POWER WIND HEALTH INDUSTRY INCORPORATED AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS WITH REPORT OF INDEPENDENT ACCOUNTANTS

FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2020 AND 2019

Address: No. 102 Bo-ai 3rd Rd, Zuoying Dist, Kaohsiung City, Taiwan, R.O.C.

Telephone: 886-7-345-3838

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.

安永聯合會計師事務所

80052 高雄市中正三路2號17樓
17F, No. 2, Zhongzheng 3rd Road
Kaohsiung City, Taiwan, R.O.C.

Tel: 886 7 238 0011
Fax: 886 7 237 0198
www.ey.com/taiwan

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 subsidiaries as of March 31, 2020 and 2019, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the three-month periods ended March 31, 2020 and 2019, 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 subsidiaries as of March 31, 2020 and 2019, and their consolidated financial performance and cash flows for the three-month periods ended March 31, 2020 and 2019, 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/ Chen, Cheng-Chu

/s/ Huang, Shih-Chieh

Ernst & Young, Taiwan

May 07, 2020

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, 2020, December 31, 2019 and March 31, 2019 (March 31, 2020 and 2019 are unaudited)

(Expressed in Thousands of New Taiwan Dollars)

Assets	Notes	March 31, 2020	%	December 31, 2019	%	March 31, 2019	%
Current assets							
Cash and cash equivalents	4,6(1)	$604,368	9	$595,837	9	$858,907	13
Notes receivable, net	4	-	-	4	-	-	-
Accounts receivable, net	4,6(2)	11,650	-	10,591	-	65,943	1
Inventories, net	4	3,927	-	5,249	-	-	-
Prepayments		8,003	-	10,190	-	5,639	-
Other financial assets, current	4,6(3),8	259,768	4	252,803	4	114,130	2
Other current assets	4,7	24,719	-	28,523	-	18,520	-
Total current assets		912,435	13	903,197	13	1,063,139	16
Non-current assets							
Financial assets at fair value through profit or loss, non-current	4,6(7)	-	-	7	-	303	-
Financial assets measured at fair value through other comprehensive income, non-current	4,6(4)	25,962	-	27,857	-	12,312	-
Property, plant and equipment	4,6(5),8	2,768,359	39	2,661,935	38	2,122,117	33
Right-of-use assets	4,6(15),7	3,317,834	47	3,345,897	48	3,284,109	50
Intangible assets	4	1,780	-	1,839	-	-	-
Deferred tax assets	4	11,112	-	10,735	-	12,221	-
Other non-current assets	4,7	88,568	1	85,907	1	77,924	1
Total non-current assets		6,213,615	87	6,134,177	87	5,508,986	84
Total Assets		$7,126,050	100	$7,037,374	100	$6,572,125	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

March 31, 2020, December 31, 2019 and March 31, 2019 (March 31, 2020 and 2019 are unaudited)

(Expressed in Thousands of New Taiwan Dollars)

Liabilities and Equity	Notes	March 31, 2020	%	December 31, 2019	%	March 31, 2019	%
Current liabilities							
Contract liabilities	4,6(14)	$419,935	6	$424,380	6	$413,273	6
Notes payable		269	-	407	-	282	-
Notes payable - related parties	7	410	-	407	-	230	-
Accounts payable		1,022	-	1,428	-	1,240	-
Payables on equipment		86,302	1	99,189	1	81,406	1
Other payables	6(6)	230,395	3	273,553	4	225,851	3
Other payables - related parties	7	405	-	398	-	332	-
Current tax liabilities	4	96,067	2	67,449	1	101,510	2
Lease liabilities, current	4,6(15)	376,924	6	371,312	5	338,719	5
Lease liabilities, current - related parties	4,6(15),7	36,643	-	35,986	1	34,113	1
Current portion of long-term liabilities	4,6(9),8	42,012	-	42,012	1	28,026	1
Other current liabilities		2,192	-	2,889	-	3,668	-
Total current liabilities		1,292,576	18	1,319,410	19	1,228,650	19
Non-current liabilities							
Bonds payable	4,6(8)	-	-	17,070	-	236,577	4
Long-term loans	4,6(9),8	602,904	9	595,591	8	348,900	5
Provisions, non-current	4,6(11)	39,592	-	35,847	1	30,506	-
Deferred tax liabilities	4	-	-	-	-	755	-
Lease liabilities, non-current	4,6(15)	2,922,786	41	2,932,490	42	2,850,199	43
Lease liabilities, non-current - related parties	4,6(15),7	63,287	1	72,097	1	97,958	2
Other non-current liabilities		350	-	370	-	370	-
Total non-current liabilities		3,628,919	51	3,653,465	52	3,565,265	54
Total liabilities		4,921,495	69	4,972,875	71	4,793,915	73
Equity attributable to the parent company	4,6(12&13)						
Share capital							
Common stock		700,964	10	698,356	10	612,085	9
Certificate of entitlement to new shares from convertible bonds		1,592	-	2,575	-	3,504	-
Subscribed stock		-	-	125	-	25	-
Preparation stock number shares retired		(154)	-	(91)	-	(392)	-
Total share capital		702,402	10	700,965	10	615,222	9
Additional paid-in capital		776,394	11	761,071	11	558,864	9
Retained earnings							
Legal reserve		127,610	2	127,610	1	83,210	1
Special reserve		54,367	1	54,367	1	55,446	1
Unappropriated earnings		582,564	8	470,441	7	489,062	8
Total retained earnings		764,541	11	652,418	9	627,718	10
Other components of equity		(54,869)	(1)	(64,682)	(1)	(45,870)	(1)
Total equity attributable to the parent company		2,188,468	31	2,049,772	29	1,755,934	27
Non-controlling interests		16,087	-	14,727	-	22,276	-
Total equity		2,204,555	31	2,064,499	29	1,778,210	27
Total liabilities and equity		$7,126,050	100	$7,037,374	100	$6,572,125	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, 2020 and 2019
(Expressed in Thousands of New Taiwan Dollars, Except for Earnings per Share)

Accounting	Notes	For the three-month periods ended March 31			
		2020	%	2019	%
Operating revenues	4,6(14)	$873,407	100	$836,976	100
Operating costs	4,6(10&13&15&16),7	(583,316)	(67)	(564,048)	(67)
Gross profit		290,091	33	272,928	33
Operating expenses	4,6(10&13&15&16),7				
Sales and marketing expenses		(10,140)	(1)	(7,598)	(1)
General and administrative expenses		(125,534)	(14)	(99,789)	(12)
Subtotal		(135,674)	(15)	(107,387)	(13)
Operating income		154,417	18	165,541	20
Non-operating income and expenses	4,6(17),7				
Other income		3,188	-	1,376	-
Other gains and losses		(224)	-	293	-
Finance costs		(16,281)	(2)	(16,548)	(2)
Subtotal		(13,317)	(2)	(14,879)	(2)
Income from continuing operations before income tax		141,100	16	150,662	18
Income tax expense	4,6(19)	(26,590)	(3)	(30,138)	(4)
Profit from continuing operations		114,510	13	120,524	14
Net income		114,510	13	120,524	14
Other comprehensive (loss)	6(18)				
Items that will not be reclassified subsequently to profit or loss					
Unrealized (losses) from equity instruments investments measured at fair value through other comprehensive income		(299)	-	-	-
Total other comprehensive (loss), net of tax		(299)	-	-	-
Total comprehensive income		$114,211	13	$120,524	14
Net income attributable to:					
Stockholders of the parent		$113,150	13	$117,573	14
Non-controlling interests		1,360	-	2,951	-
		$114,510	13	$120,524	14
Comprehensive income attributable to:					
Stockholders of the parent		$112,851	13	$117,573	14
Non-controlling interests		1,360	-	2,951	-
		$114,211	13	$120,524	14
Earnings per share (NTD)	6(20)				
From continuing operations					
Earnings per share - Basic		$1.68		$1.83	
Earnings per share - Diluted		$1.64		$1.74	

