POWER WIND HEALTH INDUSTRY INCORPORATED
AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
WITH REPORT OF INDEPENDENT ACCOUNTANTS
FOR THE YEARS ENDED
DECEMBER 31, 2022 AND 2021

Address: No. 238, Bo-ai 4th Rd., Zuoying Dist., Kaohsiung City, Taiwan (R.O.C.)

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The reader is advised that these consolidated financial statements have been prepared originally in Chinese. In the event of a conflict between these financial statements and the original Chinese version or difference in interpretation between the two versions, the Chinese language financial statements shall prevail.

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Independent Auditors' Report

To Power Wind Health Industry Incorporated

Opinion

We have audited the accompanying consolidated balance sheets of Power Wind Health Industry Incorporated (the "Company") and its subsidiaries as of December 31, 2022 and 2021, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2022 and 2021, and notes to the consolidated financial statements, including the summary of significant accounting policies (collectively "the consolidated financial statements").

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries as of December 31, 2022 and 2021, and their consolidated financial performance and cash flows for the years ended December 31, 2022 and 2021, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations developed by the International Financial Reporting Interpretations Committee (IFRIC) or the former Standing Interpretations Committee (SIC) as endorsed and became effective by Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company and its subsidiaries in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China (the "Norm"), and we have fulfilled our other ethical responsibilities in accordance with the Norm. 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 2022 consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue Recognition

Net sales recognized by the Company and its subsidiaries amounted to NT$3,606,403 thousand for the year ended December 31, 2022. Due to the large number of fitness center members, the differences in each contract and commitment of rendering services to customers where revenue was recognized when performance obligations were satisfied, which led to complex calculation, we therefore determined revenue recognition a key audit matter.

Our audit procedures included, but not limited to, assessing the appropriateness of the accounting policy and testing the effectiveness of internal controls around revenue recognition, including reviewing contractual provisions and contract amounts, confirming the period for rendering of services and selecting courses to verify the condition of execution. In addition, through performing cut-off testing, reviewing analytical procedures and recalculating etc. to validate appropriateness of revenue recognition, we also assessed the adequacy of disclosures of operating revenue. Please refer to Note 6 to the consolidated financial statements.

Right-of-Use Assets and Lease Liabilities

The Company and its subsidiaries acquired right-of-use for sites of fitness center chains and recreational sports venues by leasing. As the completeness of acquisition of contracts, contract terms and conditions, all relevant facts and circumstances and the discount rate of the lease payments involved management's estimates and assumptions, and the amount of right-of-use assets and lease liabilities increased as business locations increased, we considered this a key audit matter.

Our audit procedures included, but not limited to, testing the effectiveness of internal controls concerning the measurement of right-of-use assets and lease liabilities and reviewing the Company and its subsidiaries' existing lease contracts. We also identified the lease components within contracts and assessed the lease terms and the appropriateness of the discount rate which the lease payments adopted. Furthermore, we consider the appropriateness of disclosing the right-of-use assets and lease liabilities in Note 6 to the consolidated financial statements.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRS, IAS, Interpretations developed by the IFRIC or the former SIC as endorsed by Financial Supervisory Commission of the Republic of China and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the ability to continue as a going concern of the Company and its subsidiaries, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company and its subsidiaries 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 financial reporting process of the Company and its subsidiaries.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Company and its subsidiaries.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability to continue as a going concern of the Company and its subsidiaries. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and its subsidiaries to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the accompanying notes, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company and its subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of 2022 consolidated financial statements and are therefore the key audit matters. We describe these matters in our auditor's 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.

Other

We have audited and expressed an unqualified opinion on the parent company only financial statements of the Company as of and for the years ended December 31, 2022 and 2021.

/s/ Lee, Fang-Wen

/s/ Hung, Kuo-Sen

Ernst & Young, Taiwan

February 21, 2023

Notice to Readers

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

POWER WIND HEALTH INDUSTRY INCORPORATED AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

Assets	Notes	December 31, 2022	%	December 31, 2021	%
Current assets					
Cash and cash equivalents	4,6(1)	$835,544	9	790,408	10
Notes receivable, net	4	244	-	245	-
Accounts receivable, net	4,6(2)	12,635	-	18,272	-
Inventories	4	10,538	-	14,242	-
Prepayments		17,574	-	12,515	-
Other financial assets, current	4,6(3),8	376,240	4	331,257	4
Other current assets		69,723	1	48,190	1
Total current assets		1,322,498	14	1,215,129	15
Non-current assets					
Financial assets at fair value through other comprehensive income, non-current	4,6(4)	20,389	-	25,962	-
Property, plant and equipment	4,6(5),8	3,136,880	34	3,103,845	38
Right-of-use assets	4,6(17),7	4,651,612	50	3,616,283	44
Intangible assets	4,6(6)	48,519	1	30,157	-
Deferred tax assets	4,6(21)	38,903	-	57,916	1
Other non-current assets	4,6(7),7	125,310	1	122,608	2
Total non-current assets		8,021,613	86	6,956,771	85
Total Assets		$9,344,111	100	$8,171,900	100

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

POWER WIND HEALTH INDUSTRY INCORPORATED AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

Liabilities and Equity	Notes	December 31, 2022	%	December 31, 2021	%
Current liabilities					
Contract liabilities	4,6(16)	$685,832	7	$611,762	8
Notes payable		640	-	999	-
Notes payable - related parties	7	437	-	425	-
Accounts payable		1,700	-	559	-
Payables on equipment		129,508	1	68,347	1
Other payables	6(8)	304,410	3	298,729	4
Other payables - related parties	7	515	-	369	-
Current tax liabilities	4,6(21)	140	-	39,243	-
Lease liabilities, current	4,6(17)	531,107	6	446,568	5
Lease liabilities, current - related parties	4,6(17),7	-	-	35,697	-
Current bonds issued and current portion of non-current bonds issued	4,6(10)	383,611	4	-	-
Current portion of long-term liabilities	4,6(11),8	119,555	1	111,836	1
Other current liabilities		2,542	1	3,338	-
Total current liabilities		2,159,997	23	1,617,872	19
Non-current liabilities					
Financial liabilities at fair value through profit or loss, non-current	4,6(9)	435	-	2,463	-
Bonds payable	4,6(10)	-	-	377,230	5
Long-term loans	4,6(11),8	1,020,174	11	1,130,675	14
Provisions, non-current	4,6(13)	71,972	1	56,937	-
Lease liabilities	4,6(17)	4,374,169	47	3,320,304	41
Lease liabilities - related parties	4,6(17),7	-	-	642	-
Other non-current liabilities		6,713	-	880	-
Total non-current liabilities		5,473,463	59	4,889,131	60
Total liabilities		7,633,460	82	6,507,003	79
Equity attributable to the parent company	4,6(14&15)				
Share capital					
Common stock		794,484	8	774,703	10
Share capital awaiting retirement		(50)	-	(150)	-
Total share capital		794,434	8	774,553	10
Capital surplus		888,399	10	796,465	10
Retained earnings					
Legal reserve		88,189	1	214,637	3
Special reserve		13,623	-	29,364	-
Unappropriated earnings (Accumulated losses)		71,010	1	(142,189)	(2)
Total retained earnings		172,822	2	101,812	1
Other components of equity		(152,140)	(2)	(13,623)	-
Treasury shares		(2,801)	-	(2,801)	-
Total equity attributable to the parent company		1,700,714	18	1,656,406	21
Non-controlling interests	4,6(14)	9,937	-	8,491	-
Total equity		1,710,651	18	1,664,897	21
Total liabilities and equity		$9,344,111	100	$8,171,900	100

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

POWER WIND HEALTH INDUSTRY INCORPORATED AND SUBSIDIARIES

CONSOLIDATED 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)

Accounting	Notes	For the years ended December 31			
		2022	%	2021	%
Operating revenues	4,6(16)	$3,606,403	100	$2,605,977	100
Operating costs	4,6(12&15&17&18),7	(2,776,888)	(77)	(2,277,284)	(87)
Gross profit		829,515	23	328,693	13
Operating expenses	4,6(12&15&17&18),7				
Sales and marketing expenses		(61,169)	(2)	(40,984)	(2)
General and administrative expenses		(624,445)	(17)	(480,737)	(18)
Subtotal		(685,614)	(19)	(521,721)	(20)
Operating income (loss)		143,901	4	(193,028)	(7)
Non-operating income and expenses	4,6(19),7				
Interest income		2,751	-	1,445	-
Other income		39,011	1	81,297	3
Other gains and losses		(987)	-	(3,991)	-
Finance costs		(93,066)	(2)	(77,214)	(3)
Subtotal		(52,291)	(1)	1,537	-
Income (loss) from continuing operations before income tax		91,610	3	(191,491)	(7)
Income tax (expense) income	4,6(21)	(19,154)	(1)	48,166	2
Profit (loss) from continuing operations		72,456	2	(143,325)	(5)
Net income (loss)		72,456	2	(143,325)	(5)
Other comprehensive (loss)					
Items that will not be reclassified to profit or loss					
Unrealized (losses) on investments in equity instruments measured at fair value through other comprehensive income	6(20)	(5,573)	-	-	-
Total other comprehensive (loss), net of tax		(5,573)	-	-	-
Total comprehensive income (loss)		$66,883	2	$(143,325)	(5)
Net income (loss) attributable to:					
Stockholders of the parent		$71,010	2	$(142,323)	(5)
Non-controlling interests		1,446	-	(1,002)	-
		$72,456	2	$(143,325)	(5)
Comprehensive income attributable to:					
Stockholders of the parent		$65,437	2	$(142,323)	(5)
Non-controlling interests		1,446	-	(1,002)	-
		$66,883	2	$(143,325)	(5)
Earnings (loss) per share (NTD)	6(22)				
Earnings (loss) per share - Basic		$0.95		$(1.91)	
Earnings (loss) per share - Diluted		$0.94		$(1.91)	

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese
POWER WIND HEALTH INDUSTRY INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the years ended December 31, 2022 and 2021
(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to the parent company											
				Retained earnings			Other components of equity					
Accounting	Common stock	Share capital awaiting retirement	Capital surplus	Legal reserve	Special reserve	(Accumulated losses) Unappropriated earnings	Unrealized (losses) on financial assets measured at fair value through other comprehensive income	Unearned rewards for employees	Treasury shares	Total	Non-controlling interests	Total equity
Balance as of January 1, 2021	$737,343	$(138)	$775,971	$174,623	$64,682	$400,135	$(7,583)	$(21,781)	$-	$2,123,252	$16,320	$2,139,572
Appropriation and distribution of 2020 retained earnings:												
Legal reserve	-	-	-	40,014	-	(40,014)	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	(358,579)	-	-	-	(358,579)	-	(358,579)
Stock dividends	36,860	-	-	-	-	(36,860)	-	-	-	-	-	-
Reversal of special reserve	-	-	-	-	(35,318)	35,318	-	-	-	-	-	-
Other changes in capital surplus												
Due to recognition of equity component of convertible bonds issued	-	-	11,551	-	-	-	-	-	-	11,551	-	11,551
Net (loss) for the year ended December 31, 2021	-	-	-	-	-	(142,323)	-	-	-	(142,323)	(1,002)	(143,325)
Other comprehensive (loss) for the year ended December 31, 2021	-	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive (loss)	-	-	-	-	-	(142,323)	-	-	-	(142,323)	(1,002)	(143,325)
Conversion of convertible bonds	-	-	9,183	-	-	-	-	-	-	9,183	-	9,183
Conversion of certificates of bonds to share	688	-	-	-	-	-	-	-	-	688	-	688
Purchase of treasury shares	-	-	-	-	-	-	-	-	(2,801)	(2,801)	-	(2,801)
Share-based payment transactions	(188)	(12)	(240)	-	-	134	-	15,741	-	15,435	-	15,435
Change in non-controlling interests	-	-	-	-	-	-	-	-	-	-	(6,827)	(6,827)
Balance as of December 31, 2021	$774,703	$(150)	$796,465	$214,637	$29,364	$(142,189)	$(7,583)	$(6,040)	$(2,801)	$1,656,406	$8,491	$1,664,897
Balance as of January 1, 2022	$774,703	$(150)	$796,465	$214,637	$29,364	$(142,189)	$(7,583)	$(6,040)	$(2,801)	$1,656,406	$8,491	$1,664,897
Appropriation and distribution of 2021 retained earnings:												
Legal reserve used to offset losses	-	-	-	(126,448)	-	126,448	-	-	-	-	-	-
Reversal of special reserve	-	-	-	-	(15,741)	15,741	-	-	-	-	-	-
Other changes in capital surplus												
Cash dividends from capital surplus	-	-	(100,000)	-	-	-	-	-	-	(100,000)	-	(100,000)
Other changes in capital surplus	-	-	1	-	-	-	-	-	-	1	-	1
Net income for the year ended December 31, 2022	-	-	-	-	-	71,010	-	-	-	71,010	1,446	72,456
Other comprehensive (loss) for the year ended December 31, 2022	-	-	-	-	-	-	(5,573)	-	-	(5,573)	-	(5,573)
Total comprehensive income (loss)	-	-	-	-	-	71,010	(5,573)	-	-	65,437	1,446	66,883
Share-based payment transactions	19,781	100	191,933	-	-	-	-	(132,944)	-	78,870	-	78,870
Balance as of December 31, 2022	$794,484	$(50)	$888,399	$88,189	$13,623	$71,010	$(13,156)	$(138,984)	$(2,801)	$1,700,714	$9,937	$1,710,651

