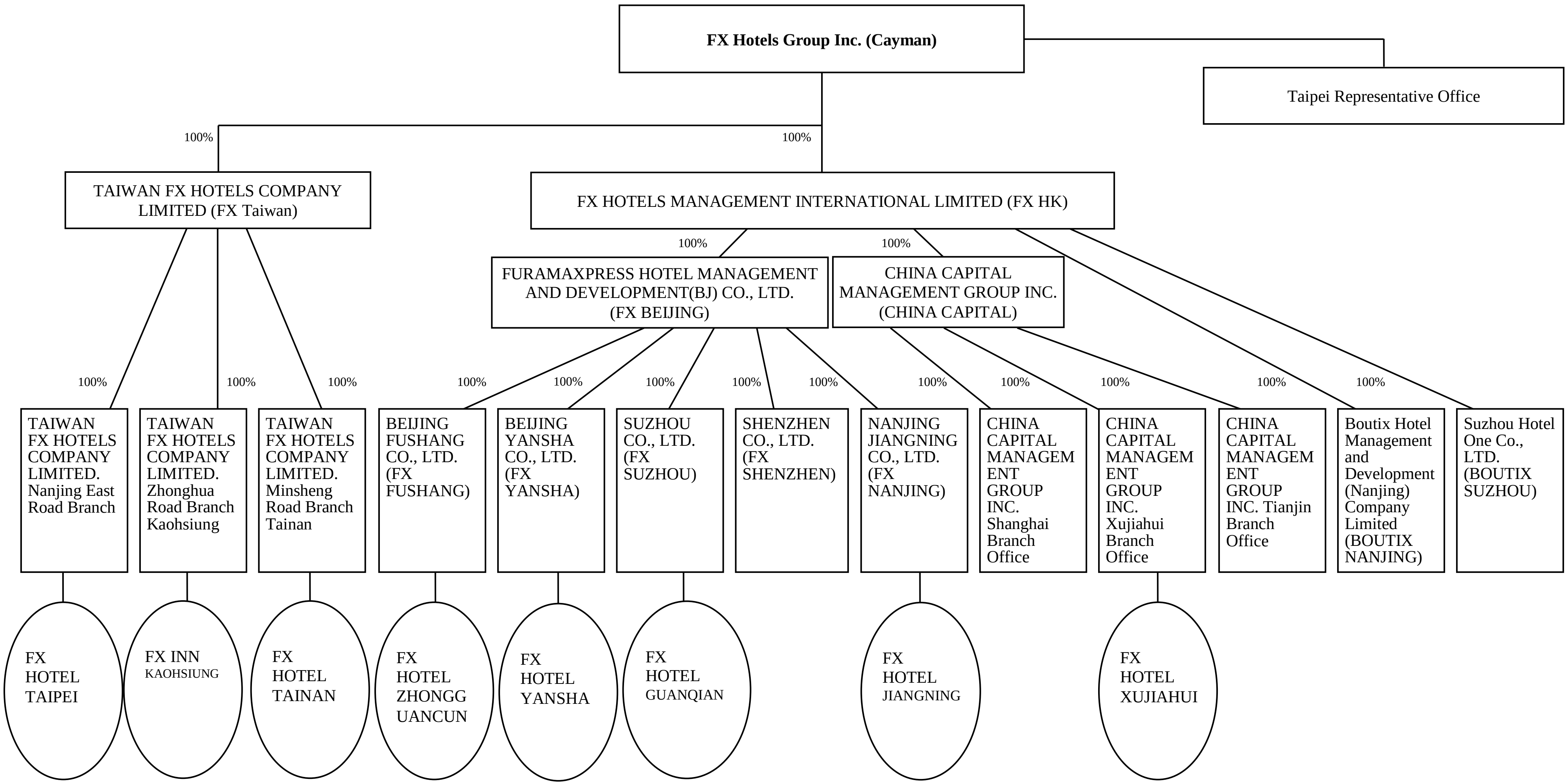
General Manager:
WELLY JAMIN

Head of Accounting:
Cheng, Min-Jen

Two. Company Profile

I. Established on: January 15, 2002

March 31, 2019



II. Company History:

DD/YYYY	Important Event
January 2002	Company established
March 2005	The name of the Company was changed to CHINA CAPITAL MANAGEMENT GROUP INC. The Company started to prepare for and stipulate its plan to invest in the business hotel industry of Mainland China.
August 2005	FURAMAXPRESS HOTEL MANAGEMENT AND DEVELOPMENT(BJ) CO., LTD. was established in Beiing, China, to deal with hotel management and business consultation.
September 2005	FX FUSHANG obtained its business license and was officially commissioned on the business hotel market of China. The hotel is located in the core area of Zhongguancun, Beijing, which is known as the Silicon Valley of China and is home to numerous high−tech corporations. It has 238 guest rooms.
December 2007	FX Airport Hotels Management and Development (Bijing) Company Limited obtained its business license. It is located on the southwest side of the Beijing Capital International Airport, closely adjacent to the new China International Exhibition Center and the Tianzhu Real Estate Development Zone. It is about 10 minutes drive from the Capital International Airport and has 178 guest rooms.
March 2008	FX YANSHA obtained its business license. It is located on the south bank of Liangma River in the Yansha commercial circle of the central commercial zone of Beijing and has 152 guest rooms.
May 2008	The name of CHINA CAPITAL MANAGEMENT GROUP INC. was changed to FX HOTELS GROUP INC. The group holding status was officially created.
August 2008	FX BEIJING FX HOTEL XUJIAHUI obtained its business license. It is located in the famous Xujiahui commercial circle, the center of convenient transportation. In its surroundings are high−end office buildings. The golden location combines business and entertainment in one. It has 118 guest rooms.
October 2008	Won the "Global Hotel Five−Star Golden Award" conferred upon by organizations such as the World Tourism Cities Federation and recognized as one of "Top 100 World Famous Chinese Hotels (Guest Houses)" by organizations such as the China International Cultural Communication Center.
November 2008	Recognized as the "Most Valuable Hotel Chain Brand in China of World Hotels 2008" by organizations such as the World Hotel Association
December 2008	FX BEIJING FX obtained its business license. It is located in the center of Suzhou and is at the central pivotal pot of transportation. The golden area combines business and entertainment in one. It has 229 guest rooms.
January 2009	Recognized as the "2008 Most Luxurious and Fashionable Hotel of China" by organizations such as the Asia−pacific Tourism Organization.
February 2009	Recognized as the "2008 Most Popular Exquisite Business Hotel Chain among 2008 Selected China Hotels" by the 2008 China Hotels Association.

DD/YYYY	Important Event
April 2009	Recognized as the “2008 Best Business Hotel” by the Hotel Professional Manager Magazine.
September 2009	In response to the framework restructuring of the Group, FX obtained 100% equity of FX BEIJING, CHINA CAPITAL, BEIJING FUSHANG CO., LTD., FX FUSHANG, and FX Airport and owns direct–run stores such as FX Airport Hotels Management and Development (Bijing) Company Limited, BEIJING YANSHA CO., LTD., BEIJING FUSHANG CO., LTD. CO., LTD., XUJIAHUI Branch Office, and SUZHOU CO., LTD.
November 2009	Recognized as the “Most Valuable Hotel Chain Brand in China of World Hotels 2009” and the “Most Popular Exquisite Business Hotel Chain of World Hotels 2009” by organizations such as the World Hotel Association
December 2009	Won the “International Hotel Group with Best Growth Potential” conferred upon by the Hotel Professional Manager Magazine.
December 2009	Obtained FX BEIJING Zhonghua Store in Shijiazhuang (Chartered Store), which is located in the center of the north second circle of Shijiazhuang, with convenient transportation, which houses business and recreational sites. The hotel has 100 guest rooms.
January 2010	Listed on the emerging stock market of Taiwan
July 2010	Reputed as the “China Business Hotel Chain with Most Growth Potential of 2010”
August 2010	On the original basis with five direct–run stores and one chartered store, a total of 7 hotels (chartered and franchise) were added; 3 in Hangzhou, 1 in Shanghai, 2 in Beijing, and 1 in Chongqing.
September 2010	Three direct–run stores were signed, in Taining Shenzhen, FX HOTEL TAIPEI, and Train Station Tianjin, respectively.
March 2011	Won the 2010–2011 China Hotels Golden Horse Award as the hotel group with the most development potential in China.
April 2011	Fifteen chartered stores were added, 3 in Beijing and Shanghai, respectively, 2 in Shandong and Yinchuan, respectively, and 1 in Yangzhou, Hangzhou, Suzhou, Chongqing, and Lanzhou, respectively.
April 2011	One direct–run hotel was added; 100% equity was obtained of Hangzhou Milan Style Hotel (originally a charted hotel) through acquisition and it became officially operative. The store in Taining Shenzhen obtained its business license in December 2010 and became officially operative.
August 2011	One direct–run hotel was added; it is located in Wuhan. Seven chartered stores were added, 2 in Shanghai and Nanjing, respectively, and 1 in Beijing, Inner Mongolia, and Shandong, respectively.
November 2011	Eight chartered stores were added, 1 in Beijing and Shandong, respectively, and 2 in Jiangsu, Hubei, and Ningxia, respectively.
February 2012	The Train Station Tianjin store of FX BEIJING obtained its business license and the store on FX HOTEL TAIPEI obtained its registration certificate; they officially became operative. Five chartered stores were added, 1 in Beijing, Guangdong, Ningxia, Chongqing, and Shandong, respectively.
May 29, 2012	Listed as emerging stock

DD/YYYY	Important Event
September 2012	Two direct−run hotels were added, 1 in Nanjing and 1 in Suzhou; BOUTIX SUZHOU, in particular, officially became operative. Nine chartered stores were added, 2 in Chongqing, 2 in Jiangsu, 2 in Hubei, 2 in Beijing, and 1 in Shandong.
October 2012	One direct−run hotel was added; it is located in Kaohsiung, Taiwan.
November 2012	One direct−run hotel was added; it is located in Tainan, Taiwan. Nine chartered stores were added, 2 in Jiannan, 2 in Suzhou, and 1 in Beijing, Hubei, Shandong, and Gansu, respectively.
March 2013	Three chartered stores were added, 1 in Tianjin, Shanxi, and Chongqing, respectively.
April 2013	Won the 2013 China Hotel Golden Dragon Award as Most Popular Exquisite Hotel Chain in the “Sixth Hotel Professional Manager International Elite Forum” organized by the Hotel Professional Manager Magazine and the Shanghai UBM Sinoexpo International Exhibition Co., Ltd. Recognized as the 2013 “Best Exquisite Business Hotel Chain Group” in the China Hotel Golden Award
May 2013	Eleven chartered hotels were added, 3 in Beijing, 3 in Henan, 1 in Shanghai, 1 in Hubei, 1 in Hebei, 1 in Jiangxi, 1 in Jiangsu
July 2013	Recognized as the “International Exquisite Hotel Leading Brand” by the Asia Pacific Hotel Association in 2013
December 2013	Eleven chartered hotels were added, 3 in Beijing, 1 in Tianjin, 2 in Henan, 1 in Jiangsu, 1 in Shanxi, 1 in Shandong, 1 in Hubei, and 1 in Taiwan
July 2014	Recognized as the 2014 “Most Valuable Hotel Management Company for Investment” in the Global Hotel Industry in China Hotel Golden Award
July 2014	Six chartered hotels were added, 1 in Beijing, 1 in Chongqing, 1 in Zhejiang, 1 in Henan, and 2 in Jiangsu
July 2014	FX Inn FX INN KAOHSIUNG obtained the registration certificate and officially became operative.
August 2014	FX BEIJING Jiangning Zhushan Road Nanjing obtained its business license and officially became operative.
August 2014	Received the 2014 Five Continent Diamond Award as “Most Valuable Brand Hotel Year Group for Development” conferred upon by the World Hotel Association
September 2014	Selected First Mid−end Smart Hotel Pilot Project of 2014 by China Smart Hotel Association
September 2014	Five chartered hotels were added, 1 in Shanghai, 1 in Guangdong, 1 in Hubei, 1 in Ningxia, 1 in Zhejiang
December 2014	One chartered hotel was added; it is located in Shandong.
January 2015	Two chartered stores were added, 1 in Jiangsu and 1 in Gansu.
April 2015	Two chartered stores were added, 1 in Jiangsu and 1 in Taiwan.
May 2016	FX BEIJING FX HOTEL TAINAN obtained the registration certificate and officially became operative.
September 2017	Directors and supervisors were comprehensively re−elected early during the special shareholders’ meeting.

III. Company and Group Profile:

The Company FX Hotels Group Inc. (Chinese: 富驛酒店集團有限公司, “the Company”) was established in the Cayman Islands on January 15, 2002. One of its brands, FX BEIJING, is a leading brand among fashionable business hotel chains in Mainland China and Taiwan. The hotels are located in important commercial circles in first−line and second−line cities where business is relatively more prosperous in order to satisfy, to the best extent possible, the commercial and networking needs of the guests and to reduce the cost of travel. Meanwhile, FX BEIJING offer very favorable prices. The Group is known for its multiple sales channels, such as the membership program, long−term contracts signed with customers, and collaborative travel agencies. It wins awards multiple times due to its fashionable design and quality service.

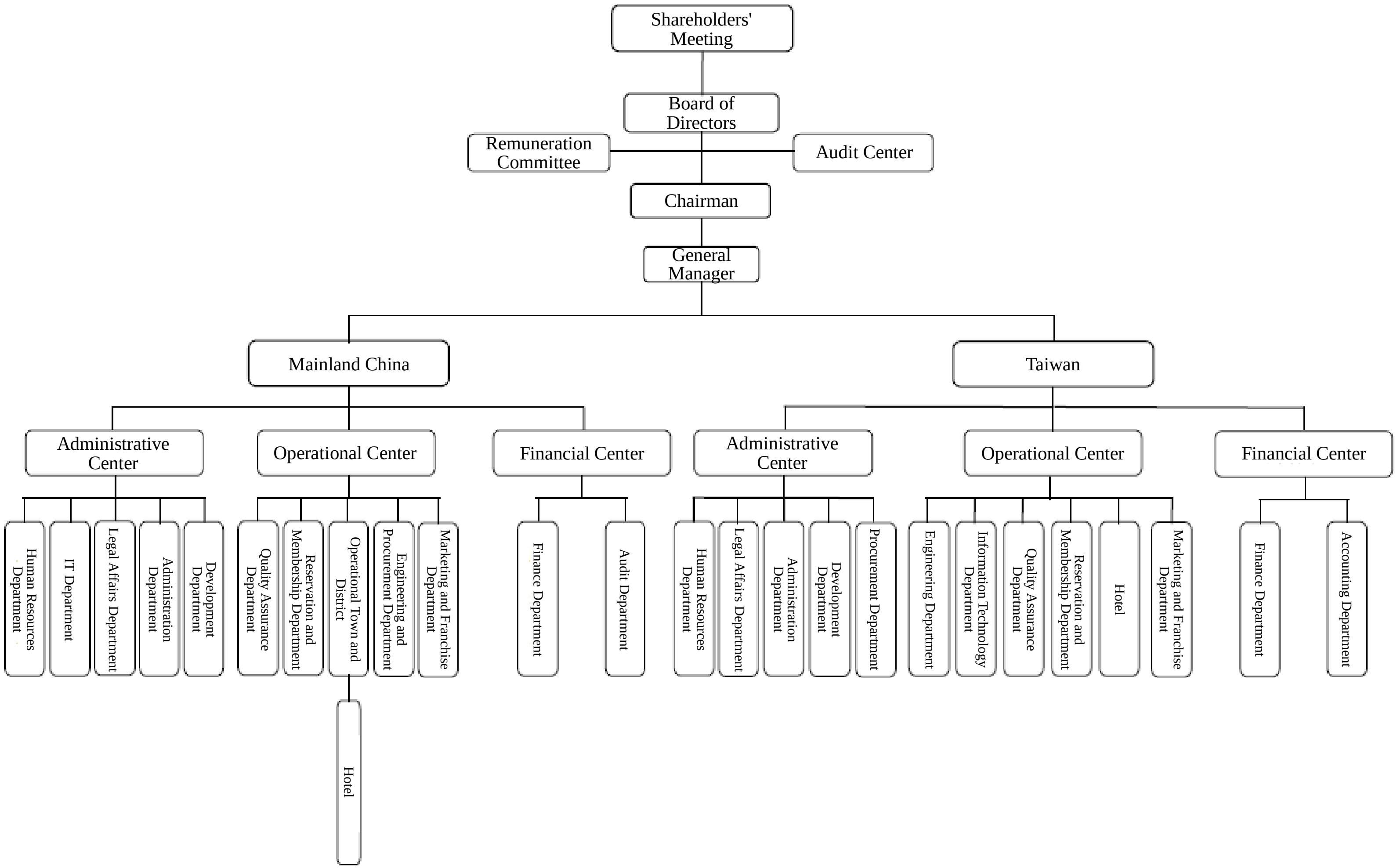
IV. Group Framework: Refer to Page 4 for details.

V. Risk Matters: Refer to Pages 188 to 191 for (VI) Analysis and Evaluation of Risk Matters in Chapter Seven of this Annual Report.

Three. Corporate Governance Report

I. Organizational System

(I) Organizational Structure



(II) Major Departments and Their Scope of Operation

Major Departments	Responsibilities
Audit Center	1. Prepare the audit organizational management charter and internal audit enforcement rules 2. Prepare the Annual Audit Plan and enforce it and produce the Audit Report 3. Submit the roster of related auditors, the audit plan and its implementation, and correction of abnormalities as required by the competent authority 4. Audit and evaluate the Company's internal audit system and various management systems for their soundness, legitimacy, and effectiveness and provide the management with the information for assessment and approval 5. Audit the various implementation plans of respective departments and the efficiency of designated functions
Remuneration Committee	1. Evaluate the managerial performance; prepare and monitor the managerial remuneration plan 2. Prepare plans for the employee retirement fund and sharing of profits, among others 3. Provide opinions on the Company's employee remuneration plan 4. Disclose and explain the remuneration status of high−ranking managers
Chairman/General Manager's Office	1. Enforce plans on building the Group brand, the overall strategies, and management throughout the year 2. Follow up on the implementation of investment and management strategies by the Board of Directors and realize the management and development goals of the Group 3. Establish and normalize the Group's management system and organizational structure 4. Take charge of overall development planning, implementation, and management 5. Propose management budget and budget to cover expenses to the Board of Directors 6. Take charge of stipulating various working documents, strategic measures, and development plans for the Board of Directors 7. Take charge of recording, communicating, and following up on related matters of the Chairman's Office

Major Departments	Responsibilities
Operational Center	1. Take charge of daily management tasks of the Group and realize management and development goals of the Group 2. Prepare management policies and enhance operational indicators 3. Make decisions over brand strategic planning and collaboration, channel development, marketing system, and media and public relations 4. Prepare and implement the price system and marketing tactics, marketing strategies, area coverage strategies and promotional plans, and organize training and guidance for related staff, take part in market expansion and channel management, among other daily tasks 5. Provide related departments with guidance on the preparation of procedures and management tasks in order to ensure normal operation and management of hotels 6. Train primary regional and hotel managers and perfect the operating standards and procedures 7. Take charge of communicating and coordinating with chartered staff on matters relevant to the addition and removal of stores 8. Take charge of collecting receivables from chartered staff
Administrative Center	1. Organize and prepare the Group's annual administrative center work plan according to the mid–term and long–term management plans of the Group 2. Provide the Group with advice and decision–making support on management activities such as important investments, financing, and mergers and acquisitions and take part in risk assessment, guidance, follow–up, and control 3. Establish a sound legal, personnel, and administration system of the Group and centrally control daily management at the Legal Affairs Department, Administration Department, and Human Resources Department of the Group 4. Save, manage, and analyze important legal documents of the Group such as contracts and licenses/certificates and timely adjust related contract files according to revisions made to laws and regulations and the Group's development in order to ensure legitimate operation of the Group 5. Take care of various lawsuits and non–lawsuit legal affairs on behalf of the Group and protect legitimate rights of the Group 6. Reasonably centrally manage the configuration of human resources, control manpower cost, and reinforce corporate cultural construction 7. Take charge of coordinating and supervising from start to end direct–run stores and franchise stores, including itemization in projects, project contracts, and exceptional initiation of business

Major Departments	Responsibilities
Financial Center	1. Organize and prepare the Group’s annual comprehensive financial plan and control criteria according to the mid−term and long−term management plans of the Group 2. Take charge of planning, allocating, controlling, and managing funds Establish a normal financial management system to centrally control the daily management, annual budget, and fund−based operations of the Finance Department 3. Provide the Group with advice and decision−making support on management activities such as important investments, financing, and mergers and acquisitions and take part in risk assessment, guidance, follow−up, and control 4. Take part in finalizing the Group’s dividend policy, facilitate smooth communications with investors, and ensure maximized interests for shareholders 5. Preside over the preparation of the financial statement and budget and accounting books to provide timely and effective financial analyses during the Group’s decision−making process and ensure the normal process of disclosing financial information to the public in order to effectively supervise and examine the financial system, budget implementation, and adequate and timely adjust it. 6. Prepare and embark on internal audit and supervise and follow up on subsequent implementation as advised by the auditor.

II. Information of Directors, Supervisors, General Managers, Vice General Managers, Assistant Managers, and Heads of Various Departments and Branches

(I) Directors and Supervisors

1. Director and Supervisor Information (I)

March 31, 2019

Title	Nationality or registered domicile	Name	Date elected (inaugurated)	Term in office	Initial date of inauguration	Shares held upon inauguration		Shares currently held		Shares currently held by the spouse and minor child(ren)		Shares held in someone else's name		Main experience/education	Positions served at the Company and other companies at present	Other managers, directors, or supervisors who are the spouse or a relative within the second degree of kinship		
						Number of shares	Holding ratio	Number of shares	Holding ratio	Number of shares	Holding ratio	Number of shares	Holding ratio			Title	Name	Relationship
Chairman	Taiwan	Chung, Sheng Young	September 15, 2017	3 years	September 15, 2017	–	–	–	–	–	–	–	–	Master Of Architecture THE UNIVERSITY OF MICHIGAN, ANN ARBOR, MI U.S.A. Master of Engineering, Urban Planning Division, Graduate School of Industrial Planning, Chinese Culture University	U.S.A. President, Owner Pacific Enterpresises Lotus Investment Group Inc. ◦ Lotus Development Corporation Taiwan Chairman of Rose House Co., Ltd. China General Manager/Director of China Shanghai Coal Exchange	None	None	None
Furama Hotels International Management Inc.			September 15, 2017	3 years	December 21, 2009	42,113,588	61.77	42,363,588	62.14	–	–	–	–					
Representative	Australia	Director WELLY JAMIN (Note 1)	January 1, 2019	3 years	–	–	–	–	–	–	–	–	–	Master of Business Administration, Australian Graduate School of Management, the University of New South Wales, Australia Bachelor of Electrical Engineering, Memorial University of Newfoundland, Canada	Chairman/General Manager of FX BEIJING and China CAPITAL Vice President of FHI HOTEL MANAGEMENT COMPANY LIMITED	None	None	None
Furama Hotels International Management Inc.			September 15, 2017	3 years	December 21, 2009	42,113,588	61.77	42,363,588	62.14									

Title	Nationality or registered domicile	Name	Date elected (inaugurated)	Term in office	Initial date of inauguration	Shares held upon inauguration		Shares currently held		Shares currently held by the spouse and minor child(ren)		Shares held in someone else's name		Main experience/education	Positions served at the Company and other companies at present	Other managers, directors, or supervisors who are the spouse or a relative within the second degree of kinship		
						Number of shares	Holding ratio	Number of shares	Holding ratio	Number of shares	Holding ratio	Number of shares	Holding ratio			Title	Name	Relationship
Representative	Singapore	Director LIM YI SHENN	September 15, 2017	3 years	–	–	–	637,833	0.94	–	–	–	–	Master of Business Administration,General Management THE UNIVERSITY OF LEEDS, UK. Bachelor of Arts, Economics, THE UNIVERSITY OF CALIFORNIA,BERKELEY.	Corporate Advisor, Singapore & Hong Kong companies including Public Listed Companies in HKEX and SGX. Entrepreneur : Co−founder at New Silk Road Financial Holdings Limited, a company incorporated in Hong Kong with main activities in providing Cross Border Financing.	None	None	None
Director	Taiwan	Yang, Chih-Min	September 15, 2017	3 years	September 15, 2017	–	–	–	–	–	–	–	–	Department of Accounting, Ming Chuan University PwC Taiwan	Director of TAIWAN FX HOTELS COMPANY LIMITED	None	None	None
Independent Director	United States	Law, Jor-Teck	September 15, 2017	3 years	December 21, 2009	–	–	–	–	–	–	–	–	MBA, Columbia University, USA Credit Suisse Firstboston analyst Morgan Stanley associate Citigroup senior associate Axial Group Limited director	Director of the AXIAL GROUP	None	None	None
Independent Director	Taiwan	Tang, Yu-Chien	September 15, 2017	3 years	September 15, 2017	–	–	–	–	–	–	–	–	Master, Central Queensland University, Australia Hospitality Management, Australian Catholic University MAA−Master of Arts Administration	Person in charge of Pinyao Restaurant Company Limited	None	None	None
Independent Director	Taiwan	Cheng, Chia-Shun	September 15, 2017	3 years	September 15, 2017	–	–	–	–	–	–	–	–	Department of English, College of Foreign Languages, Tamkang University Chairman of the 14th Intake of the Taipei Kitchen Commerce Association Vice Chairman of the 4th Intake of the Kitchen Association Union of Republic of China	Vice General Manager of Intelligent Living Space	None	None	None

Title	Nationality or registered domicile	Name	Date elected (inaugurated)	Term in office	Initial date of inauguration	Shares held upon inauguration		Shares currently held		Shares currently held by the spouse and minor child(ren)		Shares held in someone else's name		Main experience/education	Positions served at the Company and other companies at present	Other managers, directors, or supervisors who are the spouse or a relative within the second degree of kinship		
						Number of shares	Holding ratio	Number of shares	Holding ratio	Number of shares	Holding ratio	Number of shares	Holding ratio			Title	Name	Relationship
Supervisor	Taiwan	Kao, Teh-Shing	September 15, 2017	3 years	September 15, 2017	–	–	–	–	–	–	–	–	Vice General Manager of Finance of Howin Technologies Executive Vice General Manager of Choice E Logistics Supervisor of Pacific Construction Co., Ltd.	Executive Director of Pacific Life Resort	None	None	None
Supervisor	Taiwan	Chien, Shao-Feng	September 15, 2017	3 years	September 15, 2017	–	–	–	–	–	–	–	–	Department of Accounting, National Taiwan University Passed the Advanced EPA National Exam of 2006 Auditing Service Department of PwC Taiwan	Head of the K&H CKH and W CPR Office Independent Director of Gongwin Biopharm Holdings−KY (6617) Supervisor of School Finance Association of the Republic of China	None	None	None
Supervisor	Taiwan	Hsu, Yea-Fang	September 15, 2017	3 years	September 15, 2017	–	–	–	–	–	–	–	–	Master of Business Administration, Tulane University, USA Service specialist − manager of US Visa International for bank members in Taiwan Advanced talent consultant of HRnetOne Marketing Manager of First Commerce Company Limited Assistant Manager of Kangding Consulting Co., Ltd. Executive Director of Personnel, Qunyi (Shanghai) Advertising Co., Ltd.	No positions in other companies	None	None	None

Note 1: The institutional director FHI changed its representative to be WELLY JAMIN on January 1, 2019.

(1) Major shareholders of institutional shareholders

April 30, 2019

Name of institutional shareholder (Note 1)	Major shareholders of institutional shareholders (Note 2)
Furama Hotels International Management Inc.	Expect High Holdings Limited 100%

Note 1: When directors and supervisors are representatives of institutional shareholders, the name of the institutional shareholder shall be provided.

Note 2: Fill in the names of major shareholders of the said institutional shareholder (Top 10 in terms of the holding ratio) and their holding ratio If the major shareholder is a legal entity, the following table shall be completed, too.

(2) Major shareholders of major shareholders who are legal entities

April 30, 2019

Name of legal entity	Major shareholders of the legal entity
Expect High Holdings Limited	GM Services Limited 100%

Note 1: If the major shareholders in the above table are legal entities, names of the legal entities shall be provided.

Note 2: Fill in the names of major shareholders of the said legal entities (Top 10 in terms of the holding ratio) and their holding ratio

2. Director and Supervisor Information (II)

Qualification / Name	More than five years of work experience and the following professional qualifications			Fulfillment of independence (Note 1)										Number of other public offering companies serving as independent directors
	Lecturer or higher ranking at the business, legal affairs, financial affairs, or accounting department, or other departments relating to corporate operation of public and private colleges and universities	Judge, prosecutor, lawyer, CPA, or other professionals and technicians that have taken and been approved in national exams required for corporate operation	Required work experience to carry out business, legal affairs, financial affairs, accounting, or corporate operations	1	2	3	4	5	6	7	8	9	10	
Chung, Sheng Young			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
Furama Hotels International Management Inc. Representative WELLY JAMIN (Note 3)			✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	
Furama Hotels International Management Inc. Representative LIM YI SHENN			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
Yang, Chih-Min			✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	
Tang, Yu-Chien			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
Cheng, Chia-Shun			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
Law, Jor-Teck			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
Kao, Teh-Shing			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
Chien, Shao-Feng		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Hsu, Yea-Fang			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	

Note 1: The number of fields needed is to be adjusted reflective of the actual demand.

Note 2: When any of the following conditions is met for each director or supervisor during the two years prior to and during their tenure, put "✓" in the box underneath each conditional code.

Note 3: The original representative of the said institutional director Chou, Wei-Liang was changed to WELLY JAMIN on January 1, 2019.

(1) Not an employee of the Company or its associated enterprise.
(2) Not a director or supervisor of the Company or its associated enterprise (The same does not apply, however, if the independent director is set up by the Company, its parent company, or any subsidiary where the Company holds more than 50% of shares with voting rights directly and indirectly.)
(3) Not a natural person shareholder that holds by himself/herself or by his/her spouse or minor child in someone else's name more than 1% of all circulating shares of the Company or is on the Top 10 shareholding list.
(4) Not the spouse, a relative within the second degree of kinship, or a direct blood relative within the third degree of kinship of the said people indicated in the foregoing three subparagraphs
(5) Not a director, supervisor, or employee of an institutional shareholder directly holding more than 5% of all circulating shares of the Company or a director, supervisor, or employee of an institutional shareholder on the Top 5 shareholding list
(6) Not a director, supervisor, manager, or a shareholder holding more than 5% of shares of a specific company or institution with financial or business activities with the Company
(7) Not a professional providing services or consultations on business, legal affairs, financial affairs, and accounting at the Company or its associated enterprise or the owner, partner, director, supervisor, manager, and his/her spouse of a sole proprietorship or collaborative company or institution This does not include members of the Remuneration Committee who exercise power in accordance with Article 7 of the Regulations Governing the Appointment and Exercise of Powers by the Compensation Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter
(8) Not the spouse or a relative within the second degree of kinship to any other director of the Company
(9) None of the conditions indicated under Article 30 of the Company Act
(10) Not a government agency, juristic person, or its representative set forth in Article 27 of the Company Act

(II) Information of General Managers, Vice General Managers, Assistant Managers, and Heads of Various Departments and Branches：

1. FX HOTELS GROUP INC.

March 31, 2019

Title	Nationality	Name	Date Elected (Inaugurated)	Shares Held		Shares held by spouse and minor child(ren)		Shares held in someone else's name		Main experience/education	Current positions at other companies	Managers who are the spouse or a relative within the second degree of kinship		
				Number of shares	Holding ratio	Number of shares	Holding ratio	Number of shares	Holding ratio			Title	Name	Relationship
General Manager	Australia	WELLY JAMIN	March 29, 2017	–	–	–	–	–	–	Master of Business Administration, Australian Graduate School of Management, the University of New South Wales, Australia Bachelor of Electrical Engineering, Memorial University of Newfoundland, Canada	Chairman/General Manager of FX BEIJING and China CAPITAL Vice President of FHI HOTEL MANAGEMENT COMPANY LIMITED	None	None	None
Senior Vice General Manager (Representative in the Republic of China)	Taiwan	HOU, CHIA-CHEN	December 21, 2009	–	–	–	–	–	–	Bachelor of International Commerce, California State University, USA Vice President, Wealth Management Department, Masterlink Securities Vice President of CSC Financial Services Co. Ltd. Assistant Vice President of Capital Financial Advisory Co. Ltd. Manager of Standard Chartered Bank	Chairman of TAIWAN FX HOTELS COMPANY LIMITED. Director of Sheng Feng International Investment Co., Ltd.	None	None	None
Senior Vice President	China	Li−Ping Luo	June 23, 2008	–	–	–	–	–	–	Bachelor, Department of Accounting, Jiansu University China Registered Accountant Financial Manager of GreenTree Inn Hospitality Group Ltd. Financial Manager of Shanghai C−Store	Vice General Manager at the Financial Center of Subsidiary where the FX Group holds 100% of its shares (Note)	None	None	None
Administrative Center Vice General Manager	China	Yan Gao	March 27, 2015	–	–	–	–	–	–	Bachelor of Law, China University of Political Science and Law Head of Legal Affairs, CNA China Co., Ltd. Attorney at Beijing Bodao Law Firm	None	None	None	None
Financial Center Manager (Head of Accounting)	Taiwan	Cheng, Min-Jen	September 15, 2017	–	–	–	–	–	–	Department of Accounting, Soochow University PwC Taiwan	None	None	None	None

Note: Subsidiaries where the FX Group holds 100% of shares include FX HOTELS MANAGEMENT INTERNATIONAL LIMITED (FX HK), FURAMAXPRESS HOTEL MANAGEMENT AND DEVELOPMENT(BJ) CO.,LTD. (FX BEIJING), CHINA CAPITAL MANAGEMENT GROUP INC. (CHINA CAPITAL), TAIWAN FX HOTELS COMPANY LIMITED (FX Taiwan), BEIJING FUSHANG CO., LTD. CO., LTD. (FX FUSHANG), BEIJING YANSHA CO., LTD. (FX YANSHAP), SUZHOU CO., LTD. (FX SUZHOU), SHENZHEN CO., LTD. (FX SHENZHEN), Suzhou Hotel One Co., LTD. (Suzhou Hotel One), Boutix Hotel Management and Development (Nanjing) Company Limited (BOUTIX NANJING), NANJING JIANGNING CO., LTD. (NANJING JIANGNING).

Holding Company

FURAMAXPRESS HOTEL MANAGEMENT AND DEVELOPMENT(BJ) CO.,LTD., CHINA CAPITAL MANAGEMENT GROUP INC. TAIWAN FX HOTELS COMPANY LIMITED.

March 31, 2019

Title	Nationality	Name	Date Elected (Inaugurated)	Shares Held		Shares held by spouse and minor child(ren)		Shares held in someone else's name		Main experience/education	Current positions at other companies	Managers who are the spouse or a relative within the second degree of kinship		
				Number of shares	Holding ratio	Number of shares	Holding ratio	Number of shares	Holding ratio			Title	Name	Relationship
Chairman / General Manager of FX BEIJING and China CAPITAL	Australia	WELLY JAMIN	March 29, 2017	–	–	–	–	–	–	Master of Business Administration, Australian Graduate School of Management, the University of New South Wales, Australia Bachelor of Electrical Engineering, Memorial University of Newfoundland, Canada	Representative and General Manager of the legal entity FX Hotels Group Inc. Cayman Islands Vice President of FHI HOTEL MANAGEMENT COMPANY LIMITED	None	None	None
Chairman of TAIWAN FX HOTELS COMPANY LIMITED.	Taiwan	HOU, CHIA-CHEN	September 15, 2017	–	–	–	–	–	–	Bachelor of International Commerce, California State University, USA Vice President, Wealth Management Department, Masterlink Securities Vice President of CSC Financial Services Co. Ltd. Assistant Vice President of Capital Financial Advisory Co. Ltd. Manager of Standard Chartered Bank	Senior Vice General Manager of FX Hotels Group Inc. Cayman Islands Director of Sheng Feng International Investment Co., Ltd.	None	None	None

(III) Remunerations Paid to Directors, Supervisors, General Managers, and Vice General Managers in the Most Recent Years

1. Remunerations for directors (including independent directors) (The names shall be summarized and disclosed reflective of the bracket)

December 31, 2018; Unit: NTD 1,000; %

Title	Name	Remunerations for directors								Ratio of the sum of A, B, C, and D to after−tax net profit (%) (Note 11)		Related remunerations to those who are also employees														Ratio of the sum of A, B, C, D, E, F, and G to after−tax net profit (%) (Note 11)		Claim of remunerations from re−invested businesses other than subsidiaries (Note 12)
		Reward (A) (Note 2)		Retirement and pension (B)		Remunerations from distribution of earnings (C) (Note 3)		Operational expenditure (D) (Note 4)				Salary, Bonus, and Special expenditure (E) (Note 5)		Retirement and pension (F)		Remunerations for employees (G) (Note 6)				Number of shares available for subscription with the employee stock option certificate (H) (Note 7)		Number of restricted employee shares obtained (I) (Note 13)				
		The Company	All companies included in the financial statement (Note 8)	The Company	All companies included in the financial statement (Note 8)	The Company	All companies included in the financial statement (Note 8)	The Company	All companies included in the financial statement (Note 8)	The Company	All companies included in the financial statement (Note 8)	The Company	All companies included in the financial statement (Note 8)	The Company	All companies included in the financial statement (Note 8)	The Company		All companies included in the financial statement (Note 8)		The Company	All companies included in the financial statement (Note 8)	The Company	All companies included in the financial statement (Note 8)	The Company	All companies included in the financial statement (Note 8)	
																Cash value	Stock value	Cash value	Stock value							
Chairman	Chung, Sheng Young	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	None
Director	Furama Hotels Int.Manag. Inc. Representative Chou, Wei-Liang	260	0	0	0	0	0	0	0	0.061%	0.061%	0	0	0	0	0	0	0	0	0	0	0	0	0.061%	0.061%	
Director	Furama Hotels Int.Manag. Inc. Representative LIM YI SHENN	260	0	0	0	0	0	0	0	0.061%	0.061%	0	0	0	0	0	0	0	0	0	0	0	0	0.061%	0.061%	
Director	Yang, Chih-Min	360	0	0	0	0	0	0	0	0.085%	0.085%	0	0	0	0	0	0	0	0	0	0	0	0	0.085%	0.085%	
Independent Director	Law, Jor-Teck	390	0	0	0	0	0	0	0	0.085%	0.085%	0	0	0	0	0	0	0	0	0	0	0	0	0.085%	0.085%	
Independent Director	Cheng, Chia-Shun	390	0	0	0	0	0	0	0	0.085%	0.085%	0	0	0	0	0	0	0	0	0	0	0	0	0.085%	0.085%	
Independent Director	Tang, Yu-Chien	390	0	0	0	0	0	0	0	0.085%	0.085%	0	0	0	0	0	0	0	0	0	0	0	0	0.085%	0.085%	

Remuneration bracket table

Bracket by which remunerations are paid to individual directors of the Company	Name of Director			
	Sum of the first four types of remunerations (A+B+C+D)		Sum of the first seven types of remunerations (A+B+C+D+E+F+G)	
	The Company (Note 9)	All companies included in the financial statement (Note 10) I	The Company (Note 9)	All companies included in the financial statement (Notes 10) J
Below $2,000,000	Chung, Sheng Young, Chou, Wei-Liang, LIM YI SHENN, Yang, Chih-Min, Law, Jor-Teck, Cheng, Chia-Shun, Tang, Yu-Chien	Chung, Sheng Young, Chou, Wei-Liang, LIM YI SHENN, Yang, Chih-Min, Law, Jor-Teck, Cheng, Chia-Shun, Tang, Yu-Chien	Chung, Sheng Young, Chou, Wei-Liang, LIM YI SHENN, Yang, Chih-Min, Law, Jor-Teck, Cheng, Chia-Shun, Tang, Yu-Chien	Chung, Sheng Young, Chou, Wei-Liang, LIM YI SHENN, Yang, Chih-Min, Law, Jor-Teck, Cheng, Chia-Shun, Tang, Yu-Chien
$2,000,000 (inclusive) ~ $5,000,000 (exclusive)	–	–	–	–
$5,000,000 (inclusive) ~ $10,000,000 (exclusive)	–	–	–	–
$10,000,000 (inclusive) ~ $15,000,000 (exclusive)	–	–	–	–
$15,000,000 (inclusive) ~ $30,000,000 (exclusive)	–	–	–	–
$30,000,000 (inclusive) ~ $50,000,000 (exclusive)	–	–	–	–
$50,000,000 (inclusive) ~ $100,000,000 (exclusive)	–	–	–	–
Above $100,000,000	–	–	–	–
Total	7	7	7	7

Note 1: Names of directors shall be listed separately (both the name of the institution and its representative shall be listed for an institutional shareholder) and individual payments made shall be summarized and disclosed accordingly. If a director is also the General Manager or the Vice General Manager, this table and the following one for the remunerations paid to the General Manager and the Vice General Manager should also be completed.

Note 2: Remunerations for directors in the most recent years (including salaries for directors, differential pays, severance pays, various types of bonuses, and rewards, etc.)

Note 3: The remunerations for directors to be assigned as approved by the Board of Directors prior to the Shareholders' Meeting in the proposal on the distribution of earnings from the most recent year.

Note 4: Related operational expenditure incurred by directors in the most recent year (including transportation, special expenditure, various allowances, dormitory, and company cars, among other supplies in kind) When houses, automobiles, and other transportation tools or expenses that are specific to individuals are provided, the nature and cost of the assets provided, the actual or market–value–based rental, the cost of gasoline, and other payments shall be disclosed. If a driver is assigned, too, please also indicate related remunerations that should be paid by the Company to the driver; the value, however, is not included herein.

Note 5: The salaries for directors, differential pays, severance pays, various types of bonuses, rewards, transportation, special expenditure, various allowances, dormitory, and company cars, among other supplies in kind, paid to directors who are also employees in the most recent year (including the General Manager, Vice General Manager, other managers, and employees). When houses, automobiles, and other transportation tools or expenses that are specific to individuals are provided, the nature and cost of the assets provided, the actual or market–value–based rental, the cost of gasoline, and other payments shall be disclosed. If a driver is assigned, too, please also indicate related remunerations that should be paid by the Company to the driver; the value, however, is not included herein.

Note 6: For directors who are also employees in the most recent year (including the General Manager, Vice General Manager, other managers, and employees), to receive employee bonuses (including stock bonus and cash bonus), the value of employee bonus intended to be assigned as approved by the Board of Directors prior to the

Shareholders' Meeting in the proposal on the distribution of earnings from the most recent year shall be disclosed. If it is impossible to estimate the value, the value that intends to be assigned this year shall be calculated proportionally according to the actual value assigned last year and Exhibit 1−3 shall be completed.

Note 7: The number of shares available for subscription with the employee stock option certificate (excluding the executed portions) by directors who are also employees up to the date the Annual Report was printed (including the General Manager, Vice General Manager, other managers, and employees); besides this table, Exhibit 15 shall also be completed.

Note 8: The total value of various types of remunerations paid to the Company's directors by all companies (including the Company) in the consolidated statement shall be disclosed.

Note 9: For the total value of various remunerations paid to each director by the Company, disclose the name of the director in the respective bracket.

Note 10: The total value of various types of remunerations paid to each of the Company's directors by all companies (including the Company) in the consolidated statement shall be disclosed; the name of the director shall be disclosed in the bracket he/she belongs.

Note 11: After−tax net profit refers to that in the most recent year. When the International Financial Reporting Standard is already adopted, after−tax net profit refers to that shown in the individual financial statement of the most recent year.

Note 12:
a. For this field, the value of related remunerations from re−invested businesses other than the subsidiaries that the Company's directors received shall be specified.
b. If the Company's directors received related remunerations from re−invested businesses other than the subsidiaries, such remunerations shall be consolidated in Field J of the bracket table and the field name shall be changed to "all re−invested businesses."
c. Remunerations are the compensation, rewards, employee bonuses, and payments from performing tasks received by the Company's directors for serving as director, supervisor, or manager in a re−invested business other than the subsidiaries.

Note 13: The number of restricted employee shares obtained by directors who are also employees up to the date the Annual Report was printed (including the General Manager, Vice General Manager, other managers, and employees); besides this table, Exhibit 15−1 shall also be completed.

＊ The remunerations disclosed herein differs from the idea of income as indicated in the Income Tax Act. Therefore, this table is meant for information disclosure only, not for taxation.

