# Architectural Aesthetics Global Development Co.,Ltd. and Subsidiaries
# (Former Name:FX Hotels Group Inc. and Subsidiaries)

**Consolidated Financial Statements and Independent**

**Auditors' Report**

**December 31, 2023 and 2022**

**(Stock Code: 2724)**

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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.

Architectural Aesthetics Global Development CO.,LTD.

DECEMBER 31, 2023 AND 2022 CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

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INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

PWCR23000624

To the Board of Directors and Shareholders of Architectural Aesthetics Global Development CO.,LTD.

## *Opinion*

We have audited the accompanying consolidated balance sheets of Architectural Aesthetics Global Development CO.,LTD. and subsidiaries (the "Group") as at December 31, 2023 and 2022, 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, 2023 and 2022, 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 2023 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 2023 consolidated financial statements are stated as follows:

## *Key audit matter- Accuracy of agency service revenue recognition*

<u>Description</u>

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

The Group is primarily engaged in real estate agency service revenue. Agency service revenue is recognised as the service revenue when the performance obligation is fulfilled in accordance with the terms of the sales contract for the commissioned project between the Group and the construction company. Since the amount of agency service revenue is higher than other operating revenues and the recognition of performance obligations involves management's judgement, we consider the agency service revenue recognition a key audit matter.

<u>How our audit addressed the matter</u>

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

1. Selected samples from transactions of agency service revenue and reviewed the sales

contract for the commissioned project signed by both parties to obtain an understanding of the rights and obligations of the contract.[

2. Sampled and tested the relevant documents to confirm whether the performance obligations of agency service revenue have been fulfilled in accordance with the terms of the contract, and the revenue was complied with accounting policies.
3. Sampled and tested the transaction amounts that are material to verify the collection records that are in accordance with the original amounts recorded in the accounts.

## *Key audit matter- Reorganisation of entities under common control*

Description

As described in Note 6(24), the Group's subsidiary, Taiwan FX Hotels Company Limited ("FX Taiwan"), set the effective date of merger on November 1, 2023. As the transaction pertains to the reorganisation of entities under common control, which shall be treated as if it had always been consolidated since the beginning, the Group retrospectively restated the 2022 consolidated financial statements when preparing the Group's 2023 comparative consolidated financial statements.

Since the transaction was considered as a material transaction occurring during the reporting period, we consider the reorganisation of entities under common control a key audit matter.

How our audit addressed the matter

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

1. Interviewed the management to obtain an understanding on the purpose, evaluation process and determination of the consideration of this merger.
2. Reviewed the meeting minutes of the Board of Directors' meeting and the equity interest transfer agreement to verify that the matters resolved in the meeting are consistent with the terms stipulated in the agreement.

3. Reviewed the accuracy of the Company’s accounting treatments and records on the merger effective date.
4. Performed the necessary audit procedures on the accounting items in the balance sheet and the statements of comprehensive incomes on the merger effective date and for the comparative periods in the financial statements.

### *Other matter – Reference to the audits of other auditors*

We did not audit the financial statements of the subsidiary, Architectural Aesthetics Global Development Company Limited, for the year ended December 31, 2022, which were audited by other auditors. Therefore, our opinion expressed herein, insofar as it relates to the amounts included in respect of the subsidiary, is based solely on the reports of the other auditors. Total assets of the subsidiary amounted to NT$124,202 thousand, constituting 14.63% of the consolidated total assets as at December 31, 2022, and the operating revenue amounted to NT$104,604 thousand, constituting 71.49% of the consolidated total operating revenue for the year then ended.

### *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.

### ***Auditor's responsibilities for the audit of the consolidated financial statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Generally Accepted Auditing Standards (GAAS) of Republic of China will always detect a material misstatement when it exists. Misstatement may arise from frauds or errors. If it could be reasonably anticipated that the misstated individual amounts or aggregated sums could have influence on the economic decisions made by the users of the consolidated financial statements, they will be deemed as material.

As part of an audit in accordance with GAAS of Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also execute the following tasks:

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 that 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 adopted by the management and the reasonableness of the accounting estimates and related disclosures made accordingly.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, determine 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 auditor's report to the related disclosures in the consolidated financial statements; or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or circumstances may cause the Group to no longer continue as a going concern.
5. Evaluate the overall expression, structure, and contents of the consolidated financial statements (including related notes) and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence with regard to the financial information of the entities within the Group to express an opinion about the consolidated financial statements. We are responsible for the direction, supervision, and performance of the audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2022 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

Lai, Chung-Hsi

For and on behalf of PricewaterhouseCoopers, Taiwan
March 13, 2024

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Architectural Aesthetics Global Development CO.,LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

| | Assets | Notes | December 31, 2023 AMOUNT | % | December 31, 2022 AMOUNT | % |
|---|---|---|---|---|---|---|
| | **Current assets** | | | | | |
| 1100 | Cash and cash equivalents | 6(1) | $ 193,977 | 33 | $ 141,853 | 17 |
| 1136 | Current financial assets at amortised cost | 6(2) and 8 | 3 | - | 220,003 | 26 |
| 1170 | Accounts receivable, net | 6(3) | 222 | - | 2,200 | - |
| 1180 | Accounts receivable due from related parties, net | 6(3) and 7 | 39,853 | 7 | 6,454 | 1 |
| 1200 | Other receivables | 6(4) | 2,642 | - | 19,617 | 2 |
| 1210 | Other receivables due from related parties | 7 | 115 | - | 115 | - |
| 130X | Current inventories | | 1 | - | 5 | - |
| 1410 | Prepayments | | 3,008 | 1 | 2,209 | - |
| 1470 | Other current assets | 6(15) | 40,169 | 7 | 20,158 | 3 |
| 11XX | **Current Assets** | | 279,990 | 48 | 412,614 | 49 |
| | **Non-current assets** | | | | | |
| 1600 | Property, plant and equipment | 6(5) | 6,738 | 1 | 15,274 | 2 |
| 1755 | Right-of-use assets | 6(6)(7) | 15,763 | 3 | - | - |
| 1760 | Investment property - net | 6(6)(7) | 238,948 | 41 | 378,206 | 45 |
| 1780 | Intangible assets | 8 | 167 | - | 1,375 | - |
| 1840 | Deferred income tax assets | 6(22) | 11,508 | 2 | 11,827 | 1 |
| 1900 | Other non-current assets | 6(8) | 29,293 | 5 | 29,496 | 3 |
| 15XX | **Non-current assets** | | 302,417 | 52 | 436,178 | 51 |
| 1XXX | **Total assets** | | $ 582,407 | 100 | $ 848,792 | 100 |

(Continued)

