Stock Code:8077

GREEN WORLD HOTELS CO., LTD. AND SUBSIDIARIES

Consolidated Financial Statements

with Independent Auditors' Report

For the Years Ended December 31,2022 and 2021

Address: 3F., No. 69, Sec. 2, Nanjing E. Rd., Zhongshan Dist., Taipei City 104, Taiwan (R.O.C.)

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The independent auditors' report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and consolidated financial statements, the Chinese version shall prevail.

Table of contents

Representation Letter

The entities that are required to be included in the combined financial statements of Green World Hotels Co., Ltd. as of and for the year ended December 31, 2022 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10, "Consolidated Financial Statements" endorsed by the Financial Supervisory Commission of the Republic of China. In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Green World Hotels Co., Ltd. and Subsidiaries do not prepare a separate set of combined financial statements.

Company name: Green World Hotels Co., Ltd.
Chairman: Hsien-Chih Hsieh
Date: March 23, 2023

MOORE

MOORE STEPHENS
DaHua (Taiwan) CPAs
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Independent Auditors' Report

To the Board of Directors of Green World Hotels Co., Ltd.:

Opinion

We have audited the consolidated financial statements of Green World Hotels Co., Ltd. ("the Company") and its subsidiaries ("the Group"), which comprise the consolidated balance sheets as of December 31, 2022, the consolidated statements of comprehensive income, changes in equity and cash flows for the year 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 of December 31, 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), Interpretations developed by the International Financial Reporting Interpretations Committee (" IFRIC") or the former Standing Interpretations Committee ("SIC") endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis of opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

1. Impairment of assets

   Please refer to 4(8), 4(9) and 4(10) for the accounting policy on “Property, plant and equipment”, “Leases” and “Intangible assets”; 5(1) for the significant accounting assumptions and judgments; and 6(3), 6(4) and 6(5) for information on “Property, plant and equipment”, “Leases” and “Intangible assets”.

   Description of key audit matters:

   As of December 31, 2022, the carrying amount of right-of-use assets, intangible assets, property, plant and equipment constitute 87% of the total assets of the Group. As well as the COVID-19 pandemic in the beginning of 2020, the estimated recoverable amount of future discounted cash flows is highly uncertain; hence, there is a risk of overestimating the carrying amount of right-of-use assets, intangible assets, property, plant and equipment. We pay more attention to the appropriateness of the assumptions, estimates and judgments of the future discounted cash flows during the audit process.

   How the matter was addressed in our audit:

   We cast professional skepticism on management’ s impairment assessment model. The work includes evaluating whether management has identified all cash generating units which might have impairments and considering whether all the assets which need to be tested have been included in the impairment assessment.

   We also review the main parameters used by management to estimate future cash flow (e.g. expected growth rate, discount rate, profit margin, cash-basis revenue, and cost increase rate). We verify the reasonableness of the assumptions and accuracy of management’s calculation based on available data.

2. Revenue recognition

   Please refer to note 4(12) and 6(15) for accounting policy on “Revenue recognition” and details on “Revenue from contracts with customers”, respectively.

   Description of key audit matters:

   The Group mainly engages in hotel room service, where the most sources of its customers are individual tourists and travel agents. Having a large number of transactions and different unit prices, it usually in a lot of manual operations, which may result in the Financial Statements. Therefore, the room service revenue is one of our key audit matters.

How the matter was addressed in our audit:

We performed the following audit procedures to address the abovementioned key audit matter:

(a) Understanding and testing the effectiveness of internal control procedures on room revenue recognition.

(b) Obtaining daily operating reports from the Group, wherein we audit the reservation records and passenger registration cards of customers to verify whether the amounts of revenue are consistent with those of the room bills and invoices.

(c) Ensuring the consistency of the amounts of revenue, receivables and daily operating report.

(d) Analyzing the housing trends, including the information on room occupancy rates, average room prices, etc., to evaluate the reasonableness of room service revenue.

(e) Conducting cut off test to confirm whether the timing of the revenue recognition is reasonableness.

Emphasis of Matter

Due to the impact of government tourism policies and industry environment, the occupancy rate and average housing prices of the Group have both significantly decreased, resulting in significant operating losses. As the December 31, 2022, the Group’s accumulated deficit had reached the capital stock of (259)%, and the debt ratio is 92%. The amount of current liabilities exceeds current assets of $512,810 thousand. For relevant disclosures on liquidity risk, please refer to Note 6(20). Our opinion is not modified in respect of this matter.

Other Matter

The consolidated financial statements of the Group for the year ended December 31,2021 were audited by another CPA, and an unqualified audit report with emphasis of matter or other matter paragraphs was issued on March 28, 2022, which is available for reference.

The Company has prepared its parent-company-only financial statements as of and for the year ended December 31, 2022, on which we have issued an unqualified opinion with emphasis of matter paragraph or other matter paragraph.

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 with the IFRSs, IASs, IFRC, SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance (including the Audit Committee) are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Lin-Fang, Wu and Wen-Hsin, Lo.

MOORE STEPHENS DaHua (Taiwan) CPAs
March 23 2023

Notes to Readers

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

The independent auditor's audit report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditor's audit report and consolidated financial statements, the Chinese version shall prevail.

(English Translation of Financial Statements Originally Issued in Chinese)

GREEN WORLD HOTELS CO., LTD. AND SUBSIDIARIES

Consolidated Balance sheet

December 31,2022 and 2021

(Expressed in thousands of New Taiwan Dollar)

	Assets	December 31, 2022 Amount	%	December 31, 2021 Amount	%
	Current assets:				
1100	Cash and cash equivalents (Note6(1))	$ 246,299	7	221,268	6
1150	Notes receivable, net (Note6(2)、(15) and 7)	319	-	424	-
1170	Accounts receivable, net (Note6(2)、(15) and 7)	19,669	1	17,649	-
1220	Current tax assets	62	-	114	-
1476	Other current financial assets (Note6(6))	1,035	-	1,022	-
1479	Other current assets	10,187	-	15,035	-
		277,571	8	255,512	6
	Non-current assets:				
1600	Property, plant and equipment (Note6(3))	714,040	22	808,617	22
1755	Right-of-use assets (Note6(4))	2,059,667	64	2,414,556	65
1780	Intangible assets (Note6(5))	46,856	1	65,051	2
1840	Deferred tax assets (Note6(12))	39,582	1	39,582	1
1980	Other non-current financial assets (Note6(6)、7 and 8)	147,603	4	147,344	4
		3,007,748	92	3,475,150	94
	Total assets	**$ 3,285,319**	**100**	**3,730,662**	**100**

	Liabilities and Equity	December 31, 2022 Amount	%	December 31, 2021 Amount	%
	Current liabilities:				
2100	Short-term borrowings (Note6(7) and 7)	$ 350,000	11	390,000	10
2130	Current contract liabilities (Note6(15))	24,519	1	28,095	1
2150	Notes payable	464	-	633	-
2170	Accounts payable (Note7)	26,364	1	22,250	1
2200	Other payable (Note6(3) and 7)	26,088	1	19,356	1
2280	Current lease liabilities (Note6(9) and 7)	349,585	11	346,037	9
2320	Current portion of long-term borrowings (Note6(8) and 7)	11,667	-	-	-
2399	Other current liabilities	1,694	-	1,649	-
		790,381	25	808,020	22
	Non-current liabilities:				
2540	Long-term borrowings (Note6(8) and 7)	198,333	6	50,000	1
2580	Non-current lease liabilities (Note6(9) and 7)	2,030,053	61	2,380,546	64
2645	Guarantee deposits	1,588	-	1,608	-
		2,229,974	67	2,432,154	65
	Total liabilities	3,020,355	92	3,240,174	87
	Equity attributable to owners of parent (Note6(13))				
3100	Capital stock	219,457	7	1,097,283	30
3200	Capital surplus	604,393	18	604,393	16
3310	Legal reserve	8,943	-	8,943	-
3350	Accumulated deficit	(567,829)	(17)	(1,220,131)	(33)
	Total equity	264,964	8	490,488	13
	Total liabilities and equity	**$ 3,285,319**	**100**	**3,730,662**	**100**

