

**POWER WIND HEALTH INDUSTRY INCORPORATED
AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
WITH REPORT OF INDEPENDENT ACCOUNTANTS
FOR THE THREE-MONTH PERIODS ENDED
MARCH 31, 2022 AND 2021**

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

Telephone: 886-7-348-8000

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.

Review Report of Independent Accountants

To Power Wind Health Industry Incorporated

Introduction

We have reviewed the accompanying consolidated balance sheets of Power Wind Health Industry Incorporated (the “Company”) and its subsidiaries as of March 31, 2022 and 2021, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the three-month periods ended March 31, 2022 and 2021, and notes to the consolidated financial statements, including the summary of significant accounting policies (collectively “the consolidated financial statements”). Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” as endorsed and became effective by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on these consolidated financial statements based on our reviews.

Scope of Review

We conducted our reviews in accordance with Statement of Auditing Standards No. 65, “Review of Financial Information Performed by the Independent Auditor of the Entity” of the Republic of China. A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the Republic of China and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries as of March 31, 2022 and 2021, and its consolidated financial performance and cash flows for the three-month periods ended March 31, 2022 and 2021, in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” as endorsed and became effective by the Financial Supervisory Commission of the Republic of China.

/s/ Lee, Fang-Wen

/s/ Huang, Shih-Chieh

Ernst & Young, Taiwan

May 5, 2022

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
March 31, 2022, December 31, 2021 and March 31, 2021 (March 31, 2022 and 2021 are unaudited)
(Expressed in Thousands of New Taiwan Dollars)

Assets	Notes	March 31, 2022	%	December 31, 2021	%	March 31, 2021	%
Current assets							
Cash and cash equivalents	4,6(1)	\$867,231	10	\$790,408	10	\$1,276,287	16
Notes receivable, net	4	-	-	245	-	-	-
Accounts receivable, net	4,6(2)	11,123	-	18,272	-	15,889	-
Inventories	4	12,981	-	14,242	-	12,050	-
Prepayments		9,355	-	12,515	-	9,752	-
Other financial assets, current	4,6(3),8	308,987	4	331,257	4	306,990	4
Other current assets		53,651	1	48,190	1	11,814	-
Total current assets		<u>1,263,328</u>	<u>15</u>	<u>1,215,129</u>	<u>15</u>	<u>1,632,782</u>	<u>20</u>
Non-current assets							
Financial assets at fair value through other comprehensive income, non-current	4,6(4)	25,962	-	25,962	-	25,962	-
Property, plant and equipment	4,6(5),8	3,053,333	37	3,103,845	38	2,811,632	36
Right-of-use assets	4,6(17),7	3,826,781	46	3,616,283	44	3,327,510	42
Intangible assets	4,6(6)	29,756	-	30,157	-	2,661	-
Deferred tax assets	4,6(21)	41,586	-	57,916	1	12,002	-
Other non-current assets	4,6(7),7	123,678	2	122,608	2	117,748	2
Total non-current assets		<u>7,101,096</u>	<u>85</u>	<u>6,956,771</u>	<u>85</u>	<u>6,297,515</u>	<u>80</u>
Total Assets		<u><u>\$8,364,424</u></u>	<u><u>100</u></u>	<u><u>\$8,171,900</u></u>	<u><u>100</u></u>	<u><u>\$7,930,297</u></u>	<u><u>100</u></u>

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
March 31, 2022, December 31, 2021 and March 31, 2021 (March 31, 2022 and 2021 are unaudited)
(Expressed in Thousands of New Taiwan Dollars)

Liabilities and Equity	Notes	March 31, 2022	%	December 31, 2021	%	March 31, 2021	%
Current liabilities							
Contract liabilities	4,6(16)	\$597,519	7	\$611,762	8	\$549,233	7
Notes payable		724	-	999	-	271	-
Notes payable - related parties	7	427	-	425	-	422	-
Accounts payable		886	-	559	-	565	-
Payables on equipment		48,630	1	68,347	1	20,980	-
Other payables	6(8)	255,158	3	298,729	4	265,769	4
Other payables - related parties	7	366	-	369	-	402	-
Current tax liabilities	4,6(21)	39,246	-	39,243	-	64,851	1
Lease liabilities, current	4,6(17)	457,210	5	446,568	5	398,815	5
Lease liabilities, current - related parties	4,6(17),7	26,045	-	35,697	-	38,611	-
Current portion of long-term liabilities	4,6(11),8	126,649	2	111,836	1	264,019	3
Other current liabilities		3,357	-	3,338	-	2,520	-
Total current liabilities		1,556,217	18	1,617,872	19	1,606,458	20
Non-current liabilities							
Financial liabilities at fair value through profit or loss, non-current	4,6(9)	2,853	-	2,463	-	1,966	-
Bonds payable	4,6(10)	378,815	5	377,230	5	381,968	5
Long-term loans	4,6(11),8	1,090,988	13	1,130,675	14	616,768	8
Provisions, non-current	4,6(13)	59,590	1	56,937	-	46,552	1
Lease liabilities	4,6(17)	3,543,608	42	3,320,304	41	2,999,754	38
Lease liabilities - related parties	4,6(17),7	767	-	642	-	26,074	-
Other non-current liabilities		880	-	880	-	460	-
Total non-current liabilities		5,077,501	61	4,889,131	60	4,073,542	52
Total liabilities		6,633,718	79	6,507,003	79	5,680,000	72
Equity attributable to the parent company	4,6(14&15)						
Share capital							
Common stock		774,553	9	774,703	10	737,205	9
Certificate of entitlement to new shares from convertible bonds		-	-	-	-	-	-
Total share capital		774,553	9	774,553	10	737,190	9
Capital surplus		796,465	10	796,465	10	787,794	10
Retained earnings							
Legal reserve		214,637	3	214,637	3	174,623	2
Special reserve		29,364	-	29,364	-	64,682	1
(Accumulated losses) Unappropriated earnings		(79,344)	(1)	(142,189)	(2)	490,820	6
Total retained earnings		164,657	2	101,812	1	730,125	9
Other components of equity		(11,601)	-	(13,623)	-	(22,917)	-
Treasury shares		(2,801)	-	(2,801)	-	-	-
Total equity attributable to the parent company		1,721,273	21	1,656,406	21	2,232,192	28
Non-controlling interests	4,6(14)	9,433	-	8,491	-	18,105	-
Total equity		1,730,706	21	1,664,897	21	2,250,297	28
Total liabilities and equity		\$8,364,424	100	\$8,171,900	100	\$7,930,297	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
UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the three-month periods ended March 31, 2022 and 2021
(Expressed in Thousands of New Taiwan Dollars, Except for Earnings per Share)