Architectural Aesthetics Global Development CO.,LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

| | Liabilities and Equity | Notes | December 31, 2023 AMOUNT | % | December 31, 2022 AMOUNT | % |
|---|---|---|---|---|---|---|
| | **Current liabilities** | | | | | |
| 2130 | Current contract liabilities | 6(15) | $ 3,686 | 1 | $ 286 | - |
| 2150 | Notes payable | | 7,101 | 1 | 12,190 | 1 |
| 2160 | Notes payable to related parties | 7 | 115 | - | 230 | - |
| 2170 | Accounts payable | | 2,053 | - | 3,974 | 1 |
| 2200 | Other payables | 6(9) | 15,519 | 3 | 22,113 | 3 |
| 2220 | Other payables to related parties | 7 | 86 | - | 86 | - |
| 2230 | Current tax liabilities | | 9,234 | 2 | 7,519 | 1 |
| 2280 | Current lease liabilities | 6(6) | 100,274 | 17 | 126,715 | 15 |
| 2399 | Other current liabilities, others | | 3,363 | - | 4,020 | - |
| 21XX | **Current Liabilities** | | 141,431 | 24 | 177,133 | 21 |
| | **Non-current liabilities** | | | | | |
| 2580 | Non-current lease liabilities | 6(6) | 202,707 | 35 | 350,082 | 41 |
| 2600 | Other non-current liabilities | | 12,903 | 2 | 2,546 | - |
| 25XX | **Non-current liabilities** | | 215,610 | 37 | 352,628 | 41 |
| 2XXX | **Total Liabilities** | | 357,041 | 61 | 529,761 | 62 |
| | **Equity** | | | | | |
| | **Equity attributable to owners of parent** | | | | | |
| | Share capital | 6(11) | | | | |
| 3110 | Share capital - common stock | | 596,564 | 103 | 596,564 | 70 |
| | Capital surplus | 6(12) | | | | |
| 3200 | Capital surplus | | - | - | - | - |
| | Retained earnings | 6(13) | | | | |
| 3310 | Legal reserve | | 5,143 | 1 | 5,143 | 1 |
| 3350 | Total unappropriated retained earnings (accumulated deficit) | | ( 309,643) | ( 53) | ( 297,599) | ( 35) |
| | Other equity interest | 6(14) | | | | |
| 3400 | Other equity interest | | ( 66,698) | ( 12) | ( 66,283) | ( 8) |
| 31XX | **Equity attributable to owners of the parent** | | 225,366 | 39 | 237,825 | 28 |
| 35XX | **Equity attributable to former owner of business combination under common control** | 6(24) | - | - | 81,206 | 10 |
| 3XXX | **Total equity** | | 225,366 | 39 | 319,031 | 38 |
| | Significant Contingent Liabilities and Unrecognized Contract Commitments | 9 | | | | |
| | Subsequent Events | 11 | | | | |
| 3X2X | **Total liabilities and equity** | | $ 582,407 | 100 | $ 848,792 | 100 |

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

Architectural Aesthetics Global Development CO.,LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

| | | | Year ended December 31 | | | |
|---|---|---|---|---|---|---|
| | | | 2023 | | 2022 | |
| | Items | Notes | AMOUNT | % | AMOUNT | % |
| 4000 | Sales revenue | 6(15) and 7 | $ 145,839 | 100 | $ 146,324 | 100 |
| 5000 | Operating costs | 6(10)(20)(21) | ( 47,353) | ( 33) | ( 50,781) | ( 35) |
| 5900 | Net operating margin | | 98,486 | 67 | 95,543 | 65 |
| | Operating expenses | 6(10)(20)(21) and 7 | | | | |
| 6100 | Selling expenses | | ( 46,846) | ( 32) | ( 36,533) | ( 25) |
| 6200 | General & administrative expenses | | ( 34,453) | ( 24) | ( 35,422) | ( 24) |
| 6450 | Impairment loss (impairment gain and reversal of impairment loss) determined in accordance with IFRS 9 | 12(3) | ( 423) | - | ( 3,655) | ( 2) |
| 6000 | Total operating expenses | | ( 81,722) | ( 56) | ( 75,610) | ( 51) |
| 6900 | Operating profit | | 16,764 | 11 | 19,933 | 14 |
| | Non-operating income and expenses | | | | | |
| 7100 | Interest income | 6(2)(16) | 3,368 | 2 | 1,127 | 1 |
| 7010 | Other income | 6(7)(17) | 98,486 | 67 | 81,414 | 55 |
| 7020 | Other gains and losses | 6(6)(7)(18)(20) | ( 76,240) | ( 52) | ( 92,405) | ( 63) |
| 7050 | Finance costs | 6(6)(19) | ( 10,559) | ( 7) | ( 13,437) | ( 9) |
| 7000 | Total non-operating revenue and expenses | | 15,055 | 10 | ( 23,301) | ( 16) |
| 7900 | **Profit (loss) before income tax** | | 31,819 | 21 | ( 3,368) | ( 2) |
| 7950 | Income tax (expense) benefit | 6(22) | ( 7,437) | ( 5) | ( 8,290) | ( 6) |
| 8200 | **Profit (loss) for the year** | | $ 24,382 | 16 | ($ 11,658) | ( 8) |
| | **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) | ($ 415) | - | $ 937 | 1 |
| 8360 | Components of other comprehensive income that will be reclassified to profit or loss | | ( 415) | - | 937 | 1 |
| 8300 | **Other comprehensive income for the year** | | ($ 415) | - | $ 937 | 1 |
| 8500 | **Total comprehensive income for the year** | | $ 23,967 | 16 | ($ 10,721) | ( 7) |
| | Profit (loss), attributable to: | | | | | |
| 8610 | Owners of the parent | | ($ 3,785) | ( 3) | ($ 35,587) | ( 24) |
| 8615 | Profit (loss), attributable to former owner of business combination under common control | | $ 28,167 | 19 | $ 23,929 | 16 |
| | Comprehensive income attributable to: | | | | | |
| 8710 | Owners of the parent | | ($ 4,200) | ( 3) | ($ 34,650) | ( 23) |
| 8715 | Comprehensive income, attributable to former owner of business combination under common control | | $ 28,167 | 19 | $ 23,929 | 16 |
| | Basic earnings per share | 6(23) | | | | |
| 9710 | Basic earnings (loss) per share from continuing operations | | ($ | 0.06) | ($ | 0.60) |
| 9720 | Basic earnings (loss) per share from discontinued operations | | | 0.47 | | 0.40 |
| 9750 | Total basic earnings per share | | $ | 0.41 | ($ | 0.20) |
| | Diluted earnings per share | 6(23) | | | | |
| 9810 | Diluted earnings (loss) per share from continuing operations | | ($ | 0.06) | ($ | 0.60) |
| 9820 | Diluted earnings (loss) per share from discontinued operations | | | 0.47 | | 0.40 |
| 9850 | Total diluted earnings per share | | $ | 0.41 | ($ | 0.20) |

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

Architectural Aesthetics Global Development CO.,LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

| | | Equity attributable to owners of the parent | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Retained Earnings | | Other equity interest | | | | |
| | Notes | Share capital - common stock | 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 | Equity attributable to former owner of business combination under common control | Total |
| Year 2022 | | | | | | | | | | |
| Balance at January 1, 2022 | | $ 596,564 | $ 334,248 | $ 5,143 | ($ 596,260 ) | ($ 57,748 ) | ($ 9,472 ) | $ 272,475 | $ 8,191 | $ 280,666 |
| Profit (Loss) for the period/year | | - | - | - | ( 35,587 ) | - | - | ( 35,587 ) | 23,929 | ( 11,658 ) |
| Other comprehensive income for the period/year | 6(14) | - | - | - | - | 937 | - | 937 | - | 937 |
| Total comprehensive income | | - | - | - | ( 35,587 ) | 937 | - | ( 34,650 ) | 23,929 | ( 10,721 ) |
| Capital surplus used to offset accumulated deficits | 6(12)(13) | - | ( 334,248 ) | - | 334,248 | - | - | - | - | - |
| Cash dividends received from a former owner of business combination under common control | | - | - | - | - | - | - | - | ( 914 ) | ( 914 ) |
| Changes in equity attributable to former owner of business combination under common control-cash capital increase | | - | - | - | - | - | - | - | 50,000 | 50,000 |
| Balance at December 31, 2023 | | $ 596,564 | $ - | $ 5,143 | ($ 297,599 ) | ($ 56,811 ) | ($ 9,472 ) | $ 237,825 | $ 81,206 | $ 319,031 |
| Year 2023 | | | | | | | | | | |
| Balance at January 1, 2023 | | $ 596,564 | $ - | $ 5,143 | ($ 297,599 ) | ($ 56,811 ) | ($ 9,472 ) | $ 237,825 | $ 81,206 | $ 319,031 |
| Profit (Loss) for the period/year | | - | - | - | ( 3,785 ) | - | - | ( 3,785 ) | 28,167 | 24,382 |
| Other comprehensive income for the period/year | 6(14) | - | - | - | - | ( 415 ) | - | ( 415 ) | - | ( 415 ) |
| Total comprehensive income | | - | - | - | ( 3,785 ) | ( 415 ) | - | ( 4,200 ) | 28,167 | 23,967 |
| Effect of reorganization | 6(24) | - | - | - | ( 8,259 ) | - | - | ( 8,259 ) | ( 93,741 ) | ( 102,000 ) |
| Cash dividends received from a former owner of business combination under common control | | - | - | - | - | - | - | - | ( 15,632 ) | ( 15,632 ) |
| Balance at December 31, 2023 | | $ 596,564 | $ - | $ 5,143 | ($ 309,643 ) | ($ 57,226 ) | ($ 9,472 ) | $ 225,366 | $ - | $ 225,366 |

