FX Hotels Group Inc. and Subsidiaries

Consolidated Financial Statements for the Years Ended December 31, 2019 and 2018 and Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT

FX Hotels Group Inc.

Opinion

We have audited the accompanying consolidated financial statements of FX Hotels Group Inc. and its subsidiaries, which comprise the consolidated balance sheets as of December 31, 2019 and 2018, 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 its subsidiaries as of December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and 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 its subsidiaries’ accumulated deficits were NT$870,841 thousands and NT$841,818 thousands as of December 31, 2019 and 2018, respectively, up to 128% and 123% of the capital stock. The debt ratios were 99% and 96%, and the current ratios were 22% and 65%. Current liabilities were NT$293,116 thousands and NT$149,287 thousands more than current assets. FX Hotels Group Inc. and its 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, 2019. 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, 2019 are stated as follows:

Income recognition

The effect of FX Hotels Group Inc. and its subsidiaries' guest room and other hospitality service income in 2019 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 2019 which is 87% of the net operating income. For the accounting policies and related information disclosed in the relevant income, please refer to the accompanying note 4(13) 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 its subsidiaries' balance of accounts receivable of December 31, 2019, was $22,988 thousands, 2% of the total assets of FX Hotels Group Inc. and its subsidiaries. For the related information, please refer to the accompanying note 4(12), 5(1) and 6(3). The effect on the consolidated financial statements of FX Hotels Group Inc. and its 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 its 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 its 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 its 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 also:

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 its 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 its 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 its 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 its 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, 2019 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Candor Taiwan CPAs
Taipei, Taiwan
Republic of China

March 26, 2020

<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, 2019 and 2018
(In Thousands of New Taiwan Dollars)

		December 31, 2019		December 31, 2018	
ASSETS		Amount	%	Amount	%
CURRENT ASSETS					
Cash and cash equivalents	Note 4(6), 6(1) and 6(20)	$ 26,245	3	$ 47,545	5
Notes and accounts receivable, net	Note 6(3), 6(20)	22,988	2	32,083	3
Receivables from related parties	Note 6(20), 7	-	-	2,511	-
Other receivables	Note 6(20), 7	19,758	2	54,741	5
Inventories		70	-	169	-
Prepayments		13,526	1	109,364	11
Other financial assets - current	Note 6(5), 6(20), 8	40	-	33,637	4
Other current assets		1,475	-	2,113	-
Total current assets		84,102	8	282,163	28
NON-CURRENT ASSETS					
Financial assets at fair value through other comprehensive income - non-current	Note 4(12), 6(2), 6(20)	-	-	-	-
Property, plant and equipment	Note 4(7), 6(6)	376,498	36	575,259	57
Right-of-use assets	Note 4(8), 6(7)	546,168	52	-	-
Intangible assets	Note 4(9)	1,169	-	1,944	-
Deferred income tax assets	Note 4(16), 6(16)	12,886	1	35,485	4
Refundable deposits	Note 6(20)	27,724	3	67,683	7
Long-term notes, accounts receivables	Note 6(20)	-	-	28,086	3
Overdue receivables	Note 4(12), 6(8), 6(20)	-	-	-	-
Other non-current assets		-	-	13,805	1
Total non-current assets		964,445	92	722,262	72
Total		$ 1,048,547	100	$ 1,004,425	100

		December 31, 2019		December 31, 2018	
		Amount	%	Amount	%
LIABILITIES AND EQUITY					
CURRENT LIABILITIES					
Notes and accounts payable	Note 6(20)	$ 3,560	-	$ 6,586	1
Other accounts payable	Note 6(10), 6(20) and 7	36,761	3	76,054	8
Income tax payable	Note 4(16) and 6(16)	-	-	2,072	-
Lease liabilities-current	Note 4(8), 6(7), 6(20)	69,609	7	-	-
Long-term liabilities - current portion	Note 6(9) and 6(20), 7	260,000	25	326,384	32
Other current liabilities	Note 6(10)	7,288	1	20,354	2
Total current liabilities		377,218	36	431,450	43
NON-CURRENT LIABILITIES					
Long-term loans	Note 6(9), 6(20), 7	148,349	14	435,487	43
Lease liabilities-non-current	Note 4(8), 6(7), 6(20)	512,698	49	-	-
Other non-current liabilities	Note 6(10), 6(20)	340	-	95,781	10
Total non-current liabilities		661,387	63	531,268	53
Total liabilities		1,038,605	99	962,718	96
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT	Note 6(13)				
Capital stock		681,723	64	681,723	67
Capital surplus		198,523	19	198,523	20
Retained earnings					
Appropriated as legal capital reserve		5,902	1	5,902	1
Accumulated deficits		(870,841)	(83)	(841,818)	(84)
Other equity		(5,365)	-	(2,623)	-
Equity attributable to shareholders of the parent		9,942	1	41,707	4
Total equity		9,942	1	41,707	4
Total		$ 1,048,547	100	$ 1,004,425	100

The accompanying notes are an integral part of the consolidated financial statements.
(With Candor Taiwan CPAs auditor's report dated March 26, 2020)

FX Hotels Group Inc. and Subsidiaries
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For The Year Ended December 31, 2019 and 2018
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

		2019		2018	
		Amount	%	Amount	%
NET REVENUE	Note 4(13), 6(14) and 7	$ 437,826	100	$ 644,489	100
COST OF REVENUE	Note 6(15) and 7	(355,200)	(81)	(602,599)	(94)
GROSS PROFIT		82,626	19	41,890	6
OPERATING EXPENSES					
Selling and marketing		(12,155)	(3)	(21,133)	(3)
General and administrative	Note 7	(102,015)	(23)	(130,841)	(20)
Expected Credit Loss	Note 6(3)	(3,611)	(1)	(8,425)	(1)
Total operating expenses		(117,781)	(27)	(160,399)	(24)
INCOME FROM OPERATIONS		(35,155)	(8)	(118,509)	(18)
NON-OPERATING INCOME AND EXPENSES					
Finance costs	Note 6(15) and 7	(50,002)	(11)	(12,571)	(2)
Interest income	Note 4(13)	342	-	435	-
Other income	Note 6(15), 7, 12(1)	26,403	6	162,300	25
Gain on disposal of property, plant and equipment, net		199	-	-	-
Net gain on disposal of investment	Note 6(18)	28,106	6	51,192	8
Foreign exchange gain	Note 4(5)	1,101	-	-	-
Other losses	Note 6(15)	(244)	-	(17,807)	(3)
Loss on disposal of property, plant and equipment, net	Note 6(4), 12(1)	-	-	(38,217)	(6)
Foreign exchange loss	Note 4(5)	-	-	(27,859)	(4)
Total non-operating income and expenses		5,905	1	117,473	18
INCOME BEFORE INCOME TAX		(29,250)	(7)	(1,036)	-
INCOME TAX EXPENSE	Note 4(16) and 6(16)	227	-	(3,212)	-
NET INCOME		(29,023)	(7)	(4,248)	-

(Continued)

FX Hotels Group Inc. and Subsidiaries
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For The Year Ended December 31, 2019 and 2018
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

		2019		2018	
		Amount	%	金　額	%
OTHER COMPREHENSIVE INCOME (LOSS)					
Items that may be reclassified subsequently to profit or loss:					
Exchange differences arising		$ (2,742)	(1)	$ (1,194)	-
on translation of foreign operations		-	-	-	-
Other comprehensive income (loss) for the year, net of income tax		(2,742)	(1)	(1,194)	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		$ (31,765)	(8)	$ (5,442)	-
NET INCOME ATTRIBUTABLE TO:					
Shareholders of the parent		$ (29,023)	(7)	$ (4,248)	-
Non-controlling interests		-	-	-	-
	Note 6(17)	$ (29,023)	(7)	$ (4,248)	-
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:					
Shareholders of the parent		$ (31,765)	(8)	$ (5,442)	-
Non-controlling interests		-	-	-	-
		$ (31,765)	(8)	$ (5,442)	-

EARNINGS PER SHARE		2019	2018
Basic earnings per share	Note 6(17)	$ (0.43)	$ (0.06)

The accompanying notes are an integral part of the consolidated financial statements. (Concluded)
(With Candor Taiwan CPAs auditor's report dated March 26, 2020)

