

**POWER WIND HEALTH INDUSTRY INCORPORATED
AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
WITH REPORT OF INDEPENDENT ACCOUNTANTS
FOR THE THREE-MONTH PERIODS ENDED
MARCH 31, 2019 AND 2018**

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

Review Report of Independent Accountants

To Power Wind Health Industry Incorporated

Introduction

We have reviewed the accompanying consolidated balance sheets of Power Wind Health Industry Incorporated (the "Company") and its subsidiaries as of March 31, 2019 and 2018, the related consolidated statements of comprehensive income, changes in equity and cash flows for the three-month periods ended March 31, 2019 and 2018, and notes to the consolidated financial statements, including the summary of significant accounting policies (together "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 Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on these consolidated financial statements based on our reviews.

Scope of Review

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

Conclusion

Based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries as of March 31, 2019 and 2018, and their consolidated financial performance and cash flows for the three-month periods ended March 31, 2019 and 2018, 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 Financial Supervisory Commission of the Republic of China.

Emphasis of Matter - Applying for New Accounting Standards

We draw attention to Note 3 of the consolidated financial statements, which describes the Company and its subsidiaries applied for the International Financial Reporting Standard 16, "Leases" starting from January 1, 2019, and elected not to restate the consolidated financial statements for prior periods. Our conclusion is not modified in respect of this matter.

/s/ Chen, Cheng-Chu

/s/ Huang, Shih-Chieh

Ernst & Young, Taiwan

May 13, 2019

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, 2019, December 31, 2018 and March 31, 2018 (March 31, 2019 and 2018 are unaudited)
(Expressed in Thousands of New Taiwan Dollars)

Assets	Notes	March 31, 2019	%	December 31, 2018	%	March 31, 2018	%	Liabilities and Equity	Notes	March 31, 2019	%	December 31, 2018	%	March 31, 2018	%
Current assets								Current liabilities							
Cash and cash equivalents	4,6(1)	\$858,907	13	\$714,810	23	\$760,497	27	Contract liabilities	4,6(16)	\$413,273	6	\$417,521	14	\$481,999	18
Accounts receivable, net	4,6(2)	65,943	1	72,963	2	23,632	1	Notes payable		282	-	464	-	2,274	-
Prepayments		5,639	-	9,021	-	9,882	-	Notes payable - related parties	7	230	-	230	-	223	-
Other financial assets, current	4,6(3),8	114,130	2	114,157	4	97,609	4	Accounts payable		1,240	-	1,515	-	1,367	-
Other current assets	7	18,520	-	8,898	-	6,147	-	Payables on equipment		81,406	1	66,648	2	98,417	4
Total current assets		<u>1,063,139</u>	<u>16</u>	<u>919,849</u>	<u>29</u>	<u>897,767</u>	<u>32</u>	Other payables	6(8)	225,851	3	274,982	9	200,946	7
								Other payables - related parties	7	332	-	357	-	389	-
Non-current assets								Current tax liabilities	4,6(21)	101,510	2	71,527	2	63,317	2
Financial assets at fair value through profit or loss, non-current	4,6(9)	303	-	-	-	-	-	Lease liabilities, current	4,6(17)	338,719	5	-	-	-	-
Financial assets measured at fair value through other comprehensive income and loss, non-current	4,6(4)	12,312	-	12,312	1	12,312	-	Lease liabilities, current - related parties	4,6(17),7	34,113	1	-	-	-	-
Investments accounted for using the equity method	4,6(5)	-	-	-	-	1,855	-	Current portion of long-term liabilities	6(11),7	28,026	1	33,325	1	59,089	2
Property, plant and equipment	4,6(6),8	2,122,117	33	2,102,841	67	1,723,644	62	Other current liabilities		3,668	-	2,680	-	2,466	-
Right-of-use assets	4,6(17),7	3,284,109	50	-	-	-	-	Total current liabilities		<u>1,228,650</u>	<u>19</u>	<u>869,249</u>	<u>28</u>	<u>910,487</u>	<u>33</u>
Deferred tax assets		12,221	-	12,306	-	8,091	-	Non-current liabilities							
Other non-current assets	6(7),7	77,924	1	89,533	3	145,832	6	Financial liabilities at fair value through profit or loss, non-current	4,6(9)	-	-	22	-	3,349	-
Total non - current assets		<u>5,508,986</u>	<u>84</u>	<u>2,216,992</u>	<u>71</u>	<u>1,891,734</u>	<u>68</u>	Bonds payable	4,6(10)	236,577	4	276,214	9	373,558	13
								Long-term loans	6(11),7	348,900	5	353,403	11	223,124	8
								Provisions, non-current	4,6(13)	30,506	-	28,885	1	23,699	1
								Deferred tax liabilities		755	-	685	-	32	-
								Lease liabilities, non-current	4,6(17)	2,850,199	43	-	-	-	-
								Lease liabilities, non-current - related parties	4,6(17),7	97,958	2	-	-	-	-
								Other non-current liabilities		370	-	90	-	670	-
								Total non-current liabilities		<u>3,565,265</u>	<u>54</u>	<u>659,299</u>	<u>21</u>	<u>624,432</u>	<u>22</u>
								Total liabilities		<u>4,793,915</u>	<u>73</u>	<u>1,528,548</u>	<u>49</u>	<u>1,534,919</u>	<u>55</u>
								Equity attributable to the parent company	4,6(14)						
								Capital							
								Common stock		612,085	9	611,636	20	479,798	17
								Certificates of bond-to-stock conversion		3,504	-	503	-	-	-
								Subscribed stock		25	-	175	-	17	-
								Preparation stock number shares retired		(392)	-	(389)	-	(232)	-
								Total capital		<u>615,222</u>	<u>9</u>	<u>611,925</u>	<u>20</u>	<u>479,583</u>	<u>17</u>
								Additional paid-in capital		558,864	9	521,359	16	427,255	15
								Retained earnings							
								Legal reserve		83,210	1	83,210	2	55,850	2
								Special reserve		55,446	1	55,446	2	94,443	3
								Unappropriated earnings		489,062	8	371,395	12	276,867	10
								Total retained earnings		<u>627,718</u>	<u>10</u>	<u>510,051</u>	<u>16</u>	<u>427,160</u>	<u>15</u>
								Other components of equity		(45,870)	(1)	(54,367)	(2)	(94,467)	(3)
								Total equity attributable to the parent company		<u>1,755,934</u>	<u>27</u>	<u>1,588,968</u>	<u>50</u>	<u>1,239,531</u>	<u>44</u>
								Non-controlling interests		22,276	-	19,325	1	15,051	1
								Total equity		<u>1,778,210</u>	<u>27</u>	<u>1,608,293</u>	<u>51</u>	<u>1,254,582</u>	<u>45</u>
Total Assets		<u>\$6,572,125</u>	<u>100</u>	<u>\$3,136,841</u>	<u>100</u>	<u>\$2,789,501</u>	<u>100</u>	Total liabilities and equity		<u>\$6,572,125</u>	<u>100</u>	<u>\$3,136,841</u>	<u>100</u>	<u>\$2,789,501</u>	<u>100</u>