Accounting	Notes	For the three-month periods ended March 31			
		2022	%	2021	%
Operating revenues	4,6(16)	\$903,775	100	\$911,218	100
Operating costs	4,6(12&15&17&18),7	(658,051)	(73)	(635,542)	(70)
Gross profit		<u>245,724</u>	<u>27</u>	<u>275,676</u>	<u>30</u>
Operating expenses	4,6(12&15&17&18),7				
Sales and marketing expenses		(10,810)	(1)	(10,840)	(1)
General and administrative expenses		(138,635)	(15)	(134,230)	(15)
Subtotal		<u>(149,445)</u>	<u>(16)</u>	<u>(145,070)</u>	<u>(16)</u>
Operating income		<u>96,279</u>	<u>11</u>	<u>130,606</u>	<u>14</u>
Non-operating income and expenses	4,6(19),7				
Interest income		157	-	230	-
Other income		7,173	1	2,191	-
Other gains and losses		(2,282)	-	553	-
Finance costs		(21,207)	(3)	(17,752)	(1)
Subtotal		<u>(16,159)</u>	<u>(2)</u>	<u>(14,778)</u>	<u>(1)</u>
Income from continuing operations before income tax		80,120	9	115,828	13
Income tax (expense)	4,6(21)	(16,333)	(2)	(23,358)	(3)
Profit from continuing operations		<u>63,787</u>	<u>7</u>	<u>92,470</u>	<u>10</u>
Net income		<u>63,787</u>	<u>7</u>	<u>92,470</u>	<u>10</u>
Total comprehensive income		<u>\$63,787</u>	<u>7</u>	<u>\$92,470</u>	<u>10</u>
Net income attributable to:					
Stockholders of the parent		\$62,845	7	\$90,685	10
Non-controlling interests		942	-	1,785	-
		<u>\$63,787</u>	<u>7</u>	<u>\$92,470</u>	<u>10</u>
Comprehensive income attributable to:					
Stockholders of the parent		\$62,845	7	\$90,685	10
Non-controlling interests		942	-	1,785	-
		<u>\$63,787</u>	<u>7</u>	<u>\$92,470</u>	<u>10</u>
Earnings per share (NTD)	6(22)				
Earnings per share - Basic		<u>\$0.84</u>		<u>\$1.28</u>	
Earnings per share - Diluted		<u>\$0.82</u>		<u>\$1.22</u>	

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
UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the three-month periods ended March 31, 2022 and 2021
(Expressed in Thousands of New Taiwan Dollars)

Accounting	Equity attributable to the parent company										Non-controlling interests	Total equity
	Common stock	Share capital awaiting retirement	Capital surplus	Retained earnings			Other components of equity		Treasury shares	Total		
				Legal reserve	Special reserve	(Accumulated losses) Unappropriated earnings	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Unearned rewards for employees				
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
Other changes in capital surplus												
Due to recognition of equity component of convertible bonds issued	-	-	11,845	-	-	-	-	-	-	11,845	-	11,845
Net income for the three-month period ended March 31, 2021	-	-	-	-	-	90,685	-	-	-	90,685	1,785	92,470
Total comprehensive income	-	-	-	-	-	90,685	-	-	-	90,685	1,785	92,470
Share-based payment transaction	(138)	123	(22)	-	-	-	-	6,447	-	6,410	-	6,410
Balance as of March 31, 2021	\$737,205	\$(15)	\$787,794	\$174,623	\$64,682	\$490,820	\$(7,583)	\$(15,334)	\$-	\$2,232,192	\$18,105	\$2,250,297
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
Net income for the three-month period ended March 31, 2022	-	-	-	-	-	62,845	-	-	-	62,845	942	63,787
Total comprehensive income	-	-	-	-	-	62,845	-	-	-	62,845	942	63,787
Share-based payment transaction	(150)	150	-	-	-	-	-	2,022	-	2,022	-	2,022
Balance as of March 31, 2022	\$774,553	\$-	\$796,465	\$214,637	\$29,364	\$(79,344)	\$(7,583)	\$(4,018)	\$(2,801)	\$1,721,273	\$9,433	\$1,730,706

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
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
For the three-month periods ended March 31, 2022 and 2021
(Expressed in Thousands of New Taiwan Dollars)