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

POWER WIND HEALTH INDUSTRY INCORPORATED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

Accounting	For the years ended December 31	
	2022	2021
Cash flows from operating activities:		
Net income (loss) before tax	$91,610	$(191,491)
Adjustments to reconcile net income before tax to net cash provided by operating activities:		
Depreciation	1,002,857	915,940
Amortization	7,039	1,637
Net (gain) on financial assets and liabilities at fair value through profit or loss	(2,028)	(87)
Interest expense	93,066	77,214
Interest income	(2,751)	(1,445)
Compensation costs of share-based payment transaction	19,169	15,741
(Gain) on disposal and abandonment of property, plant and equipment	(28)	(69)
Property, plant and equipment transferred to expenses	355	6
Others	(688)	(15,580)
Changes in operating assets and liabilities:		
Decrease (Increase) in notes receivable	1	(245)
Decrease (Increase) in accounts receivable	5,637	(10,058)
Decrease (Increase) in inventories	3,704	(7,931)
(Increase) Decrease in prepayments	(5,059)	1,340
(Increase) in other current assets	(13,917)	(33,473)
(Increase) in other financial assets	(52,571)	(36,949)
Increase in contract liabilities	74,070	112,229
(Decrease) Increase in notes payable	(359)	599
Increase in notes payable - related parties	12	6
Increase (Decrease) in accounts payable	1,141	(308)
Increase (Decrease) in other payables	4,781	(9,056)
Increase (Decrease) in other payables - related parties	146	(51)
(Decrease) in provisions	(651)	-
(Decrease) Increase in other current liabilities	(796)	771
(Decrease) in other operating liabilities	(178)	-
Cash generated from operations	1,224,562	818,740
Interest received	2,751	1,445
Income tax paid	(39,272)	(42)
Net cash provided by operating activities	1,188,041	820,143
Cash flows from investing activities:		
Acquisition of property, plant and equipment	(460,751)	(720,809)
Proceeds from disposal of property, plant and equipment	118	132
Acquisition of intangible assets	(16,641)	(11,223)
Increase in other non-current assets	(2,702)	(11,230)
Net cash (used in) investing activities	(479,976)	(743,130)
Cash flows from financing activities:		
Proceeds from bonds issued	-	400,000
Proceeds from long-term loans	62,200	712,307
Repayments of long-term loans	(164,982)	(260,017)
Cash payments for the principal portion of lease liabilities	(505,426)	(419,860)
Increase in other non-current liabilities	105	420
Cash dividends	(99,999)	(358,579)
Payments to acquire treasury shares	-	(2,801)
Interest paid	(14,528)	(9,384)
Change in non-controlling interests	-	(6,827)
Others	59,701	(306)
Net cash (used in) provided by financing activities	(662,929)	54,953
Net increase in cash and cash equivalents	45,136	131,966
Cash and cash equivalents at beginning of period	790,408	658,442
Cash and cash equivalents at end of period	$835,544	$790,408

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

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

1. HISTORY OF ORGANIZATION

POWER WIND HEALTH INDUSTRY INCORPORATED ("the Company") was incorporated in Republic of China (R.O.C.) on October 4, 2005. The main activities are the business of membership-based fitness center chains, recreational sports venues and other sports services. The Company's common stocks were publicly listed on the Taipei Exchange (TPEx) on March 10, 2016 and started to list on the Taiwan Stock Exchange Corporation (TWSE) on March 15, 2019. The Company's registered office and the main administration departments are at No.238, Bo-ai 4th Rd., Zuoying Dist., Kaohsiung City, Taiwan (R.O.C.).

2. DATE AND PROCEDURES OF AUTHORIZATION OF FINANCIAL STATEMENTS FOR ISSUE

The consolidated financial statements of the Company and subsidiaries ("the Group") for the years ended December 31, 2022 and 2021 were authorized for issue by the Board of Directors on February 21, 2023.

3. NEWLY ISSUED OR REVISED STANDARDS AND INTERPRETATIONS

(1) Changes in accounting policies resulting from applying for the first time certain standards

The Group applied International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), and Interpretations issued, revised or amended which are recognized by the Financial Supervisory Commission (FSC) and became effective for annual periods beginning on or after January 1, 2022. The nature and the impact of each new standard and amendment have no material effect on the Group.

(2) Standards or Interpretations issued, revised or amended, by the International Accounting Standards Board (IASB) which are endorsed by the FSC, but not yet adopted by the Group as at the date of issuance of the Group's financial statements are listed below.

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by the IASB
A	Disclosure Initiative - Accounting Policies (Amendments to IAS 1)	January 1, 2023
B	Definition of Accounting Estimates (Amendments to IAS 8)	January 1, 2023
C	Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)	January 1, 2023

A. Disclosure Initiative - Accounting Policies (Amendments to IAS 1)

The amendments improve accounting policy disclosures to provide more useful information to investors and other primary users of the financial statements.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

B. Definition of Accounting Estimates (Amendments to IAS 8)

The amendments introduce the definition of accounting estimates and include other amendments to *IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors"* to help companies distinguish changes in accounting estimates from changes in accounting policies.

C. Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)

The amendments narrow the scope of the recognition exemption in paragraphs 15 and 24 of *IAS 12 "Income Taxes"* so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

The abovementioned new, revised, and amended standards and interpretations were issued by the IASB and endorsed by the FSC so that they are applicable for annual periods beginning on or after January 1, 2023. As the Group is currently determining the potential impact of the standards and interpretations, all other standards and interpretations have no material impact on the Group.

(3) Standards or interpretations issued, revised or amended, by the IASB which are not endorsed by the FSC, but not yet adopted by the Group as at the date of issuance of the Group's financial statements are listed below.

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by the IASB
A	IFRS 10 "Consolidated Financial Statements" and amendments to IAS 28 "Investments in Associates and Joint Ventures" - Sale or Contribution of Assets between an Investor and its Associates or Joint Ventures	To be determined by the IASB
B	IFRS 17 "Insurance Contracts"	January 1, 2023
C	Classification of Liabilities as Current or Non-current (Amendments to IAS 1)	January 1, 2024
D	Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)	January 1, 2024
E	Non-current Liabilities with Covenants (Amendments to IAS 1)	January 1, 2024

A. *IFRS 10 "Consolidated Financial Statements"* and amendments to *IAS 28 "Investments in Associates and Joint Ventures"* - Sale or Contribution of Assets between an Investor and its Associates or Joint Ventures

The amendments address the inconsistency between the requirements in *IFRS 10 "Consolidated Financial Statements"* and *IAS 28 "Investments in Associates and Joint Ventures,"* in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture. IAS 28 restricts gains and losses arising from contributions of non-monetary assets to an associate or a joint venture to the extent of the interest attributable to the other equity holders in the associates or joint ventures. IFRS 10 requires full profit or loss recognition on the loss of control of the subsidiary. IAS 28 was amended so that the gain or loss resulting from the sale or contribution of assets that constitute a business as defined in IFRS 3 between an investor and its associates or joint ventures are recognized in full.

IFRS 10 was also amended so that the gains or losses resulting from the sale or contribution of a subsidiary that does not constitute a business as defined in IFRS 3 between an investor and its associates or joint ventures are recognized only to the extent of the unrelated investors' interests in the associates or joint ventures.

B. *IFRS 17 "Insurance Contracts"*

IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects (including recognition, measurement, presentation and disclosure requirements). The core of IFRS 17 is the General (building block) Model, under this model, on initial recognition, an entity shall measure a group of insurance contracts at the total of the fulfilment cash flows and the contractual service margin. The carrying amount of a group of insurance contracts at the end of each reporting period shall be the sum of the liability for remaining coverage and the liability for incurred claims.

Other than the General Model, the standard also provides a specific adaptation for contracts with direct participation features (the Variable Fee Approach) and a simplified approach (Premium Allocation Approach) mainly for short-duration contracts.

IFRS 17 was issued in May 2017 and it was amended in 2020 and 2021. The amendments include deferral of the date of initial application of IFRS 17 by two years to annual beginning on or after January 1, 2023 (from the original effective date of January 1, 2021); provide additional transition reliefs; simplify some requirements to reduce the costs of applying IFRS 17 and revise some requirements to make the results easier to explain. IFRS 17 replaces an interim Standard – *IFRS 4 "Insurance Contracts"* – from annual reporting periods beginning on or after January 1, 2023.

C. Classification of Liabilities as Current or Non-current (Amendments to IAS 1)

These are the amendments to paragraphs 69～76 of *IAS 1"Presentation of Financial Statements"*and the amended paragraphs related to the classification of liabilities as current or non-current.

D. Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)

The amendments add seller-lessees additional requirements for the sale and leaseback transactions in *IFRS 16 "Leases,"* thereby supporting the consistent application of the standard.

E. Non-current Liabilities with Covenants (Amendments to IAS 1)

The amendments improved the information companies provide about long-term debt with covenants. The amendments specify that covenants to be complied within twelve months after the reporting period do not affect the classification of debt as current or non-current at the end of the reporting period.

The abovementioned standards and interpretations issued by the IASB have not yet endorsed by the FSC, and the actual effective dates are to be determined by the FSC. As the Group is currently determining the potential impact of the standards and interpretations, all other standards and interpretations have no material impact on the Group.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Statement of compliance

The consolidated financial statements of the Group for the years ended December 31, 2022 and 2021 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (“the Regulations”), IFRSs, IASs, IFRIC and SIC, which are endorsed by the FSC.

(2) Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis, except for financial instruments that have been measured at fair value. The consolidated financial statements are expressed in thousands of New Taiwan Dollars (“NT$”) unless otherwise specified.

(3) Basis of consolidation

Preparation principle of consolidated financial statements

Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Company controls an investee if and only if the Company has:

A. power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
B. exposure, or rights, to variable returns from its involvement with the investee
C. the ability to use its power over the investee to affect its returns

When the Company directly or indirectly has less than a majority of the voting or similar rights of an investee, the Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

A. the contractual arrangement with the other vote holders of the investee
B. rights arising from other contractual arrangements
C. voting rights and potential voting rights

The Company re-assesses whether or not it still controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Subsidiaries are fully consolidated from the acquisition date, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using uniform accounting policies. All intra-group balances, income and expenses, unrealized gains and losses and dividends resulting from intra-group transactions are eliminated in full.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction.

