

**STAR TRAVEL CORP.**  
**PARENT COMPANY ONLY FINANCIAL**  
**STATEMENTS AND INDEPENDENT AUDITORS’**  
**REPORT**  
**DECEMBER 31, 2022 AND 2021**

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

## INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of STAR TRAVEL CORP.

### ***Opinion***

We have audited the accompanying parent company only balance sheets of STAR TRAVEL CORP. (the "Company") as of December 31, 2022 and 2021, and the related parent company only statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

### ***Basis for opinion***

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the parent company only financial statements section of our report. We are independent of the Company in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### ***Key audit matters***

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

Key audit matters for the Company's 2022 parent company only financial statements are stated as follows:

## **Authenticity of the revenue recognition of domestic group tours**

### Description

Refer to Note 4(24) for accounting policy on revenue recognition and Note 6(16) for details of operating revenue.

The Company's operating revenue arise mainly from travel services. For the year ended December 31, 2022, as overseas travel market was affected by the Covid-19 pandemic, revenue from domestic group tours accounted for a large percentage of total revenue. As the revenue is material to the parent company only financial statements, we considered the authenticity of the revenue recognition of domestic group tours as a key audit matter.

### How our audit addressed the matter

We performed the following audit procedures in respect of the above key audit matter:

1. Obtained an understanding of and assessed the Company's internal controls over group tours revenue, and tested the effectiveness of related internal control's design and execution.
2. Selected samples from list of completed domestic group tours at the balance sheet date, reviewed the customised travel contracts, orders, receipts and relevant collection vouchers to confirm the authenticity of the revenue recognition of domestic group tours.

### ***Other matter –Prior period financial statements audited by other auditors***

The parent company only financial statements of the Company as of and for the year ended December 31, 2021 were audited by other auditors, whose report dated March 23, 2022 expressed an unmodified opinion on those statements.

### ***Responsibilities of management and those charged with governance for the parent company only financial statements***

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of parent company only financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent company only financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

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

***Auditors' responsibilities for the audit of the parent company only financial statements***

Our objectives are to obtain reasonable assurance about whether the parent company only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent company only financial statements.

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

- A. Identify and assess the risks of material misstatement of the parent company only 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.
- B. 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 Company's internal control.
- C. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- D. 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 Company'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 parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- E. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

F. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the parent company only 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 (including the audit committee) 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 (including the audit committee) 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 parent company only 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.

Tien, Chung-Yu

Independent Accountants

Yeh, Fang-Ting

PricewaterhouseCoopers, Taiwan

Republic of China

March 21, 2023

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

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

STAR TRAVEL CORP.  
PARENT COMPANY ONLY BALANCE SHEETS  
DECEMBER 31, 2022 AND 2021  
(Expressed in thousands of New Taiwan dollars)

Assets	Notes	December 31, 2022		December 31, 2021		
		AMOUNT	%	AMOUNT	%	
<b>Current assets</b>						
1100	Cash and cash equivalents	6(1)	\$ 394,305	60	\$ 41,189	18
1136	Financial assets at amortised cost - current	6(1)(2)	300	-	300	-
1150	Notes receivable, net	6(3) and 7	232	-	-	-
1170	Accounts receivable, net	6(3) and 12	9,736	2	471	-
1180	Accounts receivable, net - related parties	6(3), 7 and 12	768	-	440	-
1200	Other receivables	6(4) and 12	2,053	-	430	-
1210	Other receivables - related parties	6(4) and 7	6,513	1	5,439	3
1220	Current income tax assets	6(23)	33	-	28	-
1410	Prepayments	6(6) and 7	16,317	3	8,784	4
11XX	<b>Total current assets</b>		<u>430,257</u>	<u>66</u>	<u>57,081</u>	<u>25</u>
<b>Non-current assets</b>						
1535	Financial assets at amortised cost - non-current	6(2) and 8	89,400	14	32,600	15
1550	Investments accounted for under equity method	6(7)	3,885	1	4,996	2
1600	Property, plant and equipment	6(8) and 8	121,062	18	122,340	54
1780	Intangible assets		-	-	138	-
1840	Deferred income tax assets	6(23)	519	-	579	-
1915	Prepayments for equipment		13	-	-	-
1920	Guarantee deposits paid		9,146	1	8,718	4
15XX	<b>Total non-current assets</b>		<u>224,025</u>	<u>34</u>	<u>169,371</u>	<u>75</u>
1XXX	<b>Total assets</b>		<u>\$ 654,282</u>	<u>100</u>	<u>\$ 226,452</u>	<u>100</u>

(Continued)

STAR TRAVEL CORP.  
PARENT COMPANY ONLY BALANCE SHEETS  
DECEMBER 31, 2022 AND 2021  
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity		Notes	December 31, 2022		December 31, 2021	
			AMOUNT	%	AMOUNT	%
<b>Current liabilities</b>						
2130	Contract liabilities - current	6(16)	\$ 19,452	3	\$ 9,784	4
2150	Notes payable		8	-	-	-
2170	Accounts payable		13,909	2	5,094	2
2180	Accounts payable - related parties	7	1,303	-	94	-
2200	Other payables	6(9)	13,629	2	9,873	5
2320	Long-term liabilities, current portion	6(10) and 8	4,360	1	4,330	2
2399	Other current liabilities		6,527	1	713	-
21XX	<b>Total current liabilities</b>		<u>59,188</u>	<u>9</u>	<u>29,888</u>	<u>13</u>
<b>Non-current liabilities</b>						
2540	Long-term borrowings	6(10) and 8	87,298	13	146,316	65
25XX	<b>Total non-current liabilities</b>		<u>87,298</u>	<u>13</u>	<u>146,316</u>	<u>65</u>
2XXX	<b>Total liabilities</b>		<u>146,486</u>	<u>22</u>	<u>176,204</u>	<u>78</u>
<b>Equity</b>						
Share capital						
3110	Ordinary share	6(12)	687,421	105	340,721	150
3200	Capital surplus	6(13)(14)	2,162	1	22	-
Accumulated deficit						
3350	Accumulated deficit	6(12)(15)	( 181,787)	( 28)	( 290,495)	( 128)
3XXX	<b>Total Equity</b>		<u>507,796</u>	<u>78</u>	<u>50,248</u>	<u>22</u>
Significant Contingent Liabilities and						
Unrecognised Contract Commitments						
3X2X	<b>Total liabilities and equity</b>		<u>\$ 654,282</u>	<u>100</u>	<u>\$ 226,452</u>	<u>100</u>

The accompanying notes are an integral part of these parent company only financial statements.

**STAR TRAVEL CORP.**  
**PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**  
(Expressed in thousands of New Taiwan dollars, except for earnings per share amount)

Items	Notes	Year ended December 31				
		2022		2021		
		AMOUNT	%	AMOUNT	%	
4000	Operating revenue	6(16) and 7	\$ 78,854	100	\$ 33,258	100
5000	Operating costs	6(5)(21)(22) and 7	( 63,499)	( 81)	( 28,064)	( 84)
5900	Gross profit		15,355	19	5,194	16
5910	Unrealised loss from sales, net	6(7)	( 2)	-	( 2)	-
5950	Gross profit, net		15,353	19	5,192	16
	Operating expenses	6(11)(14)(21)(22) and 7				
6100	Selling expenses		( 32,363)	( 41)	( 26,213)	( 79)
6200	General and administrative expenses		( 39,352)	( 50)	( 37,955)	( 114)
6450	Expected credit gains	12	30	-	-	-
6000	Total operating expenses		( 71,685)	( 91)	( 64,168)	( 193)
6900	Operating loss		( 56,332)	( 72)	( 58,976)	( 177)
	Non-operating income and expenses					
7100	Interest income	6(2)(17)	1,153	2	189	1
7010	Other income	6(18) and 7	26,196	33	18,730	56
7020	Other gains and losses	6(19)	349	-	( 619)	( 2)
7050	Finance costs	6(20)	( 2,789)	( 3)	( 2,109)	( 6)
7070	Share of (loss) income of subsidiaries, associates and joint ventures accounted for under equity method	6(7)	( 13,109)	( 17)	132	-
7000	Total non-operating income and expenses		11,800	15	16,323	49
7900	<b>Loss before income tax</b>		( 44,532)	( 57)	( 42,653)	( 128)
7950	Income tax (expense) benefit	6(23)	( 60)	-	38	-
8200	<b>Loss for the year</b>		<u>(\$ 44,592)</u>	<u>( 57)</u>	<u>(\$ 42,615)</u>	<u>( 128)</u>
8500	<b>Total comprehensive loss for the year</b>		<u>(\$ 44,592)</u>	<u>( 57)</u>	<u>(\$ 42,615)</u>	<u>( 128)</u>
	Loss per share (in dollars)	6(24)				
9750	Basic		<u>(\$ 1.16)</u>		<u>(\$ 2.35)</u>	
9850	Diluted		<u>(\$ 1.16)</u>		<u>(\$ 2.35)</u>	

The accompanying notes are an integral part of these parent company only financial statements.