Accounting	For the three-month periods ended March 31	
	2022	2021
Cash flows from operating activities:		
Net income before tax	\$80,120	\$115,828
Adjustments to reconcile net income before tax to net cash provided by operating activities:		
Depreciation	241,729	220,149
Amortization	946	128
Net loss (gain) on financial assets and liabilities at fair value through profit or loss	390	(640)
Interest expense	21,207	17,752
Interest income	(157)	(230)
Compensation costs of share-based payment transaction	2,022	6,447
(Gain) on disposal and abandonment of property, plant and equipment	-	(12)
Changes in operating assets and liabilities:		
Decrease in notes receivable	245	-
Decrease (Increase) in accounts receivable	7,149	(7,675)
Decrease (Increase) in inventories	1,261	(5,739)
Decrease in prepayments	3,160	4,103
(Increase) Decrease in other current assets	(5,460)	2,862
Decrease (Increase) in other financial assets	22,270	(12,682)
(Decrease) Increase in contract liabilities	(14,243)	49,700
(Decrease) in notes payable	(275)	(129)
Increase in notes payable - related parties	2	3
Increase (Decrease) in accounts payable	327	(302)
(Decrease) in other payables	(43,571)	(42,016)
(Decrease) in other payables - related parties	(3)	(18)
Increase (Decrease) in other current liabilities	19	(47)
Cash generated from operations	317,138	347,482
Interest received	157	230
Income tax paid	-	(3)
Net cash provided by operating activities	<u>317,295</u>	<u>347,709</u>
Cash flows from investing activities:		
Acquisition of property, plant and equipment	(89,503)	(107,054)
Proceeds from disposal of property, plant and equipment	-	20
Acquisition of intangible assets	(545)	-
Increase in other non-current assets	(1,070)	(6,370)
Net cash (used in) investing activities	<u>(91,118)</u>	<u>(113,404)</u>
Cash flows from financing activities:		
Proceeds from bonds issued	-	400,000
Proceeds from long-term loans	2,200	107,070
Repayments of long-term loans	(27,074)	(16,504)
Cash payments for the principal portion of lease liabilities	(121,408)	(104,962)
Interest paid	(3,072)	(2,027)
Others	-	(37)
Net cash (used in) provided by financing activities	<u>(149,354)</u>	<u>383,540</u>
Net increase in cash and cash equivalents	76,823	617,845
Cash and cash equivalents at beginning of period	790,408	658,442
Cash and cash equivalents at end of period	<u>\$867,231</u>	<u>\$1,276,287</u>

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

POWER WIND HEALTH INDUSTRY INCORPORATED AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
For the Three-Month Periods Ended March 31, 2022 and 2021
(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 shares 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 three-month periods ended March 31, 2022 and 2021 were authorized for issue by the Board of Directors on May 5, 2022.

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 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, 2023
d	Disclosure Initiative - Accounting Policies (Amendments to IAS 1)	January 1, 2023
e	Definition of Accounting Estimates (Amendments to IAS 8)	January 1, 2023
f	Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)	January 1, 2023

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.

POWER WIND HEALTH INDUSTRY INCORPORATED AND SUBSIDIARIES -(Continued)
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

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. 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.

E. 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.

F. 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 Group is currently evaluating the potential impact of the aforementioned Standards and Interpretations to the Group's financial position and performance, and the related impact will be disclosed when the evaluation is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Statement of compliance

The consolidated financial statements of the Group for the three-month periods ended March 31, 2022 and 2021 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers ("the Regulations") and *IAS 34 "Interim Financial Reporting"* as endorsed and became effective 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 stated.

POWER WIND HEALTH INDUSTRY INCORPORATED AND SUBSIDIARIES -(Continued)
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(3) Basis of consolidation

Preparation principle of consolidated financial statements

The same principles of consolidation have been applied in the Group's consolidated financial statements for the three-month period ended March 31, 2022 as those applied in the Group's consolidated financial statements for the year ended December 31, 2021. For the principles of consolidation, please refer to the Group's consolidated financial statements for the year ended December 31, 2021.

The consolidated entities are listed as follows:

Investor	Subsidiary	Business nature	Percentage of Ownership		
			Mar. 31, 2022	Dec. 31, 2021	Mar. 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%	60.00%

(4) Other Significant Accounting Policies

The same accounting policies of consolidation have been applied in the Group's consolidated financial statements for the three-month period ended March 31, 2022 as those applied in the Group's consolidated financial statements for the year ended December 31, 2021. For the summary of significant accounting policies, please refer to the Group's consolidated financial statements for the year ended December 31, 2021.

5. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The same significant accounting judgments, estimates and assumptions have been applied in the Group's consolidated financial statements for the three-month period ended March 31, 2022 as those applied in the Group's consolidated financial statements for the year ended December 31, 2021. For significant accounting judgments, estimates and assumptions, please refer to the Group's consolidated financial statements for the year ended December 31, 2021.

6. CONTENTS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	As at		
	Mar. 31, 2022	Dec. 31, 2021	Mar. 31, 2021
Cash on hand	\$1,627	\$1,591	\$1,365
Bank deposit	865,604	788,817	1,274,922
Total	\$867,231	\$790,408	\$1,276,287

POWER WIND HEALTH INDUSTRY INCORPORATED AND SUBSIDIARIES -(Continued)
 (Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(2) Accounts receivable

	As at		
	Mar. 31, 2022	Dec. 31, 2021	Mar. 31, 2021
Accounts receivable	\$11,123	\$18,272	\$15,889
Less: loss allowance	—	—	—
Total	\$11,123	\$18,272	\$15,889

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. The objects of these accounts were mainly domestically well-known financial institutions, so the creditworthiness were all in good grades.

(3) Other financial assets, current

	As at		
	Mar. 31, 2022	Dec. 31, 2021	Mar. 31, 2021
Bank deposit	\$308,987	\$331,257	\$306,990

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

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

(5) Property, plant and equipment

	As at		
	Mar. 31, 2022	Dec. 31, 2021	Mar. 31, 2021
Owner occupied property, plant and equipment	\$3,053,333	\$3,103,845	\$2,811,632

POWER WIND HEALTH INDUSTRY INCORPORATED AND SUBSIDIARIES -(Continued)
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