Total comprehensive income of the subsidiaries is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

If the Company loses control of a subsidiary, it:

A. derecognizes the assets (including goodwill) and liabilities of the subsidiary;
B. derecognizes the carrying amount of any non-controlling interest;
C. recognizes the fair value of the consideration received;
D. recognizes the fair value of any investment retained;
E. recognizes any surplus or losses in profit or loss; and
F. recognizes the parent's share of components previously recognized in other comprehensive income to profit or loss.

The consolidated entities are listed as follows:

			Percentage of Ownership	
Investor	Subsidiary	Business nature	Dec. 31, 2022	Dec. 31, 2021
The Company	Bo Xin Health Industry Incorporated	Engaged in the business of recreational sports and fitness center and other sports services	60.00%	60.00%

(4) Current and non-current distinction

An asset is classified as current when:

A. The Group expects to realize the asset, or intends to sell or consume it in its normal operating cycle.
B. The Group holds the asset primarily for the purpose of trading.
C. The Group expects to realize the asset within twelve months after the reporting period.
D. The asset is cash or cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when:

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

All other liabilities are classified as non-current.

(5) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and short-term, highly liquid time deposits or investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(6) Financial instruments

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities within the scope of *IFRS 9 "Financial Instruments"* are recognized initially at fair value plus or minus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

A. Financial assets: recognition and measurement

The Group accounts for regular way purchase or sales of financial assets on the trade date.

The Group classifies financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss considering both factors below:

a. the Group's business model for managing the financial assets and
b. the contractual cash flow characteristics of the financial assets.

Financial assets at amortized cost

A financial asset is measured at amortized cost if both of the following conditions are met and presented as notes receivable, accounts receivable, financial assets at amortized cost and other receivables, etc., on balance sheet as at the reporting date:

a. the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and
b. the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Such financial assets are subsequently measured at amortized cost (the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount and adjusted for any loss allowance) and are not part of a hedging relationship. A gain or loss is recognized in profit or loss when the financial asset is derecognized, through the amortization process or in order to recognize the impairment gains or losses.

Interest revenue which is calculated by using the effective interest method is recognized in profit or loss. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

a. purchased or originated credit-impaired financial assets. For those financial assets, the Group applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
b. financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Group applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

Financial assets at fair value through other comprehensive income

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:

a. the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and
b. the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Recognition of gain or loss on a financial asset measured at fair value through other comprehensive income are described below:

a. A gain or loss on a financial asset measured at fair value through other comprehensive income recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognized or reclassified.
b. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.
c. Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:
   i. Purchased or originated credit-impaired financial assets. For those financial assets, the Group applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
   ii. Financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Group applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

Besides, for certain equity instruments within the scope of IFRS 9 that is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 applies, the Group made an irrevocable election to present the changes of the fair value in other comprehensive income at initial recognition. Amounts presented in other comprehensive income shall not be subsequently transferred to profit or loss (when disposal of such equity instruments, its cumulated amount included in other components of equity is transferred directly to the retained earnings) and these investments should be presented as financial assets at fair value through other comprehensive income on the balance sheet. Dividends on such investments are recognized in profit or loss unless the dividends clearly represent a recovery of part of the cost of investments.

<u>Financial assets at fair value through profit or loss</u>

Financial assets are classified as measured at amortized cost or measured at fair value through other comprehensive income based on aforementioned criteria. All other financial assets are measured at fair value through profit or loss and presented on the balance sheet as financial assets at fair value through profit or loss.

Such financial assets are measured at fair value, the gains or losses resulting from remeasurement are recognized in profit or loss which includes any dividend or interest received on such financial assets.

B. Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses on investments in debt instruments measured at fair value through other comprehensive income and financial assets at amortized cost. The loss allowance on investments in debt instruments measured at fair value through other comprehensive income is recognized in other comprehensive income and not reduce the carrying amount in the balance sheet.

The Group measures expected credit losses of a financial instrument in a way that reflects:

a. an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes
b. the time value of money
c. reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions

The loss allowance is measured as follow:

a. At an amount equal to twelve-month expected credit losses: the credit risk on a financial asset has not increased significantly since initial recognition or the financial asset is determined to have low credit risk at the reporting date. In addition, the Group measures the loss allowance at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date that the credit risk on a financial asset has increased significantly since initial recognition is no longer met.
b. At an amount equal to the lifetime expected credit losses: the credit risk on a financial asset has increased significantly since initial recognition or financial asset that is purchased or originated credit-impaired financial asset.
c. For accounts receivable or contract assets arising from transactions within the scope of IFRS 15, the Group measures the loss allowance at an amount equal to lifetime expected credit losses.
d. For lease receivables arising from transactions within the scope of IFRS 16, the Group measures the loss allowance at an amount equal to lifetime expected credit losses.

At each reporting date, the Group needs to assess whether the credit risk on a financial asset has increased significantly since initial recognition by comparing the risk of a default occurring at the reporting date and the risk of default occurring at initial recognition. Please refer to Note 12 for further details on credit risk.

C. Derecognition of financial assets

A financial asset is derecognized when:

a. the rights to receive cash flows from the financial asset have expired.
b. the Group has transferred the financial asset and substantially all the risks and rewards of the asset have been transferred.
c. the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the consideration received or receivable including any cumulative gain or loss that had been recognized in other comprehensive income, is recognized in profit or loss.

D. Financial liabilities and equity instruments

Classification between liabilities or equity

The Group classifies the instrument issued as a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. The transaction costs of an equity transaction are accounted for as a deduction from equity (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

Compound instruments

The Group evaluates the terms of the convertible bonds issued to determine whether it contains both a liability and an equity component. Furthermore, the Group assesses if the economic characteristics and risks of the put and call options contained in the convertible bonds are closely related to the economic characteristics and risk of the host contract before separating the equity element.

For the liability component excluding the derivatives, its fair value is determined based on the rate of interest applied at that time by the market to instruments of comparable credit status. The liability component is classified as a financial liability measured at amortized cost before the instrument is converted or settled. For the embedded derivative that is not closely related to the host contract (for example, if the exercise price of the embedded call or put option is not approximately equal on each exercise date to the amortized cost of the host debt instrument), it is classified as a liability component and subsequently measured at fair value through profit or loss unless it qualifies for an equity component. The equity component is assigned the residual amount after deducting from the fair value of the instrument as a whole the amount separately determined for the liability component. Its carrying amount is not remeasured in the subsequent accounting periods. If the convertible bond issued does not have an equity component, it is accounted for as a hybrid instrument in accordance with the requirements under IFRS 9.

Transaction costs are apportioned between the liability and equity components of the convertible bond based on the allocation of proceeds to the liability and equity components when the instruments are initially recognized.

On conversion of a convertible bond before maturity, the carrying amount of the liability component being the amortized cost at the date of conversion is transferred to equity.

<u>Financial liabilities</u>

Financial liabilities within the scope of IFRS 9 are classified as financial liabilities at fair value through profit or loss or financial liabilities at amortized cost upon initial recognition.

<u>Financial liabilities at fair value through profit or loss</u>

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated at fair value through profit or loss.

A financial liability is classified as held for trading if:

a. it is acquired or incurred principally for the purpose of selling it in the near term;
b. on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
c. it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

If a contract contains one or more embedded derivatives, the entire hybrid (combined) contract may be designated as a financial liability at fair value through profit or loss; or a financial liability may be designated at fair value through profit or loss when doing so results in more relevant information, because either:

a. it eliminates or significantly reduces a measurement or recognition inconsistency; or
b. a group of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the Group is provided internally on that basis to the key management personnel.

Gains or losses on the subsequent measurement of financial liabilities at fair value through profit or loss including interest paid are recognized in profit or loss.

<u>Financial liabilities at amortized cost</u>

Financial liabilities at amortized cost include payables and borrowings that are subsequently measured using the effective interest rate method after initial recognition. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and transaction costs.

<u>Derecognition of financial liabilities</u>

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified (whether or not attributable to the financial difficulty of the debtor), such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference between the respective carrying amounts and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

E. Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

(7) Derivative instrument

The Group uses derivative instruments to hedge its foreign currency risks and interest rate risks. A derivative is classified in the balance sheet as financial assets or liabilities at fair value through profit or loss except for derivatives that are designated as and effective hedging instruments which are classified as financial assets or liabilities for hedging.

Derivative instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. The changes in fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow and the Group’s net investments in foreign subsidiaries hedges, which is recognized in either profit or loss or equity according to types of hedges used.

When the host contracts are either non-financial assets or liabilities, derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not designated at fair value though profit or loss.

(8) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

A. In the principal market for the asset or liability, or
B. In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant’s ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

(9) Inventories

Inventories are valued at lower of cost and net realizable value item by item.

Costs incurred in bringing each inventory to its present location and condition are accounted for as follows:
Goods - Purchase cost on a first in, first out basis.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Rendering of services is accounted in accordance with IFRS 15 and not within the scope of inventories.

(10) Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of dismantling and removing the item and restoring the site on which it is located and borrowing costs for construction in progress if the recognition criteria are met. 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 is depreciated separately. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognized such parts as individual assets with specific useful lives and depreciation, respectively. The carrying amount of those parts that are replaced is derecognized in accordance with the derecognition provisions of *IAS 16 "Property, Plant and Equipment."* When a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

Class of assets	Useful lives
Buildings	5～60 years
Business facilities	3～16 years
Leasehold improvements	3～15 years
Other equipment	3～12 years

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising from derecognition of the asset is recognized in profit or loss.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

(11) Leases

The Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Group assesses throughout the period of use whether the Group has both of the following:

A. the right to obtain substantially all of the economic benefits from use of the identified asset
B. the right to direct the use of the identified asset

For a contract that is, or contains, a lease, the Group accounts for each lease component within the contract as a lease separately from non-lease components of the contract. For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. The relative stand-alone price of lease and non-lease components shall be determined on the basis of the price the lessor, or a similar supplier, would charge the Group for that component, or a similar component, separately. If an observable stand-alone price is not readily available, the Group estimates the stand-alone price, maximising the use of observable information.

<u>Group as a lessee</u>

Except for leases that meet and elect short-term leases or leases of low-value assets, the Group recognizes right-of-use asset and lease liability for all leases which the Group is the lessee of those lease contracts.

At the commencement date, the Group measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses its incremental borrowing rate. At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

A. fixed payments (including in-substance fixed payments), less any lease incentives receivable
B. variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date
C. amounts expected to be paid by the lessee under residual value guarantees
D. the exercise price of a purchase option if the Group is reasonably certain to exercise that option
E. payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease

After the commencement date, the Group measures the lease liability on an amortized cost basis, which increases the carrying amount to reflect interest on the lease liability by using an effective interest method; and reduces the carrying amount to reflect the lease payments made.

At the commencement date, the Group measures the right-of-use asset at cost. The cost of the right-of-use asset comprises:

A. the amount of the initial measurement of the lease liability
B. any lease payments made at or before the commencement date, less any lease incentives received
C. any initial direct costs incurred by the lessee
D. asset, restoring the site on which it is located or restoring the underlying asset tan estimate of costs to be incurred by the lessee in dismantling and removing the underlying the condition required by the terms and conditions of the lease

For subsequent measurement of the right-of-use asset, the Group measures the right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses. That is, the Group measures the right-of-use asset by applying a cost model.