STAR TRAVEL CORP.  
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021  
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

	Notes	Share capital - common on stock	Capital surplus	Accumulated deficit	Total equity
<u>For the year ended December 31, 2021</u>					
Balance at January 1, 2021		\$ 310,721	\$ 22	(\$ 241,880)	\$ 68,863
Loss for the year		-	-	( 42,615)	( 42,615)
Total comprehensive loss		-	-	( 42,615)	( 42,615)
Issuance of common stock from private placement	6(12)	30,000	-	( 6,000)	24,000
Balance at December 31, 2021		<u>\$ 340,721</u>	<u>\$ 22</u>	<u>(\$ 290,495)</u>	<u>\$ 50,248</u>
<u>For the year ended December 31, 2022</u>					
Balance at January 1, 2022		\$ 340,721	\$ 22	(\$ 290,495)	\$ 50,248
Loss for the year		-	-	( 44,592)	( 44,592)
Total comprehensive loss		-	-	( 44,592)	( 44,592)
Capital reduction to offset accumulated deficit	6(12)	( 153,300)	-	153,300	-
Issuance of common stock from private placement	6(12)	500,000	-	-	500,000
Compensation cost recognised from employee stock options	6(13)(14)	-	2,090	-	2,090
Issuance of fractional shares from capital reduction	6(13)	-	9	-	9
Exercise the right of disgorgement	6(13)	-	41	-	41
Balance at December 31, 2022		<u>\$ 687,421</u>	<u>\$ 2,162</u>	<u>(\$ 181,787)</u>	<u>\$ 507,796</u>

The accompanying notes are an integral part of these parent company only financial statements.

**STAR TRAVEL CORP.**  
**PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**  
(Expressed in thousands of New Taiwan dollars)

	Notes	For the year ended December 31	
		2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Loss before tax		( \$ 44,532 )	( \$ 42,653 )
Adjustments			
Adjustments to reconcile profit (loss)			
Expected credit gains	12	( 30 )	-
Reversal of inventory market price decline	6(5)	( 8 )	-
Share of loss (profit) of subsidiaries, associates and joint ventures accounted for under equity method	6(7)	13,109	( 132 )
Unrealised profit from operating sales	6(7)	2	2
Gain on disposal of property, plant and equipment	6(19)	-	( 23 )
Depreciation	6(8)(21)	3,092	4,791
Amortisation	6(21)	138	399
Compensation cost recognised from employee stock options	6(13)(14)	2,090	-
Interest income	6(17)	( 1,153 )	( 189 )
Interest expense	6(20)	2,789	2,109
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		( 232 )	347
Accounts receivable		( 9,265 )	492
Accounts receivable - related parties		( 328 )	( 300 )
Other receivables		( 1,358 )	4,990
Other receivables - related parties		( 1,074 )	( 5,429 )
Inventories		8	-
Prepayments		( 7,533 )	( 2,667 )
Other current assets		-	203
Changes in operating liabilities			
Contract liabilities - current		9,668	3,624
Notes payable		8	-
Accounts payable		8,815	( 2,844 )
Accounts payable - related parties		1,209	( 129 )
Other payables		4,009	( 2,343 )
Other current liabilities		5,814	( 102 )
Other non-current liabilities		-	( 20 )
Cash outflow generated from operations		( 14,762 )	( 39,874 )
Interest received		918	189
Interest paid		( 2,890 )	( 2,044 )
Income tax refund		-	283
Income tax paid		( 5 )	-
Net cash flows used in operating activities		( 16,739 )	( 41,446 )
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Increase in financial assets at amortised cost - current		-	( 13,300 )
(Increase) decrease in financial assets at amortised cost - non-current		( 56,800 )	14,720
Acquisition of investments accounted for under equity method	6(7)	( 12,000 )	( 4,500 )
Cash paid for acquisition of property, plant and equipment	6(25)	( 1,966 )	-
Proceeds from disposals of property, plant and equipment		-	140
Increase in prepayments for equipment		( 13 )	-
(Increase) decrease in guarantee deposits paid		( 428 )	425
Net cash flows used in investing activities		( 71,207 )	( 2,515 )
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Increase in long-term borrowings	6(26)	22,469	33,264
Repayments of long-term borrowings	6(26)	( 81,457 )	( 968 )
Decrease in guarantee deposits received	6(26)	-	( 50 )
Issuance of common stock from private placement	6(12)	500,000	24,000
Issuance of fractional shares from capital reduction	6(13)	9	-
Exercise the right of disgorgement	6(13)	41	-
Net cash flows from financing activities		441,062	56,246
Net increase in cash and cash equivalents		353,116	12,285
Cash and cash equivalents at beginning of year	6(1)	41,189	28,904
Cash and cash equivalents at end of year	6(1)	\$ 394,305	\$ 41,189

The accompanying notes are an integral part of these parent company only financial statements.

STAR TRAVEL CORP.  
NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021  
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. HISTORY AND ORGANIZATION

- (1) Star Travel Corporation (the “Company”) was established on February 24, 2003. The Company is primarily engaged in travel agency services. On May 5, 2020, the Company conducted a simple merger with its wholly-owned subsidiary, Star Travel Corporation, and the Company was the surviving company.
- (2) The Company’s shares are traded in the Taipei Exchange since February 24, 2011.
- (3) E-TOP METAL CO., LTD. holds 68.73% equity interest in the Company and is the Company’s ultimate parent company.

2. THE DATE OF AUTHORIZATION FOR ISSUANCE OF PARENT COMPANY ONLY FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORIZATION

These parent company only financial statements were authorized for issuance by the Board of Directors on March 21, 2023.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

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

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

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

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

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

New Standards, Interpretations and Amendments	Effective date by IASB
Amendments to IAS 1, ‘Disclosure of accounting policies’	January 1, 2023
Amendments to IAS 8, ‘Definition of accounting estimates’	January 1, 2023
Amendments to IAS 12, ‘Deferred tax related to assets and liabilities arising from a single transaction’	January 1, 2023

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

The parent company only financial statements of the Company have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

(2) Basis of preparation

- A. The parent company only financial statements have been prepared under the historical cost convention.
- B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the FSC (collectively referred herein as the “IFRSs”) requires the use of certain critical accounting estimates. It also requires management to exercise its

judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the parent company only financial statements are disclosed in Note 5, 'critical accounting judgements estimates and key sources of assumption uncertainty'.

(3) Foreign currency translation

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

- A. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.
- B. Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.
- C. All foreign exchange gains and losses based on the nature of those transactions are presented in the parent company only statement of comprehensive income within 'other gains and losses'.

(4) Classification of current and non-current items

- A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:
  - (a) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;
  - (b) Assets held mainly for trading purposes;
  - (c) Assets that are expected to be realised within twelve months from the balance sheet date;
  - (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than 12 months after the balance sheet date.
- B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:
  - (a) Liabilities that are expected to be settled within the normal operating cycle;
  - (b) Liabilities arising mainly from trading activities;
  - (c) Liabilities that are to be settled within 12 months from the balance sheet date;
  - (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(5) Cash equivalents

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

(6) Financial assets at amortised cost

- A. Financial assets at amortised cost are those that meet all of the following criteria:
  - (a) The objective of the Company's business model is achieved by collecting contractual cash flows.
  - (b) The assets' contractual cash flows represent solely payments of principal and interest.
- B. The Company's time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(7) Accounts and notes receivable

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

(8) Impairment of financial assets

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

(9) Derecognition of financial assets

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

(10) Leasing arrangements (lessor) - operating leases

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

(11) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. The item by item approach is used in applying the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(12) Investments accounted for under equity method – subsidiaries

- A. Subsidiaries are all entities controlled by the Company. The Company controls an entity when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.
- B. Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Company are eliminated. The accounting policies of the subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Company.
- C. The Company's share of its subsidiaries' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Company's share of losses in a subsidiary equal or exceeds its interest in the subsidiary, the Company continues to recognise losses proportionate to its ownership.
- D. Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Difference of adjustment of non-controlling interest and fair value of consideration paid or received is recognised in equity.
- E. When the Company loses control of a subsidiary, the Company remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognised in profit or loss. If the Company loses significant influence over the subsidiary, the amounts previously recognised in other comprehensive income in relation to the subsidiary are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of.
- F. Pursuant to the Regulations Governing the Preparation of Financial Reports by Securities Issuers, profit (loss) of the current period and other comprehensive income in the non-consolidated financial statements shall equal to the amount attributable to owners of the parent in the financial statements prepared with basis for consolidation. Owners' equity in the non-consolidated financial statements shall equal to equity attributable to owners of the parent in the financial statements prepared with basis for consolidation.

