

**FX HOTELS GROUP INC. AND
SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
DECEMBER 31, 2022 AND 2021**

For the convenience of readers and for information purpose only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

FX HOTELS GROUP INC.
DECEMBER 31, 2022 AND 2021 CONSOLIDATED FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT
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INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

PWCR22000680

To the Board of Directors and Shareholders of FX Hotels Group Inc.

Opinion

We have audited the accompanying consolidated balance sheets of FX Hotels Group Inc. and subsidiaries (the “Group”) as at December 31, 2022 and 2021, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2022 and 2021, 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, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the Financial Supervisory Commission.

Basis for opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the 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.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Group's 2022 consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Group's 2022 consolidated financial statements are stated as follows:

Accuracy of revenue recognition

Description

Refer to Note 4(23) for accounting policies on revenue recognition and Note 6(15) for details of operating revenue.

The Group is primarily engaged in franchise services such as hotel brand licensing. As the amount of operating revenue has a material impact on the overall consolidated financial statements, which would lead to material misstatements in the consolidated financial statements. Therefore, we consider the accuracy of revenue recognition a key audit matter.

How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

1. Obtained an understanding on and tested the effectiveness of the Group's internal control over the operating revenue.
2. Obtained an understanding of the types and transaction terms of the operating revenue in order to assess whether the timing and classification of revenue recognition were appropriate.
3. Performed substantive tests, the test included:
 - (1) Examined customer's contract and verified the accuracy of the amount and the timing of the revenue recognition.
 - (2) Verified whether the collection records were consistent with the initial recognised amount.

Other matter –Prior period financial statements audited by other auditors

The consolidated financial statements of the Group as at, and for the year ended December 31, 2021, were audited by other auditors whose report dated March 29, 2022 expressed an unmodified opinion on those statements.

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 International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the Financial Supervisory Commission, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including the audit committee, are responsible for overseeing the Group's financial reporting process.

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 Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and

are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 of the current period 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.

Huang, Chin-Lien

Wang, Chao-Ming

For and on behalf of PricewaterhouseCoopers, Taiwan

March 28, 2023

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and independent auditors' report are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

FX Hotels Group Inc. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2022 AND 2021

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Assets			December 31, 2022		December 31, 2021	
			AMOUNT	%	AMOUNT	%
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 45,624	6	\$ 274,450	32
1136	Current financial assets at amortised cost	6(2) and 8	220,003	30	23	-
1170	Accounts receivable, net	6(3)	2,200	-	17,575	2
1200	Other receivables	6(4)	19,617	3	17,504	2
1210	Other receivables due from related parties	7	115	-	115	-
130X	Current inventories		5	-	-	-
1410	Prepayments		1,202	-	3,165	1
1470	Other current assets		2,052	-	1,645	-
11XX	Current Assets		290,818	39	314,477	37
Non-current assets						
1600	Property, plant and equipment	6(5)	15,274	2	23,655	3
1755	Right-of-use assets	6(6)(7)	-	-	543	-
1760	Investment property - net	6(6)(7)	378,206	51	471,172	55
1780	Intangible assets	8	1,375	-	2,529	-
1840	Deferred income tax assets	6(22)	11,827	2	12,546	2
1900	Other non-current assets	6(8)	39,840	6	27,392	3
15XX	Non-current assets		446,522	61	537,837	63
1XXX	Total assets		\$ 737,340	100	\$ 852,314	100

(Continued)

FX Hotels Group Inc. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2022 AND 2021

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Liabilities and Equity			December 31, 2022		December 31, 2021			
			Notes	AMOUNT	%	AMOUNT	%	
Current liabilities								
2130	Current contract liabilities	6(15)	\$	286	-	\$	2,534	-
2170	Accounts payable			859	-		847	-
2200	Other payables	6(9)		14,926	2		11,316	2
2220	Other payables to related parties	7		86	-		86	-
2280	Current lease liabilities	6(6)		126,715	17		113,353	13
2399	Other current liabilities, others			4,015	1		4,727	1
21XX	Current Liabilities			146,887	20		132,863	16
Non-current liabilities								
2580	Non-current lease liabilities	6(6)		350,082	48		444,463	52
2600	Other non-current liabilities			2,546	-		2,513	-
25XX	Non-current liabilities			352,628	48		446,976	52
2XXX	Total Liabilities			499,515	68		579,839	68
Equity								
Equity attributable to owners of parent								
	Share capital	6(11)						
3110	Share capital - common stock			596,564	81		596,564	70
	Capital surplus	6(12)						
3200	Capital surplus			-	-		334,248	39
	Retained earnings	6(13)						
3310	Legal reserve			5,143	1		5,143	1
3350	Total unappropriated retained earnings (accumulated deficit)		(	297,599)	(41)	(	596,260)	(70)
	Other equity interest	6(14)						
3400	Other equity interest		(	66,283)	(9)	(	67,220)	(8)
31XX	Equity attributable to owners of the parent			237,825	32		272,475	32
3XXX	Total equity			237,825	32		272,475	32
	New Item	9						
3X2X	Total liabilities and equity		\$	737,340	100	\$	852,314	100

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

FX Hotels Group Inc. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

	Items	Notes	Year ended December 31			
			2022		2021	
			AMOUNT	%	AMOUNT	%
4000	Sales revenue	6(15)	\$ 41,720	100	\$ 66,405	100
5000	Operating costs	6(20)(21)	(12,328)	(29)	(24,496)	(37)
5900	Net operating margin		29,392	71	41,909	63
	Operating expenses	6(20)(21)				
6100	Selling expenses		(2,534)	(6)	(2,962)	(4)
6200	General & administrative expenses		(34,634)	(83)	(39,686)	(60)
6450	Impairment loss (impairment gain and reversal of impairment loss) determined in accordance with IFRS 9	12(3)	(3,655)	(9)	(24,028)	(36)
6000	Total operating expenses		(40,823)	(98)	(66,676)	(100)
6900	Operating loss		(11,431)	(27)	(24,767)	(37)
	Non-operating income and expenses					
7100	Interest income	6(16)	1,041	2	70	-
7010	Other income	6(6)(7)(17)	81,409	195	80,172	121
7020	Other gains and losses	6(5)(7)(18)(20)	(92,405)	(221)	(82,816)	(125)
7050	Finance costs	6(19)	(13,437)	(32)	(15,984)	(24)
7000	Total non-operating revenue and expenses		(23,392)	(56)	(18,558)	(28)
7900	Profit (loss) before income tax		(34,823)	(83)	(43,325)	(65)
7950	Income tax (expense) benefit	6(22)	(764)	(2)	(567)	(1)
8200	Profit (loss) for the year		<u>(\$ 35,587)</u>	<u>(85)</u>	<u>(\$ 43,892)</u>	<u>(66)</u>
	Other comprehensive income					
	Components of other comprehensive income that will be reclassified to profit or loss					
8361	Financial statements translation differences of foreign operations	6(14)	\$ 937	2	(\$ 638)	(1)
8360	Components of other comprehensive income that will be reclassified to profit or loss		937	2	(638)	(1)
8300	Other comprehensive income for the year		<u>\$ 937</u>	<u>2</u>	<u>(\$ 638)</u>	<u>(1)</u>
8500	Total comprehensive income for the year		<u>(\$ 34,650)</u>	<u>(83)</u>	<u>(\$ 44,530)</u>	<u>(67)</u>
	Profit (loss), attributable to:					
8610	Owners of the parent		<u>(\$ 35,587)</u>	<u>(85)</u>	<u>(\$ 43,892)</u>	<u>(66)</u>
	Comprehensive income attributable to:					
8710	Owners of the parent		<u>(\$ 34,650)</u>	<u>(83)</u>	<u>(\$ 44,530)</u>	<u>(67)</u>
	Basic earnings per share	6(23)				
9750	Total basic earnings per share		<u>(\$ 0.60)</u>		<u>(\$ 1.09)</u>	
9850	Total diluted earnings per share		<u>(\$ 0.60)</u>		<u>(\$ 1.09)</u>	

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

FX Hotels Group Inc. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

		Equity attributable to owners of the parent						
		Retained Earnings				Other equity interest		
			Total capital surplus, additional paid-in capital	Legal reserve	Total unappropriated retained earnings (accumulated deficit)	Financial statements translation differences of foreign operations	Total Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	Total
Notes	Share capital - common stock							
<u>Year 2013</u>								
	Balance at January 1, 2013	\$ 681,723	\$ 334,248	\$ 5,143	(\$ 948,931)	(\$ 57,110)	(\$ 9,472)	\$ 5,601
	Profit (Loss) for the period/year	-	-	-	(43,892)	-	-	(43,892)
	Other comprehensive income for the period/year	6(14)	-	-	-	(638)	-	(638)
	Total comprehensive income	-	-	-	(43,892)	(638)	-	(44,530)
New Item	6(11)	311,404	-	-	-	-	-	311,404
New Item	6(11)(13)	(396,563)	-	-	396,563	-	-	-
	Balance at September 30, 2013	\$ 596,564	\$ 334,248	\$ 5,143	(\$ 596,260)	(\$ 57,748)	(\$ 9,472)	\$ 272,475
<u>Year 2013</u>								
	Balance at January 1, 2013	\$ 596,564	\$ 334,248	\$ 5,143	(\$ 596,260)	(\$ 57,748)	(\$ 9,472)	\$ 272,475
	Profit (Loss) for the period/year	-	-	-	(35,587)	-	-	(35,587)
	Other comprehensive income for the period/year	6(14)	-	-	-	937	-	937
	Total comprehensive income	-	-	-	(35,587)	937	-	(34,650)
New Item	6(12)(13)	-	(334,248)	-	334,248	-	-	-
	Balance at September 30, 2013	\$ 596,564	\$ -	\$ 5,143	(\$ 297,599)	(\$ 56,811)	(\$ 9,472)	\$ 237,825

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

FX Hotels Group Inc. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2022 AND 2021