If the lease transfers ownership of the underlying asset to the Group by the end of the lease term or if the cost of the right-of-use asset reflects that the Group will exercise a purchase option, the Group depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Group depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The Group applies *IAS 36 "Impairment of Assets"* to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

Except for those leases that the Group accounted for as short-term leases or leases of low-value assets, the Group presents right-of-use assets and lease liabilities in the balance sheet and separately presents lease-related interest expense and depreciation charge in the statements of comprehensive income.

For short-term leases or leases of low-value assets, the Group elects to recognize the lease payments associated with those leases as an expense on either a straight-line basis over the lease term or another systematic basis.

For the rent concession arising as a direct consequence of the Covid-19 pandemic, the Group elected not to assess whether it is a lease modification but accounted it as a variable lease payment. The Group has applied the practical expedient to all rent concessions that met the conditions for it.

Group as a lessor

At inception of a contract, the Group classifies each of its leases as either an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset. At the commencement date, the Group recognizes assets held under a finance lease in its balance sheet and presents them as a receivable at an amount equal to the net investment in the lease.

For a contract that contains lease components and non-lease components, the Group allocates the consideration in the contract applying IFRS 15.

The Group recognizes lease payments from operating leases as rental income on either a straight-line basis or another systematic basis. Variable lease payments for operating leases that do not depend on an index or a rate are recognized as rental income when incurred.

(12) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in profit or loss for the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at the end of each financial year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

A summary of the policies applied to the Group's intangible assets is as follows:

	Computer software
Useful lives	Finite (5～10 years)
Amortization method used	Amortized on a straight-line basis
Internally generated or externally acquired	Externally acquired

Franchise

Franchises are granted for periods ranging between 4 and 8 years and may be renewed at little or no cost to the Group.

(13) Impairment of non-financial assets

The Group assesses at the end of each reporting period whether there is any indication that an asset in the scope of *IAS 36 "Impairment of Assets"* may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been an increase in the estimated service potential of an asset which in turn increases the recoverable amount. However, the reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

An impairment loss of continuing operations or a reversal of such impairment loss is recognized in profit or loss.

(14) Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probably that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Provision for decommissioning, restoration and rehabilitation costs

The provision for decommissioning, restoration and rehabilitation costs arose from construction of a property, plant and equipment. Decommissioning costs are provided at the present value of expected costs to settle the obligation using estimated cash flows and are recognized as part of the cost of that particular asset. The cash flows are discounted at a current pre-tax rate that reflects the risks specific to the decommissioning liability. The unwinding of the discount is expensed as incurred and recognized as a finance cost. The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. Changes in the estimated future costs or in the discount rate applied are added to or deducted from the cost of the asset.

(15) Treasury shares

Own equity instruments (treasury shares) which are reacquired on market are recognized at cost and deducted from equity. Any difference between the carrying amount and the consideration is recognized in equity.

(16) Revenue recognition

The Group’s revenue arising from contracts with customers mainly includes sale of goods and rendering of services. The accounting policies for the Group’s types of revenue are explained as follows:

Sale of goods

The Group sells merchandise. Sales are recognized when goods have been delivered to customers and customers have obtained the control.

Rendering of services

The Group provides sports training and other services. Such services are separately priced or negotiated, and provided based on contract periods. As the Group provides the sports training and other services over the contract period, the customers simultaneously receive and consume the benefits provided by the Group. Accordingly, commitment of rendering services to customers where revenue is recognized when performance obligations are satisfied.

Most of the contractual considerations of the Group are collected evenly throughout the contract periods. The consideration is received from customers upon signing the contract, and the Group has the obligation to provide the services subsequently; accordingly, these amounts are recognized as contract liabilities.

The period between the transfers of contract liabilities to revenue is usually within one year, thus, no significant financing component is arisen.

(17) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

(18) Government grants

Government grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. Where the grant relates to an asset, it is recognized as deferred income and released to income in equal amounts over the expected useful life of the related asset. When the grant relates to an expense item, it is recognized as income over the period to match the grant on a systematic basis to the costs that are intended to compensate.

(19) Post-employment benefits

All regular employees of the Group is entitled to a pension plan that is managed by an independently administered pension fund committee. Fund assets are deposited under the committee's name in the specific bank account and hence, not associated with the Group. Therefore, fund assets are not included in the Group's consolidated financial statements.

For the defined contribution plan, the Group will make a monthly contribution of no less than 6% of the monthly wages of the employees subject to the plan. The Group recognizes expenses for the defined contribution plan in the period in which the contribution becomes due.

(20) Share-based payment transactions

The cost of equity-settled transactions between the Group and employees is recognized based on the fair value of the equity instruments granted. The fair value of the equity instruments is determined by using an appropriate pricing model.

The cost of equity-settled transactions is recognized, together with a corresponding increase in other capital reserves in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The income statement expense or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period.

No expense is recognized for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled transaction award are modified, the minimum expense recognized is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognized for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee is not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

When the Group approves the restricted stock plans for employees, its cost is based on the fair value of the equity instruments, which shall be measured at the grant date. The Group recognizes the salary expense with a corresponding increase in equity during the vesting period. On the grant date, the Group recognizes the employee unearned benefits, a transitional account, as the contra equity account on the balance sheet. As time goes by, it will be transferred to the salary expense.

(21) Income taxes

Income tax expense (income) is the aggregate amount included in the determination of profit or loss for the period in respect of current tax and deferred tax.

Current income tax

Current income tax liabilities (assets) for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Current income tax relating to items recognized in other comprehensive income or directly in equity is recognized in other comprehensive income or equity and not in profit or loss.

Undistributed earnings subject to income tax are recognized as income tax expense in the subsequent year when the distribution proposal is approved by the Stockholders’ meeting.

Deferred tax

Deferred tax is provided on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

A. Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
B. In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

A. Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
B. In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period. The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets are reassessed at the end of each reporting period and are recognized accordingly.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

5. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(1) Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the balance sheet cannot be derived from active markets, they are determined using valuation techniques including the income approach (for example, the discounted cash flows model) or market approach. Changes in assumptions about these factors could affect the reported fair value of the financial instruments. Please refer to Note 12 for more details.

(2) Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 6.

(3) Provision for decommissioning

The Group estimates the provision for decommissioning liability including the discounted at a current pre-tax rate that reflects the specific risks. Decommissioning costs are provided at the present value of expected costs to settle the obligation using estimated cash flows.

(4) Income tax

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded.

Deferred tax assets are recognized for all carryforward of unused tax losses and unused tax credits and deductible temporary differences to the extent that it is probable that taxable profit will be available or there are sufficient taxable temporary differences against which the unused tax losses, unused tax credits or deductible temporary differences can be utilized. The amount of deferred tax assets determined to be recognized is based upon the likely timing and the level of future taxable profits and taxable temporary differences together with future tax planning strategies.

(5) Determination of lessees' incremental borrowing rates

In determining a lessee's incremental borrowing rate used in discounting lease payments, the Group mainly takes into account risk-free interest rates in the market, the estimated lessee's risk premium and secured status in a similar economic environment.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

6. CONTENTS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	As at	
	Dec. 31, 2022	Dec. 31, 2021
Cash on hand	$1,713	$1,591
Bank deposit	833,831	788,817
Total	$835,544	$790,408

(2) Accounts receivable

	As at	
	Dec. 31, 2022	Dec. 31, 2021
Accounts receivable	$12,635	$18,272
Less: loss allowance	—	—
Total	$12,635	$18,272

Accounts receivable were not pledged.

Accounts receivable mainly from transactions with customers using credit cards as the payment method were not past due and not impairment based on collection from domestically well-known financial institutions with high-level credit ratings.

(3) Other financial assets, current

	As at	
	Dec. 31, 2022	Dec. 31, 2021
Bank deposit	$376,240	$331,257

The use of other financial assets are mainly restricted because they serve as contract performance guarantee for fitness center members. For the pledge, please refer to Note 8.

(4) Financial assets at fair value through other comprehensive income, non-current

	As at	
	Dec. 31, 2022	Dec. 31, 2021
Investments in equity instruments measured at fair value through other comprehensive income, non-current		
Unlisted companies stocks	$20,389	$25,962

Financial assets at fair value through other comprehensive income were not pledged.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(5) Property, plant and equipment

	As at	
	Dec. 31, 2022	Dec. 31, 2021
Owner occupied property, plant and equipment	$3,136,880	$3,103,845

	Land	Buildings	Business facilities	Leasehold improvements	Other equipment	Construction in progress and equipment awaiting examination	Total
Cost:							
As at Jan. 1, 2022	$690,600	$494,406	$2,467,453	$1,785,608	$159,355	$50,996	$5,648,418
Additions		563	234,056	258,291	17,785	11,217	521,912
Disposals	—	—	(19,923)	(15,744)	(355)	—	(36,022)
Other (Note)	—	—	—	16,668	—	—	16,668
Transfers	—	—	43,348	(253)	3,187	(47,006)	(724)
As at Dec. 31, 2022	$690,600	$494,969	$2,724,934	$2,044,570	$179,972	$15,207	$6,150,252
As at Jan. 1, 2021	$597,576	$253,172	$2,144,711	$1,627,917	$134,461	$193,378	$4,951,215
Additions	93,024	123,543	292,979	173,290	23,996	48,145	754,977
Disposals	—	—	(20,624)	(27,433)	(2,609)	—	(50,666)
Other (Note)	—	—	—	10,674	—	—	10,674
Transfers	—	117,691	50,387	1,160	3,507	(190,527)	(17,782)
As at Dec. 31, 2021	$690,600	$494,406	$2,467,453	$1,785,608	$159,355	$50,996	$5,648,418
Depreciation and impairment:							
As at Jan. 1, 2022	$—	$(61,404)	$(1,571,791)	$(809,200)	$(102,178)	$—	$(2,544,573)
Depreciation	—	(19,212)	(296,774)	(166,202)	(21,390)	—	(503,578)
Disposals	—	—	19,922	15,744	354	—	36,020
Transfers	—	—	(1,857)	616	—	—	(1,241)
As at Dec. 31, 2022	$—	$(80,616)	$(1,850,500)	$(959,042)	$(123,214)	$—	$(3,013,372)
As at Jan. 1, 2021	$—	$(46,070)	$(1,308,872)	$(678,932)	$(84,819)	$—	$(2,118,693)
Depreciation	—	(15,334)	(281,430)	(153,211)	(19,859)	—	(469,834)
Disposals	—	—	18,511	22,943	2,500	—	43,954
Transfers	—	—	—	—	—	—	—
As at Dec. 31, 2021	$—	$(61,404)	$(1,571,791)	$(809,200)	$(102,178)	$—	$(2,544,573)
Net carrying amount:							
As at Dec. 31, 2022	$690,600	$414,353	$874,434	$1,085,528	$56,758	$15,207	$3,136,880
As at Dec. 31, 2021	$690,600	$433,002	$895,662	$976,408	$57,177	$50,996	$3,103,845

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Note: Provision for decommissioning, restoration and rehabilitation costs.

Capitalized borrowing costs of construction in progress for the years ended December 31, 2021 was NT$70 thousand. The capitalization rate of borrowing costs was 0.50%～1.23% for 2021.

Please refer to Note 8 for more details on property, plant and equipment under pledge.