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

Architectural Aesthetics Global Development CO.,LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

| | Notes | Year ended December 31 2023 | 2022 |
|---|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Profit (loss) before tax | | $ 31,819 | ($ 3,368 ) |
| Adjustments | | | |
| Adjustments to reconcile profit (loss) | | | |
| Depreciation charge | 6(5)(6)(7)(18)(20) | 92,047 | 93,363 |
| Amortisation charge | 6(20) | 1,331 | 1,309 |
| Expected credit impairment loss | 12(3) | 423 | 3,655 |
| Interest expense | 6(19) | 10,559 | 13,437 |
| Interest income | 6(16) | ( 3,368 ) | ( 1,127 ) |
| Gains on lease modifications | 6(18) | ( 15,494 ) | - |
| Loss on disposal of property, plant and equipment | 6(18) | 3,284 | 89 |
| Gains from rent concessions | 6(17) | ( 7,426 ) | ( 2,250 ) |
| Changes in operating assets and liabilities | | | |
| Changes in operating assets | | | |
| Notes receivable | | - | 12,316 |
| Accounts receivable | | 3,184 | 11,143 |
| Accounts receivable - related parties | | ( 33,399 ) | ( 5,732 ) |
| Other receivables | | 1,225 | ( 1,479 ) |
| Inventories | | 4 | ( 5 ) |
| Prepayments | | ( 888 ) | 1,891 |
| Other current assets | | ( 20,030 ) | ( 771 ) |
| Changes in operating liabilities | | | |
| Contract liabilities | | 3,465 | ( 2,335 ) |
| Notes payable | | ( 5,319 ) | 4,927 |
| Notes payable- related parties | | 115 | - |
| Accounts payable | | ( 1,904 ) | ( 9,875 ) |
| Other payables | | ( 6,468 ) | 9,050 |
| Other current liabilities | | ( 655 ) | ( 10,457 ) |
| Cash inflow generated from operations | | 52,505 | 113,781 |
| Interest received | | 3,368 | 1,127 |
| Interest paid | | ( 10,559 ) | ( 13,437 ) |
| Income tax paid | | ( 5,466 ) | ( 308 ) |
| Net cash flows from operating activities | | 39,848 | 101,163 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Acquisition of financial assets at amortised cost | | - | ( 220,000 ) |
| Proceeds from disposal of financial assets at fair value through other comprehensive income | | 220,000 | 20 |
| Acquisition of property, plant and equipment | 6(5) | ( 867 ) | ( 570 ) |
| Acquisition of intangible assets | | ( 123 ) | ( 155 ) |
| Decrease in refundable deposits | | - | 233 |
| Increase in refundable deposits | | ( 26 ) | ( 1,200 ) |
| Net cash flows from (used in) investing activities | | 218,984 | ( 221,672 ) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Lease principal repayment | 6(26) | ( 98,795 ) | ( 69,853 ) |
| Increase in guarantee deposits received | 6(26) | 10,587 | - |
| Cash dividends received from a former owner of business combination under common control | | ( 15,632 ) | ( 914 ) |
| Effect of reorganization-acquisition of ownership interests in subsidiaries | 6(24) | ( 102,000 ) | - |
| Changes in equity attributable to former owner of business combination under common control-cash capital increase | | - | 50,000 |
| Net cash flows used in financing activities | | ( 205,840 ) | ( 20,767 ) |
| Effect of exchange rate changes | | ( 868 ) | 1,188 |
| Net increase (decrease) in cash and cash equivalents | | 52,124 | ( 140,088 ) |
| Cash and cash equivalents at beginning of year | | 141,853 | 281,941 |
| Cash and cash equivalents at end of year | | $ 193,977 | $ 141,853 |

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

Architectural Aesthetics Global Development CO.,LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. History and Organisation

1. Architectural Aesthetics Global Development CO.,LTD.(former name: 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.
2. The shareholders of the Company resolved to change the company name from FX Hotels Group Inc. to 'Architectural Aesthetics Global Development CO., LTD' at their special meeting on October 26, 2023. The change had been registered in Cayman on November 6, 2023 and in Taiwan on November 15, 2023.
3. The Company and its subsidiaries (collectively referred herein as the "Group") are primarily engaged in providing operating international business hotel accommodation、property consignment and hotel management.
4. The Company's shares were officially listed on the Taipei Exchange in May 2012.
5. 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 13, 2024.

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") Accounting Standards 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 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 arising from a single transaction' | January 1, 2023 |
| Amendments to IAS 12, 'International tax reform - pillar two model | May 23, 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.

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

New standards, interpretations and amendments endorsed by the FSC effective from 2024 are as follows:

| New Standards, Interpretations and Amendments | Effective date by International Accounting Standards Board |
|---|---|
| Amendments to IFRS 16, 'Lease liability in a sale and leaseback' | January 1, 2024 |
| 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 |
| Amendments to IAS 7 and IFRS 7, 'Supplier finance arrangements' | 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.

(3) IFRS Accounting Standards issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRS Accounting Standards 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 |
| 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 - comparative information' | January 1, 2023 |
| IFRS 17, 'Insurance contracts' | January 1, 2025 |

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) December 31, 2023 | December 31, 2022 | Description |
|---|---|---|---|---|---|
| The Company | 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 | 100 | Note 1 |
| FX Taiwan | YI SHE CO.,LTD.(YI SHE) | Property consignment | 100 | - | Note 2 |

Note 1: (1) There is branches under China Capital is Shanghai Xujiahui Branch Office (China Capital Xujiahui), which is engaged in international business hotel. 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 and adjusted Shanghai Xujiahui Branch Office to China Artix.

(2)The Company planned to sell all the shares in the subsidiaries, China Capital and China Artix, to non-related parties considering its future operational plan as resolved by the Board of Directors on March 13, 2024. The fair value of China Capital and China Artix amounted to RMB 9,558 thousand and RMB (5,339) thousand, respectively, based on the appraisal report obtained. The expected disposal proceeds of the Company amounted to RMB 9,558 thousand and RMB 1 (in dollars), respectively. Subsequent signing of relevant contracts and disposal of shares were authorised to be handled by the Chairman according to the internal control regulations of the Company and relevant laws.