FX Hotels Group Inc. and Subsidiaries
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For The Year Ended December 31, 2019 and 2018
(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, 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
BALANCE, JANUARY 1, 2019	$ 681,723	$ 198,523	$ 5,902	$ (841,818)	$ (835,916)	$ 6,849	$ (9,472)	$ (2,623)	$ 41,707
Net income in 2019	-	-	-	(29,023)	(29,023)	-	-	-	(29,023)
Other comprehensive income (loss) in 2019, net of income tax	-	-	-	-	-	(2,742)	-	(2,742)	(2,742)
BALANCE, DECEMBER 31, 2019	$ 681,723	$ 198,523	$ 5,902	$ (870,841)	$ (864,939)	$ 4,107	$ (9,472)	$ (5,365)	$ 9,942

The accompanying notes are an integral part of the consolidated financial statements.
(With Candor Taiwan CPAs auditor's report dated March 26, 2020)

FX Hotels Group Inc. and Subsidiaries
CONSOLIDATED STATEMENTS OF CASH FLOWS
For The Year Ended December 31, 2019 and 2018
(In Thousands of New Taiwan Dollars)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ (29,250)	$ (1,036)
Adjustments for:		
Depreciation expense	197,051	135,272
Amortization expense	2,045	2,092
Expected credit Loss	3,611	8,425
Finance costs	50,002	12,571
Interest income	(342)	(435)
Loss(gain) on disposal of property, plant and equipment, net	(199)	38,217
Net gain on disposal of investments	(28,106)	(51,192)
Other income	(11,620)	(28,571)
Other losses	-	1,000
Changes in operating assets and liabilities:		
(Increase)decrease in accounts receivable	(2,424)	(3,021)
(Increase)decrease in other accounts receivable	19,577	(4,004)
(Increase)decrease in inventories	32	299
(Increase)decrease in prepayments	31,645	(56,004)
(Increase)decrease in other current assets	(149)	5,199
(Increase)decrease in other non-current assets	-	(13,524)
Increase(decrease) in notes and accounts payable, net	622	(425)
Increase(decrease) in other accounts payable	(24,841)	15,627
Increase(decrease) in advance receipts	(2,231)	5,193
Increase(decrease) in other current liabilities	(1,155)	(348)
Increase(decrease) in other non-current liabilities	-	(10,944)
Cash generated (used in) from operations	204,268	54,391
Interest received	342	435
Interest paid	(39,479)	(11,676)
Income taxes paid	-	(1,758)
Net cash generated (used in) by operating activities	165,131	41,392

(Continued)

FX Hotels Group Inc. and Subsidiaries
CONSOLIDATED STATEMENTS OF CASH FLOWS
For The Year Ended December 31, 2019 and 2018
(In Thousands of New Taiwan Dollars)

	2019	2018
CASH FLOWS FROM INVESTING ACTIVITIES		
(Increase) decrease in other receivables	$ 2,981	$ 6,685
Payments for property, plant and equipment	(11,885)	(5,306)
Payments for intangible assets	(38)	-
Proceeds from disposal of property, plant and equipment	-	21,934
(Increase) decrease in refundable deposits	(228)	(1,896)
(Increase) decrease in other current financial assets	25,278	(25,379)
Cash outflow from disposal of subsidiary	301,653	(390)
Net cash generated (used in) from investing activities	317,761	(4,352)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase(decrease) in short-term loans	-	(375,817)
Proceeds from long-term borrowings	-	393,069
Repayment of long-term borrowings	(352,886)	(57,067)
Increase(decrease) in guarantee deposits received	(739)	-
Repayment of thr principal portion of lease liabilities	(134,637)	-
Net cash generated (used in) financing activities	(488,262)	(39,815)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(15,930)	(2,395)
NET INCREASE(DECREASE) IN CASH AND CASH EQUIVALENTS	(21,300)	(5,170)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	47,545	52,715
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 26,245	$ 47,545

The accompanying notes are an integral part of the consolidated financial statements.
(With Candor Taiwan CPAs auditor's report dated March 26, 2020) (Concluded)

FX Hotels Group Inc. and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2019 and 2018
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

1. GENERAL

FX Hotels Group Inc. (the "Company"), 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 subsidiaries engage mainly in the operations of international business hotel accommodation and hotel management and other business.

The common shares of the Company 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.

The Company's accumulated deficits were $870,841 thousands as of December 31, 2019, up to 128% of the capital stock. The debt ratio and the current ratio were 99% and 22%, current liabilities were $293,116 thousands more than current assets. The Company's 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:

(1) 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.

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

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

(4) 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.

(5) Assets activating : The disposal of subsidiaries greatly activates assets, gets back capital, reduces non-current assets, and increases return on assets and cash reinvestment ratio. At the same time, the entrusted operation contract is signed, and the operation is carried out by collecting service income.

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 the Board of Directors and authorized for issue on March 26, 2020.

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

(1) Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), 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 did not have a significant effect on the Company's accounting policies:

A. IFRS 16「Leases」

IFRS 16 sets out the accounting standards for leases that supersedes IAS 17 "Leases", IFRIC 4 "Determining whether an Arrangement contains a Lease", and a number of related interpretations.

Definition of a lease

The Company and subsidiaries apply the guidance of IFRS 16 in determining whether contracts are, or contain, a lease only to contracts entered into (or changed) on or after January 1, 2019. Contracts identified as containing a lease under IAS 17 and IFRIC 4 are not reassessed and are accounted for in accordance with the transitional provisions under IFRS 16.

The Company and subsidiaries as lessee

The Company recognizes right-of-use assets and lease liabilities for all leases on the consolidated balance sheets except for those whose payments fall under low-value and short-term leases are recognized as expenses on a straight-line basis. On the consolidated statements of comprehensive income, the Company presents 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 is classified within financing activities; cash payments for the interest portion is classified within operating activities. Prior to the application of IFRS 16, payments under operating lease contracts were recognized as expenses on a straight-line basis.

Cash flows for operating leases were classified within operating activities on the consolidated statements of cash flows.

The Company elects to apply IFRS 16 retrospectively with the cumulative effect of the initial application of this standard on January 1, 2019. Comparative information is not restated.

Lease liabilities were recognized on January 1, 2019 for leases previously classified as operating leases under IAS 17. Lease liabilities were 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 are measured at their carrying amount as if IFRS 16 had been applied since the commencement date, but discounted using the aforementioned incremental borrowing rate. The Company applies IAS 36 to part of right-of-use assets.

The Company also applies the following practical expedients:

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

(b) The Company accounts for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.

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

(d) The Company uses hindsight, such as in determining lease terms, to measure lease liabilities.

The lessee's weighted average incremental borrowing rate applied to lease liabilities recognized on January 1, 2019 was 1.8~4.9%. The difference between the lease liabilities recognized and operating lease commitments disclosed under IAS 17 on December 31, 2018 is explained as follows:

The future minimum lease payments of non-cancellable operating lease commitments on December 31, 2018	$ 1,678,158
Less: Recognition exemption for short-term leases	(103)
Less: Recognition exemption for leases of low-value assets	(101)
Undiscounted amounts on January 1, 2019	$ 1,677,954
Discounted amounts using the incremental borrowing rate on January 1, 2019	$ 1,426,752
Lease liabilities recognized on January 1, 2019	$ 1,426,752

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 rents (Prepayments)	$ 91,749	($ 91,749)	$ -
Right-of-use assets	-	1,431,977	1,431,977
Total effect on assets	$ 91,749	$ 1,340,228	$ 1,431,977
Other payables	$ 57,375	($ 57,375)	$ -
Lease account payable- non-current	42,955	(42,955)	-
Lease liabilities - current	-	90,433	90,433
Lease liabilities – non-current	-	1,336,319	$ 1,336,319
Total effect on liabilities	$ 100,330	$ 1,326,422	$ 1,426,752

The Company as lessor

The Company 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.

(2) The IFRSs endorsed by the Financial Supervisory Commission (FSC) for application starting from 2020

New, Revised or Amended Standards and Interpretations	Effective Date Announced by IASB
Amendments to IFRS 3“Definition of a Business”	January 1, 2020 (Note 1)
Amendments to IFRS 9, IAS 39 and IFRS 7 “Interest Rate Benchmark Reform”	January 1, 2020 (Note 2)
Amendments to IAS 1 and IAS 8“Definition of Material”	January 1, 2020 (Note 3)

Note 1: 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 2: The Company shall apply these amendments retrospectively for annual reporting periods beginning on or after January 1, 2020.