2. Remunerations for supervisors (The names shall be summarized and disclosed reflective of the bracket.)

December 31, 2018; Unit: NTD 1,000; %

Title	Name	Remunerations for supervisors						Ratio of the sum of A, B and C to after−tax net profit (%) (Note 8)		Claim of remunerations from re−invested businesses other than subsidiaries (Note 9)
		Reward (A) (Note 2)		Remunerations (B) (Note 3)		Operational expenditure (C) (Note 4)				
		The Company	All companies included in the financial statement (Note 5)	The Company	All companies included in the financial statement (Note 5)	The Company	All companies included in the financial statement (Note 5)	The Company	All companies included in the financial statement (Note 5)	
Supervisor	Kao, Teh-Shing	260	0	0	0	0	0	0.061%	0.061%	None
Supervisor	Hsu, Yea-Fang	260	0	0	0	0	0	0.061%	0.061%	
Supervisor	Chien, Shao-Feng	260	0	0	0	0	0	0.061%	0.061%	

Remuneration bracket table

Bracket by which remunerations are paid to individual supervisors of the company	Name of Supervisor	
	Sum of the first three types of remunerations (A+B+C)	
	The Company (Note 6)	All companies in the financial statement (Note 7) D
Below $2,000,000	Kao, Teh-Shing, Hsu, Yea-Fang, Chien, Shao-Feng	Kao, Teh-Shing, Hsu, Yea-Fang, Chien, Shao-Feng
$2,000,000 (inclusive) ~ $5,000,000 (exclusive)	–	–
$5,000,000 (inclusive) ~ $10,000,000 (exclusive)	–	–
$10,000,000 (inclusive) ~ $15,000,000 (exclusive)	–	–
$15,000,000 (inclusive) ~ $30,000,000 (exclusive)	–	–
$30,000,000 (inclusive) ~ $50,000,000 (exclusive)	–	–
$50,000,000 (inclusive) ~ $100,000,000 (exclusive)	–	–
Above $100,000,000	–	–
Total	3	3

Note 1: Names of supervisors shall be listed separately (both the name of the institution and its representative shall be listed for an institutional shareholder) and individual payments made shall be summarized and disclosed accordingly.

Note 2: Remunerations for supervisors in the most recent years (including salaries for supervisors, differential pays, severance pays, various types of bonuses, and rewards, etc.)

Note 3: The remunerations for supervisors to be assigned as approved by the Board of Directors prior to the Shareholders' Meeting in the proposal on the distribution of earnings from the most recent year.

Note 4: Related operational expenditure incurred by supervisors in the most recent year (including transportation, special expenditure, various allowances, dormitory, and company cars, among other supplies in kind) When houses, automobiles, and other transportation tools or expenses that are specific to individuals are provided, the nature and cost of the assets provided, the actual or market−value−based rental, the cost of gasoline, and other payments shall be disclosed. If a driver is assigned, too, please also indicate related remunerations that should be paid by the Company to the driver; the value, however, is not included herein.

Note 5: The total value of various types of remunerations paid to the Company's supervisors by all companies (including the Company) in the consolidated statement shall be disclosed.

Note 6: For the total value of various remunerations paid to each supervisor by the Company, disclose the name of the supervisor in the respective bracket.

Note 7: The total value of various types of remunerations paid to each of the Company's supervisors by all companies (including the Company) in the consolidated statement shall be disclosed; the name of the supervisor shall be disclosed in the bracket he/she belongs.

Note 8: After−tax net profit refers to that in the most recent year. When the International Financial Reporting Standard is already adopted, after−tax net profit refers to that shown in the individual financial statement of the most recent year.

Note 9:
a. For this field, the value of related remunerations from re−invested businesses other than the subsidiaries that the Company's supervisors received shall be specified.
b. If the Company's supervisors received related remunerations from re−invested businesses other than the subsidiaries, such remunerations shall be consolidated in Field J of the bracket table and the field name shall be changed to "all re−invested businesses."
c. Remunerations are the compensation, rewards, employee bonuses, and payments from performing tasks received by the Company's supervisors for serving as director, supervisor, or manager in a re−invested business other than the subsidiaries.

∗ The remunerations disclosed herein differs from the idea of income as indicated in the Income Tax Act. Therefore, this table is meant for information disclosure only, not for taxation.

3. Remunerations for the General Manager and Vice General Managers (The names shall be summarized and disclosed reflective of the bracket.)

December 31, 2018; Unit: NTD 1,000; %

Title	Name	Salary (A) (Note 2)		Retirement and pension (B)		Bonus and special expenditure (C) (Note 3)		Employee remunerations (D) (Note 4)				Ratio of the sum of A, B, C, and D to after−tax net profit (%) (Note 9)		Number of employee stock option certificates obtained (Note 5)		Number of restricted employee shares obtained (Note 11)		Claim of remunerations from re−invested businesses other than subsidiaries (Note 10)
		The Company	All companies included in the financial statement (Note 6)	The Company	All companies included in the financial statement (Note 6)	The Company	All companies included in the financial statement (Note 6)	The Company		All companies included in the financial statement (Note 6)		The Company	All companies included in the financial statement (Note 6)	The Company	All companies included in the financial statement (Note 6)	The Company	All companies included in the financial statement (Note 6)	
								Cash bonus value	Stock bonus value	Cash bonus value	Stock bonus value							
General Manager	WELLY JAMIN	3,713	3,713	0	0	0	0	0	0	0	0	0.874	0.874	0	0	0	0	None
Senior Vice General Manager	HOU, CHIA-CHEN																	
Senior Vice President	Li−Ping Luo																	
Vice General Manager of the Administrative Center	Yan Gao																	

＊ Regardless of the title, any position equivalent to General Manager or Vice General Manager (such as President, Chief Executive Officer, Executive Director, etc.) should be disclosed.

Remuneration bracket table

Bracket by which remunerations are paid to individual General Managers and Vice General Managers of the Company	Name of General Manager and Vice General Manager	
	The Company (Note 7)	All companies in the financial statement (Note 8) E
Below $2,000,000	WELLY JAMIN, HOU, CHIA-CHEN, Li−Ping Luo, Yan Gao	WELLY JAMIN, HOU, CHIA-CHEN, Li−Ping Luo, Yan Gao
$2,000,000 (inclusive) ~ $5,000,000 (exclusive)	−	−
$5,000,000 (inclusive) ~ $10,000,000 (exclusive)	−	−
$10,000,000 (inclusive) ~ $15,000,000 (exclusive)	−	−
$15,000,000 (inclusive) ~ $30,000,000 (exclusive)	−	−
$30,000,000 (inclusive) ~ $50,000,000 (exclusive)	−	−
$50,000,000 (inclusive) ~ $100,000,000 (exclusive)	−	−
Above $100,000,000	−	−
Total	4	4

Note 1: Names of the general managers and vice general managers shall be listed separately and individual payments made shall be summarized and disclosed accordingly. If a director is also the General Manager or the Vice General Manager, this table and the above table (1−1) or (1−2) should be completed.

Note 2: The salaries, differential pays, and severance pays of the general manager and the vice general manager in the most recent year shall be provided.

Note 3: Various types of bonuses, rewards, transportation, special expenditure, various allowances, dormitory, and company cars, among other supplies in kind paid to the general managers and vice general managers in the most recent year and other remunerations shall be provided. When houses, automobiles, and other transportation tools or expenses that are specific to individuals are provided, the nature and cost of the assets provided, the actual or market−value−based rental, the cost of gasoline, and other payments shall be disclosed. If a driver is assigned, too, please also indicate related remunerations that should be paid by the Company to the driver; the value, however, is not included herein.

Note 4: Employee bonus values (including stock and cash) intended to be assigned to the general manager and vice general managers as approved by the Board of Directors prior to the shareholders' meeting in the proposal on the distribution of earnings from the most recent years. If it is impossible to estimate the value planned to be distributed this year, follow the actual value distributed last year and calculate proportionally. Exhibit 1−3 shall also be completed. After−tax net profit refers to that in the most recent year. When the International Financial Reporting Standard is already adopted, after−tax net profit refers to that shown in the individual financial statement of the most recent year.

Note 5: The number of shares available for subscription with the employee stock option certificate (excluding the executed portions) by the general managers and vice general managers who are also employees up to the date the Annual Report was printed; besides this table, Exhibit 15 shall also be completed.

Note 6: The total value of various types of remunerations paid to the Company’s general managers and vice general managers by all companies (including the Company) in the consolidated statement shall be disclosed.

Note 7: For the total value of various remunerations paid to each general manager and vice general manager by the Company, disclose the name of the general manager and vice general manager in the respective bracket.

Note 8: The total value of various types of remunerations paid to each of the Company’s general managers and vice general managers by all companies (including the Company) in the consolidated statement shall be disclosed; the name of the general manager or the vice general manager shall be disclosed in the bracket he/she belongs.

Note 9: After−tax net profit refers to that in the most recent year. When the International Financial Reporting Standard is already adopted, after−tax net profit refers to that shown in the individual financial statement of the most recent year.

Note 10:
a. For this field, the value of related remunerations from re−invested businesses other than the subsidiaries that the Company’s general managers and vice general managers received shall be specified.
b. If the Company’s general managers and vice general managers received related remunerations from re−invested businesses other than the subsidiaries, such remunerations shall be consolidated in Field E of the bracket table and the field name shall be changed to “all re−invested businesses.”
c. Remunerations are the compensation, rewards, employee bonuses, and payments from performing tasks received by the Company’s general managers and vice general managers for serving as director, supervisor, or manager in a re−invested business other than the subsidiaries.

Note 11: The number of restricted employee shares obtained by directors who are also employees up to the date the Annual Report was printed (including the General Manager, Vice General Manager, other managers, and employees); besides this table, Exhibit 15−1 shall also be completed.

＊The remunerations disclosed herein differs from the idea of income as indicated in the Income Tax Act. Therefore, this table is meant for information disclosure only, not for taxation.

4. Names of managers assigned with employee bonus and the distribution status: The Company does not assign employee bonus.

(IV) Compare and describe separately the analysis of ratios of total remunerations paid to directors, supervisors, general managers, and vice general managers of the Company for the past two years by the Company and all companies in the consolidated statement to after−tax earnings indicated in the entity or individual financial statements and describe correlation among the remuneration payment policy, standards and combination, remuneration establishment procedures, and management efficacy and risks in the future.

Remunerations for directors and supervisors are issued reflective of the position they hold in the Company and the value of their contributions to the Company in terms of their involvement in the operation. The remunerations for the general managers and the vice general managers, on the other hand, are based on their position, their contributions to the Company, the industrial practice, and the personnel rules of the Company.

Currency Unit: NTD 1,000

Title	2017				2018			
	Sum of Remunerations		Ratio of Sum to After−tax Net Profit (%)		Sum of Remunerations		Ratio of Sum to After−tax Net Profit (%)	
	The Company	All companies in the consolidated statement	The Company	All companies in the consolidated statement	The Company	All companies in the consolidated statement	The Company	All companies in the consolidated statement
Director	683	683	0.278%	0.278%	2,050	2,050	48.26%	48.26%
Supervisor	271	271	0.110%	0.110%	780	780	18.36%	18.36%
General Manager and Vice General Manager	2,793	2,793	1.14%	1.14%	3,713	3,713	87.40%	87.40%
Total	3,747	3,747	1.528%	1.528%	6,543	6,543	154.02%	154.02%

(1) Remunerations for directors

Remunerations for directors of the Company are defined according to applicable requirements of the Company's Articles of Incorporation. Besides the 3% at maximum set aside from profits of the specific year, a fixed amount as rewards may be appropriated each month, too. The Remuneration Committee is to periodically evaluate the legitimacy of remunerations and submit it to the Board of Directors for a decision with reference to the operational performance in the industry and of the Company and the performance assessment outcome.

(2) Remunerations for managers

The Company's managerial compensation policy is established taking into consideration comprehensively the market positioning of the overall compensation of the Company, the industrial compensation survey findings, and the responsibilities, personal performance, and company operational performance of the manager, and correlation with risks in the future. The contents include the fixed salary, differential pays, mileage subsidies, various allowances, bonuses, year–end bonuses, and remunerations for employees.

Remunerations for managers are defined according to applicable regulations and requirements of the Company and the Remuneration Committee shall periodically review the legitimacy of remunerations.

III. Status of Corporate Governance

(I) Board of Directors

Throughout 2018 and up to the date the Annual Report was printed, the Board of Directors had met 7 times (A). Attendance of directors is given below:

Title	Name	Actual attendance (seated) frequency B	Attendance through proxy Frequency	Actual attendance (seated) (%) (B/A)	Remarks
Chairman	Chung, Sheng Young	7	0	100.00%	Re−elected and inaugurated on September 15, 2017
Director	Furama Hotels International Management Inc. Representative WELLY JAMIN	1	0	14.29%	The original institutional director representative Chou, Wei-Liang was replaced on January 1, 2019 by Mr. WELLY JAMIN
Director	Furama Hotels International Management Inc. Representative Chou, Wei-Liang	5	1	71.43%	
Director	Furama Hotels International Management Inc. Representative LIM YI SHENN	5	0	71.43%	Re−elected and inaugurated on September 15, 2017
Director	Yang, Chih-Min	5	1	71.43%	Re−elected and inaugurated on September 15, 2017
Independent Director	Tang, Yu-Chien	5	2	71.43%	Re−elected and inaugurated on September 15, 2017
Independent Director	Law, Jor-Teck	3	1	42.86%	Re−elected and remained in office on September 15, 2017
Independent Director	Cheng, Chia-Shun	6	0	85.71%	Re−elected and inaugurated on September 15, 2017

Other details to be documented:

I. For matters listed in Article 14−3 of the Securities Exchange Act and other resolutions reached in Board of Directors' meetings objected to or with reservations expressed by independent directors that are recorded or documented in written statements rectors in a written statement, the date, session No., details of proposals, opinions of all independent directors in the Board of Directors' meeting shall be stated: None.

How the Company handles opinions of all independent directors: None.

II. For the enforcement of recusal upon conflicts of interest among directors, the name of the director, details of the proposal, reason for the recusal, and participation in the voting process or not shall be described: None.

III. Reinforced assessments of functional objectives of the Board of Directors (e.g. to set up the Audit Committee and to enhance information transparency, among others) and implementation status of the objectives of the immediate year and the most recent year: The Company has three independent directors and three supervisors, who get a sufficient understanding of the operational status of the Company by attending Board of Directors' meetings and adequately provide proposals and opinions.

(II) Operational status of the Audit Committee and participation of supervisors in the operations of the Board of Directors

1. Operational status of the Audit Committee: No Audit Committee is in place for the Company.
2. Attendance of supervisors in the Board of Directors' meeting:

Throughout 2018 and up to the date the Annual Report was printed, the Board of Directors had met 7 times (A). Attendance of supervisors is given below:

Title	Name	Actual seated frequency (B)	Actual seated rate (%) (B/A)	Remarks
Supervisor	Kao, Teh-Shing	6	85.71%	Re−elected and inaugurated on September 15, 2017
Supervisor	Chien, Shao-Feng	5	71.43%	Re−elected and inaugurated on September 15, 2017
Supervisor	Hsu, Yea-Fang	7	100.00%	Re−elected and inaugurated on September 15, 2017

Other details to be documented:

I. Composition and Responsibilities of Supervisors:

(I) Communication between supervisors and employees and shareholders of the Company (e.g. communication channel and method, among others): The Company's supervisors, besides getting involved in the supervision over the operation of the Board of Directors, by being seated in each meeting, get to have sufficient knowledge of the division of labor among respective departments, contents of the operation, and the shareholding structure; they communicate with mid−to−high−ranking supervisors at respective departments at any time by phone or through meetings.

(II) Communication between supervisors and internal audit heads and CPAs (over the financial standing and business operation of the Company, the contents, approach, and outcome, etc.): The audit head periodically reports to the supervisor results of the internal audit report. In cases of matters that should be paid attention to, opinions will be stated while supervisors are seated in Board of Directors' meetings. The financial statement prepared by the CPA is submitted to the supervisor periodically for review. In case of any doubt, the parties communicate and clarify with each other in real time.

II. If supervisors seated in Board of Directors' meetings state opinions, the date of the Board of Directors meeting, session number, details of the proposal, and decision made by the Board of Directors, and how stated opinions of the supervisors are handled by the Company shall be specified: None.

(III) Corporate governance implementation status and deviations from Corporate Governance Best−Practice Principles for TWSE/TPEx Listed Companies and reasons

Evaluation Item	Operational Status (Note 1)			Deviation from Corporate Governance Best−Practice Principles for TWSE/TPEx Listed Companies and reasons
	Yes	No	Summary	
I. Does the company establish and disclose its corporate governance principles in accordance with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies?	V		(I) The Company has prepared its Corporate Governance Best−Practice Principles that shall be followed in all operations. No major difference has been found so far.	No major deviations
II. Shareholding structure & shareholders' rights (I) Does the company establish internal operating procedures for handling shareholder suggestions, questions, disputes or lawsuits and implement the procedures?	V		(I) The Company has spokespersons in place to handle advice from and disputes concerning shareholders. If the disputes involve legal issues, the attorney will be authorized to handle them.	No major deviations
(II) Does the company have a list of major shareholders that have actual control over the Company and a list of ultimate owners of those major shareholders?	V		(II) The Company keeps track of them according to the roster of shareholders provided by its registrar.	No major deviations
(III) Has the company established and implemented risk management and firewall mechanisms with its associated enterprises?	V		(III) The Company has the Procedure for Managing Transactions with Related Party (Associated Enterprise) and the Procedure for Supervising and Managing Subsidiaries in place. There are specific regulations on the management of, operations of, and financial interactions with associated enterprises. They are equivalent to a risk control mechanism.	No major deviations

Evaluation Item	Operational Status (Note 1)			Deviation from Corporate Governance Best−Practice Principles for TWSE/TPEx Listed Companies and reasons
	Yes	No	Summary	
(IV) Has the company established internal rules against insiders trading with undisclosed information?	V		(IV) The Company has the Anti−Insider Trading Management Operating Procedure in place to disallow trading of securities taking advantage of information yet to be released on the market by the internal staff of the Company.	No major deviations
III. Composition and Responsibilities of the Board of Directors (I) Has the Board of Directors developed and implemented a diversified policy for the composition of its members?	V		(I) The Company's Board of Directors consists of diversified members; they generally possess the required knowledge, skills, and attainments to perform their duties.	No major deviations
(II) Does the company voluntarily establish other functional committees in addition to Remuneration Committee and Audit Committee that are established as required by laws?		V	(II) The Company has a Remuneration Committee in place and other functional committees will be established in the future adequately reflective of the corporate governance demand of the Company.	The Company will stipulate related policies and regulations reflective of actual demand in the future.
(III) Has the company established standards and method for evaluating the performance of the Board of Directors, and implemented the performance evaluation annually?		V	(III) Although the Company does not have Board of Directors Performance Evaluation Regulations in place, the Board of Directors is completely responsible for corporate operational performance. The Performance Regulations are under stipulation.	The Company will stipulate related policies and regulations reflective of actual demand in the future.
(IV) Does the company regularly evaluate the independence of CPAs?	V		(IV) As is required by the Corporate Governance Best−Practice Principles, the Company periodically evaluates the independence of hired CPAs. Results of the evaluation will also serve as the basis for the Board of Directors with regards to whether or not a CPA will pass the independence review.	No major deviations

Evaluation Item	Operational Status (Note 1)			Deviation from Corporate Governance Best−Practice Principles for TWSE/TPEx Listed Companies and reasons
	Yes	No	Summary	
IV. Has the company established a communication channel and build a designated section on its website for stakeholders and properly respond to corporate social responsibility issues that stakeholders are concerned about?	V		The Company has spokespersons, acting spokespersons, and staff to take care of stock affairs in place and their telephone number and email are disclosed on the Company’s website to facilitate communications with stakeholders.	No major deviations
V. Does the company designate a professional shareholder service agency to deal with affairs relating to shareholders meetings?	V		The Company has authorized a professional registrar, the Registrar of First Securities Inc., to handle shareholders' meeting and stock affairs−related matters.	No major deviations
VI. Disclosure of Information (I) Has the company established a corporate website to disclose information regarding its financial, business and corporate governance status?	V		(I) The Company has its official website to introduce the scope of operation and various promotional events. Disclosure of financial, operational, and corporate governance information will be based on specific laws and regulations.	No major deviations
(II) Does the company adopt other ways of disclosing information (e.g., maintaining an English website, appointing responsible people to handle information collection and disclosure, creating a spokesperson system, web−casting investor conference on company website)?	V		(II) There is a specialist to take charge of collecting and disclosing corporate information and to consolidate the spokesperson system.	No major deviations
VII. Is there any other important information available to facilitate a better understanding of the company’s corporate governance operational status (including without limitation employee rights, employee	V		(I) The Company has been valuing the rights of its employees and is known for a harmonious employer−employee relationship. In addition, the Company has an employee handbook available that specifies employees’ rights, obligations, and	No major deviations

Evaluation Item	Operational Status (Note 1)			Deviation from Corporate Governance Best−Practice Principles for TWSE/TPEx Listed Companies and reasons
	Yes	No	Summary	
wellness, investor relations, supplier relations, rights of stakeholders, continuing education of directors and supervisors, the implementation of risk management policies and risk evaluation standards, the implementation of Customer relations policies, and purchasing insurance for directors and supervisors)?			benefits and periodically reflects upon contents of the benefits in order to protect the rights of its employees.	
			(II) The Company arranges related courses on continuing education referring to examples in the Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEx Listed Companies for its directors and independent directors from time to time.	No major deviations
			(III) Unless with special circumstances, both directors and independent directors will attend the meeting and directors may not take part in voting on proposals brought forth by the Board of Directors that concern their own interests.	No major deviations
			(IV) The Company keeps smooth communications with its customers and interacts with its customers in compliance with the contract fulfillment obligations.	No major deviations
			(V) The Company highly values the interaction between its overall corporate image and its social responsibilities. Therefore, in honor of shared prosperity and reciprocity, it creates industrial developments and enhances its own competitive advantages for the best interest of its shareholders.	No major deviations
			(VI) The Company has purchased liability insurance for its directors, supervisors, and important staff, with a covered period from January 1, 2019 to January 1, 2020 and the insured value is US$ 2	No major deviations

Evaluation Item	Operational Status (Note 1)			Deviation from Corporate Governance Best−Practice Principles for TWSE/TPEx Listed Companies and reasons
	Yes	No	Summary	
			million.	
VIII. Does the Company have a corporate governance self assessment report or a corporate government evaluation report from another authorized professional institution? (If yes, please specify opinions from the Board of Directors, the self−assessment or outsourced evaluation results, primary deficiencies or suggestions and improvements.) (Note 2)		V	The Company did not organize a corporate governance self assessment or authorize another professional institution to perform the valuation.	The Company will stipulate related policies reflective of actual demand in the future.

Note 1: Whether “Yes” or “No” is checked for operational status, it shall be specified in the Summary field.

Note 2: The so−called corporate governance self−assessment report refers to the fact that the Company performs assessments on its own according to the corporate governance self−assessment items and provides descriptions and produces a report on the current corporate operation and implementation status of each item included in the self−assessment.

(IV) Composition, Responsibilities, and Operations of the Remuneration Committee, If Available

1. Membership of Remuneration Committee

Status (Note 1)	Qualification / Name	More than five years of work experience and the following professional qualifications			Fulfillment of independence (Note 2)								Number of other public offering companies with part−time membership in their Compensation Committee	Remarks (Note 3) End of document.
		Lecturer or higher ranking at the business, legal affairs, financial affairs, or accounting department, or other departments relating to corporate operation of public and private colleges and universities	Judge, prosecutor, lawyer, CPA, or other professionals and technicians that have taken and been approved in national exams required for corporate operation	Required work experience to carry out business, legal affairs, financial affairs, accounting, or corporate operations	1	2	3	4	5	6	7	8		
Independent Director	Law, Jor-Teck			✓	✓	✓	✓	✓	✓	✓	✓	✓	–	Yes
Independent Director	Tang, Yu-Chien			✓	✓	✓	✓	✓	✓	✓	✓	✓	–	Yes
Independent Director	Cheng, Chia-Shun			✓	✓	✓	✓	✓	✓	✓	✓	✓	–	Yes

Note 1: Provide "director, independent director, or other" for "Status."

Note 2: When any of the following conditions is met for each member during the two years prior to and during their tenure, please check "✓" in the box underneath each conditional code.

(1) Not an employee of the Company or its associated enterprise.
(2) Not a director or supervisor of the Company or its associated enterprise. This does not apply, however, to independent directors of the Company or its parent company or a subsidiary where the Company holds, directly and indirectly, over 50% of shares with voting rights.
(3) Not a natural person shareholder that holds by himself/herself or by his/her spouse or minor child in someone else's name more than 1% of all circulating shares of the Company or is on the Top 10 shareholding list.
(4) Not the spouse, a relative within the second degree of kinship, or a direct blood relative within the third degree of kinship of the said people indicated in the foregoing three subparagraphs
(5) Not a director, supervisor, or employee of an institutional shareholder directly holding more than 5% of all circulating shares of the Company or a director, supervisor, or employee of an institutional shareholder on the Top 5 shareholding list
(6) Not a director, supervisor, manager, or a shareholder holding more than 5% of shares of a specific company or institution with financial or business activities with the Company
(7) Not a professional providing services or consultations on business, legal affairs, financial affairs, and accounting at the Company or its associated enterprise or the owner, partner, director, supervisor, manager, and his/her spouse of a sole proprietorship or collaborative company or institution
(8) None of the conditions indicated under Article 30 of the Company Act

Note 3: If a member is a director, please specify whether the requirements in Article 6 Paragraph 5 of the Regulations Governing the Appointment and Exercise of Powers by the Compensation Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter.

2. Information on the operational status of the Remuneration Committee
   (1) The Company's Remuneration Committee has 3 members in total.
   (2) Current members will serve from September 15, 2017 to September 14, 2020. Throughout 2018 and up to the date the Annual Report was printed, the Remuneration Committee met 2 times (A). Attendance of members is given below:

Title	Name	Actual seated frequency (B)	Attendance through proxy	Actual seated rate (%) (B/A)	Remarks
Convener	Cheng, Chia-Shun	2	0	100%	Re−elected and inaugurated on September 15, 2017
Member	Law, Jor-Teck	2	0	100%	Re−elected and inaugurated on September 15, 2017
Member	Tang, Yu-Chien	2	0	100%	Re−elected and inaugurated on September 15, 2017

Other details to be documented:

1. If the Board of Directors does not accept or modifies suggestions provided by the Remuneration Committee, the date of the Board of Directors meeting, the session number, contents of the proposal, decisions made by the Board of Directors, and management of opinions from the Remuneration Committee by the Company should be stated (If the compensation and rewards approved by the Board of Directors are superior to those advised by the Remuneration Committee, there should be descriptions of the differences and reasons considered): None
2. For decisions made by the Remuneration Committee, as long as there are members objecting or having their reservations that are recorded or stated in writing, the date of the Remuneration Committee meeting, the session number, contents of the proposal, and how opinions from all members and from opposing members are handled should be described: None.

(V) Fulfillment of Social Responsibilities

Evaluation item	Operational Status (Note 1)			Deviation from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and reasons
	Yes	No	Summary (Note 2)	
I. Consolidation of corporate governance (I) Does the company establish corporate social responsibility policy or system and examine its implementation results?		V	(I) The Company does not have the Corporate Social Responsibility Best Practice Principles in place yet at present. In light of the developmental trends regarding corporate social responsibilities domestically and internationally and the overall operations of the Company, however, the Company promotes various types of corporate social events.	The Company will stipulate related policies reflective of actual demand in the future.
(II) Does the company provide educational training on corporate social responsibility on a regular basis?	V		(II) The Company holds workshops with directors and supervisors and with employees from time to time to communicate its corporate ethics. Employees can easily search for related employee code of conduct and it is combined with the employee performance rating system. There are defined and effective reward and discipline mechanism in place.	No major deviations
(III) Does the company have a unit that specializes (or is involved) in CSR practices? Is the CSR unit run by senior management as authorized by the Board of Directors and reports its progress to the Board of Directors?		V	(III) The Company has not set up a full (part)−time unit for the promotion of corporate social responsibilities yet.	The Company will stipulate the establishment of related responsible units reflective of actual demand in the future.

Evaluation item	Operational Status (Note 1)			Deviation from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and reasons
	Yes	No	Summary (Note 2)	
(IV) Has the company established a reasonable salary remuneration policy, integrated the employee performance evaluation system with its CSR policy, and established an effective reward and disciplinary system?	V		(IV) The Company's compensation policy is discussed and established by the Remuneration Committee and uses the periodic rating system to be its defined reward and discipline mechanism.	No major deviations
II. Development of a Sustainable Environment (I) Has the company endeavored to improve the efficiency of resource utilization and used recycled materials which have a low impact on the environment?	V		(I) The Company has a specialist to take charge of overall environmental resources planning through the Company in order to enhance the utilization efficiency of various types of resources. Due to the fact that the hotel industry is not one associated with a high level of pollution, relatively speaking, no recycled materials that will impact the environment are used.	No major deviations
(II) Has the company developed an appropriate environmental management system, given its distinctive characteristics?	V		(II) The Company periodically collects and evaluates sufficient and timely information on the impacts of operational activities on the natural environment and creates measurable goals and reflects upon the theme of environmental sustainability or fulfillment of the goal.	No major deviations
(III) Has the company monitored the impact of climate change on business operations, conducted greenhouse gas inventory and formulated strategies for energy conservation and carbon and greenhouse gas reduction?	V		(III) The Company promotes energy conservation and carbon reduction at respective departments and among its staff reflective of the operational status by introducing various types of energy–saving measures to reduce the impacts of corporate operations on the environment.	No major deviations

Evaluation item	Operational Status (Note 1)			Deviation from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and reasons
	Yes	No	Summary (Note 2)	
III. Protecting Public Interest (I) Has the Company developed related management policies and procedures in accordance with applicable laws and regulations and the International Bill of Human Rights?	V		(I) The Company follows related labor laws and regulations such as the Labor Act/Labor Standards Act and has prepared its code of conduct for the employees. It periodically holds employer−employee meetings as the means for employees to express their opinions and to help them have a full understanding of the Company’s operations.	No major deviations
(II) Does the Company have mechanisms and channels available for employees to raise complaints and properly handle employee complaints?	V		(II) The Company has the employee complaint mechanism in place. The channels through which employees may file their complaints are specified in the employee code of conduct. In addition, the complaint box is available at each office and complaints are properly addressed.	No major deviations
(III) Does the Company provide employees with a safe and healthy work environment as well as periodic safety and health education?	V		(III) The Company cares about a workplace that is safe and good for the health of its employees by providing necessary health and first aid facilities, for example. Meanwhile, safety and health education is provided to employees periodically and efforts are devoted to reducing the hazards done to the employees’ safety and health and preventing against occupational hazards.	No major deviations
(IV) Does the Company have mechanisms in place to facilitate periodic communications with employees and inform them in a reasonable way of operational changes that may have a significant impact on employees?	V		(IV) The Company holds meetings on a weekly basis where attending department heads forward important information on decisions made in the meetings to the people in charge at their department.	No major deviations

Evaluation item	Operational Status (Note 1)			Deviation from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and reasons
	Yes	No	Summary (Note 2)	
(V) Has the Company established an effective training program that helps employees develop skills over the course of their career?	V		(V) The Company provides its employees with a safe and worry−free workplace and provides safety and health education and training in order to reduce the safety and health hazard factors for is employees and to prevent against occupational hazards. It also has employees covered by Labor Insurance and National Health Insurance and periodically authorizes health examination institutions to check the health of its employees.	No major deviations
(VI) Has the Company established any consumer right protection policies and complaint procedures regarding R&D, purchase, production, operation and service?	V		(VI) The Company has the customer opinion card and customer service hotline in each guest room to keep the channel for communication clear and smooth for each guest.	No major deviations
(VII)Does the Company comply with laws and international standards concerning the marketing and labeling of products and services?	V		(VII)The Company has followed applicable requirements of the management rules in the hotel industry.	No major deviations
(VIII)Has the Company evaluated the records of suppliers' impact on the environment and society before doing business with the supplier?	V		(VIII)For suppliers, the Company will take into consideration the green and environmentally friendly implementation system they have in place in the future as a joint effort to enhance their corporate social responsibilities.	No major deviations
(IX) Do contracts between the Company and its major suppliers include termination clauses which come into force once the suppliers breach the corporate social responsibility policy and cause significant impacts on the environment and society?	V		(IX) Policies such as that on corporate social responsibilities have not been included in the contracts that the Company signs with primary suppliers. As such contracts expire one after another, inclusion of related terms and conditions will be re−evaluated.	No major deviations

<table>
<tr><th rowspan="2">Evaluation item</th><th colspan="3">Operational Status (Note 1)</th><th rowspan="2">Deviation from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary (Note 2)</th></tr>
<tr><td>IV. Reinforced Information Disclosure
(I) Has the company disclosed relevant and reliable information regarding its corporate social responsibilities on its website and the MOPS?</td><td>V</td><td></td><td>(I) The Company releases related information and important messages of the Company in the Market Observation Post System according to applicable laws and regulations.</td><td>No major deviations</td></tr>
<tr><td colspan="5">V. If the Company has its own CSR principles established according to the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies, please describe the differences between its implementation and the principles:
The Company has the moral code of conduct in place at present. Although the Corporate Social Responsibilities Principles are yet to be established, in order to fulfill its social responsibilities, it has been making contributions in terms of environmental protection, society, social service, public interest, consumer rights, human rights, safety and health, and other social responsibility‒related events.</td></tr>
<tr><td colspan="5">VI. Other Important Information to Help Understand Utilization of Corporate Social Responsibilities:
(I) Tourism is not a heavy industry that is associated with severe pollution and serious environmental pollution is not an issue. Nevertheless, the Company practices trash recycling and classification by recycling paper and cans, among other resources, in offices. For hotel amenities, energy‒saving equipment is gradually taking prominence. The Company takes seriously related pollution control and prevention measures. All are based on the requirements of the competent authority to make sure that various environmental protection criteria of the government are fulfilled.
(II) Internship is available for university students. The company currently works with multiple universities.
(III) The Company takes part in domestic and international travel fairs and various types of policy seminars to join in the discussions and share experiences.
(IV) Consumers’ rights are precisely protected; channels for filing a complaint or providing advice are kept clear and smooth for consumers.</td></tr>
<tr><td colspan="5">VII. In the event that validation criteria of related verification institutions are approved in the Company's CSR Report, it shall be stated so:
The Company operates in the hotel industry and has been recognized by multiple honors, such as the Best Business Hotel and the Most Valuable Hotel Chain Brand. With enhanced customer satisfaction as the standard, all the service projects are handled in accordance with related operating procedures and regulations.</td></tr>
</table>

Note 1: Whether “Yes” or “No” is checked for operational status, it shall be specified in the Summary field.
Note 2: If the CSR Report has been prepared, how the CSR Report can be accessed and the index page number may be indicated in the Brief Description column instead.

(VI) Status of Ethical Corporate Management and Measures Adopted

Assessed areas	Operational Status (Note 1)			Deviation from Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Summary	
I. Establishment of ethical corporate management policy and proposal				
(I) Has the company declared its ethical corporate management policies and procedures in its rules and external documents, as well as the commitment of its Board of Directors and management to implementing the management policies?	V		(I) The Company follows the Company Act, the Securities Exchange Act, the Business Entity Accounting Act, applicable regulations governing TWSE/TPEx listing, and applicable laws and regulations governing business behavior; they are the cornerstone for ethical corporate management.	No major deviations
(II) Has the company established policies to prevent against unethical conduct and specified the operating procedures, guidelines of conduct, punishment for violation, and rules of appeal in the policies, and enforced them?	V		(II) The Company includes ethical corporate management as part of its employee performance rating and human resources policy. Defined and effective rewards and penalties, complaint systems, and disciplines are in place.	No major deviations
(III) Has the company adopted appropriate precautionary measures for operations at a higher risk of unethical conducts indicated in Article 7 Paragraph 2 of the Ethical Corporate Management Best−Practice Principles for TWSE/TPEx Listed Companies or within its scope of business?	V		(III) In order to avoid business transactions with agencies, supplies, customers, or other counterparts known for their unethical corporate management, once dishonest conditions are found with any such counterpart, business interactions shall be discontinued immediately and such counterparts will be rejected in order to fulfill the Company's ethical corporate management policy.	No major deviations
II. Consolidation of ethical corporate management				
(I) Has the Company evaluated the ethical records of parties it does business with and stipulated ethical conduct clauses in business contracts?	V		(I) When the Company signs a contract, it will fully understand the ethical corporate management status of the counterpart and specify ethical corporate management in the contract.	No major deviations

Assessed areas	Operational Status (Note 1)			Deviation from Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Summary	
(II) Has the Company established a dedicated (concurrent) unit under the Board of Directors to promote ethical corporate management and report the status of implementation to the Board of Directors periodically?	V		(II) The management of the Company has assigned a responsible unit to take charge of supervision; if staff of the Company is involved in dishonest behavior, how it is handled and the subsequent reflections will be reported to the Board of Directors. If someone else is involved in illegal acts, related facts will be made know to the judicial and prosecution authorities.	No major deviations
(III) Has the Company established policies to prevent against conflicts of interest, provided appropriate channels for filing related complaints and implemented the policies accordingly?	V		(III) The system for directors to excuse themselves upon conflicts of interest is defined in the Company's Board of Directors Meeting Rules. For matters discussed in meetings that are conflicting with the interests of directors or the legal entities they represent to likely undermine the interests of the Company, the directors may express their opinions and answer questions but may not take part in discussions and in voting. They should be excused during discussions and voting, too, and may not exercise voting rights on behalf of other directors.	No major deviations
(IV) Has the Company created effective accounting and internal control systems to consolidate ethical corporate management and have those systems audited by either internal auditors or CPAs on a regular basis?	V		(IV) To ensure fulfillment of ethical corporate management, the Company establishes an effective accounting system and internal control system. Internal auditors also periodically inspect compliance with various systems.	No major deviations
(V) Does the Company hold internal and external educational trainings on ethical corporate management regularly?	V		(V) Through supervisor meetings, the Company proactively communicates its ideas about ethical corporate management to its employees so that they clearly understand the ideas and regulations.	No major deviations

Assessed areas	Operational Status (Note 1)			Deviation from Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Summary	
III. Reporting System of the Company (I) Does the Company have substantial reporting and incentive systems in place, provide convenient reporting channels, and assign appropriate specialists investigate reported matters? (II) Has the Company established any standard operating procedures or confidentiality mechanisms for handling reported matters? (III) Does the Company assure employees who reported on malpractices that they will not be improperly treated for making such reports?	V		The Company includes ethical corporate management as part of its employee performance rating and human resources policy. Defined and effective rewards and penalties, complaint systems, and disciplines are in place.	No major deviations
IV. Reinforced Information Disclosure (I) Has the Company disclosed information regarding its ethical corporate management principles and implementation status on its website and the MOPS.?	V		Besides restrictions set by laws and regulations in registered country or country of operation, under severe circumstances, the Company may disclose the job title and name of violators of ethical corporate management, details about the violation, and how it is managed on the internal website.	No major deviations
V. If the company has its own Ethical Management Principles established according to the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, please describe the differences between its implementation and the principles: Although the Company does not establish its Operating Procedure for Ethical Corporate Management, requirements of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies are followed by internal staff.				

Assessed areas	Operational Status (Note 1)			Deviation from Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Summary	
VI. Other important information that helps understand the implementation of ethical corporate management of the company: (e.g. discussion and correction of the Ethical Management Principles established by the company) (I) The Company follows the Company Act, the Securities Exchange Act, the Business Entity Accounting Act, applicable regulations governing TWSE/TPEx listing, and applicable laws and regulations governing business behavior; they are the cornerstone for ethical corporate management. (II) The system for directors to excuse themselves upon conflicts of interest is defined in the Company's Board of Directors Meeting Rules. For matters discussed in meetings that are conflicting with the interests of directors or the legal entities they represent to likely undermine the interests of the Company, the directors may express their opinions and answer questions but may not take part in discussions and in voting. They should be excused during discussions and voting, too, and may not exercise voting rights on behalf of other directors. (III) The Company has the information confidentiality system in place. Directors, supervisors, managers, and employees may not disclose significant internal information of the Company that they are aware of to others, may not inquire about significant internal information of the Company that other people are aware of or collect significant information of the Company yet to be disclosed that is irrelevant to their job responsibilities, and may not disclose to others significant information of the Company yet to be disclosed that they become aware of not because of tasks they perform. (IV) To ensure fulfillment of ethical corporate management, the Company establishes an effective accounting system and internal control system. Internal auditors also periodically inspect compliance with various systems.				

Note 1: Whether "Yes" or "No" is checked for operational status, it shall be specified in the Summary field.

(VII) How they may be found shall be disclosed if the company has established Corporate Governance Principles and related regulations
The Company has not established its Corporate Governance Principles but other related regulations such as the Board of Directors Meeting Rules, the Procedure for Electing Directors and Supervisors, the Rules of Procedure for Shareholders' Meetings, and the Procedure for Managing Transactions with Related Party (Associated Enterprise) are in place. Corporate governance−related regulations are enforced in honor of corporate governance. Corporate governance will be promoted by revising related management regulations, reinforcing information transparency, and strengthening the functions of the Board of Directors.

(VIII) Other important information that is sufficient to boost knowledge of corporate governance shall also be disclosed: None.

(IX) Implementation Status of Internal Control System

1. Internal Control System Statement

FX HOTELS GROUP INC.

Internal Control System Statement

March 28, 2019

For the Company's internal control system of 2018, we would like to declare as follows according to the results of spontaneous inspections:

I. The Company knows that establishing, enforcing, and maintaining an internal control system is the responsibility of the Company's Board of Directors and managers and has such a system in place already. It is meant to reasonably ensure fulfillment of the operational efficacy and efficiency (including profits, performance, and protection of asset security), financial reporting reliability, and compliance with applicable laws and regulations, among other goals.

II. The internal control system has its inherited restrictions that cannot be overcome with improved design. An effective internal control system can also only reasonably ensure the fulfillment of the three goals stated above and its effectiveness may change as the environment or situation changes. There is a self–surveillance mechanism, however, built inside the internal control system of the Company that helps the Company take a corrective action against deficiencies confirmed.

III. The Company determines the effectiveness of the design and implementation of its internal control system in accordance with the items in "Governing Regulations for Public Company's Establishment of Internal Control System" (hereinafter called "Governing Regulations") that are related to the effectiveness of internal control systems. The items adopted in the Governing Regulations for determining the internal control system are the five constitutional elements of the internal control system divided according to the management and control process: 1. control environment, 2. risk assessment, 3. control process, 4. information and communication, and 5. supervision. Each element further encompasses several items. Please refer to "Governing Regulations" for details.

IV. The Company has adopted the above–mentioned determining items and checked the design and effectiveness of its internal control system.

V. Based on the results of the inspection in the foregoing paragraph, the Company believes that its internal control system (including the supervision and management of its subsidiaries) of 2018 that covers awareness of operational effectiveness and efficiency in accomplishing the goals, financial reporting reliability, and compliance with applicable laws and regulations can reasonably ensure fulfillment of the above–mentioned goals given its design and implementation.

VI. This Statement constitutes a major part of the Company's Annual Report and the Company's Prospectus that are made available to the public. The Company shall be legally liable under Articles 20, 32, 171 and 174 of the Securities and Exchange Act with respect to any unlawful aspects such as falsehood or concealment of facts in relation to the aforesaid published contents.

VII. This Statement was approved at the meeting of the Company's Board of Directors on March 28, 2019 with no directors expressing dissent out of the 6 Directors in attendance.

FX HOTELS GROUP INC.
Chairman: Chung, Sheng Young Signature
General Manager: WELLY JAMIN Signature

2. If review of the internal audit system is outsourced to CPAs as an exception, the CPA Review Report shall be disclosed.

Internal Control System Review Report

The enclosed is the internal control system relevant to external financial reporting and protection of asset security that was yet to be evaluated as of March 28, 2019 of FX HOTELS GROUP INC. The statement of effective design and implementation between January 1, 2018 and December 31, 2018 has been reviewed by the CPAs. Maintaining an effective internal control system and evaluating its validity are the responsibility of the Company's management. The CPAs are responsible for providing opinions on the effectiveness of the Company's internal control system and the statement of the internal control system based on the review outcome.