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

		Year ended December 31	
	Notes	2022	2021
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Loss before tax		(\$ 34,823)	(\$ 43,325)
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation charge	6(5)(6)(7)(18)(20)	93,363	95,919
Amortisation charge	6(20)	1,309	1,674
Expected credit loss	12(3)	3,655	24,028
Interest expense	6(19)	13,437	15,984
Interest income	6(16)	(1,041)	(70)
Losses (gains) on disposals of property, plant and equipment	6(18)	89	(301)
Gains from rent concessions	6(17)	(2,250)	(15,632)
Changes in operating assets and liabilities			
Changes in operating assets			
Accounts receivable		11,143	(7,404)
Other receivables		(1,479)	(15,965)
Inventories		(5)	60
Prepayments		1,967	4,942
Other current assets		(410)	614
Other non-current assets		-	137
Changes in operating liabilities			
Contract liabilities		(2,335)	(1,220)
Accounts payable		-	(267)
Other payables		3,560	(51,239)
Other current liabilities		(723)	1,191
Cash inflow generated from operations		85,457	9,126
Interest received		1,041	70
Interest paid		(13,437)	(15,897)
Net cash flows from (used in) operating activities		<u>73,061</u>	<u>(6,701)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of current financial assets at amortised cost		(220,000)	-
Proceeds from disposal of current financial assets at amortised cost		20	8,803
Acquisition of property, plant and equipment	6(5)	(570)	(29)
Proceeds from disposal of property, plant and equipment		-	907
Acquisition of intangible assets		(155)	(219)
Decrease in guarantee deposits paid		233	527
Increase in prepayments for investments	6(8)	(12,750)	-
Net cash flows (used in) from investing activities		<u>(233,222)</u>	<u>9,989</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Repayments of long-term borrowings	6(24)	-	(11,144)
Payments of lease liabilities	6(24)	(69,853)	(56,701)
Decrease in guarantee deposits received	6(24)	-	(5)
Proceeds from issuing shares	6(11)	-	311,404
Net cash flows (used in) from financing activities		<u>(69,853)</u>	<u>243,554</u>
Effect of exchange rate changes		1,188	(509)
Net (decrease) increase in cash and cash equivalents		(228,826)	246,333
Cash and cash equivalents at beginning of year		274,450	28,117
Cash and cash equivalents at end of year		<u>\$ 45,624</u>	<u>\$ 274,450</u>

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

FX HOTELS GROUP INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. History and Organisation

FX Hotels Group Inc. (the “Company”) was incorporated in the Cayman Islands in January 2002. In May 2008, the Company officially changed its name to FX Hotels Group Inc. as a holding company for the organisation restructuring in order to apply for listing on the Taipei Exchange. The holding company has branches over operating entities that are not professional in investment. The Company and its subsidiaries (collectively referred herein as the “Group”) are primarily engaged in providing operating international business hotel accommodation and hotel management.

The Company’s shares were officially listed on the Taipei Exchange in May 2012.

The consolidated financial statements are presented in New Taiwan dollars, which is the Company’s functional currency.

2. The Date of Authorisation for Issuance of the Financial Statements and Procedures for Authorisation

These consolidated financial statements were authorised for issuance by the Board of Directors on March 28, 2023.

3. Application of New Standards, Amendments and Interpretations

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRS”) that came into effect as endorsed by the Financial Supervisory Commission (“FSC”)

New standards, interpretations and amendments endorsed by the FSC and became effective from 2022 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 3, ‘Reference to the conceptual framework’	January 1, 2022
Amendments to IAS 16, ‘Property, plant and equipment: proceeds before intended use’	January 1, 2022
Amendments to IAS 37, ‘Onerous contracts - cost of fulfilling a contract’	January 1, 2022
Annual improvements to IFRS Standards 2018–2020	January 1, 2022

The above standards and interpretations have no significant impact to the Group’s financial condition and financial performance based on the Group’s assessment.

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Group

New standards, interpretations and amendments endorsed by the FSC effective from 2023 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IAS 1, 'Disclosure of accounting policies'	January 1, 2023
Amendments to IAS 8, 'Definition of accounting estimates'	January 1, 2023
Amendments to IAS 12, 'Deferred tax related to assets and liabilities'	January 1, 2023

The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

(3) IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
Amendments to IFRS 16, 'Lease liability in a sale and leaseback'	January 1, 2024
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendment to IFRS 17, 'Initial application of IFRS 17 and IFRS 9'	January 1, 2023
-	
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2024
Amendments to IAS 1, 'Non-current liabilities with covenants'	January 1, 2024

The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

4. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers", International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the FSC (collectively referred herein as the "IFRSs").

(2) Basis of preparation

- A. Except for fair value through other comprehensive income—financial assets, the consolidated financial statements have been prepared under the historical cost convention:
- B. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or

complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

- (a) All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.
- (b) Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- (c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.
- (d) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity.
- (e) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognised in profit or loss. All amounts previously recognised in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognised in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

B. Subsidiaries included in the consolidated financial statements:

Investor	Name of subsidiary	Main business activities	Ownership(%) directly or indirectly		Description
			December 31, 2022	December 31, 2021	
FX Hotels Group Inc.	Taiwan FX Hotels Company Limited (FX Taiwan)	International business hotel	100	100	Note 3
"	China Capital Management Group Inc. (China Capital)	Hotel management	100	100	Note 1
"	China Artix Hotel Management and Development (BJ) Co., Ltd (China Artix)	Hotel management	100	-	Note 1
China Capital Management Group Inc.	Shenzhen Co.,Ltd. (FX Shenzhen)	International business hotel	-	-	Note 2

Note 1: There are three branches under China Capital, one is Shanghai Xujiahui Branch Office (China Capital Xujiahui), which is engaged in international business hotel; another is Shanghai Branch (China Capital Shanghai), which has no operating activities yet. The Shanghai Branch has cancelled its company registration on February 3, 2021; the other is Tianjin Branch (China Capital Tianjian), which is engaged in international business hotel. The Tianjin Branch has cancelled its company registration on September 5, 2019.

On March 29, 2022, due to the adjustment of the Group's internal organisation structure, the Company invested 24.85% of the capital of China Capital to establish a wholly-owned subsidiary China Artix.

Note 2: On July 14, 2021, FX Shenzhen has cancelled its company registration.

Note 3: On December 23, 2021, the Board of Directors of FX Taiwan resolved to increase its capital amounting to \$290,000, with a price of NT\$10 (in dollars) per share. The Company subscribed in full with \$35,000 of creditor's rights in FX Taiwan and \$255,000 in cash.

C. Subsidiaries not included in the consolidated financial statements: None.

D. Adjustments for subsidiaries with different balance sheet dates: None.

E. Significant restrictions: None.

F. Subsidiaries that have non-controlling interests that are material to the Group: None.

(4) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in New Taiwan dollars, which is the Company's functional and the Group's presentation currency.

A. Foreign currency transactions and balances

- (a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.
- (b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.
- (c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
- (d) All foreign exchange gains and losses are presented in the statement of comprehensive income within 'other gains and losses'.

B. Translation of foreign operations

- (a) The operating results and financial position of all the group entities, associates and joint arrangements that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
 - i Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
 - ii Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
 - iii All resulting exchange differences are recognised in other comprehensive income.
- (b) When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interest in this foreign operation. In addition, even when the Company retains partial interest in the former foreign subsidiary after losing control of the former foreign subsidiary, such transactions should be accounted for as disposal of all interest in the foreign operation.
- (c) Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing exchange rates at the balance sheet date.

(5) Classification of current and non-current items

A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

- (a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;
- (b) Assets held mainly for trading purposes;
- (c) Assets that are expected to be realised within twelve months from the balance sheet date;
- (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.

B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

- (a) Liabilities that are expected to be settled within the normal operating cycle;
- (b) Liabilities arising mainly from trading activities;
- (c) Liabilities that are to be settled within twelve months from the balance sheet date;
- (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(6) Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

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

- A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Group has made an irrevocable election at initial recognition to recognise changes in fair value in other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. The Group subsequently measures the financial assets at fair value. The changes in fair value of equity investments that were recognised in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognised as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(8) Financial assets at amortised cost

- A. Financial assets at amortised cost are those that meet all of the following criteria:
 - (a) The objective of the Group's business model is achieved by collecting contractual cash flows.
 - (b) The assets' contractual cash flows represent solely payments of principal and interest.
- B. On a regular way purchase or sale basis, financial assets at amortised cost are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. Interest income from these financial assets is included in finance income using the effective interest method. A gain or loss is recognised in profit or loss when the asset is derecognised or impaired.
- D. The Group's time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(9) Accounts receivable

- A. Accounts receivable entitle the Group a legal right to receive consideration in exchange for transferred goods or rendered services.
- B. The short-term accounts receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(10) Impairment of financial assets

For financial assets at amortised cost, at each reporting date, the Group recognises the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognises the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Group recognises the impairment provision for lifetime ECLs.

(11) Derecognition of financial assets

The Group derecognises a financial asset when the contractual rights to receive the cash flows from the financial asset expire.

(12) Leasing arrangements (lessor) — operating leases

Lease income from an operating lease (net of any incentives given to the lessee) is recognised in profit or loss on a straight-line basis over the lease term.

(13) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.
- B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Office equipment	1 ~ 5 year(s)
Business facilities	2 ~10 years
Leasehold improvements	1~ 10 year(s)

(14) Leasing arrangements (lessee) — right-of-use assets/ lease liabilities

- A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.

B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments include fixed payments less any lease incentives receivable.

The Group subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

C. At the commencement date, the right-of-use asset is stated at cost comprising the following:

- (a) The amount of the initial measurement of lease liability;
- (b) Any lease payments made at or before the commencement date;
- (c) Any initial direct costs incurred by the lessee.

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognised as an adjustment to the right-of-use asset.

D. For lease modifications that decrease the scope of the lease, the lessee shall decrease the carrying amount of the right-of-use asset and remeasure the lease liability to reflect the partial or full termination of the lease, and recognise the difference in profit or loss.

(15) Investment property

An investment property is stated initially at its cost and measured subsequently using the cost model. Except for land, investment property is depreciated on a straight-line basis over its estimated useful life of 3 to 14 years.

(16) Intangible assets

Computer software

Computer software is stated at cost and amortised on a straight-line basis over its estimated useful life of 1 to 5 year(s).

Trademarks

Trademarks are stated at cost and amortised on a straight-line basis over their estimated useful lives. Trademarks have a finite useful life and are amortised on a straight-line basis over their estimated useful lives of 3 years.

(17) Impairment of non-financial assets

The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. When the circumstances or reasons for recognising impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.

(18) Accounts payable

- A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.
- B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(19) Derecognition of financial liabilities

A financial liability is derecognised when the obligation specified in the contract is either discharged or cancelled or expires.

(20) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognised as expense in that period when the employees render service.

B. Pensions

Defined contribution plans

For defined contribution plans, the contributions are recognised as pension expense when they are due on an accrual basis. Prepaid contributions are recognised as an asset to the extent of a cash refund or a reduction in the future payments.

C. Employees' compensation and directors' remuneration

Employees' compensation and directors' remuneration are recognised as expense and liability, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. If employee compensation is paid by shares, the Group calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(21) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. Deferred tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries,

except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates and laws that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

- D. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.

(22) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.