	Land	Buildings	Business facilities	Leasehold improvements	Other equipment	Construction in progress and equipment awaiting examination	Total
<u>Cost:</u>							
As at Jan. 1, 2022	\$690,600	\$494,406	\$2,467,453	\$1,785,608	\$159,355	\$50,996	\$5,648,418
Additions	—	—	29,611	3,855	1,799	34,608	69,873
Disposals	—	—	(553)	—	—	—	(553)
Other (Note)	—	—	—	2,538	—	—	2,538
Transfers	—	—	19,053	1,147	3,187	(23,474)	(87)
As at Mar. 31, 2022	<u>\$690,600</u>	<u>\$494,406</u>	<u>\$2,515,564</u>	<u>\$1,793,148</u>	<u>\$164,341</u>	<u>\$62,130</u>	<u>\$5,720,189</u>
As at Jan. 1, 2021	\$597,576	\$253,172	\$2,144,711	\$1,627,917	\$134,461	\$193,378	\$4,951,215
Additions	—	14,723	25,043	3,638	7,421	43,029	93,854
Disposals	—	—	(3,131)	—	—	—	(3,131)
Other (Note)	—	—	—	—	—	—	—
Transfers	—	117,691	21,852	150	3,507	(143,200)	—
As at Mar. 31, 2021	<u>\$597,576</u>	<u>\$385,586</u>	<u>\$2,188,475</u>	<u>\$1,631,705</u>	<u>\$145,389</u>	<u>\$93,207</u>	<u>\$5,041,938</u>
<u>Depreciation and impairment:</u>							
As at Jan. 1, 2022	\$—	\$(61,404)	\$(1,571,791)	\$(809,200)	\$(102,178)	\$—	\$(2,544,573)
Depreciation	—	(4,783)	(73,139)	(39,753)	(5,161)	—	(122,836)
Disposals	—	—	553	—	—	—	553
Transfers	—	—	—	—	—	—	—
As at Mar. 31, 2022	<u>\$—</u>	<u>\$(66,187)</u>	<u>\$(1,644,377)</u>	<u>\$(848,953)</u>	<u>\$(107,339)</u>	<u>\$—</u>	<u>\$(2,666,856)</u>
As at Jan. 1, 2021	\$—	\$(46,070)	\$(1,308,872)	\$(678,932)	\$(84,819)	\$—	\$(2,118,693)
Depreciation	—	(3,282)	(69,222)	(37,277)	(4,955)	—	(114,736)
Disposals	—	—	3,123	—	—	—	3,123
Transfers	—	—	—	—	—	—	—
As at Mar. 31, 2021	<u>\$—</u>	<u>\$(49,352)</u>	<u>\$(1,374,971)</u>	<u>\$(716,209)</u>	<u>\$(89,774)</u>	<u>\$—</u>	<u>\$(2,230,306)</u>
<u>Net carrying amount:</u>							
As at Mar. 31, 2022	<u>\$690,600</u>	<u>\$428,219</u>	<u>\$871,187</u>	<u>\$944,195</u>	<u>\$57,002</u>	<u>\$62,130</u>	<u>\$3,053,333</u>
As at Dec. 31, 2021	<u>\$690,600</u>	<u>\$433,002</u>	<u>\$895,662</u>	<u>\$976,408</u>	<u>\$57,177</u>	<u>\$50,996</u>	<u>\$3,103,845</u>
As at Mar. 31, 2021	<u>\$597,576</u>	<u>\$336,234</u>	<u>\$813,504</u>	<u>\$915,496</u>	<u>\$55,615</u>	<u>\$93,207</u>	<u>\$2,811,632</u>

Note: Provision for decommissioning, restoration and rehabilitation costs.

Capitalized borrowing costs of construction in progress for the three-month period ended March 31, 2021 was NT\$70 thousand. The capitalization rate of borrowing costs was 0.50% ~ 1.23% for the three-month period ended March 31, 2021.

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

POWER WIND HEALTH INDUSTRY INCORPORATED AND SUBSIDIARIES -(Continued)
 (Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(6) Intangible assets

A.

	<u>Computer software</u>
<u>Cost:</u>	
As at Jan. 1, 2022	\$32,365
Addition - acquired separately	458
Derecognition	—
Transfers	87
As at Mar. 31, 2022	<u>\$32,910</u>
As at Jan. 1, 2021	\$3,360
Addition - acquired separately	—
Derecognition	—
As at Mar. 31, 2021	<u>\$3,360</u>
<u>Amortization and impairment:</u>	
As at Jan. 1, 2022	\$(2,208)
Amortization	(946)
Derecognition	—
As at Mar. 31, 2022	<u>\$(3,154)</u>
As at Jan. 1, 2021	\$(571)
Amortization	(128)
Derecognition	—
As at Mar. 31, 2021	<u>\$(699)</u>
<u>Net carrying amount:</u>	
As at Mar. 31, 2022	<u>\$29,756</u>
As at Dec. 31, 2021	<u>\$30,157</u>
As at Mar. 31, 2021	<u>\$2,661</u>

B. Amortization expenses recognized for intangible assets are as follows:

	<u>For the three-month period ended March 31</u>	
	<u>2022</u>	<u>2021</u>
Operating expenses	<u>\$946</u>	<u>\$128</u>

C. The cost of computer software is expenses such as ERP, which is amortized over 5 to 10 years.

POWER WIND HEALTH INDUSTRY INCORPORATED AND SUBSIDIARIES -(Continued)
 (Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(7) Other non-current assets

	As at		
	Mar. 31, 2022	Dec. 31, 2021	Mar. 31, 2021
Refundable deposits	\$123,678	\$122,608	\$117,748

(8) Other payables

	As at		
	Mar. 31, 2022	Dec. 31, 2021	Mar. 31, 2021
Accrued salaries and bonuses	\$107,600	\$103,927	\$120,122
Accrued labor and health insurance	32,006	60,141	27,894
Accrued employee compensation	—	—	19,299
Business tax payable	3,047	9,052	7,129
Other	112,505	125,609	91,325
Total	\$255,158	\$298,729	\$265,769

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

	As at		
	Mar. 31, 2022	Dec. 31, 2021	Mar. 31, 2021
Designated financial liabilities at fair value through profit or loss			
Derivatives not designated as hedging relationship			
Embedded derivative			
Convertible bonds	\$2,853	\$2,463	\$1,966

(10) Bonds payable

	As at		
	Mar. 31, 2022	Dec. 31, 2021	Mar. 31, 2021
Domestic 2 nd unsecured convertible bonds payable	\$378,815	\$377,230	\$381,968
Less: current portion	—	—	—
Net	\$378,815	\$377,230	\$381,968

POWER WIND HEALTH INDUSTRY INCORPORATED AND SUBSIDIARIES -(Continued)
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

A. Domestic unsecured convertible bonds payable

	As at		
	Mar. 31, 2022	Dec. 31, 2021	Mar. 31, 2021
Liability component:			
Principal amount	\$390,100	\$390,100	\$400,000
(Discounts) on bonds payable	(11,285)	(12,870)	(18,032)
Subtotal	378,815	377,230	381,968
Less: current portion	—	—	—
Net	\$378,815	\$377,230	\$381,968
Embedded derivative	\$2,853	\$2,463	\$1,966
Equity component	\$11,551	\$11,551	\$11,845

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 ordinary shares). 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 ordinary shares 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 shares 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 shares 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 March 31, 2022 was NT\$ 143.9 per share.