The CPAs plan and perform review in accordance with the Governing Regulations for Public Company's Establishment of Internal Control System and the generally acceptable audit principles in order to reasonably confirm whether the above-mentioned internal control system of the Company maintains effectiveness or not. Such review includes understanding the Company's internal control system, evaluating the process of evaluation performed by the management regarding the effectiveness of the overall internal control system, and testing and evaluation the effectiveness of the design and implementation of the internal control system. And other review procedures considered necessary by the CPA. The CPA believes that such review may render reasonable bases for the opinions expressed.

Any internal control system has its congenital restrictions and hence it is possible that the above-mentioned internal control system of FX HOTELS GROUP INC. cannot prevent or detect errors or frauds that have occurred. In addition, the environment might change in the future and the possibility to comply with the internal control system is also reduced. Therefore, the internal control system that is effective for the current term is not necessarily effective in the future.

Based on the CPA's opinions, judging by the effectiveness items of internal control in accordance with the Governing Regulations for Public Company's Establishment of Internal Control System, the design and implementation of the internal control system of FX HOTELS GROUP INC. from January 1 to December 31, 2018 regarding external financial reporting and protection of asset security remained effective in all major aspects and the statement of effective design and implementation of the internal control system relevant to the above-mentioned internal financial reporting and protection of asset security that was yet to be evaluated as of March 28, 2019 of FX HOTELS GROUP INC. are adequate in all major aspects.

HLB Candor Taiwan CPAs
CPA: Zhao-Min Lin
CPA: Wen-Bin Chen

March 28, 2019

(X) Any legal sanctions against the Company or its internal personnel, or any disciplinary action taken by the Company against its own personnel for violating internal control requirements throughout 2018 and up to the date the Annual Report was printed: None.

(XI) Important decisions reached in shareholders' meetings and made by the Board of Directors throughout 2018 and up to the date the Annual Report was printed:

1. Important decisions made in the shareholders' meeting:

Type	Date of meeting	Information about the decision
Shareholders' Meeting	June 19, 2018	1. The 2017 Business Report and Financial Statement were approved and recognized. 2. The 2017 Statement of Appropriations for Profits and Losses was approved and recognized. 3. Revision of some of the Company's "Articles of Incorporation" was approved.

2. Important decisions of the Board of Directors:

Type	Date of meeting	Information about the decision
Board of Directors	March 21, 2018	1. Issuance of the Company's Internal Control System Statement was approved. 2. The 2017 Consolidated Financial Statement of the Company was approved. 3. The 2018 Business Report and Financial Statement of the Company were approved. 4. The 2017 Statement of Appropriations for Profits and Losses of the Company was approved. 5. Revision of some of the Company's "Articles of Incorporation" was approved. 6. The intended revisions made to 2018 funds available to be lent to others of the Company were approved. 7. Related matters such as the intended date, location, and agenda of the 2018 General Shareholders' Meeting were approved. 8. 2018 General Shareholders' Meeting Proposals made by shareholders.
Board of Directors	May 9, 2018	1. The intended revisions made to 2018 funds available to be lent to others of the Company were approved.

Type	Date of meeting	Information about the decision
Board of Directors	June 19, 2018	1. Issuance of the Company’s Internal Control System Statement and Internal Control System Review Report was approved. 2. Transfer of equity in the subsidiary of the Company, FURAMAXPRESS HOTEL MANAGEMENT AND DEVELOPMENT(BJ) CO.,LTD., to be disposed of was approved. 3. Transfer and assignment of lease contracts of the subsidiary of the Company’s subsidiary, SHENZHEN CO., LTD., were approved. 4. Compensation for the relocation of the subsidiary of the Company’s subsidiary, Suzhou Hotel One Co., LTD., was approved.
Board of Directors	August 9, 2018	Reporting of important financial operations and internal audits−related matters
Board of Directors	November 9, 2018	1. Approved Proposal 1: The Company and its subsidiary TAIWAN FX HOTELS COMPANY LIMITED (FX Taiwan), to integrate their borrowings from financial institutions, applied for financing with DBS Bank Ltd. and DBS Bank (Taiwan) Ltd., respectively. 2. Addition of the Company’s Internal Staff Declaration Management Operating Procedure was approved.
Board of Directors	December 20, 2018	1. The Company’s 2019 Operation Plan was approved. 2. The Company’s 2019 Budget Proposal was approved. 3. The Company’s 2019 limits available for funds lending were approved. 4. The intended stipulation of the 2019 Internal Audit Plan was approved. 5. Revision of some of the Company’s Procedure for the Acquisition or Disposal of Assets was approved. 6. The matters approved to be filed for reference in the Company’s fourth intake fourth Remuneration Committee meeting were approved.

Type	Date of meeting	Information about the decision
Board of Directors	March 28, 2019	1. Issuance of the Company’s Internal Control System Statement was approved. 2. The 2018 Consolidated Financial Statement of the Company was approved. 3. The 2018 Business Report and Financial Statement of the Company were approved. 4. The 2018 Statement of Appropriations for Profits and Losses of the Company was approved. 5. The change of the person authorized by the Company to sign documentation with HSBC Bank Hong Kong and cancellation of the account were approved. 6. The Report on Changes in Accounting Estimates from Adjusting Depreciation Years of Real estate, Plants, and Equipment (Lease Improvements) of 8 associated companies, including the branch office on Nanjing East Road in Taiwan of FX HOTELS GROUP INC. was approved. 7. Related matters such as the intended date, location, and agenda of the 2019 General Shareholders' Meeting were approved. 8. 2019 General Shareholders' Meeting Proposals made by shareholders.

(XII) Different opinions of directors or supervisors that are recorded and stated in writing on important decisions made by the Board of Directors in the most recent year and up to the date the Annual Report was printed: None.

(XIII) Summary of resignations and dismissals of the Company's Chairman, general managers, accounting heads, financial heads, internal audit heads, and R&D heads in the most recent year and up to the date the Annual Report was printed: None.

IV. Public Expenditure on CPAs

(I) Public Expenditure on CPAs

Name of Accounting Firm	Name of CPA	Audit Duration	Remark
HLB Candor Taiwan CPAs	Zhao−Min Lin, Wen−Bin Chen	January 1, 2018 through December 31, 2018	None

Note: If any CPA or the accounting firm is replaced for the Company this year, the inspection periods shall be listed separately. In addition, the reason for the replacement shall be indicated in the remark column.

Unit: NT$1,000

Value bracket \ Public expenditure		Audit public expenditure (Note)	Non−audit public expenditure	Total
1	Below $2,000,000		✓	
2	$2,000,000, inclusive ~ $4,000,000	✓		✓
3	$4,000,000, inclusive ~ $6,000,000			
4	$6,000,000, inclusive ~ $8,000,000			
5	$8,000,000, inclusive ~ $10,000,000			
6	Above $10,000, inclusive			

Note: Audit public expenditure refers to that paid to the CPAs by the Company for the audit, review and approval, checking, financial forecast review and approval, and taxation certificate of the financial statement.

(II) When the non−audit public expenditure paid to CPAs, their firms, and their associated enterprises accounts for more than one−fourth of the audit public expenditure, the values of both audit and non−audit public expenditures and contents of non−audit services shall be disclosed: Not Applicable.

(III) When the accounting firm is changed and the audit public expenditure in the year of replacement is reduced compared to that in the preceding year, the values of audit public expenditures before and after the replacement and the reasons shall be disclosed: Not Applicable.

(IV) When the audit public expenditure is reduced by more than 15% from the preceding year, the value reduced and its ratio and cause shall be disclosed: Not applicable

V. Information on Replacement of Accountants: Not Applicable.

VI. Disclosure of the name, position, and duration of service at firms or their associated enterprises in the most recent year of Company chairman, general manager, and managers in charge of financial or accounting affairs: None.

VII. Changes in the transfer and pledge of equity among directors, supervisors, managers, and shareholders with a holding ratio exceeding 10% in the most recent year and up to the date the Annual Report was printed:

(I) Changes in the equity of directors, supervisors, managers, and major shareholders:

Title	Name	2018		As of April 30, 2019	
		Increase/Decrease in the number of shares held	Increase/Decrease in the number of shares pledged	Increase/Decrease in the number of shares held	Increase/Decrease in the number of shares pledged
Chairman	Chung, Sheng Young	0	0	0	0
Director	Furama Hotels International Management Inc.	250,000	0	0	0
Director	Furama Hotels International Management Inc. Representative WELLY JAMIN (Note 1)	0	0	0	0
Director	Furama Hotels International Management Inc. Representative Chou, Wei-Liang (Note 1)	0	0	0	0
Director	Furama Hotels International Management Inc. Representative LIM YI SHENN	0	0	0	0
Director	Yang, Chih-Min	0	0	0	0
Independent Director	Law, Jor-Teck	0	0	0	0
Independent Director	Tang, Yu-Chien	0	0	0	0
Independent Director	Cheng, Chia-Shun	0	0	0	0
Supervisor	Kao, Teh-Shing	0	0	0	0
Supervisor	Chien, Shao-Feng	0	0	0	0
Supervisor	Hsu, Yea-Fang	0	0	0	0
General Manager	WELLY JAMIN	0	0	0	0
Vice General Manager	HOU, CHIA-CHEN	0	0	0	0

Title	Name	2018		As of April 30, 2019	
		Increase/Decrease in the number of shares held	Increase/Decrease in the number of shares pledged	Increase/Decrease in the number of shares held	Increase/Decrease in the number of shares pledged
Vice General Manager of the Financial Center	Li−Ping Luo	0	0	0	0
Vice General Manager of the Administrative Center	Yan Gao	0	0	0	0
Manager of the Financial Center (Accounting Head)	Cheng, Min-Jen	0	0	0	0

Note 1: The original representative of the said institutional director Chou, Wei-Liang was changed to WELLY JAMIN on January 1, 2019.

(II) Information on Transfer of Equity: Not applicable.

(III) Information on Pledge of Equity: Not applicable.

VIII. Information of relationship among Top 10 shareholders who are related, spouses, or relatives within the second degree of kinship

April 30, 2019; Unit: Share: %

Name (Note 1)	Shares held in person		Shares held by spouse and minor child(ren)		Shares held in someone else's name		The title or name and relationship among shareholders in the Top shareholding list who are related, spouse to each other, or relatives within the second degree of kinship (Note 3)		Remarks
	Number of shares	Holding ratio (Note 2)	Number of shares	Holding ratio (Note 2)	Number of shares	Holding ratio	Title (Or name)	Relation ship	
Yuanta Bank is authorized as the custodian for the investment account of FHI HOTEL MANAGEMENT COMPANY LIMITED.	32,298,837	47.38%	0	–	0	–	–	–	–
Furama Hotels International Management Inc.	10,064,751	14.76%	0	–	0	–	–	–	–
Furama Hotels International Management Inc. Representative: WELLY JAMIN	0	0	0	–	0	–	–	–	–
Furama Hotels International Management Inc. Representative: LIM YI SHENN	0	0	0	–	0	–	Yuanta Bank is authorized as the custodian for the investment account of LIM YI SHENN.	The same person	–
Adventure Chartering Company Limited	2,717,698	3.99%	0	–	0	–	–	–	–
Hong Chen	1,924,993	2.82%	0	–	0	–	–	–	–
Sheng−Zhi Huang	1,595,000	2.34%			0	–	–	–	–
Wen−Zai Chen	979,000	1.44%			0	–	–	–	–
FINE UNION MANAGEMENT LIMITED	719,290	1.06%	0	–	0	–	–	–	–
Mou−Can Cai	649,000	0.95%	0	–	0	–	–	–	–
Yuanta Bank is authorized as the custodian for the investment account of LIM YI SHENN.	637,833	0.94%		–	0	–	Furama Hotels International Management Inc. Representative: LIM YI SHENN	The same person	–
Yuanta Bank is authorized as the custodian for the investment account of Qi Huang.	618,601	0.91%		–	0	–	–	–	–

Note 1: All of the Top 10 shareholders shall be listed. If they are institutional shareholders, the names of the institution and its representative shall both be listed.

Note 2: The shareholding ratio is calculated separately by the individual concerned, his/her spouse, minor child, or in another person's name.

Note 3: The shareholders listed in the foregoing include institutional entities and natural persons. The mutual relationships shall be disclosed in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

IX. Number of shares held by the Company, the Company's directors, supervisors, managers, and directly or indirectly controlled businesses and the consolidated general holding ratio

April 30, 2019; Unit: Thousand shares

Re−invested business (Note 1)	Investment made by the Company		Directors, supervisors, managers, and directly or indirectly controlled businesses		Comprehensive investment	
	Number of shares	Holding ratio	Number of shares	Holding ratio	Number of shares	Holding ratio
TAIWAN FX HOTELS COMPANY LIMITED.	25,500	100%	0	−	25,500	100%
FX HOTELS MANAGEMENT INTERNATIONAL LIMITED (HK)	170,776	100%	0	−	170,776	100%
FURAMAXPRESS HOTEL MANAGEMENT AND DEVELOPMENT(BJ) CO., LTD. (FX BEIJING)	0	−	(Note 2)	100%	0	100%
CHINA CAPITAL MANAGEMENT GROUP INC. (CHINA CAPITAL)	0	−	(Note 2)	100%	0	100%
BEIJING FUSHANG CO., LTD. CO., LTD.	0	−	(Note 2)	100%	0	100%
BEIJING YANSHA CO., LTD.	0	−	(Note 2)	100%	0	100%
SUZHOU CO., LTD.	0	−	(Note 2)	100%	0	100%
SHENZHEN CO., LTD.	0	−	(Note 2)	100%	0	100%
Suzhou Hotel One Co., LTD.	0	−	(Note 2)	100%	0	100%
Boutix Hotel Management and Development (Nanjing) Company Limited	0	−	(Note 2)	100%	0	100%
NANJING JIANGNING CO., LTD.	0	−	(Note 2)	100%	0	100%

Note 1: It is the long−term investment of the Company using the equity method.

Four. Fund−raising

I. Capital and Shares

(I) Source of capital stock

April 30, 2019

DD/YYYY	Price upon issuance ($)	Approved capital stock		Paid−in capital stock		Remarks		
		Number of shares (Thousand shares)	Value ($1,000)	Number of shares (share)	Value ($)	Source of capital stock	Using properties other than cash to write off the stock value	Others
January 2002	USD 1	50	USD 50	2	USD 2	Establishment	None	None
December 2009	10	60,000	600,000	22,000,000	220,000,000	Capital increase in cash	None	None
September 2010	10	60,000	600,000	22,660,000	226,600,000	Earnings transferred capital increase	None	None
December 2010	65	60,000	600,000	25,660,000	256,600,000	Capital increase in cash	None	FSC Issuance No. 0990052415
July 2011	10	60,000	600,000	26,943,000	269,430,000	Earnings transferred capital increase	None	None
May 2012	73.5	60,000	600,000	29,487,000	294,870,000	Capital increase in cash	None	FSC Issuance No. 1010018200
October 2012	10	60,000	600,000	31,642,440	316,424,400	Earnings transferred capital increase	None	None
November 2013	10	60,000	600,000	33,224,562	332,245,620	Earnings transferred capital increase	None	None
February 2014	33.3	60,000	600,000	36,354,562	363,545,620	Capital increase in cash	None	FSC Issuance No. 1020030268
September 2014	10	60,000	600,000	38,172,290	381,722,900	Capital reserve transferred capital increase	None	None
January 2017	9	150,000 (Note 6)	1,500,000 (Note 6)	68,172,290	681,722,900	Private placement cash for capital increase	None	None

Note 1: Data in the same year up to the date the Annual Report was printed should be provided.
Note 2: For capital increase, the date it takes effect (is approved) and the document number should be indicated.
Note 3: Shares that are issued at a value below the denomination shall be highlighted.
Note 4: When monetary creditor’s rights and technologies are used to pay for the shares, it shall be specified so and the type and value of the write−off shall be noted.
Note 5: Private placement shall be highlighted.
Note 6: The approved capital size is NT$1,500,000,000, which consists of 120,000,000 shares of common stock with a denomination of $10 per share and 30,000,000 shares of convertible preferred stock with a denomination of $10 per share. In April 2017, private placement special stock was converted to 30,000,000 shares of private placement common stock. After the conversion, the capital stock of the Company consisting of the common stock includes 68,172,290 shares.

April 30, 2019

Type of share	Approved capital stock			Remarks
	Circulating shares	Shares not in circulation	Total	
Registered common stock	68,172,290	81,827,710	150,000,000	Listed company

(II) Shareholder structure

April 30, 2019

Shareholder structure Quantity	Government agency	Financial institution	Other legal entity	Individual	Foreign institution and individual	Total
Number of people	0	0	11	1,154	15	1,180
Number of shares held	0	0	224,618	17,571,893	50,375,779	68,172,290
Holding ratio	0	0	0.33%	25.77%	73.90%	100.00%
Note: The company does not include capital from Mainland China.						

(III) Diversification of equity

1. Common stock

April 30, 2019

Shareholding level	Number of shareholders	Number of shares held	Holding ratio
1 ~ 999	421	70,662	0.10%
1,000 ~ 5,000	420	880,481	1.29%
5,001 ~ 10,000	117	867,109	1.27%
10,001 ~ 15,000	46	580,052	0.85%
15,001 ~ 20,000	27	487,069	0.72%
20,001 ~ 30,000	36	929,359	1.36%
30,001 ~ 40,000	27	953,218	1.40%
40,001 ~ 50,000	17	797,273	1.17%
50,001 ~ 100,000	30	2,237,757	3.28%
100,001 ~ 200,000	12	1,693,290	2.48%
200,001 ~ 400,000	9	2,647,526	3.88%
400,001 ~ 600,000	8	3,823,491	5.61%
600,001 ~ 800,000	4	2,624,724	3.85%
800,001 ~ 1,000,000	1	979,000	1.44%
Above 1,000,001	5	48,601,279	71.30%
Total	1,180	68,172,290	100.00%

2. Preferred stock: The Company does not issue preferred stock.

(IV) List of major shareholders

April 30, 2019; Unit: Share

Shares / Name of major shareholder	Number of shares held	Holding ratio
Yuanta Bank is authorized as the custodian for the investment account of FHI HOTEL MANAGEMENT COMPANY LIMITED.	32,298,837	47.38%
Furama Hotels International Management Inc. Representative: WELLY JAMIN, LIM YI SHENN	10,064,751	14.76%
Adventure Chartering Company Limited	2,717,698	3.99%
Hong Chen	1,924,993	2.82%
Sheng−Zhi Huang	1,595,000	2.34%
Wen−Zai Chen	979,000	1.44%
FINE UNION MANAGEMENT LIMITED	719,290	1.06%
Mou−Can Cai	649,000	0.95%
Yuanta Bank is authorized as the custodian for the investment account of LIM YI SHENN.	637,833	0.94%
Yuanta Bank is authorized as the custodian for the investment account of Qi Huang.	618,601	0.91%

(V) Related information of market price per share, net worth, earnings, and dividends for the past two years.

Unit: NTD 1,000/1,000 shares

Item \ Year			2017	2018	By March 31, 2019 of the said year (Note 8)
Market value per share (Note 1)	Maximum		7.36	7.90	3.67
	Minimum		3.77	2.86	2.62
	Average		5.63	3.89	3.22
Net worth per share (Note 2)	Before distribution		0.77	0.61	0.33
	After distribution		0.77	(Note 9)	-
Earnings per share	Weighted average number of shares	Before retroactive adjustment	60,672	68,172	68,172
		After retroactive adjustment	60,672	(Note 9)	-
	Earnings per share (Note 3)	Before retroactive adjustment	(4.05)	(0.06)	(0.30)
		After retroactive adjustment	(4.05)	(Note 9)	-
Dividend per share	Cash dividend		0	0 (Note 9)	0
	Free share assignment	0 (Note 9)	0	0 (Note 9)	0
		0 (Note 9)	0	0 (Note 9)	0
	Accumulated unpaid dividend (Note 4)		0	0	0
Analysis of return on investment	Price to earnings ratio (Note 5)		(1.39)	(64.83)	(10.73)
	Price to dividend ratio (Note 6)		0	0	0
	Cash dividend yield (Note 7)		0	0	0

＊ In case of allotment of shares upon earnings or capital reserve transferred capital increase, information on the market value or cash dividend adjusted retroactively according to the released number of shares shall also be disclosed.

Note 1: List the maximum and minimum market values of common stock each year and the annual average market price is calculated according to the strike price and the trading volume in each year.

Note 2: Please use the number of shares already issued at the end of the year and provide information on their distribution as decided in the shareholders' meeting of the coming year.

Note 3: If retroactive adjustment is needed due to free share assignment, the earnings per share before and after adjustment shall be shown.

Note 4: If it is specified in equity security release conditions that the dividend not assigned for a specific year may be carried over to the year with earnings, the accumulated dividend yet to be paid as of the specific year shall be disclosed respectively.

Note 5: Price to earnings ratio = Mean closing price per share of the year/Earnings per share
Note 6: Price to dividend ratio = Mean closing price per share of the year/Cash dividend per share
Note 7: Cash dividend yield = Cash dividend per share/Mean closing price per share of the year
Note 8: For the net worth per share and earnings per share, data from the most recent quarter that have been audited (reviewed and approved) by the CPA as of the date the Annual Report was printed shall be provided; for the other fields, data of the current year as of the date when the Annual Report was printed shall be provided.
Note 9: It was decided in the Board of Directors' meeting on March 28, 2019 that no dividend will be distributed from the earnings of 2018; it is yet to be approved in the shareholders' meeting.

(VI) Company's dividend policy and implementation status

1. Dividend policy

According to the Company Act on the Cayman Islands and the Company's Articles of Incorporation:

(a) When the Company's shares are traded on any security market of the Republic of China, if the Company earns profits for the current fiscal year (the before−tax interest prior to deduction of remunerations assigned to employees and directors and supervisors, the "Annual Profit"), no more than 3% of the Annual Profit may be set aside to be the remunerations for directors and supervisors and it may only be released in cash. The Company, however, shall appropriate for writing off the loss carried forward, if applicable. The ratio and method of assignment of year−end remunerations for directors and supervisors of the year shall be proposed by the Remuneration Committee and be decided by the Board of Directors. The decision shall be supported by a majority of attending directors that account for at least two−thirds of all directors on the Board and such decision will be presented to the shareholders in the shareholders' meeting.

(b) When the Company's shares are traded on any security market of the Republic of China, if the Company has the Annual Profit, all employees of the Company and its affiliates are entitled to no less than 1% of the Annual Profit as their remunerations and such remunerations may be issued in cash, shares, or any combination of the two. The Company, however, shall appropriate for writing off the loss carried forward, if applicable. The ratio and method of assignment of year−end remunerations for employees of the year shall be decided by the Board of Directors. The decision shall be supported by a majority of attending directors that account for at least two−thirds of all directors on the Board and such decision will be presented to the shareholders in the shareholders' meeting.

(c) When the Company's shares are traded on any security market of the Republic of China, unless specified otherwise in the laws and regulations of the Cayman Islands, the Company's earnings from each fiscal year (that is, the profits after remunerations for directors and supervisors and those for employees according to Article 105 Paragraphs (a) and (b) are deducted from the Annual Profit) shall be assigned sequentially to each of the following sub−paragraphs:

(i) Taxation;

(ii) Write−off of losses carried forward;

(iii) 10% legal reserve ("Legal Reserve") aside according to applicable laws and regulations for public companies. This, however, does not apply to those with the accumulated legal reserve reaching the total paid–in capital size; and

(iv) Special reserve to be set aside as required by the competent authority of the Republic of China (including without limitation the Financial Supervisory Commission or any stock exchange in the Republic of China).

The balance after the above–mentioned (i) through (iv) are deduced from the earnings is called the "earnings available for distribution of the current term." Earnings available for distribution of the current term and earnings retained from the previous term yet to be distributed (collectively the "accumulated earnings available for distribution") may be distributed through cash dividend and/or share dividend (collectively "dividend bonus distribution").

(d) If the Board of Directors intends to issue dividend bonus distribution, the standards below shall be followed while the dividend bonus distribution plan is prepared and brought forth in the shareholders' meeting for approval. The accumulated earnings available for distribution may be released to shareholders in the form of cash dividend and/or share dividend. In the Dividend Bonus Distribution Plan, however, the dividend assigned to shareholders may not be below 10% of the earnings available for distribution of the current term. The ratio of cash dividend, in particular, may not exceed 50% of the dividend currently assigned to the shareholders.

(e) The interest may not be accumulatively calculated for the Company in all dividend or bonus assignments.

2. Implementation status (Distribution of dividends intended to be discussed in the current shareholders' meeting)
The distribution of earnings of 2018 was prepared in the Board of Directors' meeting on March 28, 2019 as shown in the table below. The case is intended to be brought forth for a decision in the General Shareholders' Meeting on June 24, 2019.

2018 Statement of Appropriations for Profits and Losses

Currency unit: NTD

Undistributed Earnings at Start of Term	$ (847,041,743)
Plus: After–tax net loss of 2018	(4,247,846)
Plus: Impact from retrospective application and restatement	9,472,369
Undistributed Earnings at End of Term	$ (841,817,220)

Note: No dividends will be assigned to shareholders this year.

(VII) Impacts of free share assignment intended through the current shareholders' meeting on the Company's operational performance and earnings per share:
The Company decided through its Board of Directors' meeting on March 28, 2019 that no dividend will be distributed. The 2018 appropriations for profits and losses are pending a decision in the shareholders' meeting called for on June 24, 2019.

(VIII) Remunerations for employees and directors/supervisors

1. Percentage or range of remunerations for employees and directors/supervisors as stated in the Company’s Articles of Incorporation:
For related requirements and distribution currently intended, refer to (VI) Company’s Dividend Policy and Implementation Status on Pages 63 to 64.

2. Accounting measures adopted in case of any difference between the basis for estimating the amount of remunerations for employees and those for directors and supervisors, basis for calculating the number of shares included in the distribution of share bonus, and the actual value distributed and their estimates of the current term:
   (1) Basis for estimating the amount of remunerations for employees and those for directors and supervisors of the current term:
   The amount of the remunerations for employees and those for directors and supervisors is estimated taking into consideration factors such as the legal reserve for the after−tax net profit up to the current term according to the percentage specified in the Articles of Incorporation.
   (2) Basis for calculating the number of shares involved in the distribution of share bonus:
   The number of shares involved in the distribution of share bonus is decided according to the decided amount of bonus divided by the fair value of the share. The fair value of the share refers to the closing price on the day before the decision date, taking into consideration ex−right ex−dividend impacts in its calculation.
   (3) Accounting management in case of any difference between the actual assigned amount and the estimate:
   If there is any difference between the amount actually assigned as decided through the shareholders’ meeting and the estimate, it is considered as changes in accounting estimates and will be listed as the profit and loss of the annual as decided through the shareholders’ meeting.

3. Information on the intended assignment of employee remunerations approved by the Board of Directors:
Value of remunerations to be assigned to employees and directors/supervisors. In case of any difference from the estimated value of the year recognized, the difference, cause, and how it is handled shall be disclosed: No difference.
   (1) Ratio of the value of share bonus intended to be assigned to employees and the sum of after−tax income and total employee bonus value in the individual financial statement of the current term:
   No assignment of employee stock dividend is intended in the current shareholders’ meeting; therefore, it is not applicable.
   (2) The estimated earnings per share after the intended remunerations to be assigned to employees and directors/supervisors:
   No assignment of remunerations for employees and directors/supervisors is intended in the current shareholders’ meeting; therefore, it is not applicable.
   For the above information, refer to (VI) Company’s Dividend Policy and Implementation Status on Pages 63 and 64 for details.

4. When there is difference between the actual distributed amount of remunerations for employees and those for directors and supervisors (including the number, value, and price of shares distributed) and the recognized remunerations for employees and those for directors and supervisors in the preceding year, the difference, cause for the difference, and how it is handled shall also be specified:

On June 19, 2018, the Company decided through its shareholders' meeting not to assign employee cash bonus and remunerations for directors and supervisors. The intended amount did not show any difference from the estimate shown in the 2017 Financial Statement.

(IX) Buyback of the Company stock: None.

II. Management of Corporate Bonds: None.

III. Management of Preferred Stock: None.

IV. Management of Global Depositary Receipt: None.

V. Management of Employee Stock Option Certificate: None.

VI. Management of Restricted Employee Shares: None.

VII. Management of M&A or Acceptance of Transferred Shares of Another Company for Issuance of New Shares: None.

VIII. Implementation of Capital Utilization Plan: None.

Five. Operational Status

I. Scope of Operation

(I) Scope of Operation

1. The main scope of operation of the Company is as follows:
   The Company mainly runs hotels and property management−related business.
2. Operational weight (%)
   The operation weights of primary products in 2018

Primary product	Business income (thousand dollars)	Operational weight (%)
Income from guest rooms	582,251	90.34
Others	62,238	9.66
Total	644,489	100

3. Current products (services) and new products (services) planned to be developed by the Company
   (1) Direct−run store

Name	Number of rooms
FX HOTEL ZHONGGUANCUN	248
FX HOTEL YANSHA	152
FX HOTEL GUANQIAN	223
FX HOTEL XUJIAHUI	118
FX HOTEL TAIPEI	180
FX INN KAOHSIUNG	123
FX HOTEL JIANGNING	205
FX HOTEL TAINAN	210

Note: The number of rooms available is calculated according to the number of hotels already in operation as of March 31, 2019.

(2) Chartered store

Name	Number of rooms
Xishanqi Beijing	49
Yizhuang Beijing	97
Jinshajiang Road Shanghai	123
Southwest University Beibei Chongqing	87
Baohu East Road Yinchuan	65
Chaoyang Park Beijing	63
Shouxihu Yangzhou	190
Headquarters Site Beijing	93
Yizhuang Creative Life Plaza Beijing	72
Renmin Road Zhucheng Shandong	99
Zhongshanlin Lanzhou	32
Wanda Plaza Suzhou Train Station	84
Xizanbei Road Shanghai	57
West Lake Hangzhou	42

Note: The number of rooms available is calculated according to the number of hotels already in operation as of March 31, 2019.

(II) Industry Overview：

1. Current Status and Development of the Industry

(1) Still heated tourism in Mainland China.

Along with the rapid economic growth, the tourism industry in Mainland China has beein prospering for many years. From 2010 to 2017, the headcount of people traveling domestically grew from 744 billion to 5 billion. The income from domestic travel climbed from RMB 317.5 billion to 4566.1 billion. The headcount of people traveling from outside the country increased from 10.16 million to 29.17 million and the international travel income surged from US$ 16.2 billion to US$123.4 billion. (Source: China National Tourism Administration)

With the increased support from the government for the tourism industry, the weight of income from tourism in Mainland China has also shown growths each year. It was 4.97% in 2012, 4.96% in 2013, 5.25% in 2014, 5.81% in 2015, 6.7% in 2016. The GDP in 2017 came to RMB 8.271 billion, a year−on−year growth of 6.9%, in which tourism accounts for RMB 9130 billion, accounting for 11.04% of the overall GDP.

Beijing: Star hotels in 2017 and 2018

Rating	December 31, 2017		December 31, 2018	
	Average price (RMB/room)	Average occupancy (%)	Average price (RMB/room)	Average occupancy (%)
One star	Combined in the statistics of two−star hotels; there are no separate statistics available.			
Two star	307.58	57.28	315.9	57.4
Three star	425	61.05	420.1	67.8
Four star	522.08	66.2	536	72.1
Five star	837.68	68.23	881.3	70.2

Source: Beijing Tourism Administration

Shanghai: Star hotels in 2017 and 2018

Rating	December 31, 2017		December 31, 2018	
	Average price (RMB/room)	Average occupancy (%)	Average price (RMB/room)	Average occupancy (%)
One star	141.71	46.15	No data available	
Two star	270.49	69.58	324.4	73.86
Three star	373.71	63.24	361.63	59.5
Four star	531.22	69.73	554.35	66.34
Five star	972.62	72.23	981.66	69.27

Source: Shanghai Tourism Administration

In December 2016, the Mainland China government officially announced its “13th Five−Year Plan” for developing the tourist industry, which defines the development goals for the tourism industry in Mainland China: an overall scale on the market reaching a headcount of 6.7 billion, total income RMB 700 million, a headcount of domestic travel 6.4 billion, a headcount of travelers from outside the country 150 million, comprehensive contributions to national economy 12%, and comprehensive contributions to dining, lodging, and transportation, in particular, 85% and above by 2020. Analysts point out that the tourism industry will be at its heyday in Mainland China during the 15th five−year period. In early 2018, the China National Tourism Administration declared that 2018 would be a “Beautiful China Year of Integrated Tourism 2018” to further enhance the international influence and attractiveness of China as a tourism destination.

The China Tourism Academy released the “China Tourism Economy Blue Paper No. 11” and remained optimistic about the tourism economy in 2019; it will generally remain in an optimal state. The estimates are that the headcount of people traveling domestically and from outside the country will reach 6.2 billion in 2019 and the headcount of people traveling abroad will reach around 166 million. Throughout the year, the overall income from tourism will likely accomplish the goal of RMB 652 million.

(2) Expanded market share for mid−end business hotels

The steady developments of the macroeconomics and the political situation in Mainland China offer an optimal external environment for active business events.

The rapidly developing business travel in Mainland China is mainly attributed to the following:

First, the overall speedy economic growth offers the macro−environment needed for the development of business travel. The GDP of 2018 was RMB 90030.9 billion, a growth of 6.6% from the previous year. The huge overall economic size is sure to bring about huge commercial and trade activities.

Second, the active foreign economic and trade exchange offers practical demand for the development of business travel. The total imports and exports of goods throughout 2018 came to RMB30,505 billion, a growth of 9.7% from the previous year, in which, the exports grew by 7.1% and the exports by 12.9%. The trade surplus totaled RMB 2330.3 billion, a decrease of RMB 521.7 billion from the previous year.

Third, the constantly increased efforts devoted to introducing foreign capital attracted additional 60533 companies with direct foreign capital investment into China in 2018, a growth of 69.8% from the previous year. The actual direct foreign capital investment reached US$ 135 billion, a growth of 3.0% from the previous year. The direct investment value in countries along the “One Belt One Road“, in particular, reached US$ 42.4 billion. It is proven again that China remains an economy that is the most attractive for direct investment to foreign countries around the world; the growth momentum of foreign investments in China is yet to decline. The excessive inflows of foreign enterprises and foreign capital reflect the expedited pace for the economy in Mainland China to become part of the world economy and it offers room for constant growths in the development of business travel.

Fourth, investments of Mainland China in the tourism industry are significantly increased. Throughout 2016, actual completed investments in the tourism industry throughout the country reached $1299.7 billion, a year−on−year growth of 29% and a growth of 18% and 21%, respectively, higher than that of investments in the third industry and fixed assets. Growths continued each year thereafter. The National Development and Reform Commission even expects that the overall value of investments in tourism will reach $2000 billion in 2019; investments in tourism throughout the nation will continue to climb.

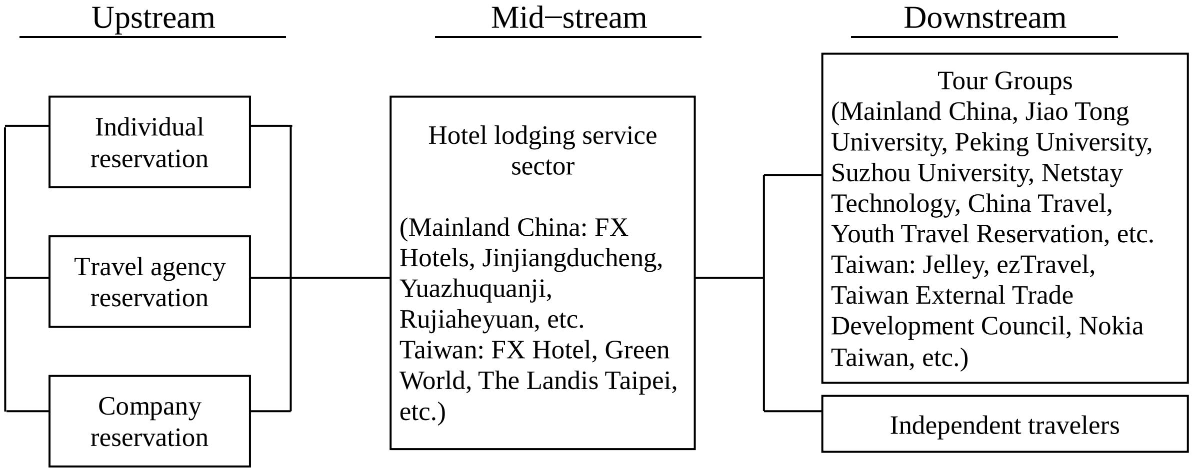
The optimal developmental trends of the tourism industry in Mainland China give rise to fundamental needs for the development of business travel. The headcount of people traveling domestically reached 5.54 billion in 2018, a year−on−year growth of 10.8%, contributing to an income of RMB 513 million, a year−on−year growth of 12.3%. A headcount of up to 141 million people traveled from outside the country, a year−on−year growth of 1.2%, contributing to an income from in−coming visitors of US$ 127.1 billion, a year−on−year growth of 3.0%.

In the future, developments on the market will shift from competition over speed and scale to competition over brand. The competition strategy featuring a high price–performance ratio and brand differentiation is underlying idea of the FX Group in its brand development at present. In European and American countries, the ratio of mid−end hotels accounts for more than 70% on the overall hotel market; the number of guest rooms available is 2.5 for every thousand people. Except for Shanghai, the ratio in other cities of Mainland China, is consistently below 10% and the number of guest rooms available is 0.3 for every thousand people. In light of the reasonable ratio of 1:7 between luxury hotels and mid−end ones in addition to the constantly increased demand on the market, mid−end hotels will continue to be showing a upward developmental trend in the future. It is estimated that on the China market in the coming five years, the number of guest rooms from mid−end design fashion exquisite hotels will continue to grow at an annual rate of at least 30%. The market saturation in this regard at present is low. There are more than 20 chain store brands throughout Mainland China, with existing number of guest rooms around 80 thousand. There is room for benign development. The FX BEIJING Group also defines its main strategic market share here. Meanwhile, the two product lines, namely fashion business hotels and high−end exquisite hotels are relied upon to fill in the blank on the market for the upper and lower ports. They are the auxiliary strategy to introduce customers from different sources and to maximize the overall size of customer sources retained.

2. Correlation among Upstream, Mid−stream, and Downstream of the Industry
The Company mainly deals with chained hotel lodging service. For the chain operational model, there are the direct−run and chartered management approaches and the number of hotels and that of guest rooms are proactively expanded to make it one of the lading brands among mid−end chained business hotels in Mainland China. The upstream, mid−stream, and downstream of the industry are described as follows:

The upstream, mid−stream, and downstream of the chained hotel lodging service can generally be categorized as follows: The upstream are partners to help with reservations for individuals, companies, and travel agencies, among others while the mid−stream are respective hotels; the downstream, on the other hand, refers to the consumers. Products and services provided by the Company have to do with guest room lodging service, the mid−stream of the hotel lodging service sector. Reservations of guest rooms are mainly done through the network, by phone, and through travel agencies. Rooms may be reserved with the Company through many travel booking websites. The Company also has its own exclusive website for online booking service. Meanwhile, taking into consideration the number of vacant guest rooms available, the Company works with travel agencies by providing tour groups with lodging service.

Upstream, mid−stream, and downstream of the chained hotel lodging service sector



Source: FX Hotel

3. Respective Development Trends of Products

FX Hotels Group Inc. continues with its beliefs in “fashion, technology, and health”. All the guest rooms are configured and services provided are all qualified for a four−star or five−star level. On such basis, particular emphasis is placed on the training for employees so that guests can have the best experience while staying in the hotels.

- Fashion. The modern design idea that can best represent the fashionable style in the world is integrated in each hotel room to make it fashionable and acceptable to local guests.
  - Products of the third generation have even more luxurious and brighter lobbies.
  - LED transparency lights and LED TV walls are added.
  - The color inside the room is adjusted to be even softer and soothing and the privacy of the bathroom is enhanced.
- Technology. The most mature advanced technology internationally is included as part of the overall environment of the hotel available for use and guests are given the freedom to use it while staying with the hotel. The upgraded smart touchscreen panel makes easy control over all switches inside the room possible. LED lights are used; they are environmentally friendly and energy−saving. The air−conditioning pre−cooling and pre−heating features are added. The Group has the business center and

entertainment center configured inside the room to satisfy guests' business needs and entertainment needs.

Entertainment Center

- Low Radiation Big Screen LED TV
- Downloading and watching network movies and TV shows can happen at the same time because of the high−speed broadband.
- The entertainment sound system can be connected to the iphone/ipod for guests to enjoy the music.

Business Center

- Free Wi−Fi
- Free radio signal
- Free printing for the members

■ Health. A healthy environment is provided to care for each section of the life of the guest while staying with the hotel. From the bed, the pillow, to the shower, international five star standards are followed completely.

- International famous brand high−tech double−message spray shower
- Bathroom with separate dry and wet areas
- World's first−rate five star hotel ultra−large and ultra−high bed
- Health−preserving pillow with eight healthy features
- Non−smoking area

4. Competition on the market

(1) High star hotel

Although high star hotels have luxurious rooms and complete package facilities, their prices are relatively high and are not something that a majority of customers can afford, they have to target high−end business people. A majority of them are high−ranking managers of large cross−national enterprises, which are not overlapping with the prospective customers of FX chained business hotels. In addition, a new trend appeared in 2014: On the one hand, the number of tourists and hotel receptionists is constantly increasing and on the other hand, income for hotels is decreased. Five star hotels, even if they have reduced their charge, found it difficult to turn around the deficits. Sixty five star hotels in Beijing, for example, all suffered undesirable operational status and the vacancy rate reached 40%.

(2) Low star hotels and economic hotels

Low star hotels have obsolete facilities and the service quality and environment are not comparable to the price. Economic hotels, on the other hand, do not feel strongly comfortable and the business amenities fall short of meeting business customers' demand. They are relatively unattractive to business customers with relatively good taste. Meanwhile, as the economy in Mainland China grows, the income per−capital is constantly increased and so is people's spending power. They have even higher demand for the facilities and services provided at hotels, too. The population pursuing fashion and comfort in hotels is constantly expanding. Many customers who chose economic hotels in the past have also gradually upgraded their choices.

(3) Mid−end business hotels

Over the past few years, more and more brands have appeared on the market featuring "mid−end business hotels". Mid−end, economic, exquisite, and select hotels followed one another in upgrading their brand or innovation. Besides expanding outward, respective groups are busy upgrading themselves internally. Qitian was changed to the Plateno Hotels Group and nine theme exquisite hotels were introduced to accordingly cover the hotel market comprehensively. Rujia, on the basis of the “Heying” brand, accordingly introduced the mid−end brand “Hemei” to directly compete with Quanji. The non−standardized mid−end hotel brand of Huazhu is Xingcheng and its standardized product is Quanji. Thank U, the king of chained hotels in third−line cities, also introduced multiple mid−end hotel brands such as Thank U select and Holiday Land that are equally suitable to be operated on the first−line and second−line markets. Moreover, there are Vietnna, Days Inn, and Holiday Inn Express that started relatively late. All of them followed one another trying to define their own market position through trials and errors.

As early as many years ago when the competition was copying the pattern of economic hotels seeking expansion, the FX Hotel Group already started another path from scratch. It prepared for and established a business hotel brand of relatively good taste and relatively little market competition and secured its own foundation on the market by precisely gaining control of its position while at the same time insisting on the strategic chained development train of thought. It introduced the management beliefs and service criteria of well−known four star hotel brands in Singapore and included the global sales plan of the Furama Group in Singapore. It was unique on the hotel market of China and formed clear contrast against hotels of other grades, demonstrating relatively powerful market competitive advantages.

5. Competition strategy

(1) Positioning—Securing the Mid−end Business Market

The Group will continue to secure the mid−end business hotel market this year through cautious expansion while at the same time seeking opportunities for expansion overseas. It insists on selecting core convenient sites for its hotels and providing facilities and services suitable for business people and this strategy has been well received by consumers. Both the membership and the number of companies with contracts have been constantly climbing.

(2) Taste—The most fashionable room design and the most advanced facilities

In order to quickly secure its share on the mid−end business hotel market and to create a No. 1 brand fashionable business hotel chain, the FX Hotel Group hired the world’s first−rate designers to make every detail of each hotel filled with fashion and new ideas while at the same time taking care of the functionality. The rooms are spacious and bright. Glass partitions work well in dividing the space and maintain the overall transparency, too. Each part of the design appears simple yet demonstrates the careful thoughts of the designer.

(3) Service—Detail−oriented and Thoughtful

Following the detail−oriented services of Furama City Centre Hotel in Singapore, it stands out among the disparate service qualities in the hotel industry.