(23) Revenue

- A. The Group mainly provides food and beverage services, guest room accommodation and brand authorisation and other related services. If the services rendered exceed the payment, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised.
 - (a) Food and beverage services are recognised when the Group sells a merchandise to the customer. Payment of the transaction price is due immediately when the customer purchases the merchandise.
 - (b) Guest room accommodation is recognised in the accounting period in which the services are rendered. The customer pays at the time specified in the payment schedule.
 - (c) Brand licensing pertained to the Group entering into a contract with a customer to grant a licence of brand to be used by customers. Given the licence is distinct from other promised goods or services in the contract, the Group recognises the revenue from licencing at a point in time or over time based on the nature of the licence granted.
- B. Financial component, as the time interval between the transfer of committed goods or service and the payment of customer does not exceed one year, the Group does not adjust the transaction price to reflect the time value of money.

(24) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The Group's chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

5. Critical Accounting Judgements, Estimates and Key Sources of Assumption Uncertainty

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Group's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions

and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below:

Critical accounting estimates and assumptions

Impairment assessment of financial assets - accounts receivable and other receivables

During the assessment process of financial assets, the Group has to measure credit risk using judgements and estimates to assess the expected credit losses. The credit risk is affected by various factors, such as customers' financial conditions, the Group's internal credit ratings, historical trading record and many other factors that would affect the credit quality of the customers. The assessment depends on reasonable expectation about expected credit loss on the basis of the conditions existing at the balance sheet date. The estimation may differ from the actual result and may lead to significant changes.

As of December 31, 2022, the carrying amount of accounts receivable and other receivables is \$2,200 and \$19,617, respectively.

6. Details of Significant Accounts

(1) Cash and cash equivalents

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Cash on hand	\$ 48	\$ 48
Demand deposits	21,776	274,402
Time deposits	<u>23,800</u>	<u>-</u>
	<u>\$ 45,624</u>	<u>\$ 274,450</u>

A. The Group transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

B. The Group has no cash and cash equivalents pledged to others as collateral.

C.

(2) Current financial assets at amortised cost

<u>Items</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Current items:		
Time deposits	\$ 220,000	\$ -
Trust bank deposits	<u>3</u>	<u>23</u>
	<u>\$ 220,003</u>	<u>\$ 23</u>

A. As at December 31, 2022 and 2021, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at amortised cost held by the Group was \$220,003 and \$23, respectively.

B. Details of the Group's financial assets at amortised cost pledged to others as collateral are provided in Note 8.

C. Information relating to credit risk of financial assets at amortised cost is provided in Note 12(3).

(3) Accounts receivable

	December 31, 2022	December 31, 2021
Accounts receivable	\$ 3,009	\$ 27,210
Less: Allowance for bad debts	(809)	(9,635)
	<u>\$ 2,200</u>	<u>\$ 17,575</u>

A. The ageing analysis of accounts receivable that were past due but not impaired is as follows:

	December 31, 2022	December 31, 2021
	Accounts receivable	Accounts receivable
Not past due	\$ 717	\$ 903
Past due		
Up to 90 days	1,616	8,219
91 to 180 days	286	4,398
Over 180 days	390	13,690
	<u>\$ 3,009</u>	<u>\$ 27,210</u>

The above ageing analysis was based on past due date.

B. As of December 31, 2022 and 2021, and January 1, 2021, the balances of receivables from contracts with customers amounted to \$3,009, \$27,210, and \$34,999, respectively.

C. The Group did not hold any collateral for accounts receivable.

D. As at December 31, 2022 and 2021, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the accounts receivable of the Group was \$2,200 and \$17,575, respectively.

E. Information relating to credit risk of accounts receivable is provided in Note 12(3).

(4) Other receivables

	December 31, 2022	December 31, 2021
Other accounts receivable	\$ 19,617	\$ 22,822
Less: Allowance for bad debts	-	(5,318)
	<u>\$ 19,617</u>	<u>\$ 17,504</u>

A. Other receivables mainly pertain to rent receivables of sublease

B. Changes in the loss allowance for other accounts receivable are as follows:

	Year ended December 31	
	2022	2021
Beginning balance	\$ 5,318	\$ -
Add: (Reversal of) provision for expected credit impairment loss during the year	(474)	6,388
Less: Transferred to overdue receivables	(4,844)	(1,070)
Ending balance	<u>\$ -</u>	<u>\$ 5,318</u>

C. Information relating to credit risk of other receivables is provided in Note 12(3).

(5) Property, plant and equipment

	2022					
	Transportation equipment	Office equipment	Business facilities	Leasehold improvements	Unfinished construction and equipment under acceptance	Total
	Owner -occupied	Owner- occupied	Lease	Lease		
At January 1						
Cost	\$ -	\$ 7,761	\$ 82,618	\$ 137,604	\$ 3,041	\$ 231,024
Accumulated depreciation	-	(7,141)	(66,642)	(94,990)	-	(168,773)
Accumulated impairment	-	(312)	(4,740)	(30,503)	(3,041)	(38,596)
	<u>\$ -</u>	<u>\$ 308</u>	<u>\$ 11,236</u>	<u>\$ 12,111</u>	<u>\$ -</u>	<u>\$ 23,655</u>
Opening net book amount as at January 1	\$ -	\$ 308	\$ 11,236	\$ 12,111	\$ -	\$ 23,655
Additions	-	108	462	-	-	570
Disposals	-	(2)	(87)	-	-	(89)
Depreciation charge	-	(140)	(2,963)	(5,976)	-	(9,079)
Net exchange differences	-	3	30	184	-	217
Closing net book amount as at December 31	<u>\$ -</u>	<u>\$ 277</u>	<u>\$ 8,678</u>	<u>\$ 6,319</u>	<u>\$ -</u>	<u>\$ 15,274</u>
At December 31						
Cost	\$ -	\$ 6,712	\$ 82,717	\$ 139,528	\$ 3,084	\$ 232,041
Accumulated depreciation	-	(6,119)	(69,232)	(102,278)	-	(177,629)
Accumulated impairment	-	(316)	(4,807)	(30,931)	(3,084)	(39,138)
	<u>\$ -</u>	<u>\$ 277</u>	<u>\$ 8,678</u>	<u>\$ 6,319</u>	<u>\$ -</u>	<u>\$ 15,274</u>

	2021					
	Transportation equipment	Office equipment	Business facilities	Leasehold improvements	Unfinished construction and equipment under acceptance	Total
	Owner -occupied	Owner- occupied	Lease	Lease		
At January 1						
Cost	\$ 1,532	\$ 7,760	\$ 84,051	\$ 138,361	\$ 3,115	\$ 234,819
Accumulated depreciation	(1,455)	(6,984)	(64,156)	(88,873)	-	(161,468)
Accumulated impairment	-	(320)	(4,854)	(31,238)	(3,115)	(39,527)
	<u>\$ 77</u>	<u>\$ 456</u>	<u>\$ 15,041</u>	<u>\$ 18,250</u>	<u>\$ -</u>	<u>\$ 33,824</u>
Opening net book amount as at January 1	\$ 77	\$ 456	\$ 15,041	\$ 18,250	\$ -	\$ 33,824
Additions	-	29	-	-	-	29
Disposals	(75)	(8)	(523)	-	-	(606)
Depreciation charge	-	(167)	(3,265)	(6,024)	-	(9,456)
Net exchange differences	(2)	(2)	(17)	(115)	-	(136)
Closing net book amount as at December 31	<u>\$ -</u>	<u>\$ 308</u>	<u>\$ 11,236</u>	<u>\$ 12,111</u>	<u>\$ -</u>	<u>\$ 23,655</u>
At December 31						
Cost	\$ -	\$ 7,761	\$ 82,618	\$ 137,604	\$ 3,041	\$ 231,024
Accumulated depreciation	-	(7,141)	(66,642)	(94,990)	-	(168,773)
Accumulated impairment	-	(312)	(4,740)	(30,503)	(3,041)	(38,596)
	<u>\$ -</u>	<u>\$ 308</u>	<u>\$ 11,236</u>	<u>\$ 12,111</u>	<u>\$ -</u>	<u>\$ 23,655</u>

The Group has no property, plant and equipment pledged to others.

(6) Lease transactions — lessee

- A. The assets leased by the Group mainly are buildings and structures, which are used as operating places and offices. Rental contracts are made for periods from 2008 to 2032. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.
- B. Short-term leases with a lease term of 12 months or less comprise office equipment and certain buildings and structures. Low-value assets comprise office equipment.
- C. The Group has subleased part of right-of-use assets and transferred the relevant right-of-use assets to “investment property” in 2021. Refer to Note 12(1)B for details of the transaction.
- D. The movements of right-of-use assets of the Group during the 2022 and 2021 are as follows:

	Buildings and structures	
	2022	2021
At January 1		
Cost	\$ 3,077	\$ 250,789
Accumulated depreciation	(2,534)	(68,481)
	<u>\$ 543</u>	<u>\$ 182,308</u>
Opening net book amount as at January 1	\$ 543	\$ 182,308
Transferred to investment property	-	(170,941)
Depreciation charge	(543)	(9,357)
Net exchange differences	-	(1,467)
Closing net book amount as at December 31	<u>\$ -</u>	<u>\$ 543</u>
At December 31		
Cost	\$ -	\$ 3,077
Accumulated depreciation	-	(2,534)
	<u>\$ -</u>	<u>\$ 543</u>

- E. Information about the carrying amount of lease liabilities is as follows:

	December 31, 2022	December 31, 2021
Current lease liabilities	<u>\$ 126,715</u>	<u>\$ 113,353</u>
Non-current lease liabilities	<u>\$ 350,082</u>	<u>\$ 444,463</u>

In accordance with IFRS16, the Group recognised the remaining lease payments as lease liabilities discounted using the incremental borrowing interest rate.

The discount rate of the lease liability is 1.8%~4.9% per annum.

F. Information on profit or loss in relation to lease contracts is as follows:

	Year ended December 31	
	2022	2021
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 13,370	\$ 15,878
Expense on short-term lease contracts	746	763
Expense on leases of low-value assets	83	82

G. For the years ended December 31, 2022 and 2021, the Group's total cash outflow for leases were \$84,052 and \$73,424, respectively.

H. The Group has applied the practical expedient to "Covid-19-related rent concessions", and recognised the gain from changes in lease payments arising from the rent concessions amounting to \$2,250 and \$15,632 for the years ended December 31, 2022 and 2021, respectively, which were listed under 'other income'.