(13) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.
- B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

- C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Assets	Useful lives
Buildings (including accessory equipment)	8 ~ 50 years
Computer and telecommunication equipment	3 years
Office equipment	5 years
Leasehold assets	5 years

(14) Intangible assets

Computer software is stated at cost and amortised on a straight-line basis over its estimated useful life of 3 years.

(15) Impairment of non-financial assets

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

(16) Borrowings

Borrowings comprise long-term bank borrowings. Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

(17) Notes and accounts payable

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



(18) Derecognition of financial liabilities

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

(19) Employee benefits

A. Short-term employee benefits

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

B. Pensions

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

C. Employees' compensation and directors' and supervisors' remuneration

Employees' compensation and directors' and supervisors' remuneration are recognised as expense and liability, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates.

(20) Income tax

A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.

B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company operate and generate. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

C. Deferred tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the parent company only financial statements. However, the deferred tax is not accounted for an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using

tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.

D. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred tax assets are reassessed.

(21) Share capital

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

(22) Employee share-based payment

For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognised as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. Ultimately, the amount of compensation cost recognised is based on the number of equity instruments that eventually vest.

(23) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are resolved by the Company's shareholders. Cash dividends are recorded as liabilities; stock dividends are recorded as stock dividends to be distributed and are reclassified to ordinary shares on the effective date of new shares issuance.

(24) Revenue recognition

A. The Company provides travel-related services. Revenue from group tours arises from arranging domestic and overseas sightseeing tours for tourists and providing related services such as transportation, food and accommodation and activity planning. Since the group tour service is a package tour, revenue from rendering such service is recognised based on the number of days of services consumed by customers as the Company provides benefits to customers based on the number of days of performance of services. However, revenue from the sales of group tour packages to the same industry is recognised based on the net amount. Revenue from ticket sales arises from agency services for booking tickets for domestic and overseas transportation and tickets for tourist attractions, and applying the immigration visa on behalf of the customers, and the revenue is recognised on a net basis when the services are completed and the amount of revenue and costs can be measured reliably.

B. Some contracts include multiple deliverables, such as purchasing tickets or purchasing self-guided tour, which should be recognised as revenue over time or at a point in time in accordance with the nature of performance obligation after identifying performance obligations and

allocating the transaction price separately. In this case, the transaction price will be allocated to each performance obligation based on the stand alone selling prices. Where these are not directly observable, they are estimated based on expected cost plus margin.

- C. The Company's estimate about revenue, costs and the percentage of inputs of a performance obligation is subject to a revision whenever there is a change in circumstances. Any increase or decrease in revenue or costs due to an estimate revision is reflected in profit or loss during the period when the management becomes aware of the changes in circumstances.

(25) Government grants

Government grants are recognised at their fair value only when there is reasonable assurance that the Company will comply with any conditions attached to the grants and the grants will be received. Government grants are recognised in profit or loss on a systematic basis over the periods in which the Company recognises expenses for the related costs for which the grants are intended to compensate.

5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

As the Company's operating scale and the industry that it belongs to are not complex, the estimation and valuation of carrying amounts of assets and liabilities can be verified objectively. The preparation of these parent company only financial statements requires management to make critical judgements in applying the Company's accounting policies and make critical assumptions and estimates concerning future events. There is no significant risk that these estimates and assumptions would cause a material adjustment to the carrying amount of assets and liabilities within the next financial year.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Cash:		
Cash on hand	\$ 1,650	\$ 1,431
Checking accounts and demand deposits	<u>92,655</u>	<u>39,758</u>
	<u>94,305</u>	<u>41,189</u>
Cash equivalents:		
Time deposit	<u>300,000</u>	<u>-</u>
	<u>\$ 394,305</u>	<u>\$ 41,189</u>

- A. The Company transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.
- B. The time deposits maturing over three months (listed as 'Financial assets at amortised cost - current') both amounted to \$300 as of December 31, 2022 and 2021.
- C. Details of the Company's time deposits pledged to others as collateral as of December 31, 2022 and 2021 are provided in Note 8, 'PLEGDED ASSETS'.

(2) Financial assets at amortised cost

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Current items:		
Time deposits maturing over three months	\$ <u>300</u>	\$ <u>300</u>
Non-current items:		
Restricted bank deposit	\$ <u>89,400</u>	\$ <u>32,600</u>

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

	<u>For the years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Interest income	\$ <u>781</u>	\$ <u>189</u>

B. As of December 31, 2022 and 2021, the Company's financial assets at amortised cost pledged to others as collateral are provided in Note 8, 'PLEGGED ASSETS'.

C. As of December 31, 2022 and 2021, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at amortised cost held by the Company was the carrying amount.

D. The counterparties of the Company's investments in certificates of deposits are financial institutions with high credit quality, so the Company expects that the probability of counterparty default is remote.

(3) Notes and accounts receivable

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Notes receivable	\$ <u>232</u>	\$ <u>-</u>
Accounts receivable (including related parties)	\$ <u>10,882</u>	\$ <u>1,289</u>
Less: Allowance for uncollectible accounts	( <u>378</u> )	( <u>378</u> )
	\$ <u>10,504</u>	\$ <u>911</u>

A. The ageing analysis of notes receivable and accounts receivable (including related parties) is as follows:

	<u>December 31, 2022</u>		<u>December 31, 2021</u>
	<u>Notes receivable</u>	<u>Accounts receivable</u>	<u>Accounts receivable</u>
Up to 30 days	\$ -	\$ 9,714	\$ 731
31 to 90 days	4	414	90
91 to 180 days	228	340	45
Over 181 days	-	414	423
	\$ <u>232</u>	\$ <u>10,882</u>	\$ <u>1,289</u>

The above ageing analysis was based on invoice date.

B. As of December 31, 2022 and 2021, notes receivable and accounts receivable were all from contracts with customers. As of January 1, 2021, the balance of receivables from contracts with

customers amounted to \$1,828.

C. Without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk was the carrying amount.

D. As of December 31, 2022 and 2021, the Company did not hold any collateral as security for notes receivable and accounts receivable.

E. Information relating to credit risk of notes receivable and accounts receivable is provided in Note 12(2), 'Financial instruments'.

(4) Other receivables (including related parties)

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Commission receivable	\$ 6,475	\$ 5,439
Refund tickets receivable	7	72
Others	<u>2,377</u>	<u>681</u>
	8,859	6,192
Less: Allowance for uncollectible accounts	( <u>293</u> )	( <u>323</u> )
	<u>\$ 8,566</u>	<u>\$ 5,869</u>

(5) Inventories

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Merchandise	\$ 627	\$ 635
Less: Allowance for price decline of inventories	( <u>627</u> )	( <u>635</u> )
	<u>\$ -</u>	<u>\$ -</u>

The cost of inventories recognised as expense:

	<u>For the years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Cost of goods sold	\$ 240	\$ 354
Reversal of inventory market price decline (Note)	( <u>8</u> )	<u>-</u>
	<u>\$ 232</u>	<u>\$ 354</u>

(Note) The Company reversed a previous inventory write-down which was accounted for as reduction of cost of goods sold because the inventories which were previously provided with allowance were subsequently sold for the year ended December 31, 2022.

(6) Prepayments

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Prepayments for tours	\$ 3,322	\$ 2,681
Prepayments for airline tickets	7,378	3,061
Prepayments for room reservation	2,217	1,836
Other prepayments	<u>3,400</u>	<u>1,206</u>
	<u>\$ 16,317</u>	<u>\$ 8,784</u>

(7) Investments accounted for under equity method

A. Movements of investments accounted for under equity method:

	For the years ended December 31,	
	2022	2021
At January 1	\$ 4,996	\$ 366
Acquisition of investments accounted for under equity method	12,000	4,500
Unrealised profit from sales	( 2)	( 2)
Share of (loss) income of subsidiaries, associates and joint ventures accounted for under equity method	( 13,109)	132
At December 31	<u>\$ 3,885</u>	<u>\$ 4,996</u>

B. Details of investments accounted for under equity method are as follows:

	December 31, 2022	December 31, 2021
Subsidiaries:		
Star Marketing Co., Ltd. (Note 1)	\$ 1,919	\$ 4,996
Xing Rong Management Consulting Co., Ltd.	1,966	-
	<u>\$ 3,885</u>	<u>\$ 4,996</u>

(Note 1) The subsidiary was formerly known as 'Kai Shi Zi Xun Co., Ltd.' and was renamed as 'Star Marketing Co., Ltd.' in July 2021.

(Note 2) The subsidiary was established in September, 2022.

C. For more information regarding the subsidiaries of the Company, refer to Note 4(3) 'Basis of consolidation' of the 2022 consolidated financial statements.