(4) Location—The Most Convenient Business Center of a City

All the stores of the FX Hotel Group are chosen to be located in the business center of first−line cities or provincial cities or an area in a sightseeing city with convenient transportation. Location advantages are obtained in the very first place, which is a paramount cornerstone for subsequent developments.

(5) Management — Standardization and Constant Innovation

- The new official website has been commissioned. It is planned to add online display of event prices and the online payment feature, adding to the speediness and convenience.
- The new official WeChat has been commissioned, with the WeChat reservation and payment features. It is planned to make WeChat Unlock feature available.
- Proactively expand membership to enhance the loyalty of members.
- Share the distribution channel with the Furama Group and crate an international distribution network

(6) Customer Loyalty Plan—passively provides customers with the opportunity to accumulate their points in exchange for commodities while the “Loyalty Customer Plan” of the new generation proactively creates the six elements of business travel, food, sightseeing, shopping, entertainment, business, and transportation and offers travelers exclusive business reach that is both convenient and in–depth at once.

A. Recruitment and expansion

- Introduce corporate membership to secure business reservation and returning customers and reach out to overseas reservation service.
- Package domestic and international lodging packages and combine them in FX traveler card marketing.
- Online reservation and cross–industrial collaboration are combined to create the membership market.
- Establish related tourism departments and combine air, sea, and land transportation and lodging for customized service that helps boost revenue and profits.

B. Service enhancement

- Sign a contract with reservation service providers to build the distribution network.
- Collaborate with other businesses such as department stores, shopping malls, gift shops, exhibition organizers, or concert organizers as part of the membership service.
- Strategically collaborate with airliners to offer the opportunity of exchanging membership points for airliner mileage and offer preferred airfares as part of the room reservation service.

C. Domestic Market

- Periodically organize corporate and product briefing sessions throughout the province to enhance the linear publicity of products.
- Combine cultural, delicacy, and tourism businesses in the locality of the hotel in order to provide integrated accommodation products for enhanced domestic travel.
- Establish a platform with international affairs offices of respective colleges and universities to collaborate with the government in extended recruitment of foreign students coming to Taiwan for studies.

(III) Technical and Research and Development Status: Not applicable.

(IV) Long–term and Short–term Business Development Plans:

1. Long–term Business Development Plan

a. Brand multiplying power − The two brands under the FX series, namely FX BEIJING and FX Inn, have been steadily developing across the Taiwan Strait. Combining the Singaporean brands, Furama and Furama Xclusive, they are headed towards internationalization and will proactively develop the three major segments of its business, namely, entrusted management, brand franchising, and membership chain.
b. Strengthened channel competitive advantages − For the paramount mission of securing existing customers on the mid−end consumer market and developing new customers, we will work with the Singapore Furama membership system and upgrade our membership club to introduce FX Traveller Xclusive that will serve existing customers while at the same time recruiting new ones; a new generation of loyal customer 2.0 customer multiplication plan will be created.

2. Short−term Business Development Plan
   a. Enhance the quality of software and hardware and unify product and service standards
   b. Introduce smart hotels in order to add technology as part of the fashionable features of our hotels.
   c. Greatly develop the official website and Wechat of the Group, make online payment, booking, and prize claiming available, and promote preferred deal agreements with corporate customers when booking rooms on the official website. Meanwhile, the self−owned hotel system is perfected and upgraded to establish a relationship with the OTA reservation platform.
   c. Protactively promote the membership system in order to maximize the brand awareness of FX in the business circle across the Taiwan Strait.
   d. Join hands with affiliated hotels in the Asia Pacific Region and make the best of hotel resources in 17 popular travel spots that are unprecedented in the industry in order to add to the divergence of FX as the brand.
   f. Proactively take part in events and various international travel fairs introduced by the Tourism Bureau under the Ministry of Transportation and Communications and add opportunities to gain exposure and distribution channels.

II. Overview of Market and Production and Distribution

(I) Market Analysis

1. Where products (services) are primarily sold to or provided:
The Company's scope of operation is mainly hotels and the source of income is primarily from the guest rooms. As far as 2018 is concerned, it accounts for 90.34% of the net worth of business income. The target customers of guest rooms to whom the Company provides service can generally be divided to domestic and foreign travelers. The distribution method and the nationality of source customers in the most recent year are as follows:
(1) Categorization of target customers served by the Company in the most recent year: (Guest room business)

Year	Customers with contracts	Travel agencies with contracts	Independent travelers	Members	Others	Total
2017	33.95%	46.08%	7.12%	11.49%	1.37%	100.00%
2018	29.87%	48.28%	9.63%	11.16%	1.08%	100.00%

(2) Categorization of nationalities and regions of target customers served by the Company in the most recent year: (Guest room business)

Year	Mainland China	Taiwan	Hong Kong	United States	Japan	Singapore	Others	Total
2017	63.32%	15.44%	4.96%	1.77%	3.79%	1.60%	9.12%	100.00%
2018	62.03%	18.51%	4.29%	1.81%	4.01%	1.35%	8.00%	100.00%

Source: Data from the Company's statistics

(3) Main location of operation

Name of hotel	Management pattern	Room	Location	Customer base
FX HOTEL ZHONGGUANCUN	Direct−run	248	Located in the core area of Beijing Zhongguancun, which is reputed as "Silicon Valley in China" and is known for the numerous high−tech corporations and educational institutions for advanced educational institutions such as Peking University, Tsinghua University, and Beijing Language and Culture University. Close to well−known scenic spots, such as Yuanmingyuan and Yihehuan (both are old summer places for emperors) and Xiangshan.	High−tech corporation business administration staff, conference staff, university researchers, mid−to−high−end recreational customers.
FX HOTEL YANSHA	Direct−run	152	Located on the south bank of Liangma River in the Yansha Business Circle in the Central Commercial District of Beijing, with Liangma River Tower, Embassy Circle, Agricultural Exhibition Hall, and China International Exhibition Center on the west. In the surroundings are office buildings such as the Yansha Youyi Shopping Center.	International white collar and business owners visiting the CBD business circle in Bejing, exhibition customers
FX GUANQIAN	Direct−run	223	Located in downtown Suzhou; it is at the central pivotal pot of transportation. The golden area combines business and entertainment in one. There is convenient transportation to get to the Suzhou New Area or High−tech Area and it is close to the famous garden scenic area.	Mid−to−high−end business and recreational customers

Name of hotel	Management pattern	Room	Location	Customer base
FX HOTEL XUJIAHUI	Direct−run	118	It is located in the famous Xujiahui commercial circle, the center of convenient transportation. In its surroundings are high−end office buildings. The golden location combines business and entertainment in one. On the opposite side of the hotel is the famous Shanghai stadium.	Domestic and international high−end business people, sports events and performance participants and audience, and customer who come to Shanghai for recreational shopping.
FX HOTEL TAIPEI	Direct−run	166	Located in the busy section of Nanjing East Road in Zhongshan District, Taipei City, the busy economic commercial center in Taipei. The unique geographical location, various guest rooms with sound equipment, and business center all meet the standards of an international business hotel.	Business people, conference participants, and travelers
FX INN KAOHSIUNG	Direct−run	123	Located on Zhonghua 3rd Road, Kaohsiung, within a walking distance of approximately 8 minutes from Liuhe Night Market, close to the MRT City Hall station. It is convenient to get to Xiziwan, Xinquejiang, and other famous sightseeing spots. Five types of rooms available and 123 in total, featuring simplicity and exquisiteness, suitable for independent backpackers to family guests, satisfying a variety of needs.	Mainly young consumers that travel by themselves or for business.
FX HOTEL TAINAN	Direct−run	199	Unlike commercial demand in the metropolitan area of Taipei and located in the Guohua Food Circle at the intersection of Shennong Old Stree and Haian Arts Boulevard in downtown Tainan, the design elements feature taste and fashion. It combines the consistent fashionable and aesthetic style of the FX Hotels Group and the vintage fad over the past few years.	Mainly fashionable consumers that are on vacation and travel with families.

Name of hotel	Management pattern	Room	Location	Customer base
FX HOTEL JIANGNING	Direct−run	205	Located on the north side of the Jianning Development Zone in Nanjing, 600 meters to the east of the Zhushan Road station of the south extension line of Nanjing Subway 1, in the Zhushan Road commercial area of Jiangning District, Nanjing, 5 km from the South Station of the adjacent Nanjing High−Speed Rail. It is directly reachable by subway and is relatively convenient to get to Nanguang College, Engineering College, Southeast University, Baijia Lake, and Jiangning Development Zone.	Mid−to−high−end business and recreational customers
Xishanqi Beijing	Chartered management	49	Located at the south gate of Nandianxincun 300 meters to the east of the high−speed Xishanqi Bridge of Badaling, on the east side of Zhongguancun Technology Park, and only 2.5 km from the site of Shangdi Information Industry, superior location, with convenient transportation.	Mid−end business people, IT and management staff visting the Shangdi Technology Park.
Yizhuang Beijing	Chartered management	97	Located in the most mature living circle of the Yizhuang Economic and Technological Development Zone of Beijing. Located in the high−end neighborhood of Yizhuang, closely adjacent to Top 500 famous enterprises in the world, such as Coca Cola, Foxconn, Nokia, SMC, and Boe Technology Group Co., Ltd.	Business people, conference customers, and technological researchers visiting the Yizhuang Economic and Technological Development Zone.
Jinshajiang Road Shanghai	Chartered management	123	Located next to Changfeng Park at the intersection of Nujiang North Road and Dadu River Road, only 10 minutes away from the Jinsha River Road station of Railway Lines 3 and 4 and adjacent to famous educational institutions such as East China Normal University, Tiandi Software Park, Shanghai Zhonghuan Commercial Area, with convenient transportation and optimal humanity environment	Mid−to−high−end business and recreational customers

Name of hotel	Management pattern	Room	Location	Customer base
Beibei Chongqing Southwest University	Chartered management	87	Located in Beibei Chongqing, diagonally opposite to the south gate of Southwest University, next to the Xiantiansheng Station of Subway 6 and only 1.5 km from the highway exit. Superior location and convenient transportation.	Mid–to–high–end business and recreational customers
Baohu East Road Yinchuan	Chartered management	65	Located in the busy commercial circle of Yinchuan, superior location and convenient transportation The hotel owns various types of guest rooms. The hotel is known for its unique and fashionable design style and modern colorful theme wall. The glass material goes with soft lighting, with an emphasis of simplicity, comfort, and usefulness. The perfect combination of art and fashion is felt anywhere anytime.	Business people, conference participants, and travelers
Chaoyang Park Beijing	Chartered management	63	Located at the convergence of the three major core commercial circles, namely Yansha, CBD, and Sanlitun soho, with the best scenic parks in Beijing – Chaoyuang Park, adjacent to the Entry–exit Inspection & Quarantine of the People's Republic of China, Beijing Chaoyang District Court, embassies, and the Phoenix International Media Center, etc. Famous recreational locations such as the Blue Harbor and Lucky Street are nearby, too. Superior location and convenient transportation for easy access to business and recreation.	Business people, conference participants, and travelers
Shouxihu Yangzhou	Chartered management	190	Located on the Taihe Square in downtown Yangzhou, superior location and convenient transportation. The hotel is close to the 5A national scenic area –– Slender West Lake, 5 minutes of drive from the Wenchangge Commercial Circle from the busy downtown area.	Business people, conference participants, and travelers

Name of hotel	Management pattern	Room	Location	Customer base
Headquarters Site Beijing	Chartered management	93	Located in Fengtai District, Beijing, at the intersection of Nansihuan and Xisihuan, in the technology park where the headquarters site to the south of Kefeng Bridge is located, adjacent to Top 100 enterprises in the country and the famous World Park and Western Han Dynasty Tomb Museum.	Business people, conference participants, and travelers
Yizhuang Creative Life Plaza Beijing	Chartered management	72	The hotel is located at No. 6, East Road, Yizhuang Economic and Technological Development Cultural Park near the intersection of Jingjintang Highway and Nanwuhuan, within a walking distance of 5 minutes to the Wanyuan Street station of Subway Yizhuang Line. Superior location and convenient transportation. The hotel owns various types of guest rooms, 121 in total. The hotel is known for its unique and fashionable design style and modern colorful theme wall. The glass material goes with soft lighting, with an emphasis of simplicity, comfort, and usefulness. The perfect combination of art and fashion is felt anywhere anytime.	Business people, conference participants, and travelers
Renmin Road Zhucheng Shandong	Chartered management	99	The Zhucheng Renmin Road store is at the convergence of Renmin Road and Heping Street, in the busy area at the center of Zhucheng Central Commercial District, with large chained supermarkets, fast food restaurants, KTVs, and large shopping malls in the surroundings. Transportation, shopping, and entertainment are all convenient. Brand new fashion, complete wi−fi coverage, and convenient parking with the square downstairs.	Business people, conference participants, and travelers

Name of hotel	Management pattern	Room	Location	Customer base
Zhongshanlin Lanzhou	Chartered management	32	Located in the center of the business commercial area of Lanzhou. Superior geographical location, primary lot in downtown Lanzhou, convenient transportation The hotel owns various types of guest rooms, 32 in total. The hotel is known for its unique and fashionable design style and modern colorful theme wall. The glass material goes with soft lighting, with an emphasis of simplicity, comfort, and usefulness. The perfect combination of art and fashion is felt anywhere anytime..	Business people, conference participants, and travelers
Wanda Plaza Suzhou Train Station	Chartered management	84	Located in the Wanrong International Tower at No. 3158, Remin Road, closely adjacent to Subway 2 (Pinghe Road Station). By taking the subway, one can easily get to Guanqian Street, the Suzhou Industrial Park, the Suzhou International Expo Center, Suzhou Paradise, Mudu Scenic Area, and Suzhou New Area. By taking public transportation, one can arrive at sightseeing spots such as the Humble Administrator's Garden, Classical Gardens of Suzhou, and the Museum directly. By taking the subway, one can arrive at the Suzhou Train Station and the North Suzhou Train Station directly. Nearby is the Wanda Commercial Area that combines entertainment, the shopping mall, large supermarkets, restaurants, KTVs, pubs, the cinema, and banks in one.	Business people, conference participants, and travelers
Xizanbei Road Shanghai	Chartered management	57	By taking the subway, one can easily get to entertainment sites, the shopping mall, large supermarkets, restaurants, KTVs, pubs, the cinema, and banks.	Business people, conference participants, and travelers
West Lake Hangzhou	Chartered management	42	3F, No. 76, Wulin Road, Downtown Area, around 1000 meters from West Lake, 10 minutes of walk from Yintai by the lake, Wulin Square, and West Lake Side Commercial Area, Wulin Road Women's Wear Street, Lakeside Trail, Longxiang Clothing City.	Business people, conference participants, and travelers

2. Market Share

Many of the mid−end hotels in Mainland China at present are upgraded from economic hotels. They are learning through trials and errors, with a market position yet to be defined. The hotels have facilities and services applying different standards and varying in quality. There are also some high−end hotel brands taking root. Due to the relatively high levels of brand positions, however, prices of mid−end hotels are still above the affordable range for business people.

FX business hotels, since the brand was initially created, have been precisely positioned as mid−end business hotels. The chained developmental strategy is adopted and the chained business hotel brand is created to secure the mid−end business market in the very first place. FX business hotels follow the management beliefs and service criteria of a well−known four−star Singaporean hotel brand to truly realize mid−end business in both software and hardware. In terms of sales, besides its own national sales plan, the Group includes the Singapore Furama global sales plan, which is non−comparable to other mid−end stand−alone hotels.

3. Future supply and demand and growth on the market

As the Mainland China's economy booms as a whole and the economic interactions among respective provincial cities and areas get more and more frequent, the flourishing tourism, in particular, the number of mid−end business hotels is gradually increased. Some of the hotels have even more attractive culture and suitable pricing, extraordinary taste, and quality service; they are highly popular among business travelers with a taste. Hotels meeting such criteria, however, are few and far between and nearly all of them are investment−oriented stand−alone hotels whose management beliefs and development scales are both difficult to satisfy the market demand of business hotels.

The market demand for business lodging is growing flourishingly and rapidly. The number of hotels capable of satisfying such demand, however, is few and far between and is growing at a slow pace. At a time like this, quality standard chained business hotel brand is urgently needed on the market.

The FX Hotels Group discovered this market opportunity early on and defined its brand position accordingly for scaled expansion to create the very first mid−end business hotel chain brand.

In terms of operation and management, to better serve the customers and to fulfill customer demand, FX is constnatly seeking innovation and variation in an effort to find its new development direction and to further boost its competitive advantages on the market, keeping its leading position. In honor of the principle that Customer is King, for example, FX is developing products of the third generation that includes the use of green and environmentally friendly negative ion air circulation system in the guest room to help purify the air and enhance quality of indoor air, creating a green ecological environment reflective of the developmental trend emphasizing greening and environmental protection internationally.

In the expansion of its stores, FX prioritizes primary first−line and second−line cities and sightseeing cities so that there are FX hotels available in primary cities in respective provinces and regions. Meanwhile, it joins hands with low−star hotels and economic hotels in the development of chartered stores so that FX can highly effectively save the time and capital cost needed for expansion. China is known for its huge area and the gradually expanding urban development scale. Plus the overall economic prosperity and the increased spending power of people, the FX Hotels Group is constantly increasing its market share.

4. Competitive niche and advantageous and disadvantageous factors for future developments as well as response measures:
   (1) Competitive niche
      a. Accurate market position
         The FX Hotels Group, for a very long period of time, has been analyzing and understanding the hotel industry and market demand in Mainland China comprehensively and at a depth and found a blank piece between pricey high−star hotels and cheap economic hotels. On the market, business people do not need the luxurious yet useless high−end hotel equipment and are not content with the simple and ugly facilities and services that vary in quality of economic hotels. FX chose to enter this segment of the market decisively and became the first mid−end business hotel brand.
      b. Unique style of design
         Fashion, technology, health, and business. These are the underlying beliefs of the brand when the ground was broken for the first FX BEIJING Hotel in FX HOTEL ZHONGGUANCUN in 2005. At FX, customers will not see the traditional hotel room layout and monotone as well as guest room facilities that do not include business features. Instead, each guest room is a simple, useful, and separate space with a well−illuminated bathroom, a color theme wall, high−speed wireless broadband, a multi−functional entertainment add−on interface, an ultra−thin LCD TV, and a stand−alone spring mattress. For years, these designs, features, and facilities have been widely recognized on the market. Numerous hotels, varying in levels, followed suit. The practice has been rapidly popularized in the industry in Mainland China.
      c. Standardized service and management
         Compared with other economic hotels and stand−alone business hotels, FX is significantly advantageous in terms of management. Adopting the management style of Singapore Furama Hotel International for its many years of management experience in four−star hotels internationally, both the service quality and management efficiency of FX are far superior to those of the competition.
      d. Superior geographical location
         In terms of selecting store locations, it better reflects the difference between FX and economic hotels. Before entering each city, the FX Hotels Group performs thorough survey among local hotels and the market demand. In primary economic cities, busy commercial centers are paramount choices. In sightseeing hot spots, convenient transportation is the first element to be considered in order to ensure that the sites chosen by FX are the most suitable operational sites. The preliminary geographical advantages lay the groundwork for subsequent developments.
      e. Constant innovation
         FX is never complacent with the current situation and has never stopped being innovative and seeking breakthroughs. It is constantly

looking for new elements in actual management, such as introducing hotels of the third generation that are green and environmentally friendly, developing the online management system, and sharing the sales channel with Singapore Furama so that the brand always remains competitive.

(2) Advantageous factors

a. The FX Hotels Group is devoted to building the first chained business hotel brand in Mainland China and has formed a mature development model that is suitable for itself and is recognized on the market after years of management exploration, management, and innovation.

b. The management experience of Singapore Furama International and its impacts in the international four–star hotel industry offer the FX brand precious management technical support.

c. As the spending power of customers increases, the demand for the quality and service of hotels is enhanced as well. Facilities of economic hotels can no longer satisfy their needs and high–star hotels are too pricey for them. Mid–end business hotels hence become their preferred choice.

(3) Advantageous factors

a. Many domestic international hotel brands have surfaced, too, for the past few years, such as Starway, Vienna, Ji, Heyi, Hemei, and Holiday Inn Express, which also demonstrates the development potential on the market for business hotels. They have gradually entered the market.

b. Properties at convenient sites are fiercely competed for. The competition for chartered operation of stand–alone hotels is also fierce. This results in climbing property costs.

c. The economic boom is associated with enhanced manpower cost for businesses. FX is no exception.

(4) Countermeasures

a. With its leading position on the market and the mature development model and experience, FX shall secure existing market share and continue to ensure brand awareness of FX by constantly enhancing customer loyalty. The Starway Hotel, for example, is an OBM hotel without consistent standards and employee training and hence it is impossible to ensure the quality of facilities and services provided at each store and chain effect cannot happen. Ji, Heyi, Hemei, and Plateno, on the other hand, are upgraded brands on the basis of existing economic hotels and hence their management, service, and brand culture can all hardly break away from those of an economic hotel.

b. As the first business hotel chain brand in Mainland China, it helps greatly with the acquisition of properties at low costs. Properties with convenient locations are relatively more costly and profits from economic hotels feature relatively low return on devoted costs, which cannot optimally satisfy the needs of chartered business owners. The position as mid–end business hotel, on the other hand, is more suitable.

c. After years of exploration and summarization and constant pursuit of a route to enhanced efficiency and conservation on cost, FX has now updated the online management system of its own development to be better capable of saving on the manpower cost and management expenditure and enhanced its employee training programs to reduce staff turnover and to develop and reserve more management talent for its business.

d. FX hotels are consistently deployed in core commercial areas and popular travel destinations that have convenient transportation. The expansion is not blind. These seemingly rigid requirements eventually protect the performance. This is why the hotels can survive the impacts.

(II) Purposes and Production Processes of Main Products:
The Company primarily runs its products by leasing the guest rooms.

(III) Supply of Main Raw Materials:
FX mainly provides hotel guest rooms to customers. Therefore, main raw materials are the disposable supplies in the guest rooms (such as the slippers, tooth gear, and combs) and hotel supplies (such as the guest room card covers and letter paper, among other printed products and signs). The supply has been steady.

(IV) Names of customers with 10% or more purchases or sales and the values and ratios of purchases or sales in any of the most recent two years: please also describe the reason for the increase or decrease. When the names of customers or counterparts may not be disclosed as agreed in contracts are individuals and non−related parties, however, they may be replaced with a code.
Names of customers (suppliers) with 10% or more purchases or sales and the values and ratios of purchases or sales in any of the most recent two years.

(V) Production volumes/values in the past two years
The Group is in the sightseeing and tourism industry and hence the said item is not applicable.

(VI) Sales volume/values in the past two years

Sales Unit: Guest Room: Occupancy (Thousand Rooms/Night)

Year / Sales volume/value / Primary product	2017				2018			
	Importation (Taiwan)		Exportation (Ex−Taiwan)		Importation (Taiwan)		Exportation (Ex−Taiwan)	
	Sales Volume	Sales Value	Sales Volume	Sales Value	Sales Volume	Sales Value	Sales Volume	Sales Value
Income from guest rooms	119	$247,819	352	$424,398	117	217,987	298	364,264
Other income	–	$26,674	–	$58,271	–	23,493	–	38,745
Total	119	$274,493	352	$482,669	117	241,480	298	403,009

III. Number, mean service years, mean age, and education of employees in the past two years up to the date the Annual Report was printed

Year		2017	2018	Year up to March 31, 2019
Number of employees	Front desk	141	146	134
	Guest room	162	161	168
	Others	159	191	191
	Total	462	498	493
Mean age		37	38	38
Mean years in service		2.47	2.2	2.27
Ratio of education distribution	PhD	–	–	–
	Master	1.30%	1.80%	2.51%
	College and university graduate	36.15%	54.76%	55.34%
	Senior high school graduate	29.87%	26.32%	26.63%
	Below senior high school	32.68%	17.12%	15.52%

Source: Data from the Company’s statistics (excluding temporary manpower)

IV. Information on Environmental Protection Expenditure

The total value of losses (including compensation) and penalties associated with environmental pollution in the most recent year and up to the date the Annual Report was printed; explain also the countermeasures (including improvements) and possible expenses (including estimated values of possible losses, penalties, and compensation due to failure to take countermeasures; if reasonable estimates are impossible, state the facts why they cannot be reasonably estimated) in the future: No such condition.

V. Employer−employee Relations

(I) The various employee benefits, continuing education, training, retirement system available and their implementation and the agreement between the employer and employees as well as protection of the various rights of employees

1. Employee welfare measures, continuing education, training, and implementation
   Good labor management helps the Company enhance its competitive advantages on the market. Therefore, the Company pays particular attention to the rights and benefits of employees. Even individual employer−employee conflicts are turned in to related authorities for management as required by law. The principles remain the same in the future for the Company. Labor Insurance, National Health Insurance, and pension funds appropriations will be arranged as required by the government and there will be paid annual leave, Dragon Boat Festival and Moon Festival gift money and benefits, marital gift money, funeral condolence money, hospital condolence money, monthly employee birthday celebrations, and free meals and changing rooms for employees to put on and turn off their uniforms and to place their personal belongings. Free physical

checkups, among other related benefits, are arranged for employees on yearly basis, too.
The company must provide employees with training to help them familiarize with the workplace, knowledge required at work, and various occupational skills and employees are entitled to demand training from the Company and are obligated to receive training.
Employee training at the moment consists of two parts:
Shared training that covers the Company' beliefs, framework, and responsibilities of respective departments, code of conduct, regulations, and systems, fire prevention safety, labor safety, and health, among others.
Professional training that covers the professional knowledge and skills reflective of the respective employees' nature of work.

2. Retirement System

Mainland China:
In order for its employees to work with assurance and to protect their life after they retire, there are the Employee Retirement Regulations prepared as required by the Labor Act. With regards to the pension after retirement, the Company pays for it as required by the applicable local legislation "Corporate Staff Fundamental Pension Act". In accordance with the local social security operating procedure, pension is included as part of social security (medical care, child birth, retirement, industrial injuries, unemployment). After the Company enrolls an employee in social security, it starts its obligation to pay for the pension.
Corporate staff is entitled to fundamental pension benefits at the regulatory retirement age and when the number of years involved in the payment has reached 15 (including the equivalent number of years involved in the payment). The fundamental pension value consists of the basic pension and personal account pension.
Basic pension, personal account pension, and transitional pension are calculated, respectively, as follows:

(1) Basic pension: With the mean monthly wage of the city in the year before the insured is retired and the mean value of the exponential monthly wage of the person as the baseline, 1% is released each year after all years involved in the payment are paid off by the insured (including the equivalent number of years involved in the payment);
(2) Personal account pension: The accumulated value in the insured's personal account divided by the number of months entitled to the release as required by the government;
(3) Transitional pension: The sum of the monthly transitional pension calculated with the equivalent number of years involved in the payment and that with the actual number of years involved in the payment. In which,

The monthly transitional pension calculated with the equivalent number of years involved in the payment is the 1% released each year after all equivalent years involved in the payment are paid off by the insured with the mean monthly wage of the city in the year before the insured is retired as the baseline
The monthly transitional pension calculated with the actual number of years involved in the payment is the 1% released each year after all actual years involved in the payment are paid off by the insured before June 30, 1998 with the product of the mean monthly wage of the city in the year before the insured is retired and the index of the wage paid by the person as the baseline.

Taiwan:

In order for its employees to work with assurance and to protect their life after they retire, there are the Employee Retirement Regulations prepared as required by the Labor Standards Act. The Company follows the requirements of the Labor Pension Statutes; the ratio of labor pension afforded and set aside by the Company each month may not be below 6% of the employee's monthly wage.

Pension Release Criteria

I. The criteria for releasing the employee's pension are as follows (for those applicable under the old retirement system):
   (1) Based on the number of years in service, two base points are given for each year. If the number of years in service exceeds 15, however, one base point is given for each additional year completed and the maximum number of base points is limited at 45. For less than half a year, it is counted as half a year and for less than a year yet more than half a year, it is counted as a year.
   (2) As is required by Article 54 Paragraph 1 Subparagraph 2 of the Labor Standards Act, employees mandated to retire due to mental disorder or physical disability caused by fulfillment of duty at work are entitled to additional 20% of the mean monthly salary specified in the preceding sub−paragraph.
   (3) The number of years in service is limited to the same enterprise. The number of years in service upon transfer by the same employer and that should continue to be recognized as required by Article 20 of the Labor Standards Act shall be combined in the calculation.
   (4) The right of an employee to claim the pension expires if it is not exercised for the five years starting from the next month of retirement.

II. Starting from July 1, 2005, the pension fund are released according to the following criteria in response to the implementation of the Labor Pension Statutes:
   (1) For employees that choose to continue applying the requirements for pension under the Labor Standards Act, the pension is released as required in Paragraph 1 Sub−paragraph 1 hereunder.
   (2) When the number of years in service applicable under the Labor Pension Statutes is chosen, how the pension is claimed and how it is calculated are as follows:
      1. Personal account pension:
         A. Monthly value: For the personal pension account, the monthly value of the principal and the accumulated income calculated with the mean expectancy as shown in the annuity life table and the interest rate is to be released periodically.
         B. Lump−sum value: The principal and accumulated income in the personal pension account are claimed at once.
      2. Annuity insurance system: The value to be claimed depends on the terms and conditions of the insurance contract.

III. If the employees have the number of years in service prior to applying the Labor Standards Act, the payment criteria for the pension shall be based on the requirements of the applicable laws and regulations at the time; when no laws or regulations are applicable at the time, the requirements set by the Company shall be followed or the employer and the employee shall negotiate with each other and calculate the value.

3. Employer−employee Agreement and Various Employee Rights Protection Measures
   The Company is open−minded in the communication of policies and in understanding employees' opinions; it is done bilaterally and the hope is to maintain a harmonious employer−employee relation. The lack of harmony is not an issue between the employer and the employees.

(II) List the losses as a result of employer−employee disputes and disclose current values and estimates that are likely to occur in the future and countermeasures in the most recent year and up to the date the Annual Report was printed. If reasonable estimates are impossible, state the facts why they cannot be reasonably estimated.
The Company has personnel management regulations in place. There are specific requirements about absence/attendance, leave of absence, and given leave of employees. Such agreement is followed between the employer and the employees. The mutual relationship is quite harmonious and there are no employer−employee disputes. It is estimated that with the Company continuously and proactively promoting and being consistent with various employee welfare measures, there should be no losses sufferred as a result of employer−employee disputes.

VI. Important Contracts (sequentially reflective of the nature of contract)

March 31, 2019

Nature of contract	Client	Contract start/end date	Main contents	Restrictions
Lease	BEIJING FUSHANG CO., LTD. CO., LTD./Beijing Willow Golf Club	2005.07.20~2025.07.19	Lease Contract	None
Lease	BEIJING YANSHA CO., LTD./Beijing Jinlong Waterway Entertainment Club	2007.07.02~2022.11.30	Lease Contract	None
Lease	CHINA CAPITAL MANAGEMENT GROUP INC. Xujiahui Branch Office/Shanghai Liansen Construction Labor Service Co., Ltd.	2008.01.15~2023.06.14	Lease Contract	None
Lease	FURAMAXPRESS HOTEL MANAGEMENT AND DEVELOPMENT(BJ) CO., LTD./Suzhou Wanxiang Property Development Co., Ltd.	2008.10.22~2024.11.30	Lease Contract	None
Lease	SHENZHEN CO., LTD./Shenzhen Jiazhoucheng Property Co., Ltd.	2010.09.01~2027.12.31	Lease Contract	None
Lease	NANJING JIANGNING CO., LTD./Nanjing Jinyuehua Investment Management Co., Ltd.	2017.10.20 ~2026.09.30	Lease Contract	None
Lease	FX HOTELS GROUP INC./China Airlines Co., Ltd.	2010.09.01~2026.12.30	Lease Contract	None
Tenancy Agreement	TAIWAN FX HOTELS COMPANY LIMITED./China Airlines Co., Ltd.	2012.12.31~2032.12.30	Lease Contract	None
Tenancy Agreement	TAIWAN FX HOTELS COMPANY LIMITED/Taiwan Private Tainan Textile Social Welfare Benevolence Foundation	2013.02.10~2031.08.09	Lease Contract	None
Tenancy Agreement	TAIWAN FX HOTELS COMPANY LIMITED./Libao Co., Ltd.	2013.02.10~2031.08.09	Lease Contract	None
Equity Assignment Agreement	FURAMAXPRESS HOTEL MANAGEMENT AND DEVELOPMENT（BJ) CO., LTD./Xujun, Hangzhou Milan Garden Hotel Co., Ltd.	2016.07.01~2024.12.31	Assignment Contract	None
Trusteeship Contract	CHINA CAPITAL MANAGEMENT GROUP INC./ Beijing Jinjie Yayuan Hotel	June 3, 2010 ~ Present	Trusteeship Contract	None

Nature of contract	Client	Contract start/end date	Main contents	Restrictions
Chartered Management Contract	CHINA CAPITAL MANAGEMENT GROUP INC./Hu Biao	2011.03.01~2021.02.28	Chartered management	None
Chartered Management Contract	CHINA CAPITAL MANAGEMENT GROUP INC./Ningxia Dongrunhuai Industry and Trade Co., Ltd.	2011.07.01~2021.06.30	Chartered management	None
Chartered Management Contract	CHINA CAPITAL MANAGEMENT GROUP INC./Shanghai Langcheng Hotel Management Co., Ltd.	2011.8.1~2020.12.31	Chartered management	None
Chartered Management Contract	CHINA CAPITAL MANAGEMENT GROUP INC./Wuzhong Xingang Hotel Management Co., Ltd.	2012.05.01~2022.04.30	Chartered management	None
Chartered Management Contract	CHINA CAPITAL MANAGEMENT GROUP INC./Zhongwei Xingang Hotel Management Co., Ltd.	2012.05.01~2022.04.30	Chartered management	None
Chartered Management Contract	CHINA CAPITAL MANAGEMENT GROUP INC./Yangzhou Taihe Hotel Management Co., Ltd.	2013.03.01~2023.02.29	Chartered management	None
Chartered Management Contract	CHINA CAPITAL MANAGEMENT GROUP INC./Liu Jinlin	2012.07.01~2022.06.30	Chartered management	None
Chartered Management Contract	CHINA CAPITAL MANAGEMENT GROUP INC./Fu Jianqing	August 1, 2012 ~ present	Chartered management	None
Chartered Management Contract	CHINA CAPITAL MANAGEMENT GROUP INC./Li Gaofeng, Li Jinxian	2012.10.01~2023.07.30	Chartered management	None
Chartered Management Contract	CHINA CAPITAL MANAGEMENT GROUP INC./Li Yong	2012.08.01~2022.07.31	Chartered management	None
Chartered Management Contract	CHINA CAPITAL MANAGEMENT GROUP INC./Shapingba Ruojia Hotel	2012.05.01~2022.04.30	Chartered management	None
Chartered Management Contract	CHINA CAPITAL MANAGEMENT GROUP INC./Anqiu Sanfu Hotel Management Co., Ltd.	2013.01.18~2028.01.14	Chartered management	None
Chartered Management Contract	CHINA CAPITAL MANAGEMENT GROUP INC./Zhang Xiao	2013.09.18~2023.08.31	Chartered management	None
Chartered Management Contract	CHINA CAPITAL MANAGEMENT GROUP INC./Xian Jinzhou Hotel Management Co., Ltd.	2013.05.18~2026.09.27	Chartered management	None

Nature of contract	Client	Contract start/end date	Main contents	Restrictions
Chartered Management Contract	CHINA CAPITAL MANAGEMENT GROUP INC./Wuhan Wuchang Weiyuan Business Hotel	2013.07.01~2028.06.30	Chartered management	None
Chartered Management Contract	CHINA CAPITAL MANAGEMENT GROUP INC./Zhang Gongpeng	2013.09.18~2023.09.17	Chartered management	None
Chartered Management Contract	CHINA CAPITAL MANAGEMENT GROUP INC./Liu Ping	2013.11.28~2028.11.27	Chartered management	None
Chartered Management Contract	CHINA CAPITAL MANAGEMENT GROUP INC./Zhao Jiguo	2014.1.1~2023.12.31	Chartered management	None
Chartered Management Contract	CHINA CAPITAL MANAGEMENT GROUP INC./Ding Yaozhong	2013.11.18~2028.11.17	Chartered management	None
Chartered Management Contract	CHINA CAPITAL MANAGEMENT GROUP INC./Lin Feng, Chen Wenan	2014.9.1~2023.8.31	Chartered management	None
Chartered Management Contract	CHINA CAPITAL MANAGEMENT GROUP INC./Lin Xiaoyu	2013.11.18~2023.11.17	Chartered management	None
Chartered Management Contract	CHINA CAPITAL MANAGEMENT GROUP INC./Xu, Dawen	2014.03.18~2032.03.17	Chartered management	None
Chartered Management Contract	CHINA CAPITAL MANAGEMENT GROUP INC./Ruan Heping	2014.05.01~2024.04.30	Chartered management	None
Chartered Management Contract	CHINA CAPITAL MANAGEMENT GROUP INC./Chen Biyi	2014.07.01~2029.06.30	Chartered management	None
Chartered Management Contract	CHINA CAPITAL MANAGEMENT GROUP INC./Ningxia Letu Hotel Management Co., Ltd.	2014.06.01~2024.05.31	Chartered management	None
Chartered Management Contract	CHINA CAPITAL MANAGEMENT GROUP INC./Ningxia Aizhilu Management Co., Ltd.	2014.05.28~2024.05.27	Chartered management	None
Chartered Management Contract	CHINA CAPITAL MANAGEMENT GROUP INC./Zheng Shangbin	2015.04.01~2025.03.31	Chartered management	None
Loan Contract	TAIWAN FX HOTELS COMPANY LIMITED./ DBS Bank Limited Taiwan	2018.11.19~2020.11.18	Credit and Loan	None
Loan Contract	FX HOTELS GROUP INC./DBS Bank	2018.10.17~2020.10.17	Credit and Loan	None

Six. Financial Overview

I. Brief Balance Sheet and Comprehensive Income Statement for the Past Five Years with Indication of the Name(s) and Audit Opinions of the CPA(s)

(I) Brief Balance Sheet − International Financial Reporting Standard

Currency Unit: NTD 1,000

Item \ Year		Financial Data of the Past Five Years (Note 1) 2014	2015	2016	2017	2018	By March 31, 2019 of the said year Financial Data (Note 2)
Current assets		468,197	513,944	346,452	227,794	282,163	172,926
Real estate, plants and equipment		1,582,319	1,384,655	1,004,887	766,589	575,259	566,640
Intangible Assets		948	1,787	3,282	2,758	1,944	1,735
Other assets		344,727	363,976	195,513	141,017	145,059	132,230
Total assets		2,396,191	2,264,362	1,550,134	1,138,158	1,004,425	2,278,382
Current liabilities	Before distribution	1,094,420	1,234,704	704,387	616,255	431,450	492,049
	After distribution	1,094,420	1,234,704	704,387	616,255	Yet to be distributed	Yet to be distributed
Non−current liabilities		506,748	395,134	823,408	474,754	531,268	1,763,717
Total liabilities	Before distribution	1,601,168	1,629,838	1,527,795	1,091,009	962,718	2,255,766
	After distribution	1,601,168	1,629,838	1,527,795	1,091,009	Yet to be distributed	Yet to be distributed
The equity that belongs to the client of the parent company		795,023	634,524	22,339	47,149	41,707	22,616
Capital stock		381,723	381,723	381,723	681,723	681,723	681,723
Capital reserve		324,585	324,585	228,523	198,523	198,523	198,523
Retained earnings	Before distribution	59,024	(90,160)	(595,547)	(841,140)	(835,916)	(856,444)
	After distribution	59,024	–	–	–	Yet to be distributed	Yet to be distributed
Other equities		29,691	18,376	7,640	8,043	(2,623)	(1,186)
Treasury stock		–	–	–	–	–	–
Uncontrolled equity		–	–	–	–	–	–
Total equity	Before distribution	795,023	634,524	22,339	47,149	41,707	22,616
	After distribution	795,023	634,524	22,339	47,149	Yet to be distributed	Yet to be distributed

Note 1: Financial Statements of respective years have all been audited and certified by the CPAs.
Note 2: Consolidated Financial Statement reviewed ad approved by the CPA for the first quarter of 2019.
Note 3: The above−mentioned post−assignment figures are provided according to the decisions made in the shareholders' meeting of the coming year.

(II) Brief Comprehensive Income Statement − International Financial Reporting Standard

Currency Unit: NTD 1,000

Item \ Year	Financial Data of the Past Five Years (Note 1)					By March 31, 2019 of the said year (Note 2)
	2014	2015	2016	2017	2018	
Operating revenue	1,039,510	897,754	824,999	757,162	644,489	127,133
Gross operating profit	231,309	151,158	86,768	112,005	41,890	14,990
Operating loss and profit	57,803	(82,978)	(295,074)	(129,082)	(118,509)	(24,137)
Non−operating income and expenditure	17,098	(51,857)	(286,479)	(106,600)	(117,473)	3,609
Net profit before tax	74,901	(134,835)	(581,553)	(235,682)	(1,036)	(20,528)
Continuing operating department Net profit of current term	–	–	–	–	–	–
Losses from discontinued units	–	–	–	–	–	–
Net profit of current term (loss)	59,024	(149,184)	(601,449)	(245,593)	(4,248)	(20,528)
Other combined profits and losses of current term (After−tax net value)	26,662	(11,315)	(10,736)	403	(1,194)	1,437
Sum of combined profits and losses of current term	85,686	(160,499)	(612,185)	(245,190)	(5,442)	(19,091)
Net profits belong to clients of the parent company	59,024	(149,184)	(601,449)	(245,593)	(4,248)	(20,528)
Net profits belong to uncontrolled equity	–	–	–	–	–	–
Sum of combined profits and losses belongs to the client of the parent company	85,686	(160,499)	(612,185)	(245,190)	(5,442)	(19,091)
Sum of combined profits and losses belongs to uncontrolled equity	–	–	–	–	–	–
Earnings per share	1.55	(3.91)	(15.76)	(4.05)	(0.06)	(0.30)

Note 1: Financial Statements of respective years have all been audited and certified by the CPAs.
Note 2: Consolidated Financial Statement reviewed ad approved by the CPA for the first quarter of 2019.

(III) Name(s) and audit opinions of the CPA(s)

Year of certification	Name of CPA	Audit opinions
2013	Yao−Jun Lin, Pei−Ling Du	No reservations
2014	Dong−Hui Ye, Shu−Jie Huang	No reservations for the revisions
2015	Dong−Hui Ye, Shu−Jie Huang	No reservations
2016	Dong−Hui Ye, Shu−Jie Huang	No reservations for the revisions
2017	Zhao−Min Lin, Wen−Bin Chen	No reservations for the revisions
2018	Zhao−Min Lin, Wen−Bin Chen	No reservations for the revisions

II. Financial Analysis of the Past Five Years

(I) Financial Analysis

1. Financial Analysis − International Financial Reporting Standard

Analytical Item (Note 3)	Year (Note 1)	Financial Analysis of the Past Five Years					By March 31, 2019 of the said year (Note 2)
		2014	2015	2016	2017	2018	
Financial structure (%)	Liability−to−asset ratio	66.82	71.98	98.56	95.86	95.85	99.01
	Long term capital to real estate, plants and equipment Ratio	82.27	74.36	84.16	68.08	99.60	315.25
Solvency %	Current ratio	42.78	41.62	49.18	36.96	65.40	35.14
	Quick ratio	24.71	15.75	20.54	23.13	31.73	26.27
	Interest Protection Multiples	253.49	−169.78	−778.57	−445.09	91.76	-64.88
Management ability	Receivable turnover ratio (times)	8.44	8.36	24.45	22.71	19.86	16.83
	Average collection days	43.24	43.65	14.93	16.07	18.38	21.68
	Inventory turnover ratio (times)	1,792.02	1,240.19	1,042.70	913.82	1,891.99	282.83
	Payable turnover ratio (times)	−	−	105.58	89.62	87.16	69.95
	Average sales days	0.20	0.29	0.35	0.40	0.19	1.29
	Real estate, plants and equipment turnover ratio (times)	0.71	0.61	0.69	0.85	0.96	0.89
	Total asset turnover ratio (times)	0.46	0.39	0.43	0.81	0.60	0.31
Profitability	Return on assets (%)	4.59	−4.55	−28.65	−15.60	0.54	-2.58
	Return on equity (%)	8.42	−20.87	−183.13	−706.86	−9.64	-255.31
	Net profit before tax to paid−in capital size ratio (%) (Note 7)	20.98	−35.32	−152.35	−34.57	−0.15	-12.04
	Net profit rate （%）	5.68	−16.62	−72.90	−32.44	−0.66	-16.15
	Earnings per share (NT$)	1.55	−3.91	−15.76	−4.05	−0.06	-0.30
Cash flow	Cash flow ratio (%)	12.54	5.59	−4.41	14.52	9.59	7.26
	Cash flow adequacy ratio (%)	25.76	25.94	26.67	42.72	60.17	132.70
	Cash Re−investment ratio (%)	7.43	3.99	−1.96	6.26	2.90	2.84
Leverage	Operating leverage	9.16	−4.83	9.40	6.76	15.39	8.48
	Financial leverage	6.42	0.62	4.22	1.63	1.43	5.90

Explain the reasons for the changes in respective financial ratios over the most recent two years. (No analysis is required if the variation in increases/decreases falls short of 20%.)