Note 2: The subsidiary of the Group, FX Taiwan, acquired the proceeds from the capital increase of YI SHE amounting to $12,750 with a shareholding ratio of 20% on January 1, 2023 and the 80% of outstanding shares in YI SHE from the related party, LIH SHINN HSIN Investment, for $102,000 on November 1, 2023 considering the future operational plan. FX Taiwan became the immediate parent which wholly-owned YI SHE after the acquisition. However, the financial statements in prior years were restated as the transaction pertained to a reorganisation. Refer to Note 6(24).

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, brand authorisation and revenue of consignment service 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.

(d) Service revenue is mainly revenue from providing services of agency sales. Relevant revenue is recognised when the performance obligation is completed.

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.

C. If the expenses that relate directly to customer contracts will generate resources that will be used to satisfy performance obligations in the future, they will be recognised as costs to fulfill a contract (shown as ‘other current assets’) to the extent of recoverable amount and amortised over the contract term based on the sales ratio.

(24) Reorganisation of entities under common control

In accordance with the IFRS Q&A 'Questions on the accounting treatment of business combination under common control' issued by the Accounting Research and Development Foundation of the R.O.C. (ARDF), there are no definite rules for business combinations of entities under common control in IFRS 3, 'Business combinations'. Therefore, the Group applies the related interpretations issued in the R.O.C. to account for the reorganisation using the book value method and restate the prior year financial statements as if the entity had always been consolidated since the beginning.

(25) 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, 2023, the carrying amount of accounts receivable (including related parties) and other receivables (including related parties) is $40,075 and $2,757, respectively.

6. Details of Significant Accounts

(1) Cash and cash equivalents

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Cash on hand | $ 388 | $ 48 |
| Checking accounts | 214 | 20 |
| Demand deposits | 93,375 | 117,985 |
| Time deposits | 100,000 | 23,800 |
| | $ 193,977 | $ 141,853 |

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.

(2) Current financial assets at amortised cost

| Items | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Current items: | | |
| Time deposits | $ - | $ 220,000 |
| Trust bank deposits | 3 | 3 |
| | $ 3 | $ 220,003 |

A. Amounts recognised in profit or loss in relation to financial assets at amortised cost are listed below:

| | 2023 | 2022 |
|---|---|---|
| Interest income | $ 1,678 | $ 545 |

B. As at December 31, 2023 and 2022, 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 $3 and $220,003, respectively.

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

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

(3) Accounts receivable

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Accounts receivable | $ 222 | $ 3,009 |
| Less: Allowance for bad debts | - | ( 809) |
| | 222 | 2,200 |
| Accounts receivable due from related parties | 39,853 | 6,454 |
| | $ 40,075 | $ 8,654 |

A. The ageing analysis of accounts receivable (including related parties) that were past due but not impaired is as follows:

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| | Accounts receivable | Accounts receivable |
| Not past due | $ 40,075 | $ 7,171 |
| Past due | | |
| Up to 90 days | - | 1,616 |
| 91 to 180 days | - | 286 |
| Over 180 days | - | 390 |
| | $ 40,075 | $ 9,463 |

The above ageing analysis was based on past due date.

B. As of December 31, 2023 and 2022, and January 1, 2022, the balances of receivables from contracts with customers amounted to $40,075, $9,463, and $27,932, respectively.

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

D. As at December 31, 2023 and 2022, 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 $40,075 and $8,654, respectively.

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

(4) Other receivables

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Other accounts receivable | $ 3,216 | $ 19,617 |
| Less: Allowance for bad debts | ( 574) | - |
| | $ 2,642 | $ 19,617 |

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 | |
|---|---|---|
| | 2023 | 2022 |
| Beginning balance | $ - | $ 5,318 |
| Add: provision for (Reversal of) expected credit impairment loss during the year | 1,634 | ( 474) |
| Less: Transferred to overdue receivables | ( 1,049) | ( 4,844) |
| Add: Effect of foreign exchange | ( 11) | - |
| Ending balance | $ 574 | $ - |

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

(5) Property, plant and equipment

| | 2023 | | | |
|---|---|---|---|---|
| | Office equipment | Business facilities | Leasehold improvements | |
| | Owner-occupied | Lease | Lease | Total |
| At January 1 | | | | |
| Cost | $ 6,712 | $ 82,717 | $ 139,528 | $ 228,957 |
| Accumulated depreciation | ( 6,119) | ( 69,232) | ( 102,278) | ( 177,629) |
| Accumulated impairment | ( 316) | ( 4,807) | ( 30,931) | ( 36,054) |
| | $ 277 | $ 8,678 | $ 6,319 | $ 15,274 |
| Opening net book amount as at January 1 | $ 277 | $ 8,678 | $ 6,319 | $ 15,274 |
| Additions | - | - | 867 | 867 |
| Disposals | ( 66) | ( 542) | ( 2,676) | ( 3,284) |
| Depreciation charge | ( 104) | ( 2,767) | ( 3,203) | ( 6,074) |
| Net exchange differences | - | ( 13) | ( 32) | ( 45) |
| Closing net book amount as at December 31 | $ 107 | $ 5,356 | $ 1,275 | $ 6,738 |
| At December 31 | | | | |
| Cost | $ 4,986 | $ 72,974 | $ 60,892 | $ 138,852 |
| Accumulated depreciation | ( 4,569) | ( 62,911) | ( 29,323) | ( 96,803) |
| Accumulated impairment | ( 310) | ( 4,707) | ( 30,294) | ( 35,311) |
| | $ 107 | $ 5,356 | $ 1,275 | $ 6,738 |

| | 2022 | | | | |
|---|---|---|---|---|---|
| | Office equipment | Business facilities | Leasehold improvements | Unfinished construction and equipment under acceptance | Total |
| | 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) |
| | $ 308 | $ 11,236 | $ 12,111 | $ - | $ 23,655 |
| 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 | $ 277 | $ 8,678 | $ 6,319 | $ - | $ 15,274 |
| 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) |
| | $ 277 | $ 8,678 | $ 6,319 | $ - | $ 15,274 |

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

(6) Leasing arrangements－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. Refer to Note 6(7) Note 12(1)A for details of the transaction.

D. The movements of right-of-use assets of the Group during the 2023 and 2022 are as follows:

| | 2023 | | | 2022 | | |
|---|---|---|---|---|---|---|
| | Land | and structures | Total | Land | and structures | Total |
| At January 1 | | | | | | |
| Cost | $ - | $ - | $ - | $ - | $ 3,077 | $ 3,077 |
| Accumulated depreciation | - | - | - | - | ( 2,534) | ( 2,534) |
| | $ - | $ - | $ - | $ - | $ 543 | $ 543 |
| Opening net book amount as at January 1 | $ - | $ - | $ - | $ - | $ 543 | $ 543 |
| Additions | 4,767 | 13,542 | 18,309 | - | - | - |
| Depreciation | ( 415) | ( 2,131) | ( 2,546) | - | ( 543) | ( 543) |
| | $ 4,352 | $ 11,411 | $ 15,763 | $ - | $ - | $ - |
| At December 31 | | | | | | |
| Cost | $ 4,767 | $ 13,503 | $ 18,270 | $ - | $ - | $ - |
| Accumulated depreciation | ( 415) | ( 2,092) | ( 2,507) | - | - | - |
| | $ 4,352 | $ 11,411 | $ 15,763 | $ - | $ - | $ - |

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

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Current lease liabilities | $ 100,274 | $ 126,715 |
| Non-current lease liabilities | $ 202,707 | $ 350,082 |

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 | |
|---|---|---|
| | 2023 | 2022 |
| Items affecting profit or loss | | |
| Interest expense on lease liabilities | $ 10,468 | $ 13,370 |
| Expense on short-term lease contracts | 1,204 | 746 |
| Expense on leases of low-value assets | 32 | 83 |
| Gain on lease modification | ( 15,494) | - |

G. For the years ended December 31, 2023 and 2022, the Group's total cash outflow for leases were $110,499 and $84,052, 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 $0 and $2,250 for the years ended December 31, 2023and 2022, respectively, which were listed under 'other income'.