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese
UNAUDITED POWER WIND HEALTH INDUSTRY INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the three-month periods ended March 31, 2019 and 2018
(Expressed in Thousands of New Taiwan Dollars, Except for Earnings per Share)

Accounting	Notes	For the three-month periods ended March 31			
		2019	%	2018	%
Operating revenues	4,6(16)	\$836,976	100	\$633,210	100
Operating costs	4,6(12),6(15),6(17),6(18),7	<u>(564,048)</u>	<u>(67)</u>	<u>(439,437)</u>	<u>(69)</u>
Gross profit		<u>272,928</u>	<u>33</u>	<u>193,773</u>	<u>31</u>
Operating expenses	4,6(12),6(15),6(17),6(18),7				
Sales and marketing expenses		(7,598)	(1)	(6,782)	(1)
General and administrative expenses		<u>(99,789)</u>	<u>(12)</u>	<u>(88,083)</u>	<u>(14)</u>
Subtotal		<u>(107,387)</u>	<u>(13)</u>	<u>(94,865)</u>	<u>(15)</u>
Operating income		<u>165,541</u>	<u>20</u>	<u>98,908</u>	<u>16</u>
Non-operating income and expenses	4,6(19),7				
Other income		1,376	-	2,422	-
Other gains and losses		293	-	(12)	-
Finance costs		<u>(16,548)</u>	<u>(2)</u>	<u>(3,610)</u>	<u>(1)</u>
Subtotal		<u>(14,879)</u>	<u>(2)</u>	<u>(1,200)</u>	<u>(1)</u>
Income from continuing operations before income tax		150,662	18	97,708	15
Income tax expense	4,6(21)	<u>(30,138)</u>	<u>(4)</u>	<u>(18,460)</u>	<u>(2)</u>
Profit from continuing operations		<u>120,524</u>	<u>14</u>	<u>79,248</u>	<u>13</u>
Net income		<u>120,524</u>	<u>14</u>	<u>79,248</u>	<u>13</u>
Other comprehensive (loss)					
Items that will not be reclassified subsequently to profit or loss					
Unrealized gains or losses on financial assets at fair value through other comprehensive (loss)	6(20)	<u>-</u>	<u>-</u>	<u>(603)</u>	<u>-</u>
Total other comprehensive loss, net of tax		<u>-</u>	<u>-</u>	<u>(603)</u>	<u>-</u>
Total comprehensive income		<u>\$120,524</u>	<u>14</u>	<u>\$78,645</u>	<u>13</u>
Net income attributable to:					
Stockholders of the parent		\$117,573	14	\$76,226	12
Non-controlling interests		<u>2,951</u>	<u>-</u>	<u>3,022</u>	<u>1</u>
		<u>\$120,524</u>	<u>14</u>	<u>\$79,248</u>	<u>13</u>
Comprehensive income attributable to:					
Stockholders of the parent		\$117,573	14	\$75,623	12
Non-controlling interests		<u>2,951</u>	<u>-</u>	<u>3,022</u>	<u>1</u>
		<u>\$120,524</u>	<u>14</u>	<u>\$78,645</u>	<u>13</u>
Earnings per share (NTD)	6(22)				
From continuing operations					
Earnings per share - Basic		<u>\$2.01</u>		<u>\$1.34</u>	
Earnings per share - Diluted		<u>\$1.90</u>		<u>\$1.28</u>	

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese
POWER WIND HEALTH INDUSTRY INCORPORATED AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the three-month periods ended March 31, 2019 and 2018
(Expressed in Thousands of New Taiwan Dollars)

Accounting	Equity Attributable to the Parent Company											Non-Controlling Interests	Total Equity
	Common Stock	Certificates of Bond-to-Stock Conversion	Subscribed Stock	Preparation stock number shares retired	Additional Paid-in Capital	Retained Earnings			Other Components of Equity		Total		
						Legal Reserve	Special Reserve	Unappropriated Earnings	Unrealized Gains or Losses on Financial Assets Measured at Fair Value through Other Comprehensive (Loss)	Unearned rewards for employees			
Balance as of January 1, 2018	\$475,990	\$-	\$3,640	(\$92)	\$361,402	\$55,850	\$94,443	\$273,628	\$-	(\$55,446)	\$1,209,415	\$13,045	\$1,222,460
Impact of retroactive applications	-	-	-	-	-	-	-	(71,471)	(7,800)	-	(79,271)	-	(79,271)
Adjusted balance as of January 1, 2018	475,990	-	3,640	(92)	361,402	55,850	94,443	202,157	(7,800)	(55,446)	1,130,144	13,045	1,143,189
Other changes in capital surplus													
Equity component of convertible bonds issued by the Company	-	-	-	-	19,558	-	-	-	-	-	19,558	-	19,558
Net income for the three-month periods ended March 31, 2018	-	-	-	-	-	-	-	76,226	-	-	76,226	3,022	79,248
Other comprehensive income, net of tax for the three-month periods ended March 31, 2018	-	-	-	-	-	-	-	-	(603)	-	(603)	-	(603)
Total comprehensive income	-	-	-	-	-	-	-	76,226	(603)	-	75,623	3,022	78,645
From share of changes in equities of subsidiaries	-	-	-	-	-	-	-	(1,524)	-	-	(1,524)	(1,016)	(2,540)
Share-based payment transaction	3,808	-	(3,623)	(140)	46,295	-	-	8	-	(30,618)	15,730	-	15,730
Balance as of March 31, 2018	\$479,798	\$-	\$17	(\$232)	\$427,255	\$55,850	\$94,443	\$276,867	(\$8,403)	(\$86,064)	\$1,239,531	\$15,051	\$1,254,582
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 periods ended March 31, 2019	-	-	-	-	-	-	-	117,573	-	-	117,573	2,951	120,524
Total comprehensive income (loss)	-	-	-	-	-	-	-	117,573	-	-	117,573	2,951	120,524
Convertible bonds conversion	-	3,504	-	-	39,872	-	-	-	-	-	43,376	-	43,376
Certificates of bond-to-stock conversion convert to common stock	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