1. The long term capital to real estate, plants and equipment ratio in 2018 increased compared to that in 2017 primarily because of the decrease in real estate, plants, and equipment in 2018.
2. The current ratio in 2018 increased compared to that in 2017 primarily because of the decrease in the borrowings by the Group for integrating current liabilities through financial institutions in 2018.
3. The quick ratio in 2018 increased compared to that in 2017 primarily because of the decrease in the borrowings by the Group for integrating current liabilities through financial institutions in 2018.
4. The interest protection multiples in 2018 increased compared to those in 2017 primarily because of the significant decrease in before−tax deficits in 2018.
5. The inventory turnover ratio in 2018 increased compared to that in 2017 primarily because of the decrease in the inventory in 2018.
6. The total asset turnover ratio in 2018 decreased compared to that in 2017 primarily because of the decrease in real estate, plants, and equipment in 2018.
7. The return on assets in 2018 increased compared to that in 2017 primarily because of the significant decrease in after−tax deficits in 2018.
8. The return on equity in 2018 increased compared to that in 2017 primarily because of the significant decrease in after−tax deficits in 2018.
9. The net profit before tax to paid−in capital size ratio in 2018 increased compared to that in 2017 primarily because of the significant decrease in before−tax deficits in 2018.
10. The interest protection multiples in 2018 increased compared to those in 2017 primarily because of the significant decrease in before−tax deficits in 2018.
11. Earnings per share in 2018 increased compared to those in 2017 primarily because of the significant decrease in after−tax deficits in 2018.
12. The cash flow ratio in 2018 decreased compared to that in 2017 primarily because of the decrease in the net cash flow of operating activities.

13. The cash flow adequacy ratio in 2018 increased compared to that in 2017 primarily because of the decrease in capital expenditure. 14. The cash re−investment ratio in 2018 decreased compared to that in 2017 primarily because of the decrease in the net cash flow of operating activities. 15. The operating leverage in 2018 increased compared to that in 2017 primarily because of the decrease in net operating profit.

Note 1: Financial Statements of respective years have all been audited and certified by the CPAs.

Note 2: Consolidated Financial Statement reviewed ad approved by the CPA for the first quarter of 2019.

Note 3: At the end of this table of the Annual Report, the calculation formula as shown below shall be listed:

1. Financial structure
   (1) Liability−to−asset ratio = total liabilities/ total assets
   (2) Long term capital to real estate, plants and equipment ratio = (Total equities + Non−current liabilities)/Net value of real estate, plants and equipment
2. Solvency
   (1) Current ratio=Current assets/ Current liabilities.
   (2) Quick ratio = (Current assets − Inventory − Advance payments)/Current liabilities.
   (3) Interest protection multiples = Income tax and net profit before interest/Interest expenditure of current term
3. Management ability
   (1) Receivable (including accounts receivable and receivable notes from operations) turnover ratio = Net sales value/ mean balance of receivables of each term (including accounts receivable and receivable notes from operations).
   (2) Average collection days =365/Receivable turnover ratio
   (3) Inventory turnover ratio = Sales cost/mean inventory
   (4) Payable (including accounts payable and payable notes from operations) turnover ratio = Net sales value/ mean balance of payables of each term (including accounts payable and payable notes from operations).
   (5) Average sales days =365/Inventory turnover ratio
   (6) Real estate, plants and equipment ratio = Net sales value/Mean net value of real estate, plants and equipment
   (7) Total asset turnover ratio = Net sales value/Mean total assets
4. Profitability
   (1) Return on assets = [after−tax profits and losses + interest × (1−tax rate)]/Mean gross assets
   (2) Return on equity = after−tax profits and losses/mean total equity
   (3) Net profit rate = After−tax profits and losses/Net sales value
   (4) Earnings per share = (Profits and losses that belong to clients of the parent company − Preferred stock dividend)/Weighted average number of shares (Note 4)
5. Cash flow
   (1) Cash flow ratio = Net cash flow from business activities/Current liabilities
   (2) Net cash flow adequacy ratio = Net cash flow of operating activities over the past five years/(capital expenditure + increase in inventory ＋ cash dividend) over the past five years.
   (3) Cash reinvestment ratio = (Net cash flow from operating activities − Cash dividend)/(Gross value of real estate, manufacturing facilities, and equipment + long−term investment + other non−current assets + working capital) (Note 5)
6. Leverage:
   (1) Operating leverage = (Net operating income − Change in operating costs and expenses)/Operating profit (Note 6).
   (2) Financial leverage = Operating profit/(Operating profit − interest).

Note 4: For the calculation of earnings per share mentioned above, particular attention shall be paid t the following upon measurement:

1. The baseline shall be the weighted average number of common stock shares instead of the number of shares already in circulation at the end of the year.
2. For any transaction involving cash capital increase or treasury stock, the circulation period shall be considered while the weighted average number of shares is being calculated.
3. With any earnings transferred capital increase or capital reserve transferred capital increase, while the earnings per share for the previous year and the previous half six months are being calculated, adjustments shall be made retroactively according to the capital increase ratio. There is no need to consider the release period of the said capital increase.
4. If the preferred stock is non−convertible accumulated preferred stock, the annual dividend (released or not) shall be deducted from the after−tax net profit or the after−tax net loss shall be increased. If the preferred stock is not accumulated in nature, with after−tax net profit, the preferred stock dividend shall be deducted from after−tax net profit; no adjustment is needed in case of deficit.

Note 5: For the analysis of cash flows, particular attention shall be paid t the following upon measurement:

1. Net cash flows of operating activities refer to the net cash in−flows of operating activities in the cash flow chart.
2. Capital expenditure refers to the cash out−flows of capital investments each year.
3. The increase in inventory is only calculated when the balance at the end of term is greater than the balance in the beginning of term. If the inventory is reduced at the end of the year, it is counted as zero.
4. Cash dividend includes that of common stock and preferred stock.
5. Gross value of real estate, plants and equipment refers to the total value of real estate, plants and equipment prior to deduction of accumulated depreciation.

Note 6: The issuer shall divide respective operating costs and expenses into fixed and variable according to their nature. If estimates or subjective judgment is involved, attention shall be paid to the legitimacy and maintenance of the consistency.

Note 7: When the Company’s shares do not have a denomination or the denomination per share is not NT$10, the above−mentioned paid−in capital ratio shall be calculated with the equity ratio that belongs to clients of the parent company as shown in the Balance Sheet.

III. Review Reports of Supervisors or Audit Committee of the Financial Statement from the Most Recent Year:

FX HOTELS GROUP INC.

Supervisor’s Review Report

Among the 2018 Business Report, Consolidated Financial Statement, and Statement of Appropriations for Profits and Losses prepared by the Board of Directors, the 2018 Financial Statement, in particular, was completely audited by HLB Candor Taiwan CPAs and the Audit Report was issued. The above-mentioned Consolidated Financial Statement, Business Report, and Statement of Appropriations for Profits and Losses have been reviewed by the supervisor’s, and it is considered that there is no disagreement.The Report of Article 219 of the Company Act are as mentionaed above,please review it.

To:
FX HOTELS GROUP INC. 2019 General Shareholders' Meeting

FX HOTELS GROUP INC.

Supervisor: Kao, Teh-Shing
Supervisor: Chien, Shao-Feng
Supervisor: Hsu, Yea-Fang

March 29, 2019

IV. Financial Statement from the Most Recent Year, including the CPA Audit Report, the Balance Sheet, Consolidated Income Statements, Change of Equity Statements, and Cash Flow Statements Comparing Two and Notes or Exhibits.

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
FX Hotels Group Inc.

Opinion

We have audited the accompanying consolidated financial statements of FX Hotels Group Inc. and subsidiaries, which comprise the consolidated balance sheets as of December 31, 2018 and 2017, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, 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 FX Hotels Group Inc. and subsidiaries as of December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the 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 of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of FX Hotels Group Inc. and subsidiaries in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainties Related to Going Concern

As if the accompanying note 1 of the consolidated financial statements, FX Hotels Group Inc. and Subsidiaries' accumulated deficits are NT$841,818 thousands and NT$847,042 thousands at December 31, 2018 and 2017, respectively, up to 123% and 124% of the capital stock. The debt ratios are 96% and 95%, and the current ratios are 65% and 37%. Current liabilities are NT$149,287 thousands and NT$388,461 thousands more than current assets. FX Hotels Group Inc. and subsidiaries have explained the measure solutions they intend to take in the accompanying note 1, but there are material uncertainties in their ability to continue as a going concern, and we have not modified our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2018. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Except the matters of Material Uncertainties Related to Going Concern section of our opinion, key audit matters for FX Hotels Group Inc. and subsidiaries' consolidated financial statements for the year ended December 31, 2018 are stated as follows:

<u>Income recognition</u>

The effect of FX Hotels Group Inc. and subsidiaries' guest room and other hospitality service income in 2018 is significant on the overall financial statements as a key audit matter. We performed the internal control tests for the income from the reservation agreement and the contracted travel agency in 2018 which is 90% of the net operating income. For the accounting policies and related information disclosed in the relevant income, please refer to the accompanying note 4(12) and 6(14) of the consolidated financial statements. Our key audit procedures performed in respect of the above area included the following:

1. Obtain the transactions summary of the above-mentioned sales targets' full-year income, confirm the completeness of the transaction details, and selected the appropriate samples from the details to check whether the passenger accommodation registration forms, the guest transaction bills, the housing accounting system, etc. match. And confirm the authenticity and correctness of its income recognition;
2. Perform an analytical review of the annual revenue growth rate and the receivables turnover rate of the aforementioned transaction objects to confirm the reasonableness of the sales targets and the transactions.

Impairment assessment of account receivables

FX Hotels Group Inc. and subsidiaries' balance of accounts receivable of December 31, 2018, was NT$32,083 thousands, 3% of the total assets of FX Hotels Group Inc. and subsidiaries. For the related information, please refer to the accompanying note 4(11), 5(1) and 6(4). The effect on the consolidated financial statements of FX Hotels Group Inc. and subsidiaries is significant. Whether the expected credit loss assessment reflects the credit risk of the accounts receivable and the appropriateness of the adopted policies involve the subjective judgment of the management, therefore we have identified the impairment assessment of account receivables as a key audit matter.

Our key audit procedures performed in respect of the above area included the following:

1. Review the customers' historical payment status analysis allowance loss, evaluate the reasonableness of the receivables recoverable ratio based on the customers' historical payment status, and verify the individual large overdue accounts receivable with reference to the current year's payment status and other available customer information for verifying the sufficiency of the impairment rate.
2. The recoverability of cash recovered from overdue receivables after the assessment period, taking into account whether additional allowances are required.
3. Understand the management's policy on the accounts receivable generated by the major customer base and test the correctness and completeness of the accounts receivable aging analysis table, and calculate the receivables allowances provided by the management.

Responsibilities of Management 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 Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance (including supervisors) are responsible for overseeing FX Hotels Group Inc. and subsidiaries' financial reporting process.

Auditors' 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China wi1l always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to inf1uence the economic decisions of users taken on the basis of these 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 aIso:

1. Identify and assess the risks of materiaI misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of FX Hotels Group Inc. and subsidiaries' internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast

significant doubt on FX Hotels Group Inc. and subsidiaries' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause FX Hotels Group Inc. and subsidiaries to cease to continue as a going concern.

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2018 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Lin Chao-Min and Chen Wen-Pin.

Candor Taiwan CPAs
Taipei, Taiwan
Republic of China

March 28, 2019

<u>*Notice to Readers*</u>

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

For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail.

FX Hotels Group Inc.and Subsidiaries
CONSOLIDATED BALANCE SHEETS
December 31, 2018 and 2017
(In Thousands of New Taiwan Dollars)

		December 31, 2018		December 31, 2017	
ASSETS		Amount	%	Amount	%
CURRENT ASSETS					
Cash and cash equivalents	Note 4(5), 6(1) and 6(21)	$ 47,545	5	$ 52,715	5
Notes and accounts receivable, net	Note 6(3), 6(21), 7	32,083	3	32,808	3
Receivables from related parties	Note 6(21), 7	2,511	-	3,069	-
Other receivables	Note 6(21), 7	54,741	5	53,930	5
Inventories		169	-	468	-
Prepayments	Note 7	109,364	11	54,584	5
Non-current assets held for sale	Note 4(10), 6(5)	-	-	13,650	1
Other financial assets - current	Note 6(21), 8	33,637	4	8,258	1
Other current assets		2,113	-	8,312	1
Total current assets		282,163	28	227,794	21
NON-CURRENT ASSETS					
Financial assets at fair value through other comprehensive income - non-current	Note 4(11), 6(2), 6(21)	-	-	-	-
Financial assets measured at cost - non-current	Note 4(11), 6(3)	-	-	-	-
Property, plant and equipment	Note 4(7), 6(8), 6(19), 8, 9	575,259	57	766,589	67
Intangible assets	Note 4(8)	1,944	-	2,758	-
Deferred income tax assets	Note 4(16), 6(16)	35,485	4	37,298	3
Refundable deposits	Note 6(21)	67,683	7	68,667	6
Long-term notes, accounts receivables	Note 6(21)	28,086	3	34,771	3
Other noncurrent assets		13,805	1	281	-
Total noncurrent assets		722,262	72	910,364	79
Total		$ 1,004,425	100	$ 1,138,158	100

		December 31, 2018		December 31, 2017	
		Amount	%	Amount	%
LIABILITIES AND EQUITY					
CURRENT LIABILITIES					
Short-term loans	Note 6(9) and 6(21)	$ -	-	$ 375,817	33
Notes and accounts payable	Note 6(21)	6,586	1	7,241	2
Other accounts payable	Note 6(10), 6(21) and 7	76,054	8	117,537	10
Income tax payable	Note 4(16) and 6(16)	2,072	-	1,754	-
Provisions - current	Note 6(11)	-	-	21,985	2
Liabilities from non-current assets held for sale	Note 6(5)	-	-	11,074	1
Long-term liabilities - current portion	Note 6(9) and 6(21), 7	326,384	32	65,338	6
Other current liabilities	Note 6(10)	20,354	2	15,509	1
Total current liabilities		431,450	43	616,255	55
NONCURRENT LIABILITIES					
Long-term loans	Note 6(10)、6(21)、7	435,487	43	368,029	32
Other noncurrent liabilities	Note 6(10)	95,781	10	106,725	8
Total noncurrent liabilities		531,268	53	474,754	40
Total liabilities		962,718	96	1,091,009	95
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT	Note 6(13)				
Capital stock		681,723	67	681,723	60
Capital surplus		198,523	20	198,523	17
Retained earnings					
Appropriated as legal capital reserve		5,902	1	5,902	1
Accumulated deficits		(841,818)	(84)	(847,042)	(74)
Other equity		(2,623)	-	8,043	1
Equity attributable to shareholders of the parent		41,707	4	47,149	5
Total equity		41,707	4	47,149	5
Total		$ 1,004,425	100	$ 1,138,158	100

The accompanying notes are an integral part of the consolidated financial statements.
(With Candor Taiwan CPAs auditor's report dated March 28, 2019)

FX Hotels Group Inc.and Subsidiaries

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For The Year Ended December 31, 2018 and 2017

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

		2018		2017	
		Amount	%	Amount	%
NET REVENUE	Note 4(12), 6(14) and 7	$ 644,489	100	$ 757,162	100
COST OF REVENUE	Note 6(15) and 7	(602,599)	(94)	(645,157)	(85)
GROSS PROFIT		41,890	6	112,005	15
OPERATING EXPENSES	Note 6(15) and 7				
Selling and marketing		(21,133)	(3)	(20,503)	(3)
General and administrative		(130,841)	(20)	(220,584)	(29)
Expected Credit Loss	Note 6(4)	(8,425)	(1)	-	-
Total operating expenses		(160,399)	(24)	(241,087)	(32)
INCOME FROM OPERATIONS		(118,509)	(18)	(129,082)	(17)
NON-OPERATING INCOME AND EXPENSES					
Finance costs	Note 6(15) and 7	(12,571)	(2)	(43,237)	(6)
Interest income	Note 4(12)	435	-	683	-
Other income	Note 6(15), 7	162,300	25	53,963	7
Net gain on disposal of investment	Note 6(18)	51,192	8	-	-
Foreign exchange gain	Note 4(5)	-	-	30,337	4
Other losses	Note 6(15)	(17,807)	(3)	(32,158)	(4)
Loss on disposal of property, plant and equipment,net		(38,217)	(6)	(67,354)	(9)
Foreign exchange loss	Note 4(5)	(27,859)	(4)	-	-
Impairment loss	Note 6(15)	-	-	(48,834)	(6)
Total non-operating income and expenses		117,473	18	(106,600)	(14)
INCOME BEFORE INCOME TAX		(1,036)	-	(235,682)	(31)
INCOME TAX EXPENSE	Note 4(16) and 6(16)	(3,212)	-	(9,911)	(1)
NET INCOME		(4,248)	-	(245,593)	(32)

(Continued)

FX Hotels Group Inc.and Subsidiaries
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For The Year Ended December 31, 2018 and 2017
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

		2018			2017		
		Amount		%	金 額		%
OTHER COMPREHENSIVE INCOME (LOSS)							
Items that may be reclassified							
subsequently to profit or loss:							
Exchange differences arising		$	(1,194)	-	$	403	-
on translation of foreign operations			-	-		-	-
Other comprehensive income (loss) for the year, net of income tax			(1,194)	-		403	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		$	(5,442)	-	$	(245,190)	(32)
NET INCOME ATTRIBUTABLE TO:							
Shareholders of the parent	Note 6(16)	$	(4,248)	-	$	(245,593)	(32)
Non-controlling interests			-	-		-	-
		$	(4,248)	-	$	(245,593)	(32)
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:							
Shareholders of the parent		$	(5,442)	-	$	(245,190)	(32)
Non-controlling interests			-	-		-	-
		$	(5,442)	-	$	(245,190)	(32)
EARNINGS PER SHARE		2018			2017		
Basic earnings per share	Note 6(17)	$		(0.06)	$		(4.05)

The accompanying notes are an integral part of the consolidated financial statements. (Concluded)
(With Candor Taiwan CPAs auditor's report dated March 28, 2019)

FX Hotels Group Inc.and Subsidiaries
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For The Year Ended December 31, 2018 and 2017
(In Thousands of New Taiwan Dollars)

			Retained Earnings			Other Equity			
	Capital Stock	Capital Surplus	Legal Capital Reserve	Accumulated Deficits	Total	Foreign Currency Translation Reserve	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Total	Total Equity
BALANCE, JANUARY 1, 2017	$ 381,723	$ 228,523	$ 5,902	$ (601,449)	$ (595,547)	$ 7,640	$ -	$ 7,640	$ 22,339
Conversion preference share	300,000	(30,000)	-		-	-	-	-	270,000
Net income in 2017	-	-	-	(245,593)	(245,593)	-	-	-	(245,593)
Other comprehensive income (loss) in 2017, net of income tax	-	-	-	-	-	403	-	403	403
BALANCE, DECEMBER 31, 2017	$ 681,723	$ 198,523	$ 5,902	$ (847,042)	$ (841,140)	$ 8,043	$ -	$ 8,043	$ 47,149
BALANCE, JANUARY 1, 2018	$ 681,723	$ 198,523	$ 5,902	$ (847,042)	$ (841,140)	$ 8,043	$ -	$ 8,043	$ 47,149
Effect of retrospective application				9,472	9,472		(9,472)	(9,472)	-
ADJUSTED BALANCE, JANUARY 1, 2018	681,723	198,523	5,902	(837,570)	(831,668)	8,043	(9,472)	(1,429)	47,149
Net income in 2018	-	-	-	(4,248)	(4,248)	-	-	-	(4,248)
Other comprehensive income (loss) in 2018, net of income tax	-	-	-	-	-	(1,194)	-	(1,194)	(1,194)
BALANCE, DECEMBER 31, 2018	$ 681,723	$ 198,523	$ 5,902	$ (841,818)	$ (835,916)	$ 6,849	$ (9,472)	$ (2,623)	$ 41,707

The accompanying notes are an integral part of the consolidated financial statements.
(With Candor Taiwan CPAs auditor's report dated March 28, 2019)

FX Hotels Group Inc.and Subsidiaries
CONSOLIDATED STATEMENTS OF CASH FLOWS
For The Year Ended December 31, 2018 and 2017
(In Thousands of New Taiwan Dollars)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ (1,036)	$ (235,682)
Adjustments for:		
Depreciation expense	135,272	155,888
Amortization expense	2,092	5,785
Expected credit Loss	8,425	-
Expected credit loss recognized (reversed) on trade receivables	-	62,906
Finance costs	12,571	43,237
Interest income	(435)	(683)
Loss on disposal of property, plant and equipment, net	38,217	67,354
Net gain on disposal of investments	(51,192)	-
Impairment loss on financial assets	-	36,508
Impairment loss on non-financial assets	-	12,326
Other income	(28,571)	-
Other losses	1,000	-
Changes in operating assets and liabilities:		
(Increase)decrease in accounts receivable	(3,021)	(21,304)
(Increase)decrease in other accounts receivable	(4,004)	(17,623)
(Increase)decrease in inventories	299	476
(Increase)decrease in prepayments	(56,004)	29,375
(Increase)decrease in other current assets	5,199	2,604
(Increase)decrease in other non-current assets	(13,524)	220
Increase(decrease) in notes and accounts payable, net	(425)	84
Increase(decrease) in other accounts payable	15,627	(20,172)
Increase(decrease) in provisions	-	21,985
Increase(decrease) in advance receipts	5,193	(10,648)
Increase(decrease) in other current liabilities	(348)	1,125
Increase(decrease) in other non-current liabilities	(10,944)	(18,135)
Cash generated (used in) from operations	54,391	115,626
Interest received	435	683
Interest paid	(11,676)	(25,426)
Income taxes paid	(1,758)	(1,430)
Net cash generated (used in) by operating activities	41,392	89,453

(Continued)

FX Hotels Group Inc.and Subsidiaries
CONSOLIDATED STATEMENTS OF CASH FLOWS
For The Year Ended December 31, 2018 and 2017
(In Thousands of New Taiwan Dollars)

	2018	2017
CASH FLOWS FROM INVESTING ACTIVITIES		
(Increase) decrease in other receivables	$ 6,685	$ 6,975
Payments for property, plant and equipment	(5,306)	(13,608)
Proceeds from disposal of property, plant and equipment	21,934	15,731
(Increase) decrease in refundable deposits	(1,896)	13,775
Payments for intangible assets	-	(412)
(Increase) decrease in other current financial assets	(25,379)	67,229
Cash outflow from disposal of subsidiary	(390)	-
Net cash generated (used in) from investing activities	(4,352)	89,690
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase(decrease) in short-term loans	(375,817)	(65,142)
Proceeds from long-term borrowings	393,069	42,417
Repayment of long-term borrowings	(57,067)	(132,403)
Increase(decrease) in guarantee deposits received	-	(478)
Increase(decrease) leases payable	-	(2,086)
Net cash generated (used in) financing activities	(39,815)	(157,692)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(2,395)	404
NET INCREASE(DECREASE) IN CASH AND CASH EQUIVALENTS	(5,170)	21,855
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	52,715	30,860
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 47,545	$ 52,715

The accompanying notes are an integral part of the consolidated financial statements.
(With Candor Taiwan CPAs auditor's report dated March 28, 2019) (Concluded)

FX Hotels Group Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2018 and 2017

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

1. GENERAL

FX Hotels Group Inc. (FX Hotels), a Cayman Islands corporation, was incorporated in January 2002, and named FX Hotels Group Inc. to apply the listed company at emerging stock market as the holding company of the group in May 2008. The holding company is not only in investment industry, but also an operating entity. The company and subsidiary's main business are the operations of International business hotel accommodation and hotel management and other business.

The common shares of FX Hotels has been listed on the Taipei Exchange since May 2012.

The functional currency of the company is RMB, as the company is listed on the Taipei Exchange in Taiwan, in order to increase the comparative and consistency of financial report, the consolidated financial report is expressed in NT dollars.

As of December 31, 2018, the company has accumulated deficits NT 841,818 thousands, up to 123% of the capital stock, and the debt ratio and the current ratio are 96% and 65%, the current liabilities exceed the current assets NT 149,287 thousands. FX Hotels ' operation are relying on future operating conditions and the support of major shareholders'in order to enhance working capital and strengthen the financial structure, the company intends to propose the following countermeasures to continuously improve the operating conditions:

(i) Business plan: expand its membership and increase the number of business client through the consolidation of the middle-level business market actively, then improve the operating situations and creates cash inflows.

(ii) Cost down plan: control the costs of subsidiaries and continuously reduce unnecessary expenditures actively, in order to increase future cash inflows.

(iii) Bank loan: continue the adjustment of the financial structure and the reduction of financial costs, and seek better borrowing conditions for bank loan actively.

(iv) Financial support: In response to the company's working capital needs, the company will seek financial support from major shareholders to support the continued operation of the company.

The management of the company is of the view that the implementation of the above plans will effectively reduce operating costs, improve business performance and financial structure, and in line with the support of major shareholders, the company should be able to meet the financial needs of future operations, so the consolidated financial report is still prepared on the basis of the continuing operating assumptions. It has not been adjusted for the possibility of such liquidity risks occurring.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by FX Hotels Board of Directors and authorized for issue on March 28, 2019.

3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

a. 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), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) (collectively the “IFRSs”) endorsed and issued into effect by the Financial Supervisory Commission (FSC)

Except for the following, whenever applied, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC would not have any material impact on the Company’s accounting policies:

1. IFRS 9“Financial Instruments”and related amendment
IFRS 9 supersedes IAS 39 “Financial Instruments: Recognition and Measurement”, with consequential amendments to IFRS 7“Financial Instruments: Disclosures”and other standards.IFRS 9 sets out the requirements for classification, measurement and impairment of financial assets and hedge accounting. Please refer to note 4 for information relating to the relevant accounting policies.

Classification, measurement and impairment of financial assets

On the basis of the facts and circumstances that existed as of January 1, 2018, FX Hotels and subsidiaries has performed an assessment of the classification of recognized financial assets and has elected not to restate prior reporting periods.

The following table shows the original measurement categories and carrying amount under IAS 39 and the new measurement categories and carrying amount under IFRS 9 for each class of FX Hotels and subsidiaries' financial assets and financial liabilities as of January 1, 2018：

	Measurement Category		Carrying Amount		
Financial Assets	IAS 39	IFRS 9	IAS 39	IFRS 9	Remark
Cash and cash equivalents	Loans and receivables	Amortized cost	$ 52,715	$ 52,715	
Equity instruments	Financial assets carried at cost	Fair value through other comprehensive income	-	-	（a）
Account receivables and other receivables (including related parties)	Loans and receivables	Amortized cost	70,648	70,648	（b）

	Carrying Amount as of January 1, 2018(IAS 39)	Reclassifica-tions	Carrying Amount as of January 1,2018 (IFRS 9)	Retained Earnings Effect on January 1, 2018	Other Equity Effect on January 1, 2018	Remark
Fair value through other comprehensive income	$ -	$ -	$ -	$ 9,472	$ (9,472)	（a）
Add:Reclassification from financial assets measured at cost (IAS 39)	-	-	-	-	-	（a）
	-	-	-	9,472	(9,472)	
Amortized cost	-	70,648	70,648	-	-	（b）
Add:Reclassification from loans and receivables(IAS 39)	70,648	(70,648)	-	-	-	（b）
	70,648	-	70,648	-	-	
Total	$ 70,648	$ -	$ 70,648	$ 9,472	$ (9,472)	

a) Investments in stock investment previously measured at cost under IAS 39 have been designated as at FVTOCI under IFRS 9 and were remeasured at fair value.

The Company recognized under IAS 39 impairment loss on certain investments in stock investment impairment loss previously measured at cost and the loss was accumulated in retained earnings. Since those investments were designated as at FVTOCI under IFRS 9 and no impairment assessment is required, and adjustment was made that resulted in a decrease of $9,472 thousands in other equity - unrealized gains or losses on financial assets at FVTOCI and an increase of $9,472 thousands in retained earnings on January 1, 2018.

b) Account receivable and other receivable were previously classified as loans and receivables under IAS 39 were classified as measured at amortized cost with an assessment of expected credit losses under IFRS 9.

2. IFRS 15“Revenue from Contracts with Customers”and related amendments

IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers , and supersedes IAS 18,“Revenue,”IAS 11, “Construction Contracts,”and a number of revenue-related interpretations. Refer to Note 4 for related accounting policies.

Under IFRS 15, the net effect of revenue recognized and consideration received and receivable is recognized as a contract asset or a contract liability. Prior to the application of IFRS 15, receivable was recognized or deferred revenue was reduced when revenue was recognized for the contract under IAS 18.

FX Hotels and subsidiaries’ elected only to retrospectively apply IFRS 15 to contracts that were not completed on the transition date and recognized the cumulative effect of the change in the retained earnings on January 1, 2018.

Impact on assets, liabilities and equity for current period

	Carrying Amount as of January 1, 2018	Adjustments Arising from Initial Application	Adjusted Carrying Amount as of January 1, 2018
Contract liabilities - current	$ -	$ 13,138	$ 13,138
Advance receipts	13,138	(13,138)	-
Total effect on liabilities	$ 13,138	$ -	$ 13,138

3. IFRIC 22“Foreign Currency Transactions and Advance Consideration”

IAS 21 stipulated that a foreign currency transaction shall be recorded on initial recognition in the functional currency by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction. IFRIC 22 further explains that the date of the transaction is the date on which an entity recognizes a non-monetary asset or non-monetary liability from payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the entity shall determine the date of the transaction for each payment or receipt of advance consideration.

FX Hotels and subsidiaries applied IFRIC 22 prospectively to all assets, expenses and income recognized on or after January 1, 2018 within the scope of the Interpretation.

b. Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed by the FSC for application starting from 2019

New, Amended or Revised Standards and Interpretations	Effective Date Announced by International Accounting Standards Board (IASB) (Note 1)
Annual Improvements to IFRSs 2015-2017 Cycle	January 1, 2019
Amendments to IFRS 9“Prepayment Features with Negative Compensation”	January 1, 2019 (Note 2)
IFRS 16“Leases”	January 1, 2019
Amendments to IAS 19“Plan Amendment, Curtailment or Settlement”	January 1, 2019 (Note 3)
Amendments to IAS 28 “Long-term Interests in Associates and Joint Ventures”	January 1, 2019
IFRIC 23“Uncertainty over Income Tax Treatments”	January 1, 2019

Note 1：Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after their respective effective dates.

Note 2：The FSC permits the election for early adoption of the amendments starting from 2018.

Note 3：The Company shall apply these amendments to plan amendments, curtailments or settlements occurring on or after January 1, 2019.

IFRS 16「Leases」

IFRS 16 sets out the accounting standards for leases that will supersede IAS 17 and a number of related interpretations.

Definition of a lease

Upon initial application of IFRS 16, FX Hotels and subsidiaries will elect to apply IFRS 16 only to contracts entered into (or changed) on or after January 1, 2019 in order to determine whether those contracts are, or contain, a lease. Contracts identified as containing a lease under IAS 17 and IFRIC 4 will not be reassessed and will be accounted for in accordance with the transitional provisions under IFRS 16.

The Company as lessee

Upon initial application of IFRS 16, the Company will recognize right-of-use assets and lease liabilities for all leases on the consolidated balance sheets except for those whose payments under low-value and short-term leases will be recognized as expenses on a straight-line basis. On the consolidated statements of comprehensive income, the Company will present the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the effective interest method. On the consolidated statements of cash flows, cash payments for the principal portion of lease liabilities will be classified within financing activities; cash payments for the interest portion will be classified within operating activities. Currently, payments under operating lease contracts are recognized as expenses on a straight-line basis. Cash flows for operating leases are classified within operating activities on the consolidated statements of cash flows.

FX Hotels and subsidiaries anticipates applying IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized in retained earnings on January 1, 2019. Comparative information will not be restated.

Lease liabilities will be recognized on January 1, 2019 for leases currently classified as operating leases with the application of IAS 17. Lease liabilities will be measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate on January 1, 2019. Right-of-use assets will be measured at their carrying amount as if IFRS 16 had been applied since the commencement date, but discounted using the aforementioned incremental borrowing rate. Except for the following practical expedients which are to be applied, the Company will apply IAS 36 to all right-of-use assets.

FX Hotels and subsidiaries expects to apply the following practical expedients:

（1）The Company will apply a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.

（2）The Company will account for those leases for which the lease aopoopends on or before December 31, 2019 as short-term leases.

（3）The Company will exclude initial direct costs from the measurement of right-of-use assets on January 1, 2019.

（4）The Company will use hindsight, such as in determining lease terms, to measure lease liabilities.

Anticipated impact on assets, liabilities and equity on January 1, 2019

	Carrying Amount as of December 31, 2018	Adjustments Arising from Initial Application	Adjusted Carrying Amount as of January 1, 2019
Prepaid rent (Prepayments)	$ 164,252	($ 164,252)	$ -
Right-of-use assets	-	1,419,582	1,419,582
Total effect on assets	$ 164,252	$ 1,255,330	$ 1,419,582
Other payables	$ 116,072	($ 116,072)	$ -
Lease account payable- noncurrent	42,955	(42,955)	-
Lease liabilities - current	-	182,445	182,445
Lease liabilities - noncurrent	-	1,072,885	$ 1,072,885
Total effect on liabilities	$ 159,027	$ 1,096,303	$ 1,255,330

The Company as lessor

Except for sublease transactions , FX Hotels and subsidiaries will not make any adjustments for leases in which it is a lessor and will account for those leases with the application of IFRS 16 starting from January 1, 2019.

c. The IFRSs issued by IASB but not yet endorsed and issued into effect by FSC

New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB (Note 1)
Amendments to IFRS 3“Definition of a Business”	January 1, 2020 (Note 2)
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, 2021
Amendments to IAS 1 and IAS 8“Definition of Material”	January 1, 2020 (Note 3)

Note 1：Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after their respective effective dates.

Note 2：The Company shall apply these amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period.

Note 3: The Company shall apply these amendments prospectively for annual reporting periods beginning on or after January 1, 2020.

As of the date the consolidated financial statements were authorized for issue, the Company is continuously assessing the possible impact that the application of above standards and interpretations will have on the Company’s financial position and financial performance, and will disclose the relevant impact when the assessment is completed.

4. SIGNIFICANT ACCOUNTING POLICIES

1) Statement of Compliance

These consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs as endorsed and issued into effect by FSC.

2) Basis of Preparation

These consolidated financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value.

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 are quoted prices (unadjusted) in active markets for identical assets or liabilities;

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); and

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 trading purposes;

b. Assets to be realized within twelve months after the reporting period; and

c. Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

Current liabilities are:

a. Liabilities held primarily for the purpose of trading;

b. Liabilities due to be settled within twelve months after the reporting period;and

c. Liabilities for which the Company does not have an unconditional right to defer settlement for at least twelve months after the reporting period.

Aforementioned 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 FX Hotels and the entities controlled by the FX Hotels (i.e. its subsidiaries). Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition up to the effective date of disposal, as appropriate. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the FX Hotels. All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to FX Hotels and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

When the FX Hotels loses controling of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and any investment retained in the former subsidiary at its fair value at the date when control is lost and (ii) the assets and liabilities and any non-controlling interests of the former subsidiary at their carrying amounts at the date when control is lost. The FX Hotels accounts for all amounts recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if the FX Hotels had directly disposed of the related assets or liabilities.

See note 6(6) for the detailed information of subsidiaries (including the percentage of ownership and main business).

5) **Foreign Currencies**

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

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period.

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

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

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Company’s foreign operations are translated into New Taiwan dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity.

FX Hotels and subsidiaries are on the disposal of a foreign operation or a disposal of the company’s entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

If a part of the disposal of a subsidiary of a foreign operating agency does not result in loss of control, the accumulated exchange difference is re-vested to the non-controlling interest of the subsidiary on a pro rata basis and is not recognized as profit or loss. In the case of any other part of the disposition of foreign operating agencies, the accumulated exchange difference is reclassified to profit or loss according to the proportion of the disposition.

6) **Cash and Cash equivalents**

Cash equivalents, for the purpose of meeting short-term cash commitments, consist of highly liquid time deposits and investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

7) **Property, Plant and Equipment**

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

Property, plant and equipment in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Such assets are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other identical categories of property, plant and equipment, commences when the assets are available for their intended use.

Depreciation is recognized so as to write off the cost of the assets less their residual values over their useful lives, and it is computed using the straight-line method.The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimates accounted for on a prospective basis.

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

8) **Intangible Assets**

Other Separately acquired intangible assets with finite useful lives are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized using the straight-line method over the estimated useful lives .The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes inestimate being accounted for on a prospective basis.

9) **Impairment of Tangible and Intangible Assets**

At the end of each reporting period, FX Hotels and subsidiaries review the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated . When it is not possible to estimate the recoverable amount of an individual asset, FX Hotels and subsidiaries estimate the recoverable amount of the cash-generating unit to which the asset belongs.

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. An impairment loss is recognized immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset or a cash-generating unit is increased to the revised estimate of its recoverable amount, but the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

10)Non-current Assets Held for Sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset is available for immediate sale in its present condition. To meet the criteria for the sale being highly probable, the appropriate level of management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification

If the parent company lossed the controlling of subsidiaries at the time of sale, regardless of whether the non-controlling interest is retained by the former subsidiary after the sale, all assets and liabilities of the subsidiary are classified as held for sale.

Non-current assets classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell. Recognition of depreciation of those assets would cease.

For certain interests that are no longer in compliance with the subsidiaries, joint operations, joint ventures, affiliates, joint ventures or related companies that are to be sold, they are measured at the carrying amount of those interests that are not initially classified as Adjust the financial statements that were previously classified as pending for sale.

11)Financial Instruments

Financial assets and financial liabilities are recognized when FX Hotels and subsidiaries become a party to the contractual provisions of the instruments.

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

(1) Measurement category

2018

Financial assets of FX Hotels and subsidiaries are classified into the following categories : financial assets at amortized cost, and investments in equity instruments at FVTOCI.

A. Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost：

a. The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

b. The contractual terms of the financial asset give rise on pecified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, account receivables at amortized cost, other receivables and Other current financial assets,are measured at amortized cost, which equals to their gross carrying amount determined by the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Cash and cash equivalents which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments. ◦

B. Investments in equity instruments at FVTOCI

On initial recognition, the Company may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is in contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity.

Dividends on these investments in equity instruments at FVTOCI are recognized in profit or loss when the Company's right to receive the dividends is established, unless the company's rights clearly represent a recovery of part of the cost of the investment.

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Financial assets of FX Hotels and subsidiaries are classified into the following categories: Financial assets carried at cost and loans and receivables.

A. Financial assets carried at cost

Equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period.

B. Loans and receivables

Loans and receivables (including cash and cash equivalents, account receivable, other receivables and other financial assets) are measured using the effective interest method at amortized cost less any impairment, except for short-term receivables when the effect of discounting is immaterial.

(2) Impairment of financial assets

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FX Hotels and subsidiaries recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including accounts receivable).

FX Hotels and subsidiaries always recognizes lifetime expected credit losses (i.e. ECLs) for accounts receivable. For all other financial instruments, FX Hotels and subsidiaries recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, FX Hotels and subsidiaries measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Expected credit losses reflect the weighted average of credit losses with the respective risks of a default occurring as the weights. Lifetime expected credit losses represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month expected credit losses represent the portion of lifetime expected credit losses that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

FX Hotels and subsidiaries recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

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

For financial assets carried at amortized cost, such as account receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. FX Hotels and subsidiaries assesses the collectability of receivables by performing the account aging analysis and examining current trends in the credit quality of its customers.

For financial assets carried at amortized cost, the amount of the impairment loss is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial assets at the date the impairment loss is reversed does not exceed what the amortized cost would have been had the impairment loss not been recognized.

For any available-for-sale equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include significant financial difficulty of the issuer or counterparty, breach of contract such as a default or delinquency in interest or principal payments, it becoming probable that the borrower will enter bankruptcy or financial re-organization, or the disappearance of an active market for those financial assets because of financial difficulties.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period. In respect of available-for-sale equity securities, impairment loss previously recognized in profit or loss is not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income.

For financial assets measured at cost, the amount of the impairment loss is measured as the difference between such an asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of a financial asset is reduced by the impairment loss directly for all financial assets, with the exception of account receivables and other receivables, where the carrying amount is reduced through the use of an allowance account. When account receivables and other receivables are considered uncollectible, they are written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss except for uncollectible account receivables and other receivables that are written off against the allowance account.

(3) Derecognition of financial assets

FX Hotels and subsidiaries 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 a financial asset 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.

b. Equity Instruments

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

Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

c. Financial liabilities

1) Subsequent measurement

Financial liabilities are subsequently measured either at amortized cost using effective interest method or at FVTPL.

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

Financial liabilities at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss.

Financial liabilities other than those held for trading purposes and designated as at FVTPL are subsequently measured at amortized cost at the end of each reporting period. Fair value is determined in the manner described in note 6(20).

2) Derecognition of financial liabilities

The difference between the carrying amount of the financial liability derecognized and the consideration paid is recognized in profit or loss.

12) **Revenue Recognition**

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FX Hotels and subsidiaries identifies the contract with the customers, allocates the transaction price to the performance obligations, and recognizes revenue when performance obligations are satisfied.

For contracts where the period between the date when FX Hotels and subsidiaries transfers a promised good or service to a customer and the date when the customer pays for that good or service is one year or less, FX Hotels and subsidiaries does not adjust the promised amount of consideration for the effects of a significant financing component.

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

a、Sale of goods

FX Hotels and subsidiaries' loyalty programs provide bonus points to customers for the sale of goods, which are processed according to the multi-element income transaction. The fair value of the received or receivable consideration of the original sales is allocated to the awarded bonus points and The other components of the sale. The consideration allocated to the bonus points is measured at fair value (ie the amount at which the bonus points can be sold separately). The consideration is not recognized as income in the original sales transaction, but is deferred and recognized as income when the bonus points are redeemed and the obligations of FX Hotels and subsidiaries have been fulfilled.

b、Dividend and interest income

Dividend income from investments is recognized when the shareholder’s right to receive payment has been established, provided that it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably.

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

13) Leasing

Leases are classified as finance lease 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.

a. FX Hotels and subsidiaries as lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease.

b. FX Hotels and subsidiaries as lessee

Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

14) Borrowing costs

The cost of borrowing directly attributable to the acquisition, construction or production of the qualifying asset is a component of the cost of the asset until substantially all necessary activities in the state in which the asset is in its intended use or sale have been completed.

Investment income earned on the temporary investment of specific borrowings prior to the occurrence of capital expenditures in accordance with the requirements, is reduced from the borrowing costs eligible for capitalization.

Except for the above, all other borrowing costs are recognized as profit or loss in the period in which they are incurred.

15) Employee Benefits

a. Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

b. Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

16) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. Except for expenses related to business combinations, expenses directly recognized in equity or other comprehensive income (loss), and other related expenses, all current and deferred taxes shall be recognized in profit or loss.

Current taxes include tax payables and tax deduction receivables on taxable gains (losses) for the year calculated using the statutory tax rate on the reporting date or the actual legislative tax rate, as well as tax adjustments related to prior years.

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

Deferred tax assets and liabilities shall be measured at the tax rates that are expected to apply to the period when the temporary differences are reversed, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred income tax assets and liabilities are only legally enforceable when the offsetting of current income tax assets and liabilities is legal, and is subject to the same taxation entity and is levied by the same taxation authority, or levied by different taxing authorities, but where each authority intends to settle tax assets and liabilities (where such amounts are significant) on a net basis every year of the period of expected asset realization or debt liquidation, or where the timing of asset realization and debt liquidation is matched.