POWER WIND HEALTH INDUSTRY INCORPORATED AND SUBSIDIARIES -(Continued)
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

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 NT\$ 9,900 thousand as at December 31, 2021, and were not converted as at March 31, 2022.

(11) Long-term borrowings

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

Lenders	As at Mar. 31, 2022	Interest Rate (%)	Maturity date and terms of repayment
Cathay United Bank secured long-term loan	\$168,115	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	28,667	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	181,974	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	142,774	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	20,000	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	77,450	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	40,867	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.

POWER WIND HEALTH INDUSTRY INCORPORATED AND SUBSIDIARIES -(Continued)
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Lenders	As at Mar. 31, 2022	Interest Rate (%)	Maturity date and terms of repayment
Taichung Commercial Bank unsecured long-term loan	43,180	1.39	Effective from October 13, 2021 to October 13, 2024, the principal and interest are repaid monthly.
Subtotal	1,217,637		
Less: current portion	(126,649)		
Total	\$1,090,988		

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		

POWER WIND HEALTH INDUSTRY INCORPORATED AND SUBSIDIARIES -(Continued)
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Lenders	As at Mar. 31, 2021	Interest Rate (%)	Maturity date and terms of repayment
Cathay United Bank secured long-term loan	\$186,127	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	38,000	1.07	Effective from October 7, 2019 to October 7, 2022, the principal and interest are repaid monthly.
Cathay United Bank secured long-term loan	188,000	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	202,760	1.23	Effective from May 7, 2018 to May 8, 2022, interest is repaid monthly and the principle will be repayable upon maturity.
E.SUN Commercial Bank unsecured long-term loan	93,100	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	44,000	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	40,000	0.60	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.
First Commercial Bank unsecured long-term loan	88,800	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.
Subtotal	880,787		
Less: current portion	(264,019)		
Total	\$616,768		

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

(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 three-month periods ended March 31, 2022 and 2021 were NT\$13,654 thousand and NT\$17,095 thousand, respectively.

POWER WIND HEALTH INDUSTRY INCORPORATED AND SUBSIDIARIES -(Continued)
 (Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(13) Provisions, non-current

	Decommissioning, restoration and rehabilitation costs
As at January 1, 2022	\$56,937
Arising during the period	2,538
Discount rate adjustment and unwinding of discount from the passage of time	115
As at March 31, 2022	<u>\$59,590</u>
As at January 1, 2021	\$46,456
Arising during the period	—
Discount rate adjustment and unwinding of discount from the passage of time	96
As at March 31, 2021	<u>\$46,552</u>

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 all NT\$1,000,000 thousand as at March 31, 2022, December 31, 2021 and March 31, 2021, divided into all 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\$774,553 thousand, NT\$774,703 thousand and NT\$737,205 thousand, divided into 77,455 thousand shares, 77,470 thousand shares and 73,721 thousand shares as at March 31, 2022, December 31, 2021 and March 31, 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 as at March 31, 2022.

POWER WIND HEALTH INDUSTRY INCORPORATED AND SUBSIDIARIES -(Continued)
 (Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

B. Capital surplus

	As at		
	Mar. 31, 2022	Dec. 31, 2021	Mar. 31, 2021
Employee stock option	\$—	\$—	\$47
Restricted stocks for employees	245,157	245,157	245,390
Additional paid-in capital from common stock	160,822	160,822	160,760
Due to recognition of equity component of convertible bonds issued	11,551	11,551	11,845
Additional paid-in capital from convertible bonds	377,354	377,354	368,171
Vested stock option	1,581	1,581	1,581
Total	<u>\$796,465</u>	<u>\$796,465</u>	<u>\$787,794</u>

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 NT\$2,801 thousand as at March 31, 2022.

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 government 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 the same to the stockholders' meeting for review and approval by a resolution.

POWER WIND HEALTH INDUSTRY INCORPORATED AND SUBSIDIARIES -(Continued)
 (Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

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.

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 serve 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.

On April 18, 2022, the Board of Directors of the Company proposed to make up for the loss in 2021. The legal reserve, \$126,448 thousand, is used for making up for the loss in 2021, and the capital reserve, \$100,000 thousand, is used for distributing cash at \$1.29 per share.

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

	<u>Appropriation of earnings</u>	<u>Dividend per share (NT\$)</u>
	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 about the accrual basis of the employees' compensation and directors' remuneration and the actual distributions, please refer to Note 6(18) for details.

POWER WIND HEALTH INDUSTRY INCORPORATED AND SUBSIDIARIES -(Continued)
 (Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

E. Non-controlling interests

	For the three-month periods ended March 31	
	2022	2021
Beginning balance	\$8,491	\$16,320
Profit attributable to non-controlling interests	942	1,785
Ending balance	\$9,433	\$18,105

(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.

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 vested conditions, the cash dividends, stock dividends, and cash (stocks) allocated from the capital reserve 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 three-month periods ended March 31, 2022 and 2021, the Company incurred expenses of NT\$2,022 thousand, and NT\$6,447 thousand for the share-based payment transactions.