(7) Investment property

	Buildings and structures	
	2022	2021
At January 1		
Cost	\$ 727,887	\$ 481,531
Accumulated depreciation	(256,715)	(104,583)
	<u>\$ 471,172</u>	<u>\$ 376,948</u>
Opening net book amount as at January 1	\$ 471,172	\$ 376,948
Transferred from right-of-use assets	-	170,941
Modification	(11,362)	-
Depreciation charge	(83,741)	(77,106)
Net exchange differences	2,137	389
Closing net book amount as at December 31	<u>\$ 378,206</u>	<u>\$ 471,172</u>
At December 31		
Cost	\$ 719,977	\$ 727,887
Accumulated depreciation	(341,771)	(256,715)
	<u>\$ 378,206</u>	<u>\$ 471,172</u>

A. The Group's leased assets were the subleases of the right-of-use assets held by the Group. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The Group transferred the relevant right-of-use assets to "investment property" in 2021. Refer to Note 12(1)B for details.

B. Rental income from investment property and direct operating expenses arising from investment property are shown below:

	Year ended December 31	
	2022	2021
Rental income from investment property	\$ 91,859	\$ 68,448
Direct operating expenses arising from the investment property that generated rental income during the year	(\$ 92,751)	(\$ 86,472)

C. The Group has no investment property pledged to others as collateral.

D. The Group's investment property is located in Taipei City, Tainan City, Kaohsiung City and Shanghai City, with the book balance of \$378,206. Considering local rental prices, there is no significant difference between the fair value and the book balance.

(8) Other non-current assets

	December 31, 2022	December 31, 2021
	Carrying amount	Carrying amount
Overdue receivables	\$ 135,940	\$ 117,321
Less: Allowance for uncollectible accounts	(135,940)	(117,100)
Subtotal	-	221
Guarantee deposits paid	27,090	27,171
Current prepayments for investments	12,750	-
	<u>\$ 39,840</u>	<u>\$ 27,392</u>

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

B. On December 27, 2022, the Board of Directors of FX Taiwan, a subsidiary of the Group, resolved to pay \$12,750 and acquire 20% equity interests of YI SHE Creative Advertising Co., Ltd. (transliteration) on December 30, 2022. The effective date was set on January 1, 2023.

C. Information relating to credit risk of overdue receivables is provided in Note 12(3).

(9) Other payables

	December 31, 2022	December 31, 2021
Wages and salaries payable	\$ 3,965	\$ 3,434
Payable on property management fee	6,758	2,748
Taxes payable	345	-
Utilities expense payable	154	152
Others	3,704	4,982
	<u>\$ 14,926</u>	<u>\$ 11,316</u>

(10) Pensions

A. Effective July 1, 2005, the Company's subsidiaries registered in the R.O.C. have established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"),

covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment. The Group recognised pension costs of \$650 and \$882 for the years ended December 31, 2022 and 2021, respectively.

- B. The Company's subsidiaries registered in the People's Republic of China have a defined contribution plan. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People's Republic of China (PRC) are based on certain percentage of employees' monthly salaries and wages. The contribution percentage for the years ended December 31, 2022 and 2021, were both 16%. Other than the monthly contributions, the Group has no further obligations. The Group recognised pension costs of \$450 and \$561 for the years ended December 31, 2022 and 2021, respectively.

(11) Share capital

- A. As of December 31, 2022, the Company's authorised capital was \$1,500,000, consisting of 150,000 thousand shares, and the paid-in capital was \$596,564 with \$10 (in dollars) per share. All proceeds from shares issued have been collected.

Movements in the number of the Company's ordinary shares outstanding are as follows (in thousands of shares):

	2022	2021
At January 1	59,656	68,172
Cash capital increase	-	31,140
Capital reduction to offset accumulated deficits	-	(39,656)
At December 31	59,656	59,656

- B. On February 1, 2021 and August 16, 2021, the Company's Board of Directors resolved to conduct the private placement of 11,140 thousand and 20,000 thousand ordinary shares amounting to \$111,404 and \$200,000, respectively, with a price of \$10 (in dollars) per share. All proceeds from shares issued have been collected on March 30, 2021 and November 22, 2021. The transfer of such private ordinary shares is subject to restrictions on the transferee and numbers according to the law, and when three years have been fulfilled since the delivery date, the private placements can be offered publicly.
- C. On October 1, 2021, the Company's shareholders at their special meeting resolved to reduce its capital to offset accumulated deficits. To improve financial structure, the Company plans to reduce its capital in the amount of \$396,563 and retire 39,656 thousand issued shares. The Company's paid-in capital before the capital reduction was \$793,127, with a par value of \$10

(in dollars) per share, for a total of 79,312 thousand shares and was \$596,564 after capital reduction, for a total consideration of 59,656 thousand shares. The effective date for the capital reduction was set on November 18, 2021.

(12) Capital surplus

	2022			
	Share premium	Donated assets received from shareholder	ownership interests in subsidiaries	Total
At January 1	\$ 189,294	\$ 100,771	\$ 44,183	\$ 334,248
Offsetting accumulated deficits	(189,294)	(100,771)	(44,183)	(334,248)
At December 31	\$ -	\$ -	\$ -	\$ -

	2021			
	Share premium	Donated assets received from shareholder	ownership interests in subsidiaries	Total
At January 1/ December 31	\$ 189,294	\$ 100,771	\$ 44,183	\$ 334,248

A. Such capital surplus can be used to offset deficits, and can also be used to distribute cash or transfer to share capital when the Company has no deficit. However, when transferring the share capital, it is limited to a certain ratio of paid-in share capital each year. In accordance with the Articles of Incorporation of the Company, dividends or other capital distribution may not be distributed other than from the Company's profits, share premium account or other sources permitted under the Companies Law of the Cayman.

B. The shareholders have resolved the deficit compensation at the shareholders' meeting on June 24, 2022. The Company offset deficits with capital surplus of \$334,248.

(13) Retained earnings (accumulated deficits to be covered)

A. In accordance with the Company Act amended in May 2015, the distribution of dividends and bonuses is limited to shareholders, and employees are not subject to earnings distribution. On June 27, 2016, the Company's shareholders at their meeting resolved to amend Articles of Incorporation of the earnings distribution policy, and stipulated the distribution policy of employees' compensation in the Articles of Incorporation.

Under the amended Company's Articles of Incorporation of earnings distribution, the current year's earnings, if any, shall first be used to pay all taxes and offset the accumulated deficit from prior years, then 10% of the remaining amount shall be set aside as legal reserve. The Company may then appropriate or reverse a certain amount as a special reserve according to the relevant

regulations. The remaining earnings, if any, plus the accumulated undistributed earnings, may be appropriated to shareholders as dividends or bonuses according to the distribution plan proposed by the Board of Directors and approved in the shareholders' meeting.

- B. The Company's dividend distribution policy aligns with the current and future development plan by taking into account of factors such as investment environment, capital needs, along with the consideration of shareholders' interest. Each year, the dividend must not be less than 10% of earnings. The dividend and bonus can be distributed in cash or shares, among which the cash dividend must not be less than 50% of the appropriated dividend.
- C. Legal reserve can be used to offset accumulated deficits. When the Company has no losses, the portion of legal reserve exceeding 25% of the total paid-in share capital may be allocated to share capital and distributed in cash.
- D. In accordance with the regulations, the Company shall set aside special reserve from the decreased amount in other equity item before distributing earnings. When the deduction in other equity items decreased, the decreased amount can be transferred back to the undistributed earnings from the special reserve.
- E. The Company's shareholders at their annual meeting resolved the deficit compensation for the years of 2021 and 2020 on June 24, 2022 and August 31, 2021, respectively. Details are as follows:

	Year ended December 31	
	2021	2020
	Amount	Amount
Capital surplus used to offset accumulated deficits	(\$ 334,248)	\$ -
Capital reduction to offset accumulated deficits	-	(396,563)

(14) Other equity items

	2022		
	Unrealised gains (losses) on valuation	Currency translation	Total
At January 1	(\$ 9,472)	(\$ 57,748)	(\$ 67,220)
Exchange differences arising from translation of foreign financial statements	-	937	937
At December 31	(\$ 9,472)	(\$ 56,811)	(\$ 66,283)

	2021		
	Unrealised gains (losses) on valuation	Currency translation	Total
At January 1	(\$ 9,472)	(\$ 57,110)	(\$ 66,582)
Exchange differences arising from translation of foreign financial statements	-	(638)	(638)
At December 31	<u>(\$ 9,472)</u>	<u>(\$ 57,748)</u>	<u>(\$ 67,220)</u>

(15) Operating revenue

	Year ended December 31	
	2022	2021
Guest room and other hospitality service revenue	\$ 85	\$ 2,623
Other operating revenue	<u>41,635</u>	<u>63,782</u>
	<u>\$ 41,720</u>	<u>\$ 66,405</u>

A. Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods and services over time and at a point in time in the following major product lines and geographical regions:

	Taiwan		Overseas areas		
	Guest room and food and beverage services	Franchise service	Guest room and food and beverage services	Franchise service	Total
2022					
Operating revenue	<u>\$ 85</u>	<u>\$ 26,071</u>	<u>\$ -</u>	<u>\$ 15,564</u>	<u>\$41,720</u>
Timing of revenue recognition					
At a point in time	\$ 85	\$ -	\$ -	\$ -	\$ 85
Over time	<u>-</u>	<u>26,071</u>	<u>-</u>	<u>15,564</u>	<u>41,635</u>
	<u>\$ 85</u>	<u>\$ 26,071</u>	<u>\$ -</u>	<u>\$ 15,564</u>	<u>\$41,720</u>

	Taiwan		Overseas areas		Total
	Guest room and food and beverage services	Franchise service	Guest room and food and beverage services	Franchise service	
2021					
Operating revenue	\$ 273	\$ 32,173	\$ 2,350	\$ 31,609	\$66,405
Timing of revenue recognition					
At a point in time	\$ 273	\$ -	\$ 2,350	\$ -	\$ 2,623
Over time	-	32,173	-	31,609	63,782
	\$ 273	\$ 32,173	\$ 2,350	\$ 31,609	\$66,405

B. Contract liabilities

The Group has recognised the following contract liabilities:

	December 31, 2022	December 31, 2021	January 1, 2021
Contract liabilities:			
Contract liabilities- advance receipts	\$ 286	\$ 2,534	\$ 3,097

Revenue recognised that was included in the contract liability balance at the beginning of the year:

	Year ended December 31	
	2022	2022
Revenue recognised that was included in the contract liability balance at the beginning of the year		
-Advance receipts	\$ 1,697	\$ 1,697

(16) Interest income

	Year ended December 31	
	2022	2021
Interest income from bank deposits	\$ 1,041	\$ 70

(17) Other income

	Year ended December 31	
	2022	2021
Rent income	\$ 78,554	\$ 61,338
Gains on rent concessions	2,250	15,632
Other income	605	3,202
	<u>\$ 81,409</u>	<u>\$ 80,172</u>