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, 2020 and 2019
(Expressed in Thousands of New Taiwan Dollars)

Accounting	Equity Attributable to the Parent Company											Non-Controlling Interests	Total Equity
						Retained Earnings			Other Components of Equity				
	Common Stock	Certificate of Entitlement to New Shares from Convertible Bonds	Subscribed Stock	Preparation Stock Number Shares Retired	Additional Paid-in Capital	Legal Reserve	Special Reserve	Unappropriated Earnings	Unrealized Gains (Losses) on Financial Assets Measured at Fair Value through Other Comprehensive Income	Unearned Rewards for Employees	Total		
Balance as of January 1, 2019	$611,636	$503	$175	($389)	$521,359	$83,210	$55,446	$371,395	($8,403)	($45,964)	$1,588,968	$19,325	$1,608,293
Other changes in capital surplus													
Equity component of convertible bonds issued by the Company	-	-	-	-	(2,112)	-	-	-	-	-	(2,112)	-	(2,112)
Net income for the three-month period ended March 31, 2019	-	-	-	-	-	-	-	117,573	-	-	117,573	2,951	120,524
Total comprehensive income	-	-	-	-	-	-	-	117,573	-	-	117,573	2,951	120,524
Convertible bonds conversion	-	3,504	-	-	39,872	-	-	-	-	-	43,376	-	43,376
Conversion of certificate of entitlement to new shares from convertible bonds	503	(503)	-	-	-	-	-	-	-	-	-	-	-
Share-based payment transaction	(54)	-	(150)	(3)	(255)	-	-	94	-	8,497	8,129	-	8,129
Balance as of March 31, 2019	$612,085	$3,504	$25	($392)	$558,864	$83,210	$55,446	$489,062	($8,403)	($37,467)	$1,755,934	$22,276	$1,778,210
Balance as of January 1, 2020	$698,356	$2,575	$125	($91)	$761,071	$127,610	$54,367	$470,441	($8,403)	($56,279)	$2,049,772	$14,727	$2,064,499
Other changes in capital surplus													
Equity component of convertible bonds issued by the Company	-	-	-	-	(856)	-	-	-	-	-	(856)	-	(856)
Net income for the three-month period ended March 31, 2020	-	-	-	-	-	-	-	113,150	-	-	113,150	1,360	114,510
Other comprehensive income, net of tax for the three-month period ended March 31, 2020	-	-	-	-	-	-	-	-	(299)	-	(299)	-	(299)
Total comprehensive income (loss)	-	-	-	-	-	-	-	113,150	(299)	-	112,851	1,360	114,211
Convertible bonds conversion	-	1,592	-	-	16,336	-	-	-	-	-	17,928	-	17,928
Conversion of certificate of entitlement to new shares from convertible bonds	2,575	(2,575)	-	-	-	-	-	-	-	-	-	-	-
Share-based payment transaction	33	-	(125)	(63)	(157)	-	-	92	-	8,993	8,773	-	8,773
Disposal of equity instruments investments measured at fair value through other comprehensive income	-	-	-	-	-	-	-	(1,119)	1,119	-	-	-	-
Balance as of March 31, 2020	$700,964	$1,592	$-	($154)	$776,394	$127,610	$54,367	$582,564	($7,583)	($47,286)	$2,188,468	$16,087	$2,204,555

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, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

Accounting	For the three-month periods ended March 31	
	2020	2019
Cash flows from operating activities:		
Net income before tax	$141,100	$150,662
Adjustments to reconcile net income before tax to net cash provided by operating activities:		
Depreciation	207,814	184,512
Amortization	59	-
Net (gain) of financial assets and liabilities at fair value through profit or loss	(1)	(352)
Interest expense	16,281	16,548
Interest income	(238)	(141)
Compensation costs of share-based payment transaction	8,993	8,497
(Gain) on disposal and abandonment of property, plant and equipment	-	(12)
Property, plant and equipment transferred to expenses	194	77
Changes in operating assets and liabilities:		
Decrease in notes receivable	4	-
(Increase) Decrease in accounts receivable	(1,059)	7,020
Decrease in inventories	1,322	-
Decrease in prepayments	2,187	1,508
Decrease (Increase) in other current assets	5,459	(9,622)
(Increase) Decrease in other financial assets	(6,965)	27
(Decrease) in contract liabilities	(4,445)	(4,248)
(Decrease) in notes payable	(138)	(182)
Increase in notes payable - related parties	3	-
(Decrease) increase in accounts payable	(406)	(275)
(Decrease) in other payables	(43,158)	(16,056)
Increase (Decrease) in other payables - related parties	7	(25)
(Decrease) Increase in other current liabilities	(697)	988
Cash generated from operations	326,316	338,926
Interest received	238	141
Income tax paid	(4)	-
Net cash provided by operating activities	326,550	339,067
Cash flows from investing activities:		
Disposal of financial assets measured at fair value through comprehensive income	1,596	-
Acquisition of property, plant and equipment	(222,696)	(97,240)
Proceeds from disposal of property, plant and equipment	-	25
Increase in other non-current assets - others	(2,661)	(2,203)
Net cash used in investing activities	(223,761)	(99,418)
Cash flows from financing activities:		
Proceeds from long-term loans	17,816	-
Repayments of long-term loans	(10,503)	(9,802)
Cah payments for the principal portion of the lease liability	(99,106)	(84,148)
Increase in other non-current liabilities	-	280
Decrease in other non-current liabilities	(20)	-
Employee share options	-	13
Interest paid	(2,225)	(1,515)
Others	(220)	(380)
Net cash used in financing activities	(94,258)	(95,552)
Net increase in cash and cash equivalents	8,531	144,097
Cash and cash equivalents at beginning of period	595,837	714,810
Cash and cash equivalents at end of period	$604,368	$858,907

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

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

1. HISTORY AND 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 chain sports and fitness centers, leisure 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 business location is at No.102, Boai 3rd Road, 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, 2020 and 2019 were authorized for issue by the board of directors on May 07, 2020.

3. NEWLY ISSUED OR REVISED STANDARDS AND INTERPRETATIONS

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

The Group applied International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are recognized by the Financial Supervisory Commission (FSC) and become effective for annual periods beginning on or after January 1, 2020. 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 end of the reporting period are listed below.

None.