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

(English Translation of Financial Statements Originally Issued in Chinese)

GREEN WORLD HOTELS CO., LTD. AND SUBSIDIARIES

Consolidated Statements of comprehensive income

For the years ended December 31, 2022 and 2021

(Expressed in thousands of New Taiwan Dollar)

		2022		2021	
		Amount	%	Amount	%
4000	**Operating revenues (Note6(15) and 7)**	$ 546,279	100	391,664	100
5000	**Operating costs (Note6(3)、(4)、(5)、(11) and 7)**	640,057	117	583,703	149
	Gross loss from operations	(93,778)	(17)	(192,039)	(49)
	Operating expenses (Note6(3)、(4)、(5)、(9)、(11) and 7)：				
6100	Selling expenses	61,971	11	53,049	14
6200	Administrative expenses	36,976	7	39,209	10
	Operating expenses	98,947	18	92,258	24
6515	**Net other income (expenses) (Note6(17))**	26,139	5	34,339	9
	Operating income (expenses)	(166,586)	(30)	(249,958)	(64)
	Non-operating income and expenses (Note6(3)、(5)、(9)、(18) and 7)				
7100	Total interest income	1,478	-	1,095	-
7020	Other gains and losses, net	2,879	1	(39,113)	(10)
7050	Finance costs	(63,295)	(12)	(69,497)	(18)
		(58,938)	(11)	(107,515)	(28)
7900	**Loss before income tax**	(225,524)	(41)	(357,473)	(92)
7950	**Less: Income tax expenses (Note6(12))**	-	-	5,008	1
	Loss	(225,524)	(41)	(362,481)	(93)
8300	**Other comprehensive income, net**	-	-	-	-
8500	**Comprehensive income**	**$ (225,524)**	**(41)**	**(362,481)**	**(93)**
	Profit attributable to:				
8610	Owners of parent	**$ (225,524)**	**(41)**	**(362,481)**	**(93)**
	Comprehensive income attributable to:				
8710	Owners of parent	**$ (225,524)**	**(41)**	**(362,481)**	**(93)**
	Loss per share(Note6(14))				
9710	**Basic loss per share (NT dollars)**	**$ (10.28)**		**(16.52)**	
9810	**Diluted loss per share (NT dollars)**	**$ (10.28)**		**(16.52)**	

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

(English Translation of Financial Statements Originally Issued in Chinese)

GREEN WORLD HOTELS CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the years ended December 31, 2022 and 2021

(Expressed in thousands of New Taiwan Dollar)

	Equity attributable to owners of parent					
			Retained earnings			
	Capital stock	Capital surplus	Legal reserve	accumulated deficit	Total equity attributable to owners of parent	Total equity
Balance on January 1, 2021	$ 1,097,283	604,393	8,943	(857,650)	852,969	852,969
Loss for the year ended December 31, 2021	-	-	-	(362,481)	(362,481)	(362,481)
Other comprehensive income for the year ended December 31, 2021	-	-	-	-	-	-
Comprehensive income for the year ended December 31, 2021	-	-	-	(362,481)	(362,481)	(362,481)
Balance on December 31, 2021	**$ 1,097,283**	**604,393**	**8,943**	**(1,220,131)**	**490,488**	**490,488**
Balance on January 1, 2022	$ 1,097,283	604,393	8,943	(1,220,131)	490,488	490,488
Loss for the year ended December 31, 2022				(225,524)	(225,524)	(225,524)
Other comprehensive income for the year ended December 31, 2022	-	-	-	-	-	-
Comprehensive income for the year ended December 31, 2022	-	-	-	(225,524)	(225,524)	(225,524)
Capital Reduction	(877,826)	-	-	877,826	-	-
Balance on December 31, 2022	**$ 219,457**	**604,393**	**8,943**	**(567,829)**	**264,964**	**264,964**

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

(English Translation of Financial Statements Originally Issued in Chinese)

GREEN WORLD HOTELS CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2022 and 2021

(Expressed in thousands of New Taiwan Dollar)

	2022	2021
Cash flows from operating activities:		
Loss before tax	$ (225,524)	(357,473)
Adjustments:		
Adjustments to reconcile profit:		
Depreciation expense	435,652	454,519
Amortization expense	18,314	18,834
Interest expense	63,295	69,497
Interest income	(1,478)	(1,095)
Impairment loss on non-financial assets	41	40,639
Loss from disposal of property, plant and equipment	-	127
Loss from disposal of intangible assets	-	115
Gain on lease termination	-	(27)
Rent concessions	(22,627)	(65,388)
Total adjustments to reconcile profit	493,197	517,221
Changes in operating assets and liabilities:		
Notes receivable	105	145
Accounts receivable	(2,020)	2,082
Other current assets	4,848	(2,996)
Other financial assets	(13)	18
Contract liabilities	(3,576)	14,771
Notes payable	(169)	153
Accounts payable	4,114	(195)
Other payable	2,771	(3,699)
Other current liabilities	45	968
Total changes in operating assets and liabilities	6,105	11,247
Total adjustments	499,302	528,468
Cash inflow generated from operations	273,778	170,995
Interest received	1,478	1,095
Interest paid	(63,025)	(69,497)
Income taxes (paid) refunded	52	(19)
Net cash flows from operating activities	212,283	102,574
Cash flows from (used in) investing activities:		
Acquisition of property, plant and equipment	(4,291)	(4,444)
Acquisition of intangible assets	(119)	(1,611)
Other financial assets	(259)	5,827
Net cash (used in) generated from investing activities	(4,669)	(228)
Cash flows from (used in) financing activities:		
Increase (decrease) in short-term loans	(40,000)	40,000
Increase (decrease) in guarantee deposits received	(20)	480
Proceeds from long-term debt	160,000	50,000
Payment of lease liabilities	(302,563)	(274,670)
Net cash used in financing activities	(182,583)	(184,190)
Net increase (decrease) in cash and cash equivalents	25,031	(81,844)
Cash and cash equivalents at beginning of year	221,268	303,112
Cash and cash equivalents at end of year	**$ 246,299**	**221,268**

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

(English Translation of Financial Statements Originally Issued in Chinese)

GREEN WORLD HOTELS CO., LTD. AND SUBSIDIARIES

Notes to consolidated financial statements

For the years ended December 31,2022 and 2021

(Expressed in thousands of New Taiwan dollars)

1. History and organization

Green World Hotels Co., Ltd. (the "Company"), which was original named U Chain Technology Co., Ltd.. The Company was established in accordance with the Company Act of the Republic of China, and began running business on July 22, 1994. The Company changed its organization type to a company limited by shares in January 1996, and changed its name to "Applied Vacuum Coating Technologies Co., Ltd." in May 1997. The Company' s common shares were listed on the Taipei Exchange (TPEx) on December 6, 2004.

A resolution was passed during the general shareholders' meeting held on June 26, 2015, for changing its name to "Green World Hotel Co., Ltd.", and a resolution of short form merger with the subsidiary Green World Hotel Co., Ltd. was passed during the meeting of Board of Directors held on August 11, 2015. The two parties merged in accordance with the Business Mergers and Acquisitions Act, the date of merger was set on October 1, 2015. After the merger, the Company is the survival one, and the subsidiary is eliminated.

The short-form merger was completed and approved in accordance with Ruling No.10401220100 issued by the Ministry of Economy on December 7, 2015.

A resolution of short-form merger with subsidiary, Green World Hotel ZhongHua Co., Ltd., was passed during the meeting of Board of Directors held on August 8, 2019, with the Company being the sole surviving entity. The date of merger was set on October 1, 2019, and the related registration procedure was completed and approved in accordance with Ruling No. 10801146200 issued by the Ministry of Economy on November 18, 2019.

The major business activities of the Group is Hotels and Restaurants Operation.

2. The date of authorization for issuance of the consolidated financial statements and procedures for authorization

The consolidated financial statements were authorized for issuance by the Board of Directors on March 23, 2023.