I. The subsidiary, FX Taiwan, received a notice from CHINA AIRLINES on April 19, 2023. Monthly rent shall be adjusted based on the content of the lease contract between the two parties from January 1, 2023. The investment properties and lease liabilities increased by $12,230 and $12,230 for the year ended December 31, 2023, respectively.

J. The subsidiary, China Artix, entered into a supplemental agreement with Shanghai Liansen Construction Labor Services Ltd in July 2023. Monthly rent shall be adjusted based on the content of the lease contract between the two parties from January 1, 2023. The investment properties and lease liabilities decreased by RMB 2,235 thousand (approximately NT$9,829) and RMB 2,235 thousand (approximately NT$9,829) for the year ended December 31, 2023, respectively.

K. The subsidiary, FX Taiwan, reached an agreement to terminate the contract for lease of buildings with LIPPO Co., Ltd on December 10, 2023. Therefore, the subsidiary, FX Taiwan, decreased investment properties by $92,850, accumulated depreciation by $36,279 and lease liabilities by $72,066, respectively, and recognised gain on lease modification of $15,494.

(7) Investment property

| | Buildings and structures | |
|---|---|---|
| | 2023 | 2022 |
| At January 1 | | |
| Cost | $ 719,977 | $ 727,887 |
| Accumulated depreciation | ( 341,771) | ( 256,715) |
| | $ 378,206 | $ 471,172 |
| | | |
| Opening net book amount as at January 1 | $ 378,206 | $ 471,172 |
| Modification | ( 54,170) | ( 11,362) |
| Depreciation charge | ( 83,427) | ( 83,741) |
| Net exchange differences | ( 1,661) | 2,137 |
| Closing net book amount as at December 31 | $ 238,948 | $ 378,206 |
| | | |
| At December 31 | $ 624,552 | $ 719,977 |
| Cost | ( 385,604) | ( 341,771) |
| Accumulated depreciation | $ 238,948 | $ 378,206 |

A. The assets leased by the Group 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. Refer to Note 12(1)A for details.

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

| | Year ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Rental income from investment property | $ 90,511 | $ 78,554 |
| Direct operating expenses arising from the investment property that generated rental income during the year | ($ 93,019) | ($ 92,751) |

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 $238,948. Considering local rental prices, there is no significant difference between the fair value and the book balance.

(8) Other non-current assets

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| | Carrying amount | Carrying amount |
| Overdue receivables | 134,961 | 135,940 |
| Less: Allowance for uncollectible accounts | ( 134,961) | ( 135,940) |
| Subtotal | - | - |
| Guarantee deposits paid | 29,293 | 29,496 |
| | $ 29,293 | $ 29,496 |

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

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

(9) Other payables

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Wages and salaries payable | $ 7,878 | $ 8,352 |
| Payable on property management fee | 833 | 6,758 |
| Taxes payable | 346 | 345 |
| Utilities expense payable | 353 | 154 |
| Others | 6,109 | 6,504 |
| | $ 15,519 | $ 22,113 |

(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 $1,446 and $1,140 for the years ended December 31, 2023 and 2022, 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, 2023 and 2022, was both 16%. Other than the monthly contributions, the Group has no further obligations. The Group recognised pension costs of $393 and $450 for the years ended December 31, 2023 and 2022, respectively.

(11) Share capital

A. As of December 31, 2023, 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:

| | 2023 | 2022 |
|---|---|---|
| At January 1/ 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 $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 three full years have elapsed since the delivery date, the private placements can only be offered publicly.

(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 |
| Offset accumulated deficits | ( 189,294) | ( 100,771) | ( 44,183) | ( 334,248) |
| At December 31 | $ - | $ - | $ - | $ - |

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 have 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, 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 net decreased in other equity item before distributing earnings. When the amount deducted from other equity items has a decrease, the reduction 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 2022 on June 27, 2023. There were accumulated losses for the year.

F. The Company's shareholders at their annual meeting resolved the deficit compensation for the years of 2021 on June 24, 2022. Details are as follows:

| | Year ended December 31, 2022 |
|---|---|
| | Amount |
| Capital surplus used to offset accumulated deficits | ($ 334,248) |

(14) Other equity items

| | 2023 | | |
|---|---|---|---|
| | Unrealised gains (losses) on valuation | Currency translation | Total |
| At January 1 | ($ 9,472) | ($ 56,811) | ($ 66,283) |
| Exchange differences arising from translation of foreign financial statements | - | ( 415) | ( 415) |
| At December 31 | ($ 9,472) | ($ 57,226) | ($ 66,698) |

| | 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) |

(15) Operating revenue

| | Year ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| revenue of consignment service | $ 117,564 | $ 104,604 |
| Other operating revenue | 28,275 | 41,635 |
| Guest room and other hospitality service revenu | - | 85 |
| | $ 145,839 | $ 146,324 |

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:

| 2023 | Taiwan | | | Overseas areas | |
|---|---|---|---|---|---|
| | and food and beverage services | revenue of consignment service | Franchise service | Franchise service | Total |
| Operating revenue | $ - | $ 117,564 | $ 9,872 | $ 18,403 | $145,839 |
| Timing of revenue recognition | | | | | |
| At a point in time | $ - | $ - | $ - | $ - | $ - |
| Over time | - | 117,564 | 9,872 | 18,403 | 145,839 |
| | $ - | $ 117,564 | $ 9,872 | $ 18,403 | $145,839 |

| 2022 | Taiwan | | | Overseas areas | |
|---|---|---|---|---|---|
| | and food and beverage services | revenue of consignment service | Franchise service | Franchise service | Total |
| Operating revenue | $ 85 | $ 104,604 | $ 26,071 | $ 15,564 | $146,324 |
| Timing of revenue recognition | | | | | |
| At a point in time | $ 85 | $ - | $ - | $ - | $ 85 |
| Over time | - | 104,604 | 26,071 | 15,564 | 146,239 |
| | $ 85 | $ 104,604 | $ 26,071 | $ 15,564 | $146,324 |

B. Contract liabilities

The Group has recognised the following contract liabilities:

| | December 31, 2023 | December 31, 2022 | January 1, 2022 |
|---|---|---|---|
| Contract liabilities: | | | |
| Contract liabilities-advance receipts | $ 3,686 | $ 286 | $ 2,534 |

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

| | Year ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Revenue recognised that was included in the contract liability balance at the beginning of the year | | |
| -Advance receipts | $ 281 | $ 2,529 |

C. Assets recognised from costs to fulfill a contract

The Group's costs of agency sales incurred to fulfill the agency sales contract are directly related to the contract and should be recognised in assets and accounted as 'other current assets' under IFRS 15. The amortisation method of the assets is consistent with the recognition of the revenue from the specific contract they relate to.