POWER WIND HEALTH INDUSTRY INCORPORATED AND SUBSIDIARIES -(Continued)
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(16) Operating revenues

	For the three-month periods ended March 31	
	2022	2021
Revenue of Fitness and recreational sports services	\$518,916	\$561,350
Revenue of Sports health services	343,978	319,110
Revenue of Joining fees	34,824	23,812
Others	6,248	7,041
Total	903,966	911,313
Less: sales return and sales discounts and allowances	(191)	(95)
Net operating revenues	<u>\$903,775</u>	<u>\$911,218</u>

Analysis of revenue from contracts with customers during the three-month periods ended March 31, 2022 and 2021 are as follows:

A. Disaggregation of revenue - Operation department

	For the three-month periods ended March 31	
	2022	2021
Sale of goods	\$4,130	\$4,354
Rendering of services	894,695	900,471
Others	4,950	6,393
Total	<u>\$903,775</u>	<u>\$911,218</u>
Timing of revenue recognition		
At a point in time	\$354,691	\$332,121
Over time	549,084	579,097
Total	<u>\$903,775</u>	<u>\$911,218</u>

B. Contract balances

Contract liabilities, current

	As at		
	Mar. 31, 2022	Dec. 31, 2021	Mar. 31, 2021
Rendering of services - Fitness	\$80,533	\$84,107	\$85,175
Rendering of services - Sports health etc.	453,423	446,826	399,490
Rendering of services - Joining fees (Initiation and processing fees included)	56,325	73,236	55,939
Rendering of services - Other	7,238	7,593	8,629
Total	<u>\$597,519</u>	<u>\$611,762</u>	<u>\$549,233</u>

POWER WIND HEALTH INDUSTRY INCORPORATED AND SUBSIDIARIES -(Continued)
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The significant changes in the Group's balances of contract liabilities for the three-month periods ended March 31, 2022 and 2021 are as follows:

	For the three-month periods ended March 31	
	2022	2021
The beginning balance transferred to revenue	\$287,272	\$243,046
Increase in receipts in advance during the period (excluding the amount incurred and transferred to revenue during the period)	\$273,029	\$292,746

C. Transaction price allocated to unsatisfied performance obligations

The Group's transaction price allocated to unsatisfied performance obligations amounted to NT\$597,519 thousand and NT\$549,233 thousand as at March 31, 2022 and 2021. 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 16 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		
	Mar. 31, 2022	Dec. 31, 2021	Mar. 31, 2021
Buildings	\$3,825,319	\$3,614,303	\$3,323,977
Transportation equipment	225	588	1,677
Office equipment	1,237	1,392	1,856
Total	<u>\$3,826,781</u>	<u>\$3,616,283</u>	<u>\$3,327,510</u>

POWER WIND HEALTH INDUSTRY INCORPORATED AND SUBSIDIARIES -(Continued)
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During the three-month periods ended March 31, 2022 and 2021, the Group's additions to right-of-use assets amounted to NT\$329,392 thousand and NT\$156,645 thousand.

b. Lease liabilities

	As at		
	Mar. 31, 2022	Dec. 31, 2021	Mar. 31, 2021
Lease liabilities	\$4,027,630	\$3,803,211	\$3,463,254
Current	\$483,255	\$482,265	\$437,426
Non-current	\$3,544,375	\$3,320,946	\$3,025,828

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

B. Amounts recognized in the statement of profit or loss

Depreciation charge for right-of-use assets

	For the three-month periods ended March 31	
	2022	2021
Buildings	\$118,376	\$104,896
Transportation equipment	363	363
Office equipment	154	154
Total	\$118,893	\$105,413

C. Income and costs relating to leasing activities

	For the three-month periods ended March 31	
	2022	2021
The expenses relating to short-term leases	\$520	\$49
The expenses relating to leases of low-value assets (not including the expenses relating to short-term leases of low-value assets)	\$2,873	\$2,718
Income from subleasing right-of-use assets	\$(2,370)	\$(1,506)

D. Cash outflow relating to leasing activities

During the three-month periods ended March 31, 2022 and 2021, the Group's total cash outflows for leases amounted to NT\$138,866 thousand and NT\$120,253 thousand.

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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 three-month periods ended March 31					
	2022			2021		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expense						
Salaries	\$334,428	30,799	\$365,227	\$331,800	34,554	\$366,354
Labor and health insurance	\$26,306	1,894	\$28,200	\$30,129	2,096	\$32,225
Pension	\$12,587	1,067	\$13,654	\$16,333	762	\$17,095
Director's remuneration	\$—	339	\$339	\$57	1,151	\$1,208
Other employee benefits expense	\$7,042	100	\$7,142	\$3,131	93	\$3,224
Depreciation	\$237,422	4,307	\$241,729	\$216,251	3,898	\$220,149
Amortization	\$—	946	\$946	\$—	128	\$128

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 Group's accumulated losses shall have been covered. The Group 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.

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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. If there is a difference between the estimated distribution and the actual distribution the Board of Directors resolved, the Group will recognize the change as an adjustment in the profit or loss in the subsequent year.

Based on the accumulated loss as of the three-month period ended March 31, 2022 and the year ended December 31, 2021, the Group decided not to recognize the amounts of the employees' compensation and remuneration to directors. The Company estimated the amounts of the employees' compensation and remuneration to directors for the three-month period ended March 31, 2021 to be 3% of profit of the three-month period and 0.75% of profit of the three-month period, respectively, under the salaries. As such, employees' compensation and remuneration to directors for the three-month period ended March 31, 2021 amounted to NT\$3,520 thousand, and NT\$880 thousand, respectively.

(19) Non-operating income and expenses

A. Interest income

	For the three-month periods ended March 31	
	2022	2021
Financial assets at amortized cost - bank deposits	\$157	\$230

B. Other income

	For the three-month periods ended March 31	
	2022	2021
Rental income	\$2,370	\$1,506
Others	4,803	685
Total	\$7,173	\$2,191

C. Other gains and losses

	For the three-month periods ended March 31	
	2022	2021
Gain on disposal of property, plant and equipment	\$—	\$12
(Loss) Gain on financial assets at fair value through profit or loss	(390)	640
Others	(1,892)	(99)
Total	\$(2,282)	\$553

POWER WIND HEALTH INDUSTRY INCORPORATED AND SUBSIDIARIES -(Continued)
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D. Finance costs

	For the three-month periods ended March 31	
	2022	2021
Interest on borrowings from bank	\$(3,071)	\$(2,027)
Interest on lease liabilities	(16,435)	(14,030)
Interest on bonds payable	(1,585)	(1,599)
Total interest expenses	(21,091)	(17,656)
Unwinding of discount on provisions	(116)	(96)
Total finance costs	\$(21,207)	\$(17,752)

(20) Components of other comprehensive income

For the three-month periods ended March 31, 2022 and 2021: None.