3. New standards, amendments and interpretations adopted

(1) The impact of the International Financial Reporting Standards ("IFRSs") endorsed by the Financial Supervisory Commission, R.O.C. which have already been adopted.

The following new amendments, effective January 1, 2022, do not have a significant impact on the Group's consolidated financial statements:

- Amendments to IAS 16 "Property, Plant and Equipment－Proceeds before Intended

Use”

- Amendments to IAS 37 “Onerous Contracts－Cost of Fulfilling a Contract”
- Annual Improvements to IFRS Standards 2018–2020
- Amendments to IFRS 3 “Reference to the Conceptual Framework”

(2) The impact of IFRS issued by the FSC but not yet effective

The Group assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2023, would not have a significant impact on its consolidated financial statements:

- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”
- Amendments to IAS 12 “Deferred Tax Related to Assets and Liabilities Arising from A Single Transaction”

(3) The impact of IFRS issued by IASB but not yet endorsed by the FSC

The following new and amended standards, which may be relevant to the Group, have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

Standards or Interpretations	**Content of amendment**	**Effective date per IASB**
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current ”	The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of balance sheet, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.	January 1, 2024
Amendments to IAS 1 “Non-current Liabilities with Contractual Terms”	After reconsidering certain aspects of the 2020 amendment to IAS 1, the new amendment clarifies that only contract terms that were in effect on or before the reporting date will affect the classification of liabilities as current or non-current. Contract terms that entities are required to follow after the reporting date (i.e. future terms) do not affect the classification of liabilities on that date. However, when non-current liabilities are subject to future contract terms,	January 1, 2024

Standards or Interpretations	Content of amendment	Effective date per IASB
	entities are required to disclose information to help financial statement users understand the risk that these liabilities may be repaid within twelve months after the reporting date.	

The Group is evaluating the impact of its initial adoption of the abovementioned standards or interpretations on its consolidated financial position and financial performance. The results thereof will be disclosed when the Group completes its evaluation.

The Group does not expect the following other new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its consolidated financial statements:

- Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"
- IFRS 17 "Insurance Contracts" and amendments to IFRS 17 "Insurance Contracts"
- Amendments to IFRS 16 "Leases Regarding Sale and Leaseback Transactions"

4. Summary of significant accounting policies

The significant accounting policies presented in the consolidated financial statements are summarized below. The following accounting policies were applied consistently throughout the periods presented in the consolidated financial statements.

(1) Compliance statement

These consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as "the Regulations") and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations endorsed and issued into effect by the Financial Supervisory Commission, R.O.C..

(2) Basis of preparation

A. Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis.

B. Functional and presentation currency

The functional currency of each Company entity is determined based on the primary economic environment in which the entity operates. The consolidated financial statements are presented in New Taiwan Dollar (NTD), which is the Company's functional currency. All financial information presented in NTD has been rounded to the nearest thousand.

(3) Basis of consolidation

A. Principle of preparation of the consolidated financial statements

The consolidated financial statements comprise the Company and subsidiaries. Subsidiaries are entities controlled by the Group. The Group ‘controls’ an entity when it is exposed to, 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.

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. Intragroup balances and transactions, and any unrealized income and expenses arising from Intragroup transactions are eliminated in preparing the consolidated financial statements. The Group attributes the profit or loss and each component of other comprehensive income 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.

The Group prepares consolidated financial statements using uniform accounting policies for like transactions and other events in similar circumstances. Changes in the Group’s ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received will be recognized directly in equity, and the Group will attribute it to the owners of the parent.

B. List of subsidiaries included in the consolidated financial statement:

			Shareholding ratio		
Investor	**Subsidiary**	**Nature of business**	**2022.12.31**	**2021.12.31**	**Note**
The company	Green World Solutions Co., Ltd.	Human Resources	-%	-%	Note

Note: On May 25, 2020, the Company's board of directors approved the dissolution of our subsidiary, Green World Solutions Co.,Ltd.. The dissolution process was completed and liquidation was declared to the court on October 22, 2021. The Company stopped including the earnings and expenses of Green World Solutions Co.,Ltd. in our consolidated financial statements from October 2021 onwards.

C. Subsidiaries excluded from the consolidated financial statements: None.

(4) Foreign currencies

Transactions in foreign currencies are translated into the respective functional currencies of Company entities at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Exchange differences are generally recognized in profit or loss, except for those differences relating to the following, which are recognized in other comprehensive income:

A. an investment in equity securities designated as at fair value through other comprehensive income;
B. a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
C. qualifying cash flow hedges to the extent that the hedges are effective.

(5) Classification of current and non-current assets and liabilities

An asset is classified as current under one of the following criteria, and all other assets are classified as non-current.

An entity shall classify an assets as current when:

A. It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;
B. It is held primarily for the purpose of trading
C. It is expected to be realized within twelve months after the reporting period; or
D. The asset is cash or a cash equivalent (as defined in IAS 7) unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current.

An entity shall classify a liability as current when:

A. It is expected to be settled in the normal operating cycle;
B. It is held primarily for the purpose of trading;
C. It is due to be settled within twelve months after the reporting period; or
D. The Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(6) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits which meet the above definition and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes should be recognized as cash equivalents.

(7) Financial instruments

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

A. Financial assets

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

On initial recognition, a financial asset is classified as measured at: amortized cost. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

(a) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

(b) Impairment of financial assets

The Group recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, amortized costs, notes and trade receivables, other receivable and other financial assets).

The Group measures loss allowances at an amount equal to lifetime ECL, except for the following which are measured as 12-month ECL.

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Group’s historical experience and informed credit assessment as well as forward- looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days past due.

The Group considers a financial asset to be in default when the financial asset is more than 180 days past due.

The Group considers time deposits to have low credit risk, since the counterparties are financial institutions with good rating.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 month after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Group assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is ‘ credit-impaired’ when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 180 days past due;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial reorganization；or
- the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Group has a policy of writing off the gross carrying amount when the financial asset is 90 days past due based on historical experience of recoveries of similar assets. For corporate customers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

(c) Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

B. Financial liabilities and equity instruments

(a) Classification of debt or equity

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

(b) Equity instrument

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

(c) Financial liabilities

Financial liabilities are classified as measured at amortized cost. Financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

(d) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount of a financial liability extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

(e) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(8) Property, plant and equipment

A. Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses. If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

B. Subsequent cost

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

C. Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight line basis over the estimated useful lives of each component of an item of property, plant and equipment.

Land is not depreciated.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

- Buildings 21 years
- Transportation equipment 8 years
- Leasehold improvements 2~19 years
- Other equipment 2~12 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(9) Lease

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

A. As a lease

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

(a) fixed payments;

(b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

(c) amounts expected to be payable under a residual value guarantee; and

(d) payments for purchase or termination options that are reasonably certain to be exercised.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

(a) there is a change in future lease payments arising from the change in an index or rate; or

(b) there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee; or

(c) there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset, or

(d) there is a change of its assessment on whether it will exercise a extension or termination option; or

(e) there is any lease modifications.

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Group presents right-of-use assets that do not meet the definition of investment and lease liabilities as a separate line item respectively in the statement of financial position.

The Group has elected not to recognize right-of-use assets and lease liabilities for short-term leases of machinery that have a lease term of 12 months or less and leases of low-value assets. The Group recognizes the lease payments associated with these leases as expenses on a straight-line basis over the lease term.

As a practical expedient, the Group elects not to assess all rent concessions that meets all the conditions as follows are lease modifications or not:

(a) the rent concessions occurring as a direct consequence of the COVID19 pandemic;

(b) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

(c) any reduction in lease payments affects only payments originally due on or before 30 June 2022; and

(d) there is no substantive change to other terms and conditions of the lease.

In accordance with the practical expedient, the effect of the change in the lease liability is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs.

B. As a lessor

When the Group acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, the Group applies IFRS15 to allocate the consideration in the contract.

The Group recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as part of ‘other income’.