D. As of December 31, 2022 and 2021, the Company had no investment accounted for under equity method pledged to others.

(8) Property, plant and equipment

	Land	Buildings	Computer and telecommunication equipment	Office equipment	Leasehold assets	Total
<u>January 1, 2022</u>						
Cost	\$ 46,740	\$ 77,298	\$ 7,342	\$ 1,394	\$ 152	\$ 132,926
Accumulated depreciation	-	( 2,675)	( 6,915)	( 996)	-	( 10,586)
	<u>\$ 46,740</u>	<u>\$ 74,623</u>	<u>\$ 427</u>	<u>\$ 398</u>	<u>\$ 152</u>	<u>\$ 122,340</u>
<u>For the year ended December 31, 2022</u>						
At January 1	\$ 46,740	\$ 74,623	\$ 427	\$ 398	\$ 152	\$ 122,340
Additions	-	-	565	-	1,249	1,814
Depreciation	-	( 2,293)	( 384)	( 260)	( 155)	( 3,092)
At December 31	<u>\$ 46,740</u>	<u>\$ 72,330</u>	<u>\$ 608</u>	<u>\$ 138</u>	<u>\$ 1,246</u>	<u>\$ 121,062</u>
<u>December 31, 2022</u>						
Cost	\$ 46,740	\$ 77,298	\$ 7,907	\$ 1,394	\$ 1,401	\$ 134,740
Accumulated depreciation	-	( 4,968)	( 7,299)	( 1,256)	( 155)	( 13,678)
	<u>\$ 46,740</u>	<u>\$ 72,330</u>	<u>\$ 608</u>	<u>\$ 138</u>	<u>\$ 1,246</u>	<u>\$ 121,062</u>

	Land	Buildings	Computer and telecommunication equipment	Office equipment	Leasehold assets	Total
<u>January 1, 2021</u>						
Cost	\$ 46,740	\$ 77,298	\$ 14,863	\$ 1,682	\$ 312	\$ 140,895
Accumulated depreciation	-	( 382)	( 12,248)	( 862)	( 307)	( 13,799)
	<u>\$ 46,740</u>	<u>\$ 76,916</u>	<u>\$ 2,615</u>	<u>\$ 820</u>	<u>\$ 5</u>	<u>\$ 127,096</u>
<u>For the year ended December 31, 2021</u>						
At January 1	\$ 46,740	\$ 76,916	\$ 2,615	\$ 820	\$ 5	\$ 127,096
Additions	-	-	-	-	152	152
Depreciation	-	( 2,293)	( 2,188)	( 305)	( 5)	( 4,791)
Disposals - cost	-	-	( 7,522)	( 288)	( 312)	( 8,122)
- accumulated depreciation	-	-	7,522	171	312	8,005
At December 31	<u>\$ 46,740</u>	<u>\$ 74,623</u>	<u>\$ 427</u>	<u>\$ 398</u>	<u>\$ 152</u>	<u>\$ 122,340</u>
<u>December 31, 2021</u>						
Cost	\$ 46,740	\$ 77,298	\$ 7,342	\$ 1,394	\$ 152	\$ 132,926
Accumulated depreciation	-	( 2,675)	( 6,915)	( 996)	-	( 10,586)
	<u>\$ 46,740</u>	<u>\$ 74,623</u>	<u>\$ 427</u>	<u>\$ 398</u>	<u>\$ 152</u>	<u>\$ 122,340</u>

- A. The Company's property, plant and equipment are all occupied by the owner for operating purpose as of December 31, 2022 and 2021.
- B. No borrowing cost was capitalised as part of property plant and equipment for the years ended December 31, 2022 and 2021.
- C. Information about the property, plant and equipment that were pledged as collateral as of December 31, 2022 and 2021 is provided in the Note 8, 'PLEDGED ASSETS'.



(9) Other payables

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Salaries and bonuses payable	\$ 4,803	\$ 3,393
Refund tickets payable	2,048	337
Labour and health insurance payable	1,742	3,128
Pension payable	1,437	1,580
Others	3,599	1,435
	<u>\$ 13,629</u>	<u>\$ 9,873</u>

(10) Long-term borrowings

<u>Type of borrowings</u>	<u>Borrowing period</u>	<u>Interest rate range</u>	<u>Collateral</u>	<u>December 31, 2022</u>	<u>Note</u>
Secured bank borrowings	2020.10~ 2040.10	1.28% ~ 1.78%	Land and buildings	\$ 91,658	(Note 1)
Less: Current portion				( 4,360)	
				<u>\$ 87,298</u>	
<u>Type of borrowings</u>	<u>Borrowing period</u>	<u>Interest rate range</u>	<u>Collateral</u>	<u>December 31, 2021</u>	<u>Note</u>
Secured bank borrowings	2020.10~ 2040.10	1.28%	Land and buildings	\$ 93,115	(Note 1)
Unsecured bank borrowings	2020.09~ 2027.06	1.845% ~ 2.50%	None	57,531	(Note 2)
				150,646	
Less: Current portion				( 4,330)	
				<u>\$ 146,316</u>	

(Note 1) The principal is payable after a grace period of 18 months, and the interest is repayable monthly.

(Note 2) The original principal grace period is one year, and the principal and interest will be repaid monthly based on the fixed annuity method after the grace period expires. Due to the impact of the Covid-19 epidemic, the Company applied with the bank for an extension of the grace period starting from November 2021. The Company was granted a grace period of 2 years from the date of extension.

Information about interest expenses recognised in profit or loss for the years ended December 31, 2022 and 2021 is provided in Note 6(20), 'Finance costs'.

(11) Pensions

Effective July 1, 2005, the Company has established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of

employment. The pension costs under the defined contribution pension plans of the Company were \$1,980 and \$2,058 for the years ended December 31, 2022 and 2021, respectively.

(12) Share capital

A. Movements in the number of the Company's ordinary shares outstanding are as follows:

(Units: in thousand shares)

	For the years ended December 31,	
	2022	2021
Beginning balance	\$ 34,072	\$ 31,072
Capital reduction to offset against accumulated deficit	( 15,330)	-
Issuance of shares from private placement	50,000	3,000
	<u>\$ 68,742</u>	<u>\$ 34,072</u>

B. To increase the Company's working capital, the stockholders at their special meeting on August 12, 2020 resolved to raise additional cash through private placement, and the Board of Directors on May 6, 2021 adopted a resolution to increase capital by issuing 3,000 thousand shares with subscription price of the shares issued at a discount of \$8 (in dollars) per share through private placement with the effective date set on May 20, 2021, and the difference of \$6,000 between the par value and the subscription price of the shares issued had been adjusted in the accumulated losses. The capital raised through the private placement had been registered. Except for the transferees as prescribed in the Securities and Exchange Act, the aforementioned private placement securities shall not be sold to other parties within a period of three years starting from the date they have been issued. Pursuant to the Securities and Exchange Act, the ordinary shares raised through the private placement are subject to certain transfer restrictions and cannot be listed on the stock exchange until three years after they have been issued and have been offered publicly. Other than these restrictions, the rights and obligations of the ordinary shares raised through the private placement are the same as other issued ordinary shares.

C. The shareholders during the extraordinary general meeting on April 13, 2022 resolved to reduce capital to offset against accumulated deficit. The capital reduction amounted to \$153,300, constituting 15,330 thousand shares with a par value of \$10 (in dollars) per share, at a capital reduction ratio of 44.993%. The capital reduction has been approved by the Securities and Futures Bureau, Financial Supervisory Commission, with the record date set on May 13, 2022. The registration of the capital reduction was completed on June 13, 2022.

D. To increase the Company's working capital, the stockholders at their stockholders' special meeting on April 13, 2022 resolved to raise additional cash through private placement and the Board of Directors resolved to increase capital by issuing 50,000 thousand shares through private placement with a par value of \$10 (in dollars). The effective date was set on August 9, 2022. The capital raised through the private placement had been registered. The securities may not be re-sold to other parties, except for the parties who are in accordance with the R.O.C. Securities and Exchange Act during three full years have elapsed since the delivery date. Pursuant to the

Securities and Exchange Act, the ordinary shares raised through the private placement are subject to certain transfer restrictions and cannot be listed on the stock exchange until three years after they have been issued and have been offered publicly. Other than these restrictions, the rights and obligations of the ordinary shares raised through the private placement are the same as other issued ordinary shares.

E. As of December 31, 2022, the Company's authorised capital was \$1,000,000, and the paid-in capital was \$687,421 (including shares through private placement amounting to \$605,820, and \$4,000 which can be issued as stock option certificates), consisting of 68,742 thousand shares of ordinary stock with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected.

(13) Capital surplus

	For the years ended December 31, 2022			
	Employee stock			Total
	<u>Share premium</u>	<u>options</u>	<u>Others</u>	
At January 1	\$ 22	\$ -	\$ -	\$ 22
Compenstion cost recognised from employee stock options	-	2,090	-	2,090
Issuance of fractional shares from capital reduction	9	-	-	9
Exercising the right of disgorgement	-	-	41	41
At December 31	<u>\$ 31</u>	<u>\$ 2,090</u>	<u>\$ 41</u>	<u>\$ 2,162</u>
	For the years ended December 31, 2021			
	Employee stock			Total
	<u>Share premium</u>	<u>options</u>	<u>Others</u>	
At January 1 and December 31	<u>\$ 22</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22</u>

A. Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Act requires that the amount of capital surplus to be capitalised mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

B. Information about capital surplus-employee share options is provided in Note 6(14), 'Share-based payment-employee compensation'.