(6) Intangible assets

	Computer software	Franchise	Total
Cost:			
As at Jan. 1, 2022	$32,365	$—	$32,365
Addition - acquired separately	18,615	6,786	25,401
Derecognition	—	—	—
As at Dec. 31, 2022	$50,980	$6,786	$57,766
As at Jan. 1, 2021	$3,360	$—	$3,360
Addition - acquired separately	29,005	—	29,005
Derecognition	—	—	—
As at Dec. 31, 2021	$32,365	$—	$32,365
Amortization and impairment:			
As at Jan. 1, 2022	$(2,208)	$—	$(2,208)
Amortization	(6,827)	(212)	(7,039)
Derecognition	—	—	—
As at Dec. 31, 2022	$(9,035)	$(212)	$(9,247)
As at Jan. 1, 2021	$(571)	$—	$(571)
Amortization	(1,637)	—	(1,637)
Derecognition	—	—	—
As at Dec. 31, 2021	$(2,208)	$—	$(2,208)
Net carrying amount:			
As at Dec. 31, 2022	$41,945	$6,574	$48,519
As at Dec. 31, 2021	$30,157	$—	$30,157

(7) Other non-current assets

	As at	
	Dec. 31, 2022	Dec. 31, 2021
Refundable deposits	$125,310	$122,608

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(8) Other payables

	As at	
	Dec. 31, 2022	Dec. 31, 2021
Accrued salaries and bonuses	$104,697	$103,927
Accrued labor and health insurance	24,514	60,141
Accrued employee compensation	947	—
Business tax payable	11,728	9,052
Accrued franchises fees, current	900	—
Other	161,624	125,609
Total	$304,410	$298,729

(9) Financial liabilities at fair value through profit or loss, non-current

	As at	
	Dec. 31, 2022	Dec. 31, 2021
Designated financial liabilities at fair value through profit or loss		
Derivatives not designated as hedging relationship		
Embedded derivative		
Convertible bonds	$435	$2,463

(10) Bonds payable

	As at	
	Dec. 31, 2022	Dec. 31, 2021
Domestic 2nd unsecured convertible bonds payable	$383,611	$377,230
Less: current portion	(383,611)	—
Net	$—	$377,230

A. Domestic unsecured convertible bonds payable

	As at	
	Dec. 31, 2022	Dec. 31, 2021
Liability component:		
Principal amount	$390,100	$390,100
(Discounts) on bonds payable	(6,489)	(12,870)
Subtotal	383,611	377,230
Less: current portion	(383,611)	—
Net	$—	$377,230
Embedded derivative	$435	$2,463
Equity component	$11,551	$11,551

On January 6, 2021, the Company issued zero coupon domestic unsecured convertible bonds. The terms of the convertible bonds were evaluated to include a liability component, embedded derivatives (a call option and a put option) and an equity component (an option for conversion into issuer’s common stocks). The terms of the bonds are as follows:

Issue Amount: NT$400,000 thousand

Period: January 6, 2021～January 6, 2024

Redemption Clauses and Terms of Put Option:

a. The Company may redeem the bonds, from the day following the issuance of the full three months (April 7, 2021) to the forty days before the expiry of the issuance period (November 27, 2023), at the principal amount of the bonds by cash if the closing price of the Company’s common stocks on TWSE for a period of 30 consecutive trading days, is at least 130% of the conversion price.
b. The Company may redeem the bonds, in whole, at the principal amount if at least 90% in principal amount of the bonds has already been exchanged, redeemed, purchased or cancelled.
c. The bondholders may request the Company to redeem all of or part of convertible bonds held by the bondholders at 102.01% of the par value of the bonds by November 27, 2022, which is 40 days before the put option date, January 6, 2023.

Terms of Exchange:

a. Underlying Securities: Common stocks of the Company.
b. Exchange Period: The bonds are exchangeable at any time on or after April 7, 2021 and prior to January 6, 2024 into common stocks of the Company.
c. Conversion Price and Adjustment: The conversion price was originally NT$155.8 per share. The conversion price will be subject to adjustments upon the occurrence of certain events set out in the indenture. The conversion price as of December 31, 2022 was NT$142.4 per share.
d. Redemption on the Maturity Date: On the maturity date, the Company will redeem the bonds that remain outstanding at the principal amount.

The bonds already converted amounted to both NT$9,900 thousand as at December 31, 2022 and 2021.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(11)Long-term borrowings

Details of long-term loans as at December 31, 2022 and 2021 were as follows:

Lenders	As at Dec. 31, 2022	Interest Rate (%)	Maturity date and terms of repayment
Cathay United Bank secured long-term loan	$154,606	1.58	Effective from July 22, 2016 to July 22, 2031, the principal and interest are repaid monthly.
Cathay United Bank secured long-term loan	50,000	1.48	Effective from June 1, 2022 to February 7, 2025, the principal and interest are repaid monthly.
Cathay United Bank secured long-term loan	26,893	1.48	Effective from October 7, 2019 to October 7, 2026, the principal and interest are repaid monthly.
Cathay United Bank secured long-term loan	171,128	1.48	Effective from October 7, 2019 to October 7, 2026, interest only payment for the first two years, and then the principal and interest are repaid monthly.
E.SUN Commercial Bank secured long-term loan	185,820	1.65	Effective from December 27, 2021 to December 27, 2036, interest only payment for the first two years, and then the principal and interest are repaid monthly.
Shin Kong Bank secured long-term loan	136,184	1.49	Effective from December 29, 2021 to December 29, 2036, the principal and interest are repaid monthly.
Shin Kong Bank secured long-term loan	9,319	1.45	Effective from June 15, 2022 to June 15, 2029, the principal and interest are repaid monthly.
E.SUN Commercial Bank unsecured long-term loan	152,750	1.00	Effective from November 3, 2020 to October 15, 2027, interest only payment for the first three years, and then the principal and interest are repaid monthly.
CTBC Bank unsecured long-term loan	69,050	1.10	Effective from November 3, 2020 to August 15, 2028, interest only payment for the first three years, and then the principal and interest are repaid monthly.
First Commercial Bank unsecured long-term loan	126,040	1.12	Effective from November 3, 2020 to October 15, 2030, interest only payment for the first three years, and then the principal and interest are repaid monthly.
Land Bank of Taiwan unsecured long-term loan	22,595	1.83	Effective from June 30, 2021 to June 30, 2024, interest only payment for the first year, and then the principal and interest are repaid monthly.
Bank of Taiwan unsecured long-term loan	28,184	1.73	Effective from August 25, 2021 to August 25, 2024, interest only payment for the first half year, and then the principal and interest are repaid monthly.
Taichung Commercial Bank unsecured long-term loan	7,160	1.94	Effective from October 13, 2021 to October 13, 2024, the principal and interest are repaid monthly.
Subtotal	1,139,729		
Less: current portion	(119,555)		
Total	$1,020,174		

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Lenders	As at Dec. 31, 2021	Interest Rate (%)	Maturity date and terms of repayment
Cathay United Bank secured long-term loan	$172,618	1.17	Effective from July 22, 2016 to July 22, 2031, the principal and interest are repaid monthly.
Cathay United Bank secured long-term loan	29,166	1.07	Effective from October 7, 2019 to October 7, 2026, the principal and interest are repaid monthly.
Cathay United Bank secured long-term loan	185,590	1.07	Effective from October 7, 2019 to October 7, 2026, interest only payment for the first two years, and then the principal and interest are repaid monthly.
E.SUN Commercial Bank secured long-term loan	185,820	1.13	Effective from December 27, 2021 to December 27, 2036, interest only payment for the first two years, and then the principal and interest are repaid monthly.
Shin Kong Bank secured long-term loan	145,000	1.10	Effective from December 29, 2021 to December 29, 2036, the principal and interest are repaid monthly.
E.SUN Commercial Bank unsecured long-term loan	152,750	0.50	Effective from November 3, 2020 to October 15, 2027, interest only payment for the first three years, and then the principal and interest are repaid monthly.
CTBC Bank unsecured long-term loan	28,000	1.25	Effective from April 17, 2020 to December 31, 2022, interest only payment for the first half year, and then the principal and interest are repaid monthly.
CTBC Bank unsecured long-term loan	80,250	0.60	Effective from November 3, 2020 to August 15, 2028, interest only payment for the first three years, and then the principal and interest are repaid monthly.
First Commercial Bank unsecured long-term loan	126,040	0.62	Effective from November 3, 2020 to October 15, 2030, interest only payment for the first three years, and then the principal and interest are repaid monthly.
Land Bank of Taiwan unsecured long-term loan	50,000	1.55	Effective from June 30, 2021 to June 30, 2024, interest only payment for the first year, and then the principal and interest are repaid monthly.
Bank of Taiwan unsecured long-term loan	40,000	1.25	Effective from August 25, 2021 to August 25, 2024, interest only payment for the first half year, and then the principal and interest are repaid monthly.
Taichung Commercial Bank unsecured long-term loan	47,277	1.39	Effective from October 13, 2021 to October 13, 2024, the principal and interest are repaid monthly.
Subtotal	1,242,511		
Less: current portion	(111,836)		
Total	$1,130,675		

Certain land and buildings are pledged as first priority security for secured bank loans with Cathay United Bank and E.SUN Commercial Bank, please refer to Note 8 for more details.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(12) Post-employment benefits plan

The employee pension plan under the Labor Pension Act of the R.O.C. ("the Act") is a defined contribution plan. For the defined contribution plan, the Group will make monthly contributions of no less than 6% of the monthly wages of the employees. The Group has made monthly contributions of 6% based on each individual employee's salary or wage to employees' pension accounts subject to the plan.

Expenses under the defined contribution plan for the years ended December 31, 2022 and 2021 were NT$56,550 thousand and NT$51,147 thousand, respectively.

(13)Provisions, non-current

	Decommissioning, restoration and rehabilitation costs
As at January 1, 2022	$56,937
Arising during the period	16,668
Using during the period	(651)
Decreasing during the period	(1,473)
Discount rate adjustment and unwinding of discount from the passage of time	491
As at December 31, 2022	$71,972
As at January 1, 2021	$46,456
Arising during the period	10,674
Decreasing during the period	(605)
Discount rate adjustment and unwinding of discount from the passage of time	412
As at December 31, 2021	$56,937

Decommissioning, restoration and rehabilitation costs

A provision has been recognized for decommissioning costs associated with the Group leasing the building for operating sports venues from the owner. The Group is committed to decommissioning the site as a result of the construction of the beginning of the lease.

(14) Equities

A. Common stock

The Company's authorized capital were both NT$1,000,000 thousand as at December 31, 2022 and 2021, divided into both 100,000 thousand shares (each authorized capital included 5,000 thousand shares reserved for employee stock options), each at a par value of NT$10. The Company has issued NT$794,484 thousand, NT$774,703 thousand, divided into 79,448 thousand shares, 77,470 thousand shares as at December 31, 2022 and 2021, respectively.

The Company's domestic 2nd unsecured convertible bonds converted to 68 thousand shares for the year ended December 31, 2021. They have been approved by and registered with the competent authorities. No bonds converted in 2022.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

B. Capital surplus

	As at	
	Dec. 31, 2022	Dec. 31, 2021
Employee share options	$47	$47
Restricted stocks for employees	437,090	245,157
Additional paid-in capital from common stock	60,775	160,775
Due to recognition of equity component of convertible bonds issued	11,551	11,551
Additional paid-in capital from convertible bonds	377,354	377,354
Vested stock option	1,581	1,581
Others	1	—
Total	$888,399	$796,465

According to the Company Act, the capital reserve shall not be used except for making good the deficit of the company. When a company incurs no loss, it may distribute the capital reserves related to the income derived from the issuance of new shares at a premium or income from endowments received by the company. The distribution could be made in cash or in the form of dividend shares to its stockholders in proportion to the number of shares being held by each of them.

C. Treasury shares

The Company reacquired 2,000 thousand shares of its share for selling to employees, which was resolved by the Board of Directors on May 16, 2021. At the end of the repurchased period, the Company reacquired 20 thousand treasury shares, whose average price was NT$140.06 per share, in total NT$2,801 thousand. The treasury shares held by the Company were both NT$2,801 thousand as at December 31, 2022 and 2021.