(10) Intangible assets

A. Recognition and measurement

Goodwill arising on the acquisition of subsidiaries is measured at cost, less accumulated impairment losses.

Other intangible assets, including customer relationships and trademarks, that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

B. Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

C. Amortization

Amortization is calculated over the cost of the asset, less its residual value, and is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use.

The estimated useful lives for current and comparative periods are as follows:

- Trademark 10 years
- Customer relationships 10 years
- Computer software 1~5 years

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(11) Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset’ s recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(12) Revenue recognition

The Group provides catering, room accommodation, leasing and business management services to customers. Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring services to a customer. The Group recognizes revenue when it satisfies a performance obligation by transferring control of a service to a customer. If the services rendered by the Group exceed the payment, a contract asset is recognized. If the payments exceed the services rendered, a contract liability is recognized.

(13) Government grants and government assistance

The Group recognizes an unconditional government grant related to operation in profit or loss as other income when the grant becomes receivable. Other government grants related to assets are initially recognized as deferred income at fair value if there is reasonable assurance that they will be received and the Group will comply with the conditions associated with the grant; they are then recognized in profit or loss as other income on a systematic basis over the useful life of the asset. Grants that compensate the Group for expenses or losses incurred are recognized in profit or loss on a systematic basis in the periods in which the expenses or losses are recognized.

(14) Employee benefits

A. Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

B. Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(15) Income Tax

Income taxes comprise current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes are recognized in profit or loss.

The Group has determined that interest and penalties related to income taxes, including uncertain tax treatment, do not meet the definition of income taxes, and therefore accounted for them under IAS37.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

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

A. temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;

B. temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and

C. taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improves.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reserve, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if the following criteria are met:

A. the Group has a legally enforceable right to set off current tax assets against current tax liabilities; and

B. the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

  (a) the same taxable entity; or

  (b) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

(16) Earnings per share

The Group discloses the Group’s basic and diluted earnings per share attributable to ordinary shareholders of the Group. Basic earnings per share is calculated as the profit attributable to ordinary shareholders of the Group divided by the weighted average number of ordinary shares outstanding. Diluted earnings per share is calculated as the profit attributable to ordinary shareholders of the Group divided by the weighted average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares.

(17) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group). Operating results of the operating segment are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance. Each operating segment consists of standalone financial information.

5. Critical accounting judgments, estimates and key sources of assumption uncertainty

In preparing these consolidated financial statements in conformity with the Regulations and the IFRSs endorsed by the FSC requires management has made judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the following period.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year is as follows. Those assumptions and estimation have been updated to reflect the impact of COVID-19 pandemic.

(1) Evaluation of impairment of assets

In the process of evaluating the potential impairment of right-of-use assets, property, plant and equipment, and intangible assets, the main parameters used by management to estimate future cash flow (e.g. expected growth rate, discount rate, profit margin, cash based revenue, and cost increase rate) are affected by uncertainties of industry competition, government policy, and economic environment, and the estimated recoverable amount of future discounted cash flows is highly uncertain; hence, there is a risk of overestimating the carrying amount of property, plant and equipment, right-of-use assets and intangible assets. Please refer to note 6(3), (4), and (5) for further description of recoverable amount and impairment assessment.

6. Details of significant accounts

(1) Cash and cash equivalents

	2022.12.31	2021.12.31
Cash and petty cash	$ 1,262	2,812
Demand deposits	245,037	218,456
	$ 246,299	221,268

Please refer to note 6(19) for the interest rate risk and sensitivity analysis of the financial assets and liabilities of the Group.

(2) Note and trade receivables

	2022.12.31	2021.12.31
Notes receivables (including related parties)	$ 319	424
Trade receivables (including related parties)	19,669	17,649
Less: Loss allowance	-	-
	$ 19,988	18,073

The Group applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information, including macroeconomic and relevant industry information. The loss allowance provisions were determined as follows:

	2022.12.31		
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	$ 19,844	0%	-
Less than 60 days past due	144	0%	-
	$ 19,988		-

	2021.12.31		
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	$ 18,070	0%	-
Less than 60 days past due	3	0%	-
	$ 18,073		-

As of December 31, 2022 and 2021, the Group didn't provide any receivables as collateral for its borrowings.

(3) Property, plant and equipment

The cost, depreciation, and impairment of the property, plant and equipment of the Group for the years ended December 31, 2022 and 2021, were as follows:

	Land	Buildings and construction	Leasehold improvement and other facilities	Construction in progress	Total
Cost or deemed cost:					
Balance on January 1, 2022	$ 105,621	12,223	1,524,575	135	1,642,554
Additions	-	-	7,024	958	7,982
Reclassifications	-	-	987	(987)	-
Balance on December 31, 2022	$ 105,621	12,223	1,532,586	106	1,650,536
Balance on January 1, 2021	$ 105,621	12,223	1,523,726	531	1,642,101
Additions	-	-	2,183	232	2,415
Reclassifications	-	-	628	(628)	-
Disposals	-	-	(1,962)	-	(1,962)
Balance on December 31, 2021	$ 105,621	12,223	1,524,575	135	1,642,554
Depreciation and impairments loss:					
Balance on January 1, 2022	$ -	4,055	829,882	-	833,937
Depreciation	-	558	101,960	-	102,518
Impairment loss	-	-	41	-	41
Balance on December 31, 2022	$ -	4,613	931,883	-	936,496
Balance on January 1, 2021	$ -	3,496	681,568	-	685,064
Depreciation	-	559	113,045	-	113,604
Impairment loss	-	-	37,104	-	37,104
Disposals	-	-	(1,835)	-	(1,835)
Balance on December 31, 2021	$ -	4,055	829,882	-	833,937
Carrying amounts:					
Balance on December 31, 2022	$ 105,621	7,610	600,703	106	714,040
Balance on January 1, 2021	$ 105,621	8,727	842,158	531	957,037
Balance on December 31, 2021	$ 105,621	8,168	694,693	135	808,617

A. As of December 31, 2022 and 2021, the payments for adding property, plant and equipment due to hotel operation, the Group recognized other payables amounting to $3,997 thousand and $307 thousand, respectively.

B. In 2022 and 2021, the COVID-19 pandemic outbreak has had significant impacts on tourism industry. Since the carrying amount of certain hotels was exceeded its recoverable amount, an impairment loss of leasehold improvement and other facilities of $0 thousand and $37,104 thousand were recognized as other gains and losses in the consolidated statement of comprehensive income, respectively.

C. The board of directors approved a resolution to cease the business operation of the Group's subsidiary, Green World Mai-Zhongshan Co. Ltd., as well as disposing of its property, plant and equipment on August 11, 2021. Please refer to note 6(18) for disposal gains and losses.

D. As of December 31, 2022 and 2021, the property, plant and equipment of the Group had not been pledged as collateral for borrowings.

(4) Right-of-use assets

The cost and depreciation of the leased buildings were as follow:

		Building
Costs		
Balance on January 1, 2022	$	4,892,789
Additions		2,423
Rent Concession		(24,178)
Balance on December 31, 2022	$	4,871,034
Balance on January 1, 2021	$	4,932,520
Disposal		(39,731)
Balance on December 31, 2021	$	4,892,789
Accumulated depreciation		
Balance on January 1, 2022	$	2,478,233
Depreciation		333,134
Balance on December 31, 2022	$	2,811,367
Balance on January 1, 2021	$	2,176,267
Depreciation		340,915
Disposal		(38,949)
Balance on December 31, 2021	$	2,478,233
Net book value		
Balance on December 31, 2022	$	2,059,667
Balance on January 1, 2021	$	2,756,253
Balance on December 31, 2021	$	2,414,556

The board of directors approved a resolution to cease the business operation of the Company’s subsidiary, Green World Mai-Zhongshan Co. Ltd., on August 11, 2021, resulting in a decrease in right-of-use assets. Please refer to note 6(18) for termination gains and losses.