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, 2019 and 2018
(Expressed in Thousands of New Taiwan Dollars)

Accounting	For the three-month periods ended March 31	
	2019	2018
Cash flows from operating activities:		
Net income before tax	\$150,662	\$97,708
Adjustments to reconcile net income before tax to net cash provided by operating activities:		
Depreciation	184,512	76,928
Net (gain) of financial assets and liabilities at fair value through profit or loss	(352)	(160)
Interest expense	16,548	3,610
Interest income	(141)	(105)
Compensation costs of share-based payment transaction	8,497	15,599
(Gain) on disposal and abandonment of property, plant and equipment	(12)	-
Property, plant and equipment transferred to expenses	77	-
Changes in operating assets and liabilities:		
Decrease in accounts receivable	7,020	40,414
Decrease in prepayments	1,508	1,021
(Increase) in other current assets	(9,622)	(450)
Decrease (Increase) in other financial assets	27	(25,409)
(Decrease) Increase in contract liabilities	(4,248)	51,219
(Decrease) in notes payable	(182)	(901)
(Decrease) increase in accounts payable	(275)	95
(Decrease) in other payables	(16,056)	(16,832)
(Decrease) in other payables - related parties	(25)	-
Increase in other current liabilities	988	159
Cash generated from operations	338,926	242,896
Interest received	141	105
Net cash provided by operating activities	339,067	243,001
Cash flows from investing activities:		
Acquisition of financial assets at fair value through comprehensive income or loss	-	(715)
Acquisition of property, plant and equipment	(97,240)	(155,149)
Proceeds from disposal of property, plant and equipment	25	133
Increase in other noncurrent assets - others	(2,203)	(44,418)
Subsidiary liquidation	-	(1,855)
Net cash (used in) investing activities	(99,418)	(202,004)
Cash flows from financing activities:		
Proceeds from bonds issued	-	400,000
Repayments of long-term loans	(9,802)	(18,832)
Cash payments for the principal portion of the lease liability	(84,148)	-
Increase in other non-current liabilities	280	-
Employee share options	13	17
Interest paid	(1,515)	(1,241)
Others	(380)	114
Net cash (used in) provided by financing activities	(95,552)	380,058
Net increase in cash and cash equivalents	144,097	421,055
Cash and cash equivalents at beginning of period	714,810	339,442
Cash and cash equivalents at end of period	\$858,907	\$760,497

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

POWER WIND HEALTH INDUSTRY INCORPORATED AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
For the Three-Month Periods Ended March 31, 2019 and 2018
(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 Taipei Exchange (TPEX) on March 10, 2016. 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.).
As of March 31, 2019, the Company and its subsidiaries have established 42 operational locations.

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

The consolidated financial statements of the Company and its subsidiaries (“the Group”) for the three-month periods ended March 31, 2019 and 2018 were authorized for issue by the Board of Directors on May 13, 2019.

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 Financial Supervisory Commission (“FSC”) and become effective for annual periods beginning on or after January 1, 2019. The nature and the impact of each new standard and amendment have no material effect on the Group. Apart from the potential impact of the standards and interpretations which is described below, all other standards and interpretations have no material impact on the Group’s financial position and performance.

A. *IFRS 16 “Leases”*

IFRS 16 “Leases” replaces IAS 17 “Leases”, IFRIC 4 “Determining whether an Arrangement contains a Lease”, SIC-15 “Operating Leases - Incentives” and SIC-27 “Evaluating the Substance of Transactions Involving the Legal Form of a Lease”.

The Group followed the transition provision in IFRS 16 and the date of initial application was January 1, 2019. The impacts arising from the adoption of IFRS 16 are summarized as follows:

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

- a. Please refer to Note 4 for the accounting policies before or after January 1, 2019.
- b. For the definition of a lease, the Group elected not to reassess whether a contract was, or contained, a lease on January 1, 2019. The Group was permitted to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 but not to apply IFRS 16 to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4. That is, for contracts entered into (or changed) on or after January 1, 2019, the Group need to assess whether contracts are, or contain, leases applying IFRS 16. In comparing to IAS 17, IFRS 16 provides that 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. The Group assessed most of the contracts are, or contain, leases and has no significant impact arisen.
- c. The Group is a lessee and elects not to restate comparative information in accordance with the transition provision in IFRS 16. Instead, the Group recognized the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the date of initial application.
 - i. Leases previously classified as operating leases

For leases that were previously classified as operating leases applying IAS 17, the Group measured and recognized those leases as lease liability on January 1, 2019 at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on January 1, 2019, and; the Group chose, on a lease-by-lease basis, to measure the right-of-use asset at either:

- (i) its carrying amount as if IFRS 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate on January 1, 2019; or
- (ii) an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the balance sheet immediately before January 1, 2019.

On January 1, 2019, the Group's right-of-use asset and lease liability increased by NT\$3,232,535 thousand and NT\$3,249,924 thousand, respectively.