(18) Other gains and losses

	Year ended December 31	
	2022	2021
(Losses) gains on disposals of property, plant and equipment	(\$ 89)	\$ 301
Losses on liquidation of subsidiaries	- (	389)
Foreign exchange (losses) gains	(492)	708
Depreciation charge on investment property	(83,741)	(77,106)
Depreciation charges on property, plant and equipment	(6,617)	(5,799)
Miscellaneous disbursements	(1,466)	(531)
	<u>(\$ 92,405)</u>	<u>(\$ 82,816)</u>

(19) Finance costs

	Year ended December 31	
	2022	2021
Interest on lease liabilities	\$ 13,370	\$ 15,878
Others	67	106
	<u>\$ 13,437</u>	<u>\$ 15,984</u>

(20) Expenses by nature

	Year ended December 31, 2022			
	Cost	Expenses	Other gains and losses	Total
Employee benefit expense	\$ 2,667	\$ 20,478	\$ -	\$ 23,145
Depreciation charges on property, plant and equipment	1,563	899	6,617	9,079
Depreciation charges on right-of-use assets	-	543	-	543
Depreciation charge on investment property	-	-	83,741	83,741
Amortisation charges on intangible assets	-	1,309	-	1,309
	Year ended December 31, 2021			
	Cost	Expenses	Other gains and losses	Total
Employee benefit expense	\$ 4,981	\$ 22,353	\$ -	\$ 27,334
Depreciation charges on property, plant and equipment	2,655	1,002	5,799	9,456
Depreciation charges on right-of-use assets	8,271	1,086	-	9,357
Depreciation charge on investment property	-	-	77,106	77,106
Amortisation charges on intangible assets	-	1,674	-	1,674

(21) Employee benefit expense

	Year ended December 31	
	2022	2021
Wages and salaries	\$ 19,293	\$ 17,547
Labour and health insurance fees	1,237	1,038
Pension costs	1,100	1,443
Other personnel expenses	1,515	7,306
	<u>\$ 23,145</u>	<u>\$ 27,334</u>

A. In accordance with the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, after covering accumulated profits and losses, shall be distributed as employees' compensation and directors' remuneration. The ratio shall not be lower than 1% for employees' compensation and shall not be higher than 3% for directors' remuneration. No employees' compensation and directors' remuneration and related expenses were accrued due to the net loss before tax incurred for the years ended December 31, 2022 and 2021.

- B. If the amount still changes after the annual consolidated financial statements are issued, the differences are recorded as a change in accounting estimate and will be adjusted in next year.
- C. Information about employees' compensation and directors' remuneration of the Company as resolved by the Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(22) Income tax

A. Income tax expense

	Year ended December 31	
	2022	2021
Deferred tax:		
Origination and reversal of temporary differences	\$ 764	\$ 567
Income tax expense	<u>\$ 764</u>	<u>\$ 567</u>

B. Reconciliation between income tax expense and accounting profit

	Year ended December 31	
	2022	2021
Income tax expenses calculated by applying statutory rate to the net loss before tax	(\$ 8,943)	(\$ 11,063)
Temporary difference not recognised as deferred	4,874	3,072
Unrecognised deferred tax assets arising from loss carryforward	<u>4,833</u>	<u>8,558</u>
Income tax expense	<u>\$ 764</u>	<u>\$ 567</u>

The applicable tax rate for the entity in the Company subject to the Income Tax Act of the Republic of China is 20%; the applicable tax rate for subsidiaries in China is 25%; the tax amount incurred in other jurisdictions is calculated according to the tax rates applicable in each relevant jurisdiction.

C. Amounts of deferred tax assets as a result of temporary differences and tax losses are as follows:

2022				
	January 1	Recognised in profit or loss	foreign exchange	December 31
Deferred tax assets:				
Temporary differences:				
Rents payable/ book -tax difference on lease	\$ 9,265	(\$ 698)	\$ 5	\$ 8,572
Payable for unused compensated absence	625	38	2	665
Deferred membership revenue	62	-	1	63
Loss carryforward	2,594	(104)	37	2,527
	<u>\$ 12,546</u>	<u>(\$ 764)</u>	<u>\$ 45</u>	<u>\$ 11,827</u>
2021				
	January 1	Recognised in profit or loss	foreign exchange	December 31
Deferred tax assets:				
Temporary differences:				
Rents payable/ book -tax difference on lease	\$ 9,737	(\$ 470)	(\$ 2)	\$ 9,265
Payable for unused compensated absence	595	31	(1)	625
Deferred membership revenue	63	-	(1)	62
Loss carryforward	2,737	(128)	(15)	2,594
	<u>\$ 13,132</u>	<u>(\$ 567)</u>	<u>(\$ 19)</u>	<u>\$ 12,546</u>

D. Expiration dates of unused tax losses and amounts of unrecognised deferred tax assets are as follows:

December 31, 2022					
Year incurred	Amount filed/ assessed	Unused amount	Unrecognised deferred tax assets		Expiry year
2016	\$ 66,822	\$ 32,129	\$ 32,129		2021~2026
2017	68,379	55,505	55,505		2022~2027
2018	53,535	53,535	53,535		2023~2028
2019	32,296	32,415	32,415		2024~2029
2020	73,512	73,512	73,512		2025~2030
2021	34,231	34,231	34,231		2026
2022	19,331	19,331	19,331		2027
December 31, 2021					
Year incurred	Amount filed/ assessed	Unused amount	Unrecognised deferred tax assets		Expiry year
2016	\$ 66,822	\$ 32,196	\$ 32,196		2021~2026
2017	68,379	55,505	55,505		2022~2027
2018	53,535	53,535	53,535		2023~2028
2019	32,296	32,296	32,296		2024~2029
2020	73,512	73,512	73,512		2025~2030
2021	34,231	34,231	34,231		2026

E. FX Taiwan's income tax returns through 2020 have been assessed and approved by the Tax Authority.

(23) Loss per share

	Year ended December 31, 2022		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Loss per share (in dollars)
<u>Basic/ diluted loss per share:</u>			
Profit attributable to ordinary shareholders of the parent	(\$ 35,587)	59,656	(\$ 0.60)

	Year ended December 31, 2021		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Loss per share (in dollars)
Basic/ diluted loss per share: Profit attributable to ordinary shareholders of the parent	(\$ 43,892)	40,437	(\$ 1.09)
(24) <u>Changes in liabilities from financing activities</u>			

	2022			
	Long-term borrowings	Guarantee deposits received	Lease liability	Liabilities from financing activities-gross
At January 1	\$ -	\$ 2,513	\$ 557,816	\$ 560,329
Changes in cash flow from financing activities	-	-	(69,853)	(69,853)
Gains on rent concessions	-	-	(2,250)	(2,250)
Modification	-	-	(11,362)	(11,362)
Interest expense of unwinding of discount	-	-	13,370	13,370
Interest paid	-	-	(13,370)	(13,370)
Impact of changes in foreign exchange rate	-	33	2,446	2,479
At December 31	<u>\$ -</u>	<u>\$ 2,546</u>	<u>\$ 476,797</u>	<u>\$ 479,343</u>

	2021			
	Long-term borrowings	Guarantee deposits received	Lease liability	Liabilities from financing activities-gross
At January 1	\$ 11,392	\$ 2,532	\$ 631,203	\$ 645,127
Changes in cash flow from financing activities	(11,144)	(5)	(56,701)	(67,850)
Gains on rent concessions	-	-	(15,632)	(15,632)
Interest expense of unwinding of discount	-	-	15,878	15,878
Interest paid	-	-	(15,878)	(15,878)
Impact of changes in foreign exchange rate	(248)	(14)	(1,054)	(1,316)
At December 31	<u>\$ -</u>	<u>\$ 2,513</u>	<u>\$ 557,816</u>	<u>\$ 560,329</u>

7. Related Party Transactions

(1) Names of related parties and relationship

<u>Names of related parties</u>	<u>Relationship with the Company</u>
Furama Hotels International Management Inc. (Furama)	The shareholder of the Company

(2) Significant related party transactions

A. Other receivables due from related parties

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Furama	\$ 115	\$ 115

B. Other payables to related parties

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Furama	\$ 86	\$ 86

(3) Key management compensation

	<u>Year ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Salaries and other short-term employee benefits	\$ 5,344	\$ 4,137
Professional practice fees	732	665
	<u>\$ 6,076</u>	<u>\$ 4,802</u>

8. Pledged Assets

The Group's assets pledged as collateral are as follows:

<u>Pledged asset</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>	<u>Nature of collateral</u>
Current financial assets at amortised cost			Trust accounts for performance guarantees of standard form contract for gift certificates
Cash in banks	\$ 3	\$ 23	
Intangible assets			
- Brand trademark cost	1,134	2,205	Long-term borrowings
	<u>\$ 1,137</u>	<u>\$ 2,228</u>	

Note: As of December 31, 2022 and 2021, the Company used the equity of FX Taiwan, a subsidiary of the Company, as the guarantee amount for long-term borrowings amounting to \$0 and (\$42,797).

9. Significant Contingent Liabilities and Unrecognised Contract Commitments

(1) Contingencies

- A. FX Taiwan originally signed an agreement for consulting and planning services with Hou, Tsun-Ren, the representative of Kinmen Resort Co., Ltd. Hou, Tsun-Chung, the former representative of FX Taiwan, signed a termination agreement on behalf of FX Taiwan after resigning, agreeing

that FX Taiwan will voluntarily refund the commission remuneration of \$4,400, and instructed Dai, Ying-Syong to remit \$2,000. The remaining \$2,400 was ten checks issued by Hou, Tsun-Chung representing FX Taiwan, each with a face value of \$240. Hou, Tsun-Chung claimed that FX Taiwan had issued three paper checks, each with a face value of \$240, to Kinmen Resort Co., Ltd., which were deposited to FX Taiwan deposit account in the form of personal cash withdrawal, so as to prevent FX Taiwan from bouncing a check. Because of this, FX Taiwan received the benefit of being exempted from paying off the check debt. On January 11, 2018, Hou, Tsun-Chung filed an appeal to the Taipei District Court asking FX Taiwan to return the unjustified 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 unjustified enrichment is unreasonable. On December 26, 2018, the Taipei District Court rejected the request of Hou, Tsun-Chung in the “2018-Su-Tzu No. 222”. Hou, Tsun-Chung has filed an appeal and was dismissed by the Taiwan High Court on December 24, 2019, with the judgment of “2019 Shang-Yi-Tzu No. 349”. FX Taiwan sued Kinmen Resort Co., Ltd., Hou, Tsun-Chung, Hou, Tsun-Ren and Dai, Ying-Syong for confirmation that the creditor’s rights of the aforementioned ten checks did not exist and for joint and several damages. The Taipei District Court ruled that Kinmen Resort Co., Ltd. shall pay FX Taiwan \$2,000 on November 18, 2020 with “2019 Chung-Su-Tzu No. 1027”. Both the Company and Kinmen Resort Co., Ltd. appealed against the first instance, and on November 15, 2011, the Taiwan High Court further confirmed that the creditor’s rights of the aforementioned ten checks did not exist in accordance with “2021 Chong-Shang-Zi No. 12”. In addition, Kinmen Resort Co., Ltd. should pay \$2,243 to FX Taiwan, Hou, Tsun-Chung and Hou, Tsun-Ren should jointly compensate \$2,000 of it. Kinmen Resort Co., Ltd., Hou, Tsun-Chung and Hou, Tsun-Ren appealed against the second instance, which is currently under trials in the Supreme Court.