(5) Intangible assets

The cost, amortization and impairment of the intangible assets of the Group for the years ended December 31, 2022 and 2021, were as follows:

	Goodwill	Trademarks	Customer relationship	Computer software	Total
Costs:					
Balance on January 1, 2022	$ -	53,000	143,000	30,592	226,592
Additions	-	-	-	119	119
Balance on December 31, 2022	$ -	53,000	143,000	30,711	226,711
Balance on January 1, 2021	$ 346,883	53,000	143,000	26,504	569,387
Additions	-	-	-	1,611	1,611
Reclassifications	-	-	-	2,638	2,638
Disposals	-	-	-	(161)	(161)
Write-off	(346,883)	-	-	-	(346,883)
Balance on December 31, 2021	$ -	53,000	143,000	30,592	226,592
Accumulated amortization and impairment losses					
Balance on January 1, 2022	$ -	39,388	106,274	15,879	161,541
Amortization	-	3,799	10,249	4,266	18,314
Balance on December 31, 2022	$ -	43,187	116,523	20,145	179,855
Balance on January 1, 2021	$ 346,883	34,367	92,726	12,125	486,101
Amortization	-	4,065	10,969	3,800	18,834
Disposals	-	-	-	(46)	(46)
Impairment loss	-	956	2,579	-	3,535
Write-off	(346,883)	-	-	-	(346,883)
Balance on December 31, 2021	$ -	39,388	106,274	15,879	161,541
Carrying amounts:					
Balance on December 31, 2022	$ -	9,813	26,477	10,566	46,856
Balance on January 1, 2021	$ -	18,633	50,274	14,379	83,286
Balance on December 31, 2021	$ -	13,612	36,726	14,713	65,051

A. The amortization of intangible assets are included in the consolidated statements of comprehensive income:

	2022	2021
Cost of sales	$ 20	22
Operating expenses	18,294	18,812
	$ 18,314	18,834

B. The recoverable amount of the cash generating units (CGUs) of hotel business was based on its value in use. The COVID-19 pandemic outbreak has had significant impacts on the tourism industry since the beginning of 2022 and 2021. Since the carrying amount of certain hotels was determined to be higher than its recoverable amount after the revaluation of respective future cash flows, an impairment loss of intangible assets of $0 thousand and $3,535 thousand were recognized as other gains and losses in the consolidated statement of comprehensive income.

C. The key assumptions used in the estimation of value in use were as follows.

	2022.12.31	2021.12.31
Discount rate	5.59%	5.37%
Terminal value growth rate	1%~10%	1%~10%

As of December 31, 2022 and 2021, the discount rates were determined based on weighted average cost of capital of industry. The cash flow projections are based on five-year period financial budgets approved by the management. A long-term growth rate in perpetuity for cash flows in subsequent periods had been determined as constant.

The value in use of the CGUs had been determined by discounting the future cash flows that are generated from continuing use of the CGUs. Unless otherwise stated, the value in use of the CGUs and the key assumptions used had been applied consistently with those described in the consolidated financial statements for the year ended December 31, 2021.

(a) The estimate of cash flow is based on past experience, actual operating results, and lease expiration date. Due to the long-term operating cycle of hotel business, the management believes that the above forecast period is reasonable.

(b) Estimated revenues in financial budgets are based on past experience and development of actual operating results.

(c) Estimated operating costs and expenses in financial budgets are based on past experience and various factors of operating costs and expenses.

(d) The recoverable amount of the CGU was determined by a pre-tax discount rate.

The value of these key assumptions represents the management's assessment to the trends of hotel business with consideration of both external and internal (historical) information.

(6) Other financial assets

The other financial assets were as follows:

	2022.12.31	2021.12.31
Current		
Other receivables	$ 1,035	1,022
Non-current		
Lease deposits	$ 144,786	144,786
Other deposits	2,817	2,558
Subtotal	147,603	147,344
	$ 148,638	148,366

As of December 31, 2022 and 2021, the assets of the Group had been pledged as collateral, please refer to note 8.

(7) Short-term borrowings

The short-term borrowings were summarized as follows:

	2022.12.31	2021.12.31
Unsecured bank loans	$ 350,000	390,000
Unused short-term credit lines	$ 70,000	70,000
Range of interest rates	1%~2.04%	1%

A. The Group did not have any significant issuance, repurchase, or repayment of short-term loans between the years 2022 and 2021. Please refer to Note 6(18) for details on the interest expenses.

B. For the guarantee and endorsement from the ultimate parent company, please refer to note 7.

(8) Long-term borrowings

The details were as follows:

	2022.12.31			
	Currency	Rate	Maturity Year	Amount
Unsecured bank loans	NTD	1%~1.845%	2026	$ 210,000
Less: current portion				11,667
Total				198,333
Unused long-term credit lines				$ 29,980

	2021.12.31			
	Currency	Rate	Maturity Year	Amount
Unsecured bank loans	NTD	1%~1.845%	2026	$ 50,000
Less: current portion				-
Total				50,000
Unused long-term credit lines				$ 240,000

A. In 2022 and 2021, the Group borrowed unsecured bank loans of $160,020 thousand and $50,000 thousand, respectively, which is with government credit guarantees, with an annual interest rate of 1% to 1.85%. This loan is processed in accordance with the

COVID 19 Pandemic Relief Plan and will be due on September 30, 2026. As of December 31, 2022 and 2021, $20 thousand and $0 thousand have been repaid, respectively.

B. Please refer to Note 6(18) for details on the interest expenses.

C. Please refer to Note 7 for details on the Group's endorsement and guarantees provided by related parties to banks.

(9) Lease liabilities

The Group’s lease liabilities were as follows:

		2022.12.31	2021.12.31
Current	$	349,585	346,037
Non-Current		2,030,053	2,380,546
	$	2,379,638	2,726,583

For the maturity analysis, please refer to note 6(19).

The amount recognized in profit or loss was as follows:

		2022	2021
Interest on lease liabilities	$	56,746	65,508
Income from sub-leasing right-of-use assets	$	8,165	8,618
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	$	2,833	2,688
Covid-19-related rent concessions (recognized as deduction of rent expenses)	$	22,627	65,388

The amounts recognized in the consolidated statement of cash flows for the Group were as follows:

		2022	2021
Total cash outflow for leases	$	362,143	342,866

Real estate leases

The Group leases buildings for its hotel business. The leases typically run for a period of 3 to 17 years. Some leases include an option to renew the lease for an additional period of the same duration after the end of the contract term.

Some leases contain extension options exercisable by the Group. These leases are negotiated and monitored by local management, and accordingly, contain a wide range of different terms and conditions. The extension options held are exercisable only by the Group and not by the lessors. In which lessee is not reasonably certain to use an optional extended lease term, payments associated with the optional period are not included within lease liabilities.

(10) Operating lease

Leases as lessor

Non-cancellable operating lease rentals payable were as follows:

		2022.12.31	2021.12.31
Less than one year	$	7,100	5,095
One to two years		7,127	2,743
Two to three years		6,737	2,743
Three to four years		4,046	2,743
Four to five years		3,531	914
Over five years		2,791	-
Total undiscounted lease payments	$	31,332	14,238

Some lease agreements for this year were terminated early on May 16, 2022.

(11) Employee benefits

Defined contribution plans

The Group allocates 6% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under these defined contribution plans, the Group allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligation.

The pension costs incurred from the contribution to the Bureau of Labor Insurance amounted to $6,089 thousand and $6,251 thousand for the years ended December 31, 2022 and 2021, respectively.

(12) Income taxes

A. Income tax

The components of income tax in the years 2022 and 2021 were as follows:

		2022	2021
Current tax expense			
Current period	$	-	-
Deferred tax expense			
Recognition of previously unrecognized tax losses		-	5,008
Income tax expenses	$	-	5,008

Reconciliation of income tax and profit before tax for 2022 and 2021 is as follows:

	2022	2021
Profit excluding income tax	$ (225,524)	(357,473)
Income tax using the Group's domestic tax rate	(45,105)	(71,495)
Non-deductible expenses	1,750	1,947
Impairment losses	8	8,128
Recognition of previously unrecognized tax losses	-	5,008
Current-year losses for which no deferred tax asset was recognized	51,519	71,232
Government grants	(5,228)	(6,868)
Others	(2,944)	(2,944)
	$ -	5,008

B. Deferred tax assets and liabilities

(a) Unrecognized deferred tax assets

Deferred tax assets have not been recognized in respect of the following items:

	2022.12.31	2021.12.31
The carryforward of unused tax losses	$ 285,663	267,328

The R.O.C. Income Tax Act allows net losses, as assessed by the tax authorities, to offset taxable income over a period of ten years for local tax reporting purposes. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilize the benefits therefrom.