D. Retained earnings and dividend policy

According to the Company's Articles of Incorporation, current year's earnings, if any, shall be distributed in the following order:

a. Reserve for tax payments.
b. Offset accumulated losses in previous years, if any.
c. Legal reserve, which is 10% of leftover profits.
d. Allocation or reverse of special reserves as required by law or competent authorities.
e. The remaining net profits and the retained earnings from previous years will be allocated as stockholders' dividend. The Board of Directors will prepare a distribution proposal and submit it to the stockholders' meeting for review and approval by a resolution.

To consider the Company's future capital requirements and interest of the stockholders' demand for cash inflows, after the annual accounts, if the Company has surpluses, the annual cash dividend will not be less than 10% of the total cash and stock dividends in the current year.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

According to the Company Act, the company needs to set aside amount to legal reserve unless where such legal reserve amounts to the total authorized capital. The legal reserve can be used to make good the deficit of the company. When a company incurs no loss, it may distribute the portion of legal reserve which exceeds 25% of the paid-in capital by issuing new shares or by cash in proportion to the number of shares being held by each of the stockholders.

When the Company distributes distributable earnings, it shall set aside to special reserve, an amount equal to “other net deductions from stockholders’ equity” for the current fiscal year, provided that if the Company has already set aside special reserve according to the requirements for the adoption of IFRS, it shall set aside supplemental special reserve based on the difference between the amount already set aside and other net deductions from stockholders’ equity. For any subsequent reversal of other net deductions from stockholders’ equity, the amount reversed may be distributed from the special reserve.

The Company’s 2021 loss off-setting proposal was resolved by the stockholders’ meeting held on June 1, 2022. The legal reserve, NT$126,448 thousand, is used to offset the loss in 2021, and the capital surplus, NT$100,000 thousand, is used to distribute cash at NT$1.29 per share.

The distribution of earnings and dividends for 2020 was resolved by the stockholders’ meeting held on July 5, 2021. The details of distribution are as follows:

	Appropriation of earnings	Dividend per share (NT$)
	2020	2020 (Note)
Legal reserve	$40,014	
(Reversal of) Special reserve	$(35,318)	
Cash dividend	$358,579	$4.87
Stock dividend	$36,860	$0.50

Note: The Company bought back and cancelled restricted stocks for employee departure and repurchased treasury shares, resulting in a decrease in the outstanding shares to 73,698 thousand shares. Therefore, the Company adjusted the stockholder’s dividend yield and payout ratio.

For information on the accrual basis of the employees’ compensation and directors’ remuneration and the actual distributions, please refer to Note 6(18) for details.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

E. Non-controlling interests

	For the years ended December 31	
	2022	2021
Beginning balance	$8,491	$16,320
Profit (Loss) attributable to non-controlling interests	1,446	(1,002)
Change in non-controlling interests	－	(6,827)
Ending balance	$9,937	$8,491

(15) Share-based payment plans

A. Restricted stocks plan for employees

The Company issued restricted stocks for employees on October 7, 2016 at NT$25 per share in the amount of NT$15,670 thousand, totalling 1,567 thousand shares. The share price at grant date was NT$101.50 per share. On January 25, 2017, the Company issued restricted stocks for employees at NT$25 per share in the amount of NT$880 thousand, totalling 88 thousand shares. The share price at grant date was NT$81.80 per share. On January 2, 2018, the Company issued restricted stocks for employees at NT$25 per share in the amount of NT$3,900 thousand, totalling 390 thousand shares. The share price at grant date was NT$161.00 per share. On April 30, 2019, the Company issued restricted stocks for employees at NT$25 per share in the amount of NT$3,800 thousand, totalling 380 thousand shares. The share price at grant date was NT$199.00 per share. On October 7, 2022, the Company issued restricted stocks for employees at NT$30 per share in the amount of NT$20,000 thousand, totalling 2,000 thousand shares. The share price at grant date was NT$117.50 per share.

Restrictions on the rights and vesting conditions of restricted stocks for employees are as follows:

a. Employees who deliver the restricted stocks to the Trust Depository during the vesting period may not sell, pledge, transfer, give to another person, create any encumbrance on, or otherwise dispose of, the restricted employee shares, excluding inheritance.
b. Stockholders’ voting rights: They are executed by the Trust Depository according to relevant laws and regulations.
c. During the vesting period, the rights of dividends and bonuses, but the dividends of 1,567 thousand shares issued on October 7, 2016 and 88 thousand shares issued on January 25, 2017 must be deposited in a security trust account. For those who do not conform to the vesting conditions, the cash dividends, stock dividends, and cash (stocks) allocated from the capital surplus are allocated to the Company, and the Company redeems the cash according to relevant regulations and cancels the shares according to law.

B. For the years ended December 31, 2022 and 2021, the Company incurred expenses of NT$19,169 thousand and NT$15,741 thousand for the share-based payment transactions, respectively.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(16) Operating revenues

	For the years ended December 31	
	2022	2021
Revenue of Fitness and recreational sports services	$2,019,613	$1,527,565
Revenue of Sports health services	1,419,292	980,977
Revenue of Joining fees	139,996	77,360
Others	28,106	20,307
Total	3,607,007	2,606,209
Less: sales return and sales discounts and allowances	(604)	(232)
Net operating revenues	$3,606,403	$2,605,977

Information on revenues from contracts with customers during the years ended December 31, 2022 and 2021 are as follows:

A. Disaggregation of revenue - Operation department

	For the years ended December 31	
	2022	2021
Sale of goods	$19,260	$12,658
Rendering of services	3,562,840	2,577,591
Others	24,303	15,728
Total	$3,606,403	$2,605,977
Timing of revenue recognition		
At a point in time	$1,469,677	$1,015,824
Over time	2,136,726	1,590,153
Total	$3,606,403	$2,605,977

B. Contract balances

Contract liabilities, current

	As at	
	Dec. 31, 2022	Dec. 31, 2021
Rendering of services - Fitness	$166,251	$84,107
Rendering of services - Sports health etc.	493,112	446,826
Rendering of services - Joining fees (Initiation and processing fees included)	19,407	73,236
Rendering of services - Others	7,062	7,593
Total	$685,832	$611,762

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

The significant changes in the Group's balances of contract liabilities for the years ended December 31, 2022 and 2021 are as follows:

	For the years ended December 31	
	2022	2021
The beginning balance transferred to revenue	$508,846	$383,999
Increase in receipts in advance during the period (excluding the amount incurred and transferred to revenue during the period)	$582,917	$496,228

C. Transaction price allocated to unsatisfied performance obligations

The Group's transaction price allocated to unsatisfied performance obligations amounted to NT$685,832 thousand and NT$611,762 thousand as at December 31, 2022 and 2021, respectively. The Group will recognize revenue as the Group satisfies its performance obligations over time that aligns with progress toward completion of a contract in the future. The estimate of the transaction price does not include any estimated amounts of variable consideration that are constrained.

D. Assets recognized from costs to obtain or fulfil a contract

None.

(17) Leases

Group as a lessee

The Group leases various properties, including buildings, transportation equipment and office equipment. The lease terms range from 2 to 24 years.

The Group's leases effect on the financial performance and cash flows are as follow:

A. Amounts recognized in the balance sheet

a. Right-of-use assets

The carrying amount of right-of-use assets

	As at	
	Dec. 31, 2022	Dec. 31, 2021
Buildings	$4,649,426	$3,614,303
Transportation equipment	2,186	588
Office equipment	–	1,392
Total	$4,651,612	$3,616,283

During the years ended December 31, 2022 and 2021, the Group's additions to right-of-use assets amounted to NT$1,534,116 thousand and NT$759,908 thousand, respectively.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

b. Lease liabilities

	As at	
	Dec. 31, 2022	Dec. 31, 2021
Lease liabilities	$4,905,276	$3,803,211
Current	$531,107	$482,265
Non-current	$4,374,169	$3,320,946

Please refer to Note 6(19) finance costs for the interest on lease liabilities recognized during the years ended December 31, 2022 and 2021 and refer to Note 12(5) liquidity risk management for the maturity analysis for lease liabilities as at December 31, 2022 and 2021.

B. Amounts recognized in the statement of profit or loss

Depreciation charge for right-of-use assets

	For the years ended December 31	
	2022	2021
Buildings	$497,784	$444,036
Transportation equipment	1,340	1,451
Office equipment	155	619
Total	$499,279	$446,106

C. Income and costs relating to leasing activities

	For the years ended December 31	
	2022	2021
The expenses relating to short-term leases	$6,168	$768
The expenses relating to leases of low-value assets (not including the expenses relating to short-term leases of low-value assets)	$10,582	$13,194
(Income) from subleasing right-of-use assets	$(9,515)	$(5,757)

During the years ended December 31, 2022 and 2021, the rent concessions arising as a direct consequence of the Covid-19 pandemic amounted to NT$3,130 thousand and NT$19,413 thousand, respectively, which are recognized in other income to reflect the variable lease payments arising from the application of the practical expedient.

D. Cash outflow relating to leasing activities

During the years ended December 31, 2022 and 2021, the Group’s total cash outflows for leases amounted to NT$584,359 thousand and NT$489,101 thousand.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

E. Other information relating to leasing activities

Extension and termination options

Some of the Group's property rental agreements contain extension and termination options. In determining the lease terms, the non-cancellable period for which the Group has the right to use an underlying asset, together with both periods covered by an option to extend the lease if the Group is reasonably certain to exercise that option and periods covered by an option to terminate the lease if the Group is reasonably certain not to exercise that option. These options are used to maximize operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Group. After the commencement date, the Group reassesses the lease term upon the occurrence of a significant event or a significant change in circumstances that is within the control of the lessee and affects whether the Group is reasonably certain to exercise an option not previously included in its determination of the lease term, or not to exercise an option previously included in its determination of the lease term.

(18) Summary statement of employee benefits, depreciation and amortization expenses by function is as follows:

Function / Nature	For the years ended December 31					
	2022			2021		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expense						
Salaries	$1,422,892	126,457	$1,549,349	$1,082,341	106,335	$1,188,676
Labor and health insurance	$104,466	7,635	$112,101	$97,519	6,835	$104,354
Pension	$52,204	4,346	$56,550	$47,358	3,789	$51,147
Directors' remuneration	$－	1,285	$1,285	$－	1,275	$1,275
Other employee benefits expense	$12,262	611	$12,873	$6,247	578	$6,825
Depreciation	$983,912	18,945	$1,002,857	$900,969	14,971	$915,940
Amortization	$212	6,827	$7,039	$－	1,637	$1,637

According to the Articles of Incorporation, no less than 1% of profit of the current year is distributable as employees' compensation and no more than 3% of profit of the current year is distributable as remuneration to directors. However, the Company's accumulated losses shall have been covered. The Company may, by a resolution adopted by a majority vote at a meeting of the Board of Directors attended by two-thirds of the total number of directors, have the profit distributable as employees' compensation in the form of shares or in cash; and in addition thereto a report of such distribution is submitted to the stockholders' meeting. Information on the Board of Directors' resolution regarding the employees' compensation and remuneration to directors can be obtained from the "Market Observation Post System (MOPS)" on the website of the TWSE.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Since there was a loss as of the year ended December 31, 2021, the Company decided not to recognize the amounts of the employees' compensation and remuneration to directors.

After the loss offset, the Company estimated the amounts of the employees' compensation and remuneration to directors for the year ended December 31, 2022 to be 1% and 0% of profit of the year, NT$902 thousand and NT$0 thousand, respectively. Difference between the estimated amount and the actual distribution of the employees compensation and remuneration to directors would be recognized in profit or loss in the subsequent year. If the Board of Directors resolves to distribute employees' compensation in the form of stocks, the number of stock distributed is calculated based on total employee compensation divided by the closing price of the day before the Board of Directors' meeting.