Besides, on January 1, 2019, for leases that were previously classified as operating leases applying IAS 17 and those who have paid the rent in full, the Group reclassified the long-term rental prepayment of NT\$15,686 thousand to the right-of-use asset.

- ii. Please refer to Note 4 and Note 6 for additional disclosure of lessee and lessor which required by IFRS 16.

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

iii. As at January 1, 2019, the impacts arising from the adoption of IFRS 16 are summarized as follows:

- (i) The weighted average lessee's incremental borrowing rate applied to lease liabilities recognized in the balance sheet on January 1, 2019 was 1.63%.
- (ii) The explanation for the difference of NT\$101,413 thousand between: (1) operating lease commitments disclosed applying IAS 17 as at December 31, 2018, discounted using the incremental borrowing rate on January 1, 2019; and (2) lease liabilities recognized in the balance sheet as at January 1, 2019 is summarized as follows:

Operating lease commitments disclosed applying IAS 17 as at December 31, 2018	\$3,148,511
Discounted using the incremental borrowing rate on January 1, 2019	\$2,695,634
Add: the carrying value of lease payables as at December 31, 2018	33,075
Less: adjustment to leases that meet and elect to account in the same way as short-term leases	(1,861)
Add: adjustments to the options to extend or terminate the lease that is reasonably certain to exercise	523,076
The carrying value of lease liabilities recognized as at January 1, 2019	<u>\$3,249,924</u>

(2) Standards or interpretations issued, revised or amended, by International Accounting Standards Board ("IASB") which are endorsed by 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 International Accounting Standards Board ("IASB") which are endorsed by FSC, but not yet adopted by the Group as at the end of the reporting period are listed below.

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by 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 IASB
B	IFRS 17 "Insurance Contracts"	January 1, 2021
C	Definition of a Business (Amendments to IFRS 3)	January 1, 2020
D	Definition of Material (Amendments to IAS 1 and 8)	January 1, 2020

The Group will apply for standards or interpretations issued by IASB but not yet endorsed by 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. *Definition of a Business* (Amendments to IFRS 3)

The amendments clarify the definition of a business in IFRS 3 Business Combinations. The amendments are intended to assist entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition.

IFRS 3 continues to adopt a market participant’s perspective to determine whether an acquired set of activities and assets is a business. The amendments clarify the minimum requirements for a business; add guidance to help entities assess whether an acquired process is substantive; and narrow the definitions of a business and of outputs; etc.

C. *Definition of a Material* (Amendments to IAS 1 and 8)

The main amendment is to clarify new definition of material. It states that “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.” The amendments clarify that materiality will depend on the nature or magnitude of information. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

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, 2019 and 2018 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.

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

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. reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss.

The consolidated entities are listed as follows:

Investor	Subsidiary	Business nature	Percentage of Ownership		
			Mar. 31, 2019	Dec. 31, 2018	Mar. 31 2018
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.

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

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 instruments: 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:

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

- 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 asset 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 as 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.

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

- 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.

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

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 (before January 1, 2019: IAS 17), 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

Classification between liabilities or equity

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

Equity instruments

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

Financial liabilities

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.

Financial liabilities at fair value through profit or loss

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).

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

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 through 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) Investments accounted for using the equity method

Investment in subsidiaries

A subsidiary is an entity that is controlled by the Company.

Under the equity method, an investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Company's share of profit or loss and other comprehensive income of the subsidiary. The Company's share of profit or loss and other comprehensive income of the subsidiary are recognized in profit or loss and other comprehensive income of the Company. If the distribution is received from a subsidiary, the Company will decrease its carrying amount.

When the Company transacts with its subsidiary, profits and losses resulting from the transactions with the subsidiary are recognized in the Company's parent company only financial statements only to the extent of interests in the subsidiary that are not owned by the Company.

The financial statements of the subsidiary are prepared for the same reporting period as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Company.

When changes in the net assets of the subsidiary occur and not those that are recognized in profit or loss or other comprehensive income and do not affect the Company's percentage of ownership interests in the subsidiary, the Company recognizes such changes in equity based on its percentage of ownership interests. Changes in the Company's ownership interests in the subsidiary that do not result in the Company losing control over the subsidiary are accounted for as equity transactions. Any difference between the carrying amount of the subsidiary and the fair value of the consideration paid or received is recognized directly in equity.

Upon loss of control and significant influence over the subsidiary, the Company stops using equity method as well as measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the subsidiary and the fair value of the retaining investment and proceeds from disposal is recognized in profit or loss. If an investment in a subsidiary becomes an investment in an associate or a joint venture or an investment in an associate or a joint venture becomes an investment in a subsidiary, the entity will remeasure originally percentage of ownership interests and continue to apply the equity method.

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

The Company determines at each reporting date whether there is any objective evidence that the investment in the subsidiary is impaired. The difference between the recoverable amount of the subsidiary and its carrying value recognizes impairment in the statement of comprehensive income and adjusts its carrying amount.

(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
Right-of-use assets	2~16 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 accounting policy from January 1, 2019 as follow:

For contracts entered on or after January 1, 2019, 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:

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

- 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

The Group elected not to reassess whether a contract is, or contains, a lease on January 1, 2019. The Group is permitted to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 but not to apply IFRS 16 to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4.

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

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

After the commencement date, the Group measures the lease liability on an amortised 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.

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

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.

The accounting policy before January 1, 2019 as follow:

Group as a lessee

Finance leases which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in profit or loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

(12) 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.

(13) 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.

(14) 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 arised.

(15) 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.

(16) Post-employment benefits

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

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

(17) Share-based payment transactions

The cost of equity-settled transactions between the Group and its subsidiaries 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.

(18) 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 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.

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.

(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.

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

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, 2019	Dec. 31, 2018	Mar. 31, 2018
Cash on hand	\$853	\$1,191	\$1,180
Bank deposit	858,054	713,474	759,317
Cash in transit	—	145	—
Total	<u>\$858,907</u>	<u>\$714,810</u>	<u>\$760,497</u>

(2) Trade receivables

	As at		
	Mar. 31, 2019	Dec. 31, 2018	Mar. 31, 2018
Trade receivables	\$65,943	\$72,963	\$23,632
Less: allowance for doubtful debts	—	—	—
Total	<u>\$65,943</u>	<u>\$72,963</u>	<u>\$23,632</u>

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.