(b) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2022 and 2021 were as follows:

<u>Deferred tax assets</u>

	Unused tax losses
Balance on January 1, 2022	$ 39,582
Recognized in profit or loss	-
Balance on December 31, 2022	$ 39,582
Balance on January 1, 2021	$ 44,590
Recognized in profit or loss	(5,008)
Balance on December 31, 2021	$ 39,582

(c) As of December 31, 2022, the information of the Group's unused tax losses for which no deferred tax assets were recognized are as follows:

Year of loss	**Unused tax loss**	**Expiry date**
2012	$ 174,604	2022
2013	69,060	2023
2014	19,290	2024
2015	14,786	2025
2016	52,299	2026
2019	223,897	2029
2020	453,426	2030
2021	361,265	2031
2022	257,596	2032
	$ 1,626,223	

C. Business income tax administrative remedies

The Company's income tax return for the year 2020 had been examined by the tax authorities.

(13) Capital and other equity

As of December 31, 2022 and 2021, the total value of authorized ordinary shares were both amounted to $2,500,000 thousand, with par value of $10 per share. As of December 31, 2022 and 2021, ordinary shares amounted $219,456 thousand (including private placement $118,866 thousand) and $1,097,283 thousand (including private placement $594,334 thousand) were issued. All issued shares were paid up upon issuance.

A. Ordinary and preferred shares

On November 22, 2022, the Company passed a resolution at the shareholder meeting to reduce its ordinary shares amounted by $877,826 thousand and cancel 87,782 thousand issued shares, which represents a reduction ratio of 80%, in order to strengthen its financial structure to make up for losses. This capital reduction plan has been approved by the Financial Supervisory Commission and was effective from December 21, 2022, with December 29, 2022 being the date of registration for the approved capital reduction. As of December 31, 2022 and 2021, there were 11,887 thousand and 59,433 thousand ordinary shares under private placement. The aforementioned private placement of ordinary shares and the transfer of any subsequently obtained bonus shares would be subject to section 43(8) requirements under the Securities and Exchange Act. The Company can only apply for these shares to be traded on the Taiwan Stock Exchange after a three-year period has elapsed from the delivery date of the private placement securities, and after applying for a public offering with the Financial Supervisory Commission.

B. Capital surplus

The balances of capital surplus as of December 31, 2022 and 2021, were as follows:

	2022.12.31	2021.12.31
Share capital	$ 604,393	604,393

According to the R.O.C. Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring capital surplus in excess of par value should not exceed 10% of the total common stock outstanding.

C. Retained earnings

The Company's Articles of Incorporation stipulate that Company's net earnings should first be used to offset the prior years' deficits, if any, before paying any income taxes. Of the remaining balance, 10% is to be appropriated as legal reserve, and then any remaining profit together with any undistributed retained earnings shall be distributed according to the distribution plan proposed by the Board of Directors and submitted to the stockholders' meeting for approval.

When a company incurs no loss, it may, pursuant to a resolution by a shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash, and only the portion of legal reserve which exceeds 25% of capital may be distributed.

The meeting of shareholders held on June 23, 2022 and August 31, 2021 passed a resolution that earnings of 2021 and 2020 would not be distributed except for retaining $0 thousand and $0 thousand as legal reserve, respectively.

Information related to the distribution of profits for previous fiscal years of the Company can be found on the website of the Market Observation Post System.

(14) Loss per share

The calculation of basic earnings per share and diluted earnings per share for the years ended December 31, 2022 and 2021 are as follows:

	2022	2021
Basic loss per share		
Profit attributable to ordinary shareholders of the Company	$ (225,524)	(362,481)
Weighted average number of ordinary shares on December 31	21,946	21,946
	$ (10.28)	(16.52)

	2022	2021
Diluted loss per share		
Profit attributable to ordinary shareholders of the Company (diluted)	$ (225,524)	(362,481)
Weighted average number of ordinary shares on December 31	21,946	21,946
Effect of dilutive potential ordinary shares	(Note)	(Note)
Weighted average number of ordinary shares (diluted) on December 31 (diluted)	21,946	21,946
	$ (10.28)	(16.52)

Note: Not included for calculating diluted earnings per share due to anti-dilutive effect

When calculating the loss per share, the impact of the offsetting of losses through a reduction of capital has been included in the retrospective adjustment.

(15) Revenue from contracts with customers

A. Disaggregation of revenue

	2022	2021
Primary geographical markets:		
Taiwan	$ 546,279	391,664
Major products/ services lines:		
Hotel room service	$ 500,265	353,384
Hotel catering service	37,849	29,662
Leasing services	8,165	8,618
	$ 546,279	391,664

B. Contract balance

	2022.12.31	2021.12.31	2021.1.1
Notes and accounts receivable	$ 19,988	18,073	20,300
Less: allowance for impairment	-	-	-
Total	$ 19,988	18,073	20,300
Contract liabilities-hotel room service/ unearned revenue	$ 24,519	28,095	13,324

For details on accounts receivable and allowance for impairment, please refer to note 6(2).

The amount of revenue recognized for the years ended December 31, 2022 and 2021 that was included in the contract liability balance at the beginning of the period were $19,651 thousand and $9,791 thousand, respectively.

The major change in the balance of contract liabilities is the difference between the time frame in the performance obligation to be satisfied and the payment to be received. There was no other significant changes during 2022 and 2021.

(16) Employee compensation and directors' and supervisors' remuneration

In accordance with the Articles of Incorporation, the Company should contribute no less than 0.7%~10% of the profit as employee compensation and less than 1% as directors' and supervisors' remuneration when there is profit for the year. However, if the Company has accumulated deficits, the profit should be reserved to offset the deficit. The recipients of shares and cash may include the employees of the Company's affiliated companies who meet certain conditions.

For the years ended December 31, 2022 and 2021, the Company estimated its employee remuneration and directors' and supervisors' remuneration were both zero. The estimated amounts mentioned above were calculated based on the net profit before tax, excluding the remuneration to employees, directors and supervisors of each period, multiplied by the percentage of remuneration to employees, directors and supervisors as specified in the Articles of Incorporation. These remunerations were expensed under operating costs or operating expenses during 2022 and 2021. Related information would be available at the Market Observation Post System website. The amounts, as stated in the consolidated entity financial statements, are identical to those of the actual distributions for 2022 and 2021.

(17) Net other income (expenses)

		2022	2021
Government grants	$	26,139	34,339

(18) Non-operating income and expenses

A. Interest income

The details of interest income were as follows:

		2022	2021
Interest income from bank deposits	$	636	403
Other interest income		842	692
Total interest income	$	1,478	1,095

B. Other gains and losses

The details of other gains and losses were as follows:

		2022	2021
(Losses) Gains on disposals of property, plant and equipment	$	-	(127)
Losses on disposals of intangible assets		-	(115)
Impairment loss on property, plant and equipment		(41)	(37,104)
Impairment loss on intangible assets		-	(3,535)
Penalty income		381	-
Gain (Loss) on termination of lease.		-	27
Others		2,539	1,741
	$	2,879	(39,113)

C. Financial costs

The details of finance costs were as follows:

		2022	2021
Interest expense of bank loans	$	6,549	3,989
Interest expense of lease liabilities		56,746	65,508
	$	63,295	69,497

(19) Financial instruments

A. Credit risk

(a) Credit risk exposure

The carrying amount of financial assets represents the maximum amount exposed to credit risk.