A deferred tax asset should be recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized. Such unused tax losses, unused tax credits, and deductible temporary differences shall also be re-evaluated at the end of each reporting period, and adjusted based on the probability that future taxable profit will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION AND UNCERTAINTY

In the application of the aforementioned FX Hotels and subsidiaries' accounting policies, FX Hotels and subsidiaries 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 experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

a. Estimated impairment of financial assets-2018

The estimated impairment of accounts receivable is based on the assumptions of FX Hotels and subsidiaries regarding the default rate and expected loss rate. FX Hotels considers historical experience, current market conditions and forward-looking information to make assumptions and select input values for impairment assessments. If the actual cash flow in the future is less than expected, significant impairment losses may occur.

b. Estimated impairment of Accounts receivable -2017

When there is objective evidence of an indication of impairment, the Company considers an estimate of future cash flows. The amount of the impairment loss is measured as the difference between the carrying amount of the asset and the estimated future cash flows (excluding future credit losses that have not occurred) at the present value of the financial asset's original effective interest rate. If the actual cash flow in the future is less than expected, significant impairment losses may occur.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(一) Cash and cash equivalents

	December 31,2018	December 31,2017
Cash on hand and Petty cash	$ 1,504	$ 2,039
Checking accounts and Demand deposits	46,041	50,676
	$ 47,545	$ 52,715

(二) FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	December 31,2018
Equity instruments	
Non-publicly traded equity investments－	
The Kinmen Resort Hotel Co., Ltd.	$ -

(三) Financial assets carried at cost

	December 31,2017
Non-current	
Non-publicly traded equity investments－ The Kinmen Resort Hotel Co., Ltd.	$ -

The shares of The Kinmen Resort Hotel Co., Ltd. which FX Hotels and subsidiaries held shall be classified as available-for-sale financial assets according to the intention of the investment. The target isn't publicly traded in active market, and sufficient industrial information of similar companies and financial information of the investee company can't be obtained so the fair value of the target is not reasonably and reliably measured and is classified as "financial assets carried at cost". In the second quarter of the year 2017, there was objective evidence that the assets had been impaired. Therefore, the company recognized an impairment loss of NT$9,472 thousand classified as impairment loss.

Financial assets carried at cost based on IAS 39, which is assessed by IFRS 9, should be classified as financial assets at fair value through other comprehensive income.

(四) Accounts receivable, net

	December 31,2018	December 31,2017
Notes receivable	$ -	$ 140
Accounts receivable	84,633	65,450
Less: Loss allowance	(52,550)	(32,782)
	$ 32,083	$ 32,808

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The accounts receivable of FX Hotels and its subsidiaries are measured as amortized cost

FX Hotels and subsidiaries applies individual assessment and the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all account receivables. The expected credit losses on accounts receivable are estimated using an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of economic conditions at the reporting date. As FX Hotels and subsidiaries' historical credit loss experience shows significantly different loss patterns for different customer, the provision for loss allowance based on status according to FX Hotels and subsidiaries’ different customer base.

FX Hotels and subsidiaries writes off a account receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. For accounts receivable that have been written off, FX Hotels and subsidiaries continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.
The following table details the loss allowance of account receivables.

For the year ended 31 December 2018

	Not Past Due	Past Due Less than 30 Days	Past Due 31-90 Days	Past Due 90-180 Days	Past Due above 181 Days	Total
Gross carrying amount	$ 20,872	$ 2,910	$ 1,640	$ 2,491	$56,720	$ 84,633
Loss allowance (Lifetime ECL)	-	-	-	-	(52,550)	(52,550)
Amortized cost	$ 20,872	$ 2,910	$ 1,640	$ 2,491	$ 4,170	$ 32,083

The movements of the loss allowance of account receivables and overdue receivables were as follows:

	For the year ended 31 December 2018
Beginning balance（IAS 39）	$ 32,782
Adjustment on initial application of IFRS 9	-
Beginning balance（IFRS 9）	32,782
Less: Effect of exchange rate changes	(663)
Plus：Expected credit loss	4,967
Plus：Reclassifications	15,464
Ending balance	$ 52,550

For the year ended 31 December 2017

The accounts receivable that were overdue on the balance sheet date but FX Hotels and subsidiaries have not yet recognized the allowance for bad debts. Due to the fact that its credit quality has not changed significantly, the management of the company and its subsidiaries believes that the amount can still be recovered.The Company and its subsidiaries have enhanced the protection of collaterals for these overdue receivables.

a. Aging of account receivables

	December 31,2017
Not past due	$ 21,594
0～30 days	2,928
31～90 days	2,032
91～180 days	3,380
over 181 days	35,516
Total	$ 65,450

The above aging schedule was based on the past due days from end of credit term.

There was no impairment concern for the accounts receivable that were Past due：

	December 31,2017
0～30 days	$ 2,928
31～90 days	2,032
91～180 days	3,380
over 181 days	2,734
Total	$ 11,074

The above aging schedule was based on the past due days from end of credit term.

b. Movements of the loss allowance for accounts receivable

	Individual assessment impairment	Collectively Assessed for Impairmen	Total
Balance at January 1, 2017	$ 28,014	$ -	$ 28,014
Add：Impairment losses recognized on accounts receivable	5,280	-	5,280
Effect of exchange rate changes	(512)	-	(512)
Balance at December 31, 2017	$ 32,782	$ -	$ 32,782

(五) Non-current Assets Held for Sale

On March 7, 2017, the board of directors decided to transfer the management rights of the subsidiary SHENZHEN CO.,LTD and actively complete the transfer procedure.FX Hotels has reclassified the operating assets as non-current assets held for sale and reclassified the estimated rent payable in accordance with IFRSs as liabilities directly related to the non-current assets to be disposed of.

On May 3, 2018, SHENZHEN CO.,LTD signed a cooperation agreement with Jiazhao Industry Creation Technology (Shenzhen) Co., Ltd. for a total transfer amount of RMB 5,650 thousands, and completed the transfer on August 16, 2018, as of the third quarter of 2018. The transfer proceeds of RMB 21,329 thousands have been recognized the interests and take an order of in property,plant and equipment account.

The main categories of assets to be held for sale

	SHENZHEN CO.,LTD	
	December 31,2018	December 31,2017
Non-current Assets Held for Sale		
Property, plant and equipment	$ -	$ 13,650
Liabilities directly related to the non-current assets held for sale		
Other payables	$ -	$ 11,074

(六) The subsidiaries

The subsidiaries in the consolidated financial statements.

The detail information of the subsidiaries at the end of reporting period was as follows:

Name of Investor	Name of Investee	Main Businesses and Products	Ownership（%） December 31,2018	Ownership（%） December 31,2017	Note
FX Hotels Group Inc.`	FX Hotels Management International Limited(FX HK)	Investment holding	100	100	
	FX Hotels Shanghai Co.,Ltd. (FX Shanghai)	Hotel management and related service facility management	-	100	Note 3
	Taiwan FX Hotels Company Limited(FX Taiwan)	International Business Hotel	100	100	
FX Hotels Management International Limited	Furamaxpress Hotel Management And Development(BJ) Co.,Ltd. (FX Beijing)	Hotel management	100	100	
	CHINA CAPITAL MANAGEMENT GROUP INC.(China Capital)	Hotel management	100	100	Note 1
	Suzhou Hotel One Co.,Ltd (Boutix Suzhou)	International Business Hotel	100	100	
	Boutix Hotel Management And Development (Nanjing) Company Limited (Boutix Nanjing)	International Business Hotel	100	100	
FX Hotels Shanghai Co.,Ltd.	Nanjing Jiangning Co.,Ltd (FX Nanjing)	International Business Hotel	-	-	Note 2
Furamaxpress Hotel Management And Development(BJ) Co.,Ltd.	BEIJING FUSHANG CO., LTD. Co., Ltd. (FX Fushang)	International Business Hotel	100	100	

	Beijing Yansha Co., Ltd. (FX Yansha)	International Business Hotel	100	100	
	Suzhou Co., Ltd.(FX Suzhou)	International Business Hotel	100	100	
Furamaxpress Hotel Management And Development(BJ) Co.,Ltd.	Shenzhen Co.,Ltd. (FX Shenzhen)	International Business Hotel	100	100	Note 3
	Nanjing Jiangning Co.,Ltd (FX Nanjing)	International Business Hotel	100	100	Note 2

Note1：China Capital has three branches, one is Shanghai Xujiahui Branch Office (China Capital Xujiahui), which is engaged in international business hotel; another is Shanghai Branch Office (China Capital Shanghai), there is no operation activity; the other is Tianjian Branch Office (China Capital Tianjian) is engaged in the operation of international business hotel.

Note2：FX Hotels Shanghai Co.,Ltd. has transferred a 100% equity interest in Nanjing Jiangning Co.,Ltd to Furamaxpress Hotel Management And Development(BJ) Co.,Ltd. on October 19, 2017.

Note3：The Company has transferred the management right of Furamaxpress Hotel Management And Development(BJ) Co.,Ltd. On June 19, 2018, and completed the transfer on June 20, 2018.Please refer to Note 8 to set the equity amount of the subsidiary as a loan guarantee.

(七) Other financial assets

Current	December 31,2018	December 31,2017
Deposits account that aren't cash equivalents	$ 33,576	-
Restricted deposit	61	8,258
	$ 33,637	$ 8,258

(八) Property, plant and equipment

	December 31,2018	December 31,2017
Transportation equipment	$ 132	$ 136
Office equipment	942	1,474
Business Facilities	17,197	27,065
Leasehold improvements	555,718	736,712
Construction in progress and equipment awaiting examination	1,270	1,202
	$ 575,259	$ 766,589

	Transportation equipment	Office equipment	Business Facilities	Leasehold improvements	Construction in progress and equipment awaiting examination	Total
January 1, 2018						
Cost	$ 3,736	$ 15,963	$ 178,967	$ 1,512,593	$ 106,948	$ 1,818,207
Accumulated depreciation	(3,600)	(14,162)	(146,938)	(743,941)	(-)	(908,641)
Accumulated impairment	-	(327)	(4,964)	(31,940)	(105,746)	(142,977)
	$ 136	$ 1,474	$ 27,065	$ 736,712	$ 1,202	$ 766,589
For the year ended 31 December 2018						
January 1	$ 136	$ 1,474	$ 27,065	$ 736,712	$ 1,202	$ 766,589
Additions	-	292	2,169	1,783	1,062	5,306
Disposals	(-)	(175)	(3,097)	(56,793)	(86)	(60,151)
Transfer	-	(18)	155	640	(886)	(109)
Depreciation expense	(2)	(613)	(8,856)	(123,567)	-	(133,038)
Effect of exchange rate	(2)	(18)	(239)	(3,057)	(22)	(3,338)
September 30	$ 132	$ 942	$ 17,197	$ 555,718	$ 1,270	$ 575,259
December 31, 2018						
Cost	$ 2,644	$ 11,795	$ 127,077	$ 1,318,845	$ 103,848	$ 1,564,209
Accumulated depreciation	(2,512)	(10,532)	(105,003)	(731,742)	(-)	(849,789)
Accumulated impairment	(-)	(321)	(4,877)	(31,385)	(102,578)	(139,161)
	$ 132	$ 942	$ 17,197	$ 555,718	$ 1,270	$ 575,259

	Transportation equipment	Office equipment	Business Facilities	Leasehold improvements	Construction in progress and equipment awaiting examination	Total
January 1, 2017						
Cost	$ 3,820	$ 16,657	$ 181,337	$ 1,634,049	$ 107,723	$ 1,943,586
Accumulated depreciation	(3,675)	(13,567)	(134,421)	(605,492)	(-)	(757,155)
Accumulated impairment	-	(341)	(4,989)	(69,746)	(106,468)	(181,544)
	$ 145	$ 2,749	$ 41,927	$ 958,811	$ 1,255	$ 1,004,887
For the year ended 31 December 2017						
January 1	$ 145	$ 2,749	$ 41,927	$ 958,811	$ 1,255	$ 1,004,887
Additions	2	379	2,758	9,654	815	13,608
Disposals	(2)	(102)	(745)	(67,646)	(124)	(68,619)
Transfer	-	-	227	(107)	(727)	(607)
Reclassify to be held for sold	-	-	-	(13,650)	-	(13,650)
Recognition of impairment losses	-	-	-	(12,326)	-	(12,326)
Depreciation expense	(6)	(1,537)	(16,447)	(137,898)	-	(155,888)
Effect of exchange rate	(3)	(15)	(655)	(126)	(17)	(816)
December 31	$ 136	$ 1,474	$ 27,065	$ 736,712	$ 1,202	$ 766,589
December 31, 2017						
Cost	$ 3,736	$ 15,963	$ 178,967	$ 1,512,593	$ 106,948	$ 1,818,207
Accumulated depreciation	(3,599)	(14,162)	(146,939)	(743,941)	-	(908,641)
Accumulated impairment	-	(327)	(4,964)	(31,940)	(105,746)	(142,977)
	$ 136	$ 1,474	$ 27,065	$ 736,712	$ 1,202	$ 766,589

December 31, 2018, the important operating lease assets leased by the Company and its subsidiaries operating international business hotels are listed below:

Subsidiaries	Lease category	Rental period	Lease restrictions	Calculation of rent
FX Fushang	Building	2005.7~2025.7 （Decoration free rent period 2005.7~2006.1）	None	1. First three lease years,the annual rent is RMB 7,000 thousands.Since the fourth rental year, rents have increased by 3% per year. 2. From January to April 2012, the rents were total reduced RMB 2,626 thousands.

Subsidiaries	Lease category	Rental period	Lease restrictions	Calculation of rent
FX Yansha	Building	2007.7~2022.11 (Decoration free rent period 2007.7~2007.11)	None	1. 1~5 months, free of rent; In the 6th to 18th months, the monthly rent is RMB 960 thousands. In the 19th to 30th months, the monthly rent is RMB 793 thousands. In the 31th to 60th months, the monthly rent is RMB 960 thousands. In the 61th to 134th months, the monthly rent is RMB 998 thousands. In the 135th to 185th months, the monthly rent is RMB 1,028 thousands. From the 186th to the 245th month, the monthly rent standard during the renewal period is: 3% from the 135th month to the 185th month, which is RMB 1,059 thousands. 2. From July to December 2012, the rent was reduced by RMB 5,990 thousands.
China Capital Xujiahui	Building	The first phase of the lease period is 2008.1~2018.5 (Decoration free rent period 2008.1~2008.6) The second phase of the lease period is 2018.6~2023.6	None	1. The annual rent for the first year is RMB 1,000 thousands (after deducting the rent reduction of RMB 1,300 thousands), The annual rent for the second year is RMB 1,600 thousands(after deducting the rent reduction of RMB 3,000 thousands); The annual rent for the third year is RMB 1,876 thousands (after deduction of the rent reduction of RMB 3,000 thousands); In the 4th to 5th years, the annual rent is RMB 4,876 thousands; In the 6th to 8th years, the annual rent is RMB 5,169 thousands; From the 9th year to the 11th month of the 11th year, the annual rent is RMB 5,479 thousands; From the 6th month of the 11th year to the 5th month of the 15th year, it is the second phase of the lease period. The annual rent for the first year is RMB 8,000 thousands,and the annual increase is 3% from the previous year. 2. If the price index of consumer prices announced by the government in the same year rose by more than 30%, the two parties agreed to negotiate the rent at the market price.
Boutix Suzhou	Building	2010.1~2024.11 (Decoration free rent period 2008.12~2009.12)	None	1. 2010.1.1~2010.11.30，the annual rent is RMB 5,200 thousands, 2010.12.1~2011.11.30，the annual rent is RMB 5,200 thousands, 2011.12.1~2012.11.30，the annual rent is RMB 5,300 thousands, 2013.12.1~2014.11.30，the annual rent is RMB 5,400 thousands, 2014.12.1~2019.11.30，the annual rent is RMB 5,040 thousands, 2019.12.1~2024.11.30，the annual rent is RMB 5,443.2 thousands. 2. In 2010, the rent reduction was RMB 1,500 thousands, the rent reduction from January to August 2011 was

RMB 3,467 thousands, and the total rent reduction in 201 was RMB 2,650 thousands.

Subsidiaries	Lease category	Rental period	Lease restrictions	Calculation of rent
FX Shenzhen (note1)	Building	2011.1~2022.12 2023.1~2027.12	None	From 2011.1 to 2013.12, the monthly rent was RMB 532 thousands; From 2014.1 to 2016.12, the monthly rent is RMB 558 thousands; From 2017.1 to 2019.12, the monthly rent is RMB 586 thousands; From 2020.1 to 2022.12, the monthly rent is RMB 615 thousands; From 2023.1 to 2025.12, the monthly rent is RMB 646 thousands; From 2026.1 to 2027.12, the monthly rent is RMB 679 thousands.
FX Taiwan	Building	2010.9~2026.12 (Decoration free rent period 2010.9~2011.11)	None	1. Guaranteed rent： The rent is calculated in square meters. The monthly rent per square meter varies according to each floor. It is between NT$700 and RMB3,200. The monthly rent for all floors rented is NT$3,744 thousand. The rent was adjusted according to the consumer price index for 3 years. 2. Floating rent： Rented on the 10th to 13th floors, and the floating rent base is calculated based on the average house price, occupancy rate and number of rooms. The floating rent is calculated as 18.68% of the difference between the monthly revenue and the floating rent base. If it is negative number, it is not counted; The floating rent base is also adjusted every three years according to the consumer price index. 3. Since December 1, 2011, 9 parking spaces have been added to the basement floor. The monthly rent per parking space is NT$6 thousands. 4. Since September 16, 2012, 2 parking spaces on the 1st floor have been rented. The monthly rent for each parking space is NT$5,000, and the first floor is 105.76 square meters. The rent is 3.05 square meters per month. NT$4,200。
Boutix Nanjing (Note2)	Building	2014.8~2026.7 (Rescinding the contract on 2017.10.3)	None	1. The rent for 2014.8~2026.7 is RMB4,800 thousands per year. 2. Since August 2014, new sublease rents have been added, with a monthly rent of RMB 121 thousands.
FX Taiwan	Building	2013.2~2032.12 (Decoration free rent period 2013.2~2014.1)	None	1. The annual rent is NT$5,100 thousands; 2. After the lease has expired for 3 years, the rent will be adjusted from the first month of the fourth year, and then the rent will be adjusted every three years. The rent will remain unchanged for three years after each adjustment. The adjustment method is based on the first-term rent, and is calculated based on the average of the Taiwan Consumer Price Index published by the Executive Office of the Executive Yuan, Republic of China in the past three months of the adjustment of the rental month. The calculation is rounded to the nearest dollar.

Subsidiaries	Lease category	Rental period	Lease restrictions	Calculation of rent
FX Taiwan	Building	2013.8~2031.8 （Decoration free rent period 2013.8）	None	2013.8~2014.8，NT$5,348 thousands per year； 2014.8~2015.8，NT$6,100 thousands per year； 2015.8~2016.8，NT$6,852 thousands per year； 2016.8~2017.8，NT$7,630 thousands per year； 2017.8~2018.8，NT$7,708 thousands per year； 2018.8~2019.8，NT$10,263 thousands per year； 2019.8~2022.8，NT$10,666 thousands per year； 2022.8~2025.8，NT$11,107 thousands per year； 2025.8~2028.8，NT$11,550 thousands per year； 2028.8~2031.8，NT$11,994 thousands per year.
Boutix Suzhou (Note3)	Building	2013.12~2025.10	None	2013.12~2025.10，RMB 3,000 thousands per year
FX Nanjing (Note2)	Building	2017.10-2026.9	None	2017.10~2026.9, RMB 3,800 thousands per year

Note1：On March 7, 2017, the board of directors decided to transfer the management rights of Shenzhen Co.,Ltd. On May 3, 2018, the company signed a new contract with theJiazhao Industry Creation Technology (Shenzhen) Co., Ltd., and in July 18,2018.The original contractor was terminated.

Note2：Nanjing jiangning Co.,Ltd. terminated the contract with the original lessor on October 3, 2017 and signed a new contract with the new lessor.

Note3：Suzhou Hotel One Co.,Ltd terminated the contract with the original lessor on June 15,2018.

(九) Loans

A. Short-term loans

	December 31,2018	December 31,2017
Secured loans（Note 8）		
Bank loans	$ -	$ 375,817

The interest rate of bank revolving borrowings was 2.12% to 5.22% on December 31, 2017.

B. Long-term loans

	December 31,2018	December 31,2017
Secured loans（Note 8）		
Bank loans （Note(a)～Note(m)）	$ 371,668	$ 72,755
Other loans（Note(n)～Note(u)）	390,203	360,612
	761,871	433,367
Less: Current portion	(326,384)	(65,338)

$ 435,487	$ 368,029

(1)FX Taiwan signed a contract with First Bank to obtain a long-term loan amount of NT$150,000 thousand in March, 2014. The contract period was from March, 2014 to March, 2019. The loan of NT$150,000 thousand had been drawn. The maturity date of the loan was in March 2019, and the bank agreed to repay the loan on a monthly basis, totaling 60 months, the first to the 12th months was the grace period, and the 13th to 60th period were the average of the original loan principal. As of December 31, 2018, the loan was settled.

(2)FX Taiwan signed a contract with Bank of Panhsin to obtain a long-term loan amount of NT$30,000 thousand in November, 2015. The contract period was from November, 2015 to November, 2018. All of the loan had been drawn. As of September 30, 2018, the loan was settled.

(3)Furamaxpress signed a contract with Bank of Nanjing to obtain a long-term loan amount of CNY5,000 thousands in December, 2016. The contract period was from December, 2016 to December, 2018. All of the loan had been drawn. As of December 31, 2018, the loan was settled.

(4)FX Taiwan signed an asset leaseback financing loan contract of NT$25,000 thousands with IBT Leasing Co., Ltd. in March, 2015. As of December 31, 2017, the loan was settled. According to the contract,FX Taiwan needed to pay the rent every month. After the expiration of the 3-year lease term, the ownership of the assets will be automatically transferred to FX Taiwan. FX Taiwan imputed an interest rate implicit in the lease of approximately 3.75% based on the rent payable during the lease term.

(5)Nanjing jiangning signed an asset leaseback financing loan contract of CNY4,375 thousands with IBT International Leasing Corp. in January, 2015. As of December 31, 2017, the loan was settled. According to the contract, Nanjing jiangning needed to pay the rent every month. After the expiration of the 2-year lease term, the ownership of the assets will be automatically transferred to Nanjing jiangning. Nanjing jiangning imputed an interest rate implicit in the lease of approximately 7.32% based on the rent payable during the lease term.

(6)FX Taiwan signed an asset leaseback financing loan contract of NT$30,000 thousands with Robina Finance & Leasing Corp. in July, 2015. As of March 31, 2018, the loan was settled. According to the contract,FX Taiwan needed to pay the rent every month. After the expiration of the 2.5-year lease term, the ownership of the assets will be automatically transferred to FX

Taiwan . FX Taiwan imputed an interest rate implicit in the lease of approximately 4.65% based on the rent payable during the lease term.

(7)Suzhou Hotel One signed an asset leaseback financing loan contract of CNY6,000 thousands with Robina Finance & Leasing (Suzhou) Corp. in July, 2015. As of March 31, 2018, the loan was settled. According to the contract, Suzhou Hotel One needed to pay the rent every month. After the expiration of the 2.5-year lease term, the ownership of the assets will be automatically transferred to Suzhou Hotel One. Suzhou Hotel One imputed an interest rate implicit in the lease of approximately 7.78% based on the rent payable during the lease term.

(8)BEIJING FUSHANG CO., LTD. signed an asset leaseback financing loan contract of CNY2,315 thousand with IBT International Leasing Corp. in April, 2016. As of December 31, 2017, the loan was settled. According to the contract, BEIJING FUSHANG CO., LTD. needed to pay the rent every month and imputed an interest rate implicit in the lease of approximately 6.47% based on the rent payable during the lease term.

(9)Suzhou signed an asset leaseback financing loan contract of CNY1,043 thousand with IBT International Leasing Corp. in April, 2016. As of December 31, 2017, the loan was settled. According to the contract, SUZHOU needed to pay the rent every month and imputed an interest rate implicit in the lease of approximately 6.46% based on the rent payable during the lease term.

(10)Shenzhen signed an asset leaseback financing loan contract of CNY1,613 thousand with IBT International Leasing Corp. in April, 2016. As of December 31, 2017, the loan was settled. According to the contract, Shenzhen needed to pay the rent every month and imputed an interest rate implicit in the lease of approximately 6.46% based on the rent payable during the lease term.

(11)Nanjing jiangning signed an asset leaseback financing loan contract of CNY878 thousand with IBT International Leasing Corp. in April, 2016. As of December 31, 2017, the loan was settled. According to the contract, Nanjing jiangning needed to pay the rent every month and imputed an interest rate implicit in the lease of approximately 6.47% based on the rent payable during the lease term.

(12)FX Taiwan signed a contract with DBS Bank to obtain a medium-term loan amount of NT$270,000 thousands in November, 2018. The contract period was from November, 2018 to November, 2020. All of the loan had been drawn. As of December 31, 2018, the loan of NT$270,000 thousands wasn't repaid.

(13)FX Hotels Group signed a contract with DBS Bank to obtain a mid-term loan amount of US$3,310 thousand in October, 2018. The contract period was from October, 2018 to October, 2020. All of the loan had been drawn. As of December 31, 2018, the loan of US$3,310 thousands wasn't repaid(changed into NT$101,668 thousands).

(14)FX Hotels Group signed the receipt for a loan with Furama Hotels International Management Inc. to obtain a mid-term loan amount of NT$300,000 thousands on July 15, 2016. The loan period was 3 years from the date of receiving the loan, and the annual interest rate was 4%. It was all received in August, 2016. As of December 31, 2018, the loan of NT$180,000 wasn't repaid (the amount is US$5,626 on account, changed into NT$172,809 thousands at the exchange rate of the end of the period).

(15)FX Hotels Group signed the contract for a loan with Furama Hotels International Management Inc. to obtain a mid-term loan amount of US$5,200 thousands in November, 2016. The loan period was 3 years from the date of receiving the loan, and the annual interest rate was 4%. It was all received in November, 2016. As of December 31, 2018, the loan of US$4,100 thousands wasn't repaid (changed into NT$125,931 thousands).

(16)FX Taiwan obtained a mid-term loan amount of US$1,150 thousands through the approval of Furama Hotels International Management Inc. board of directors in April, 2017. The loan period was 3 years from the date of receiving the loan, and the annual interest rate was 4%. It was all received in April, 2017. As of December 31, 2018, the loan of US$1,150 thousands wasn't repaid (changed into NT$34,943 thousands).

(17)FX Taiwan obtained a mid-term loan amount of US$900 thousand through the approval of Furama Hotels International Management Inc. board of directors in November, 2017. The loan period was 2 years from the date of receiving the loan, and the annual interest rate was 4%. It was all received in November, 2017. As of December 31, 2018, the loan of US$900 thousands wasn't repaid (changed into NT$27,643 thousands).

(18)FX Taiwan obtained a mid-term loan amount of US$247 thousand through the approval of Furama Hotels International Management Inc. board of directors in November, 2017. The loan period was 2 years from the date of receiving the loan, and the annual interest rate was 4%. It was all received in November, 2017. As of December 31, 2018, the loan of US$247 thousands wasn't repaid (changed into NT$7,474 thousands).

(19)FX Taiwan obtained a mid-term loan amount of SG$370 thousands in January, 2018 from Furama Hotels International Management Inc.. The maturity date of the loan was in November 2019, and the annual interest rate was 4%. It was all received in March, 2018. As of December 31, 2018, the loan of SG$370 thousands wasn't repaid (changed into NT$8,261 thousands).

(20)FX Taiwan obtained a mid-term loan amount of SG$366 thousands in May, 2018 from Furama Hotels International Management Inc.. The maturity date of the loan was in November 2019, and the annual interest rate was 4%. It was all received in May, 2018. As of December 31, 2018, the loan of SG$366 thousands wasn't repaid (changed into NT$8,142 thousands).

(21)FX Taiwan obtained a mid-term loan amount of NT$5,000 thousands in September, 2018 from Furama Hotels International Management Inc.. The maturity date of the loan was in September 2020, and the annual interest rate was 4%. It was all received in September, 2018. As of December 31, 2018, the loan of NT$5,000 thousands wasn't repaid.

(十) Other Accoundt payables and other Liabilities

	December 31,2018	December 31,2017
CURRENT		
Other payables		
Compensation payable	$ -	$ 17,132
Rent payable	8,565	10,457
Salaries payable	12,974	12,179
Utilities payable	6,306	7,012
Card point payable	3,903	3,362
Payables for purchase of equipment	1,809	2,061
Others	42,437	65,334
	$ 76,054	$ 117,537

Other current liabilities		
Deferred revenue	$ 18,331	$ 13,138
Others	2,023	2,371
	$ 20,354	$ 15,509
Non-current		
Other noncurrent liabilities		
Rent payable	$ 91,689	$ 101,832
Guarantee deposit	4,092	4,893
	$ 95,781	$ 106,725

According to the IFRSs, rents payable is that all the leases in the contract during the lease term is amortised by the straight-line method.

(十一) Provisions

	December 31,2018	December 31,2017
Current		
Short-term provision for legel precess	$ -	$ 21,985

	Litigation
Balance at January 1, 2018	$ 21,985
Transferring to other payables	(3,077)
Derecognising subsidiaries (Note1)	(19,199)
Provision	291
Balance at December 31, 2018	$ -

	Litigation
Balance at January 1, 2017	$ -
Change in amount	21,985
Translation difference	-
Balance at December 31, 2017	$ 21,985

Note1：The management right of FXHOTELS SHANGHAI was transferred through the resolution of the board of directors on June 19, 2018 and the transfer was completed on June 20, 2018.

(十二) Post-employment benefit plans

1. The company registered at People's Republic of China, endowment insurance system in accordance with the regulations of the People's Republic of China, monthly pension insurance based on a certain percentage of the total salary of local employees, the pension for each employee is arranged by the

government, no further obligations other than monthly withdrawals. 2018 and 2017 recognition pension were $9,236 thousands and $11,103 thousands.

2. FX Hotels' subsidiaries plan under the R.O.C. Labor Pension Act (the "Act") is deemed a defined contribution plan, employees of nationality of the Republic of China, have made monthly contributions equal to 6% of each employee's monthly salary to employees' pension accounts. The pension costs recognized in the pension schemes in 2018 and 2017 are $3,192 thousands and $3,689 thousands respectively.

(十三) Equity

1. Capital stock

(1) Capital stock–common stock

	December 31,2018	December 31,2017
Number of shares authorized (in thousands of shares)	150,000	120,000
Shares authorized	$ 1,500,000	$ 1,200,000
Number of shares issued and fully paid (in thousands of shares)	68,172	68,172
Shares issued	$ 681,723	$ 681,723

In order to enrich the working capital and repay the loan, FX Hotels will settle the private placement of 30,000 thousands shares in the private shareholder's resolution in 2017.

The above-mentioned resolution for the private placement of special shares was completed on January 17, 2017, and was changed by the shareholder, Furama Hotel International Management Inc., on March 31, 2017, and is automatically effective on the date of notification on the company's articles of association. Registered on April 10, 2017.

2. Capital surplus

	December 31,2018	December 31,2017
Arising from issuance of ordinary shares	$ 198,523	$ 198,523

(1) Such capital surplus can be used to make up for losses, and it can be used to issue cash or to replenish the share capital when FX Hotels has no loss, but only to a certain percentage of the paid-up share capital each year when the capital is

allocated. According to FX Hotels' articles of association, no dividends or other capital allocations may be issued from sources other than FX Hotels's profits, share premium accounts or other Cayman company laws.

(2) FX Hotels' private equity convertible special shares of 270,000 thousands yuan converted into ordinary shares of 30,000 thousands shares, 10 per share, a total of 300,000 thousands ordinary shares, the difference of NT30,000 thousands to offset the capital surplus.

3. Retained earnings and dividend policy

According to the amendment of the company law in May 2015, the distribution of dividends and dividends is limited to shareholders, and employees are not subject to surplus distribution. FX Hotels has passed the resolution of the surplus distribution of the amended charter at the shareholders' meeting on June 27, 2016. In addition, the distribution policy for employee compensation is set out in the charter.

The revised earnings distribution policy of the Articles of Association stipulates that if the FX Hotels' annual final accounts have surpluses, and pay taxes in accordance with the law to make up for the accumulated losses, 10% is added to the statutory surplus reserve, and the rest is required to provide or revolve special surplus reserves. If there is still a balance and the accumulated undistributed surplus, the board of directors proposes a surplus distribution proposal and submits a resolution to the shareholders' meeting to distribute dividends to shareholders. For the staff and directors' compensation distribution policies of the former charter, please refer to note6 （15） employee benefits expense.

FX Hotels' dividend policy is to meet the current and future development needs, consider the investment environment, capital needs and take into account the interests of shareholders, and allocate dividends of not less than 10% to the shareholders' dividends every year. When distributing dividends to shareholders, dividends are distributed , by stock or cash, where the cash ratio is not less than 50% of the total dividend

The statutory surplus reserve can be used to make up for losses. When FX Hotels has no losses, the portion of the statutory surplus reserve that exceeds 25% of the total paid-up share capital is allocated in cash, in addition to the capitalization.

FX Hotels and subsidiaries applied the special surplus reserve after the letter of the jin guan jeng fa tz No. 101012865, jin guan jeng fa tz No. 1010047490, jin guan jeng fa tz No. 1030006415 and adoption of the International Financial

Reporting Standards (IFRSs) Questions and Answers, etc. provide for the provision and revolving of special surplus reserves.

The FX Hotels' shareholder regular meeting on June 19, 2018 and December 18, 2017, respectively, passed the loss reduction in 2017 and 2016 as follows:

	Deficit Compensation
	2017
Beginning Covering accumulated deficit	($ 601,449)
Net loss in 2017	(245,593)
Ending Covering accumulated deficit	($ 847,042)

	Deficit Compensation
	2016
Beginning Covering accumulated deficit	$ -
Net loss in 2016	(601,449)
Ending Covering accumulated deficit	($ 601,449)

4. Other equity

(1) Exchange differences on translation

	For the year ended 31 December 2018	For the year ended 31 December 2017
Beginning balance	$ 8,043	$ 7,640
Foreign currency translation reserve	(1,194)	403
Ending balance	$ 6,849	$ 8,043

(2) Unrealized Gain (Loss) on financial assets at fair value through other comprehensive income

	For the year ended 31 December 2018
Beginning balance (IAS 39)	$ -
Adjustment on initial application of IFRS 9	(9,472)
Beginning balance	(9,472)
Recognized during the periodUnrealized gain - equity instruments	-
Ending balance	($ 9,472)

(十四) Revenue

	2018	2017
Guest room and other hospitality service income	$ 582,251	$ 672,217
Food service income	10,372	11,216
Other operating income	51,866	73,729
	$ 644,489	$ 757,162

(十五) Continuing operations,net

Continuing operations,net includes the following items:

1. Impairment loss

	2018	2017
Impairment loss on property, plant and equipment	$ -	$ 12,326
Financial assets impairment loss	-	36,508
	$ -	$ 48,834

Property, plant and equipment impairment loss main produced by Boutix Hotel Management And Development (Nanjing) Company Limited, please refer to Note 12 for detail.

2. Other income

	2018	2017
Litigation judgment compensation income	$ -	$ 27,534
Relocation compensation income	-	20,954
Deducting the benefits of revolving	28,571	-
Revolving impairment profit	7,271	-
Other Income	126,458	5,475
	$ 162,300	$ 53,963

The compensation for litigation judgments is mainly due to the final judgment of the subsidiary company CHINA CAPITAL MANAGEMENT GROUP INC.Lease Contract Lawsuit in the first quarter of 2017. Please Note 12 in detail.

Other income is mainly due to the receipt of compensation by Suzhou Hotel One Co.,Ltd., the subsidiary of the third quarter of 2018.Please Note 12 in detail.

Other income is mainly due to the related party give up the interest receivables. Please Note 7 in detail.

3. Other expense

	2018	2017
Litigation judgment compensation expense	$ -	$ 18,707
Other expense	17,807	13,451
	$ 17,807	$ 32,158

4. Finance costs

	2018	2017
Bank loan interest	$ 12,466	$ 30,483
Guaranteed letter of charge	-	9,941
Set up fee	105	2,813
	$ 12,571	$ 43,237

5. Depreciation and Amortisation

	2018	2017
Property, plant and equipment	$ 135,272	$ 155,888
Intangible assets	868	935
Prepaid expense	1,224	4,850
Total	$ 137,364	$ 169,893
Depreciation expense is summarized by function		
Operating cost	$ 130,570	$ 141,819
Operating expense	4,702	14,069
	$ 135,272	$ 155,888
Amortisation expense is summarized by function		
Operating cost	$ -	$ 31
Operating expense	2,092	5,754
	$ 2,092	$ 5,785

6. Employee benefits

	2018	2017
Post-employment benefits (Note 6(12))		
Defined contribution plans	$ 12,428	$ 14,792
Other employee benefit	176,930	186,109
Employee benefit total	$ 189,358	$ 200,901

	2018	2017
Summarized by function		
Operating cost	$ 94,129	$ 103,595
Operating expense	95,229	97,306
	$ 189,358	$ 200,901

In accordance with the Company Law amended in May 2015 and the amended bylaws of the shareholders' meeting on June 27, 2016, the company prior to the deduction of the pre-tax benefits before the remuneration of employees and directors was not less than 1% and No more than 3% of the employees' compensation and the compensation of the directors.

If the amount of the annual consolidated financial report changes after the release date, it will be treated according to the accounting estimates and adjusted in the next year. The Company's shareholders' meeting on June 19, 2018 and December 18, 2017, due to the net loss before tax for 2017 and 2016, the resolution is not eligible for employee compensation and compensation for the directors.
For information on the company's employee compensation and the compensation of the directors, please visit the "market observatory post system" of the Taiwan Stock Exchange.

(十六) INCOME TAXES RELATING TO CONTINUING OPERATIONS

1. The main components of income tax expenses (interests) recognized in profit or loss are as follows:

	2018	2017
Current income tax expense		
In respect of the current year	$ 3,148	$ 1,735
Income tax adjustments on prior years	-	(1)
	322	1,734
Deferred tax		
In respect of the current year	1,589	8,177
Effect of tax rate	(1,525)	-
Income tax expense (benefit)	$ 3,212	$ 9,911

A reconciliation of accounting profit (loss) and income tax expense (benefit) and the applicable tax rate were as follows:

	2018	2017
Profit (loss) before income tax	($ 1,036)	($ 235,682)
Income tax expense (benefit) calculated at the statutory tax rate	($ 2,077)	($ 49,714)
Effect of loss carryforward and temporary differences	2,660	59,626
Adjustments for previous years'tax	-	(1)
Effect of tax rate	(1,525)	-
Income tax expense (benefit) recognized in profit or loss	$ 3,212	$ 9,911

The Law of the Republic of China on Income Tax was amended by the President in February 2018, and the income tax rate for profit-making business was adjusted from 17% to 20%, and was implemented in 2018. In addition, the tax rate applicable to the undistributed surplus in 2018 will be reduced from 10% to 5%.

The tax rate applicable to subsidiaries in China is 25%,for other jurisdictions, taxes are calculated using the applicable tax rate for each individual jurisdiction.

The income tax returns of Taiwan FX Hotels Company Limited. for the years through 2016 have been examined and approved by the tax authorities.

2. Current tax assets and liabilities

	December 31,2018	December 31,2017
Current tax liabilities		
Income tax payable	$ 2,072	$ 1,754

3. Deferred tax assets and liabilities

Deferred tax assets and liabilities are changed as follows：

For the year ended 31 December 2018

	Initial balance	Recognized in profit and loss	Effect of tax rate	Effect of exchange rate	End of year balance
Deferred tax assets					
Temporary differences					
Rent payable	$ 33,687	($ 3,012)	$ 1,502	($ 396)	$ 31,781
Non-leaving pay payable	200	111	22	(-)	333
Deferred membership card income	976	18	1	(17)	978
Operating loss carryforward	2,435	-	-	(42)	2,393
	$ 37,298	($ 2,883)	$ 1,525	($ 455)	$ 35,485

For the year ended 31 December 2017

	Initial balance	Recognized in profit and loss	Effect of tax rate	Effect of exchange rate	End of year balance
Deferred tax assets					
Temporary differences					
Rent payable	$ 44,421	($ 10,070)	$ -	($ 664)	$ 33,687
Non-leaving pay payable	221	112		(133)	200
Deferred membership card income	1,674	(654)	-	(44)	976
Operating loss carryforward	-	2,435	-	-	2,435
	$ 46,316	($ 8,177)	$ -	($ 841)	$ 37,298

4. Amounts of unused tax credits for which deferred tax assets have not been recognized

	December 31,2018	December 31,2017
Loss carryforward	$ 293,639	$ 316,174

5. Information about unused loss carry-forward

Loss carryforwards as of December 31, 2018 comprised of:

Expiry Year	Remaining Carrying
2019	$ 5,009
2020	32,024
2021	95,670
2022	104,560
2023	59,079
	$ 299,342

(十七) Earnings per share (loss)

(Unit：NT$)

	2018	2017
Basic and diluted earnings (loss) per share	($ 0.06)	($ 4.05)

The net income (loss) and weighted-average number of ordinary shares used to calculate the earnings (loss) per share are as follows:

	For the year ended 31 December 2018	For the year ended 31 December 2017
Profit attributable to owners of the parent (loss)	($ 4,248)	($ 245,593)

Number of shares (Unit：in Thousand shares)

	2018	2017
Weighted average number of ordinary shares outstanding for basic earnings per share	68,172	60,672

The convertible preference shares issued by FX Hotels and subsidiaries and the calculation of diluted earnings per share have antidilutive effect.

(十八)Disposal of Subsidiary

On June 20, 2018, FX Hotels signed an agreement to dispose of FX Hotels Shangghai Co.,Ltd..The company completed the disposition on June 20, 2018, and sold it for a total price of US$1, and lost control of FX Hotels Shanghai Co.,Ltd..

1. Analysis of lost control assets and liabilities on the date of loss of control

	FXHOTELS SHANGHAI CO.,LTD.
CURRENT ASSETS	
Cash and cash equivalents	$ 390
Other receivables	35
NONCURRENT ASSETS	
Property, plant and equipment	16
CURRENT LIABILITIES	
Accounts payable	(230)
Other payables and Provision	(42,756)
Other Current Liabilities	(5)
NONCURRENT LIABILITIES	-
Net assets of disposal	($ 42,550)

2. Profit from Disposal of Subsidiary

	FXHOTELS SHANGHAI CO.,LTD.
Charged price	$ -
Net assets of disposal	(42,550)
Effect of Discounting	-
Effect of exchange rate	(8,245)
Dispose of loss (Profit)	$ 50,795

3. Net cash inflow from dispose of the subsidiary

	FXHOTELS SHANGHAI CO.,LTD.
Charged price	$ -
Less：Effect of Discounting	-
Less：Accounting for other receivables and other non-current assets	-
Consideration in cash and cash equivalents	-
Less：Disposal of cash and cash balance	(390)
	($ 390)

(十九)Operating lease

	2018	2017
Minimum lease payments		
Not later than 1 year	$ 235,216	$ 259,244
Later than 1 year and not later than 5 years	948,812	1,089,410
Later than 5 years	522,263	623,304
	$ 1,706,291	$ 1,971,958

Recognition as an expense and net profit or loss for the period lease payment as follow:

	2018	2017
Rental expenses	$ 210,663	$ 212,377
Contingent rent	$ -	$ 359

FX Hotels and subsidiaries operating lease operating hotel required house building, please refer to the Note6(8) during the lease term and other important lease conditions.

FX Hotels and subsidiaries have subletted one of the above-mentioned leased assets, which will expire in November of 2022. 2018 and 2017 respectively recognized $9,218 thousand and $13,687 thousands sublease income for current profit and loss. According to the aforementioned non-cancellable subletting contract, sublease to payment of $36,105 thousands is expected to be charged from 2018 to 2022 years.

(二十)Capital risk management

FX Hotels capital management objective is to ensure that FX Hotels and subsidiaries can continue to operate, maintain the best capital structure to reduce capital costs, and provide compensation to shareholders.