(14) Share-based payment-employee compensation

On August 2, 2022, the Company issued compensatory employee stock option plan of 1,617 thousand units, and the subscription price was \$22.55 (in dollars) per share, which shall not be lower than the closing price of the Company's ordinary shares on the issuance date. Employees can

subscribe for 1 share per unit of the stock option. After the issuance of the stock options, if there is any change in the Company's ordinary shares, the subscription price shall be adjusted based on the specific formulas. As of December 31, 2022, the subscription price of employees' stock options has been adjusted to \$12.49 (in dollars). The vesting period of the issued stock options is 4 years. Employees can exercise their subscription rights each year under the regulations governing employee stock options after two years of service from the issuance date. The compensation cost (listed as 'Capital surplus - share options') recognised for the compensatory employee stock option for the year ended December 31, 2022 amounted to \$2,090. There was no such situation for the year ended December 31, 2021.

A. The relevant information on the Company's employee stock option plan is disclosed as follows:

	<u>For the years ended December 31, 2022</u>	
	Quantity (in thousand units)	Weighted-average exercise price (in dollars)
Options outstanding at January 1	-	\$ -
Options granted	1,617	22.55
Options forfeited	(40)	12.49
Options outstanding at December 31	<u>1,577</u>	12.49
Options exercisable at December 31	<u>-</u>	-

B. The fair value of stock options granted is measured using the Black-Scholes option-pricing model. The relevant information is as follows :

	<u>August 2, 2022</u>
Grant date	
Share price	\$ 22.55 (in dollars)
Exercise price	\$ 22.55 (in dollars)
Dividend yield rate	0%
Expected price volatility rate	66.99%
Risk-free interest rate	1%
Expected duration	4.15 years
Fair value per unit (per share)	\$ 11.59 (in dollars)

(15) Accumulated deficit

A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve until the legal reserve equals the paid-in capital. After that, special reserve shall be set aside or reverse in accordance with the related laws or the regulations made by the regulatory authority. The remainder, if any, along with beginning unappropriated earnings and the adjustment of undistributed earnings for the current year, except the amount that shall be maintained for operation needs, shall be proposed to the shareholders for the resolution of appropriation.

- B. The Company's dividend policy is determined in accordance with the Company Act and the Company's Articles of Incorporation, taking into consideration the Company's capital, financial structure, operating condition, earnings and the nature and cycle of the industry to which the Company belongs. Dividends may be distributed in the form of shares or cash taking into account the factors such as the Company's finance, business and operations. However, cash dividends distributed should account for at least 5% of the total dividends distributed for the year.
- C. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.
- D. The shareholders have resolved the deficit compensation for 2021 during the shareholders' meeting on June 28, 2022. Details of the resolution of deficit compensation are provided in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(16) Operating revenue

- A. The Company derives revenue from the group tours over time and revenue from tickets at a point in time as follows:

	<u>For the years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Group tours revenue	\$ 71,427	\$ 30,745
Ticketing revenue	5,916	1,708
Others	<u>1,511</u>	<u>805</u>
	<u>\$ 78,854</u>	<u>\$ 33,258</u>

- B. Contract liabilities:

- (a) The Company has recognised the following revenue-related contract liabilities:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>	<u>January 1, 2021</u>
Contract liabilities – airline tickets for travelers, group tour fees and visa fees	\$ <u>19,452</u>	\$ <u>9,784</u>	\$ <u>6,160</u>

- (b) Revenue recognised for the years ended December 31, 2022 and 2021 that was included in the contract liabilities as of January 1, 2022 and 2021 amounted to \$9,784 and \$357, respectively.

(17) Interest income

	<u>For the years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Bank deposits	\$ <u>1,153</u>	\$ <u>189</u>

(18) Other income

	For the years ended December 31,	
	2022	2021
Human resources income	\$ 6,475	\$ 5,180
Lease revenue	7	79
Government grants income	4,791	10,109
Others	14,923	3,362
	<u>\$ 26,196</u>	<u>\$ 18,730</u>

(19) Other gains and losses

	For the years ended December 31,	
	2022	2021
Net currency exchange gains (losses)	\$ 355	(\$ 462)
Net gains on disposal of property, plant and equipment	-	23
Others	(6)	(180)
	<u>\$ 349</u>	<u>(\$ 619)</u>

(20) Finance costs

	For the years ended December 31,	
	2022	2021
Bank borrowings	\$ 2,789	\$ 2,109

(21) Expenses by nature

	For the years ended December 31, 2022		
	Operating cost	Operating expense	Total
Employee benefit expenses	\$ 472	\$ 39,554	\$ 40,026
Depreciation	-	3,092	3,092
Amortisation	-	138	138
	<u>\$ 472</u>	<u>\$ 42,784</u>	<u>\$ 43,256</u>

	For the years ended December 31, 2021		
	Operating cost	Operating expense	Total
Employee benefit expenses	\$ 308	\$ 45,645	\$ 45,953
Depreciation	-	4,791	4,791
Amortisation	-	399	399
	<u>\$ 308</u>	<u>\$ 50,835</u>	<u>\$ 51,143</u>

(22) Employee benefit expense

	For the years ended December 31, 2022		
	<u>Operating cost</u>	<u>Operating expense</u>	<u>Total</u>
Wages and salaries	\$ 472	\$ 28,750	\$ 29,222
Compensation cost recognised from employee stock options		2,090	2,090
Labor and health insurance expenses	-	3,863	3,863
Pension	-	1,980	1,980
Directors' remuneration	-	1,542	1,542
Other personnel expenses	-	1,329	1,329
	<u>\$ 472</u>	<u>\$ 39,554</u>	<u>\$ 40,026</u>

	For the years ended December 31, 2021		
	<u>Operating cost</u>	<u>Operating expense</u>	<u>Total</u>
Wages and salaries	\$ 308	\$ 36,669	\$ 36,977
Labor and health insurance expenses	-	3,962	3,962
Pension	-	2,058	2,058
Directors' remuneration	-	1,285	1,285
Other personnel expenses	-	1,671	1,671
	<u>\$ 308</u>	<u>\$ 45,645</u>	<u>\$ 45,953</u>

- A. For the years ended December 31, 2022 and 2021, the Company had approximately 66 and 68 employees on average, including 8 and 4 directors, respectively. The employee benefit expenses were \$664 and \$698, while the employee wages and salaries were \$504 and \$578 on average for the years ended December 31, 2022 and 2021, respectively. The average employee wages and salaries for the year ended December 31, 2022 decreased by approximately 12.80% compared to the year ended December 31, 2021. In addition, since the Company has set up the Audit Committee, it had no supervisors' remuneration.
- B. The remuneration policies of the Company's directors, independent directors, managers and employees are described as follows:
- (1) The directors' emoluments include salaries and professional practice fees. The Board of Directors and the compensation committee are authorised to establish the directors' emoluments based on the extent of the directors' participation and value of contribution to the Company in accordance with the Company's Articles of Incorporation. Currently, the Company has established 'Remuneration payment regulations for directors and independent directors' to regulate the assessed amount of directors' remuneration and professional practice fees.
  - (2) The emoluments of the general manager and deputy general manager including salaries and bonuses are determined based on the position held, the responsibilities assumed, the

contribution to the Company, taking into consideration the general market price and terms of employment, which are proposed by the personnel department and then submitted to the remuneration committee for review. Currently, the Company has established ‘Terms of management for remuneration’ and ‘Regulations on payment for managers’ year-end bonus’ to regulate the assessed amount of salaries and year-end bonus for the general manager and deputy general manager.

- (3) The compensation of employees includes salary and bonus. New employees are appointed by the supervisor of the human resources segment by reference to the terms of employment management and submitted to the authorised supervisor for approval. In the future, employees with excellent performance may be reviewed by the segment supervisor for salary adjustment or promotion.
- (4) The Company’s main compensation principles are linked to the responsibilities and performance results, and are positively correlated with operating performance. The payment of compensation is disclosed in accordance with the law. Future risks should be limited.
- C. In accordance with the Articles of Incorporation of the Company, the earnings, if any, shall be distributed as employees’ compensation which shall account for 0.1%~7% of the amount of pre-tax profit before deduction of employees’ compensation less accumulated deficit. Regardless of profit or loss, the Company authorises the Board of Directors to determine the directors’ remuneration based on their participation in the operations of the Company and the value of their contribution to the Company.
- D. The Company did not accrue employees’ compensation due to the loss incurred for the both years ended December 31, 2022 and 2021. Information about employees’ compensation and directors’ and supervisors’ remuneration of the Company as proposed by the Board of Directors and resolved by the stockholders will be posted in the “Market Observation Post System” at the website of the Taiwan Stock Exchange.