(3) Other financial assets - current

	As at		
	Mar. 31, 2019	Dec. 31, 2018	Mar. 31, 2018
Bank deposit	<u>\$114,130</u>	<u>\$114,157</u>	<u>\$97,609</u>

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, 2019	Dec. 31, 2018	Mar. 31, 2018
Equity instrument investments measured at fair value through other comprehensive income - non-current:			
Unlisted companies stocks	<u>\$12,312</u>	<u>\$12,312</u>	<u>\$12,312</u>

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

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

(5) Investments accounted for using the equity method

Investees	Mar. 31, 2019		Dec. 31, 2018		Mar. 31, 2018	
	Carrying amounts	Percentage of ownership (%)	Carrying amounts	Percentage of ownership (%)	Carrying amounts	Percentage of ownership (%)
Bo Yi Culture Industry Incorporated (Note)	<u>\$—</u>	—	<u>\$—</u>	—	<u>\$1,855</u>	100%

Note: On March 1, 2018, Bo Yi Culture Industry Incorporated was dissolved and liquidated. Therefore, it stopped using the equity method to account for these investees on that date.

(6) Property, plant and equipment

	Mar. 31, 2019	Dec. 31, 2018	Mar. 31, 2018
Owner occupied property, plant and equipment	<u>\$2,122,117</u>	(Note)	(Note)

Note: The Group adopted IFRS 16 since January 1, 2019. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 16.

A. Owner occupied property, plant and equipment (applicable under IFRS 16 requirements)

	Land	Buildings and facilities	Business facilities	Leasehold improvements	Other equipment	Construction in progress and equipment awaiting examination	Total
<u>Cost:</u>							
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)	—	—	—	1,553	—	—	1,553
Transfers	—	—	26,548	5,145	—	(31,693)	—
As at Mar. 31, 2019	<u>\$341,593</u>	<u>\$182,577</u>	<u>\$1,661,584</u>	<u>\$1,177,719</u>	<u>\$93,015</u>	<u>\$51,582</u>	<u>\$3,507,770</u>
<u>Depreciation and impairment:</u>							
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	<u>\$—</u>	<u>(\$28,547)</u>	<u>(\$853,180)</u>	<u>(\$449,005)</u>	<u>(\$54,921)</u>	<u>\$—</u>	<u>(\$1,385,653)</u>
<u>Net carrying amount as at:</u>							
Mar. 31, 2019	<u>\$341,593</u>	<u>\$154,030</u>	<u>\$808,404</u>	<u>\$728,714</u>	<u>\$38,094</u>	<u>\$51,282</u>	<u>\$2,122,117</u>

Note 1: Provision for decommissioning, restoration and rehabilitation costs.

Note 2: The Group adopted IFRS 16 since January 1, 2019. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 16.

POWER WIND HEALTH INDUSTRY INCORPORATED AND SUBSIDIARIES -(Continued)

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

B. Property, plant and equipment leased out under operating leases (applicable under IFRS 16 requirements)

	Land	Buildings and facilities	Business facilities	Leasehold improvements	Other equipment	Construction in progress and equipment awaiting examination	Total
<u>Cost:</u>							
As at Jan. 1, 2018	\$133,677	\$180,363	\$1,251,767	\$835,204	\$104,254	\$104,923	\$2,610,188
Additions	—	—	19,595	17,047	—	119,276	155,918
Disposals	—	—	—	—	—	(133)	(133)
Other (Note)	—	—	—	2,052	—	—	2,052
Transfers	—	—	48,966	27,137	4,259	(80,362)	—
As at Mar. 31, 2018	<u>\$133,677</u>	<u>\$180,363</u>	<u>\$1,320,328</u>	<u>\$881,440</u>	<u>\$108,513</u>	<u>\$143,704</u>	<u>\$2,768,025</u>
<u>Depreciation and impairment:</u>							
As at Jan. 1, 2018	\$—	(\$17,570)	(\$561,862)	(\$321,112)	(\$66,909)	\$—	(\$967,453)
Depreciation	—	(2,205)	(49,488)	(21,948)	(3,287)	—	(76,928)
Disposals	—	—	—	—	—	—	—
As at Mar. 31, 2018	<u>\$—</u>	<u>(\$19,775)</u>	<u>(\$611,350)</u>	<u>(\$343,060)</u>	<u>(\$70,196)</u>	<u>\$—</u>	<u>(\$1,044,381)</u>
<u>Net carrying amount as at:</u>							
Dec. 31, 2018	<u>\$341,593</u>	<u>\$156,329</u>	<u>\$804,433</u>	<u>\$717,377</u>	<u>\$38,557</u>	<u>\$44,552</u>	<u>\$2,102,841</u>
Mar. 31, 2018	<u>\$133,677</u>	<u>\$160,588</u>	<u>\$708,978</u>	<u>\$538,380</u>	<u>\$38,317</u>	<u>\$143,704</u>	<u>\$1,723,644</u>

Note: Provision for decommissioning, restoration and rehabilitation costs.