(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 IAS 28 "Investments in Associates and Joint Ventures" - Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures	To be determined by the IASB
B	IFRS 17 "Insurance Contracts"	January 1, 2021
C	Classification of Liabilities as Current or Non-current - Amendments to IAS 1	January 1, 2022

The Group will apply for standards or interpretations issued by the IASB but not yet endorsed by the FSC in future periods and the potential impacts arising from the adoption on the Group's financial statements are summarized as follows:

A. *IFRS 10"Consolidated Financial Statements" and IAS 28"Investments in Associates and Joint Ventures"* - Sale or Contribution of Assets between an Investor and its Associate 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 associate 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 associate or joint venture is recognized in full.

IFRS 10 was also amended so that the gains or loss 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 associate or joint venture is recognized only to the extent of the unrelated investors' interests in the associate or joint venture. The effective date of the amendments has been postponed indefinitely, but early adoption is allowed.

B. 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.

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, 2020 and 2019 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.

(3) *Basis of consolidation*

Preparation principle of consolidated financial statement

Control is achieved when the Group 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 Group controls an investee if and only if the Group 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 Group has less than a majority of the voting or similar rights of an investee, the Group 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. the Group's voting rights and potential voting rights

The Group re-assesses whether or not it 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 Group 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 deficit 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	Mar. 31, 2020	Dec. 31, 2019	Mar. 31 2019
The Company	Bo Xin Health Industry Incorporated	Engaged in the business of leisure sports and fitness centers and other sports services	60.00%	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 comprises 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 classified 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 asset.

Financial assets measured at amortized cost

A financial asset is measured at amortized cost if both of the following conditions are met and presented as note receivables, trade receivables financial assets measured 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 is 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 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:

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 measured 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 investments 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 instrument, 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 measured at fair value through other comprehensive income on the balance sheet. Dividends on such investment are recognized in profit or loss unless the dividends clearly represents a recovery of part of the cost of investment.

Financial asset measured at fair value through profit or loss

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

Such financial assets are measured at fair value, the gains or losses resulting from remeasurement is 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 debt instrument investments measured at fair value through other comprehensive income and financial asset measured at amortized cost. The loss allowance on debt instrument investments 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 measures 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 trade receivables 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 asset have expired.
b. the Group has transferred the 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

<u>Classification between liabilities or equity</u>

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.

<u>Equity instruments</u>

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.

<u>Financial liabilities</u>

Financial liabilities within the scope of *IFRS 9 "Financial Instruments"* are classified as financial liabilities at fair value through profit or loss or financial liabilities measured 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 as 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 or repurchasing 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 as 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 liabilities at fair value through profit or loss including interest paid are recognized in profit or loss.

Financial liabilities at amortized cost

Financial liabilities measured at amortized cost include interest bearing loans 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 fees or transaction costs.

Derecognition of financial liabilities

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

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 in 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 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:

Buildings and facilities	7～25 years
Business facilities	3～16 years
Leasehold improvements	3～15 years
Other improvements	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 on 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 whether, throughout the period of use, 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.

Group as a lessee

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 payable 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. an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to 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 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 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.

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 present 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 acquired	Acquired

(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 on 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) *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, the performance obligations are satisfied over time, and the related revenue are recognized by straight-line method over the contract period.

Most of the contractual considerations of the Group are collected evenly throughout the contract periods. The consideration was 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.

(16) *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.

(17) *Post-employment benefits*

All regular employees of the Company and subsidiaries are 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 Company and subsidiaries. Therefore fund assets are not included in the Group's consolidated financial statements.

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

(18) *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 are 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.

The cost of restricted stocks issued is recognized as salary expense based on the fair value of the equity instruments on the grant date, together with a corresponding increase in other capital reserves in equity, over the vesting period. The Group recognized unearned employee salary which is a transitional contra equity account; the balance in the account will be recognized as salary expense over the passage of vesting period.

(19) *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 assets and liabilities 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 is recognized as income tax expense in the subsequent year when the distribution proposal is approved by the Shareholders' meeting.

Deferred tax

Deferred tax is provided on temporary differences at the reporting date 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 reporting date. 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 each reporting date 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.

Interim period income tax expense is accrued using the tax rate that would be applicable to expected total annual earnings, that is, the estimated average annual effective income tax rate applied to the pre-tax income of the interim period. The estimated average annual effective income tax rate only includes current income tax. The recognition and measurement of deferred tax follows annual financial reporting requirements in accordance with IAS 12. The Group recognizes the effect of change in tax rate for deferred taxes in full if the new tax rate is enacted by the end of the interim reporting period, by charging to profit or loss, other comprehensive income, or directly to equity.

5. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements require 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 assumption and estimate 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 risks specific. Decommissioning costs are provided at the present value of expected costs to settle the obligation using estimated cash flows.

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

(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.

6. CONTENTS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	As at		
	Mar. 31, 2020	Dec. 31, 2019	Mar. 31, 2019
Cash on hand	$643	$1,350	$853
Bank deposit	603,725	594,487	858,054
Total	$604,368	$595,837	$858,907

(2) Trade receivables

	As at		
	Mar. 31, 2020	Dec. 31, 2019	Mar. 31, 2019
Trade receivables	$11,650	$10,591	$65,943
Less: loss allowance	—	—	—
Total	$11,650	$10,591	$65,943

Trade receivables were not pledged.

Trade receivables are conducted by means of credit card payment that were not past due and not impairment. The objects of these accounts were mainly domestic well-known financial institutions, so the creditworthiness were all in good grades.

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

(3) Other financial assets, current

	As at		
	Mar. 31, 2020	Dec. 31, 2019	Mar. 31, 2019
Bank deposit	$259,768	$252,803	$114,130

Please refer to Note 8 for more details on other financial assets under pledge.

(4) Financial assets at fair value through other comprehensive income

	As at		
	Mar. 31, 2020	Dec. 31, 2019	Mar. 31, 2019
Equity instrument investments measured at fair value through other comprehensive income, non-current:			
Unlisted companies stocks	$25,962	$27,857	$12,312

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

(5) Property, plant and equipment

	As at		
	Mar. 31, 2020	Dec. 31, 2019	Mar. 31, 2019
Owner occupied property, plant and equipment	$2,768,359	$2,661,935	$2,122,117

	Land	Buildings and facilities	Business facilities	Leasehold improvements	Other equipment	Construction in progress and equipment awaiting examination	Total
Cost:							
As at Jan. 1, 2020	$597,576	$253,172	$1,871,340	$1,335,041	$110,138	$169,760	$4,337,027
Additions	–	–	70,662	81,994	3,655	53,498	209,809
Disposals	–	–	(2,123)	–	(137)	–	(2,260)
Other (Note)	–	–	–	3,664	–	–	3,664
Transfers	–	–	36,011	51,923	1,544	(89,671)	(193)
As at Mar. 31, 2020	$597,576	$253,172	$1,975,890	$1,472,622	$115,200	$133,587	$4,548,047
As at Jan. 1, 2019	$341,593	$182,577	$1,597,616	$1,138,560	$89,854	$44,552	$3,394,752
Additions	–	–	37,940	32,461	3,161	38,436	111,998
Disposals	–	–	(520)	–	–	(13)	(533)
Other (Note)	–	–	–	1,553	–	–	1,553
Transfers	–	–	26,548	5,145	–	(31,693)	–
As at Mar. 31, 2019	$341,593	$182,577	$1,661,584	$1,177,719	$93,015	$51,282	$3,507,770