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.

(3) 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)
IFRS 17"Insurance Contracts"	January 1, 2021
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2022

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

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Statement of Compliance

The 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

The 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**

A. The basis for the consolidated financial statements

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (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 Company. All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Company's ownership interests in subsidiaries that do not result in the Company losing control over the subsidiaries are accounted for as equity transactions.The carrying amounts of the Company 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 the Company.

When the Company 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 Company accounts for all amounts recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if the Company had directly disposed of the related assets or liabilities.

B. 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 31,2019	Ownership（%） December 31,2018	Note
FX Hotels Group Inc.`	FX Hotels Management International Limited(FX HK)	Investment holding	-	100	Note 5
	FX Hotels Shanghai Co.,Ltd. (FX Shanghai)	Hotel management and related service facility management	-	-	Note 2
	Taiwan FX Hotels Company Limited(FX Taiwan)	International Business Hotel	100	100	
	China Capital Management Group Inc.(China Capital)	Hotel management	100	-	Note 1、3
China Capital Management Group Inc.	Shenzhen Co.,Ltd. (FX Shenzhen)	International Business Hotel	100	-	Note 4
FX Hotels Management International Limited	Furamaxpress Hotel Management And Development(BJ) Co.,Ltd. (FX Beijing)	Hotel management	-	100	Note 5
	Suzhou Hotel One Co.,Ltd (Boutix Suzhou)	International Business Hotel	-	100	Note 5
	Boutix Hotel Management And Development (Nanjing) Company Limited (Boutix Nanjing)	International Business Hotel	-	100	Note 5
	China Capital Management Group Inc.(China Capital)	Hotel management	-	100	Note 1、3
Furamaxpress Hotel Management And Development(BJ) Co.,Ltd.	Beijing Fushang Co., Ltd. (FX Fushang)	International Business Hotel	-	100	Note 5
	Beijing Yansha Co., Ltd. (FX Yansha)	International Business Hotel	-	100	Note 5
	Suzhou Co., Ltd.(FX Suzhou)	International Business Hotel	-	100	Note 5
	Shenzhen Co.,Ltd. (FX Shenzhen)	International Business Hote	-	100	Note 4
	Nanjing Jiangning Co.,Ltd (FX Nanjing)	International Business Hote	-	100	Note 5

Note1： China Capital Management Group Inc. 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.Tianjian Branch Office has cancelled the Company registration on September 5, 2019.

Note2： 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.

Note3： Shareholders of China Capital Management Group Inc. have decided to transfer 100% equity of China Capital Management Group Inc. to the Company on March 12, 2019.

Note4： Shareholders of Shenzhen Co.,Ltd. have decided to transfer 100% equity of Shenzhen Co.,Ltd. to China Capital Management Group Inc. on May 24, 2019.

Note5： The Company has decided to transfer the equity of FX Hotels Management International Limited On June 28, 2019, and completed the transfer on June 28, 2018, so the Company lost control of FX HK、FX Beijing、Boutix Suzhou、Boutix Nanjing、FX Fushang、FX Yansha、FX Suzhou and FX Nanjing.

Please refer to Note 8 to set the equity amount of the subsidiary as a loan guarantee.

(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.

The Company 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.

After reviewing the main lease improvements, the actual useful life of the Company should be longer than the original ones. In order to reflect its actual useful life and allocate the cost reasonably, it extended useful life of the main lease improvements since the first quarter of 2019, and the estimated useful life of the lease improvements are changed from 3 to 10 years to 12 to 20 years. The impact of this change in estimate on the current and future periods is as follows:

	2019	2020	2021	2022	2023 and beyond
Increase(Decrease) in depreciation expenses	$ (50,365)	$ (49,002)	$ (47,111)	$ (16,007)	$ 162,485

The impact after the disposal of subsidiaries in the second quarter of 2019 is as follows:

	2019	2020	2021	2022	2023 and beyond
Increase(Decrease) in depreciation expenses	$ (44,366)	$ (37,185)	$ (36,065)	$ (12,496)	$ 123,200

(8) **Leases**

2019

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

A. The Company as lessor

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

When the Company subleases right-of-use assets, the sublease is classified by reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. However, if the head lease is a short-term lease that the Company, as a lessee, has accounted for applying recognition exemption, the sublease is classified as an operating lease.

Under finance leases, the lease payments comprise the exercise price of fixed payments, and payments of penalties for terminating a lease if the lease term reflects such termination, less any lease incentives payable. The net investment in a lease is measured at (a) the present value of the sum of the lease payments receivable by a lessor and any unguaranteed residual value accrued to the lessor plus (b) initial direct costs and is presented as a finance lease receivable. Finance lease income is allocated to the relevant accounting periods so as to reflect a constant, periodic rate of return on The Company's net investment outstanding in respect of leases.

Lease payments (less any lease incentives payable) from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases. Initial direct costs incurred in obtaining operating leases are added to the carrying amounts of the underlying assets and recognized as expenses on a straight-line basis over the lease terms.

Variable lease payments that do not depend on an index or a rate are recognized as expenses in the periods in which they are incurred.

B. The Company as lessee

The Company and subsidiaries recognize right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the consolidated balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms. However, if leases transfer ownership of the underlying assets to the Company and subsidiaries by the end of the lease terms or if the costs of right-of-use assets reflect that the Company and subsidiaries will exercise a purchase option, the Company depreciates the right-of-use assets from the commencement dates to the end of the useful lives of the underlying assets.

Lease liabilities are initially measured at the present value of the lease payments, which comprise the exercise price of fixed payments, and payments of penalties for terminating a lease if the lease term reflects such termination, less any lease incentives payable. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company and subsidiaries use the lessee’s incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, a change in the assessment of an option to purchase an underlying asset, or a change in future lease payments resulting from the Company remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheets.

2018

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.

The Company as lessee

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

(9) **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.

(10) **Impairment of Tangible and Intangible Assets**

At the end of each reporting period, the Company 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, the Company 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.

(11) **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.

(12) **Financial Instruments**

Financial assets and financial liabilities are recognized when the Company 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.

(a) Measurement category

Financial assets of the Company are classified into the following categories : financial assets at amortized cost, and investments in equity instruments at Fair Value Through Other Comprehensive Income (i.e. FVTOCI).

(i) Financial assets at amortized cost

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

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

ii. 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, other current financial assets and overdue receivables, 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.。

(ii) 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.

(b) Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including accounts receivable).

The Company always recognizes lifetime Expected Credit Losses (i.e. ECLs) for accounts receivable. For all other financial instruments, the Company 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, The Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

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

The Company 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.

(c) Derecognition of financial assets

The Company 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 the Company 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

(a) Subsequent measurement

Financial liabilities are subsequently measured either at amortized cost using effective interest method or at Fair Value Through Profit or Loss (i.e. 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 FVTPL.

Financial liabilities at FVTPL 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).

(b) 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.

(13) **Revenue Recognition**
The Company 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 the Company 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, the Company does not adjust the promised amount of consideration for the effects of a significant financing component.

(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 the Company’s accounting policies, the Company 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.

(1) Estimated impairment of financial assets

The estimated impairment of accounts receivable is based on the assumptions of the Company regarding the default rate and expected loss rate. The Company 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.

(2) Lease terms - 2019

In determining a lease term, the Company considers all facts and circumstances that create an economic incentive to exercise or not to exercise an option, including any expected changes in facts and circumstances from the commencement date until the exercise date of the option. Main factors considered include contractual terms and conditions for the optional periods, significant leasehold improvements undertaken over the contract term, the importance of the underlying asset to the lessee’s operations, etc. The lease term is reassessed if a significant change in circumstances that are within control of the Company occurs.

(3) Lessees’ incremental borrowing rates - 2019

In determining a lessee’s incremental borrowing rate used in discounting lease payments, a riskfree rate for relevant duration and the same currency is selected as a reference rate. The lessee’s credit spread adjustments and lease specific adjustments(for example: factors such as asset characteristics and guarantee) are also taken into account.

6. CONTENTS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	December 31,2019	December 31,2018
Cash on hand and petty cash	$ 864	$ 1,504
Checking accounts and demand deposits	25,381	46,041
	$ 26,245	$ 47,545

(2) Financial assets at fair value through other comprehensive income

	December 31,2019	December 31,2018
Equity instruments		
Non-publicly traded equity investments－ The Kinmen Resort Hotel Co., Ltd.	$ -	$ -

(3) Accounts receivable, net

	December 31,2019	December 31,2018
Notes receivable	$ -	$ -
Accounts receivable	24,448	84,633
Less: Loss allowance	(1,460)	(52,550)
	$ 22,988	$ 32,083

The accounts receivable of the Company are measured as amortized cost.