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

(7) Other non-current assets

	As at		
	Mar. 31, 2019	Dec. 31, 2018	Mar. 31, 2018
Refundable deposits	\$77,924	\$75,721	\$68,523
Advance payments in Land	—	—	62,040
Other non-current assets - other	—	13,812	15,269
Total	<u>\$77,924</u>	<u>\$89,533</u>	<u>\$145,832</u>

(8) Other payables

	As at		
	Mar. 31, 2019	Dec. 31, 2018	Mar. 31, 2018
Accrued salaries and bonuses	\$123,995	\$140,991	\$95,178
Accrued labor and health insurance	24,850	22,949	19,261
Accrued Employee compensation	21,907	17,219	17,253
Business tax payable	5,415	14,883	5,415
Other	49,684	78,940	63,839
Total	<u>\$225,851</u>	<u>\$274,982</u>	<u>\$200,946</u>

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

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

	As at		
	Mar. 31, 2019	Dec. 31, 2018	Mar. 31, 2018
Designated financial liabilities at fair value through profit or loss:			
Derivatives not designated as hedging relationship			
Embedded derivative			
Corporate bonds	\$3,475	\$3,488	\$3,509
Evaluation on Corporate bond	(3,778)	(3,426)	(160)
Total	<u>(\$303)</u>	<u>\$22</u>	<u>\$3,349</u>

(10) Bonds payable

	As at		
	Mar. 31, 2019	Dec. 31, 2018	Mar. 31, 2018
Domestic unsecured convertible bonds	\$236,577	\$276,214	\$373,558
Less: current portion	—	—	—
Net	<u>\$236,577</u>	<u>\$276,214</u>	<u>\$373,558</u>

A. Unsecured domestic convertible bonds payable

	As at		
	Mar. 31, 2019	Dec. 31, 2018	Mar. 31, 2018
Liability component:			
Principal amount	\$247,100	\$290,300	\$400,000
(Discounts) on bonds payable	(10,523)	(14,086)	(26,442)
Subtotal	236,577	276,214	373,558
Less: current portion	—	—	—
Net	<u>\$236,577</u>	<u>\$276,214</u>	<u>\$373,558</u>
Embedded derivative	<u>(\$303)</u>	<u>\$22</u>	<u>\$3,349</u>
Equity component	<u>\$12,082</u>	<u>\$14,194</u>	<u>\$19,558</u>

On January 22, 2018, the Company issued zero coupon 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

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

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.

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. The conversion price as of March 31, 2019 is NT\$123.3 per share.
- d. Redemption on the Maturity Date: On the maturity date, the Company will redeem the bonds that remain outstanding at the principal amount.

The bonds already converted amounted to NT\$152,900 thousand as at March 31, 2019.

(11) Long-term borrowings

Details of long-term loans are as follows:

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	<u>\$348,900</u>		

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

Lenders	As at Dec. 31, 2018	Interest Rate (%)	Maturity date and terms of repayment
Taipei Fubon Commercial Bank unsecured long-term loan	\$299	2.05	Effective from December 30, 2015 to January 28, 2019, principle is repaid in 36 months with interests paid monthly.
Cathay United Bank secured long-term loan	226,655	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	15,014	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	386,728		
Less: current portion	(33,325)		
Total	<u>\$353,403</u>		

Lenders	As at Mar. 31, 2018	Interest Rate (%)	Maturity date and terms of repayment
Taipei Fubon Commercial Bank unsecured long-term loan	\$5,688	2.05	Effective from July 28, 2015 to January 28, 2019, principle is repaid in 36 months with interests paid monthly.
Land Bank of Taiwan unsecured long-term loan	2,876	1.95	Effective from May 28, 2015 to May 28, 2018, principle is repaid in 36 months with interests paid monthly.
The Shanghai Commercial & Savings Bank secured long-term loan (Note)	253	1.92	Effective from April 28, 2015 to April 28, 2018, principle is repaid in 36 months with interests paid monthly.
First Bank unsecured long-term loan	3,223	1.90	Effective from November 6, 2015 to November 6, 2018, principle is repaid in 36 months with interests paid monthly.
Cathay United Bank secured long-term loan	240,165	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	30,008	2.03	Effective from September 20, 2016 to September 20, 2019, principle is repaid in 36 months with interests paid monthly.
Subtotal	282,213		
Less: current portion	(59,089)		
Total	<u>\$223,124</u>		

(Note) Credit guarantee fund guaranteed 60% of bank loans, other 40% are unsecured loans.

- A. Secured bank loans are provided by major managers for joint guarantees, please refer to Note 7 for more details.
- B. 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.
- C. Certain land are pledged as first priority security for secured bank loans with E.SUN Commercial Bank, please refer to Note 8 for more details.

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

(12) Post-employment benefits plan

Expenses under the defined contribution plan for the three-month periods ended March 31, 2019 and 2018 were NT\$17,136 thousand and NT\$12,733 thousand, respectively.

(13) Provisions-non-current

	Decommissioning, restoration and rehabilitation
As at January 1, 2019	\$28,885
Arising during the period	1,553
Discount rate adjustment and unwinding of discount from the passage of time	68
As at March 31, 2019	\$30,506
Current — March 31, 2019	\$—
Non-current — March 31, 2019	30,506
Current — March 31, 2018	\$—
Non-current — March 31, 2018	23,699
March 31, 2018	\$23,699

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.

(14) Equities

A. Common stock

The Company's authorized capital was NT\$1,000,000 thousand, NT\$1,000,000 thousand and NT\$500,000 thousand as at March 31, 2019, December 31, 2018 and March 31, 2018, divided into 100,000 thousand shares, 100,000 thousand shares and 50,000 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\$612,085 thousand, NT\$611,636 thousand and NT\$479,798 thousand, divided into 61,209 thousand shares, 61,164 thousand shares and 47,980 thousand shares as at March 31, 2019, December 31, 2018 and March 31, 2018, respectively.

The Company's employees exercised 3 thousand shares of employee stock options, and were not yet registered and therefore were classified as capital collected in advance NT\$ 25 thousand.

The Company's restricted stocks for employees' plan, in which 39 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\$ 392 thousand.

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

B. Capital surplus

	As at		
	Mar. 31, 2019	Dec. 31, 2018	Mar. 31, 2018
Employee stock option	\$174	\$203	\$1,876
Restricted stocks for employees	183,311	183,581	182,593
Additional paid-in capital from common stock	222,033	221,989	221,668
Recognize due to issue of convertible bonds equity components - stock options	12,082	14,194	19,558
Additional paid-in capital from convertible bonds	139,704	99,832	—
Vested stock option	1,560	1,560	1,560
Total	\$558,864	\$521,359	\$427,255

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 reserve which exceeds 25% of the paid-in capital by issuing new shares or by cash in proportion to the number of shares being held by each of the shareholders.