(19) Non-operating income and expenses

A. Interest income

	For the years ended December 31	
	2022	2021
Financial assets at amortized cost - bank deposits	$2,751	$1,445

B. Other income

	For the years ended December 31	
	2022	2021
Rental income	$9,515	$5,757
Others	29,496	75,540
Total	$39,011	$81,297

C. Other gains and losses

	For the years ended December 31	
	2022	2021
Gain on disposal of property, plant and equipment	$28	$69
Gain on financial assets at fair value through profit or loss	2,028	87
Gain on lease modification	—	2,205
Others	(3,043)	(6,352)
Total	$(987)	$(3,991)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

	For the years ended December 31	
	2022	2021
Interest on borrowings from bank	$(14,477)	$(9,384)
Interest on lease liabilities	(71,698)	(61,036)
Interest on other non-current liabilities	(20)	—
Interest on bonds payable	(6,381)	(6,382)
Total interest expenses	(92,576)	(76,802)
Unwinding of discount on provisions	(490)	(412)
Total finance costs	$(93,066)	$(77,214)

(20) Components of other comprehensive income

For the year ended December 31, 2022:

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax relating to components of other comprehensive income	Other comprehensive income, net of tax
Items that will not be reclassified to profit or loss:					
Unrealized (loss) on investments in equity instruments measured at fair value through other comprehensive income	$(5,573)	$—	$(5,573)	$—	$(5,573)

For the year ended December 31, 2021: None.

(21) Income tax

A. The major components of income tax expense (income) are as follows:

<u>Income tax expense (income) recognized in profit or loss</u>

	For the years ended December 31	
	2022	2021
Current income tax expense (income):		
Current income tax charge	$141	$—
Adjustments in respect of current income tax of prior years	—	(2,005)
Deferred tax expense (income):		
Deferred tax (income) relating to origination and reversal of temporary differences	(1,004)	(46,161)
Deferred tax expense relating to origination and reversal of tax loss and tax credit	20,017	—
Total income tax expense (income)	$19,154	$(48,166)

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B. Reconciliation between tax expense (income) and the product of accounting profit multiplied by applicable tax rates is as follows:

	For the years ended December 31	
	2022	2021
Accounting profit (loss) before tax from continuing operations	$91,610	$(191,491)
Tax at the domestic rates applicable to profits in the country concerned	$18,756	$—
Tax effect of expenses not deductible for tax purposes	55	—
Tax effect of deferred tax assets	648	(46,161)
Adjustments in respect of current income tax of prior years	—	(2,005)
Others	(305)	—
Total income tax expense (income) recognized in profit or loss	$19,154	$(48,166)

C. Deferred tax assets (liabilities) relate to the following:

	For the year ended December 31, 2022			
	Beginning balance	Deferred tax income (expense) recognized in profit or loss	Deferred tax income (expense) recognized in other comprehensive income	Ending balance
Temporary differences				
Unrealized rental expense	$6,612	$—	$—	$6,612
Decommissioning Costs	4,286	923	—	5,209
Others	1,635	81	—	1,717
Unused tax losses	45,383	(20,017)	—	25,365
Deferred tax income		$(19,013)	$—	
Net deferred tax assets	$57,916			$38,903
Reflected in balance sheet as follows:				
Deferred tax assets	$57,916			$38,903
Deferred tax liabilities	$—			$—

	For the year ended December 31, 2021			
	Beginning balance	Deferred tax income (expense) recognized in profit or loss	Deferred tax income (expense) recognized in other comprehensive income	Ending balance
Temporary differences				
Unrealized rental expense	$6,612	$—	$—	$6,612
Decommissioning Costs	3,407	879	—	4,286
Others	1,736	(101)	—	1,635
Unused tax losses	—	45,383	—	45,383
Deferred tax income		$46,161	$—	
Net deferred tax assets	$11,755			$57,916
Reflected in balance sheet as follows:				
Deferred tax assets	$11,755			$57,916
Deferred tax liabilities	$—			$—

D. The following table contains information on the unused tax losses of the Group:

		Unused tax losses as of		
Year	Tax losses for the period	Dec. 31, 2022	Dec. 31, 2021	Expiration year
2021	$226,915	$126,827	$226,915	2031

E. The assessment of income tax returns

As of December 31, 2022, the assessment of the income tax returns of the Company and subsidiaries is as follows:

	The assessment of income tax returns
The Company	Assessed and approved up to 2020
Subsidiary - Bo Xin Health Industry Incorporated	Assessed and approved up to 2020

(22) Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to common stockholders of the parent company by the weighted average number of common stocks outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit for the year attributable to common stockholders of the parent company by the weighted average number of common stocks outstanding during the year plus the weighted average number of common stocks that would be issued on conversion of all the dilutive potential common stocks into common stocks.

	For the years ended December 31	
	2022	2021
Basic earnings (loss) per share		
Net income (loss)	$71,010	$(142,323)
Weighted average number of common stocks outstanding for basic earnings per share (in thousands)	74,485	74,449
Basic earnings (loss) per share (NT$)	$0.95	$(1.91)
Diluted earnings (loss) per share		
Net income (loss)	$71,010	$(142,323)
Interest expense from convertible bonds	(Note)	(Note)
Profit (Loss) attributable to common stockholders of the Company after dilution	$71,010	$(142,323)
Weighted average number of common stocks outstanding for basic earnings per share (in thousands)	74,485	74,449
Effect of dilution:		
Employee compensation - stock (in thousands)	8	—
Employee stock options (in thousands)	663	(Note)
Convertible bonds (in thousands)	(Note)	(Note)
Weighted average number of common stocks outstanding after dilution (in thousands)	74,156	74,449
Diluted earnings (loss) per share (NT$)	$0.94	$(1.91)

Note: Employee stock options and convertible bonds were anti-dilutive and excluded from the computation of diluted earnings per share.

There have been no other transactions involving common stocks or potential common stocks between the reporting date and the date of completion of the financial statements.

7. RELATED PARTY TRANSACTIONS

Information on the related parties that had transcations with the Group during the financial reporting period is as follows:

Name and nature of relationship of the related parties

Name of the related parties	Nature of relationship of the related parties
Giant Development Co., Ltd. (Giant)	Other related party
Jiayong Investment Development Co., Ltd. (Jiayong Inv.)	Director
All directors and vice presidents or above	Key management personnel

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Significant related party transactions

(1)Notes payable - related parties

	As at	
	Dec. 31, 2022	Dec. 31, 2021
Other related party		
Giant	$437	$425

(2) Other payables - related parties

	As at	
	Dec. 31, 2022	Dec. 31, 2021
Other related party		
Giant	$515	$369

(3) Lease

As of December 31, 2022 and 2021, the security deposits paid to the related party for the lease of the business premises were NT$7,588 thousand and NT$7,588 thousand, respectively, under the refundable deposits. The management fees for the years ended December 31, 2022 and 2021 were NT$4,948 thousand and NT$4,678 thousand, respectively, under the operating expenses.

A. Right-of-use assets

	As at	
	Dec. 31, 2022	Dec. 31, 2021
Other related party		
Giant	$—	$42,685

B. Lease liabilities

	As at	
	Dec. 31, 2022	Dec. 31, 2021
Other related party		
Giant	$—	$36,339

C. Interest expenses

	For the years ended December 31	
	2022	2021
Other related party		
Giant	$321	$889

D. Rental income

	For the years ended December 31	
	2022	2021
Other related party		
Jiayong Inv.	$229	$76

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(4) Key management personnel compensation

	For the years ended December 31	
	2022	2021
Short-term employee benefits	$24,438	$24,465
Post-employment benefits	813	883
Share-based payment	4,960	3,428
Total	$30,211	$28,776

(5) Others

As of December 31, 2022, the lease performance guarantee bills of related parties drawn by the Group for leasing sports venues amounted to NT$10,588 thousand.

8. ASSETS PLEDGED AS COLLATERAL

The Group has the following assets as collateral:

	As at		
Items	Dec. 31, 2022	Dec. 31, 2021	Secured liabilities
Property, plant and equipment - land and buildings	$1,098,528	$1,114,449	Long-term loan
Other financial assets, current	366,737	331,257	Performance guarantee of fitness center
Total	$1,465,265	$1,445,706	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

(1) As of December 31, 2022, the lease performance guarantee bills drawn by the Group for leasing sports venues amounted to NT$54,434 thousand.

(2) As of December 31, 2022, the total amounts of the equipment and construction purchased under contracts was approximately NT$131,330 thousand, including approximately NT$75,584 thousand unpaid.

10. LOSSES DUE TO MAJOR DISASTER

None.

11. SIGNIFICANT SUBSEQUENT EVENTS

On January 6, 2023 (put option date), the bondholders requested the Company to redeem 1,856 bonds at 102.01% of the par value of the bonds, which amounted about NT$190,249 thousand.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

12. OTHERS

(1) Categories of financial instruments

Financial Assets

	As at	
	Dec. 31, 2022	Dec. 31, 2021
Financial assets at fair value through other comprehensive income	$20,389	$25,962
Financial assets at amortized cost		
Cash and cash equivalents	833,831	788,817
Notes and accounts receivable	12,879	18,517
Other receivables	3,410	4,323
Other financial assets, current	376,240	331,257
Other non-current assets - refundable deposits	125,310	122,608
Subtotal	1,351,670	1,265,522
Total	$1,372,059	$1,291,484

Financial Liabilities

	As at	
	Dec. 31, 2022	Dec. 31, 2021
Financial liabilities at amortized cost		
Payables and other payables (related party included)	$437,210	$369,428
Bonds payable	383,611	377,230
Long-term loans (current portion included)	1,139,729	1,242,511
Lease liabilities	4,905,276	3,803,211
Subtotal	6,865,826	5,792,380
Financial liabilities at fair value through profit or loss		
Embedded derivatives	435	2,463
Total	$6,866,261	$5,794,843

(2) Financial risk management objectives and policies

The Group’s risk management objectives are to manage the market risk, credit risk and liquidity risk related to its operating activities. The Group identifies, measures and manages the aforementioned risks based on policy and risk preference.

The Group has followed the relevant regulations and established appropriate policies, procedures, and internal controls policies regarding financial risk management. According to the related rules and internal control policies, before the management team executes the significant financial activities, the proposal must be reviewed and resolved by the Board of Directors. When conducting financial management activities, the management team must comply with its financial risk management policies.

(3) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks comprise interest rate risk and other price risk (such as equity instruments).

In practice, it is rarely the case that a single risk variable will change independently from other risk variable, there are usually interdependencies between risk variables. However, the sensitivity analysis disclosed below does not take into account the interdependencies between risk variables.

Interest rate risk

Interest rate risk is the risk that the fair value of future will fluctuate because of changes in market interest rates. The Group’s exposure to the risk of changes in market interest rates relates primarily to its bank borrowings with fixed interest rates and variable interest rates.

The interest rate sensitivity analysis is performed on items exposed to interest rate risk as at the end of the reporting period, including borrowings with variable interest rates. At the reporting date, a change of 10 basis points of interest rate in a reporting period could cause the profit for the years ended December 31, 2022 and 2021 to increase by NT$70 thousand and decrease by NT$121 thousand, respectively.

Equity price risk

The fair value of the Group’s unlisted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The equity securities held by the Group are unlisted equity securities, so they are measured at fair value through other comprehensive income.

The Group manages the equity price risk through diversification and placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Group’s senior management on a regular basis. The Group’s Board of Directors must review and approve all equity investment decisions.

(4) Credit risk management

Credit risk is the risk that a counterparty will not meet its obligations under a contract, leading to a financial loss. The Group is exposed to credit risk from operating activities (primarily for accounts receivable) and from its financing activities (primarily for bank deposits and other financial instruments).