The Company applies individual assessment and the simplified approach to providing for ECLs prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all account receivables. The ECLs 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 the Company’s historical credit loss experience shows significantly different loss patterns for different customer, the provision for loss allowance based on status according to the Company’s different customer base.

The Company 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, the Company 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.

December 31, 2019

	Not Past Due	Past Due Within 30 Days	Past Due 31-90 Days	Past Due 90-180 Days	Past Due above 181 Days	Total
Gross carrying amount	$ 15,368	$ 2,730	$ 3,618	$ 918	$ 1,814	$ 24,448
Loss allowance (Lifetime ECL)	-	-	-	-	(1,460)	(1,460)
Amortized cost	$ 15,368	$ 2,730	$ 3,618	$ 918	$ 354	$ 22,988

December 31, 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 December 31, 2019	For the year ended December 31, 2018
Beginning balance	$ 52,550	$ 32,782
Less：Effect of exchange rate changes	(7)	(663)
Plus：Expected credit loss	1,045	4,967
Plus：Reclassifications	(52,128)	15,464
Ending balance	$ 1,460	$ 52,550

(4) 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. The Company 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 31,2019	December 31,2018
Non-current Assets Held for Sale		
Property, plant and equipment	$ -	$ -
Liabilities directly related to the non-current assets held for sale		
Other payables	$ -	$ -

(5) Other financial assets

Current	December 31,2019	December 31,2018
Deposits account that aren't cash equivalents	$ -	$ 33,576
Restricted deposit	40	61
	$ 40	$ 33,637

(6) Property, plant and equipment

	December 31,2019	December 31,2018
Transportation equipment	$ 75	$ 132
Office equipment	636	942
Business Facilities	19,102	17,197
Leasehold improvements	356,685	555,718
Construction in progress and equipment awaiting examination	-	1,270
	$ 376,498	$ 575,259

	Transportation equipment	Office equipment	Business Facilities	Leasehold improvements	Construction in progress and equipment awaiting examination	Total
January 1, 2019						
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
For the year ended December 31, 2019						
January 1	$ 132	$ 942	$ 17,197	$ 555,718	$ 1,270	$ 575,259
Additions	-	285	2,429	2,808	6,363	11,885
Disposals	-	(2)	(247)	-	-	(249)
Transfer	-	(10)	15,410	(9,263)	(5,575)	562
Disposal of subsidiaries	(55)	(259)	(8,400)	(143,094)	(2,077)	(153,885)
Depreciation expense	-	(306)	(7,210)	(49,813)	-	(57,329)
Effect of exchange rate	(2)	(14)	(77)	329	19	255
December 31	$ 75	$ 636	$ 19,102	$ 356,685	$ -	$ 376,498
December 31, 2019						
Cost	$ 1,504	$ 7,689	$ 83,869	$ 818,857	$ 3,058	$ 914,977
Accumulated depreciation	(1,429)	(6,739)	(60,001)	(431,501)	(-)	(499,670)
Accumulated impairment	(-)	(314)	(4,766)	(30,671)	(3,058)	(38,809)
	$ 75	$ 636	$ 19,102	$ 356,685	$ -	$ 376,498

	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 December 31, 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)
December 31	$ 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

(7) Lease arrangements

A. Right-of-use assets - 2019

	December 31,2019
Carrying amounts	
Buildings	$ 546,168

	For the year ended December 31, 2019
Additions to right-of-use assets	$ 3,132
Depreciation charge for right-of-use assets	
Buildings	$ 139,722
Effect of disposal of subsidiaries	$ 751,793

	Buildings
Cost	
Balance at January 1, 2019	$ -
Effect of retrospective application	1,431,977
Adjusted Balance at January 1, 2019	1,431,977
Additions	3,132
Disposal of subsidiary	(804,747)
Effect of exchange rate changes	1,579
Balance at December 31, 2019	$ 631,941

	Buildings
Accumulated depreciation and impairment	
Balance at January 1, 2019	$ -
Depreciation expense	(139,722)
Disposal of subsidiaries	52,954
Effect of exchange rate changes	995
Balance at December 31, 2019	($ 85,733)

B. Lease liabilities - 2019

	December 31,2019
Carrying amounts	
Current	$ 69,609
Non-current	$ 512,698

	For the year ended December 31, 2019
Effect of disposal of subsidiaries	$ 746,830

Range of discount rate for lease liabilities was 1.8% - 4.9% (annual interest rate).

C. Material lease-in activities and terms

The Company leases certain buildings mainly for the use of plants and offices with lease terms of 3 to 14 years. The Company does not have bargain purchase options to acquire the buildings at the end of the lease terms.

D. Subleases of right-of-use assets

Sublease of right-of-use assets-2019
The Company have the right to sublet the business lease, mainly the sublet of FX Yansha (not a subsidiary after June 28, 2019), the lease period is from 2009 to 2022 November. When the lessee exercises the right to renew the lease, the rent is adjusted according to the market rent.

Sublease of business lease agreement-2018
The Company have subletted one of the above-mentioned leased assets, which will expire in November of 2022. 2018 respectively recognized $9,218 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.

E. Other lease information

2019

	For the year ended December 31, 2019
Expenses relating to short-term leases	$ 993
Expenses relating to low-value asset leases	$ 503
Total cash outflow for leases	($ 1,496)

The Company leases certain office equipment and other equipment which qualify as short-term leases and low-value asset leases. The Company has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

2018

	December 31,2018
Minimum lease payments	
Not later than 1 year	$ 235,216
Later than 1 year and not later than 5 years	948,812
Later than 5 years	522,263
	$ 1,706,291

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

	For the year ended December 31, 2018
Rental expenses	$ 210,663
Contingent rent	$ -

December 31, 2019, 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
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.
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.

Subsidiaries	Lease category	Rental period	Lease restrictions	Calculation of rent
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 $700 thousands and RMB3,200 thousands. The monthly rent for all floors rented is $3,744 thousands. 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 $6,000. Since December 1, 2017, the monthly rent per parking space is adjusted to $6,212. 4. Since September 16, 2012, 2 parking spaces on the 1st floor have been rented. The monthly rent for each parking space is $5,000, and the first floor is 105.76 square meters. The rent is 3.05 square meters per month $4,200. Since April 1, 2016, the rent is adjusted 3.05 square meters per month $4,316. 5. Since April 1, 2019, the monthly rent is adjusted to $4,076 thousand, the floating rent base is adjusted to $11,586 thousands.
FX Taiwan	Building	2013.2~2032.12 （Decoration free rent period 2013.2~2014.1）	None	1. The annual rent is $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. 3. Since April 1, 2019, the monthly rent is adjusted to $5,305 thousands.
FX Taiwan	Building	2013.8~2031.8 （Decoration free rent period 2013.8）	None	2013.8~2014.8，$5,348 thousands per year； 2014.8~2015.8，$6,100 thousands per year； 2015.8~2016.8，$6,852 thousands per year； 2016.8~2017.8，$7,630 thousands per year； 2017.8~2018.8，$7,708 thousands per year； 2018.8~2019.8，$10,263 thousands per year； 2019.8~2022.8，$10,666 thousands per year； 2022.8~2025.8，$11,107 thousands per year； 2025.8~2028.8，$11,550 thousands per year； 2028.8~2031.8，$11,994 thousands per year.

Subsidiaries	Lease category	Rental period	Lease restrictions	Calculation of rent
FX Taiwan	Building	2019.9~2022.6	None	1. The annual rent is $1,133 thousands; 2. The above rental fee may be adjusted annually according to the price index, tax rate, and the fluctuation of general house rent, and the amount of the adjustment will be effective in this contract.

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 the Jiazhao Industry Creation Technology (Shenzhen) Co., Ltd., and in July 18,2018.The original contractor was terminated.

(8) Overdue receivables

	December 31,2019	December 31,2018
Overdue receivables	$ 85,197	$ -
Less: Allowances for impairment loss	(85,197)	(-)
	$ -	$ -

Overdue receivables are accounts receivable and other receivables over one year.