(a) Assets recognised from costs to fulfill a contract

| | December 31, 2023 | December 31, 2022 | January 1, 2022 |
|---|---|---|---|
| Assets recognised from costs to fulfill a contract | $ 38,558 | $ 17,725 | $ 16,455 |

(b) Amortised amount recognised from costs to fulfill a contract

| | Year ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Amortised amount recognised from costs to fulfill a contract | $ 10,112 | $ 37,310 |

(16) Interest income

| | Year ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Interest income from bank deposits | $ 1,590 | $ 582 |
| Interest income from financial assets measured at amortised cost | 1,678 | 545 |
| Other interest income | 100 | - |
| | $ 3,368 | $ 1,127 |

(17) Other income

| | Year ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Rent income | $ 90,511 | $ 78,554 |
| Gains on rent concessions | 7,426 | 2,250 |
| Other income | 549 | 610 |
| | $ 98,486 | $ 81,414 |

(18) Other gains and losses

| | Year ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Profit from lease modification | $ 15,494 | $ - |
| Losses on disposals of property, plant and equipment | ( 3,284) | ( 89) |
| Foreign exchange losses | ( 606) | ( 492) |
| Depreciation charge on investment property | ( 83,427) | ( 83,741) |
| Depreciation charges on property, plant and equipment | ( 4,368) | ( 6,617) |
| Miscellaneous disbursements | ( 49) | ( 1,466) |
| | ($ 76,240) | ($ 92,405) |

The above gain on lease modification refer to Note 6(6)K.

(19) Finance costs

| | Year ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Interest on lease liabilities | $ 10,468 | $ 13,370 |
| Others | 91 | 67 |
| | $ 10,559 | $ 13,437 |

(20) Expenses by nature

| | Year ended December 31, 2023 | | | |
|---|---|---|---|---|
| | Cost | Expenses | Other gains and losses | Total |
| Employee benefit expense | $ 35,759 | $ 21,883 | $ - | $ 57,642 |
| Depreciation charges on property, plant and equipment | 1,102 | 604 | 4,368 | 6,074 |
| Depreciation charges on right-of-use assets | 2,506 | 40 | - | 2,546 |
| Depreciation charge on investment property | - | - | 83,427 | 83,427 |
| Amortisation charges on intangible assets | - | 1,331 | - | 1,331 |

| | Year ended December 31, 2022 | | | |
|---|---|---|---|---|
| | Cost | Expenses | Other gains and losses | Total |
| Employee benefit expense | $ 27,083 | $ 20,478 | $ - | $ 47,561 |
| 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 |

(21) Employee benefit expense

| | Year ended December 31 | |
|---|---|---|
| | 2023 | 2023 |
| Wages and salaries | $ 49,943 | $ 41,754 |
| Labour and health insurance fees | 3,342 | 2,436 |
| Pension costs | 1,839 | 1,590 |
| Other personnel expenses | 2,518 | 1,781 |
| | $ 57,642 | $ 47,561 |

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, 2023 and 2022.

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) <u>Income tax</u>

A. Income tax expense

| | Year ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Current tax: | | |
| Current tax on profits for the year | $ 7,182 | $ 7,526 |
| Total current tax | 7,182 | 7,526 |
| Deferred tax: | | |
| Origination and reversal of temporary differences | 255 | 764 |
| Total deferred tax | 255 | 764 |
| Income tax expense | $ 7,437 | $ 8,290 |

B. Reconciliation between income tax expense and accounting profit

| | Year ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Income tax expenses calculated by applying statutory rate to the net profit (loss) before tax | $ 4,148 | ($ 1,417) |
| Temporary difference not recognised as deferred tax | 1,535 | 4,874 |
| Unrecognised deferred tax assets arising from loss | 1,505 | 4,833 |
| Change in assessment of realisation of deferred tax | ( 1,857) | - |
| Effect from prior periods profit | 2,106 | - |
| Income tax expense | $ 7,437 | $ 8,290 |

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:

| | 2023 | | | |
|---|---|---|---|---|
| | January 1 | Recognised in profit or loss | foreign exchange | December 31 |
| Deferred tax assets: | | | | |
| Temporary differences: | | | | |
| Rents payable/ book -tax difference on lease | $ 8,572 | ($ 270) | ($ 8) | $ 8,294 |
| Payable for unused compensated absence | 665 | 15 | ( 3) | 677 |
| Deferred membership revenue | 63 | - | ( 1) | 62 |
| Loss carryforward | 2,527 | - | ( 52) | 2,475 |
| | $ 11,827 | ($ 255) | ($ 64) | $ 11,508 |

| | 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 |
| | $ 12,546 | ($ 764) | $ 45 | $ 11,827 |

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

| December 31, 2023 | | | | |
|---|---|---|---|---|
| Year incurred | Amount filed/ assessed | Unused amount | Unrecognised deferred tax assets | Expiry year |
| 2016 | $ 66,822 | $ 22,788 | $ 22,788 | 2026 |
| 2017 | 68,379 | 55,505 | 55,505 | 2027 |
| 2018 | 53,535 | 53,535 | 53,535 | 2028 |
| 2019 | 32,296 | 32,415 | 32,415 | 2024~2029 |
| 2020 | 73,512 | 73,512 | 73,512 | 2030 |
| 2021 | 34,231 | 34,231 | 34,231 | 2026 |
| 2022 | 19,331 | 19,331 | 19,331 | 2027 |
| 2023 | 6,020 | 6,020 | 6,020 | 2028 |

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

E. FX Taiwan’s income tax returns through 2021 have been assessed and approved by the Tax Authority.

(23) Earnings (Loss) per share

| | Year ended December 31, 2023 | | |
|---|---|---|---|
| | Amount after tax | Weighted average number of ordinary shares outstanding (share in thousands) | Earnings (loss) per share (in dollars) |
| Basic/ diluted earnings (loss) per share: | | | |
| Profit (loss) attributable to ordinary | | | |
| Owners of parent | ($ 3,785) | | ($ 0.06) |
| Equity attributable to former owner of business combination under common | 28,167 | | 0.47 |
| Profit (loss) attributable to ordinary | $ 24,382 | $ 59,656 | $ 0.41 |

| | Year ended December 31, 2022 | | |
|---|---|---|---|
| | Amount after tax | Weighted average number of ordinary shares outstanding (share in thousands) | Earnings (loss) per share (in dollars) |
| Basic/ diluted earnings (loss) per share: | | | |
| Profit (loss) attributable to ordinary | | | |
| Owners of parent | ($ 35,587) | | ($ 0.60) |
| Equity attributable to former owner of business combination under common | 23,929 | | 0.40 |
| Profit (loss) attributable to ordinary | ($ 11,658) | $ 59,656 | ($ 0.20) |

(24) Reorganization of entities under common control

1. The subsidiary of the Group, FX Taiwan, acquired the proceeds from the capital increase of YI SHE amounting to $12,750 with a shareholding ratio of 20% on January 1, 2023 and the 80% of outstanding shares in YI SHE from the related party, LIH SHINN HSIN Investment, for $102,000 on November 1, 2023 considering the future operational plan. FX Taiwan became the immediate parent which wholly-owned YI SHE after the acquisition. However, the financial statements in prior years were restated as the transaction pertained to a reorganisation.The Group and YI SHE were under common control. Therefore, the business combination was treated as a reorganisation and accounted for based on the carrying amount of YI SHE. The differences between the carrying

amount and the investment cost were adjusted in the debit side of retained earnings amounting to $8,259.

2. The Group treats YI SHE as if it had always been consolidated since the beginning and restated the consolidated financial statements for the year ended December 31, 2022. Equity held by the initial controller of the target company was classified as 'equity attributable to former owner of business combination under common control' when preparing the comparative consolidated balance sheets and profit attributable to the initial controller of the target company was classified as 'profit attributable to former owner of business combination under common control' when preparing the comparative consolidated statements of comprehensive income.