- B. 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. Kitchen X has originally returned the restaurant to FX Taiwan for operation 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 strictly 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 to FX Taiwan. The case was ruled that Kitchen X shall pay the rent of \$770 plus interest to FX Taiwan by the Taipei District Court on November 20, 2019 with “2018 Su-Tzu No. 3987”. After that Company appealed the remaining portion, the High Court judged that Kitchen X shall pay FX Taiwan another \$4,645 plus interest on March 2, 2021 with “2020 Chung- Shang -Tzu No. 114”. Both the Company and Kitchen X filed appeals against the unfavorable part of the judgment, which is currently under trials in the Supreme Court.

(2) Commitments

Except for those described in Note 6(7), the important lease contract entered into by the Group on December 31, 2022 for operating the international business hotels was as follows:

Subsidiaries	Category of lease items	Lease term	Lease restrictions	Calculation of rent
China Artix (Note 2)	Buildings	The first phase of the lease term is 2008.1~2018.5 (free rent period is 2008.1~2008.6) The second phase of the lease term is 2018.6~2023.6 The third phase of the lease term is 2023.7~2026.6	None	1. The annual rent for the first year is RMB 1,000 thousand (net of rent concession of RMB 1,300 thousand); the annual rent for the second year is RMB 1,600 thousand (net of rent concession of RMB 3,000 thousand); the annual rent for the third year is RMB 1,876 thousand (net of rent concession of RMB 3,000 thousand); the annual rent for the fourth to the fifth year is RMB 4,876 thousand; the annual rent for the sixth to the eighth year is RMB 5,169 thousand; from the ninth year to the first 5 months of the eleventh year, the annual rent is RMB 5,479 thousand; from the sixth month of the eleventh year to the fifth month of the fifteenth year is the second phase of the lease term. The annual rent for the first year is RMB 8,000 thousand, and thereafter, the rent increases by 3% every year, which compared to the previous year. A one-month rent is deducted in the second quarter of the thirteenth year. The supplementary agreement renews the lease for another three years with an annual increase of 3% of the rent in the first and the second year, and the rent in the third year remains the same as the second year. 2. If the consumer price index announced by the government rises or falls by more than 30% in the current year, the rent would be determined at the market price based on mutual agreements.

Subsidiaries	Category of lease items	Lease term	Lease restrictions	Calculation of rent
FX Taiwan (Note 1)	Buildings	2010.9~2026.12 (free rent period is 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, which between NTD 700~\$3,200. It is calculated that the total monthly rent for renting all floors is NTD 3,744 thousand and the rent is adjusted every three years based on the consumer price index. 2. Floating rent: For the tenth to the thirteenth floor rented, the floating rent base is calculated based on data such as the average daily rate, occupancy rate and the number of rooms. The floating rent is calculated at 18.68% of the difference between monthly operating revenue and the floating rent base. If it is below zero, then it is not counted; the floating rent base is also adjusted every three years based on the consumer price index. 3. Starting from December 1, 2011, 9 parking spaces had been added to the first basement floor. The monthly rent per parking space was NTD 6,000. From December 1, 2017, the monthly rent per parking space was adjusted to NTD 6,212. 4. Starting from April 1, 2019, the monthly rent was adjusted to NTD 4,076 thousand, and the floating rent base was adjusted to NTD 11,586 thousand. 5. 2020.6~2020.8, the monthly rent was adjusted to NTD 2,446 thousand. 6. 2020.3~2020.5 and 2020.7, the payment of monthly rent was deferred to 2021 and was paid in 48 installments. 7. 2021.6~2021.8, the monthly rent was adjusted to NTD 2,158 thousand. 8. 2021.9~2021.12, the monthly rent was adjusted to NTD 2,746 thousand. 9. 2022.6~2022.8, the monthly rent was adjusted to NTD 2,158 thousand.

Subsidiaries	Category of lease items	Lease term	Lease restrictions	Calculation of rent
FX Taiwan (Note 1)	Buildings	2013.2~2032.12 (free rent period is 2013.2~2014.1)	None	1. The annual rent is NTD 5,100 thousand; 2. After the lease term of the contract expires for 3 years, the rent would be adjusted from the first month of the fourth year, and then the rent would be adjusted every three years. The rent remains unchanged for three years after each adjustment. The adjustment method is based on the first phase rent and is calculated based on the average of Taiwan consumer price index published by the Directorate General of Budget, Accounting and Statistics, Executive Yuan in the past three months of the rental adjusted month. The calculation is rounded to the nearest dollar. 3. Starting from April 1, 2019, the annual rent was adjusted to NTD 5,305 thousand. 4. 2020.6~2020.8, the monthly rent was adjusted to NTD 221 thousand. 5. 2020.3~2020.5, the payment of monthly rent was deferred to 2021 and was paid in 48 installments. 6. 2021.6~2021.8, the monthly rent was adjusted to NTD 221 thousand. 7. 2021.9~2021.12, the monthly rent was adjusted to NTD 309 thousand. 8. 2022.6~2022.8, the monthly rent was adjusted to NTD 243 thousand.
FX Taiwan (Note 1)	Buildings	2013.8~2031.8 (free rent period is 2013.8)	None	2013.8~2014.8, the annual rent was NTD 5,348 thousand; 2014.8~2015.8, the annual rent was NTD 6,100 thousand; 2015.8~2016.8, the annual rent was NTD 6,852 thousand; 2016.8~2017.8, the annual rent was NTD 7,630 thousand; 2017.8~2018.8, the annual rent was NTD 7,708 thousand; 2018.8~2019.8, the annual rent was NTD 10,263 thousand; 2019.8~2022.8, the annual rent was NTD 10,666 thousand; 2022.8~2025.8, the annual rent was NTD 11,107 thousand; 2025.8~2028.8, the annual rent was NTD 11,550 thousand; 2028.8~2031.8, the annual rent was NTD 11,994 thousand.

Subsidiaries	Category of lease items	Lease term	Lease restrictions	Calculation of rent
FX Taiwan (Note 1)	Buildings	2013.8~2031.8 (free rent period is 2013.8)	None	2020.3~2020.8, the monthly rent was adjusted to NTD 841 thousand. 2020.7~2020.8, the monthly rent was adjusted to NTD 603 thousand. 2020.9~2020.12, the monthly rent was adjusted to NTD 651 thousand. 2020.3~2020.6, the payment of the monthly rent was deferred to 2021 and was paid in 60 installments. 2021.6~2021.7, the monthly rent was deferred to NTD 286 thousand. 2021.8~2021.11, the monthly rent was adjusted to NTD 444 thousand. 2021.12, the monthly rent was adjusted to NTD 492 thousand.
FX Taiwan	Buildings	2019.9~2022.6	None	1. The annual rent is NTD 1,133 thousand; 2. The above lease expense shall be adjusted annually based on the price index, tax rate, and the fluctuations in the general housing rent. The adjustment amount would be recorded and be effective in this contract. 3. 2020.4~2020.6, the monthly rent was adjusted to NTD 76 thousand.

Note 1: It was subleased to Aquinas Hotels Company Limited since October 1, 2020. Refer to Note 12(1)B. for details.

Note 2: It was subleased to Shanghai Chengyi Hotel Management Co., Ltd. since April 1, 2021. Refer to Note 12(1)C. for details.

10. Significant Disaster Loss

None.

11. Significant Events after the Balance Sheet Date

None.

12. Others

(1) Other matter

A. Assessment of the impact of the COVID-19 pandemic

As the Group was continuously affected by the COVID-19 pandemic, resulting in a decline in the Group's operating revenue, which compared with those operating revenue before the pandemic. Fortunately, the domestic epidemic is relatively well controlled, and the border controls have currently been opened. It is expected that the operation would gradually return to normal.

B. The significant contracts entered into by FX Taiwan on September 15, 2020 and the supplementary subsequently added were as follows:

(a) FX Taiwan entered into an agreement with Aquinas Hotels Company Limited (Abbreviated as Aquinas Company) for selling the leasehold improvements of FX Hotel Taipei, FX Hotel Tainan and FX Inn Kaohsiung at a total consideration of USD 9,000 thousand (approximately NTD 267,480), however, the leasehold improvements were sold at a net value of \$253,323, which resulting in a loss of \$2,442 and shown as “loss on disposal of property, plant and equipment”. The consideration had been fully collected.

(b) FX Taiwan entered into a franchise and lease contract with Aquinas Company. Starting from October 1, 2020, FX Taiwan subleased the building space currently leased to Aquinas Company, and was commissioned to operate and manage those building space at the same time. FX Taiwan would collect franchise income of \$31,200 (tax included) and sublease income of \$64,885 (tax included) annually from Aquinas Company. The franchise and sublease period were both one year. The contract would be automatically extended for another one year if no objections are filed from the two parties when the contract is due every year. Starting from October 1, 2022, the annual franchise income was adjusted to \$6,000 (tax included).

C. China Capital Xujiahui (which was adjusted to the branch of China Artix in 2022) entered into a sublease operating contract with Shanghai Chengyi Company. Starting from April 1, 2021, China Capital Xujiahui subleased the currently leased building space to Shanghai Chengyi Company. The sublease period was one year. The free rent period was April 2021 to May 2021. China Capital Xujiahui would collect sublease income of RMB 520 thousand (tax included) (approximately NTD 2,276) monthly. The renewal contract is still under negotiation due to the impact of COVID-19 pandemic.

D. Certain accounts in the consolidated financial statements for the year ended December 31, 2021 were reclassified to compare with the consolidated financial statement presentation for the year ended December 31, 2022.

(2) Capital management

The Group’s objectives when managing capital are to safeguard the Group’s ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to adjust to the most appropriate capital structure.