(b) Concentration of credit risk

The cash and deposits are deposited in different financial institutions. The Group manages the credit risk exposure with each of these financial institutions and believes that cash and deposits do not have significant credit risk concentration.

The major business activities of the Group are management consultancy services and hotel business services. The major customers of the Group are centralized in the general customers and travel agencies. Since some of travel agencies are related parties, the Group believes that there is credit risk concentration. However, the Group periodically evaluates the possibility of collecting account receivables, and it doesn't expect to have significant loss in the future.

(c) Receivables

For credit risk exposure of note and trade receivables, please refer to note 6(2). Other financial assets at amortized cost include other receivables, time deposits and lease deposits.

All of these financial assets are considered to have low risk, and thus, the impairment provision recognized during the period was limited to 12 months expected losses. Both in the year 2022 and 2021, no provision for impairment losses was made.

B. Liquidity risk

The following table shows the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

	Carrying amount	Contractual cash flows	Within 1 year	1-5 years	Over 5 years
December 31, 2022					
Non-derivative financial liabilities					
Non-interest-bearing liabilities	$ 52,916	52,916	52,916	-	-
Lease liabilities	2,379,638	2,605,143	398,027	1,319,076	888,040
Fixed rate instruments	560,000	568,699	366,386	202,313	-
	$ 2,992,554	3,226,758	817,329	1,521,389	888,040
December 31, 2021					
Non-derivative financial liabilities					
Non-interest-bearing liabilities	$ 42,238	42,238	42,238	-	-
Lease liabilities	2,726,583	3,017,568	403,845	1,439,120	1,174,603
Fixed rate instruments	440,000	444,334	392,220	52,114	-
	$ 3,208,821	3,504,140	838,303	1,491,234	1,174,603

The Group does not anticipate significant changes in the timing or amount of cash flows from the maturity analysis.

As of December 31, 2022, the Group’s accumulated deficit had reached the capital stock of (259) %and the debt ratio is 92%. Although current liabilities exceed current assets by $512,810 thousand, the Management team maintains sufficient cash positions to support our operations and mitigate the impact of cash flow fluctuations. Bank borrowings are an important source of liquidity for the Group, and the Management team closely monitors the use of credit facilities and ensures compliance with loan contract terms and the preparation of future cash flow forecasts. Additionally, we actively seek the support of shareholders to mitigate liquidity risks associated with the inability to raise funds to fulfill contractual obligations.

Please refer to Note 6(7) and (8) for information on the Group's bank borrowings and unused credit facilities. The expiration dates and corresponding measures for unused credit facilities are as follows:

Guarantor	Unused credit facilities	Expiration date of credit facilities
H.I.S. Co., Ltd.	$ **70,000**	April, 2023
Hsien-Chih Hsieh	$ **29,980**	January, 2023

C. Interest rate analysis

Please refer to the notes on liquidity risk management and interest rate exposure of the Group's financial assets and liabilities.

The following sensitivity analysis is based on the exposure to the interest rate risk of derivative and non-derivative financial instruments on the reporting date. Regarding assets with variable interest rates, the analysis is based on the assumption that the amount of assets outstanding at the reporting date was outstanding throughout the year. The rate of change is expressed as the interest rate increases or decreases by 1% when reporting to management internally, which also represents the Entity management' s assessment of the reasonably possible interest rate change.

If the interest rate had increased / decreased by 1% basis points, the Group's net income would have increased / decreased by $1,960 thousand and $1,748 thousand for the years ended December 31, 2022 and 2021 with all other variable factors remaining constant, respectively.

This is mainly due to the changes in the Group's variable-interest-rate deposits.

D. Fair value of financial instruments

(a) Types and fair values of financial instruments

The financial assets and financial liabilities of the Group are not measured at fair value, and the carrying amount of these financial instruments represents a reasonable approximation of their fair value, with the exception of lease liabilities, which are not required to disclose fair value information in accordance with regulations.

(b) Valuation techniques for financial instruments not measured at fair value

The Group's valuation techniques and assumptions used for financial instruments not measured at fair value are as follows:

(i) Financial assets and financial liabilities measured at amortized cost.

If there is quoted price generated by transactions, the recent transaction price and quoted price data is used as the basis for fair value measurement. However, if no quoted prices are available, the discounted cash flows are used to estimate fair values.

(20) Financial risk management

A. Overview

The Group has exposures to the following risks from its financial instruments:

(a) credit risk

(b) liquidity risk

(c) market risk

The following likewise discusses the Group’ s objectives, policies and processes for measuring and managing the above-mentioned risks. For more disclosures about the quantitative effects of these risks exposures, please refer to the respective notes in the accompanying financial statements.

B. Structure of risk management

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The management of the Group reports regularly to the Board of Directors on its activities.

The Group’s risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group’s activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group’s audit committee oversee how management monitors compliance with the Group’s risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group’ s supervisors are assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Board of Directors and the audit committee.

C. Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group’s receivables from customers.

(a) Trade and other receivable

The Group’s major business is hotel business service. The major customers are travel agencies. The management periodically evaluates the collections of account receivables from travel agencies, and expects there would be no significant credit risk. The Group does not require any collaterals of account receivables and other receivables.

(b) Investments

The exposure to credit risk for the bank deposits, fixed income investments, and other financial instruments is measured and monitored by the Group’s finance department. The Group only deals with banks and financial institutions with good credit rating. The Group does not expect any counterparty above fails to meet its obligations, hence, there is no significant credit risk arising from these counterparties.

(c) Guarantees

The Group’ s policy is to provide financial guarantees only to wholly owned subsidiaries. As of December 31, 2022 and 2021, no other guarantees were outstanding.

D. Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group’s approach to managing liquidity is to ensure, as far as possible, that it always has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group’ s reputation.

Since 2020, the COVID 19 pandemic continued to have an impact on the Group’s business, the room occupancy rates fell sharply, which in turn, also affected the business operation of the Group. As of December 31, 2022, the Group’ s accumulated deficit had reached the capital stock of (259)%, and the amount of current liabilities exceeded the current assets of $512,810 thousand, resulting in the debt ratio to reach 92%. However, the management of the Group has maintained sufficient cash to support the operation to reduce the impact of volatility caused by cash flow.

Since bank loan is one of the important sources of liquidity of the Group, the Group had obtained the total credit line of $290,000 thousand from different financial institutions through the government’ s tourism industry recovery and revitalization policy. Due to its financial situation, the Group is also actively soliciting the support of its shareholders; hence, a resolution was approved during the board meeting held on March 17, 2022 to authorize the parent company, H.I.S. Co., Ltd., to guarantee the amount of $420,000 thousand for the Group.

As of 2022 and 2021, the unused credit lines were $99,980 thousand and $310,000 thousand, respectively. The management of the Group has strictly followed the terms of the loan contract and prepared a forecast statement of future cash receipts and payments to monitor the use of the bank's financing line at any time. It is expected that there will be no liquidity that prevents the Group from raising funds to fulfill its contractual obligations risk.

E. Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices, will affect the Group’s income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

(21) Capital management

The Group's objectives for managing capital to safeguard the capacity to continue to operate, to continue to provide a return on shareholders, to maintain the interest of other related parties, 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 dividend payment to the shareholders, reduce the capital for redistribution to shareholders, issue new shares or sell assets to settle any liabilities.

The Group and other entities in the same industry use the debt-to-equity ratio to manage capital. This ratio is the total net debt divided by the total capital. The net debt from the balance sheet is derived from the total liabilities less cash and cash equivalents. The total capital and equity include share capital, capital surplus, retained earnings, and other equity.