(25) Supplemental cash flow information

Operating and financing activities with no cash flow effects

| | Year ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Transfer of other receivables to offset lease liabilities | $ 14,009 | $ - |

(26) Changes in liabilities from financing activities

| | Guarantee deposits received | Lease liability | Liabilities from financing activities-gross |
|---|---|---|---|
| At January 1 | $ 2,546 | $ 476,797 | $ 479,343 |
| Changes in cash flow from financing activities | 10,587 | ( 98,795) | ( 88,208) |
| Additions | | 18,309 | 18,309 |
| Modification | | ( 54,170) | ( 54,170) |
| Gain on lease modification | | ( 15,494) | ( 15,494) |
| Gains on rent concessions | - | ( 7,426) | ( 7,426) |
| Interest expense of unwinding | - | 10,468 | 10,468 |
| Interest paid | - | ( 10,468) | ( 10,468) |
| Changes in other non-cash items | | ( 14,009) | ( 14,009) |
| Impact of changes in foreign exchange rate | ( 230) | ( 2,231) | ( 2,461) |
| At December 31 | $ 12,903 | $ 302,981 | $ 315,884 |

| | 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 | | 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 | $ 2,546 | $ 476,797 | $ 479,343 |

7. Related Party Transactions

(1) Names of related parties and relationship

| Names of related parties | Relationship with the Company |
|---|---|
| Furama Hotels International Management Inc. (Furama) | The shareholder of the Company |
| LIH SHINN HSIN Investment CO., LTD. (LIH SHINN HSIN) | Same chairman. |
| LIH SHINN CONSTRUCTION CO., LTD. (LIH SHINN CONSTRUCTION) | Chairman of a subsidiary and supervisor of the related party is the same person |
| LIH SHINN WEI YEH CO., LTD. (LIH SHINN WEI YEH) | Chairman of a subsidiary and supervisor of the related party is the same person |
| LIH SHINN ASSETS MANAGEMENT CO., LTD. (LIH SHINN ASSETS MANAGEMENT) | Chairman of a subsidiary and supervisor of the related party is the same person |
| SHOU SHIN SECUREITY CO., LTD. (SHOU SHIN SECUREITY) | Chairman of the Company is the spouse of the related party’s Chairman |

(2) Significant related party transactions

A. Operating revenue:

| | Year ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Revenue of consignment service: | | |
| LIH SHINN CONSTRUCTION | $ 78,224 | $ 93,564 |
| LIH SHINN WEI YEH | 39,340 | 11,040 |
| | $ 117,564 | $ 104,604 |

The prices of services of agency sales are negotiated by both parties and collected according to the period regulated in the contracts.

B. Security expense:

| | Year ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| SHOU SHIN SECUREITY | $ 1,314 | $ 1,314 |

C. Rent expense:

| | Year ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| LIH SHINN ASSETS | $ 43 | $ 80 |
| LIH SHINN CONSTRUCTION | 95 | - |
| | $ 138 | $ 80 |

(1)The Group leases offices located in Sanchong Dist., New Taipei City from the related party, LIH SHINN ASSETS MANAGEMENT, under operating lease agreements. The lease terms are between January 1, 2023 and December 31, 2023. The lease prices are agreed according to the lease agreements between both parties. However, the agreements were terminated in advance on July 15, 2023 due to the relocation of the offices.

(2)The Group leases offices located in Banqiao Dist., New Taipei City from the related party, LIH SHINN CONSTRUCTION, under operating lease agreements. The lease terms are between August 1, 2023 and July 31, 2024. The lease prices are agreed according to the lease agreements between both parties.

D. Accounts receivable due from related parties:

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| LIH SHINN CONSTRUCTION | $ 21,268 | $ 4,678 |
| LIH SHINN WEI YEH | 18,585 | 1,776 |
| | $ 39,853 | $ 6,454 |

The accounts receivable from related parties arise mainly from consignment service.

E. Other receivables due from related parties:

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Furama | $ 115 | $ 115 |

F. Notes payable to related parties:

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| SHOU SHIN SECUREITY | $ 115 | $ 230 |

G. Other payables to related parties:

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Furama | $ 86 | $ 86 |

H. Property transactions:

The 80% of outstanding shares in YI SHE acquired from the related party, LIH SHINN HSIN Investment on November 1, 2023，Refer to Note 4(3)B.

(3) Key management compensation

| | Year ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Salaries and other short-term employee benefits | $ 11,670 | $ 6,636 |
| Professional practice fees | 754 | 732 |
| | $ 12,424 | $ 7,368 |

8. Pledged Assets

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

| Pledged asset | December 31, 2023 | December 31, 2022 | Nature of collateral |
|---|---|---|---|
| Current financial assets at amortised cost | | | Trust accounts for performance guarantees of standard form contract for gift certificates |
| Cash in banks | $ 3 | $ 3 | |
| Intangible assets | | | |
| - Brand trademark cost | - | 1,134 | Long-term borrowings |
| | $ 3 | $ 1,137 | |

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 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 The remaining $2,400 was ten checks issued by Hou, TsunChung 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. The Supreme Court judged that the unfavorable parts of the original judgment on both sides should both be reverse and remand to the Taiwan High Court for review with “2023 Chung-Shang-Geng-Yi-Tzu No. 91” on May 25, 2023 with “2022 Tai-Shang-Tzu No. 74”. The oral argument procedure had been conducted on February 21, 2024. The judgment was set to be announced on March 20, 2024.

C. Hou, Tsun-Chung applied to the Taipei District Court on February 24, 2023 for the issuance of a payment order requesting the Company and FX Taiwan to pay $3,131 respectively. If one of the entities pays, the other entity is exempt from the payment obligation within the scope of payment. The reason for his request is simply that he could claim the Chairman’s salaries from August 2016 to September 15, 2017. However, based on the investigation, neither the Remuneration Committee and the Board of Directors of the Company nor FX Taiwan’s Board of Directors had ever resolved that Hou, Tsun-Chung had any Chairman’s salaries during the abovementioned period and the Company had never recorded any salaries paid to directors in its annual reports since its establishment. The claim of Hou, Tsun-Chung was completely unfounded. Therefore, the Company and FX Taiwan rejected the request of Hou, Tsun-Chung and the case was transferred as a litigation procedure which is currently under trials in the

Taipei District 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) | Building | 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 | Starting from June 15, 2022, the monthly rent was adjusted to RMB 911 thousand. |
| FX Taiwan (Note 1) | Building | 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 $3,492 thousand and the rent is adjusted every three years based on the consumer price index.<br>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.<br>Starting from January 1, 2023, the total rent was adjusted to NTD 4,142 thousand. |

| Subsidiaries | Category of lease items | Lease term | Lease restrictions | Calculation of rent |
|---|---|---|---|---|
| FX Taiwan (Note 1) | Building | 2013.2~2032.12 (free rent period is 2013.2~2014.1) | None | Starting from January 1, 2023, the rent was adjusted to NTD 467 thousand. |
| FX Taiwan (Note 1) | Building | 2013.8~2031.8 (free rent period is 2013.8) | None | Due to the reduction in the scope of the lease, the monthly rent was decreased from NTD 926 thousand to NTD 100 thousand starting from December 15, 2023. |

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

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

10. Significant Disaster Loss

None.

11. Significant Events after the Balance Sheet Date

The Company planned to sell all the shares in the subsidiaries, China Capital and China Artix as resolved by the Board of Directors on March 13, 2024.，Refer to Note 4(3)B .。

12. Others

(1) Other matter

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

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).

B. China Capital Xujiahui 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 2,287) monthly. The contract had been renewed in 2023. The sublease period was from April 1, 2023 to March 31, 2024. Two months of deposits amounting to RMB 1,040 thousand (approximately NTD 4,575) were additionally collected. The remaining terms were the same as the original lease contract.