(23) Income tax

A. Components of income tax expense (benefit):

	For the years ended December 31,	
	2022	2021
Current tax:		
Prior year income tax under estimation	\$ -	\$ -
Deferred tax:		
Origination and reversal of temporary differences	60	(38)
Income tax expense (benefit)	<u>\$ 60</u>	<u>(\$ 38)</u>

B. Reconciliation between income tax expense (benefit) and accounting loss:



	For the years ended December 31,	
	2022	2021
Tax calculated based on loss before tax and statutory tax rate	(\$ 8,907)	(\$ 8,531)
Effect from tax exempt income by tax regulation	3,171	( 1,991)
Temporary differences not recognised as deferred tax assets	( 1)	( 3)
Taxable loss not recognised as deferred tax assets	5,797	10,487
Income tax expense (benefit)	<u>\$ 60</u>	<u>(\$ 38)</u>

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

	For the years ended December 31, 2022			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Deferred tax assets:				
Temporary differences:				
Allowance for doubtful accounts	\$ 72	\$ 1	\$ -	\$ 73
Unrealised loss on inventory market value decline	127	( 1)	-	126
Unused compensated absences	230	66	-	296
Unrealised exchange loss	150	( 126)	-	24
	<u>\$ 579</u>	<u>(\$ 60)</u>	<u>\$ -</u>	<u>\$ 519</u>

For the years ended December 31, 2021

	Recognised			
	January 1	Recognised in profit or loss	in other comprehensive income	December 31
Deferred tax assets:				
Temporary differences:				
Allowance for doubtful accounts	\$ 72	\$ -	\$ -	\$ 72
Unrealised loss on inventory market value decline	135	( 8)	-	127
Unused compensated absences	277	( 47)	-	230
Unrealised exchange loss	57	93	-	150
	<u>\$ 541</u>	<u>\$ 38</u>	<u>\$ -</u>	<u>\$ 579</u>

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

December 31, 2022				
Year incurred	Amount filed/ assessed	Unused amount	Unrecognised deferred tax assets	Expiry year
2015	\$ 3,232	\$ 3,232	\$ 646	2025
2016	43,252	43,252	8,650	2026
2017	64,305	64,305	12,861	2027
2018	147,074	147,074	29,415	2028
2019	105,782	105,782	21,156	2029
2020	99,274	99,274	19,855	2030
2021	52,424	52,424	10,485	2031
2022	28,985	28,985	5,797	2032
	<u>\$ 544,328</u>	<u>\$ 544,328</u>	<u>\$ 108,865</u>	



(25) Supplemental cash flow information

Investing activities with partial cash payments:

	For the years ended December 31,	
	2022	2021
Acquisition of property, plant and equipment	\$ 1,814	\$ 152
Add: Beginning balance of payable for equipment	152	-
Less: Ending balance of payable for equipment	-	(152)
Cash paid for acquisition of property, plant and equipment	<u>\$ 1,966</u>	<u>\$ -</u>

(26) Changes in liabilities from financing activities

	Long-term borrowings (including current portion)	Guarantee deposits received	Total
At January 1, 2022	\$ 150,646	\$ -	\$ 150,646
Changes in cash flow from financing activities	(58,988)	-	(58,988)
At December 31, 2022	<u>\$ 91,658</u>	<u>\$ -</u>	<u>\$ 91,658</u>

	Long-term borrowings (including current portion)	Guarantee deposits received	Total
At January 1, 2021	\$ 118,350	\$ 50	\$ 118,400
Changes in cash flow from financing activities	32,296	(50)	32,246
At December 31, 2021	<u>\$ 150,646</u>	<u>\$ -</u>	<u>\$ 150,646</u>

## 7. RELATED PARTY TRANSACTIONS

### (1) Names of related parties and relationship

<u>Names of related parties</u>	<u>Relationship with the Company</u>
E-TOP METAL CO., LTD.	Parent company
Star Marketing Co., Ltd. (Note)	Subsidiary
Man-Strong Manpower Mgt.Co., Ltd.	Substantive related party
Argo Yachts Development Co., Ltd.	Substantive related party
Man-Strong Manpower Co., Ltd.	Substantive related party
Li-Fung International Co., Ltd.	Substantive related party
Lohas Ocean Leisure Co., Ltd.	Substantive related party
Sanxing Management Consulting Co., Ltd.	Substantive related party
Juyang International Consulting Co., Ltd.	Substantive related party
Xiyu International Co., Ltd.	Substantive related party
Sidley International Human Resources, Ltd.	Substantive related party
Honggu Human Resources, Ltd.	Substantive related party
World-Union Fortune Company	Substantive related party
Argo Qingwan Ocean Cultural and Creative Co., Ltd.	Substantive related party
TSG Hawks Baseball Co., Ltd.	Substantive related party
Taiwan Steel Group United Co., Ltd.	Substantive related party
TSG Sports Marketing Co., Ltd.	Substantive related party
Chun Yu Works & Co., Ltd.	Substantive related party
OFCO Industrial Corporation	Substantive related party
Chun Zu Machinery Industry Co., Ltd.	Substantive related party
E-Sheng Steel Co., Ltd.	Substantive related party

(Note) The subsidiary was formerly known as ‘Kai Shi Zi Xun Co., Ltd.’ and was renamed as ‘Star Marketing Co., Ltd.’ in July 2021.

### (26) Significant related party transactions

#### A. Operating revenue

	<u>For the year ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Group tour income - fee income:		
Parent company	\$ 29	\$ -
Substantive related parties	4,997	1,157
	<u>\$ 5,026</u>	<u>\$ 1,157</u>

Operating revenue mainly arise from sales of airline tickets and providing travel service to related parties. Transportation prices are determined based on mutual agreement and the collection term is 30 days after monthly billings.

B. Operating cost

	For the years ended December 31,	
	2022	2021
Subsidiaries	\$ 18	\$ 77
Substantive related parties	2,763	2,128
	<u>\$ 2,781</u>	<u>\$ 2,205</u>

Operating costs mainly arise from leasing yachts and purchasing goods from related parties. Transportation prices are determined based on mutual agreement and the payment term is 30 days after monthly billings.

C. Advertisement expense

	For the years ended December 31,	
	2022	2021
Subsidiaries	\$ 4	\$ -
Substantive related parties	198	-
	<u>\$ 202</u>	<u>\$ -</u>

D. Professional service fees

	For the years ended December 31,	
	2022	2021
Substantive related parties	\$ 297	\$ -

E. Other income

	For the years ended December 31,	
	2022	2021
Star Marketing Co., Ltd.	\$ 6,475	\$ 5,180
Substantive related parties	39	5
	<u>\$ 6,514</u>	<u>\$ 5,185</u>

F. Receivables from related parties

	December 31, 2022	December 31, 2021
Notes receivable:		
Substantive related parties	\$ 4	\$ -
Accounts receivable:		
Substantive related parties	\$ 768	\$ 440
Other receivables:		
Star Marketing Co., Ltd.	\$ 6,475	\$ 5,439
Substantive related parties	38	-
	<u>\$ 6,513</u>	<u>\$ 5,439</u>

The receivables from related parties arise mainly from sales transactions. The receivables are unsecured in nature and bear no interest.

G. Prepayments

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Subsidiaries	\$ 16	\$ 33
Argo Yachts Development Co., Ltd.	331	2,216
Substantive related parties	14	13
	<u>\$ 361</u>	<u>\$ 2,262</u>

H. Prepaid expenses

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Subsidiaries	\$ 12	\$ -
Substantive related parties	381	-
	<u>\$ 393</u>	<u>\$ -</u>

I. Payables to related parties

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Accounts payables:		
Subsidiaries	\$ 924	\$ 46
Substantive related parties	379	48
	<u>\$ 1,303</u>	<u>\$ 94</u>

The payables to related parties arise mainly from group tour transactions. The payables bear no interest.

(27) Key management compensation

	<u>For the years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Salaries and other short-term employee benefits	\$ 3,702	\$ 2,825
Compensation cost recognised from employee stock options	707	-
Post-employment benefits	109	170
	<u>\$ 4,518</u>	<u>\$ 2,995</u>

8. PLEDGED ASSETS

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

Pledged asset	Book value		Purpose
	December 31, 2022	December 31, 2021	
Time deposits (Note 1)	\$ 89,400	\$ 32,600	Guarantees for Tourism Bureau, issuance of airline tickets, ticket booking system, Insurance Bureau, and deposits for corporations
Land (Note 2)	46,740	46,740	Short-term and long-term borrowings
Buildings (Note 2)	72,330	74,623	Short-term and long-term borrowings
	<u>\$ 208,470</u>	<u>\$ 153,963</u>	

(Note 1) Listed as 'Financial assets at amortised cost - non-current'.