(9) Loans

A. Long-term loans

	December 31,2019	December 31,2018
Secured loans（Note 8）		
Bank loans（Note(a)～Note(g)）	$ 260,000	$ 371,668
Other loans（Note(h)～Note(o)）	148,349	390,203
	408,349	761,871
Less: Current portion	(260,000)	(326,384)
	$ 148,349	$ 435,487

(a) FX Taiwan signed a contract with First Bank to obtain a long-term loan amount of $150,000 thousands in March, 2014. The contract period was from March, 2014 to March, 2019. The loan of $150,000 thousands 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.

(b) FX Taiwan signed a contract with Bank of Panhsin to obtain a long-term loan amount of $30,000 thousands 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.

(c) FX Beijing 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.

(d) FX Taiwan signed an asset leaseback financing loan contract of $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.

(e) 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.

(f) FX Taiwan signed a contract with DBS Bank to obtain a medium-term loan amount of $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, 2019, the loan of $260,000 thousands wasn’t repaid.

(g) FX Hotels Group signed a contract with DBS Bank to obtain a mid-term loan amount of US$3,310 thousands in October, 2018. The contract period was from October, 2018 to October, 2020. All of the loan had been drawn. As of September 30, 2019, the loan was settled.

(h) FX Hotels Group signed the receipt for a loan with Furama Hotels International Management Inc. to obtain a mid-term loan amount of $300,000 thousands on July , 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.On November 12, 108, the board of directors of the Company passed the loan renewal from Furama Hotels for 10 years, and the loan interest rate was changed to 3%. As of December 31, 2019, the loan of $116,000 thousands wasn’t repaid (the amount is US$3,626 on account, changed into $108,124 thousands at the exchange rate of the end of the period).

(i) 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, 2019, the loan was settled.

(j) 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. On November 12, 108, the board of directors of the Company passed the loan renewal from Furama Hotels for 10 years, and the loan interest rate was changed to 3%. As of December 31, 2019, the loan of US$600 thousands wasn’t repaid (changed into $18,547 thousands).

(k)FX Taiwan obtained a mid-term loan amount of US$900 thousands 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 September 30, 2019, the loan was settled.

(l) FX Taiwan obtained a mid-term loan amount of US$247 thousands 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 September 30, 2019, the loan was settled.

(m) 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.On November 12, 108, the board of directors of the Company passed the loan renewal from Furama Hotels for 10 years, and the loan interest rate was changed to 3%. As of December 31, 2019, the loan of SG$370 thousands wasn’t repaid (changed into $8,384 thousands).

(n)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.On November 12, 108, the board of directors of the Company passed the loan renewal from Furama Hotels for 10 years, and the loan interest rate was changed to 3%.As of December 31, 2019, the loan of SG$366 thousands wasn’t repaid (changed into $8,294 thousands).

(o)FX Taiwan obtained a mid-term loan amount of $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.On November 12, 108, the board of directors of the Company passed the loan renewal from Furama Hotels for 10 years, and the loan interest rate was changed to 3%.As of December 31, 2019, the loan of $5,000 thousands wasn’t repaid.

(10) Other account payables and other liabilities

	December 31,2019	December 31,2018
Current		
Other payables		
Salaries payable	$ 8,433	$ 12,974
Utilities payable	3,426	6,306
Card point payable	1,273	3,903
Rent payable	-	8,565
Payables for purchase of equipment	-	1,869
Others	23,629	42,437
	$ 36,761	$ 76,054
Other current liabilities		
Deferred revenue	$ 6,948	$ 18,331
Others	340	2,023
	$ 7,288	$ 20,354

Non-current	December 31,2019	December 31,2018
Other noncurrent liabilities		
Rent payable	$ -	$ 91,689
Guarantee deposit	340	4,092
	$ 340	$ 95,781

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.

(11) Provisions

	December 31,2019	December 31,2018
Current		
Short-term provision for legel precess	$ -	$ -

	Litigation
Balance at January 1, 2018	$ 21,985
Transferring to other payables	(3,077)
Disposal of subsidiaries (Note1)	(19,199)
Exchange rate impact	291
Balance at December 31, 2018	$ -

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

(12) Post-employment benefit plans

A. 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. 2019 and 2018 recognition pension were $5,381 thousands and $9,236 thousands.

B. The 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 2019 and 2018 are $3,332 thousands and $3,192 thousands respectively.

(13) Equity

A. Capital stock

(a) Capital stock–common stock

	December 31,2019	December 31,2018
Number of shares authorized (in thousands of shares)	150,000	150,000
Shares authorized	$ 1,500,000	$ 1,500,000
Number of shares issued and fully paid (in thousands of shares)	68,172	68,172
Shares issued	$ 681,723	$ 681,723

B. Capital surplus

	December 31,2019	December 31,2018
Arising from issuance of ordinary shares	$ 198,523	$ 198,523

(a) 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 the Company has no loss, but only to a certain percentage of the paid-up share capital each year when the capital is allocated. According to the Company's articles of association, no dividends or other capital allocations may be issued from sources other than the Company's profits, share premium accounts or other Cayman company laws.

(b) The Company's private equity convertible special shares of $270,000 thousands converted into ordinary shares of 30,000 thousands shares, 10 per share, a total of $300,000 thousands ordinary shares, the difference of $30,000 thousands to offset the capital surplus.

C. 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. The Company 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 Company’s 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 note 6(15) employee benefits expense.

The Company’s 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 the Company 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.

The Company 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 Companys’ shareholder regular meeting on June 24, 2019 and June 19, 2018, respectively, passed the loss reduction in 2018 and 2017 as follows:

	Deficit Compensation
	For the year ended December 31, 2018
Beginning Covering accumulated deficit	($ 847,042)
Effect of retrospective application	9,472
Net loss in 2018	(4,248)
Ending Covering accumulated deficit	($ 841,818)

	Deficit Compensation
	For the year ended December 31, 2017
Beginning Covering accumulated deficit	($ 601,449)
Net loss in 2016	(245,593)
Ending Covering accumulated deficit	($ 847,042)

D. Other equity

(a) Exchange differences on translation

	For the year ended December 31, 2019	For the year Ended December 31, 2018
Beginning balance	$ 6,849	$ 8,043
Foreign currency translation reserve	(2,742)	(1,194)
Ending balance	$ 4,107	$ 6,849

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

	For the year ended December 31, 2019	For the year ended December 31, 2018
Beginning balance (IAS 39)		$ -
Adjustment on initial application of IFRS 9		(9,472)
Beginning balance	($ 9,472)	(9,472)
Recognized during the periodUnrealized gain - equity instruments	-	-
Ending balance	($ 9,472)	($ 9,472)

(14) Revenue

	For the year ended December 31, 2019	For the year ended December 31, 2018
Guest room and other hospitality service income	$ 380,651	$ 582,251
Food service income	12,990	10,372
Other operating income	44,185	51,866
	$ 437,826	$ 644,489

(15) Continuing operations,net

Continuing operations,net includes the following items:

A. Other income

	For the year ended December 31, 2019	For the year ended December 31, 2018
Deducting the benefits of revolving	$ -	$ 28,571
Revolving impairment profit	-	7,271
Other Income	26,403	126,458
	$ 26,403	$ 162,300

Deducting the benefits of revolving is mainly due to the related party give up the interest receivables. Please Note 7 in detail.

Other income is mainly generated by the subsidy received by Boutix Suzhou in the third quarter of 2018. Please Note 12 in detail.

B. Other expense

	For the year ended December 31, 2019	For the year ended December 31, 2018
Other expense	$ 244	$ 17,807

C. Finance costs

	For the year ended December 31, 2019	For the year ended December 31, 2018
Interest on lease liabilities	$ 32,536	$ -
Shareholder loan interest and other	7,677	-
Bank loan interest	6,912	12,466
Guaranteed letter of charge	2,772	-
Set up fee	105	105
	$ 50,002	$ 12,571

D. Depreciation and Amortisation

	For the year ended December 31, 2019	For the year ended December 31, 2018
Property, plant and equipment	$ 57,329	$ 135,272
Right-of-use assets	139,722	-
Intangible assets	813	868
Prepaid expense	1,232	1,224
Total	$ 199,096	$ 137,364
Depreciation expense is summarized by function		
Operating cost	$ 195,208	$ 130,570
Operating expense	1,843	4,702
	$ 197,051	$ 135,272
Amortisation expense is summarized by function		
Operating cost	$ -	$ -
Operating expense	2,045	2,092
	$ 2,045	$ 2,092

E. Employee benefits

	For the year ended December 31, 2019	For the year ended December 31, 2018
Post-employment benefits (Note 6(12))		
Defined contribution plans	$ 8,713	$ 12,428
Other employee benefit	122,293	176,930
Employee benefit total	$ 131,006	$ 189,358

	For the year ended December 31, 2019	For the year ended December 31, 2018
Summarized by function		
Operating cost	$ 65,258	$ 94,129
Operating expense	65,748	95,229
	$ 131,006	$ 189,358

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 24, 2019 and June 19, 2018, due to the net loss before tax for 2019 and 2018, 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.