(二十一)Financial Instruments

1. Types of financial instruments

	December 31,2018	December 31,2017
Financial asset		
Cash and cash equivalents	$ 47,545	$ 52,715
Notes and accounts receivable, net	32,083	32,808
Receivables from related parties	2,511	3,069
Other accounts payable	54,741	53,930
Other financial assets-current	33,637	8,258
Non-current financial assets at fair value through other comprehensive income	-	-
Refundable deposits	67,683	68,667
Long-term accounts receivables	28,086	34,771

	December 31,2018	December 31,2017
Financial liabilities		
Short-term loans	-	375,817
Notes and accounts payable	6,586	7,241
Other accounts payable	76,054	117,537
Long-term loans（Including Due within one year）	761,871	433,367
Rent payable	91,689	101,832
Guarantee deposits	4,092	4,893

2. Financial risk management goal

The Company financial risk management goal, is the exchange rate risk associated with management and operational activities、interest rate risk、credit risk and liquidity risk. To reduce related financial risks, the Company is committed to identifying, assessing and circumventing market uncertainties to reduce the potential adverse effects of market movements on the Company's financial performance.

Management work is carried out by the financial department of the Company in accordance with the policy approved by the board of directors. The company's finance department is responsible for identifying, assessing and evading financial risks by working closely with FX Hotels and subsidiaries' operating units. Board of directors written principles for overall risk management, also provide written policy on specific scopes and issues, for example currency risk、interest rate risk、credit risk、use of derivative and non-derivate financial instruments, and investment in remaining liquidity.

(1) Market risk

The main financial risks assumed by the Company's operating activities are the risk of changes in foreign currency exchange rates and the risk of changes in interest rates.

The Company’s risk of market risk in financial instruments and its management and measurement of such risks have not changed.

1. Currency risk

The Company is a multinational operation and therefore is subject to exchange rate risk arising from many different currencies, mainly in USD and RMB. The relevant exchange rate risk arises from future commercial transactions, recognized assets and liabilities, and net investments in foreign operating agencies.

The Company holds investments from a number of foreign operating institutions and its net assets are subject to foreign currency translation risks.

The Company's business involves a number of non-functional currencies（the functional currency of Fx Hotels and some subsidiaries is New Taiwan dollars， Some subsidiaries' functional currency is New Taiwan dollars）, which is affected by exchange rate fluctuations.

The carrying amount of monetary assets and monetary liabilities denominated by the Company in non-functional currency at the balance sheet date，please refer to Note 12

Sensitivity analysis

The Company is mainly affected by the fluctuation of the US dollar exchange rate. The sensitivity analysis of foreign currency exchange rate risk is mainly calculated for the USD monetary items on the balance sheet date. When the RMB and the NT appreciate /depreciate 1% of the USD,the net loss before tax of the Company and its subsidiaries in 2018 and 2017 will be reduced by 3,176 thousands and 3,576 thousands respectively.

2. Interest rate risk

The interest rate risk of the Company and its subsidiaries is mainly derived from borrowings.
Borrowings borrowed at floating rates expose the company to cash flow interest rate risk, part of the risk is offset by cash held in floating interest rates and cash equivalents. Borrowings at fixed interest rates expose the Company to fair value interest rate risk. The Company manages interest rate risk by maintaining a suitable combination of fixed and floating interest rates.

The carrying amount of financial instruments subject to interest rate risk at the end of the financial reporting period is as follows:

	December 31,2018	December 31,2017
Fair values rate risk		
－Financial asset	$ -	$ -
－Financial Liabilities	-	175,553
Cash flows rate risk		
－Financial asset	79,678	58,935
－Financial Liabilities	761,871	606,847

Sensitivity analysis

Sensitivity analysis of interest rate risk,It is mainly based on the change in cash flow from the floating rate borrowings at the end of the financial reporting period.

If the borrowing rate rises/decreases by 0.1%, the Company 2018 and 2017 loss before tax will be reduced by 682 thousand 及 548 thousand.

(2) Credit risk

Credit risk is the risk of financial loss due to the inability of the counterparty of the client or financial instrument to perform its contractual obligations. In accordance with the credit policy, each operating entity within FX Hotels and subsidiaries is required to conduct management and credit risk analysis for each new customer before setting the terms and conditions for payment and delivery. The internal risk control system assesses the credit quality of customers by considering their financial status, past experience and other factors. The individual risk limits are set by FX Hotels and subsidiaries' finance department based on internal or external ratings and regularly monitor the use of credit lines. The main credit risk arises from the deposits of cash deposited in banks and financial institutions, as well as from the credit risk of customers, including unreceived accounts receivable and committed transactions.
In the 2018 and 2017 there was no credit limit, and the management did not expect any significant losses due to the non-compliance of the counterparty.

(3) Liquidity risk

The cash flow forecast is executed by each operating entity within FX Hotels and subsidiaries and is summarized by the financial department of the Company. The Company's Finance Department monitors FX Hotels and subsidiaries' liquidity requirements forecast to ensure that it has sufficient funds to meet operational needs. The remaining cash held by each operating entity will be planned and applied by the Finance Department of the Company when it exceeds the management of working capital. The financial department of the company invests the remaining funds in interest-bearing demand deposits and time deposits.

A. Non-derivative financial liability liquidity

Non-derivative financial liability residual contractual maturity analysis according to the date when the company may be required to repay as early as possible, according to the undiscounted cash flow of financial liabilities.

December 31,2018

	Within 1 Year	1-2 Years	2-5 Years
Non-derivative			
Short-term loans	$ -	$ -	$ -
Notes and accounts payable	6,586	-	-
Other accounts payable	76,054	-	-
Long-term loans	326,384	435,487	-
Rent payable	-	91,689	-
	$ 409,024	$ 527,176	$ -

December 31,2017

	Within 1 Year	1-2 Years	2-5 Years
Non-derivative			
Short-term loans	$ 375,817	$ -	$ -
Notes and accounts payable	7,241	-	-
Other accounts payable	117,537	-	-
Long-term loans	65,338	325,612	42,417
Rent payable	-	101,832	-
	$ 565,933	$ 427,444	$ 42,417

B. Finance facilities

	December 31,2018	December 31,2017
Guaranteed bank overdraft limit		
- Amount used	$ 419,329	$ 450,530
- Amount unused	-	-
	$ 419,329	$ 450,530

The amount of the floating interest rate instrument of the above non-derivative financial assets and liabilities will vary depending on the floating interest rate and the interest rate estimated on the balance sheet date.

3. Fair value of financial instruments

1) Measuring the fair value of financial instruments based on amortized cost, FX Hotels and subsidiaries consider amortised cost measurement financial instruments financial Assets and financial liabilities in consolidated financial statements carrying amount approaches fair value.

2) Fair value measurement recognized in the consolidated financial statements

The following table is an analysis of the fair value measurement of financial instruments after their original recognition, the measurement method is based on the level of fair value observable to the first to third levels：

i. Level 1 fair value measurement refers to the quoted price (unadjusted) of the same asset or liability in the active market.

ii. Level 2 fair value measurement refers to the derivation of fair value from an observable input value of an asset or liability either directly (ie price) or indirectly (that is, derived from price), but is not included in Level 1 quotation.

iii. Level 3 fair value measurement refers to the derivation of fair value by an evaluation technique that uses an unobservable input value (an input value of an asset or liability that is not based on observable market information).

	December 31,2018			
Financial asset	Level 1	Level 2	Level 3	total
Financial asset or financial liability at fair value through profit	$ -	$ -	$ -	$ -

	December 31,2017			
Financial asset	Level 1	Level 2	Level 3	total
Financial asset or financial liability at fair value through profit	$ -	$ -	$ -	$ -

7. Related party transaction

Intercompany balances and transactions between the FX Hotels Group Inc. and subsidiaries, which are related parties of the FX Hotels Group Inc., have been eliminated upon consolidation; therefore those items are not disclosed in this note. The following is a summary of significant transactions between the Company and other related parties:

a. Related party name and categories

Related Party Name	Related Party Categories
Furama Hotels International Management Inc.	Shareholder of the company

Wei yao Huang	The company's substantive relationship

Related Party Name	Related Party Categories
Beijing Huayu Fortune Business Management Co., Ltd. (Huayu Fortune)	The company's substantive relationship
Inhouse Hotel Yehliu（Hotel Yehliu）	The company's substantive relationship (Note1)
Kenting Boutix Hotel（Kenting Boutix）	The company's substantive relationship (Note1)
The Caffeine（The Caffeine）	The company's substantive relationship (Note1)
CHINA CAPITAL MANAGEMENT GROUP INC.（China Capital）	The company's substantive relationship (Note1)
Xiaohong Kitchen Catering Management (Beijing) Co., Ltd. (Xiaohong Kitchen Beijing)	The company's substantive relationship (Note1)
Suzhou Xiaohong Potato Restaurant Management Co., Ltd. (Little Red Potato Suzhou)	The company's substantive relationship (Note1)
The Treasure Land Resort Hotel（The Treasure Land Resort）	The company's substantive relationship (Note1)
Shanghai Fupin Collection Catering	The company's substantive relationship (Note1)
Kitchen X (Kitchen X)	The company's substantive relationship (Note1)
Zun Jhong Hou,	Shareholder of the company (Note1)
Related party name	Related Party Categories

Note1：After the September 15^{th},2017 is the non-relevant person。

b. RELATED PARTY TRANSACTIONS

1) Net revenue

Item	Related party categories	2018	2017

Net revenue	Other related parties	$ 9,274	$ 30,538

i. The room transaction with the related parties is based on the hotel accommodation regulations, and there is no significant difference from the general customers.

ii. Transactions such as subletting, hotel management counseling and planning consulting services, which are determined by the company after considering the relevant costs and local market conditions because there is no same transaction for comparing.

iii. FX Hotels' subsidiary, Beijing yansha, subletted some of the buildings to the related parties. The lease period lasted for 167 months from January 1, 2009 (to November 30, 2022). They have a deal that the rent per month is CNY187 thousands (changed into NT$853 thousands).

2) Operating costs and expenses

Related party categories	2018	2017
Other related parties	$ -	$ 7,466

The operating costs and expenses are related to transactions of the catering and meals with the related parties , which is handled according to the agreed terms of the two parties, because there is no the same transaction for comparing.

3) Receivables from related parties

Related party name	December 31,2018	December 31,2017
Huayu Fortune	$ 2,511	$ 3,069
HOTEL YEHLIU	-	7,916
Kitchen X	-	3,363
Kenting Boutix	-	2,440
Other related parties	-	1,745
Less: Loss allowance	(-)	(15,464)
	$ 2,511	$ 3,069

Accounts receivable	December 31,2018
HOTEL YEHLIU	$ 7,916
Kitchen X	3,363
Kenting Boutix	2,440
Other related parties	1,745

Less: Loss allowance	(15,464)
	$ -

4) Other Receivables from related parties

Related Party Name	December 31,2018	December 31,2017
Huayu Fortune	$ 23,993	$ 22,703
The Treasure Land Resort	-	11,825
HOTEL YEHLIU	-	12,742
Other related parties	-	6,869
Less: Loss allowance	(-)	(31,436)
	$ 23,993	$ 22,703

Other accounts receivable	December 31,2018
HOTEL YEHLIU	$ 12,742
The Treasure Land Resort	11,825
Other related parties	6,869
Less: Loss allowance	(31,436)
	$ -

The above amount includes the reclassification of the overdue receivables account to other receivables by (93)Ji mi 167.

5) Prepaid expenses

Related party categories	December 31,2018	December 31,2017
Other related parties	$ 228	$ 232

6) Payables to related parties

Related party categories	December 31,2018	December 31,2017
Other related parties	$ -	$ 29,429

7) Long-term loans

Related party name	December 31,2018	December 31,2017
Furama	$ 390,203	$ 358,653
Less:Long-Term borrowings-Current Portion	(326,384)	(-)
	$ 63,819	$ 358,653

On December 18, 2017, the board of directors of the Company approved the pledge of the trademark to Furama or its legal representative as a collateral for long-term loans. Please refer to Note 8 for the relevant amount.

8) Finance costs

Related Party Name	2018	2017
Furama	$ -	$ 16,041
Wei Yao Huang	-	7,456
	$ -	$ 23,497

9) Other income

Related Party Name	2018	2017
Furama	$ 26,279	$ -
Wei Yao Huang	2,292	-
	$ 28,571	$ -

In consideration of the FX Hotels operating conditions and comprehensive operational development,Furama and Wei Yao Huang agreed to waive the interest receivables and special dividends as of December 31, 2018, and transfer other income.

10) Endorsement guarantee

Related Party Name	December 31,2018	December 31,2017
Zun Jhong Hou	$ -	$ 240,092

Non-related person	December 31,2018
Zun Jhong Hou	$ -

Being the joint guarantor of the company.

11) WeI Yao Huang successively provided Taishin International Bank with a non-cancellable guarantee letter of credit totaling US$11,450 thousand (changed into NT$353,004 thousand) as a guarantee for the Company and FX Taiwan to apply for a loan from the bank. The board of directors of the Company agreed to pledge 100% equity of China Capital, Furamaxpress and all subsidiaries of Furamaxpress to Mr. Huang as the counter-guarantee of the above irrevocable guarantee letter of credit. Please refer to Note 8 for the relevant amount. It expired on November 23, 2018.

12) Furama provided DBS Bank with a non-cancellable guarantee letter of credit of US$5,290 thousand (changed into NT$162,482

thousand) as a guarantee for the Company and FX Taiwan to apply for a loan from the bank.

13) Compensation of key management personnel

	2018	2017
Salary and other Short-term employee benefits	$ 6,393	$ 6,916
Business execution expense	1,385	1,388
	$ 7,778	$ 8,304

8. PLEDGED ASSETS

The following assets are provided as short-term loans and long-term loan loyalty for interest：

	December 31,2018	December 31,2017
Certificate of deposits and restricted bank deposit （Recorded in other financial assets－current）	$ -	$ 8,258
Property, plant and equipment	-	49,416
Subsidiary equity		
- CHINA CAPITAL MANAGEMENT GROUP INC.and FURAMAXPRESS HOTEL MANAGEMENT AND DEVELOPMENT(BJ) CO.,LTD.	322,598	314,225
Brand trademark cost	6,118	7,114
	$ 6,179	$ 379,013

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

SIGNIFICAN COMMITMENTS

Except as disclosed in other notes to the consolidated financial statements, the Company has unrecognized contractual commitments as follows:

	December 31,2018	December 31,2017
Purchase Property, plant and equipment	$ 46,833	$ 48,241
Other	3,839	9,094
	$ 50,672	$ 57,335

Contingency

1. As stated in Note 6 (8), the important operating lease assets, leased by FX Shanghai, a subsidiary of the Company, in the Suzhou City Property Development Investment Project, due to the dispute made between the Company and the rental owner of the lease of the property, the company has cancelled the lease contract with the rental owner in May 2016. In view of the fact that rental owner has taken back the leased property, the Company's management has recognized the operating expenses and impairing losses of RMB26,789 thousands for the construction in progress, prepaid rent and deposit bond.

   This case was judged on April 7, 2017 by the Wuzhong District People's Court of Suzhou City by the document of (2015) Wu-Min-Chu-Tzu No. 1916, from which FX Shanghai shall pay the rent and occupying fees, overdue interest and liquidated damages, RMB 15,819 thousands in total, to the Zhongmu Industrial Development Co., Ltd. (in Suzhou City). FX Shanghai refuses to accept the judgment and rose up an appeal to the Suzhou city intermediate people's court.

2. The Company held a temporary shareholders meeting on September 15, 2017, and completely re-elected directors and supervisors thereof. After the meeting, the Company appointed the new directors and supervisors of FX Taiwan and, after completing the relevant registration, the new management team of the Company and FX Taiwan was officially opened on October 2, 2017 and took over the office at B1, No. 131, Sec. 3, Nanjing East Road, Zhongshan District, Taipei City. However, Hou, Tsun-Chung, the person in charge of the original operation disappeared on the takeover day, and after the takeover the new management team found that there were many incomplete and missing on the financial and business information previously was under Hou, Tsun-Chung charge scope. Among them, there are no FX Taiwan shares held by the Company, Kinmen Resort Co., Ltd. shares held by FX Taiwan and some checks from the Company, FX Taiwan and the subsidiaries are missing. On October 19, 2017, the Company officially sent a letter to Mr. Hou, Tsun-Chung, asking him to return the aforesaid stocks and checks back within the next three days. Otherwise, the Company will rise up a lawsuit charge against him. As of the financial reporting date, Hou, Tsun-Chung has not returned the stocks and checks back to the Company. The Company and FX Taiwan have made a criminal charge to Taipei District Court against Mr. Hou, Tsun-Chung on November 8, 2017. Taipei District Prosecutors Office conducted the investigation by "2017 Interrogation No. 12783" and decided that the charge is invalid on November 7, 2018 because of insufficient criminal suspect. The reconsideration on December 24, 2018 was also not subject to the prosecution. The Company and FX Taiwan dissatisfied the result and reissue the charge to Taiwan High Prosecutors Office on February 11, 2019.

3. Hou, Tsun-Chung, the former operation in-charge person, made the following actions without the Company's authority:

(1)Signed and issued the check: "Check paid to: FX Taiwan, date: December 30, 2017, check value: NT$ 15 million; payee: Hou, Tsun-Chung" on July 6, 2017. FX Taiwan has made a charge to it in Taipei District Court on October 31, 2017, and has obtained a provisional injunction judgment and an enforcement order prohibiting any action on the check or payment from the financial institution. Hou, Tsun-Chung has made an interlocutory appeal and was rejected by Taiwan High Court on January 23, 2018 in the “2017 Kang-Tzu-Ti No. 1808”. Taipei District Court judged that the creditor's right did not exist on June 12, 2018 expressed in “2018 Pei-Chien-Tzu No. 1537”. Hou, Tsun-Chung shall return the check.

(2)Signed and issued the check: "Check paid to: FX Taiwan, check value: NT$ 150,000 x 4 = 600,000; payee: Kitchen X " on October 25, 2017. FX Taiwan made a charge to Taipei District Court on November 21, 2017, and obtained a provisional injunction and enforcement order prohibiting any action on the check or payment from the financial institution. Acts such as payment tips. Kitchen X has made a interlocutory appeal against this fact and Taiwan High Court judged on April 25, 2018 by “2018 Kang-Tzu-Ti No. 79”, ruling to abandon the payment prohibition from the financial institutions, but still prohibited Kitchen X from transferring the check to a third party.

4. Hou, Tsun-Chung, former head of FX Taiwan, claimed that FX Taiwan had issued three NT$ 240 thousands/each checks to Kinmen Resort Co., Ltd., which were deposited to FX Taiwan deposit account for personal cash withdrawal, kept the FX Taiwan from unable to cash the checks; FX Taiwan therefore is exempted from paying off the check debt. He sent appeal to Taipei District Court on January 11, 2018 asking FX Taiwan to return the unjust enrichment. However, the three checks mentioned were actually forged, issued and also paid by Hou, Tsun-Chung himself, the request of asking FX Taiwan to return the unjust enrichment is unreasonable. Taipei District Court rejected Hou, Tsun-Chung request on December 26, 2018 in the “2018 Su-Tzu No. 222”.

5. On January 4, 2018, Nanjing Zunjie Investment Co. (hereinafter: the Nanjing Zunjie Co.) made a lawsuit in the court, claiming that it signed a “House Leasing Contract” with China Capital on May 15, 2012. Part of the property at No. 56, Tianyuan East Road, Jiangning District, Nanjing City was leased to China Capital, the property management service contract was signed on May 15, 2013 and Nanjing Zunjie Co. provided property management services. Now Nanjing Zunjie Co. thinks that China Capital fails to pay the rents and property management fees, it requires China Capital to return the leased property, pay the rent of RMB 9,061 thousands with a penalty of RMB

2,000 thousand, and pay the property management fee of RMB 2,914 thousand with a penalty of RMB 500 thousands.

Since China Capital has never signed the “House Leasing Contract” and “Property Management Service Contract” with Nanjing Zunjie Co. in 2012 and 2013, nor leased and used the property with account transaction with FX Nanjing The two contracts are sealed with "China Capital" and the signature of " Hou, Tsun-Chung". After verifying, the seal is not the official seal of China Capital currently in legal and official operation; the preliminary judgment shows that it is the seal possessed by the former in-charge person Hou, Tsun-Chung, and CHINA CAPITAL has claimed that this seal is invalid already.

Because China Capital is not the actual renter of this case, it does not possess and use the property, and the property of this case has been rented and used by FX Shanghai and Nanjing Jiangning since 2012, so China Capital, needs not to pay any fees and take any responsibility to FX Nanjing This lawsuit case was court-handled on June 20, 2018, and FX Nanjing submitted the application of withdrawal of the indictment. The Court accepted and agreed to withdraw this case.

6. Boutix Suzhou is currently a hotel property leased by Suzhou High-Tech Tourism Industry Group Co., Ltd (hereinafter: the Suzhou High-Tech Tourism) (located at No. 379, Changjiang Road, Hi-Tech District, Suzhou City), due to the fact that the government announced this address as is under demolition and relocation, Suzhou High-Tech Tourism unilaterally sent a cancellation notice of the lease contract to Boutix Suzhou on January 22, 2018, forced to terminate the lease contract under the circumstance that both parties haven’t negotiated on the compensation of demolition and relocation, and Boutix Suzhou has made a lawsuit in the Suzhou City Huqiu District People's Court on March 5, 2018 against Suzhou High-Tech Tourism claiming that it had terminated the lease relationship with Boutix Suzhou and asking Boutix Suzhou to return the house and pay the relevant liquidated damages.

   Since the force majeure such as government demolition may result in the lease contract being unable to continue to be performed. Both parties can confirm the specific time for contract termination and removal by negotiation. If the negotiation fails, it must be decided by a court judgment. Therefore, for the fact that Suzhou High-Tech Tourism unilaterally claimed that the contract was ended on January 22, 2018 and the compensation that Boutix Suzhou fails move out. Boutix Suzhou believes that the claim cannot hold legally.

   This case charged from Suzhou High-Tech Tourism was rejected by the Jiangsu Provincial Intermediate People's Court on June 11, 2018 in (2018) Su 05 Final No. 598 Judgment, which is the final judgment.

7. Kitchen X originally leased space from FX Taiwan to operate the restaurant and provide FX Taiwan breakfast. Due to the unsuccessful rent negotiations between the two parties since November 2015, the lease contract has changed to a non-scheduled lease. The original Kitchen X has returned the restaurant to FX Taiwan in April 2017; yet, Kitchen X took the illegal contract to go on running the restaurant in June 2017 without paying rent to FX Taiwan. FX Taiwan has rejected Kitchen X to run the restaurant and made a lawsuit in the Shilin District Court on June 12, 2018, asking Kitchen X to pay the rent of NT$ 5,390 thousand back to FX Taiwan. Yet, Kitchen X has made a lawsuit in Taipei District Court on June 14, 2018 asking FX Taiwan to pay the unpaid breakfast supply cost and restaurant operating blockage loss of Kitchen X made from FX Taiwan, NT$ 8,609 thousands in total. Taipei District Court now is currently under trial process by Pei-Yuan-Chung-Min-Chen 2018 Chung-Su-Tzu No. 705.

8. Suzhou Domi Maternal and Child Care Service Co., Ltd. (hereinafter: the Suzhou Domi Co.) and Boutix Suzhou signed a lease contract on January 6, 2016 (rental period: April 1, 2016 to March 31, 2021), Suzhou Domi Co. rented a space to run a healthy life business. Later, Boutix Suzhou was levied and demolished by the government and thus Suzhou Domi Co. could not operate. Suzhou Domi made a compensation agreement with Boutix Suzhou according to the relevant assessment report. Before the two parties reached an agreement, Suzhou Domi Co. sued Boutix Suzhou that it did not receive compensation and asked Boutix Suzhou to pay compensation of RMB 2,402 thousand. The Huqiu District People's Court of Suzhou City, Jiangsu Province began to handle this lawsuit case on December 26, 2018 by (2018) Su 0505, No. 4271.

10. <u>LOSSES DUE TO MAJOR DISASTERS</u>：None.

11. <u>SIGNIFICANT SUBSEQUENT EVENTS</u>：

The management of the company in the first quarter of 2019 review the operating efficiency of the leasehold improvement. In order to reasonably reflect the economic benefits of the asset, FX Hotels and subsidiaries intend to extend the service life of some major leasehold improvements after reassessed the economic durability by the appraiser. The company and its subsidiaries will apply the extend service life from the first quarter of 2019, and which have been approved by the Board of Directors on March 28, 2019. This estimated change is expected to decrease the depreciation expense NT 50,365 thousands in 2019.

12. OTHER MATTERS

（一） 1) The housing lease contract lawsuit made between China capital, and Yuetan Commercial Investment Co., Ltd. (in Tianjin City) (hereinafter: the Yuetan Co.), which is the subsidiary of the Company, gains a judgment by the Second Intermediate People's Court of Tianjin by (2016) Jin 02 Final No. 4893 on March 16, 2017, asking Yuetan Co. to return RMB 641 thousands rental bond and RMB 2,469 thousands rent to China capital; the case is thus finalized.

2) Hou, Tsun-Chung, the former operation in-charge person, run and signed the following agreements without the Company’s authorization that cause damages to the Company and FX Taiwan:

A、On June 20, 2017, signed a contract termination agreement with Kinmen Resort Co., Ltd.

B、On May 31, 2017, signed a contract termination agreement with Yehliu Resorts Co., Ltd.

C、On June 1, 2017, signed a contract termination agreement with Kenting Resort Co., Ltd.

D、On June 1, 2017, signed a house leasing contract with Kitchen X and the supplement agreement on July 1, 2017.

E、On September 1, 2017, signed a perennial legal counsel service contract with CHU & HSU Attorneys at Law.

The aforesaid cases have caused damages to the Company and FX Taiwan. The Company and FX Taiwan have already applied for relevant lawsuits. In addition to legal compensation, for the relevant account of the aforesaid contracts, FX Taiwan has proposed NT$ 42,681 thousands in bad debts and NT$4,400 thousands misc. expenses.。

3) Since the original building of Boutix Nanjing needs to be demolished, Nanjing High-tech Industrial Development Land Zone had signed the respective compensation agreement on November 3, 2017, Boutix Nanjing accepts RMB 4,603 thousands as the relocation compensation. The relocation shall be completed by December 15, 2017. Boutix Nanjing has recognized the loss of property, plant and equipment loss of RMB 2,286 thousands (about NT$10,301 thousand) in fiscal year 2017. Disposal of property, plant and equipment was RMB 13,121 thousands (approximately NT$59,123 thousands) and

other income was RMB 4,603 thousands (approximately NT$20,945 thousand).

4) Boutix Suzhou was relocated due to the demolishing of original building. Therefore, Suzhou High-Tech Tourism Industry Group Co., Ltd reached a relocation compensation agreement on June 12, 2018. Boutix Suzhou accepted RMB 26,979 thousands in compensation and agreed to complete the relocation by June 30, 2018. In Q3 of 2018, Boutix Suzhou disposes the property, plant and equipment losses of RMB 12,474 thousand (approximately NT$57,317 thousand) and RMB 26,979 thousands (approximately NT$123,967 thousands) of other income.

（二） Significant assets and liabilities denominated in foreign currencies

The following information was aggregated by the foreign currencies other than the functional currencies of the Company's entities and the exchange rates between foreign currencies and respective functional currencies are disclosed. The significant assets and liabilities denominated in foreign currencies are as follows:

December 31,2018

	Foreign currency（Thousand dollar）	rates	Carrying amount
Financial assets			
Monetary items			
USD	$ 0.7	6.8632 (USD：CNY)	$ 22
USD	0.6	30.7150 (USD：TWD)	18
HKD	6	1.1414 (HKD：CNY)	23
JPY	10	0.2782 (JPY：CNY)	3
SGD	0.1	22.4800 (HKD：CNY)	2
TWD	1	4.4753 (TWD：CNY)	1
			$ 69
Financial liabilities			
Monetary items			
USD	$ 8,946	6.8632 (USD：CNY)	$ 274,762
USD	1,397	30.7150 (USD：TWD)	42,909
HKD	370	1.1414 (HKD：CNY)	1,451
SGD	736	22.4800 (SGD：TWD)	16,545
TWD	198,552	4.4753 (TWD：CNY)	198,552
			$ 534,219

December 31,2017

	Foreign currency（Thousand dollar）	rates	Carrying amount
Financial assets			
Monetary items			

USD	$ 5	6.5342	(USD：CNY)	$ 159
USD	0.3	29.7600	(USD：TWD)	12
HKD	5	1.1853	(HKD：CNY)	21
TWD	67	4.546	(TWD：CNY)	67
				$ 259

Financial liabilities				
Monetary items				
USD	$ 10,626	29.7600	(USD：CNY)	$ 316,230
USD	1,397	29.7600	(USD：TWD)	41,575
				$ 357,805

The Company in 2018 and 2017 Loss (gain) on foreign exchange are (29,247)thousands and 30,337 thousands.It is impractical to disclose net foreign exchange gains or losses by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the Company’s entities.

13. ADDITIONAL DISCLOSURES

a. Information on significant transactions:

1)Financing extended to other parties: pleaes refer to Table 1.

2)Endorsements/guarantees provided to other parties: pleaes refer to Table 2.

3)Marketable securities held（does not include investment subsidiaries, affiliates and joint venture control）。 pleaes refer to Table 3.

4)Marketable securities acquired and disposed of at costs or prices of at least NT$300 million or 20% of the paid-in capital: None.

5)Acquisition of individual real estate properties at costs of at least NT$300 million or 20% of the paid-in capital：None.

6)Disposal of individual real estate properties 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 of at least NT$100 million or 20% of the paid-in capital: None.

8)Receivables from related parties of at least NT$100 million or 20% of the paid-in capital:None.

9)Trading in derivative instruments: None.

10) Business relationships between the parent and the subsidiaries: pleaes refer to Table 4.

b. Information on investees:

Names,locations and other information of investee companies： pleaes refer to Table 5.

c. Information on investment in Mainland China：

1) The names of investees in Mainland China, the main businesses and products, issued capital, method of investment, information on inflow or outflow of capital, ownership, net income or loss and recognized investment gain or loss, ending balance, amount received as earnings distributions from the investment, and limitation on investment : Table 6.

2) Significant direct or indirect transactions with the investee companies, the prices and terms of payment, unrealized gain or loss： Table 1 and Table 2.

a) Ending balance and percentage of purchases and percentages and related payables。

b) The closing amount and percentage of the sales amount and the related receivables.

c) The amount of the property transaction and the amount of profit or loss it generates.

d) The endorsement of the notes guarantees or provides the closing balance of the collateral and its purpose.

e) The highest balance, ending balance, interest rate range and total interest for the current period.

f) Other transactions that have a material impact on the current profit or loss or financial position, such as the provision or receipt of services.

14. SEGMENT INFORMATION

Information provided to key operational decision makers to allocate resources and assess departmental performance, focusing on the types of products or services that are delivered or provided. The reporting department of the Company is engaged in hotel operations and property management business.

a. Departmental revenue and operating results

The income and operating results of the company's continuing business units are analyzed according to the reporting department as follows:

	Hotel management	Property management	total
2018			
External customer	$ 621,639	$ 22,850	$ 644,489
Inter-company	46,151	-	46,151
Departmental income	$ 667,790	$ 22,850	690,640
Internal write off			(46,151)
Consolidated income			$ 644,489
Department profit and loss	($ 110,101)	($ 8,408)	($ 118,509)
Segment assets	$ 982,976	$ 21,449	$ 1,004,425

	Hotel management	Property management	total
2017			
External customer	$ 724,042	$ 33,120	$ 757,162
Inter-company	12,825	-	12,825
Departmental income	$ 736,867	$ 33,120	769,987
Internal write off			(12,825)
Consolidated income			$ 757,162
Department profit and loss	($ 132,683)	$ 3,601	($ 129,082)
Segment assets	$ 1,116,707	$ 21,451	$ 1,138,158

Departmental interests refer to the profits earned by each department. They do not include the headquarters management costs and directors' compensation, interest income, other income, disposal of property, plant and equipment gains and losses, disposal of investment gains and losses, loss of foreign currency exchange (interest), Financial instruments evaluate profit and loss, financial costs, and income tax expenses. This measure is provided to the chief operating decision maker to allocate resources to the department and to measure its performance.

FX Hotels Group Inc. and Subsidiaries

FINANCING EXTENDED TO OTHER PARTIES

For the year ended 31 December 2018

Table 1

Unit: Except as otherwise indicated
In thousand of New Taiwan dollar

No. (Note1)	Lending Company	Borrowing Company	Financial Statement Account	Related Parties	Maximum Balance for the Period	Ending Balance	Drawdown Amounts	Interest Rate	Nature of Financing (Note2)	Transaction Amounts	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Lending Limit for Each Borrowing Company (Note4, 5)	Lending Company's Lending Amount imits (Note3、5)	Note
													Item	Value			
0	FX Hotels	FX Taiwan	Other receivables	Yes	$ -	$ -	$ -	-	2	$	Operation requirements	$ -	—	$	$ 16,683	$ 16,683	—
0	FX Hotels	FX HK	Other receivables	Yes	59,000	400	59,480	-	2		Operation requirements	-	—		16,683	16,683	—
0	FX Hotels	China Capital.	Other receivables	Yes	300	-	-	-	2		Operation requirements	-	—		16,683	16,683	—
0	FX Hotels	FX Shanghai	Other receivables	No	-	-	2,615	-	2		Operation requirements	-	—		16,683	16,683	—
2	China Capital	FX Beijing	Other receivables	Yes	23,350	22,377	1,436	-	2		Operation requirements	-	—		497,292	497,292	—
2	China Capital	Boutix Nanjing	Other receivables	Yes	88,714	85,031	83,988	-	2		Operation requirements	-	—		497,292	497,292	—
2	China Capital	Boutix Suzhou	Other receivables	Yes	23,350	4,475	-	-	2		Operation requirements	-	—		497,292	497,292	—
2	China Capital	FX Nanjing	Other receivables	Yes	23,350	22,377	2,204	-	2		Operation requirements	-	—		497,292	497,292	—
2	China Capital	FX Shanghai	Other receivables	No	116,752	-	1,436	-	2		Operation requirements	-	—		66,306	497,292	—
3	FX Beijing	China Capital	Other receivables	Yes	69,351	19,691	-	-	2		Operation requirements	-	—		470,502	470,502	—
3	FX Beijing	FX Yansha	Other receivables	Yes	46,234	8,951	8,911	-	2		Operation requirements	-	—		470,502	470,502	—
3	FX Beijing	FX Fushang	Other receivables	Yes	23,117	-	-	-	2		Operation requirements	-	—		470,502	470,502	—
3	FX Beijing	FX Suzhou	Other receivables	Yes	115,585	98,457	96,898	-	2		Operation requirements	-	—		470,502	470,502	—
3	FX Beijing	FX Shenzhen	Other receivables	Yes	79,391	73,843	45,517	-	2		Operation requirements	-	—		470,502	470,502	—
3	FX Beijing	Boutix Nanjing	Other receivables	Yes	23,117	3,133	2,729	-	2		Operation requirements	-	—		470,502	470,502	—
3	FX Beijing	FX Nanjing	Other receivables	Yes	231,171	170,062	169,958	-	2		Operation requirements	-	—		470,502	470,502	—
3	FX Beijing	FX Shanghai	Other receivables	No	23,117	-	1,343	-	2		Operation requirements	-	—		62,734	470,502	—
4	FX Fushang	FX Beijing	Other receivables	Yes	93,401	89,506	87,415	-	2		Operation requirements	-	—		228,822	228,822	—

No. (Note1)	Lending Company	Borrowing Company	Financial Statement Account	Related Parties	Maximum Balance for the Period	Ending Balance	Drawdown Amounts	Interest Rate	Nature of Financing (Note2)	Transaction Amounts	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Lending Limit for Each Borrowing Company (Note4, 5)	Lending Company's Lending Amount imits (Note3、5)	Note
													Item	Item			
5	FX Yansha	FX Beijing	Other receivables	Yes	23,350	22,377	-	-	2		Operation requirements	-	—		128,115	128,115	—
6	FX Taiwan	FX Hotels	Other receivables	Yes	30,000	-	-	-	2		Operation requirements	-	—		20,875	20,875	—
7	Boutix Suzhou	FX Beijing	Other receivables	Yes	93,401	89,506	72,962	-	2		Operation requirements	-	—		435,318	435,318	—
7	Boutix Suzhou	FX Yansha	Other receivables	Yes	59,460	59,969	59,969	-	2		Operation requirements	-	—		435,318	435,318	—

Note1：The description of the number column is as follows:
(1)The issuer fills in 0
(2) The invested company is numbered sequentially by the Arabic number 1 according to the company.

Note2：Those who have business contacts are 1, and those who have short-term financing funds fill in 2。

Note3：The maximum amount is 40% of the net value of the leading company.

Note4：For those who are deemed necessary for the short-term financing of the board of directors of a single enterprise, the capital loan limit and the limit shall not exceed 40% of the current net value of the lending company.

Note5： FX Hotels lends to subsidiaries that directly and indirectly hold 100% of the voting shares and FX Taiwan, which is not limited to 40% of the current net value of the lending company; And the loan between the foreign subsidiaries that indirectly holds 100% of the voting shares is limited to three times the net value of the lending company.

FX Hotels Group Inc. and Subsidiaries

ENDORSEMENT/GUARANTEE PROVIDED TO OTHER PARTIES

For the year ended 31 December 2018

Table 2

Unit: Except as otherwise indicated
In thousand of New Taiwan dollar

No. (note1)	Company Providing Endorsements/ Guarantees	Receiving Party		Limits on Endorsements/ Guarantees Amount Provided to Each Entity (Note3)	Maximum Balance for the Period	Ending Balance	Drawdown Amounts	Amount of Endorsements/ Guarantees Collateralized by Property	Ratio of Accumulated Endorsements/ Guarantees to Net Worth of the Guarantor (%)	Maximum Endorsements/ Guarantees Amount Allowable	Guarantee Provided by Parent Company	Guarantee Provided by a Subsidiary	Guarantee Provided to Subsidiaries in Mainland China	Note
		Name	Nature of Relationship											
0	FX Hotels	FX Taiwan	2	$ 62,561	$ 190,626	$ 10,626	$ 10,626	$ -	25	$ 62,561	Y	N	N	
1	China Capital	FX Beijing	3	62,561	23,350	-	-	-	-	62,561	N	N	Y	

Note1：The description of the number column is as follows:

(a) The issuer fills in 0
(b) The invested company is numbered sequentially by the Arabic number 1 according to the company.

Note2：There are the following six types of relationship between the endorsement guarantor and the endorsed object:

(a)A company with a business relationship.
(b)A subsidiary that directly holds more than 50% of the common stock.
(c)The parent company and the subsidiary hold the common stock with more than 50% of the invested company.
(d)For parent companies that indirectly hold more than 50% of the common stock directly or through subsidiaries.
(e)A company that is mutually protected under contractual requirements based on the needs of contracting engineering.
(f)A company that is endorsed by each of the contributing shareholders in accordance with their shareholding ratio because of the joint investment relationship.

Note3：FX Hotels' endorsement guarantee between the subsidiaries that directly and indirectly hold 100% of the voting shares and the subsidiaries that directly and indirectly hold 100% of the voting shares of the company shall not exceed 1.5 times the net value of the latest financial statements of the company.The total amount of endorsement guarantees shall not exceed 1.5 times the net value of the company.

FX Hotels Group Inc. and Subsidiaries

MARKETABLE SECURITIES HELD

December 31,2018

Table 3

Unit: Except as otherwise indicated
In thousand of New Taiwan dollar

Investing Company	Marketable Securities Type and Name	Relationship with the Securities Issuer	Financial Statement Account	December 31,2018				Note
				Shares	Carrying Value	Percentage of Ownership %	Fair Value	
FX Taiwan	The Treasure Land Resort Hotel	-	Non-current financial assets at fair value through other comprehensive income	1,000,000	$ -	2.63%	$ -	All allowances have been provided

FX Hotels Group Inc. and Subsidiaries

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS

For the year ended 31 December 2018

Table 4

Unit: Except as otherwise indicated
In thousand of New Taiwan dollar

No. (note1)	Company Name	Counter Party	Nature of Relationship (note2)	Transaction Detai			
		Name		Account	Amount	Transaction Terms	Percentage of Consolidated Total Operating Revenues or Total Assets (note 3)
0	FX Hotels	FX HK	1	Other receivables	100,369	General business practices	9.98%
		FX Hotels' Taipei office	1	Other receivables	72,329	General business practices	7.19%
1	FX Fushang	FX Beijing	3	Other receivables	84,729	General business practices	8.43%
		FX Shenzhen	3	Advertising cost	4,475	General business practices	0.69%
		FX Suzhou	3	Training, Advertisement, Consultant	7,239	General business practices	1.12%
2	FX Beijing	FX Shenzhen	3	Other receivables	45,516	General business practices	4.53%
		FX Suzhou	3	Other receivables	96,897	General business practices	9.64%
		FX Nanjing	3	Other receivables	169,957	General business practices	16.90%
3	China Capital	Boutix Nanjing	3	Other receivables	83,988	General business practices	8.35%
4	Boutix Suzhou	FX Yansha	3	Other receivables	59,969	General business practices	5.96%
		FX Beijing	3	Other receivables	72,962	General business practices	7.26%
		China Capital	3	Administrative expenses	17,879	General business practices	2.77%
		China Capital	3	Administrative expenses	11,128	General business practices	1.73%
5	FX Yansha	FX Nanjing	3	Training, Advertisement, Consultant	7,051	General business practices	1.09%

Note1：The business transactions between the Company and its subsidiaries should be indicated in the numbering column respectively. The method of filling in the numbers is as follows:

(a) The company fills in 0.
(b) Subsidiaries are numbered sequentially by the Arabic number 1 according to the company.

Note2：There are three types of relationship with the trader, and the type of mark can be used. (If it is the same transaction betwe en the parent company or each subsidiary, there is no need to repeat the disclosure. For example, the parent company's transaction to the subsidiary, if the parent company has been exposed, Then the part of the subsidi ary does not need to be repeatedly disclosed; if the subsidiary's transaction to the subsidiary is disclosed, then the subsidiary does not need to disclose it repeatedly:

(a) FX Hotel to subsidiary.
(b) Subsidiary to FX Hotels.
(c) Subsidiary to subsidiary.

Note3：The transaction amount accounts for the calculation of the combined total revenue or total assets ratio. In the case of assets and liabilities, the ending balance is calculated as the total assets. If it is a profit or loss item, the accumulated amount in the period accounts for the total combined rev enue. Calculation.

Note4：The above transactions have been fully written off in the preparation of the consolidated financial statements.

FX Hotels Group Inc. and Subsidiaries

NAMES, LOCATIONS AND RELATED INFORMATION OF INVESTEES ON WHICH TWM EXERCISED SIGNIFICANT INFLUENCE

For the year ended 31 December 2018

Table 5

Unit: Except as otherwise indicated
In thousand of New Taiwan dollar

Investor	Investee	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2018			Net Income (Loss) of the Investee	Investment Income (Loss)	Note
				December 31, 2018	December 31, 2017	Shares	Percentage of Ownership %	Carrying Value			
FX Hotels	FX HK	Hong Kong	Investment holding	$ 643,458	$ 654,846	170,775,737	100%	$ 289,286	$ 5,613	$ 5,613	Subsidiary
FX Hotels	FX Taiwan	Taiwan	International business hotel	255,000	255,000	25,500,000	100%	52,188	(52,304)	(52,304)	Subsidiary

FX Hotels Group Inc. and Subsidiaries

INVESTMENTS IN MAINLAND CHINA

For the year ended 31 December 2018

Table 6

Unit: Except as otherwise indicated
In thousand of New Taiwan dolla

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type (Note 1)	Accumulated Outflow of Investment from Taiwan as of January 1, 2018	Investment Flows		Accumulated Outflow of Investment from Taiwan as of Decemberr 31, 2018	Net Income (Loss) of Investee	% Ownership through Direct or Indirect Investment	Investment Income (Loss)	Carrying Value as of December 31, 2018	Accumulated Inward Remittance of Earnings as of December 31, 2018	Note
					Outflow	Inflow							
FX BEIJING	Hotel management	$ 398,241	2	$ 176,726	-	-	$ 176,726	$ 9,631	100%	$ 9,631	$ 156,834	$ -	Note 2
CHINA CAPITAL	Hotel management	210,731	2	165,937	-	-	165,937	4,468	100%	4,468	165,764	-	Note 2
BOUTIX SUZHOU	International Business Hotel	320,844	2	-	-	-	-	237	100%	237	145,106	-	Note 2
BOUTIX NANJING	International Business Hotel	13,672	2	-	-	-	-	(3,674)	100%	(3,674)	(77,673)	-	Note 2
FX NANJING	International Business Hotel	2,238	3 (Note 4)	-	-	-	-	(11,994)	100%	(11,994)	(57,640)	-	Note 2
FX FUSHANG	International Business Hotel	5,370	3	-	-	-	-	8,142	100%	8,142	76,274	-	Note 2
FX YANSHA	International Business Hotel	19,260	3	-	-	-	-	3,701	100%	3,701	42,705	-	Note 2
FX SHENZHEN	International Business Hotel	4,475	3	-	-	-	-	20,465	100%	20,465	(45,099)	-	Note 2
FX SUZHOU.	International Business Hotel	4,475	3	-	-	-	-	(5,561)	100%	(5,561)	(62,040)	-	Note 2

Accumulated Investment in Mainland China as of December 31, 2018	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment Authorized by Investment Commission, MOEA
$342,663	Note 3	Note 3

Note1：The investment types are as follows：

(a) Direct investment in Mainland China.
(b) Through investing in the third area（Please indicate the investment company in the third region）.
(c) Others.