(Note 2) Listed as 'Property, plant and equipment'.

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

As of December 31, 2022 and 2021, in order to cooperate with airline companies and hotels, the Company commissioned financial institutions to provide comprehensive facilities of \$211,300 and \$172,306, respectively (including performance guarantees and short-term loan facilities), and the actual drawn amount of guarantees was \$164,300 and \$165,306, respectively.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.

12. OTHERS

(1) Capital management

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

(2) Financial instruments

A. Financial instruments by category



	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Financial assets</u>		
Financial assets at amortised cost		
Cash and cash equivalents	\$ 394,305	\$ 41,189
Financial assets at amortised cost - current	300	300
Notes receivable	232	-
Accounts receivable (including related parties)	10,504	911
Other receivables (including related parties)	8,566	5,869
Financial assets at amortised cost - non-current	89,400	32,600
Guarantee deposits paid	9,146	8,718
	<u>\$ 512,453</u>	<u>\$ 89,587</u>

Financial liabilities

Financial liabilities at amortised cost

Notes payable	\$ 8	\$ -
Accounts payable (including related parties)	15,212	5,188
Other payables	13,629	9,873
Long-term borrowings (including current portion)	91,658	150,646
	<u>\$ 120,507</u>	<u>\$ 165,707</u>

B. Financial risk management policies

- (a) The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. To minimize any adverse effects on the financial performance of the Company, derivative financial instruments are used to hedge certain risk.
- (b) Risk management is carried out by Company's treasury department under policies approved by the Board of Directors. Company's treasury department identifies, evaluates and hedges financial risks in close cooperation with the Company's operating units.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

- i. Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. The segments are required to hedge their entire foreign exchange risk exposure with the treasury. The Company's treasury department uses forward foreign exchange contracts to manage the foreign exchange rate risk arises from future commercial transactions and recognised assets and liabilities. Foreign exchange risk arises when future commercial transactions and recognised assets or liabilities are denominated in a currency that is not the Company's functional currency.
- ii. The Company's businesses involve some non-functional currency operations (the Company's functional currency: NTD). The information on assets and liabilities

denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	December 31, 2022		
	Foreign currency amount		
	(in thousands)	Exchange rate	Book value
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 112	30.71	\$ 3,451
JPY:NTD	9,761	0.2324	2,268
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	4	30.71	109
	December 31, 2021		
	Foreign currency amount		
	(in thousands)	Exchange rate	Book value
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 107	27.68	\$ 2,962
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	7	27.68	194

- iii. Sensitivity analysis of foreign exchange risk mainly focuses on the foreign currency monetary items at the end of the financial reporting period. If the exchange rate of NTD to all foreign currencies had appreciated or depreciated by 1% with all other variables held constant, post-tax profit would have increased/decreased by \$45 and \$22 for the years ended December 31, 2022 and 2021, respectively.
- iv. The total exchange gain (loss), including realised and unrealised arising from significant foreign exchange variation on the monetary items held by the Company, amounted to \$355 and (\$462) for the years ended December 31, 2022 and 2021, respectively.

Cash flow and fair value interest rate risk

- i. The Company's main interest rate risk arises from long-term borrowings with variable rates, which expose the Company to cash flow interest rate risk. During 2022 and 2021, the Company's borrowings at variable rate were mainly denominated in New Taiwan dollars.
- ii. The Company's borrowings are measured at amortised cost. The borrowings are periodically contractually repriced and to that extent are also exposed to the risk of future changes in market interest rates.

iii. If the borrowing interest rate of New Taiwan dollars had increased/decreased by 1% or with all other variables held constant, profit, net of tax for the years ended December 31, 2022 and 2021 would have increased/decreased by \$59 and \$18, respectively. The main factor is that changes in interest expense result in floating-rate borrowings.

(b) Credit risk

i. Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties of financial assets on the contract obligations. The main factor is that counterparties could not repay in full the contract cash flows of accounts receivable based on the agreed terms.

ii. The Company manages its credit risk taking into consideration the entire Company's concern. According to the Company's credit policy, the Company is responsible for managing and analysing the credit risk for each of its new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.

iii. The Company applies the modified approach to estimate the expected credit loss on an individual assessment basis.

iv. The Company wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Company will continue executing the recourse procedures to secure their rights.

v. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:

(i) It becomes probable that the issuer will enter bankruptcy or other financial reorganization due to their financial difficulties;

(ii) The disappearance of an active market for that financial asset because of financial difficulties;

(iii) Default or delinquency in interest or principle repayments;

(iv) Adverse changes in national or regional economic conditions that are expected to cause a default.

vi. Movements in relation to the Company applying the modified approach to provide loss allowance for accounts receivable (including related parties) are as follows:

	For the years ended December 31,	
	2022	2021
Beginning and ending balance	\$ 378	\$ 378

vii. The Company individually assesses the impairment loss of other receivables, and movements in related loss allowance are as follows:

	For the years ended December 31,	
	2022	2021
At January 1	\$ 323	\$ 323
Reversal of impairment loss	( 30)	-
At December 31	<u>\$ 293</u>	<u>\$ 323</u>

(c) Liquidity risk

i. Cash flow forecasting is performed in the operating entities of the Company and aggregated by the Company Finance Department. Company's treasury department monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Company does not breach borrowing limits or covenants.

ii. The Company has the following undrawn borrowing facilities:

	December 31, 2022	December 31, 2021
Floating rate:		
Expiring within one year	<u>\$ 47,000</u>	<u>\$ 62,194</u>

iii. The table below analyses the Company's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows:

December 31, 2022	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Non-derivative financial liabilities:				
Notes payable	\$ 8	\$ -	\$ -	\$ -
Accounts payable (including related parties)	15,212	-	-	-
Other payables	13,629	-	-	-
Long-term borrowings (including current portion)	6,063	6,068	18,205	77,878
December 31, 2021	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Non-derivative financial liabilities:				
Accounts payable (including related parties)	\$ 5,188	\$ -	\$ -	\$ -
Other payables	9,873	-	-	-
Long-term borrowings (including current portion)	6,829	38,276	48,454	74,120

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

(3) Fair value information

The carrying amounts of the Company's financial instruments not measured at fair value (including cash and cash equivalents, financial assets at amortised cost - current, notes receivable, accounts receivable, other receivables, financial assets at amortised cost - non-current, guarantee deposits paid, notes payable, accounts payable, other payables and long-term borrowings (including current portion) are approximate to their fair values.

(4) Other information

The significant decline in operating revenue in recent years was due to the impact of the Covid-19 pandemic. As the Tourism Bureau has not yet opened overseas travel for group tours with travel agency, it is not yet possible to estimate when will the Company's operation work normally. The Company will adopt the following operating plans to effectively improve the operating conditions and financial structure, thus, the parent company only financial statement were prepared on a going concern basis.

Operating plans

As the pandemic has entered the phase of coexisting with the virus, the Company's main objective is to increase its profitability while preventing and controlling the epidemic through planning head to implement multiple network channels in the future, deepen the customer engagement through a modular sales model that allows customers to design their own itineraries, strengthen sales to the same industry and encourage more customers from big corporations.

Financial plan

- A. To maintain a stable financial structure, the organisation has been streamlined and adjusted, at the same time, the related operating expenses have been effectively controlled in order to continuously promote the 'Austerity policy'.
- B. Apply for subsidies and loans to meet capital requirements in accordance with the relief packages provided by the government.
- C. The Company's capital raised through the private placement was fully collected in the amount of \$500,000.
- D. The Company's related parties committed to assist the Company in raising capital and provide necessary financial support when the Company's capital is insufficient.

13. SUPPLEMENTARY DISCLOSURES

According to the current regulatory requirements, the Company is only required to disclose the information for the year ended December 31, 2022.

(1) Significant transactions information

- A. Loans to others: None.
- B. Provision of endorsements and guarantees to others: None.

- C. Holding of marketable securities at the end of the period (excluding subsidiaries, associates and joint ventures): None.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital or more: None.
- E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: None.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: None.
- I. Trading in derivative instruments undertaken during the reporting periods: None.
- J. Significant inter-company transactions during the reporting periods: Refer to Note 7, 'Related party transactions'. Details are not disclosed separately due to each individual amount and total amount are immaterial between subsidiaries' transactions.

(2) Information on investees

Names, locations and other information of investee companies (excluding investees in Mainland China): Refer to table 1.

(3) Information on investments in Mainland China

None.

(4) Major shareholders information

Refer to table 2.

14. SEGMENT INFORMATION

Not applicable.