(3) Financial instruments

A. Financial instruments by category

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Financial assets</u>		
Financial assets at fair value through other comprehensive income		
Designation of equity instrument	\$ -	\$ -
Financial assets at amortised cost		
Cash and cash equivalents	45,624	274,450
Current financial assets at amortised cost	220,003	23
Accounts receivable	2,200	17,575
Other receivables	19,617	17,504
Other receivables due from related parties	115	115
Guarantee deposits paid	27,090	27,171
Overdue receivables	-	221
	<u>\$ 314,649</u>	<u>\$ 337,059</u>
<u>Financial liabilities</u>		
Financial liabilities at amortised cost		
Accounts payable	\$ 859	\$ 847
Other payables	14,926	11,316
Other payables to related parties	86	86
Guarantee deposits received	2,546	2,513
	<u>\$ 18,417</u>	<u>\$ 14,762</u>
Current lease liabilities	<u>\$ 126,715</u>	<u>\$ 113,353</u>
Non-current lease liabilities	<u>\$ 350,082</u>	<u>\$ 444,463</u>

B. Financial risk management policies

- (a) The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial position and financial performance.
- (b) Risk management is carried out by a central treasury department (Group treasury) under policies approved by the Board of Directors. Group treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

- i. The Group operates internationally and is exposed to foreign exchange risk arising from the transactions of the Company and its subsidiaries used in various functional currency, primarily with respect to the USD. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.
- ii. Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. The companies in the Group are required to hedge their entire foreign exchange risk exposure with the Group treasury. To manage the foreign exchange risk arising from future commercial transactions and recognised assets and liabilities, entities in the Group use forward foreign exchange contracts with the Group treasury. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency.
- iii. The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Group's foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies.
- iv. The Group's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: NTD; other certain subsidiaries' functional currency: RMB). The information on assets denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

December 31, 2022					
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)	<u>Sensitivity analysis</u>	
				Degree of variation	Effect on profit or loss
(Foreign currency: functional currency)					
<u>Financial assets</u>					
<u>Monetary items</u>					
USD:NTD	\$ <u>13</u>	30.71	\$ 399	1%	\$ <u>4</u>

December 31, 2021					
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)	Sensitivity analysis	
				Degree of variation	Effect on profit or loss
(Foreign currency: functional currency)					
<u>Financial assets</u>					
<u>Monetary items</u>					
USD:NTD	\$ 25	27.68	\$ 702	1%	\$ 7

v. The total exchange (loss) gain, including realised and unrealised, arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2022 and 2021, amounted to (\$492) and \$708, respectively.

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and financial assets stated at amortised cost.
- ii. The Group manages their credit risk taking into consideration the entire group's concern. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.
- iii. The Group adopts the assumption, that is, if the contract payments are past due over 60 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition; the default occurs when the contract payments are past due over 360 days.
- iv. The Group classifies customer's accounts receivable in accordance with credit risk and customer types. The Group applies the modified approach using the loss rate methodology to estimate the expected credit loss.

- v. The Group wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Group will continue executing the recourse procedures to secure their rights.
- vi. The Group used the forecastability of Taiwan Institute of Economic Research boom observation report to adjust historical and timely information to assess the default possibility of accounts receivable and other receivables. On December 31, 2022 and 2021, the provision matrix is as follows:

	Not past due-60 days past due	61-180 days past due	181-270 days past due	271-360 days past due	Over 360 days past due
<u>At December 31, 2022</u>					
Expected loss rate	0.03%	0.03%~50%	50%	75%	100%
<u>At December 31, 2021</u>					
Expected loss rate	0.03%	0.03%~50%	50%	75%	100%

- vii. Movements in relation to the Group applying the modified approach to provide loss allowance for accounts receivable are as follows:

	2022	2021
	<u>Accounts receivable</u>	<u>Accounts receivable</u>
At January 1	\$ 9,635	\$ 6,341
Provision for expected credit loss	4,129	17,640
Reclassified to overdue receivables	(13,382)	(15,493)
Effect of foreign exchange	427	1,147
At December 31	<u>\$ 809</u>	<u>\$ 9,635</u>

- viii. For the Group's other receivables (including related parties) and overdue receivables, except for those whose counterparties encounter financial difficulties are set as non-low-risk and are provisioned loss allowance, the rest low credit risk is assessed based on the 12 months expected credit losses and no loss allowance is provisioned. Movements in loss allowance for the Group's other receivables and overdue receivables are as follows:

	2022		
	Lifetime		
	12 months	Significant increase in credit risk	Impairment of credit
At January 1	\$ -	\$ -	\$ 122,418
Reversal of impairment loss	-	-	(474)
Transferred from allowance for uncollectible accounts	-	-	13,382
Effect of foreign exchange	-	-	614
At December 31	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 135,940</u>
	2021		
	Lifetime		
	12 months	Significant increase in credit risk	Impairment of credit
At January 1	\$ -	\$ -	\$ 101,924
Reversal of impairment loss	-	-	6,388
Transferred from allowance for uncollectible accounts	-	-	15,493
Effect of foreign exchange	-	-	(1,387)
At December 31	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 122,418</u>

ix. The Group's financial assets at amortised cost are restricted bank deposits and time deposits. As the Group transacts with a variety of financial institutions all with high credit quality to disperse credit risk, it expects that the probability of counterparty default is remote.

x. The Group's guarantee deposits paid are mainly performance guarantee. As the counterparties are those with high credit quality, the Group expects that the probability of counterparty default is remote.

(c) Liquidity risk

i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance and compliance with internal balance sheet ratio targets.

- ii. Surplus cash held by the operating entities over and above balance required for working capital management are transferred to the Group treasury. Group treasury invests surplus cash in interest bearing current accounts, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts. As at December 31, 2022 and 2021 the Group held money market position of \$265,576 and \$274,402, respectively, that are expected to readily generate cash inflows for managing liquidity risk.
- iii. The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial liabilities:

	Within 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
December 31, 2022				
Accounts payable	\$ 859	\$ -	\$ -	\$ -
Other payables (including related parties)	15,012	-	-	-
Lease liabilities (current and non-current) (Note)	127,888	102,069	198,958	65,947

Non-derivative financial liabilities:

	Within 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
December 31, 2021				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Other payables (including related parties)	11,402	-	-	-
Lease liabilities (current and non-current) (Note)	113,353	186,472	192,936	65,055

Note: The above amount included the interest expected to be paid in the future.

The Group does not expect the timing of occurrence of the cash flows estimated through the maturity date analysis will be significantly earlier, nor expect the actual cash flow amount will be significantly different.

(4) Fair value information

A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the

entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability. The fair value of the Group's investment in equity investment without active market is included in Level 3.

B. Fair value information of investment property at cost is provided in Note 6(7).

C. Financial instruments not measured at fair value

The carrying amounts of the Group's financial instruments not measured at fair value (cash and cash equivalents, accounts receivable, other receivables (including related parties), long-term receivables, guarantee deposits paid, accounts payable, other payables (including related parties), lease liabilities and guarantee deposits received) are approximate to their fair values.

D. The financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities. The equity interest of the Treasure Land Resort Hotel held by the Group was classified to Level 3, and the fair value was \$0.

E. For the years ended December 31, 2022 and 2021, there was no transfer between Level 1 and Level 2.

F. For the years ended December 31, 2022 and 2021, there was no transfer into or out from Level 3.

13. Supplementary Disclosures

(1) Significant transactions information

A. Loans to others: Please refer to table 1.

B. Provision of endorsements and guarantees to others: Please refer to table 2.

C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 3.

D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: None.

E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: None.

F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.

G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: None.

H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: None.

I. Trading in derivative instruments undertaken during the reporting periods: None.

J. Significant inter-company transactions during the reporting periods: Please refer to table 4.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 5.

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 6.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: None.

(4) Major shareholders information

Major shareholders information: Please refer to table 7.

14. Operating Segment Information

(1) General information

Management has determined the reportable operating segments based on the reports reviewed by the chief operating decision maker that are used to make strategic decisions. The Group's chief operating decision maker considers the business and assesses segment performance based on the types of the products or services provided. The Group's reportable segments are hotel management and property management.

(2) Segment information

The segment information provided to the chief operating decision-maker for the reportable segments is as follows:

<u>Year ended December 31, 2022</u>	<u>Hotel management</u>	<u>Property management</u>	<u>Total</u>
Revenue from external customers	\$ 41,720	\$ -	\$ 41,720
Inter-segment revenue	-	-	-
Total segment revenue	<u>\$ 41,720</u>	<u>\$ -</u>	<u>\$ 41,720</u>
Segment loss	<u>(\$ 11,431)</u>	<u>\$ -</u>	<u>(\$ 11,431)</u>
<u>Year ended December 31, 2021</u>	<u>Hotel management</u>	<u>Property management</u>	<u>Total</u>
Revenue from external customers	\$ 66,405	\$ -	\$ 66,405
Inter-segment revenue	4	-	4
Total segment revenue	<u>\$ 66,409</u>	<u>\$ -</u>	<u>\$ 66,409</u>
Segment loss	<u>(\$ 24,767)</u>	<u>\$ -</u>	<u>(\$ 24,767)</u>

(3) Information about segment profit or loss and assets

The segment information provided to the chief operating decision-maker for the reportable segments is as follows:

<u>Year ended December 31, 2022</u>	<u>Hotel management</u>	<u>Property management</u>	<u>Total</u>
Revenue from external customers	\$ 41,720	\$ -	\$ 41,720
Inter-segment revenue	-	-	-
Total segment revenue	<u>\$ 41,720</u>	<u>-</u>	<u>\$ 41,720</u>
Segment loss	<u>(\$ 11,431)</u>	<u>-</u>	<u>(\$ 11,431)</u>
Segment assets	<u>\$ 359,134</u>	<u>378,206</u>	<u>\$ 737,340</u>

<u>Year ended December 31, 2021</u>	<u>Hotel management</u>	<u>Property management</u>	<u>Total</u>
Revenue from external customers	\$ 66,405	\$ -	\$ 66,405
Inter-segment revenue	4	-	4
Total segment revenue	<u>\$ 66,409</u>	<u>-</u>	<u>\$ 66,409</u>
Segment loss	<u>(\$ 24,767)</u>	<u>-</u>	<u>(\$ 24,767)</u>
Segment assets	<u>\$ 381,142</u>	<u>\$ 471,172</u>	<u>\$ 852,314</u>

(4) Reconciliation for segment income (loss)

A reconciliation of reportable segment income or loss to the income/(loss) before tax from continuing operations for the years ended December 31, 2022 and 2021 is provided as follows:

	<u>Year ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Reportable segments net loss	(\$ 11,431)	(\$ 27,387)
Non-operating income and expenses	(23,392)	(15,938)
Net loss before tax from continuing operations	<u>(\$ 34,823)</u>	<u>(\$ 43,325)</u>

(5) Information on products and services

Details of major customers revenue, which mainly arising from the business of hotel management and property management, are the same as Note 14(3), Information on segment revenue.