The accounts receivable of the Group are mainly from transactions with customers using credit cards as the payment method. These receivables are mainly paid by domestically famous financial institutions, and the probability of occurrence of credit risk is extremely low, and the maximum amount of credit risk is its book value.

Credit risk from balances with banks and other financial instruments is managed by the Group’s financial department in accordance with the Group’s policy. The Group only transacts with counterparties approved by the internal control procedures, which are banks and companies with good credit rating. Consequently, there is no significant credit risk for these counterparties.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(5) Liquidity risk management

The Group's objective is to maintain flexibility through the use of cash and cash equivalents and bank borrowings. The table below summarizes the maturity profile of the Group's financial liabilities based on the contractual undiscounted payments and contractual maturity. The payment amount includes the contractual interest. The undiscounted payment relating to borrowings with variable interest rates is extrapolated based on the estimated interest rate yield curve as of the end of the reporting period.

Non-derivative financial liabilities

	Less than 1 year	2 to 3 years	4 to 5 years	More than 6 years	Total
As at December 31, 2022					
Payables	$437,210	—	—	—	$437,210
Loans	$133,213	366,604	377,790	397,541	$1,275,148
Lease liabilities	$531,107	1,029,201	976,272	2,966,669	$5,503,249
Convertible bonds	$390,100	—	—	—	$390,100

	Less than 1 year	2 to 3 years	4 to 5 years	More than 6 years	Total
As at December 31, 2021					
Payables	$369,428	—	—	—	$369,428
Loans	$122,051	321,256	422,305	451,915	$1,317,527
Lease liabilities	$482,265	858,722	809,357	2,154,834	$4,305,178
Convertible bonds	$—	377,230	—	—	$377,230

Notes:
1. Including cash flows resulting from short-term leases or leases of low-value assets.
2. Information on the maturities of lease liabilities is provided in the table below:

December 31, 2022	Maturities					
	Less than 1 year	2 to 5 years	6 to 10 years	11 to 15 years	More than 16 years	Total
Lease liabilities	$531,107	2,005,473	1,722,367	752,542	491,760	$5,503,249

December 31, 2021	Maturities					
	Less than 1 year	2 to 5 years	6 to 10 years	11 to 15 years	More than 16 years	Total
Lease liabilities	$482,265	1,668,079	1,512,497	451,725	190,612	$4,305,178

(6) Fair value of financial instruments

A. The methods and assumptions applied in determining the fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following methods and assumptions were used by the Company to measure or disclose the fair value of financial assets and financial liabilities:

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

a. The carrying amounts of cash and cash equivalents, accounts receivable, refundable deposits, other current assets, accounts payable and other current liabilities approximate their fair value due to their short maturities.

b. For financial assets and financial liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price (for example, listed equity securities, beneficiary certificates, bonds and futures, etc.).

c. Fair value of equity instruments without market quotations (for example, private placement of listed equity securities, unquoted public company and private company equity securities) is estimated using the market method valuation techniques based on parameters such as prices based on market transactions of equity instruments of identical or comparable entities and other relevant information (for example, inputs such as discount for lack of marketability, P/E ratio of similar entities and Price-Book ratio of similar entities).

d. Fair value of debt instruments, bank loans, bonds payable and other non-current liabilities without market quotations is determined based on the counterparty prices or valuation method. The valuation method uses Discounted Cash Flow (DCF) method as a basis, and the assumptions such as the interest rate and discount rate are primarily based on relevant information of similar instrument (for example, yield curves published by the TPEx, average prices for Fixed Rate Commercial Paper published by Reuters and credit risk, etc.).

e. The fair value of derivatives which are not options and without market quotations, is determined based on the counterparty prices or discounted cash flow analysis using interest rate yield curve for the contract period. The fair value of option-based derivative financial instruments is obtained using the counterparty prices or appropriate option pricing model (for example, Black-Scholes model) or other valuation method (for example, Monte Carlo Simulation).

B. Fair value of financial instruments measured at amortized cost

	Carrying amounts as at	
Financial liabilities	Dec. 31, 2022	Dec. 31, 2021
Long-term loans (current portion included)	$1,139,729	$1,242,511
Bonds payable	$383,611	$377,230

	Fair value as at	
Financial liabilities	Dec. 31, 2022	Dec. 31, 2021
Long-term loans (current portion included)	$1,139,729	$1,135,384
Bonds payable	$397,876	$387,920

C. Fair value hierarchy for financial instruments

Please refer to Note 12(8) for fair value hierarchy for financial instruments of the Group.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(7) Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities for the year ended December 31, 2022:

	Bonds	Long-term loan	Lease liabilities	Total liabilities arising from financing activities
January 1, 2022	$377,230	$1,242,511	$3,803,211	$5,422,952
Cash flow	—	(102,782)	(505,426)	(608,208)
Non-cash movement	6,381	—	1,607,491	1,613,872
December 31, 2022	$383,611	$1,139,729	$4,905,276	$6,428,616

Reconciliation of liabilities for the year ended December 31, 2021:

	Bonds	Long-term loan	Lease liabilities	Total liabilities arising from financing activities
January 1, 2021	$—	$790,221	$3,397,541	$4,187,762
Cash flow	400,000	452,290	(419,860)	432,430
Non-cash movement	(22,770)	—	825,530	802,760
December 31, 2021	$377,230	$1,242,511	$3,803,211	$5,422,952

(8) Fair value hierarchy

A. The definition of fair value hierarchy

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities that the entity can access at the measurement date.
Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3: Unobservable inputs for the asset or liability.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization at the end of each reporting period.

B. Fair value hierarchy of the Group’s assets and liabilities

The Group does not have assets that are measured at fair value on a non-recurring basis. Fair value hierarchy of the Group’s assets and liabilities measured at fair value on a recurring basis is as follows:

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

As at December 31, 2022:

	Level 1	Level 2	Level 3	Total
Assets measured at fair value:				
Measured at fair value through other comprehensive income				
Investments in equity instruments measured at fair value through other comprehensive income	$—	$—	$20,389	$20,389

	Level 1	Level 2	Level 3	Total
Liabilities at fair value:				
Financial liabilities at fair value through profit or loss				
Embedded derivatives	$—	$—	$435	$435

As at December 31, 2021:

	Level 1	Level 2	Level 3	Total
Assets measured at fair value:				
Measured at fair value through other comprehensive income				
Investments in equity Instruments measured at fair value through other comprehensive income	$—	$—	$25,962	$25,962

	Level 1	Level 2	Level 3	Total
Liabilities measured at fair value:				
Financial liabilities at fair value through profit or loss				
Embedded derivatives	$—	$—	$2,463	$2,463

Transfers between Level 1 and Level 2

For the years ended December 31, 2022 and 2021, there were no transfers between Level 1 and Level 2 for assets or liabilities measured at fair value on a recurring basis.

The details of changes in Level 3 of the repeatability fair value hierarchy

The reconciliation of the (assets) and liabilities at fair value, which are measured in Level 3 of the repeatability fair value hierarchy, from the beginning to the end of the period, is as follows:

	Liabilities
	At fair value through profit or loss
	Derivatives
As at January 1, 2022	$2,463
Amount recognized in (profit) for the year ended December 31, 2022 (presented in “other gains or losses”)	(2,028)
Acquisition for the year ended December 31, 2022	—
As at December 31, 2022	$435

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

	Liabilities
	At fair value through profit or loss
	Derivatives
Acquisition for the year ended December 31, 2021	$2,550
Amount recognized in (profit) for the year ended December 31, 2021 (presented in "other profit or loss")	(87)
As at December 31, 2021	$2,463

Total gains and losses recognized in profit or (loss) for the year ended December 31, 2022 and 2021 in the table above contain gains related to liabilities on hand as at December 31, 2022 and 2021 in the amount of NT$2,028 thousand and NT$87 thousand, respectively.

(9) Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios to support its business and maximize the stockholders' value. To maintain or adjust the capital structure, the Group may adjust the dividend payment to stockholders, return capital to stockholders or issue new shares.

13. ADDITIONAL DISCLOSURES

(1) Information on significant transactions and reinvestments

A. Financing provided to others for the year ended December 31, 2022: None.
B. Endorsement/Guarantee provided to others for the year ended December 31, 2022: None.
C. Securities held as at December 31, 2022: Please refer to Attachment 1.
D. Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT$300 million or 20 percent of the capital stock for the year ended December 31, 2022: None.
E. Acquisition of individual real estate with amount exceeding the lower of NT$300 million or 20 percent of the capital stock for the year ended December 31, 2022: None.
F. Disposal of individual real estate with amount exceeding the lower of NT$300 million or 20 percent of the capital stock for the year ended December 31, 2022: None.
G. Related party transactions for purchases and sales amounts exceeding the lower of NT$100 million or 20 percent of the capital stock for the year ended December 31, 2022: None.
H. Receivables from related parties with amounts exceeding the lower of NT$100 million or 20 percent of the capital stock for the year ended December 31, 2022: None.
I. Investees over whom the Group exercises significant influence or control directly or indirectly (excluding investment in mainland China): Please refer to Attachment 2.
J. Financial instruments and derivative transactions: None.
K. Other: Intercompany relationships and significant intercompany transactions for the year ended December 31, 2022: None.

(2) Information on investments in mainland China: Not applicable.

(3) Information on major stockholders: Please refer to Attachment 3.

14. SEGMENT INFORMATION

The Group is engaged in the business of recreational sports and fitness centers. The services it provides are all related to recreational sports and fitness. Therefore, it is considered as a single operating department.

Regional information

The Group operates mainly in Taiwan.

Important customer information

For the years ended December 31, 2022 and 2021, there was no income from a single customer that exceeded 10% of the Group's total revenue.

ATTACHMENT 1

Securities held as at December 31, 2022 (Excluding subsidiaries, associates and joint ventures):

(In Thousands of New Taiwan Dollars)

Securities held by	Marketable securities (Note 1)	Relationship with the securities issuer	General ledger account	As at December 31, 2022				Note
				Number of shares (in thousands)	Carrying amount (Note 2)	Percentage of ownership (%)	Fair value	
Power Wind Health Industry Incorporated	Taroko Development Corporation	—	Financial assets at fair value through other comprehensive income, non-current	900	$4,844	0.55	$4,844	
Power Wind Health Industry Incorporated	Gomore Inc.	—	Financial assets at fair value through other comprehensive income, non-current	25,217	$15,545	5.04	$15,545	

Note 1: Marketable securities refer to stocks, bonds, beneficiary certificates and other related derivative securities within the scope of *IFRS 9 "Financial Instruments."*

Note 2: Fill in the amount after adjusted at fair value and deducted by accumulated impairment for the marketable securities measured at fair value.

ATTACHMENT 2

Names, locations and related information of investee companies (Excluding investment in mainland China):

(In Thousands of New Taiwan Dollars)

Investor company	Investee company	Location	Main business and products	Initial investment		Investment as at December 31, 2022			Net income of investee company	Investment income recognized	Note
				Ending balance	Beginning balance	Number of shares (in thousands)	Percentage of ownership (%)	Carrying amount			
Power Wind Health Industry Incorporated	Bo Xin Health Industry Incorporated	Taipei City	Engaged in the business of recreational sports, fitness center and other sports services	$9,000	$9,000	900	60.00	$14,907	$3,617	$2,170	Note

Note: Aforementioned investment has been written off when preparing the consolidated financial statements.

ATTACHMENT 3

Information on major stockholders：

Name (Note)	Shares	
	Number of shares (shares)	Percentage of ownership (%)
Jiayong Investment Development Co., Ltd.	21,751,989	27.37
Yu, Zong-Jing	5,000,839	6.29
Chen, Shang-Yih	4,220,895	5.31

Note: Major stockholders refer to stockholders’ percentage of ownership of 5% or above.