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

Depreciation and impairment:							
As at Jan. 1, 2020	$—	($35,689)	($1,034,086)	($538,406)	($66,911)	$—	($1,675,092)
Depreciation	—	(2,307)	(67,327)	(33,060)	(4,161)	—	(106,855)
Disposals	—	—	2,121	—	138	—	2,259
Transfers	—	—	—	—	—	—	—
As at Mar. 31, 2020	$—	($37,996)	($1,099,292)	($571,466)	($70,934)	$—	($1,779,688)
As at Jan. 1, 2019	$—	($26,248)	($793,183)	($421,183)	($51,297)	$—	($1,291,911)
Depreciation	—	(2,299)	(60,440)	(27,822)	(3,624)	—	(94,185)
Disposals	—	—	443	—	—	—	443
As at Mar. 31, 2019	$—	($28,547)	($853,180)	($449,005)	($54,921)	$—	($1,385,653)
Net carrying amount:							
As at Mar. 31, 2020	$597,576	$215,176	$876,598	$901,156	$44,266	$133,587	$2,768,359
As at Dec. 31, 2019	$597,576	$217,483	$837,254	$796,635	$43,227	$169,760	$2,661,935
As at Mar. 31, 2019	$341,593	$154,030	$808,404	$728,714	$38,094	$51,282	$2,122,117

Note: Provision for decommissioning, restoration and rehabilitation costs.

Capitalized borrowing costs of construction in progress for the three-month periods ended March 31, 2020 and 2019 are NT$144 thousand and NT$0 thousand. The capitalization rate of borrowing costs is 1.5% for the year ended December 31, 2020.

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

(6) Other payables

	As at		
	Mar. 31, 2020	Dec. 31, 2019	Mar. 31, 2019
Accrued salaries and bonuses	$110,834	$143,688	$123,995
Accrued labor and health insurance	24,926	24,496	24,850
Accrued employee compensation	22,818	18,446	21,907
Business tax payable	5,247	13,614	5,415
Other	66,570	73,309	49,684
Total	$230,395	$273,553	$225,851

(7) Financial (assets) liabilities at fair value through profit or loss

	As at		
	Mar. 31, 2020	Dec. 31, 2019	Mar. 31, 2019
Designated financial (assets) liabilities at fair value through profit or loss:			
Derivatives not designated as hedging relationship			
Embedded derivative			
Corporate bonds	$—	$154	$3,475
Evaluation on Corporate bond	—	(161)	(3,778)
Total	$—	($7)	($303)

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

(8) Bonds payable

	As at		
	Mar. 31, 2020	Dec. 31, 2019	Mar. 31, 2019
Domestic unsecured convertible bonds payable	$—	$17,070	$236,577
Less: current portion	—	—	—
Net	$—	$17,070	$236,577

A. Domestic unsecured convertible bonds payable

	As at		
	Mar. 31, 2020	Dec. 31, 2019	Mar. 31, 2019
Liability component:			
Principal amount	$—	$17,500	$247,100
(Discounts) on bonds payable	—	(430)	(10,523)
Subtotal	—	17,070	236,577
Less: current portion	—	—	—
Net	$—	$17,070	$236,577
Embedded derivative	$—	($7)	($303)
Equity component	$—	$856	$12,082

On January 22, 2018, 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 22, 2018～January 22, 2021

Redemption Clauses:

a. The Company may redeem the bonds, from the day following the issuance of the full three months (April 23, 2018) to the day before the expiry of the issuance period (December 13, 2020), at the principal amount of the bonds by cash if the closing price of the Company's ordinary shares on Taipei Exchange (TPEx) 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.

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

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 23, 2018 and prior to January 22, 2021 into common shares of the Company.
c. Conversion Price and Adjustment: The conversion price was originally NT$156.8 per share. The conversion price will be subject to adjustments upon the occurrence of certain events set out in the indenture.
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 had already converted completely as at March 31, 2020.

(9) Long-term borrowings

Details of long-term loans are as follows:

Lenders	As at Mar. 31, 2020	Interest Rate (%)	Maturity date and terms of repayment
Cathay United Bank secured long-term loan	$204,140	1.62	Effective from July 22, 2016 to July 22, 2031, principle is repaid in 180 months with interests paid monthly.
Cathay United Bank secured long-term loan	62,000	1.35	Effective from October 7, 2019 to October 7, 2022, principle is repaid in 36 months with interests paid monthly.
Cathay United Bank secured long-term loan	188,000	1.35	Interest is repaid monthly from October 7, 2019 to October 7, 2026. The repayment of principal is calculated on the basis of 180 installments and repaid monthly from October 7, 2021 to October 7, 2026. The remaining balance shall be repaid in a lump sum upon maturity.
E.SUN Commercial Bank secured long-term loan	144,760	1.50	Effective from May 7, 2018 to May 7, 2021, interest is repaid monthly and the principle will be repayable upon maturity.
E.SUN Commercial Bank secured long-term loan	7,072	1.50	Effective from June 21, 2019 to June 21, 2021, interest is repaid monthly and the principle will be repayable upon maturity.
E.SUN Commercial Bank secured long-term loan	2,320	1.50	Effective from July 19, 2019 to July 19, 2021, interest is repaid monthly and the principle will be repayable upon maturity.
E.SUN Commercial Bank secured long-term loan	2,176	1.50	Effective from August 9, 2019 to August 9, 2021, interest is repaid monthly and the principle will be repayable upon maturity.
E.SUN Commercial Bank secured long-term loan	4,720	1.50	Effective from September 12, 2019 to September 12, 2021, interest is repaid monthly and the principle will be repayable upon maturity.
E.SUN Commercial Bank secured long-term loan	2,856	1.50	Effective from October 18, 2019 to October 18, 2021, interest is repaid monthly and the principle will be repayable upon maturity.
E.SUN Commercial Bank secured long-term loan	4,000	1.50	Effective from November 8, 2019 to November 8, 2021, interest is repaid monthly and the principle will be repayable upon maturity.
E.SUN Commercial Bank secured long-term loan	5,056	1.50	Effective from December 13, 2019 to December 13, 2021, interest is repaid monthly and the principle will be repayable upon maturity.
E.SUN Commercial Bank secured long-term loan	9,312	1.50	Effective from January 9, 2020 to January 9, 2022, interest is repaid monthly and the principle will be repayable upon maturity.
E.SUN Commercial Bank secured long-term loan	2,840	1.50	Effective from February 7, 2020 to February 7, 2022, interest is repaid monthly and the principle will be repayable upon maturity.
E.SUN Commercial Bank secured long-term loan	5,664	1.50	Effective from March 13, 2020 to March 13, 2022, interest is repaid monthly and the principle will be repayable upon maturity.
Subtotal	644,916		
Less: current portion	(42,012)		
Total	$602,904		