(21) Income tax

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

Income tax expense recognized in profit or loss

	For the three-month periods ended March 31	
	2022	2021
Current income tax expense:		
Current income tax charge	\$3	\$23,605
Adjustments in respect of current income tax of prior years	—	—
Deferred tax expense (income):		
Deferred tax expense (income) relating to origination and reversal of temporary differences	16,330	(247)
Total income tax expense	\$16,333	\$23,358

B. The assessment of income tax returns

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

	<u>The assessment of income tax returns</u>
The Company	Assessed and approved up to 2019
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 three-month period attributable to common stockholders of the parent company by the weighted average number of common stocks outstanding during the three-month period.

POWER WIND HEALTH INDUSTRY INCORPORATED AND SUBSIDIARIES -(Continued)

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Diluted earnings per share amounts are calculated by dividing the net profit for the three-month period attributable to common stockholders of the parent company by the weighted average number of common stocks outstanding during the three-month period 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 three-month periods ended March 31	
	2022	2021
<u>Basic earnings per share</u>		
Net income (in thousand NT\$)	\$62,845	\$90,685
Weighted average number of common stocks outstanding for basic earnings per share (in thousands)	74,485	70,751
Basic earnings per share (NT\$)	\$0.84	\$1.28
<u>Diluted earnings per share</u>		
Net income (in thousand NT\$)	\$62,845	\$90,685
Interest expense from convertible bonds (in thousand NT\$)	—	1,279
Profit attributable to common stockholders of the Company after dilution (in thousand NT\$)	\$62,845	\$91,964
Weighted average number of common stocks outstanding for basic earnings per share (in thousands)	74,485	70,751
Effect of dilution:		
Employee compensation - stock (in thousands)	—	21
Employee stock options (in thousands)	2,164	2,102
Convertible bonds (in thousands)	—	2,423
Weighted average number of common stocks outstanding after dilution (in thousands)	76,649	75,297
Diluted earnings per share (NT\$)	\$0.82	\$1.22

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 of the related parties that had transaction 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

POWER WIND HEALTH INDUSTRY INCORPORATED AND SUBSIDIARIES -(Continued)
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Significant related party transactions

(1) Notes payable - related parties

	As at		
	Mar. 31, 2022	Dec. 31, 2021	Mar. 31, 2021
Other related party			
Giant	\$427	\$425	\$422

(2) Other payables - related parties

	As at		
	Mar. 31, 2022	Dec. 31, 2021	Mar. 31, 2021
Other related party			
Giant	\$366	\$369	\$402

(3) Lease

As of March 31, 2022, December 31, 2021 and March 31, 2021, the security deposits paid to the related party for the lease of the business premises were NT\$7,588 thousand, NT\$7,588 and NT\$7,588 thousand, respectively, under the refundable deposits. The management fee for the three-month periods ended March 31, 2022 and 2021 were NT\$1,216 thousand and NT\$1,200 thousand, respectively, under the operating expenses.

A. Right-of-use assets

	As at		
	Mar. 31, 2022	Dec. 31, 2021	Mar. 31, 2021
Other related party			
Giant	\$25,033	\$42,685	\$60,337

B. Lease liabilities

	As at		
	Mar. 31, 2022	Dec. 31, 2021	Mar. 31, 2021
Other related party			
Giant	\$26,812	\$36,339	\$64,685

C. Interest expenses

	For the three-month periods ended March 31	
	2022	2021
Other related party		
Giant	\$125	\$276

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D. Rental income

	For the three-month periods ended March 31	
	2022	2021
Other related party Jiayong Inv.	\$57	\$—

(4) Key management personnel compensation

	For the three-month periods ended March 31	
	2022	2021
Short-term employee benefits	\$6,352	\$7,352
Post-employment benefits	221	221
Share-based payment	511	1,488
Total	\$7,084	\$9,061

(5) Other

As of March 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:

Items	As at			Secured liabilities
	Mar. 31, 2022	Dec. 31, 2021	Mar. 31, 2021	
Property, plant and equipment - land and buildings	\$1,110,469	\$1,114,449	\$922,583	Long-term loan
Other financial assets, current	308,987	331,257	306,990	Performance guarantee of fitness center
Total	\$1,419,456	\$1,445,706	\$1,229,573	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

(1) As of March 31, 2022, the lease performance guarantee bills drawn by the Group for leasing sports venues amounted to NT\$48,874 thousand.

(2) As of March 31, 2022, the total amount of the equipment and construction purchased under contracts was approximately NT\$127,417 thousand, including approximately NT\$35,361 thousand unpaid.

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10. LOSSES DUE TO MAJOR DISASTER

None.

11. SIGNIFICANT SUBSEQUENT EVENTS

None.

12. OTHERS

(1) Categories of financial instruments

Financial Assets

	As at		
	Mar. 31, 2022	Dec. 31, 2021	Mar. 31, 2021
Financial assets at fair value through other comprehensive income	\$25,962	\$25,962	\$25,962
Financial assets at amortized cost			
Cash and cash equivalents	865,604	788,817	1,274,922
Notes and accounts receivable	11,123	18,517	15,889
Other receivables	2,180	4,323	1,700
Other financial assets, current	308,987	331,257	306,990
Other non-current assets - refundable deposits	123,678	122,608	117,748
Subtotal	1,311,572	1,265,522	1,717,249
Total	\$1,337,534	\$1,291,484	\$1,743,211

Financial Liabilities

	As at		
	Mar. 31, 2022	Dec. 31, 2021	Mar. 31, 2021
Financial liabilities at amortized cost			
Payables and other payables (related party included)	\$306,191	\$369,428	\$288,409
Bonds payable	378,815	377,230	381,968
Long-term loans (current portion included)	1,217,637	1,242,511	880,787
Lease liabilities	4,027,630	3,803,211	3,463,254
Subtotal	5,930,273	5,792,380	5,014,418
Financial liabilities at fair value through profit or loss			
Embedded derivatives	2,853	2,463	1,966
Total	\$5,933,126	\$5,794,843	\$5,016,384

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(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 three-month periods ended March 31, 2022 and 2021 to decrease/increase by NT\$250 thousand and NT\$701 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.