As of December 31, 2022, the Group's capital management strategy is consistent with the prior year as of December 31, 2021, and the gearing ratio is maintained stable so as to ensure financing at reasonable cost. The Group's debt-to-equity ratio at the end of the reporting period as of December 31, 2022 and 2021, is as follows:

		2022.12.31	**2021.12.31**
Total liabilities	$	3,020,355	3,240,174
Less: cash and cash equivalents		(246,299)	(221,268)
Net debt	$	2,744,056	3,018,906
Total equity	$	264,964	490,488
Adjusted equity	$	3,039,020	3,509,394
Debt-to-equity ratio		**91.28%**	**86.02%**

(22) Investing and financing activities not affecting current cash flow

The reconciliation of investing and financing activities not affecting current cash flow of the Group is as follows:

				Non-cash flow		
		2022.1.1	**Cash flow**	**Lease payment changes**	**Others (Note)**	**2022.12.31**
Lease liabilities	$	2,726,583	(302,563)	-	(44,382)	2,379638
Liabilities from investing and financing activities	$	2,726,583	(302,563)	-	(44,382)	2,379,638

Note: The amount was comprised of a new lease of $2,423 thousand, rental concessions of $22,627 thousand and decrease in right-of-use assets of $24,178 thousand.

			Non-cash flow		
			Lease payment	Others	
	2021.1.1	**Cash flow**	**changes**	**(note)**	**2021.12.31**
Lease liabilities	$ 3,067,450	(274,670)	-	(**66,197**)	2,726,583
Liabilities from investing and financing activities	$ 3,067,450	(274670)	-	(66,197)	2,726,583

Note: The amount was comprised of rental concessions of $65,388 thousand and adjustment of expired lease $809 thousand.

7. Related party transactions

(1) Parent company and ultimate controlling company

H.I.S. Hotel Holdings Co., Ltd. is the parent company of the Company, holding 51% of all outstanding ordinary shares of the Company. The ultimate controlling party of the Company is H.I.S. Co., Ltd.

(2) Names and relationship with related parties

The followings are entities that have had transactions with related party during the periods covered in the consolidated financial statements.

Name of related party	Relationship with the Company
Sanpu Travel Service Co.,Ltd.(Sanpu Travel)	Same chairman with the Company
Tour Royale Service Co.,Ltd.	Same chairman with the Company
Star Light Co.,Ltd.	Same chairman with the Company
Cherry Tourist Co.,Ltd.	Same chairman with the Company
H.I.S. Sanken Travel Co.,Ltd.	Same chairman with the Company
Green World Co.,Ltd.	Same chairman with the Company
Nian Fu Investment Co., Ltd.	Same chairman with the Company
Mai Hotels Co.,Ltd.	Same chairman with the Company
Honyi Transportation Co., Ltd.	The Chairman of the Company is also a member of the Board of Directors.
Hsien-Chih Hsieh	The Company’s chairman
Hsiu-Mei Hsieh	Related party in substance
H.I.S. Hotel Holdings Co.,Ltd.	The Company’s parent company
H.I.S. Co.,Ltd.	The Company’s ultimate parent company

(3) Significant transactions with related parties

A. Sales

The amounts of significant sales by the Group to related parties were as follows:

		2022	2021
Hotel rooms and catering service revenue			
Other related parties－Sanpu Travel	$	4,232	3,435
Other related parties		177	357
Lease revenue			
Other related parties－Sanpu Travel		-	10
	$	4,409	3,802

The credit term for hotel room service and catering service is 45 days for related parties and 30 to 60 days for non-related parties. The Group negotiates with each travel agencies according to the current market prices, and offers discount to those lease a constant level of accommodation. The terms of transaction with related parties are the same as those mentioned above, which are not significantly different with those offered to non-related parties.

B. Receivables from Related Parties

The receivables from related parties were as follows:

Account	Relationship		2022.12.31	2021.12.31
Notes receivable	Other related parties－Sanpu Travel	$	319	379
Notes receivable	Other related parties		-	42
Accounts receivable	Other related parties－Sanpu Travel		1,093	388
Accounts receivable	Other related parties		31	-
		$	1,443	809

C. Payables to Related Parties

The payables to related parties were as follows:

Account	Relationship		2022.12.31	2021.12.31
Accounts payable	Other related parties	$	-	21
Other payables	Other related parties		71	69
Other payables	Parent company		701	761
Other payables	The Group's main management		220	116
		$	992	967

D. The Group leased office buildings and hotels from other parties and signed lease agreements with reference to the rental market for offices in neighboring areas. In the years ended December 31, 2022 and 2021, the Group recognized interest expenses of $9,121 thousand and $10,746 thousand, respectively. As of December 31, 2022 and 2021, the balance of lease liabilities was $396,565 thousand and $447,815 thousand, respectively. The lease deposits were both $280 thousand and were recorded as other non-current financial assets.

E. Guarantee

		2022	2021
H.I.S. Co., Ltd.	$	420,000	460,000
Hsien-Chih Hsieh		239,980	290,000
	$	659,980	750,000

F. Management consultant fee

The details of the payments made by the Group to the management consultant services are as follows:

		2022	2021
H.I.S. Hotel Holdings Co., Ltd.	$	2,775	3,022

(4) Key management personnel compensation

		2022	2021
Short-term employee benefits	$	1,781	3,976

8. Pledged assets

The carrying values of pledged assets were as follows:

Pledged assets	Object		2022.12.31	2021.12.31
Other financial asset-non-current	Guarantee for rental payment	$	35,500	35,500

9. Commitments and contingencies

Please refer to Note 6(9) for detailed information on the lease agreements signed by the Group on December 31, 2022 and 2021. Additionally, the bills issued due to leasing were $490,199 thousand and $324,800 thousand, respectively.

10. Losses due to major disasters :None.

11. Subsequent events :None.

12. Other

(1) A summary of current-period employee benefits, depreciation, and amortization, by function, is as follows:

	2022			2021		
	Cost of Sale	**Operating Expense**	**Total**	**Cost of Sale**	**Operating Expense**	**Total**
Employee benefits						
Salary	85,037	19,841	104,878	76,317	20,649	96,966
Labor and health insurance	10,391	2,146	12,537	10,388	2,626	13,014
Pension	5,031	1,058	6,089	4,999	1,252	6,251
Others	5,520	1,418	6,938	5,591	4,493	10,084
Depreciation	433,399	2,253	435,652	452,228	2,291	454,519
Amortization	20	18,294	18,314	22	18,812	18,834

(2) Seasonality in Business Operations:

The Group's hotel business and other tourism-related operations are subject to seasonality fluctuations due to consecutive holidays. However, since 2020 when COVID-19 outbreak occurred, the occupancy rate and average room price have significantly dropped, leading to significant revenue losses for the Group. In 2022, as the domestic epidemic situation improved and vaccine coverage increased, the Group has responded to the government's policies on tourism subsidies and stimulus vouchers, and transformed some of our hotels into quarantine facilities, resulting in an increase in revenue compared to 2021. The Group has applied for government subsidies to cover payroll and necessary operating expenses. As of the reporting date, the Group is still assessing the economic impact of the epidemic on our business.

13. Other disclosures

(1) Information on significant transactions:

The following is the information on significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Group:

A. Loans to other parties: None
B. Guarantees and endorsements for other parties: None
C. Securities held as of December 31, 2022 (excluding investment in subsidiaries, associates and joint ventures): None
D. Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT$300 million or 20% of the capital stock: None
E. Acquisition of individual real estate with amount exceeding the lower of NT$300 million or 20% of the capital stock: None
F. Disposal of individual real estate with amount exceeding the lower of NT$300

million or 20% of the capital stock: None

G. Related-party transactions for purchases and sales with amounts exceeding the lower of NT$100 million or 20% of the capital stock :None

H. Receivables from related parties with amounts exceeding the lower of NT$100 million or 20% of the capital stock: None

I. Trading in derivative instruments: None

J. Business relationships and significant intercompany transactions: None

(2) Information on investees: None

(3) Information on investment in mainland China: None

(4) Major shareholders:

Shareholding **Shareholder's Name**	**Shares**	**Percentage**
H.I.S. Hotel Holdings Co., Ltd.	11,192,291	51.00 %
Sheng-Yang Investment Co., Ltd.	1,586,100	7.22 %

14. Segment information

The Group's hotel business is considered as operating segment, whose segment profit or loss, assets, and liabilities are similar to the consolidated report. Please refer to the consolidated balance sheets and the consolidated statements of comprehensive income.