(16) Income taxes relating to continuing operations

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

	For the year ended December 31, 2019	For the year ended December 31, 2018
Current income tax expense		
In respect of the current year	($ 28)	$ 3,148
Income tax adjustments on prior years	-	-
	(28)	3,148
Deferred tax		
In respect of the current year	(199)	1,589
Effect of tax rate	-	(1,525)
Income tax expense (benefit)	($ 227)	$ 3,212

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

	For the year ended December 31, 2019	For the year ended December 31, 2018
Profit (loss) before income tax	($ 29,250)	($ 1,036)
Income tax expense (benefit) calculated at the statutory tax rate	($ 5,815)	($ 2,077)
Effect of loss carryforward and temporary differences	5,588	2,660
Effect of tax rate	-	(2,077)
Income tax expense (benefit) recognized in profit or loss	($ 227)	$ 3,212

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 FX Taiwan for the years through 2018 have been examined and approved by the tax authorities.

B. Current tax assets and liabilities

	December 31,2019	December 31,2018
Current tax liabilities		
Income tax payable	$ -	$ 2,072

C. Deferred tax assets and liabilities

Deferred tax assets and liabilities are changed as follows：

For the year ended December 31, 2019

	Beginning balance	Recognized in profit and loss	disposal of subsidiaries	Effect of exchange rate	Ending balance
Deferred tax assets					
Temporary differences					
Rent payable/ Lease finance and tax differences	$ 31,781	($ 374)	($ 21,725)	$ 18	$ 9,700
Non-leaving pay payable	333	245	(9)	(5)	564
Deferred membership card income	978	54	(970)	(1)	61
Operating loss carryforward	2,393	274	-	(106)	2,561
	$ 35,485	$ 199	($ 22,704)	($ 94)	$ 12,886

For the year ended December 31, 2018

	Beginning balance	Recognized in profit and loss	Effect of tax rate	Effect of exchange rate	Ending 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

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

	December 31,2019	December 31,2018
Loss carryforward	$ 222,702	$ 293,639

E. Information about unused loss carry-forward

Loss carryforwards as of December 31, 2019 comprised of:

Expiry Year	Remaining Carrying
2020	$ 10,242
2021	62,320
2022	68,796
2023	53,535
2024	28,695
	$ 223,588

(17) Earnings per share (loss)

(Unit：NT$)

	For the year ended December 31, 2019	For the year ended December 31, 2018
Basic and diluted earnings (loss) per share	($ 0.43)	($ 0.06)

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 December 31, 2019	For the year ended December 31, 2018
Profit attributable to owners of the parent (loss)	($ 29,023)	($ 4,248)

Number of shares (Unit：in Thousand Shares)

	For the year ended December 31, 2019	For the year ended December 31, 2018
Weighted average number of ordinary shares outstanding for basic earnings per share	68,172	68,172

(18) Disposal of subsidiary

2019

The Company signed a sale of FX HK's equity on June 28, 2019 (including the descendants of FX HK: FX Beijing, Boutix Suzhou, Boutix Nanjing, FX Fushang, FX Yansha, FX Suzhou and FX Nanjing) According to the agreement, the Company completed the processing on June 28, 2019, transferred and sold at a total price of USD 11,000 thousands, and lost control of FX HK and it's subsidiaries.

On June 26, 2019, part of the total price was obtained, USD 1,000 thousands, and the remaining USD 10,000 thousands (approximately $310,600 thousands) was collected on July 15, 2019

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

	FX HK and it's subsidiaries
CURRENT ASSETS	
Cash and cash equivalents	$ 40,007
Accounts receivable	46,682
Other receivables	636,807
Inventories	71
Prepayments	3,319
Other current assets	9,202
NON-CURRENT ASSETS	
Property, plant and equipment	153,885
Right-of-use assets	751,793
Deferred income tax assets	22,886
Refundable deposits	40,097
Long-term notes, accounts receivables	25,349
CURRENT LIABILITIES	
Accounts payable	(3,641)
Other payables and Provision	(653,712)
lease liabilities - current	(25,707)
Other Current Liabilities	(9,616)
NON-CURRENT LIABILITIES	
Lease liabilities – non-current	(721,123)
Other noncurrent liabilities	(2,880)
Net assets of disposal	($ 313,419)

B. Profit from Disposal of Subsidiaries

	FX HK and it's subsidiaries
Charged price	$ 341,660
Net assets of disposal	(313,419)
Effect of Discounting	-
Effect of exchange rate	(135)
Dispose of profit (loss)	$ 28,106

C. Net cash inflow from dispose of the subsidiaries

	FX HK and it’s subsidiaries
Charged price	$ 341,660
Less：Effect of Discounting	-
Less：Accounting for other receivables	-
Consideration in cash and cash equivalents	-
Less：Disposal of cash and cash balance	(40,007)
	$ 301,653

2018

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..

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

	FX Hotels 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)

B. Profit from Disposal of Subsidiary

	FX Hotels 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

C. Net cash inflow from dispose of the subsidiary

	FX Hotels 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)

(19) Capital risk management

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

(20) Financial Instruments

A. Types of financial instruments

	December 31,2019	December 31,2018
Financial asset		
Cash and cash equivalents	$ 26,245	$ 47,545
Notes and accounts receivable, net	22,988	32,083
Receivables from related parties	-	2,511
Other accounts payable	19,758	54,741
Other financial assets-current	40	33,637
Non-current financial assets at fair value through other comprehensive income	-	-
Refundable deposits	27,724	67,683
Long-term accounts receivables	-	28,086
Overdue receivables	-	-

	December 31,2019	December 31,2018
Financial liabilities		
Notes and accounts payable	$ 3,560	$ 6,586
Other accounts payable	36,761	76,054
lease liabilities	582,307	-
Long-term loans（including due within one year）	408,349	761,871
Rent payable	-	91,689
Guarantee deposits	340	4,092

B. 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 the Company's 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.

(a) 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.

(i) 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 RMB，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(b).

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 2019 and 2018 will be reduced by 180 thousands and 3,176 thousands respectively.

(ii) Interest rate risk

The interest rate risk of the Company 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 31,2019	December 31,2018
Cash flows rate risk		
－Financial asset	$ 25,421	$ 79,678
－Financial Liabilities	408,349	761,871

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 loss before tax will be reduced by $383 thousands and $682 thousands for the year ended December 31, 2019 and 2018.

(b) 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 the Company 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 the Company’s 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.

There was no credit limit for the year ended December 31, 2019 and 2018, and the management did not expect any significant losses due to the non-compliance of the counterparty.

(c) Liquidity risk

The cash flow forecast is executed by each operating entity within the Company is summarized by the financial department of the Company. The Company's Finance Department monitors the Company’s 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.

(i) 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 31,2019

	Within 1 Year	1-2 Years	2-5 Years	Over 5 Years
Non-derivative				
Notes and accounts payable	$ 3,560	$ -	$ -	$ -
Other accounts payable	36,761	-	-	-
lease liabilities	69,609	181,953	191,837	138,908
Long-term loans	260,000	-	-	148,349
	$ 369,930	$ 181,953	$ 191,837	$ 287,257

Additional information about the maturity analysis for lease liabilities:

	Within 1 Year	1-5 Years	5-10 Years	10-15 Years
lease liabilities	$ 369,930	$ 369,930	$ 369,930	$ 369,930

December 31,2018

	Within 1 Year	1-2 Years	2-5 Years
Non-derivative			
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	$ -

(ii) Finance facilities

	December 31,2019	December 31,2018
Guaranteed bank overdraft limit		
- Amount used	$ 260,000	$ 419,329
- Amount unused	-	-
	$ 260,000	$ 419,329

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.