STAR TRAVEL CORP.  
STATEMENT OF CASH AND CASH EQUIVALENTS  
DECEMBER 31, 2022  
 (Expressed in thousands of New Taiwan dollars)

Item	Description	Amount
Cash:		
Cash on hand		\$ 1,650
Checking deposits		2,629
Demand deposits – NTD		88,367
– USD	USD 9 thousand @ 30.71	
– JPY	JPY 5,410 thousand @ 0.2324	
– Other foreign currency		1,659
Cash equivalents		
Time deposits – NTD		<u>300,000</u>
		<u>\$ 394,305</u>

STAR TRAVEL CORP.  
STATEMENT OF ACCOUNTS RECEIVABLE  
DECEMBER 31, 2022  
(Expressed in thousands of New Taiwan dollars)

<u>Client Name</u>	<u>Item</u>	<u>Amount</u>	<u>Note</u>
Taishin International Bank	Accounts receivable	\$ 3,705	—
Client A	"	2,381	—
Taipei Fubon Bank	"	1,449	—
CTBC Bank	"	627	—
Others (individually less than 5%)	"	<u>1,952</u>	—
		10,114	
Less: Allowance for uncollectible accounts		( <u>378</u> )	
		<u>\$ 9,736</u>	



STAR TRAVEL CORP.  
STATEMENT OF PREPAYMENTS  
DECEMBER 31, 2022  
(Expressed in thousands of New Taiwan dollars)

Refer to Note 6(6) for the information related to prepayments.

STAR TRAVEL CORP.  
STATEMENT OF FINANCIAL ASSETS MEASURED AT AMORTIZED COST - NON-CURRENT  
DECEMBER 31, 2022  
 (Expressed in thousands of New Taiwan dollars)

Name	Description	Shares (in thousands)	Par Value	Carrying Amount	Interest Rate	Book Value	Accumulated Impairment	Note
Pledged demand deposit - NTD	Maturity term: 2021.10~2023.10	-	\$ 89,400	\$ 89,400	-	\$ 89,400	-	—

STAR TRAVEL CORP.  
STATEMENT OF CHANGES IN PROPERTY, PLANT AND EQUIPMENT - COST  
FOR THE YEAR ENDED DECEMBER 31, 2022  
(Expressed in thousands of New Taiwan dollars)

Refer to Note 6(8) for the information related to property, plant and equipment.

STAR TRAVEL CORP.  
STATEMENT OF CHANGES IN PROPERTY, PLANT AND EQUIPMENT - ACCUMULATED  
DEPRECIATION  
FOR THE YEAR ENDED DECEMBER 31, 2022  
(Expressed in thousands of New Taiwan dollars)

Refer to Note 6(8) for the information related to property, plant and equipment. For the depreciation methods and the estimated useful lives of property, plant and equipment, refer to Note 4(13).

STAR TRAVEL CORP.  
STATEMENT OF GUARANTEE DEPOSITS PAID  
DECEMBER 31, 2022  
(Expressed in thousands of New Taiwan dollars)

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Billing deposit	—	\$ 3,634	—
Travel platform cooperation deposit	—	2,744	—
United funds for travel quality assurance of Travel Quality Assurance Association	—	1,130	—
Deposit for booking system	—	876	—
Others (individually less than 5%)	—	762	—
		<u>\$ 9,146</u>	

STAR TRAVEL CORP.  
STATEMENT OF CONTRACT LIABILITIES  
DECEMBER 31, 2022  
(Expressed in thousands of New Taiwan dollars)

Refer to Note 6(16) for the information related to operating revenue.

STAR TRAVEL CORP.  
STATEMENT OF ACCOUNTS PAYABLE  
DECEMBER 31, 2022  
 (Expressed in thousands of New Taiwan dollars)

<u>Suppliers Name</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Supplier A	Accounts payable	\$ 6,604	—
Taishin International Bank	"	2,729	—
Supplier B	"	1,273	—
Supplier C	"	767	—
Others (individually less than 5%)	"	2,536	—
		<u>\$ 13,909</u>	

STAR TRAVEL CORP.  
STATEMENT OF OTHER PAYABLES  
DECEMBER 31, 2022  
(Expressed in thousands of New Taiwan dollars)

Refer to Note 6(9) for the information related to other payables.



STAR TRAVEL CORP.  
STATEMENT OF LONG-TERM BORROWINGS  
DECEMBER 31, 2022  
(Expressed in thousands of New Taiwan dollars)

<u>Nature</u>	<u>Description</u>	<u>Ending balance</u>	<u>Contract Period</u>	<u>Range of Interest</u>	<u>Collateral</u>	<u>Note</u>
Land Bank of Taiwan	Secured borrowings	\$ 91,658	2020.10~2040.10	1.28%~1.78%	Note 1	Note 2
Less: Long-tem liabilities, current portion		( 4,360)				
		<u>\$ 87,298</u>				

(Note 1) Property, plant and equipment.

(Note 2) Starting from October 2020, the principal was repayable every one month for four months with a grace period from the fifth month to the 22nd month and the interest is payable monthly.

STAR TRAVEL CORP.  
STATEMENT OF OPERATING REVENUE  
FOR THE YEAR ENDED DECEMBER 31, 2022  
(Expressed in thousands of New Taiwan dollars)

Refer to Note 6(16) for the information related to operating revenue.

STAR TRAVEL CORP.  
STATEMENT OF OPERATING COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2022  
(Expressed in thousands of New Taiwan dollars)

Item	Description	Amount	Note
Operating costs	Group tour and other costs	\$ 63,507	-
Reversal of inventory market price dedine		( 8)	
		<u>\$ 63,499</u>	

STAR TRAVEL CORP.  
STATEMENT OF SELLING EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2022  
 (Expressed in thousands of New Taiwan dollars)

Item	Description	Amount
Wages and salaries	—	\$ 14,326
Advertisement expense	—	3,262
Insurance expense	—	2,014
Commission expenses	—	2,151
Fee expense	—	6,388
Others (individually less than 5%)	—	4,222
		\$ 32,363

STAR TRAVEL CORP.  
STATEMENT OF GENERAL AND ADMINISTRATIVE EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2022  
 (Expressed in thousands of New Taiwan dollars)

Item	Description	Amount
Wages and salaries	—	\$ 20,036
Insurance expenses	—	2,096
Depreciation	—	2,747
Professional service fees	—	7,224
Others (individually less than 5%)	—	7,249
		<u>\$ 39,352</u>

STAR TRAVEL CORP.  
STATEMENT OF INTEREST INCOME  
FOR THE ENDED DECEMBER 31, 2022  
(Expressed in thousands of New Taiwan dollars)

Refer to Note 6(17) for the information related to interest income.

STAR TRAVEL CORP.  
STATEMENT OF OTHER INCOME  
FOR THE YEAR ENDED DECEMBER 31, 2022  
(Expressed in thousands of New Taiwan dollars)

Refer to Note 6(18) for the information related to other income.

STAR TRAVEL CORP.  
STATEMENT OF FINANCIAL COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2022  
(Expressed in thousands of New Taiwan dollars)

Refer to Note 6(20) for the information related to financial costs.



STAR TRAVEL CORP.  
STATEMENT OF SUMMARY OF EMPLOYEE BENEFITS, DEPRECIATION, AND  
AMORTIZATION EXPENSES IN THE CURRENT PERIOD  
FOR THE YEAR ENDED DECEMBER 31, 2022  
(Expressed in thousands of New Taiwan dollars)

Refer to Note 6(21) for the information related to expenses by nature, and Note 6(22) for the information related to employee benefit expense.

Star Travel Co., Ltd.

Information on investees (not including investees in China)

For the year ended December 31, 2022

Table 1

Expressed in thousands of NTD

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2022				Net profit (loss) of the investee for the year ended December 31, 2022	Investment income (loss) recognised by the company for the year ended December 31, 2022	Footnote
				Balance at December 31, 2022	Balance at December 31, 2021	Number of shares	Ownership (%)	Book value				
Star Travel Co., Ltd.	Star Marketing Co., Ltd.	Taiwan	General wholesale and retail	\$ 19,500	\$ 9,500	1,600,000	100	\$ 1,919	(\$ 13,075)	(\$ 13,075)	Subsidiary	
Star Travel Co., Ltd.	Golden Wheel Co., Ltd.	Taiwan	Management consulting	2,000	-	200,000	100	1,966	( 34)	( 34)	Subsidiary	

Star Travel Co., Ltd.

Major shareholders information

December 31, 2022

Table 2

<u>Name of the major shareholder</u>	<u>Number of shares held</u>	
	<u>Common share</u>	<u>Ownership (%)</u>
E-TOP METAL CO., LTD.	47,250,000	68.73%

(Note) The major shareholders' information was derived from the data using the Company issued common shares (including treasury shares) and preferred shares in dematerialised form which were registered and held by the shareholders above 5% on the last operating date of each quarter and was calculated by Taiwan Depository & Clearing Corporation.

The share capital which was recorded on the financial statements may be different from the actual number of shares in dematerialised form due to the difference in the calculation basis.