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

Lenders	As at Dec. 31, 2019	Interest Rate (%)	Maturity date and terms of repayment
Cathay United Bank secured long-term loan	$208,643	1.62	Effective from July 22, 2016 to July 22, 2031, principle is repaid in 180 months with interests paid monthly.
Cathay United Bank secured long-term loan	68,000	1.35	Effective from October 7, 2019 to October 7, 2022, principle is repaid in 36 months with interests paid monthly.
Cathay United Bank secured long-term loan	188,000	1.35	Interest is repaid monthly from October 7, 2019 to October 7, 2026. The repayment of principal is calculated on the basis of 180 installments and repaid monthly from October 7, 2021 to October 7, 2026. The remaining balance shall be repaid in a lump sum upon maturity.
E.SUN Commercial Bank secured long-term loan	144,760	1.50	Effective from May 7, 2018 to May 7, 2021, interest is repaid monthly and the principle will be repayable upon maturity.
E.SUN Commercial Bank secured long-term loan	7,072	1.50	Effective from June 21, 2019 to June 21, 2021, interest is repaid monthly and the principle will be repayable upon maturity.
E.SUN Commercial Bank secured long-term loan	2,320	1.50	Effective from July 19, 2019 to July 19, 2021, interest is repaid monthly and the principle will be repayable upon maturity.
E.SUN Commercial Bank secured long-term loan	2,176	1.50	Effective from August 9, 2019 to August 9, 2021, interest is repaid monthly and the principle will be repayable upon maturity.
E.SUN Commercial Bank secured long-term loan	4,720	1.50	Effective from September 12, 2019 to September 12, 2021, interest is repaid monthly and the principle will be repayable upon maturity.
E.SUN Commercial Bank secured long-term loan	2,856	1.50	Effective from October 18, 2019 to October 18, 2021, interest is repaid monthly and the principle will be repayable upon maturity.
E.SUN Commercial Bank secured long-term loan	4,000	1.50	Effective from November 8, 2019 to November 8, 2021, interest is repaid monthly and the principle will be repayable upon maturity.
E.SUN Commercial Bank secured long-term loan	5,056	1.50	Effective from December 13, 2019 to December 13, 2021, interest is repaid monthly and the principle will be repayable upon maturity.
Subtotal	637,603		
Less: current portion	(42,012)		
Total	$595,591		

Lenders	As at Mar. 31, 2019	Interest Rate (%)	Maturity date and terms of repayment
Cathay United Bank secured long-term loan	222,152	1.63	Effective from July 22, 2016 to July 22, 2031, principle is repaid in 180 months with interests paid monthly.
KGI Bank unsecured long-term loan	10,014	2.03	Effective from September 20, 2016 to September 20, 2019, principle is repaid in 36 months with interests paid monthly.
E.SUN Commercial Bank secured long-term loan	144,760	1.50	Effective from May 7, 2018 to May 7, 2020, interest is repaid monthly and the principle will be repayable upon maturity.
Subtotal	376,926		
Less: current portion	(28,026)		
Total	$348,900		

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

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

(10) Post-employment benefits plan

Expenses under the defined contribution plan for the three-month periods ended March 31, 2020 and 2019 were NT$16,834 thousand and NT$17,136 thousand, respectively.

(11) Provisions, non-current

	Decommissioning, restoration and rehabilitation
As at January 1, 2020	$35,847
Arising during the period	3,664
Discount rate adjustment and unwinding of discount from the passage of time	81
As at March 31, 2020	$39,592
Current - March 31, 2020	$—
Non-current - March 31, 2020	$39,592
Current - March 31, 2019	$—
Non-current - March 31, 2019	30,506
As at March 31, 2019	$30,506

Decommissioning, restoration and rehabilitation

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

(12) Equities

A. Common stock

The Company’s authorized capital were all NT$1,000,000 thousand as at March 31, 2020, December 31, 2019 and March 31, 2019, 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$700,964 thousand, NT$698,356 thousand and NT$612,085 thousand, divided into 70,096 thousand shares, 69,836 thousand shares and 61,209 thousand shares as at March 31, 2020, December 31, 2019 and March 31, 2019, respectively.

The Company’s employees didn’t exercise any shares of employee stock options for the three-month period ended March 31, 2020.

The Company’s restricted stocks for employees’ plan, in which 15 thousand shares expiry due to the employee departure before the vesting day, and were not yet registered and therefore were classified as changes preparation stock retired NT$ 154 thousand.

The Company’s first domestic unsecured convertible bonds converted to 159 thousand shares for the three-month period ended March 31, 2020, in which NT$1,592 thousand were not yet registered and classified as bond certificate as at March 31, 2020.

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

B. Capital surplus

	As at		
	Mar. 31, 2020	Dec. 31, 2019	Mar. 31, 2019
Employee stock option	$68	$68	$174
Restricted stocks for employees	245,855	246,034	183,311
Additional paid-in capital from common stock	160,740	160,718	222,033
Recognize due to issue of convertible bonds equity components - stock options	–	856	12,082
Additional paid-in capital from convertible bonds	368,171	351,835	139,704
Vested stock option	1,560	1,560	1,560
Total	$776,394	$761,071	$558,864

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 shareholders in proportion to the number of shares being held by each of them.

C. 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. However, this restriction does not apply in the event that the amount of the accumulated legal reserve equals or exceeds the Company's total capital stock.
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 shareholders' dividend. The board of directors will prepare a distribution proposal and submit the same to the shareholders' meeting for review and approval by a resolution.

To consider the Company's future capital requirements and interest of the shareholders' 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 the 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 shareholders.

The distribution of earnings and dividends for 2018 was approved by the stockholders' meeting held on May 30, 2019, which the distribution of earnings and dividends for 2019 was approved by the board of directors' meeting on April 20, 2020. The details of distribution are as follows:

	Appropriation of earnings		Dividend per share (NT$)	
	2019	2018	2019	2018 (Note)
Legal reserve	$47,013	$44,400		
Special reserve	$10,315	($1,079)		
Cash dividend	$377,981	$266,736	5.38	4.30
Stock dividend	$35,132	$61,338	0.50	0.99

Note: The Company recovered (bought back) and cancelled restricted stocks for employee departure, issued new shares after employees exercised employee stock options and new restricted employee stocks and creditors requested to exchange convertible bonds, resulting in an increase in the outstanding shares to 62,036 thousand shares. Therefore, the Company adjusted the shareholder's dividend yield and rationing ratio.

Please refer to Note 6(16) for details on employees' compensation and remuneration to directors.