C. Fair value of financial instruments

(a) Measuring the fair value of financial instruments based on amortized cost, the Company consider amortized cost measurement financial instruments financial Assets and financial liabilities in consolidated financial statements carrying amount approaches fair value.

(b) 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).

Financial asset	December 31, 2019 Level 1	Level 2	Level 3	total
Financial asset or financial liability at fair value through profit	$ -	$ -	$ -	$ -

Financial asset	December 31, 2018 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 Company, which are related parties of the Company, 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:

(1) 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
Beijing Huayu Fortune Business Management Co., Ltd. (Huayu Fortune)	The Company's substantive relationship

(2) Related party transactions

A. Net revenue

Item	Related party categories	For the year ended December 31, 2019	For the year ended December 31, 2018
Net revenue	Huayu Fortune	$ 4,593	$ 9,274
Net revenue	Furama	64	-
		$ 4,657	$ 9,274

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

(b) 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.

(c) The Company's subsidiary, FX Yansha (it's no longer a subsidiary after June 28, 2019), subleased 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 $853 thousands).

B. Receivables from related parties

Related party name	December 31, 2019	December 31, 2018
Huayu Fortune	$ -	$ 2,511

C. Other Receivables from related parties

Related Party Name	December 31, 2019	December 31, 2018
Furama	$ 115	$ -
Huayu Fortune	-	23,993
	$ 115	$ 23,993

The above amount includes the reclassification of the overdue receivables account to other receivables.

D. Payables to related parties

Related party categories	December 31, 2019	December 31, 2018
Furama	$ 10,242	$ -

E. Long-term loans

Related party name	December 31, 2019	December 31, 2018
Furama	$ 148,349	$ 390,203
Less:Long-Term borrowings-Current Portion	(-)	(326,384)
	$ 148,349	$ 63,819

On November 12, 2019, the board of directors of the Company approved the pledge of 100% equity of the trademark and its subsidiaries FX Taiwan and

China Capital to Furama. As a guarantee for the renewal of the loan from the Company and FX Taiwan to Furama. Please refer to Note 8 for the relevant amount.

F. Finance costs

Related Party Name	For the year ended December 31, 2019	For the year ended December 31, 2018
Furama	$ 10,418	$ -
Wei Yao Huang	-	-
	$ -	$ -

G. Other income

Related Party Name	For the year ended December 31, 2019	For the year ended December 31, 2018
Furama	$ -	$ 26,279
Wei Yao Huang	-	2,292
	$ -	$ 28,571

In consideration of The Company operating conditions and comprehensive operational development, Furama and Wei Yao Huang agreed to waive the interest receivables and special dividends as of March 31, 2019.

H. WeI Yao Huang successively provided Taishin International Bank with a non-cancellable guarantee letter of credit totaling US$11,450 thousands (changed into $353,408 thousands) 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, FX Beijing and all subsidiaries of FX Beijing to Mr. Huang as the counter-guarantee of the above irrevocable guarantee letter of credit. Please refer to Note 8 for the relevant amount. As of December 31, 2018, the loans applied to Taishin were settled. WeI Yao Huang has revoked the above-mentioned guarantee letter of credit and the 100% equity pledge of China Capital, FX Beijing and its subsidiaries are also lifted.

I. Furama provided DBS Bank with a non-cancellable guarantee letter of credit of US$4,350 thousands (changed into $130,413 thousands) as a guarantee for the Company and FX Taiwan to apply for a loan from the bank.

J. Compensation of key management personnel

	For the year ended December 31, 2019	For the year ended December 31, 2018
Salary and other Short-term employee benefits	$ 7,501	$ 6,393
Business execution expense	1,339	1,385
	$ 8,840	$ 7,778

8. PLEDGED ASSETS

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

	December 31, 2019	December 31, 2018
Subsidiary equity		
- China Capital equity.	$ 147,998	$ 165,764
- FX Beijing equity.	-	156,834
- FX Taiwan equity.	22,329	-
Brand trademark cost	4,777	6,118
	$ 175,104	$ 328,716

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, 2019	December 31, 2018
Purchase Property, plant and equipment	$ 4,939	$ 46,833
Other	1,594	3,839
	$ 6,533	$ 50,672

Contingency

(1) 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. Taiwan High Prosecutors Office dismissed by a ruling on March 25, 2019, the Company and FX Taiwan dissatisfied the result, reissue the charge to Taipei District Court on April 19,2019. Taipei District Court rejected the claim on July 22, 2019 with “2019 Sheng-Pan-Tzu No. 87”. In addition to the criminal prosecution of Hou, Tsun-Chung (he former operation in-charge person) for business embezzlement and breach of trust, the Company also appealed for the return of the shares and cheques it had seized on September 12, 2019. Taipei District Court conducted the investigation by “2020 Chung-Su-Tzu No. 34”.

(2) Hou, Tsun-Chung, the former operation in-charge person, made the following actions without the Company’s authority:

A. Signed and issued the check: "Check paid to: FX Taiwan, date: December 30, 2017, check value: $ 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.

B. Signed and issued the check: "Check paid to: FX Taiwan, check value: $ 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.

(3) Hou, Tsun-Chung, former head of FX Taiwan, claimed that FX Taiwan had issued three $ 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". Hou, Tsun-Chung has appealed and was dismissed by Taiwan High Court on December 24, 2019, with the judgment of "2019 Shang-Yi-Tzu No. 349".

(4) 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 thousands, and pay the property management fee of RMB 2,914 thousands 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.

(5) 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.

(6) 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 $ 5,390 thousands 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, $ 8,609 thousands in total. Taipei District Court dismissed the request of Kitchen X on August 23, 2019, with the judgment of 2018 Chung-Su-Tzu No. 705. Kitchen X has appealed and Taiwan High Court ruled on February 11, 2020, with the 2018 Chung-Shang-Tzu No. 994 to rejecting the appeal of Kitchen X.

(7) 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 thousands. This case was established in court on March 4, 2019 in Huqiu District People's Court of Suzhou City, RMB1,100 thousands was paid by Boutix Suzhou to Suzhou Domi and the case was over.

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

11. <u>SIGNIFICANT SUBSEQUENT EVENTS</u>：None

12. OTHER MATTERS

(1) 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 thousands (approximately $57,317 thousands) and RMB 26,979 thousands (approximately $123,967 thousands) of other income.

(2) 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 31,2019

	Foreign currency (Thousand dollar)	Rates	Carrying amount
Financial assets			
Monetary items			
USD	$ 51.60	6.9761 (USD：CNY)	1,546
USD	0.40	29.9800 (USD：TWD)	12
HKD	0.05	3.8490 (HKD：TWD)	-
JPY	10.00	0.2760 (JPY ：TWD)	3
SGD	0.04	22.2800 (CNY：TWD)	1
TWD	0.60	1.0000 (TWD：TWD)	1
			$ 1,563
Financial liabilities			
Monetary items			
USD	$ 53	6.9761 (USD：CNY)	$ 1,590
USD	600	29.9800 (USD：TWD)	17,988
SGD	736	22.2800 (SGD：TWD)	16,398
TWD	120,378	1.0000 (TWD：TWD)	120,378
			$ 156,354

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	6.0	1.1414 (HKD：CNY)	23
JPY	10.0	0.2782 (JPY：CNY)	3
SGD	0.1	22.4800 (HKD：CNY)	2
TWD	1.0	4.4753 (TWD：CNY)	1
			$ 69
Financial liabilities			
Monetary items			
USD	$ 8,946.0	6.8632 (USD：CNY)	$ 274,762
USD	1,397.0	30.7150 (USD：TWD)	42,909
HKD	370.0	1.1414 (HKD：CNY)	1,451
SGD	736.0	22.4800 (SGD：TWD)	16,545
TWD	198,552.0	4.4753 (TWD：CNY)	198,552
			$ 534,219

The Company loss (gain) on foreign exchange are $1,101 thousands and ($27,859) thousands for the year ended December 31, 2019 and 2018. 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

(1) Information on significant transactions:

A. Financing extended to other parties: pleaes refer to Table 1.

B. Endorsements/guarantees provided to other parties: pleaes refer to Table 2.

C. Marketable securities held（does not include investment subsidiaries, affiliates and joint venture control）: pleaes refer to Table 3.

D. Marketable securities acquired and disposed of at costs or prices of at least $300 million or 20% of the paid-in capital: pleaes refer to Table 4.