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

The distribution of earnings and dividends for 2017 was approved by the stockholders' meeting held on June 1, 2018, while the distribution of earnings and dividends for 2018 was approved by the Board of Directors' meeting on March 12, 2019. The details of distribution are as follows:

	Appropriation of earnings		Dividend per share (NT\$)	
	2018	2017	2018	2017 (Note)
Legal reserve	\$44,400	\$27,360		
Special reserve	(\$1,079)	(\$38,997)		
Cash dividend	\$266,736	\$165,292	\$4.35	\$3.42
Stock dividend	\$61,338	\$119,973	\$1.00	\$2.48

The Company's board of directors proposed to distribute NT\$61,338 thousand in capital surplus with NT\$1.00 per share on March 12, 2019.

Note: The Company recovered (bought back) restricted stocks for employee departure and issued new shares for employees exercising options, resulting in an increase in the outstanding shares to 48,357 thousand shares. Therefore, the Company adjusted the shareholder's dividend yield and rationing ratio.

Please refer to Note 6(18) for details on employees' compensation and remuneration to directors.

D. Non-controlling interests

	For the three-month periods ended March 31	
	2019	2018
Beginning balance	\$19,325	\$13,045
Profit attributable to non-controlling interests	2,951	3,022
Impacts applied retroactively	—	(1,016)
Ending balance	\$22,276	\$15,051

(15) Share-based payment plans

- A. As of March 31, 2019, the share-based payment plans agreed between the Company and its 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%.

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

- 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	6.71	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, 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	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 year	
Exercisable at end of period	32	\$5.28			

For the three-month period ended March 31, 2018					
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	Average stock price during execution (NT\$)
Outstanding at beginning of period	476	\$6.71			
Granted	—	—			
Exercised	(3)	\$6.71			\$148.88
Expired	—	—			
Outstanding at end of period	473	\$6.71	\$6.71	2 years	
Exercisable at end of period	26	\$6.71			

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

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, 2019 and 2018, the Company incurred expenses of NT\$8,497 thousand and NT\$15,599 thousand for the share-based payment transactions.

(16) Operating revenue

	For the three-month periods ended March 31	
	2019	2018
Leisure sports and entertainment service revenue	\$524,242	\$402,048
Sports health service revenue	269,958	191,594
Entrance fee revenue	37,034	32,553
Other	5,781	7,086
Total	837,015	633,281
Less: sales return and sales discounts and allowances	(39)	(71)
Net operating revenue	\$836,976	\$633,210

POWER WIND HEALTH INDUSTRY INCORPORATED AND SUBSIDIARIES -(Continued)
(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, 2019 and 2018 are as follows:

A. Disaggregation of revenue—Operating Department

	For the three-month periods ended March 31	
	2019	2018
Sale of goods	\$2,984	\$4,094
Rendering of services	827,561	623,924
Other	6,431	5,192
Total	<u>\$836,976</u>	<u>\$633,210</u>
Timing of revenue recognition		
At a point in time	\$9,415	\$9,286
Over time	827,561	623,924
Total	<u>\$836,976</u>	<u>\$633,210</u>

B. Contract balances

a. Contract liabilities - current

	As at		
	Mar. 31, 2019	Dec. 31, 2018	Mar. 31, 2018
Rendering of services—Leisure sports	\$89,507	\$89,252	\$95,577
Rendering of services—Sports health etc.	235,659	236,468	306,461
Rendering of services—Entrance & Service fee	85,857	90,060	79,895
Rendering of services—Other	2,250	1,741	66
Total	<u>\$413,273</u>	<u>\$417,521</u>	<u>\$481,999</u>

The significant changes in the Group's balances of contract liabilities for the three-month periods ended March 31, 2019 and 2018 are as follows:

	For the three-month periods ended March 31	
	2019	2018
The opening balance transferred to revenue	\$310,668	\$335,506
Increase in receipts in advance during the period (excluding the amount incurred and transferred to revenue during the period)	\$306,420	\$386,725

POWER WIND HEALTH INDUSTRY INCORPORATED AND SUBSIDIARIES -(Continued)
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C. Transaction price allocated to unsatisfied performance obligations

The Group's transaction price allocated to unsatisfied performance obligations amounted to NT\$413,273 thousand and NT\$481,999 thousand as at March 31, 2019 and 2018. 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.

(17) Leases

A. Group as a lessee (applicable to the disclosure requirement under IFRS 16)

The Group leases various properties, including buildings and facilities and transportation 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

i. Right-of-use assets

The carrying amount of right-of-use assets

		As at	
	Mar. 31, 2019	Dec. 31, 2018	Mar. 31, 2018
		(Note)	(Note)
Buildings and facilities	\$3,281,887		
Transportation equipment	2,222		
Total	<u>\$3,284,109</u>		

Note: The Group adopted IFRS 16 since January 1, 2019. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 16.

During the three-month period ended March 31, 2019, the Group's additions to right-of-use assets amounting to NT\$141,901 thousand.

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

ii. Lease liabilities

	As at		
	Mar. 31, 2019	Dec. 31, 2018 (Note)	Mar. 31, 2018 (Note)
Lease liabilities	<u>\$3,320,989</u>		
Current	372,832		
Non-current	3,948,157		

Please refer to Note 6(19) for the interest on lease liabilities recognized during the three-month period ended March 31, 2019 and refer to Note 12(5) Liquidity Risk Management for the maturity analysis for lease liabilities as at March 31, 2019.

Note: The Group adopted IFRS 16 since January 1, 2019. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 16.

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	
	2019	2018 (Note)
Buildings and facilities	\$90,128	
Transportation equipment	199	
Total	<u>\$90,327</u>	

c. Income and costs relating to leasing activities

	For the three-month periods ended March 31	
	2019	2018 (Note)
The expenses relating to short-term leases	\$2,446	
The expenses relating to leases of low-value assets (Not including the expenses relating to short-term leases of low-value assets)	\$500	
Income from subleasing right-of-use assets	\$390	

Note: The Group adopted IFRS 16 since January 1, 2019. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 16.

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

1. Cash outflow relating to leasing activities

During the three-month period ended March 31, 2019, the Group's total cash outflows for leases amounting to NT\$84,148 thousand.