D. Non-controlling interests

	For the three-month periods ended March 31	
	2020	2019
Beginning balance	$14,727	$19,325
Profit attributable to non-controlling interests	1,360	2,951
Ending balance	$16,087	$22,276

(13) Share-based payment plans

A. As of March 31, 2020, the share-based payment plans agreed between the Company and employees is as follows:

Type of agreement	Grant date	Total number of options granted (in thousands)	Contract period (year)	Vesting conditions
Issuance of Common Stock to retain employee rights	2013.07.22	500	–	Immediately Vesting
Employee stock option plan	2014.04.03	1,900	6	Description a
Issuance of Common Stock to retain employee rights	2014.12.01	220	–	Immediately Vesting
Issuance of Common Stock to retain employee rights	2016.03.03	465	–	Immediately Vesting

a. Depending on the duration of the employee's continuous service (2～4 years), the optionee may exercise the options in accordance with the rates at 50%, 25% and 25%.

b. The Company uses the Black-Scholes option evaluation model to estimate the fair value of the options for the share-based payment transaction. The related information is as follows:

Type of agreement	Grant date	Exercise price (NT$)	Expected volatility (%)	Expected duration (year)	Expected dividend rate (%)	Risk-free interest rate (%)	Fair value per unit
Issuance of Common Stock to retain employee rights	2013.07.22	10.00	38.13	0.24	0.00	1.36	2.55
Employee stock option plan	2014.04.03	4.71	36.26	6.00	0.00	1.36	3.98
Issuance of Common Stock to retain employee rights	2014.12.01	64.50	31.60	0.06	0.00	1.36	0.83
Issuance of Common Stock to retain employee rights	2016.03.03	72.00	31.55	0.02	0.00	1.13	7.28

B. The following table contains further details on the aforementioned share-based payment plan:

For the three-month period ended March 31, 2020

Employee Stock Option	Number of share options (in thousands)	Weighted-average exercise price of share options (NT$)	Exercise price range (NT$)	Weighted-average residual contract period (year)	Average stock price during execution (NT$)
Outstanding at beginning of period	5	4.71			
Granted	—	—			
Exercised	—	—			
Expired	—	—			
Outstanding at end of period	5	4.71	4.71		
Exercisable at end of period	5	4.71			

For the three-month period ended March 31, 2019

Employee Stock Option	Number of share options (in thousands)	Weighted-average exercise price of share options (NT$)	Exercise price range (NT$)	Weighted-average residual contract period (year)	Average stock price during execution (NT$)
Outstanding at beginning of period	35	5.28			
Granted	—	—			
Exercised	(3)	5.28			170.81
Expired	—	—			
Outstanding at end of period	32	5.28	5.28	1	
Exercisable at end of period	32	5.28			

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

C. 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.

Restriction on the rights and vesting conditions of restricted stocks for employees is as follows:

a. During the vesting period, employees may not sell, pledge, transfer, give to another person, create any encumbrance on, or otherwise dispose of, restricted employee shares, excluding inheritance.
b. Shareholders' voting rights: It is 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 capital allocated to the capital reserve (stocks) are allocated to the Company, and the Company recovers the cash according to relevant regulations and cancels the shares according to law.

D. For the three-month periods ended March 31, 2020 and 2019, the Company incurred expenses of NT$8,993 thousand and NT$8,497 thousand for the share-based payment transactions.

(14) Operating revenue

	For the three-month periods ended March 31	
	2020	2019
Leisure sports and entertainment service revenue	$550,751	$524,242
Sports health service revenue	274,484	269,958
Entrance fee revenue	42,707	37,034
Other	5,539	5,763
Total	873,481	836,997
Less: sales return and sales discounts and allowances	(74)	(21)
Net operating revenue	$873,407	$836,976

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

Analysis of revenue from contracts with customers during the three-month periods ended March 31, 2020 and 2019 are as follows:

A. Disaggregation of revenue - Operation department

	For the three-month periods ended March 31	
	2020	2019
Sale of goods	$3,006	$2,984
Rendering of services	864,848	827,561
Other	5,553	6,431
Total	$873,407	$836,976

Timing of revenue recognition		
At a point in time	$285,274	$281,762
Over time	588,133	555,214
Total	$873,407	$836,976

B. Contract balances

Contract liabilities, current

	As at		
	Mar. 31, 2020	Dec. 31, 2019	Mar. 31, 2019
Rendering of services - Leisure sports	$102,819	$120,556	$89,507
Rendering of services - Sports health etc.	232,249	208,546	235,659
Rendering of services - Entrance & service fee	76,874	86,287	85,857
Rendering of services - Other	7,993	8,991	2,250
Total	$419,935	$424,380	$413,273

The significant changes in the Group’s balances of contract liabilities for the three-month periods ended March 31, 2020 and 2019 are as follows:

	For the three-month periods ended March 31	
	2020	2019
The opening balance transferred to revenue	$360,138	$310,668
Increase in receipts in advance during the period (excluding the amount incurred and transferred to revenue during the period)	$355,693	$306,420

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

C. Transaction price allocated to unsatisfied performance obligations

The Group's transaction price allocated to unsatisfied performance obligations amounted to NT$419,935 thousand and NT$413,273 thousand as at March 31, 2020 and 2019. 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 fulfil a contract

None.

(15) Leases

Group as a lessee

The Group leases various properties, including buildings and facilities, 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, 2020	Dec. 31, 2019	Mar. 31, 2019
Buildings and facilities	$3,312,232	$3,339,777	$3,281,887
Transportation equipment	3,127	3,491	2,222
Office equipment	2,475	2,629	—
Total	$3,317,834	$3,345,897	$3,284,109

During the three-month periods ended March 31, 2020 and 2019, the Group's additions to right-of-use assets amounting to NT$72,896 thousand and NT$141,901 thousand.

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

b. Lease liabilities

	As at		
	Mar. 31, 2020	Dec. 31, 2019	Mar. 31, 2019
Lease liabilities	$3,399,640	$3,411,885	$3,320,989
Current	$413,567	$407,298	$372,832
Non-current	$2,986,073	$3,004,587	$2,948,157

Please refer to Note 6(17) for the interest on lease liabilities recognized during the three-month periods ended March 31, 2020 and 2019 refer to Note 12(5) liquidity risk management for the maturity analysis for lease liabilities as at March 31, 2020.

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	
	2020	2019
Buildings and facilities	$100,441	$90,128
Transportation equipment	363	199
Office equipment	155	—
Total	$100,959	$90,327

C. Income and costs relating to leasing activities

	For the three-month periods ended March 31	
	2020	2019
The expenses relating to short-term leases	$285	$2,446
The expenses relating to leases of low-value assets (not including the expenses relating to short-term leases of low-value assets)	$1,338	$500
Income from subleasing right-of-use assets	$775	$390

D. Cash outflow relating to leasing activities

During the three-month periods ended March 31, 2020 and 2019, the Group’s total cash outflows for leases amounting to NT$99,106 thousand and NT$84,148 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 agreement 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.

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

	For the three-month periods ended March 31					
	2020			2019		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expense						
Salaries	$298,895	35,281	$334,176	$297,408	24,462	$321,870
Labor and health insurance	$27,893	1,427	$29,320	$27,602	1,240	$28,842
Pension	$15,989	845	$16,834	$16,437	699	$17,136
Director's remuneration	$43	1,361	$1,404	$95	1,382	$1,477
Other employee benefits expense	$1,478	134	$1,612	$9,170	283	$9,453
Depreciation	$205,649	3,165	$207,814	$181,666	2,846	$184,512
Amortization	$—	59	$59	$—	—	$—

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 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 shareholders' 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)

If the board of directors resolves to distribute employee compensation through stock, 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 Company will recognize the change as an adjustment in the profit or loss in the subsequent period.