Note 2：Calculate gain or loss on investment according to the financial report audited by the accountant in the same period.

Note 3：It is a foreign company and not applicable.

Note 4：Originally go straight to China to engage in investment. Due to organizational adjustment on October 19, 2017, FURAMAXPRESS held 100% shares of NANJING JI ANGNING, please refer to note 6 (6).

V. Individual Financial Statements of the Latest Year Audited and Certified by CPAs But not including the statements of major accounting items: The Company has already prepared the consolidated financial statements for the parent and subsidiaries and, therefore, not applicable.

VI. Impacts of Latest Financial Difficulties Encountered by the Company and Its Associated Enterprises on Company's Financial Standing in the Most Recent Year and Up to the Date the Annual Report Was Printed: None.

Seven. Discussion and Analysis of Financial Standing and Financial Performance and Risks

I. Financial Status

The main reasons for any material change in the company's assets, liabilities, or equity during the past 2 fiscal years, and describe the effect thereof. Where the effect is of material significance, the annual report shall describe the measures to be taken in response in the future.

Unit: NTD thousand; %

Year / Item	2017	2018	Variance	
			Amount	%
Current assets	227,794	282,163	54,369	23.87
Investment	0	0	0	0.00
Real estate, plants and equipment	766,589	575,259	(191,330)	(24.96)
Intangible assets	2,758	1,944	(814)	(29.51)
Other assets	141,017	145,059	4,042	2.87
Total assets	1,138,158	1,004,425	(133,733)	(11.75)
Current liabilities	616,255	431,450	(184,805)	(29.99)
Long-term loans	368,029	435,487	67,458	18.33
Other liabilities	106,725	95,781	(10,944)	(10.25)
Total liabilities	1,091,009	962,718	(128,291)	(11.76)
Capital stock	681,723	681,723	0	0.00
Capital reserve	198,523	198,523	0	0.00
Retained earnings	(841,140)	(835,916)	(5,224)	0.62
Other equities	8,043	(2,623)	-10,666	(132.61)
Total shareholders' equity	47,149	41,707	(5,442)	(11.54)

Descriptions of the main reasons for the variation over 20% in the assets, liabilities, and shareholders' equity with a value reaching $10,000 thousand in the past two years and the impacts:

1. The current assets in 2018 increased compared to those in 2017 primarily because of the increase in the advance payment for rent.
2. Real estate, plants and equipment in 2018 decreased compared to those in 2017 primarily because of the disposal of real estate, plants, and equipment.
3. The current liabilities in 2018 increased compared to those in 2017 primarily because of the integration of borrowings and the resultant decrease in short-term borrowings and increase in long-term ones.
4. Long-term borrowings in 2018 increased compared to those in 2017 primarily because of the integration of borrowings and the resultant decrease in short-term borrowings and increase in long-term ones.
5. Other equities in 2018 decreased compared to those in 2017 primarily because of the retroactively applicable impacts under IFRS9.

II. Financial Performance

Significant changes in operating revenues, operating income and pre-tax income in the last 2 years, the underlying causes and sales forecast and basis thereof, possible financial impacts and responsive plans.

Unit: NTD thousand; %

Item \ Year	2017	2018	Variance	
			Amount	%
Operating revenue	757,162	644,489	(112,673)	(14,88)
Operating cost	645,157	602,599	(42,558)	(6.60)
Gross operating profit	112,005	41,890	(70,115)	(62.60)
Operating expenses	241,087	160,399	(80,688)	(33.47)
Other gains, expenses and losses	0	0	0	0
Operating income (loss)	(129,082)	(118,509)	10,573	(8.19)
Non-operating income and expenditure	(106,600)	117,473	224,073	(210.20)
Net profit (loss) before tax	(235,682)	(1,036)	234,646	(99.56)
Net profit (loss) after tax	(245,593)	(4,248)	241,345	(98.27)

Ratio of variation in increases/decreases exceeds 20% and the variation amount reaches $10,000 thousand:

1. The operating gross profit in 2018 decreased compared to that in 2017 primarily because of the dropping average room price of some hotels.
2. The operating expenses of 2018 decreased compared to those in 2017 primarily because of the reduction in the impairment receivable.
3. The non-operating income in 2018 increased compared to that in 2017 primarily because of the increase in income from relocation compensation and net profit obtained from disposing of operating assets in 2018.
4. The before-tax net loss in 2018 decreased compared to that in 2017 primarily because of the reduction in net operating loss and the increase in non-operating income in 2018
5. The after-tax net loss in 2018 decreased compared to that in 2017 primarily because of the reduction in net operating loss and the increase in non-operating income in 2018

III. Cash Flows

(I) Information on the Analysis of Changes in Cash Flows in the Most Recent Year and the Insufficient Liquidity Improvement Plan

Currency Unit: NTD 1,000

Item \ Year	2017	2018	Percentage increase (decrease)
Net cash inflow (outflow) from operating activities	89,453	41,392	(53.72)
Net cash inflow (outflow) from investing activities	89,690	(4,352)	(104.85)
Net cash inflow (outflow) from financing activities	(157,692)	(39,815)	74.75

Explanation of variations in the ratios of increase and decrease: (unnecessary if the variation was less than 20%)

1. The net cash inflows from operating activities in 2018 decreased compared to those in 2017 primarily because of the increase in the advance payment for rent.
2. The net cash outflows from operating activities in 2018 increased compared to those in 2017 primarily because of the reduction in other financial assets.
3. The net cash outflows from financing activities in 2018 decreased compared to those in 2017 primarily because of the reduction in the advance payment for rent in 2018.

(II) Analysis of Cash Liquidity in the Coming Year

Currency Unit: NTD 1,000

Cash balance in the beginning of term (1)	Projected Annual Net Cash Flow From Operating Activities (2)	Projected Cash Inflow (outflow) from Investment and Fund-raising Activities	Projected Cash Surplus (deficit) (1)+(2)-(3)	Financing of cash deficits	
				Investment project	Wealth management project
47,545	32,000	(20,000)	59,545	Not applicable	Not applicable

1. Analysis of Cash Flow Changes of This Year:
(1) Operating activities: The Company's operation has been stabilizing and it is expected that operating activities will bring about net cash inflows.
(2) Investment activities: In order to enhance its operational performance, the Company plans to dispose of operation sites with relatively undesirable compositions.
(3) Financing activities: The Company will continue to dispose values in order to proactively pay back loans and to successfully reduce the financial cost.
2. Responsive measures and liquidity analysis on cash flow deficits: Not applicable.

IV. Impacts of Latest Major Capital Expenditure on Financial Operation: Not applicable.

V. Main Reasons for Profits or Losses of Latest Reinvestment Policy, Improvement Plan, and Investment Plan for the Coming Year:

Currency Unit: NTD 1,000

Item \ Description	2018 Investment Gain or Loss	Policies	Main Causes of Profit or Loss	Corrective action plan	Other upcoming investment plans
FX HOTELS MANAGEMENT INTERNATIONAL LIMITED. FX HOTELS MANAGEMENT INTERNATIONAL LIMITED (HK)	5,613	Holding company that deals with re-investments indirectly.	The profits for the current term are contributed to income from relocation compensation and the net profit from disposing of operating assets.	-	Depending on the situation
FURAMAXPRESS HOTEL MANAGEMENT AND DEVELOPMENT(BJ) CO., LTD.	9,631	Holding company that deals with re-investments indirectly.	The profits for the current term are contributed to the net profit from disposing of operating assets.	-	Depending on the situation
CHINA CAPITAL MANAGEMENT GROUP INC.	4,468	Holding company that deals with re-investments indirectly.	The profits of the current term are the result of the increase in franchise income.	-	Depending on the situation
TAIWAN FX HOTELS COMPANY LIMITED.	(52,304)	Hotel Management	Impairment of the current term is the result of recession in the tourism industry and impacts from depreciation.	-	Depending on the situation

VI. Analysis and evaluation of risk matters in the most recent year up to the date the Annual Report was printed

(I) Impacts of changes in interest rate and exchange rate and inflation on the Company's profits and losses and countermeasures in the future

1. Change in interest rate
   Under the principle of strengthening its financial structure, the Company has secured mid−to−long−term financing limits and preferred interest rates with financial institutions and hence it is expected that the financial cost may be reduced. Therefore, the change in interest rate will not significantly impact the Company.
2. Change in exchange rate
   (1) The Group mainly runs chained hotels in Mainland China and in Taiwan. Daily operations rely on the local currency of each subsidiary as the primary functional currency and hence there is nearly no demand for foreign exchange. Exchange in foreign currency may be needed because of the international travelers received by the hotels. The Group signs agreements with banks over authorized exchange involving foreign currencies. Foreign currencies are exchanged into RMB or NTD according to the exchange rate agreed upon. Therefore, there is no risk associated with the changing exchange rate yet. Related raw materials and commodities needed for hotel operations, on the other hand, are primarily purchased from suppliers in the locality of the operation site. There are no external purchases, either. Therefore, changing exchange rates do not have significant impacts on the daily operations of the Group.
   (2) The Group mainly operates in Mainland China and in Taiwan. Related primary capital demand and assets are in RMB and NTD. The Group's capital increase takes place mainly in NTD. The botained capital is devoted to the operation site within a short term in order to meet the operational demand. The holding period is short. All the subsidiaries of the Group in Mainland China are legitimately registered and established. Capital increase is approved by the local relevant department prior to importation of funds, too. Settlement is also completed according to the laws and regulations in Mainland China. Generally speaking, it can be settled into RMB in 1 to 3 months. The holding period for foreign exchange is shorter. In other words, impacts of the changing exchange rate on the Group are limited.
   (3) For the source of funding, besides capital increase in New Taiwan Dollar, the Group mainly borrows from local banks in Mainland China and in Taiwan in the local currency for major capital expenditure and temporary working capital.
   (4) Countermeasures
      A. Financial staff maintains suitable foreign exchange positions whenever it is considered appropriate according to the future foreign exchange rate in order to meet the operating demand of each subsidiary within the Group and to reduce impacts of the exchange rate on the Company's profitability.
      B. Keep in close contact with primary corresponding banks to keep track of changes on the foreign exchange market at any time and to provide the information to related supervisors so that they can take full control over the changing trends in exchange rate and can adequately modify in response to incidental collection and payment conditions.

3. Inflation

The industry that the Company is in is closely related to spending on daily necessities and the primary markets are Mainland China and Taiwan. The economy in China, however, is still under the influence of global economic performance. The global economy is recovering and regaining its momentum after the financial storm. Governments around the world are devoted to relaxing their monetary policies to help vitalize the market and to make the recovering pace long−lasting. Some countries, however, find it difficult to reduce and address their outstanding debts within a short period of time given the size. In order to prevent against the inflation stress caused by excessive financial surplus, governments have also turn to increase their interest rate. Therefore, the road to recovery is still in a haze. The China Government has also begun to belt−tighten its monetary supply in light of the non−stopping speculation fad on the housing market and in the face of the inflation stress, which adds variables to its future economic growths. It may also affect spending on daily necessities and accordingly restrict the growth in revenue and profitability of the Company. The plan of the Company to proactively explore new market possibilities continues in order to address the risk associated with changing economic performances in the future.

(II) Policy on engaging in high−risk and high−leverage investments, lending of funds to others, endorsement and guarantee, and transactions of derivatives, main profit or loss factors, and countermeasures in the future

1. The Group is devoted exclusively to running its own businesses and is not engaged in high−risk, high−leverage investments and transactions of derivatives.
2. The lending of funds or endorsement and guarantee of respective companies within the Group in order to meet the operational capital demand has been meeting the requirements of applicable procedures of the Group.

(III) Future research and development plans and R&D expenses expected to be devoted: Not applicable.

(IV) Impacts of important domestic and international policies and regulatory changes on the Company's financial performance and the countermeasures

The Group is registered in Cayman Islands and mainly operates in Mainland China and Taiwan. All operations are carried out in compliance with important domestic and international policies and legal requirements and attention is paid to the developmental trends of important domestic and international policies as well as legal changes at any time and to timely cope with changes on the market by adopting appropriate countermeasures. So far, the Group has not been impacted significantly because of changes in important domestic and international policies and laws in terms of its financial operation.

(V) Effects of technological changes and industrial changes on the financial standing of the company and the countermeasures

The tourism industry in Mainland China and Taiwan continues to grow. Both the number of people traveling from outside the country or domestically and the income of hotels are constantly growing. In the long run, the tourism market across the Taiwan Strait attracts many international tourists. The Group increased many international sales channels in real time and maintains optimal collaborative relationships with domestic travel agencies and partners while at the same time constantly improving its quality of service in order to stand out on the competitive market.

(VI) Impacts of changes in the corporate image on the management of corporate risks and the countermeasures

The Group, for years, have been devoted to creating a No. 1 brand among fashionable business hotel chains across the Taiwan Strait. Its unique management beliefs, fashion, technology, and health, and the Group is known for its good image in the industry. It has won numerous awards multiple times. So far, the Group has not experienced any change to its corporate image and undermined corporate image.

(VII) Expected benefits and possible risks of mergers and acquisitions and countermeasures: The Company has not had any merger or acquisition in 2018 to date.

(VIII) Expected benefits and possible risks of the expansion of plants: Not applicable.

(IX) Risks associated with focused purchases or sales and countermeasures

1. Risk assessment of focused purchases

   The Purchase Department of the Group mainly purchases hotel supplies and disposable supplies in guest rooms. There was not much change in primary importation suppliers in the most recent year up to the date the Annual Report was printed and the purchase of primary supplies is supported by several long−term collaborative suppliers that offer relatively steady sources of supplies. The supply is sufficient. Therefore, there are no risks associated with focused purchases to result in the shortage of supply or discontinued supply yet.

2. Risk assessment of focused sales

   In the most recent year, the Group did not have any customer from whom the income of sales accounts for more than 10% of the net operating income and hence there is no risk of focused sales.

(X) Impacts of transfer or exchange of stock options in large quantities by directors, supervisors, or heavyweight shareholders holding more than 10% of all shares on the Company, risks, and the countermeasures: The Company’s directors and large shareholders did not transfer their equities in large quantities in the most recent year up to the date the Annual Report was printed.

(XI) Impacts of the change in the management on the Company, risks, and the countermeasures

The Company did not change its management in the most recent year up to the date the Annual Report was printed. In addition, the Company has reinforced its various governance measures and introduced independent directors in order to enhance the protection over shareholders’ equity as a whole. Meanwhile, since the Company was listed and traded over the counter on May 29, 2012, it has headed towards capital massification. It shares management accomplishments and profits with shareholders. In the future, it is expected that the shareholders will continue to support the Company. Therefore, despite change in management in the future, there will be no major negative impacts on the various management and operation strengths of the Company that will impact the Company undesirably and create risks for the Company.

(XII) Lawsuits and non−lawsuit events. Major lawsuits and non−lawsuits or administrative disputes with a finalized verdict or ongoing proceedings that involve the Company, the Company's directors, supervisors, general managers, actual person in charge, and shareholders holding more than 10% of all shares, and the associated companies shall be listed. If the results are likely to have significant impacts on shareholders' equity or prices of securities, the facts, target value, and start date of the lawsuit, main clients involved, and handling status as of the date of the Annual Report was printed shall be disclosed:

(XIII) Other important risks and countermeasures: Not applicable

VII. Other important matters: None.

Eight. Special Notes

I. Information of Associated Enterprises

(I) Consolidated Business Report of Associated Enterprises

1. Group Framework: Refer to Page 4 for details.
2. Profile of respective associated enterprises:

Unit: NTD 1,000 (NT$)/USD 1,000 (US$)/RMB 1,000 (RMB$)
December 31, 2018

Name of Business	Establishment Date	Address	Paid−in capital size	Main scope of operation or production
FX HOTELS GROUP INC. (Cayman)	Established on January 15, 2002 and name changed on May 7, 2008	British Cayman Islands	NT$681,723	Hotel operation and management
FX HOTELS MANAGEMENT INTERNATIONAL LIMITED (HK)	Established on January 11, 2002 Name changed on June 4, 2008	Hong Kong	US$22,048	Hotel operation and management
FURAMAXPRESS HOTEL MANAGEMENT AND DEVELOPMENT(BJ) CO., LTD.	August 17, 2005	04K, 4th Floor, No. 68, Beisihuanxi Road, Haidian District, Beijing	RMB$88,987	Hotel management, business consultation, technical consultation, technical training, technical service, wholesale of garments and daily supplies, commission dealership (excluding auctions), and imports/exports (Commodities that involve quota license management and professional requirements are to follow applicable national requirements). (For items subject to prior approval required by law, management activities are to be developed according to approved contents once they are approved by the related authority.)

Name of Business	Establishment Date	Address	Paid−in capital size	Main scope of operation or production
CHINA CAPITAL MANAGEMENT GROUP INC.	January 18, 2008	Suite 501, 3rd Floor, No. 39, Maizixi Street, Chaoyang District, Beijing	RMB$47,087	Lodging (excluding high−end hotels, which are to be run by branch offices only), chartered business activities, retail of pre−packaged food for tenants (to be run by branch offices only), flavored drinks prepared and sold on the spot (to be run by branch offices only), hotel management, business consultation, hotel management−related technical training, technical consultation, technical service, providing tenants with the retail service of daily supplies, luggage, and electronic products (to be run by branch offices only). (For items subject to prior approval required by law, management activities may only begin after they are approved by the related authority.)
TAIWAN FX HOTELS COMPANY LIMITED.	December 20, 2010	No. 131, Sec. 3, Nanjing East Road, Zhongshan District, Taipei City	NT$255,000	General hotels, audio−visual entertainment, recreational events venues, contest and recreational sports venues, lease, general bathrooms, tobacco retail, other dining businesses, beverage stores, real estate lease, management consulting, food, groceries, and drinks retail, drinks manufacturing, other comprehensive retail, other recreational service, conference and exhibition service, floral design, floral retail, floral wholesale, sauna, international trade, parking lot management, department stores, supermarkets, residential and office building development and lease, bakery and food manufacturing, paradise, daily supplies retail, weight loss and beauty salons, convenience stores, information leisure, housekeeping, warehousing, and other businesses than licensed ones that are not prohibited or restricted by laws and regulations.
BEIJING FUSHANG CO., LTD. Co., Ltd.	September 14, 2005	Unit 1, 4th Floor of Shuangqiao Building, No. 68, Beisihuanxi Road, Haidian District, Beijing	RMB$1,200	Lodging (excluding high−end hotels), wholesale, shaping, and packaging of food and beverages, hotel management, technical service, wholesale of daily necessities, luggage, and electronic products (the enterprise may choose its own scope of operation according to law and develop the management activities. For items subject to prior approval required by law, management activities are to be developed according to approved contents once they are approved by the related authority. Management activities prohibited and restricted by the industrial policy are disallowed.)

Name of Business	Establishment Date	Address	Paid−in capital size	Main scope of operation or production
BEIJING YANSHA CO., LTD.	December 7, 2007	Suite 501, 4th Floor, No. 39, Maizixi Street, Chaoyang District, Beijing	RMB$4,304	Lodging (excluding high−end hotels), hotel management, business consultation, technical consultation, technical service, hotel management technique training. (The enterprise may choose its own scope of operation according to law and develop the management activities. For items subject to prior approval required by law, management activities are to be developed according to approved contents once they are approved by the related authority. Management activities prohibited and restricted by the industrial policy are disallowed.)
SUZHOU CO., LTD.	December 18, 2008	No. 938, Ganjiang Road, Suzhou	RMB$1,000	Lodging service Business consultation, hotel management, property management, retail of garments, shoes and hats, luggage, daily necessities, conference affairs (For items subject to prior approval required by law, management activities may only begin after they are approved by the related authority.)
SHENZHEN CO., LTD.	December 21, 2010	1st and 3rd through 10th Floors, No. 1, Meizhou Foreign Trade Building, Aiguo Road, Luohu District, Shenzhen	RMB$1,000	Hotel management; hotels, imports/exports of goods and technologies (excluding those specifically prohibited by and requiring special approval from the government), business consultation, information consultation (excluding talent brokerage, securities, and other restrictions).
Suzhou Hotel One Co., LTD.	September 12, 2005	South Square of Changjiang Road Paradise, High−tech District, Suzhou	RMB$1,692	Lodging, business service, operation of small restaurants (that serve salads and pastries, not raw seafood). Hotel management and operation and management of related package facilities (For items subject to prior approval required by law, management activities may only begin after they are approved by the related authority.)
Boutix Hotel Management and Development (Nanjing) Company Limited	September 9, 2013	No. 18, Lijing Road, High−tech Development Zone, Nanjing	RMB$3,055	Hotel management, dining business administration, business administration, business service, business consultation, investment consultation (Excluding those prohibited by laws and regulations and those that shall be licensed are to be operated with a license.) (For items subject to prior approval required by law, management activities may only begin after they are approved by the related authority.)
NANJING JIANGNING CO., LTD.	July 25, 2014	No. 56, Tianyuan East Road, Jiangning District, Nanjing	RMB$500	Lodging, hotel management, business consultation. (For items subject to prior approval required by law, management activities may only begin after they are approved by the related authority.)

3. Data of common shareholders inferred to that have control or are in a subordinate relationship: None.

4. Industries covered in the scope of operation of associated enterprises as a whole:
The scope of operation of the Company and its associated enterprises includes hotel management, lodging, and business consultation, etc.

5. Profile of directors, supervisors, and general managers of individual associated enterprises:

Unit: NTD 1,000 (NT$)/USD 1,000 (US$)/RMB 1,000 (RMB$); shares.%
December 31, 2018

Name of Business	Title	Name or Representative	Shares Held	
			Number of shares	Holding ratio
FX HOTELS MANAGEMENT INTERNATIONAL LIMITED (HK)	Director	Wei−Yao Huang	170,775,737 −	100% −
	Director	WELLY JAMIN	170,775,737 −	100% −
FURAMAXPRESS HOTEL MANAGEMENT AND DEVELOPMENT(BJ) CO., LTD. (Note 1)	Chairman	WELLY JAMIN	−	−
	Director	Wei−Yao Huang/ Li−Ping Luo	−	−
	Supervisor	Li−Li Han	−	−
	General Manager	Wei−Yao Huang	−	−
BEIJING FUSHANG CO., LTD. CO., LTD. (Note 1)	Executive director	WELLY JAMIN	−	−
	Supervisor	Wei−Yao Huang	−	−
	General Manager	WELLY JAMIN	−	−
BEIJING YANSHA CO., LTD. (Note 1)	Chairman	Wei−Yao Huang	−	−
	Director	WELLY JAMIN/ Li−Ping Luo	−	−
	Supervisor	Li−Li Han	−	−
	General Manager	Wei−Yao Huang	−	−
SUZHOU CO., LTD. (Note 1)	Executive director	WELLY JAMIN	−	−
	Supervisor	Yan Gao	−	−
CHINA CAPITAL MANAGEMENT GROUP INC. (Note 1)	Chairman	WELLY JAMIN	−	−
	Director	Wei−Yao Huang/ Li−Ping Luo	−	−
	Supervisor	Li−Li Han	−	−
	General Manager	Wei−Yao Huang	−	−
TAIWAN FX HOTELS COMPANY LIMITED.	Chairman	HOU, CHIA-CHEN	25,500,000	100%
	Director	WELLY JAMIN	25,500,000	100%
	Director	Yang, Chih-Min	25,500,000	100%
	Supervisor	Wei−Yao Huang	25,500,000	100%

Name of Business	Title	Name or Representative	Shares Held	
			Number of shares	Holding ratio
SHENZHEN CO., LTD. (Note 1)	Executive director	WELLY JAMIN	–	–
	Supervisor	Li–Li Han	–	–
	General Manager	WELLY JAMIN	–	–
Suzhou Hotel One Co., LTD. (Note 1)	Executive director	WELLY JAMIN	–	–
	Supervisor	Li–Li Han	–	–
	General Manager	WELLY JAMIN	–	–
Boutix Hotel Management and Development (Nanjing) Company Limited (Note 1)	Executive director	WELLY JAMIN	–	–
	Supervisor	Li–Li Han	–	–
	General Manager	Wei–Yao Huang	–	–
NANJING JIANGNING CO., LTD. (Note 1)	Executive director	WELLY JAMIN	–	–
	Supervisor	Li–Li Han	–	–
	General Manager	Wei–Yao Huang	–	–

Note 1: The companies invested in by the Company in Mainland China are company limited in nature and no shares are involved.

6. Financial condition and operational accomplishments of respective associated enterprises:

Unit: NTD 1,000 (NT$)

Name of Business	Capital size or contribution	Total assets	Total liabilities	Net worth	Operating revenue	Net operating profit (loss)	Profits and losses of current term (after–tax)	Earnings per share (profit or loss) ($) (after–tax)
FX HOTELS MANAGEMENT INTERNATIONAL LIMITED. FX HOTELS GROUP INC. (HK)	643,458	390,250	100,964	289,286	0	(148)	5,613	Not applicable
FURAMAXPRESS HOTEL MANAGEMENT AND DEVELOPMENT(BJ) CO., LTD.	398,241	323,662	166,828	156,834	4,870	(1,546)	9,631	Not applicable
BEIJING FUSHANG CO., LTD. CO., LTD.	5,370	159,541	83,267	76,274	119,782	11,659	8,142	Not applicable
BEIJING YANSHA CO., LTD.	19,260	134,397	91,692	42,705	99,559	5,266	3,701	Not applicable
SUZHOU CO., LTD.	4,475	54,359	116,399	(62,040)	57,861	(5,469)	(5,561)	Not applicable

Name of Business	Capital size or contribution	Total assets	Total liabilities	Net worth	Operating revenue	Net operating profit (loss)	Profits and losses of current term (after−tax)	Earnings per share (profit or loss) ($) (after−tax)
SHENZHEN CO., LTD.	4,475	3,546	48,645	(45,099)	29,259	(7,289)	20,465	Not applicable
CHINA CAPITAL MANAGEMENT GROUP INC.	210,731	267,108	101,344	165,764	93,027	(6,362)	4,468	Not applicable
TAIWAN FX HOTELS COMPANY LIMITED.	255,000	458,917	406,729	52,188	218,465	(56,002)	(52,304)	NT ($2.05)
Suzhou Hotel One Co., LTD.	320,844	161,858	16,752	145,106	20,927	(41,640)	237	Not applicable
Boutix Hotel Management and Development (Nanjing) Company Limited	13,672	9,211	86,884	(77,673)	0	(332)	(3,674)	Not applicable
NANJING JIANGNING CO., LTD.	2,238	124,160	181,800	(57,640)	46,893	(11,952)	(11,994)	Not applicable

(II) Consolidated Financial Statement of Associated Enterprises:
The companies that should be included in the Consolidated Financial Statement of associated enterprises and those that shall be included in the Consolidated Financial Statement of the parent company and its subsidiaries according to IFR 27 are the same and hence the Consolidated Financial Statement of associated enterprises is not prepared separately.

(III) Affiliation Report: Not applicable.

II. Management of private placement securities in the most recent year and up to the date the Annual Report was printed: None.

III. Holding or disposal of the Company's shares by its subsidiaries in the most recent year and up to the date the Annual Report was printed: None.

IV. Information on Major Differences from Requirements for the Protection of Shareholders' Rights: See Page 200 for details.

V. Other Necessary Supplementary Information:

(I) Promises Made upon Trading Over the Counter Follow−up Statement

Promises Made upon Trading Over the Counter	FuIfillment of Promise	Pending Completion
It is promised that it will be added to the Procedure for the Acquisition or Disposal of Assets that "The Company may not give up on capital increases in respective coming years for FX HOTELS MANAGEMENT INTERNATIONAL LIMITED ("FX HK") and TAIWAN FX HOTELS COMPANY LIMITED; FX HK may not give up on capital increases in respective coming years for FURAMAXPRESS HOTEL MANAGEMENT AND DEVELOPMENT(BJ) CO., LTD. (FX BEIJING) and CHINA CAPITAL MANAGEMENT GROUP INC. (CHINA CAPITAL); FX BEIJING may not give up on capital increases in respective coming years for BEIJING FUSHANG CO., LTD. CO., LTD. (Zhongguancun), BEIJING YANSHA CO., LTD. (FX Yansha), SUZHOU CO., LTD. (FX Suzhou), and SHENZHEN CO., LTD. (FX Shenzhen); and in the future; and if the Company has to give up on capital increases for the above−mentioned companies or dispose of stock options in the above−mentioned companies due to strategic considerations or with approval from the Taipei Exchange, special approval by the Board of Directors of the Company is	1. The Company, already in its General Shareholders' Meeting on June 29, 2012, to go with its promises that "The Company may not give up on capital increases in respective coming years for FX HOTELS MANAGEMENT INTERNATIONAL LIMITED ("FX HK"), Shanghai Branch Office (FX Shanghai), and TAIWAN FX HOTELS COMPANY LIMITED; FX HK may not give up on capital increases in respective coming years for FURAMAXPRESS HOTEL MANAGEMENT AND DEVELOPMENT(BJ) CO., LTD. (FX BEIJING) and CHINA CAPITAL MANAGEMENT GROUP INC. (CHINA CAPITAL); FX BEIJING may not give up on capital increases in respective coming years for BEIJING FUSHANG CO., LTD. CO., LTD. (Zhongguancun), BEIJING YANSHA CO., LTD. (FX Yansha), FX Airport Hotels Management and Development (Bijing) Company Limited (FX Airport), SUZHOU CO., LTD. (FX Suzhou), SHENZHEN CO., LTD. (FX ShenzheN); and Hangzhou Milan Fashion Hotel Company Limited (Hangzhou Wulin) in the future; and if the Company has to give up on capital increases for the above−mentioned companies or dispose of stock options in the above−mentioned companies due to strategic considerations or with approval from the Taipei Exchange, special approval by the Board of Directors of the Company is required", approved the revision of some of the Company's Procedure for the Acquisition or Disposal of Assets. 2. The Company already disposed of all of its equities in FX Airport Hotels Management and Development (Bijing) Company Limited, Hangzhou Milan Fashion Hotel Company Limited, and Shanghai Branch Office in June 2015, July 2016, and June 2018, respectively. For the above−mentioned subsidiaries, it was approved by the Taipei Exchange on June 13, 2018 and November 14, 2018 that related promises may be lifted. Special decisions were made through the Board of Directors on August 11, 2015, March 22, 2016, and June 19, 2018.	None.

Promises Made upon Trading Over the Counter	FuIfillment of Promise	Pending Completion
required." And, in cases of revisions made to the said Regulations in the future, such significant information shall be disclosed in the Market Observation Post System and be approved by the Taipei Exchange to be filed for reference.	3. The Company already reported to the Board of Directors on December 20, 2018 that part of the Procedure for the Acquisition or Disposal of Assets will be revised and it will be brought forth separately in the Shareholders' Meeting and discussed further.	
It is promised that specialists shall perform internal audits of FX Beijing, China Capital, Zhongguancun, FX Yansha, FX Suzhou, FX Shenzhen, and FX Taiwan each year after they are listed and traded over the counter.	Related audits have been completed by auditors of FX Beijing, China Capital, Zhongguancun, FX Yansha, FX Airport (Note), FX Suzhou, FX Shenzhen, Hangzhou Wulin (Note), FX Taiwan, and FX Shanghai (Note). Note: The Company already disposed of all of its equities in FX Airport, Hangzhou Wulin, and FX Shanghai in June 2015, July 2016, and June 2018, respectively. For the above−mentioned subsidiaries, it was approved by the Taipei Exchange on June 13, 2018 and November 14, 2018 that related promises may be lifted. Special decisions were made through the Board of Directors on August 11, 2015, March 22, 2016, and June 19, 2018.	None.

Information on Major Differences from Requirements for the Protection of Shareholders' Rights

Important matters on the protection of shareholders' equity	Requirements of the Company Act in Cayman Islands	Requirements of FX Articles of Incorporation in Cayman Islands	Reason for the difference	Impacts on shareholders' equity
1. Important decisions For the following proposals involving major rights of shareholders, attendance by shareholders holding at least two−thirds of the shares in circulation is required and approval needs to be supported by a majority of attending shareholders. When the total number of shares held by attending shareholders does not meet the requirement stated above, attendance by shareholders holding a majority of all shares in circulation may be adopted and approval may be supported by at least two−thirds of attending shareholders. (a) Establishment, change, or termination of all lease operations,	According to the Articles of Incorporation, in principle, a shareholders' meeting shall be attended by shareholders holding at least one−half of the total number of shares in circulation or their proxies. In addition, as informed by the attorney in Cayman Islands, by special resolution in the Cayman Islands Company Act, it means (a) the decision made with approval from at least two−thirds of the votes (or a higher number of votes, if it is established so in the Articles of Incorporation) from shareholders with voting rights in the said shareholders' meeting who attended the meeting in person or through their proxies and the notification on the convening of the said shareholders' meeting has been distributed as required	In order to be distinctive of the special resolution specified in the Cayman Islands Company Act, it is defined in Article 1 of the FX Hotels Articles of Incorporation that supermajority resolution is "the decision supported by a majority of the votes from shareholders who attend the meeting in person or through their proxies and represent at least two−thirds of the total number of shares in circulation of the Company or the decision supported by at least two−thirds of the votes from shareholders who attend the meeting in person or through proxies if it exceeds one half of the total number of shares in circulation of the Company." Descriptions of the scope of application of the two voting methods in FX	As is informed by the attorney in Cayman Islands, regardless whether it is specified otherwise in the FX Hotels Articles of Incorporation or not, the requirements of the Cayman Islands Company Act stated in (2) above will apply to FX Hotels and FX Hotels may not avoid the applicability of the Cayman Islands Company Act by amending its Articles of Incorporation. In order to comply with applicable requirements about special resolution in the Cayman Islands Company Act, the revisions of the Company's Memorandum of Association and Articles of Association are defined to be subject to a special resolution under Article 31 (A) of the Articles of Incorporation and the dismissal of the Company that is subject to a special	As is stated above, Article 32 of the Articles of Incorporation has generally followed the requirements of the Checklist of the Shareholders' Equities by defining matters subject to a supermajority resolution other than the revision of the Articles of Incorporation, dismissal, and merger/consolidation in the Articles of Incorporation while proposals on the revision of the Articles of Incorporation, dismissal, and merger/consolidation need to be handled in accordance with the Cayman Islands Company Act about special resolution, common resolution, or special resolution on merger/consolidation (See the descriptions in Point 2 below). The requirements for attendance and the number

Important matters on the protection of shareholders' equity	Requirements of the Company Act in Cayman Islands	Requirements of FX Articles of Incorporation in Cayman Islands	Reason for the difference	Impacts on shareholders' equity
outsourced management, or frequent shared management contracts, assignment of all or primary parts of operation or properties, acceptance of all parts of business or properties transferred by others, with significant impacts on the Company's operation. (b) Change of the Articles of Incorporation. (c) If change of the Articles of Incorporation undermines the rights of preferred stock shareholders, approval through the preferred stock shareholders' meeting is also required.	by law and specifies that special resolution shall be reached on the said proposal or (b) the decision made with signatures from all shareholders of the Company with voting rights to indicate their approval if it is allowed by the Articles of Incorporation; the effective date of the decision shall be the final written signature date. As is informed by the attorney in Cayman Islands, when an established company with exemption granted by the Cayman Islands Company Act engages itself in the following act, shareholders with voting rights shall render a special resolution as required by the Cayman Islands Company Act: (a) Revision of the Company's Memorandum of Association (Article 10 of Cayman Company Act);	Hotels Articles of Incorporation are given below: The proposals requiring a special resolution as stated in Article 31(a) include the following: (i) Change of company name; (ii) Revision of the Company's Articles of Incorporation; or (iii)Revision of any relevant purpose of the Company's Memorandum of Association, power, or other particularly specified matters The proposals requiring a supermajority resolution as stated in Article 32 include the following: (a) Transfer of any capital reserve available for assignment for capital increase in the other amounts specified in Article 106 herein; (b) Any severance of the Company;	resolution or a common resolution is defined separately under Article 33 of the Articles of Incorporation. For other matters subject to a supermajority resolution as specified in the Checklist of Other Shareholders' Equities, they are defined under Article 32 as long as they do not conflict with the Cayman Islands Company Act. With regards to "merger/consolidation", please also refer to the descriptions in Point 2 below.	of voting rights in a special resolution of the Cayman Islands Company Act, in principle, are not below those required in the Checklist of Shareholders' Equities. As for the common resolution approach in case of voluntary dismissal of the Company due to the inability to pay off debts that are due, on the other hand, it is mandated under the Cayman Islands Company Act and hence applicable requirements are impossible in the Articles of Incorporation despite the requirements in the Checklist of Shareholders' Equities. Although the requirement under the Cayman Islands Company Act about voluntary dismissal due to the inability to pay off debts that are due is below that in the Checklist of Shareholders' Equities, from the perspective of the

Important matters on the protection of shareholders' equity	Requirements of the Company Act in Cayman Islands	Requirements of FX Articles of Incorporation in Cayman Islands	Reason for the difference	Impacts on shareholders' equity
(d) Assignment of all or part of the dividend and bonus by issuing new shares (e) Decision over dismissal, merger/consolidation, or severance (f) Private placement of securities	(b) Revision of the Company's Articles of Incorporation (Article 24 of Cayman Company Act); or (c) Voluntary dismissal of the Company for reasons other than the inability to pay off debts that are due (Article 116 Paragraph (c) of the Cayman Company Act). In addition, as is informed by the attorney in Cayman Islands, if the Company is voluntarily dismissed because of the inability to pay off debts that are due, such dismissal shall be done through a common resolution (that is, with approval from at least one half of the votes from attending shareholders or with signatures from all shareholders with voting rights to indicate their approval).	(c) Conclusion, change, or termination of any contract on subletting all operations, outsourcing of management, or frequent shared common management with others; (d) Assignment of all or primary parts of operations or properties; (e) Acceptance of all operations or properties assigned by others that have significant impacts on the Company's operation; or (f) Issuance of securities through private placement to qualified investors within the territories of Taiwan according to applicable laws and regulations governing public offering companies (including options, stock option certificates, and convertible bonds. Article 33 stipulates that if		Company of Taiwan, when the Company's assets are obviously insufficient to offset the outstanding debts, the Board of Directors shall file for bankruptcy without waiting for a decision to be made in the shareholders' meeting. Therefore, it is hard to say if the requirement in the Articles of Incorporation about the common resolution approach in case of the inability to pay off debts that are due is significantly unfavorable to the shareholders' equities.

Important matters on the protection of shareholders' equity	Requirements of the Company Act in Cayman Islands	Requirements of FX Articles of Incorporation in Cayman Islands	Reason for the difference	Impacts on shareholders' equity
		the Company is unable to pay off debts that are due, it shall be voluntarily dismissed through a common resolution; for voluntary dismissals due to other reasons, a special resolution shall be rendered.		
2. Decision over Merger/Consolidation As is required by the Checklist of Shareholders' equities, for proposals on merger/consolidation, attendance by shareholders holding at least two−thirds of the shares in circulation is required and approval needs to be supported by a majority of attending shareholders. When the total number of shares held by attending shareholders does not meet the requirement stated above, attendance by shareholders holding a majority of all shares in	As is informed by the attorney in Cayman Islands, it is specified in the Cayman Islands Company that "merger involves at least two companies and the assignment of the undertakings, assets, and liabilities to one of the companies, which is the surviving company while consolidation involves at least two companies and the establishment of a new company that takes over all existing undertakings, assets, and liabilities. As is informed by the attorney in Cayman Islands, according to the requirement of the Cayman Islands Company Act (2011), the decision over	The requirement about merger or consolidation in Article 1 of the FX Hotels Articles of Incorporation is the same as that in the above−mentioned Cayman Islands Company Act and in light of the fact that under the laws of Taiwan, merger and consolidation are collectively referred to as merger/consolidation, merger and consolidation are defined separately in Article 1 of the Articles of Incorporation in order to reflective of the definitions in the Cayman Islands Company Act. The special resolution on merger/consolidation as defined in Article 1 of the existing FX Hotels Articles	According to the Opinions provided by the attorney in Cayman Islands, regardless whether it is specified otherwise in the FX Hotels Articles of Incorporation or not, the requirements of the Cayman Islands Company Act will apply to FX Hotels and FX Hotels may not avoid the applicability of the Cayman Islands Company Act by amending its Articles of Incorporation. In response to the changes made to the Cayman Islands Company Act after the revision on April 27, 2011, FX Hotels approved the revision of its Articles of Incorporation through the General Shareholders' Meeting on June 29, 2012	About the requirement regarding special resolution on merger/consolidation in the Cayman Islands Company Act (2011), the voting rights, in principle, are not below those required in the Checklist of Shareholders' Equities and it is also allowed under the Company Act in our country that a higher number of voting rights may be defined in the Articles of Incorporation. Therefore, there are no major unfavorable impacts on shareholders' equities.

Important matters on the protection of shareholders' equity	Requirements of the Company Act in Cayman Islands	Requirements of FX Articles of Incorporation in Cayman Islands	Reason for the difference	Impacts on shareholders' equity
circulation may be adopted and approval may be supported by at least two−thirds of attending shareholders.	merger or consolidation is revised in the Cayman Islands Company Act to be done through a special resolution rendered among shareholders of all participating companies or in other ways of authorization as defined in the Articles of Incorporation of each of the participating companies.	of Incorporation is based on the requirement of Cayman Islands Company Act amended on April 27, 2011 and it is specified in Article 31 (b) of the Articles of Incorporation that for merger/consolidation in compliance with the Cayman Islands Company Act, it has to be done through a special resolution on merger/consolidation.	in order to reflect the changes to the laws and regulations stated above.	
3. The Use and Solicitation of Power of Attorney In the Checklist of Shareholders' Equities, the requirement about authorized attendance shall be based on Articles 5, 6, 6−1, 7, 8, 4, 10 through 13, 13−1, 14−1, 16−1, 18, 19−1, and 20 through 23 of the Regulations Governing the Use of Proxies for Attendance at Shareholder Meetings of Public Companies and related regulations	As is informed by the attorney in Cayman Islands, the local Company Act does not have specific requirements about the use and solicitation of the Power of Attorney.	Article 60 of the FX Hotels Articles of Incorporation stipulates that "when the Company's shares are traded on any security market of the Republic of China, all matters regarding the use and solicitation of the Power of Attorney over the Company's shares shall be based on the requirements of the Regulations Governing the Use of Proxies for Attendance at Shareholder Meetings of Public Companies and other applicable laws and	The Cayman Islands Company Act does not have specific requirements about the use and solicitation of the Power of Attorney.	The FX Hotels Articles of Incorporation were not revised article by article according to the Regulations Governing the Use of Proxies for Attendance at Shareholder Meetings of Public Companies as listed in the Checklist of Shareholders' Equities mainly taking into consideration that applicable requirements governing the use of shareholder's rights based on Power of Attorney and the solicitation of the Power of Attorney in the Checklist

Important matters on the protection of shareholders' equity	Requirements of the Company Act in Cayman Islands	Requirements of FX Articles of Incorporation in Cayman Islands	Reason for the difference	Impacts on shareholders' equity
shall be specified in the Articles of Incorporation governing the attendance through proxies in shareholders' meetings and the solicitation of the Power of Attorney.		regulations, regardless of whether there is specific information in the Articles of Incorporation or not."		of Shareholders' Equities are relatively complex and in order to avoid the need for revising the Articles of Incorporation due to changes in laws and regulations in the future. As a result, under the premise that regulatory requirements about the use and solicitation of the Power of Attorney are followed, it is broadly specified that the use and solicitation of the Power of Attorney for shareholders' meetings shall be based on the Regulations Governing the Use of Proxies for Attendance at Shareholder Meetings of Public Companies and other applicable laws and regulations. There should be no substantial impacts on the shareholders' equities.

Nine. Matters with important impacts on shareholders' equity or prices of securities as indicated in Article 36 Paragraph 3 Subparagraph 2 of the Securities Exchange Act in the most recent year and up to the date the Annual Report was printed: None.

FX HOTELS GROUP INC.

Chairman: Chung, Sheng Young