(6) Geographical information

Geographical information for the years ended December 31, 2022 and 2021 is as follows:

Year ended December 31				
	2022		2021	
	Revenue	Non-current assets	Revenue	Non-current assets
Taiwan	\$ 26,156	\$ 272,071	\$ 32,446	\$ 337,154
China	15,564	122,784	24,959	160,745
Others	-	-	9,000	-
	<u>\$ 41,720</u>	<u>\$ 394,855</u>	<u>\$ 66,405</u>	<u>\$ 497,899</u>

Geographical information on the revenue showed the location in which sales were generated. Non-current assets referred to property, plant and equipment, right-of-use assets, investment property, intangible assets and other assets, but excluded financial instruments and deferred income tax assets.

(7) Major customer information

Major customer information of the Group for the years ended December 31, 2022 and 2021 is as follows:

Year ended December 31				
	2022		2021	
	Revenue	Segment	Revenue	Segment
Customer A	\$ 26,071	Hotel management	\$ 32,173	Hotel management
Customer B	6,139	Hotel management	3,142	Hotel management

FX Hotels Group Inc. and subsidiaries

Loans to others

Year ended December 31, 2022

Table 1

Expressed in thousands of NTD
(Except as otherwise indicated)

No. (Note 1)	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the year ended December 31,	Balance at December 31,	Actual amount drawn down	Interest rate range	Nature of loan (Note 2)	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party (Notes 4, 5)	Ceiling on total loans granted (Notes 3, 5)	Footnote
					2022	2022							Item	Value			
0	FX Hotels Group Inc.	TAIWAN FX HOTELS COMPANY LIMITED	Other receivables	Yes	\$ 35,000	\$ -	\$ -	-	2	\$ -	Operating capital	\$ -	-	\$ -	\$ 95,130	\$ 95,130	-

Note 1: The numbers filled in for the loans provided by the Company or subsidiaries are as follows:

(1) The Company is '0'.

(2) The subsidiaries are numbered in order starting from '1'.

Note 2: Fill in 1 for business transactions, and fill in 2 for short-term financing.

Note 3: The ceiling on the total loans of the Company granted to others is 40% of the current net assets; for the subsidiary has a parent-subsidiary relationship with the Company or between wholly-owned companies held by the same parent company, the ceiling on the total loans granted is 3 times of the net assets of the creditor.

Note 4: Limit on loans granted to a single party for short-term financing as approved by the Board of Directors is 40% of the net assets of the creditor.

Note 5: Limit on loans of the Company granted to the subsidiaries of which the Company directly or indirectly holds 100% of their voting shares and loans of TAIWAN FX HOTELS COMPANY LIMITED granted to the companies within the Group is 40% of the current net assets of the creditor; limit on loans granted between the foreign subsidiaries of which the Company directly or indirectly holds 100% of their voting shares is 3 times of the current net assets of the creditor.

FX Hotels Group Inc. and subsidiaries
Provision of endorsements and guarantees to others
Year ended December 31, 2022

Table 2

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Endorser/guarantor	Party being endorsed/ guaranteed		Limit on endorsements/guarantees provided for a single party (Note 3)	Maximum outstanding endorsement/ guarantee amount as of December 31, 2022 (Note 4)	Outstanding endorsement/ guarantee amount at December 31, 2022 (Note 5)	Actual amount drawn down (Note 6)	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/guarantor company	Ceiling on total amount of endorsements/guarantees provided (Note 3)	Provision of endorsements/g uarantees by parent company to subsidiary (Note 7)	Provision of endorsements/ guarantees by parent subsidiary to company (Note 7)	Provision of endorsements/guarantees to the party in Mainland China (Note 7)	Footnote
		Company name	Relationship with the endorser/guarantor (Note 2)											
0	FX Hotels Group Inc.	TAIWAN FX HOTELS COMPANY LIMITED	2	\$ 356,738	\$ 10,626	\$ 10,626	\$ 10,626	\$ -	4.5	\$ 356,738	Y	N	N	

Note 1: The numbers filled in for the endorsements/guarantees provided by the Company or subsidiaries are as follows:

- (1) The Company is '0'.
- (2) The subsidiaries are numbered in order starting from '1'.

Note 2: Relationship between the endorser/guarantor and the party being endorsed/guaranteed is classified into the following six categories; fill in the number of category each case belongs to:

- (1) Having business relationship.
- (2) The endorser/guarantor parent company owns directly and indirectly more than 50% voting shares of the endorsed/guaranteed subsidiary.
- (3) The endorsed/guaranteed company owns directly and indirectly more than 50% voting shares of the endorser/guarantor parent company.
- (4) The endorser/guarantor parent company owns directly and indirectly more than 90% voting shares of the endorsed/guaranteed company.
- (5) Mutual guarantee of the trade made by the endorsed/guaranteed company or joint contractor as required under the construction contract.
- (6) Due to joint venture, all shareholders provide endorsements/guarantees to the endorsed/guaranteed company in proportion to its ownership.
- (7) Joint guarantee of the performance guarantee for pre-sold home sales contract as required under the Consumer Protection Act.

Note 3: The limit on endorsement/guarantee provided to the subsidiaries of which the Company directly or indirectly holds 100% of their voting shares and between the subsidiaries of which the Company directly or indirectly holds 100% of their voting shares is 1.5 times of the Company's net assets on the latest financial statements. Ceiling on total amount of endorsements/guarantees provided to others is 1.5 times of the Company's net assets.

Note 4: Fill in the year-to-date maximum outstanding balance of endorsements/guarantees provided as of the reporting period.

Note 5: Fill in the amount approved by the Board of Directors or the chairman if the chairman has been authorised by the Board of Directors based on subparagraph 8, Article 12 of the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies.

Note 6: Fill in the actual amount of endorsements/guarantees used by the endorsed/guaranteed company.

Note 7: Fill in 'Y' for those cases of provision of endorsements/guarantees by listed parent company to subsidiary and provision by subsidiary to listed parent company, and provision to the party in Mainland China.

FX Hotels Group Inc. and subsidiaries
Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)
December 31, 2022

Table 3

Expressed in thousands of NTD
(Except as otherwise indicated)

					As of December 31, 2022				
Securities held by	Marketable securities (Note 1)	Relationship with the securities issuer (Note 2)	General ledger account	Number of shares/Number of units	Book value (Note 3)	Ownership (%)	Fair value	Footnote	
TAIWAN FX HOTELS COMPANY LIMITED	The Treasure Land Resort Hotel	—	Non-current financial assets at fair value through other comprehensive income	1,000,000	\$ -	2.63%	\$ -	Book value was 0 after the valuation adjustment	

Note 1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities in accordance with IFRS 9, 'Financial instrument'.

Note 2: Leave the column blank if the issuer of marketable securities is non-related party.

Note 3: Fill in the amount after adjusted at fair value and deducted by accumulated impairment for the marketable securities measured at fair value; fill in the acquisition cost or amortised cost deducted by accumulated impairment for the marketable securities not measured at fair value.

FX Hotels Group Inc. and subsidiaries
Significant inter-company transactions during the reporting periods
Year ended December 31, 2022

Table 4

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			Percentage of consolidated total operating revenues or total assets (Note 3)
				General ledger account	Amount	Transaction terms	
1	CHINA CAPITAL MANAGEMENT GROUP INC.	FX Hotels Group Inc.	2	Other receivables	\$ 54,094	General transaction terms	7.34%

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

(1) Parent company is '0'.

(2) The subsidiaries are numbered in order starting from '1'.

Note 2: Relationship between transaction company and counterparty is classified into the following three categories; fill in the number of category each case belongs to (If transactions between parent company and subsidiaries or between subsidiaries refer to the same transaction, it is not required to disclose twice. For example, if the parent company has already disclosed its transaction with a subsidiary, then the subsidiary is not required to disclose the transaction; for transactions between two subsidiaries, if one of the subsidiaries has disclosed the transaction, then the other is not required to disclose the transaction.):

(1) Parent company to subsidiary.

(2) Subsidiary to the Company.

(3) Subsidiary to subsidiary.

Note 3: Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the period to consolidated total operating revenues for income statement accounts.

Note 4: The above transactions had been fully written off when preparing the consolidated financial statements.

FX Hotels Group Inc. and subsidiaries

Information on investees

Year ended December 31, 2022

Table 5

Expressed in thousands of NTD

(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2022			Net profit of the investee for the year ended December 31, 2022	Investment income recognised by the Company for the year ended December 31, 2022	Footnote
				Balance as at December 31, 2022	Balance as at December 31, 2021	Number of shares	Ownership (%)	Book value			
FX Hotels Group Inc.	TAIWAN FX HOTELS COMPANY LIMITED	Taiwan	International business hotel	\$ 545,000	\$ 255,000	54,500,000	100%	\$ 249,907	\$ 2,704	\$ 2,704	Subsidiary

FX Hotels Group Inc. and subsidiaries
Information on investments in Mainland China
Year ended December 31, 2022

Table 6

Expressed in thousands of NTD
(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2022	Amount remitted from Taiwan to Mainland China/Amount remitted back to Taiwan for the year ended December 31, 2022		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2022	Net income (loss) of investee as of December 31, 2022	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2022 (Note 2)	Book value of investments in Mainland China as of December 31, 2022	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2022	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
CHINA CAPITAL MANAGEMENT GROUP INC.	Hotel management	\$ 147,858	1	\$ 165,937	\$ -	\$ -	\$ 165,937	\$ 8,520	100%	\$ 8,520	\$ 52,769	\$ -	Note 2(2)B.
CHINA APTIX HOTEL MANAGEMENT abd DEVELOPMENT(BJ) CO., LTD.	Hotel management	48,885	1	-	-	-	-	(41,113)	100%	(41,113)	(22,731)	-	Note 2(2)B.
Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2022	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA										
FX Hotels Group Inc.	\$ 165,937	Note 3	Note 3										

Note 1: Investment methods are classified into the following two categories; fill in the number of category each case belongs to:

(1) Directly invest in a company in Mainland China.

(2) Others

Note 2: In the 'Investment income (loss) recognised by the Company for the year ended December 31, 2022' column:

(1) It should be indicated if the investee was still in the incorporation arrangements and had not yet any profit during this period.

(2) Indicate the basis for investment income (loss) recognition in the number of one of the following two categories:

A.The financial statements that are audited and attested by international accounting firm which has cooperative relationship with accounting firm in R.O.C.

B.The financial statements that are audited and attested by R.O.C. parent company's CPA.

Note 3: It is a foreign company, therefore, it is not applicable.

FX Hotels Group Inc. and subsidiaries

Major shareholders information

December 31, 2022

Table 7

Name of major shareholders	Shares	
	Number of shares held	Ownership (%)
Lai,Yun-Hsin	20,000,000	33.52%
Chang, Li-Ling	15,500,000	25.98%
Furama Hotels International Management Inc.	5,602,575	9.39%
LIH SHINN HSIN Investment	3,920,000	6.57%