Based on the profit of the three-month period ended March 31, 2020, the Company estimated the amounts of the employees' compensation and remuneration to directors for the three-month period ended March 31, 2020 to be 3% of profit of the current three-month period and 0.75% of profit of the current three-month period, respectively, recognized as employee benefits expense. As such, employees' compensation and remuneration to directors for the three-month period ended March 31, 2020 amounted to NT$ 4,329 thousand and NT$1,082 thousand, respectively. The Company estimated the amounts of the employees' compensation and remuneration to directors for the three-month period ended March 31, 2019 to be 3% of profit of the three-month period and 0.75% of profit of the current three-month period, respectively, recognized as employee benefits expense. As such, employees' compensation and remuneration to directors for the three-month period ended March 31, 2019, amounted to NT$4,546 thousand and NT$1,137 thousand, respectively.

A resolution was passed at the board of directors' meeting held on March 13, 2020 to distribute NT$18,233 thousand and NT$4,558 thousand in cash as employees' compensation and remuneration to directors of 2019, respectively. No material differences existed between the estimated amount and the actual distribution of the employee compensation and remuneration to directors for the year ended December 31, 2019.

No material differences existed between the estimated amount and the actual distribution of the employee compensation and remuneration to directors for the year ended December 31, 2018.

(17) Non-operating income and expenses

A. Other income

	For the three-month periods ended March 31	
	2020	2019
Rental income	$775	$390
Interest income	238	141
Others	2,175	845
Total	$3,188	$1,376

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

B. Other gains and losses

	For the three-month periods ended March 31	
	2020	2019
Gain on disposal of property, plant and equipment	$－	$12
Gain on financial assets at fair value through profit or loss	1	352
Others	(225)	(71)
Total	($224)	$293

C. Finance costs

	For the three-month periods ended March 31	
	2020	2019
Interest on borrowings from bank	($2,225)	($1,515)
Interest on lease liabilities	(13,965)	(13,312)
Interest on bonds payable	(10)	(1,653)
Total interest expenses	(16,200)	(16,480)
Unwinding of discount on provisions	(81)	(68)
Total finance costs	($16,281)	($16,548)

(18) Components of other comprehensive income

For the three-month period ended March 31, 2020:

	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
Not to be reclassified to profit or loss in subsequent periods:					
Unrealized (losses) from equity instruments investments measured at fair value through other comprehensive income	($299)	－	($299)	－	($299)

For the three-month period March 31, 2019: None.

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

(19) Income tax

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

Income tax expense (income) recognized in profit or loss

	For the three-month periods ended March 31	
	2020	2019
Current income tax expense:		
Current income tax charge	$28,622	$29,983
Adjustments in respect of current income tax of prior periods	(1,655)	—
Deferred tax (income) expense :		
Deferred tax (income) expense relating to origination and reversal of temporary differences	(377)	155
Total income tax expense	$26,590	$30,138

B. The assessment of income tax returns

As of March 31, 2020, 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 2018
Subsidiary - Bo Xin Health Industry Incorporated	Assessed and approved up to 2018

(20) Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent entity by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent entity by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

	For the three-month periods ended March 31	
	2020	2019
Basic earnings per share		
Net income (in thousand NT$)	$113,150	$117,573
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	67,223	64,250
Basic earnings per share (NT$)	$1.68	$1.83
Diluted earnings per share		
Net income (in thousand NT$)	$113,150	$117,573
Interest expense from convertible bonds (in thousand NT$)	9	1,322
Profit attributable to ordinary equity holders of the Company after dilution (in thousand NT$)	$113,159	$118,895
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	67,223	64,250
Effect of dilution:		
Employee compensation - stock (in thousands)	32	31
Employee stock options (in thousands)	1,923	1,685
Convertible bonds (in thousands)	15	2,221
Weighted average number of ordinary shares outstanding after dilution (in thousands)	69,193	68,187
Diluted earnings per share (NT$)	$1.64	$1.74

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

7. RELATED PARTY TRANSACTIONS

Information of the related parties that had transection 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.	Other related parties
All directors, supervisor and vice manager or above	Key management personnel

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

Significant related party transactions

(1) Other receivables - related parties

	As at		
	Mar. 31, 2020	Dec. 31, 2019	Mar. 31, 2019
Other related parties			
Giant Development Co., Ltd.	$－	$－	$201

(2) Notes payables - related parties

	As at		
	Mar. 31, 2020	Dec. 31, 2019	Mar. 31, 2019
Other related parties			
Giant Development Co., Ltd.	$410	$407	$230

(3) Other payables - related parties

	As at		
	Mar. 31, 2020	Dec. 31, 2019	Mar. 31, 2019
Other related parties			
Giant Development Co., Ltd.	$405	$398	$332

(4) Lease

As of March 31, 2020, December 31, 2019 and March 31, 2019 the security deposit paid to the related parties for the lease of the business premises was NT$7,078 thousand, NT$6,568 thousand and NT$6,568 thousand, respectively, under the refundable deposits. The management fee for the three-month periods ended March 31, 2020 and 2019 were NT$1,165 thousand and NT$825 thousand, respectively, under the operating expense.

Right-of-use assets

	As at		
	Mar. 31, 2020	Dec. 31, 2019	Mar. 31, 2019
Other related parties			
Giant Development Co., Ltd.	$95,640	$104,466	$130,944

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

Lease liabilities

	As at		
	Mar. 31, 2020	Dec. 31, 2019	Mar. 31, 2019
Other related parties			
Giant Development Co., Ltd.	$99,930	$108,083	$132,071

Interest expenses

	For the three-month periods ended March 31	
	2020	2019
Other related parties		
Giant Development Co., Ltd.	$421	$341

(5)Key management personnel compensation

	For the three-month periods ended March 31	
	2020	2019
Short-term employee benefits	$7,559	$7,703
Post-employment benefits	221	217
Share-based payment	1,674	569
Total	$9,454	$8,489

(6)Others

As of March 31, 2020, the lease performance guarantee bills drawn by the Group for leasing sports venues amounted to NT$13,647 thousand.

8. ASSETS PLEDGED AS COLLATERAL

Items	Mar. 31, 2020	Dec. 31, 2019	Mar. 31, 2019	Secured liabilities
Property, plant and equipment - land and buildings	$866,875	$853,397	$482,121	Long-term loan
Other financial assets, current	259,768	252,803	114,130	Performance guarantee of fitness center and bank authorized of mail order
Total	$1,126,643	$1,106,200	$596,251	

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

9. SIGNIFICANT CONTINGENCIES AND UNRECOGNIZED CONTRACT COMMITMENTS

(1) As of March 31, 2020, the lease performance guarantee bills drawn by the Group for leasing sports venues amounted to NT$55,965 thousand.

(2) As of March 31, 2020, the total amounts of the equipment and construction purchases under contracts were approximately NT$273,695 thousand, and approximately NT$139,526 thousand was unpaid.

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, 2020	Dec. 31, 2019	Mar. 31, 2019
Financial assets measured at fair value through other comprehensive income	$25,962	$27,857	$12,312
Financial assets measured at amortized cost:			
Cash and cash equivalents	603,725	594,487	858,054
Trade receivables	11,650	10,595	65,943
Other receivables	2,592	3,566	2,410
Other financial assets, current	259,768	252,803	114,130
Other non-current assets - refundable deposits	88,568	85,907	77,925
Subtotal	966,303	947,358	1,118,462
Total	$992,265	$975,215	$1,130,774

Financial Liabilities

	As at		
	Mar. 31, 2020	Dec. 31, 2019	Mar. 31, 2019
Financial liabilities at amortized cost:			
Payables	$318,803	$375,382	$309,341
Bonds payable	—	17,070	236,577
Long-term loans (current portion included)	644,916	637,603	376,926
Lease liabilities	3,399,640	3,411,885	3,320,989
Total	$4,363,359	$4,441,940	$4,243,833

(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 established appropriate policies, procedures and internal controls for financial risk management. Before entering into significant financial activities, approval process by the board of directors must be carried out based on related protocols and internal control procedures. The Group complies with its financial risk management policies at all times.