(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

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Financial assets | | |
| Financial assets at fair value through other comprehensive income | | |
| Designation of equity instrument | $ - | $ - |
| Financial assets at amortised cost | | |
| Cash and cash equivalents | 193,977 | 141,853 |
| Current financial assets at amortised cost | 3 | 220,003 |
| Accounts receivable (including related parties) | 40,075 | 8,654 |
| Other receivables (including related parties) | 2,757 | 19,732 |
| Guarantee deposits paid | 29,293 | 29,496 |
| Overdue receivables | - | - |
| | $ 266,105 | $ 419,738 |
| Financial liabilities | | |
| Financial liabilities at amortised cost | | |
| Accounts payable (including related parties) | $ 7,216 | $ 12,420 |
| Other payables | 2,053 | 3,974 |
| Other payables (including related parties) | 15,605 | 22,199 |
| Guarantee deposits received | 12,903 | 2,546 |
| | $ 37,777 | $ 41,139 |
| Current lease liabilities | $ 100,274 | $ 126,715 |
| Non-current lease liabilities | $ 202,707 | $ 350,082 |

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

<u>Foreign exchange risk</u>

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, 2023 | | | | |
|---|---|---|---|---|---|
| | | | | Sensitivity analysis | |
| | Foreign currency amount (in thousands) | Exchange rate | Book value (NTD) | Degree of variation | Effect on profit or loss |
| (Foreign currency: functional currency) | | | | | |
| Financial assets | | | | | |
| Monetary items | | | | | |
| USD:NTD | $ 13 | 30.71 | $ 399 | 1% | $ 4 |

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

v. The total exchange loss, including realised and unrealised, arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2023 and 2022, amounted to $606 and $492 , 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, 2023 and 2022, 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 |
|---|---|---|---|---|---|
| At December 31, 2023 | | | | | |
| Expected loss rate | 0.03% | 0.03%~50% | 50% | 75% | 100% |
| At December 31, 2022 | | | | | |
| 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:

| | 2023 | 2022 |
|---|---|---|
| | Accounts receivable | Accounts receivable |
| At January 1 | 809 | 9,635 |
| (Reversal of) Provision for impairment | (1,211) | 4,129 |
| Reclassified to overdue receivables | 405 | (13,382) |
| Effect of foreign exchange | (3) | 427 |
| At December 31 | $ - | $ 809 |

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-lowrisk 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:

| | 2023 | | |
|---|---|---|---|
| | | Lifetime | |
| | 12 months | Significant increase in credit risk | Impairment of credit |
| At January 1 | $ - | $ - | $ 135,940 |
| Reversal of impairment loss | - | - | 1,634 |
| Transferred from allowance for uncollectible accounts | - | - | ( 405) |
| Effect of foreign exchange | - | - | ( 1,634) |
| At December 31 | $ - | $ - | $ 135,535 |

| | 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 | $ - | $ - | $ 135,940 |

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, 2023 and 2022 the Group held money market position of $193,589 and $141,805, 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:

| December 31, 2023 | Within 1 year | Between 1 and 2 years | Between 2 and 5 years | Over 5 years |
|---|---|---|---|---|
| Notes payable (including related parties) | $ 7,216 | | | |
| Accounts payable | 2,053 | - | - | - |
| Other payables (including related parties) | 15,605 | - | - | - |
| Lease liabilities (current and non-current) (Note) | 107,000 | 97,537 | 86,997 | 24,512 |

Non-derivative financial liabilities:

| December 31, 2022 | Within 1 year | Between 1 and 2 years | Between 2 and 5 years | Over 5 years |
|---|---|---|---|---|
| Notes payable (including related parties) | $ 12,420 | | | |
| Accounts payable | 3,974 | - | - | - |
| Other payables (including related parties) | 22,199 | - | - | - |
| Lease liabilities (current and non-current) (Note) | 127,888 | 102,069 | 198,958 | 65,947 |

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(including related parties), other receivables (including related parties), guarantee deposits paid, notes payable(including related parties), accounts payable, other payables (including related parties) 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.

13. Supplementary Disclosures

(1) Significant transactions information

A. Loans to others: None.

B. Provision of endorsements and guarantees to others: Please refer to table 1.

C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 2.

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 3.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 4.

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 5.

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 6.

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.

(2) Segment information

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

| Year ended December 31, 2023 | Property consignment | | Hotel management | |
|---|---|---|---|---|
| Revenue from external customers | $ | 117,564 | $ | 28,275 |
| Inter-segment revenue | | - | | - |
| Total segment revenue | $ | 117,564 | $ | 28,275 |
| Segment loss | $ | 35,620 | ($ | 18,856) |

| Year ended December 31, 2022 | Property consignment | | Hotel management | |
|---|---|---|---|---|
| Revenue from external customers | $ | 104,604 | $ | 41,720 |
| Inter-segment revenue | | - | | - |
| Total segment revenue | $ | 104,604 | $ | 41,720 |
| Segment loss | $ | 31,364 | ($ | 11,431) |

(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:

| Year ended December 31, 2023 | Hotel management | | Property consignment | | Property management (Note) | | Total | |
|---|---|---|---|---|---|---|---|---|
| Revenue from external customers | $ | 28,275 | $ | 117,564 | $ | - | $ | 145,839 |
| Inter-segment revenue | | - | | - | | - | | - |
| Total segment revenue | $ | 28,275 | $ | 117,564 | $ | - | $ | 145,839 |
| Segment loss | ($ | 18,856) | $ | 35,620 | $ | - | $ | 16,764 |
| Segment assets | $ | 200,777 | $ | 142,682 | $ | 238,948 | $ | 582,407 |

| Year ended December 31, 2022 | Hotel management | | Property consignment | | Property management (Note) | | Total | |
|---|---|---|---|---|---|---|---|---|
| Revenue from external customers | $ | 41,720 | $ | 104,604 | $ | - | $ | 146,324 |
| Inter-segment revenue | | - | | - | | - | | - |
| Total segment revenue | $ | 41,720 | $ | 104,604 | $ | - | $ | 146,324 |
| Segment loss | ($ | 11,431) | $ | 31,364 | $ | - | $ | 19,933 |
| Segment assets | $ | 356,384 | $ | 124,202 | $ | 378,206 | $ | 858,792 |

Note : The Group revenue from property management of $90,511 and $78,554 for the years ended December 31, 2023 and 2022, respectively, which were listed under ‘other income’.

(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, 2023 and 2022 is provided as follows:

| | Year ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Reportable segments net income | $ 16,764 | $ 19,933 |
| Non-operating income and expenses | 15,055 | ( 23,301) |
| Net income (loss) before tax from continuing operations | $ 31,819 | ($ 3,368) |

(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, 2023 and 2022 is as follows:

| | Year ended December 31 | | | |
|---|---|---|---|---|
| | 2022 | | 2021 | |
| | Revenue | Non-current assets | Revenue | Non-current assets |
| Taiwan | $ 127,436 | $ 188,439 | $ 130,760 | $ 272,071 |
| China | 18,403 | 73,177 | 15,564 | 122,784 |
| | $ 145,839 | $ 261,616 | $ 146,324 | $ 394,855 |

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, 2023 and 2022 is as follows:

| | Year ended December 31 | | | |
|---|---|---|---|---|
| | 2023 | | 2022 | |
| | Revenue | Segment | Revenue | Segment |
| Customer A | $ 78,224 | Property consignment | $ 93,564 | Property consignment |
| Customer B | 39,340 | Property consignment | 11,040 | Property consignment |
| Customer C | 9,862 | Hotel management | 26,071 | Hotel management |