E. Acquisition of individual real estate properties at costs of at least $300 million or 20% of the paid-in capital: None.

F. Disposal of individual real estate properties at prices of at least $300 million or 20% of the paid-in capital: None.

G. Total purchases from or sales to related parties of at least $100 million or 20% of the paid-in capital: None.

H. Receivables from related parties of at least $100 million or 20% of the paid-in capital: None.

I. Trading in derivative instruments: None.

J. Business relationships between the parent and the subsidiaries: pleaes refer to Table 5.

(2) Information on investees:

Names, locations and other information of investee companies：pleaes refer to Table 6.

(3) Information on investment in Mainland China：

A. 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 7.

B. 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.

(1) 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
2019			
External customer	$ 426,753	$ 11,073	$ 437,826
Inter-company	314	-	314
Departmental income	$ 427,067	$ 11,073	438,140
Internal write off			(314)
Consolidated income			$ 437,826
Department profit and loss	($ 33,435)	($ 1,720)	($ 35,155)

	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)

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.

(2) Departmental assets

	For the year ended December 31, 2019	For the year ended December 31, 2018
Segment assets		
Hotel management	$ 1,030,719	$ 982,976
Property management	17,828	21,449
Total	$ 1,048,547	$ 1,004,425

(3) Main products and labor income

The income analysis of the Company's main products and services is as follows:

	For the year ended December 31, 2019		For the year ended December 31, 2018	
Segment assets				
Hotel management income	$	426,753	$	621,639
Property management income		11,073		22,850
Total	$	437,826	$	644,489

(4) Geographical Areas

The Company mainly operates in mainland China and Taiwan.

The Company's income from external customers is classified according to the location of operations and non-current assets. The information is divided according to the location of the assets as follows:

	For the year ended December 31, 2019				For the year ended December 31, 2018			
	revenue		Non-current assets		revenue		Non-current assets	
China	$	211,781	$	28,975	$	426,024	$	196,574
Taiwan		217,973		348,692		218,465		380,629
Others		8,072		-		-		-
	$	437,826	$	377,667	$	644,489	$	577,203

Non-current assets exclude financial instruments and deferred income tax assets.

(5) Major Customer

External customers which accounted for 10 percent or more of the Company’s total revenues.

	For the year ended December 31, 2019	For the year ended December 31, 2018
Customer A	$48,022	$45,235

FX Hotels Group Inc. and Subsidiaries

FINANCING EXTENDED TO OTHER PARTIES

For the year ended December 31, 2019

Table 1

Unit: Except as otherwise indicated
In thousands of New Taiwan Dollars

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	$ 14,000	$ -	$ -	-	2	$	Operation requirements	$ -	—	$ -	$ 3,976	$ 3,976	—
1	China Capital	FX Beijing	Other receivables	No	22,997	-	-	-	2		Operation requirements	-	—	-	59,199	59,199	—
1	China Capital	Boutix Nanjing	Other receivables	No	87,387	-	-	-	2		Operation requirements	-	—	-	59,199	59,199	—
1	China Capital	FX Nanjing	Other receivables	No	22,997	-	-	-	2		Operation requirements	-	—	-	59,199	59,199	—
2	FX Taiwan	FX Hotels	Other receivables	Yes	18,000	9,000	-	-	2		Operation requirements	-	—	-	8,931	8,931	—

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 December 31, 2019

Table 2

Unit: Except as otherwise indicated
In thousands of New Taiwan Dollars

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	$ 14,912	$ 10,626	$ 10,626	$ 10,626	$ -	107	$ 14,912	Y	N	N	

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, 2019

Table 3

Unit: Except as otherwise indicated
In thousands of New Taiwan Dollars

Investing Company	Marketable Securities Type and Name	Relationship with the Securities Issuer	Financial Statement Account	December 31,2019				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

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT$300 MILLION OR 20% OF THE PAID-IN CAPITAL

For the year ended December 31, 2019

Table 4

Unit: Except as otherwise indicated
In thousands of New Taiwan Dollars

Company Name	Marketable Securities Type and Name（note1）	Financial Statement Account	Counter-party（note2）	Nature of Relationship（note2）	January 1, 2019		Buy (note 3)		Sell (note 3)				December 31,2019	
					Shares	Amount	Shares	Amount	Shares	Selling price	Amount	Disposal of profit and loss	Shares	Amount
FX Hotels	Stock FX HK	Investments Accounted for Using Equity Method	GMCM Capital Partners-SPC	－	170,775,737	$ 289,286	-	$ -	170,775,737	$ 341,660	$ 313,419	$ 28,106 (note 5)	-	$ -

Note1：The Marketable Securities in this table refer to stocks, bonds, beneficiary certificates and securities derived from the above items.

Note2：Investors who use equity method in the accounting of securities must complete these two columns, and the rest may be exempted.

Note3：The cumulative purchase and sale amount should be calculated separately according to the market price to reach 300 million yuan or 20% of the capital.

Note4：Capital refers to the paid-up capital of the parent company. If the issuer ’s stock has no denomination or the denomination per share is not NT $ 10, the transaction amount of 20% of the paid-in capital shall be calculated based on the balance sheet ’s equity attributable to the parent company ’s equity of 10%.

Note5：Number of exchange rate effects (135) thousands.

FX Hotels Group Inc. and Subsidiaries

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS

For the year ended December 31, 2019

Table 5

Unit: Except as otherwise indicated
In thousands of New Taiwan Dollars

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)
2	China Capital	FX Hotels	2	Other receivables	64,892	General business practices	6.19%

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 between 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 subsidiary 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 revenue. 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 December 31, 2019

Table 6

Unit: Except as otherwise indicated
In thousands of New Taiwan Dollars

Investor	Investee	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2019			Net Income (Loss) of the Investee	Investment Income (Loss)	Note
				December 31, 2019	December 31, 2018	Shares	Percentage of Ownership %	Carrying Value			
FX Hotels	FX HK	Hong Kong	Investment holding	$ -	$ 643,458	-	-	$ -	($ 8,808)	($ 8,808)	Sold in the second quarter of 2019
FX Hotels	FX Taiwan	Taiwan	International business hotel	255,000	255,000	25,500,000	100%	22,329	(29,859)	(29,859)	Subsidiary

FX Hotels Group Inc. and Subsidiaries

INVESTMENTS IN MAINLAND CHINA

For the year ended December 31, 2019

Table 7

Unit: Except as otherwise indicated

In thousands of New Taiwan Dollars

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, 2019	Investment Flows		Accumulated Outflow of Investment from Taiwan as of Decemberr 31, 2019	Net Income (Loss) of Investee	% Ownership through Direct or Indirect Investment	Investment Income (Loss)	Carrying Value as of December 31, 2019	Accumulated Inward Remittance of Earnings as of December 31, 2019	Note
					Outflow	Inflow							
FX BEIJING	Hotel management	$ 382,420	2	$ 176,726	$ -	$ 176,726	$ -	($ 12,006)	-	($ 12,006)	$ -	$ -	Note 3、5
CHINA CAPITAL	Hotel management	202,358	1	165,937	-	-	165,937	(11,767)	100%	(11,767)	147,998	-	Note 2
BOUTIX SUZHOU	International Business Hotel	308,097	2	-	-	-	-	5,621	-	5,621	-	-	Note 3、5
BOUTIX NANJING	International Business Hotel	13,129	2	-	-	-	-	(1,198)	-	(1,198)	-	-	Note 3、5
FX NANJING	International Business Hotel	2,149	3	-	-	-	-	(7,130)	-	(7,130)	-	-	Note 3、5
FX FUSHANG	International Business Hotel	5,157	3	-	-	-	-	1,509	-	1,509	-	-	Note 3、5
FX YANSHA	International Business Hotel	18,495	3	-	-	-	-	(325)	-	(325)	-	-	Note 3、5
FX SHENZHEN	International Business Hotel	45,124	3	-	-	-	-	2,875	100%	2,875	276	-	Note 2
FX SUZHOU.	International Business Hotel	4,298	3	-	-	-	-	(5,254)	-	(5,254)	-	-	Note 3、5

Accumulated Investment in Mainland China as of December 31, 2019	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment Authorized by Investment Commission, MOEA
$165,937	Note 4	Note 4

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：Calculate the investment gain or loss according to the financial report of the invested company that has not been checked by an accountant during the same period.

Note 4：It is a foreign company and not applicable.

Note 5：Sold in the second quarter of 2019.