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(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.

(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 March 31, 2022					
Payables	\$306,191	—	—	—	\$306,191
Loans	\$138,074	326,413	411,665	413,488	\$1,289,640
Lease liabilities	\$483,255	880,387	830,136	2,300,172	\$4,493,950
Convertible bonds	\$—	378,815	—	—	\$378,815
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
As at March 31, 2021					
Payables	\$288,409	—	—	—	\$288,409
Loans	\$270,724	134,938	194,862	309,329	\$909,853
Lease liabilities	\$437,426	795,209	709,407	1,802,946	\$3,744,988
Convertible bonds	\$—	381,968	—	—	\$381,968

POWER WIND HEALTH INDUSTRY INCORPORATED AND SUBSIDIARIES -(Continued)
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Notes:

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

March 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	\$483,255	1,710,522	1,502,639	508,186	289,348	\$4,493,950

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

March 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	\$437,426	1,504,616	1,387,633	370,510	44,803	\$3,744,988

(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 Group to measure or disclose the fair value of financial assets and financial liabilities:

- 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).

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

- 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

Other than cash and cash equivalents, accounts receivables, accounts payable and other current liabilities whose carrying amount approximate their fair value, the fair value of the Group's financial assets and financial liabilities measured at amortized cost is listed in the table below:

	Carrying amounts as at		
	Mar. 31, 2022	Dec. 31, 2021	Mar. 31, 2021
Financial Liabilities:			
Long-term loans (current portion included)	\$1,217,637	\$1,242,511	\$880,787
Bonds payable	\$378,815	\$377,230	\$381,968
	Fair value as at		
	Mar. 31, 2022	Dec. 31, 2021	Mar. 31, 2021
Financial Liabilities:			
Long-term loans (current portion included)	\$1,166,466	\$1,135,384	\$856,483
Bonds payable	\$387,520	\$387,920	\$385,360

C. Fair value hierarchy for financial instruments

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

(7) Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities for the three-month period ended March 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	—	(24,874)	(121,408)	(146,282)
Non-cash movement	1,585	—	345,827	347,412
March 31, 2022	\$378,815	\$1,217,637	\$4,027,630	\$5,624,082

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Reconciliation of liabilities for the three-month period ended March 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	90,566	(104,962)	385,604
Non-cash movement	(18,032)	—	170,675	152,643
March 31, 2021	\$381,968	\$880,787	\$3,463,254	\$4,726,009

(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:

As at March 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	\$—	25,962	—	\$25,962
Liabilities measured at fair value:				
Measured at fair value through profit or loss				
Embedded derivatives	\$—	—	2,853	\$2,853

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As at December 31, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
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
Liabilities measured at fair value: Measured at fair value through profit or loss				
Embedded derivatives	\$—	—	2,463	\$2,463

As at March 31, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
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
Liabilities measured at fair value: Measured at fair value through profit or loss				
Embedded derivatives	\$—	—	1,966	\$1,966

Transfers between Level 1 and Level 2

For the three-month periods ended March 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:

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	Liabilities
	At fair value through profit or loss
	Derivatives
Beginning balances as at January 1, 2022	\$2,463
Amount recognized in profit for the period ended March 31, 2022 (presented in “other gains or losses”)	390
Ending balances as at March 31, 2022	<u>\$2,853</u>
	Liabilities
	At fair value through profit or loss
	Derivatives
Beginning balances as at January 1, 2021	\$—
Amount recognized in (loss) for the period ended March 31, 2021 (presented in “other gains or losses”)	(640)
Acquisition for the period ended March 31, 2021	2,606
Ending balances as at March 31, 2021	<u>\$1,966</u>

Total gains and losses recognized in profit or (loss) for the three-month periods ended March 31, 2022 and 2021 in the table above contain gains and losses related to liabilities on hand as at March 31, 2022 and 2021 in the amount of NT\$390 thousand and NT\$(640) thousand.

(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 three-month period ended March 31, 2022: None.
- B. Endorsement/Guarantee provided to others for the three-month period ended March 31, 2022: None.
- C. Securities held as at March 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 three-month period ended March 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 three-month period ended March 31, 2022: None.

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- F. Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20 percent of the capital stock for the three-month period ended March 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 three-month period ended March 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 three-month period ended March 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 three-month period ended March 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 three-month periods ended March 31, 2022 and 2021, there was no income from a single customer that exceeded 10% of the Group's total revenue.

POWER WIND HEALTH INDUSTRY INCORPORATED AND SUBSIDIARIES -(Continued)
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ATTACHMENT 1

Securities held as at March 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 March 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	\$10,417	0.55	\$10,417	
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.

POWER WIND HEALTH INDUSTRY INCORPORATED AND SUBSIDIARIES -(Continued)
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ATTACHMENT 2

Names, locations and related information of investee companies (Not including investment in Mainland China):

(in Thousands of New Taiwan Dollars)

Investor company	Investee company	Location	Main businesses and products	Initial investment		Investment as at March 31, 2022			Net income (loss) of investee company	Investment income (loss) 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	\$14,149	\$2,353	\$1,412	Note

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

POWER WIND HEALTH INDUSTRY INCORPORATED AND SUBSIDIARIES -(Continued)
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

ATTACHMENT 3

Information on major stockholders :

Name (Note)	Shares	
	Number of shares (shares)	Percentage of ownership (%)
Jiayong Investment Development Co., Ltd.	21,751,989	28.08
Yu, Zong-Jing	5,000,839	6.45
Chen, Shang-Yih	4,220,895	5.44

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