(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 price risk).

In practice, it is rarely the case that a single risk variable will change independently from other risk variable, there is 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 the Group's 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 investments and borrowings with variable interest rates and interest rate swaps. 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, 2020 and 2019 to increase/decrease by NT$219 thousand and NT$595 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 company are unlisted equity securities, so they are measured by cost.

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 reviews and approves all equity investment decisions.

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

(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 receivables) and from its financing activities, including bank deposits and other financial instruments.

The accounts receivable of the Group mainly uses credit card payment methods. These receivables are mainly paid by domestic 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 treasury 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 counter parties.

(5) Liquidity risk management

The Group's objective is to maintain a balance between continuity of funding and 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, 2020					
Payables	$318,803	—	—	—	$318,803
Loans	$51,275	296,726	73,402	261,335	$682,738
Lease liabilities	$413,567	813,384	689,865	1,814,520	$3,731,336
As at December 31, 2019					
Payables	$375,382	—	—	—	$375,382
Loans	$51,203	282,109	73,692	272,057	$679,061
Lease liabilities	$407,298	815,464	687,974	1,837,559	$3,748,295
Convertible bonds	$—	17,070	—	—	$17,070
As at March 31, 2019					
Payables	$309,341	—	—	—	$309,341
Loans	$33,778	187,099	40,940	140,071	$401,888
Lease liabilities	$372,832	775,501	691,073	1,811,622	$3,651,028
Convertible bonds	$—	236,577	—	—	$236,577

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

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

	Maturities					
	Less than 1 year	2 to 5 years	6 to 10 years	11 to 15 years	More than 16 years	Total
Lease liabilities	$413,567	1,503,249	1,330,648	481,572	2,300	$3,731,336

(6) Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities for the three-month period ended March 31, 2020:

	Bonds	Long-term loan	Lease liabilities	Total liabilities arising from financing activities
January 1, 2020	$17,070	$637,603	$3,411,885	$4,066,558
Cash flow	—	7,313	(99,106)	(91,793)
Non-cash movement	(17,070)	—	86,861	69,791
March 31, 2020	$—	$644,916	$3,399,640	$4,044,556

Reconciliation of liabilities for the three-month period ended March 31, 2019:

	Bonds	Long-term loan	Lease liabilities	Total liabilities arising from financing activities
January 1, 2019	$276,214	$386,728	$3,249,924	$3,912,866
Cash flow	—	(9,802)	(84,148)	(93,950)
Non-cash movement	(39,637)	—	155,213	115,576
March 31, 2019	$236,577	$376,926	$3,320,989	$3,934,492

(7) 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 carrying amounts of cash and cash equivalents, accounts receivables and accounts payable approximate their fair value due to their short maturities.

(8) Fair value measurement hierarchy

A. The definition of fair value measurement 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.

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

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

B. Fair value measurement 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 measurement hierarchy of the Group's assets and liabilities measured at fair value on a recurring basis is as follows:

As at March 31, 2020:

	Level 1	Level 2	Level 3	Total
Assets measured at fair value:				
Measured at fair value through other comprehensive income				
Equity instruments measured at fair value through other comprehensive income	$—	25,962	—	$25,962

As at December 31, 2019:

	Level 1	Level 2	Level 3	Total
Assets measured at fair value:				
Measured at fair value through other comprehensive income				
Equity instruments measured at fair value through other comprehensive income	$—	27,857	—	$27,857

As at March 31, 2019:

	Level 1	Level 2	Level 3	Total
Assets measured at fair value:				
Measured at fair value through other comprehensive income				
Equity instruments measured at fair value through other comprehensive income	$—	12,312	—	$12,312

<u>Transfers between Level 1 and Level 2</u>

For the three-month periods ended March 31, 2020 and 2019, there were no transfers between Level 1 and Level 2 for assets or liabilities measured at fair value on a recurring basis.

(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 at significant transactions

A. Financing provided to others for the three-month period ended March 31, 2020: None.
B. Endorsement/Guarantee provided to others for the three-month period ended March 31, 2020: None.
C. Securities held as of March 31, 2020: 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, 2020: 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, 2020: 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 three-month period ended March 31, 2020: 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, 2020: 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, 2020: None.
I. Investees over whom the Company 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, 2020: None.

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

(3) Information of major shareholders: Please refer to Attachment 3.

14. SEGMENT INFORMATION

The Group is engaged in the business of leisure sports and fitness centers. The services it provides are all related to leisure 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, 2020 and 2019, there was no income from a single customer that exceeded 10% of the Group's total revenue.

ATTACHMENT 1

Securities held as of March 31, 2020 (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 of March 31, 2020				Footnote
				Number of shares (thousand)	Carrying amount (Note 2)	Percentage of ownership (%)	Fair value	
Power Wind Health Industry Incorporated	Taroko Development Corporation	-	Financial assets measured 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 measured 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 (Not including investment in Mainland China)

(In Thousands of New Taiwan Dollars)

Investor company	Investee company	Address	Main businesses and products	Initial investment		Investment as of March 31, 2020			Net income (loss) of investee company	Investment income (loss) recognized	Footnote
				Ending balance	Beginning balance	Number of shares (thousand)	Percentage of ownership (%)	Carrying amount			
Power Wind Health Industry Incorporated	Bo Xin Health Industry Incorporated	4F., No. 22, Songshou Rd., Xinyi Dist., Taipei City	Engaged in the business of leisure sports and fitness centers and other sports services	$9,000	$9,000	900,000	60.00%	$24,130	$3,399	$2,039	Note

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

ATTACHMENT 3

Information of major shareholders：

Name	Shares	
	Number of shares (thousand)	Percentage of ownership
Jiayong Investment Development Co., Ltd.	19,729	28.07%
Yu, Zong-Jing	4,543	6.46%
Chen, Shang-Yih	3,825	5.44%

Note 1: The major shareholders' information in the table is calculated by the Taiwan Depository & Clearing Corporation on the last business day at the end of each quarter. The information included the total number of common stock and preferred stock (including treasury stock) held by the shareholders that reached 5% of the Company's total shares and for which the Company has completed the registration and delivery of non-physical securities. As for the number of shares which have been recorded in the Company's consolidated financial report and those that have completed registration and delivery of non-physical securities, they may differ because of different calculation basis.

Note 2: If the above information included the shareholder's shares delivered to a trust, it will be disclosed by the individual settlor account opened by the trustee. As for shareholders who declared insider equity holding for more than 10% shareholding in accordance with the Securities and Exchange Act, such holdings shall include their shareholdings plus their shares that have been delivered to the trust and shares of the trust that they have control of. For related information on insider stock holding declaration, please refer to the MOPS on the website of the TWSE.