2. 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.

B. Operating lease commitments - Group as a lessee (applicable to the disclosure requirement in IAS 17)

The Group leases business premises on operating leases with an average life of 7 to 15 years.

Future minimum rentals payable under non-cancellable operating leases as at December 31, 2018 and March 31, 2018 are as follows:

	As at	
	Dec. 31, 2018	Mar. 31, 2018
Less than one year	\$382,894	\$320,116
More than one year and less than five years	1,528,426	1,216,755
More than five years	1,237,191	923,714
Total	<u>\$3,148,511</u>	<u>\$2,460,585</u>

Operating lease expenses recognized are as follows:

	For the three-month period ended March 31, 2018
Minimum lease payments	<u>\$69,604</u>

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

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

	For the three-month periods ended March 31					
	2019			2018		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expense						
Salaries	\$297,408	24,462	\$321,870	\$232,099	24,415	\$256,514
Labor and health insurance	\$27,602	1,240	\$28,842	\$20,386	1,381	\$21,767
Pension	\$16,437	699	\$17,136	\$11,900	833	\$12,733
Director's remuneration	\$95	1,382	\$1,477	\$97	1,067	\$1,164
Other employee benefits expense	\$9,170	283	\$9,453	\$6,502	1,546	\$8,048
Depreciation	\$181,666	2,846	\$184,512	\$76,928	—	\$76,928

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" on the website of the TWSE.

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, 2019, 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 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, 2019 amounted to NT\$ 4,546 thousand and NT\$1,137 thousand, respectively. The Company estimated the amounts of the employees' compensation and remuneration to directors for the three-month period ended March 31, 2018 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, 2018, amounted to NT\$2,888 thousand and NT\$722 thousand, respectively.

POWER WIND HEALTH INDUSTRY INCORPORATED AND SUBSIDIARIES -(Continued)
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A resolution was passed at a board of directors meeting held on March 12, 2019 to distribute NT\$16,573 thousand and NT\$4,143 thousand in cash as employees' compensation and remuneration to directors of 2018, 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, 2018.

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, 2017.

(19) Non-operating income and expenses

A. Other income

	For the three-month periods ended March 31	
	2019	2018
Rental income	\$390	\$1,534
Interest income	141	105
Others	845	783
Total	<u>\$1,376</u>	<u>\$2,422</u>

B. Other gains and losses

	For the three-month periods ended March 31	
	2019	2018
Gain on disposal of property, plant and equipment	\$12	\$—
Gain on financial assets at fair value through profit or loss	352	160
Others	(71)	(172)
Total	<u>\$293</u>	<u>(\$12)</u>

C. Finance costs

	For the three-month periods ended March 31	
	2019	2018
Interest on borrowings from bank	(\$1,515)	(\$1,241)
Interest on lease liabilities	(13,312)	(Note)
Interest on bonds payable	(1,653)	(2,315)
Total interest expenses	(16,480)	(3,556)
Unwinding of discount on provisions	(68)	(54)
Total finance costs	<u>(\$16,548)</u>	<u>(\$3,610)</u>

Note: The Group adopted IFRS 16 since January 1, 2019. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 16.

POWER WIND HEALTH INDUSTRY INCORPORATED AND SUBSIDIARIES -(Continued)
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(20) Components of other comprehensive income

For the three-month period ended March 31, 2019:

None.

For the three-month period ended March 31, 2018

	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 gains (losses) from equity instruments investments measured at fair value through other comprehensive income	(\$603)	—	(\$603)	—	(\$603)

(21) Income tax

Based on the amendments to the Income Tax Act announced on February 7, 2018, the Company's applicable corporate income tax rate for the year ended December 31, 2018 has changed from 17% to 20%. The corporate income surtax on undistributed retained earnings has changed from 10% to 5%.

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	
	2019	2018
Current income tax expense:		
Current income tax charge	\$29,983	\$20,287
Deferred tax expense (income):		
Deferred tax expense (income) relating to origination and reversal of temporary differences	155	(727)
Deferred tax (income) relating to changes in tax rate	—	(1,100)
Total income tax expense	\$30,138	\$18,460

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

B. The assessment of income tax returns

As of March 31, 2019, the assessment of the income tax returns of the Company and its subsidiaries is as follows:

	<u>The assessment of income tax returns</u>
The Company	Assessed and approved up to 2017
Subsidiary- Bo Xin Health Industry Incorporated	Assessed and approved up to 2017

(22) 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.

	<u>For the three-month periods ended March 31</u>	
	<u>2019</u>	<u>2018</u>
A. Basic earnings per share		
Net income (in thousand NT\$)	\$117,573	\$76,226
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	58,628	56,793
Basic earnings per share (NT\$)	<u>\$2.01</u>	<u>\$1.34</u>
B. Diluted earnings per share		
Net income (in thousand NT\$)	\$117,573	\$76,226
Interest expense from convertible bonds (in thousand NT\$)	1,322	1,852
Profit attributable to ordinary equity holders of the Company after dilution (in thousand NT\$)	\$118,895	\$78,078
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	58,628	56,793
Effect of dilution:		
Employee compensation — stock (in thousands)	31	19
Employee stock options (in thousands)	1,685	1,569
Convertible bonds (in thousands)	2,221	2,551
Weighted average number of ordinary shares outstanding after dilution (in thousands)	62,565	60,932
Diluted earnings per share (NT\$)	<u>\$1.90</u>	<u>\$1.28</u>

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.

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

7. RELATED PARTY TRANSACTIONS

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

(1) 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

(2) Significant related party transactions

A. Other receivables - related parties

	As at		
	Mar. 31, 2019	Dec. 31, 2018	Mar. 31, 2018
Other related parties			
Giant Development Co., Ltd.	\$201	\$—	\$—

B. Notes payable - related parties

	As at		
	Mar. 31, 2019	Dec. 31, 2018	Mar. 31, 2018
Other related parties			
Giant Development Co., Ltd.	\$230	\$230	\$223

C. Other payables - related parties

	As at		
	Mar. 31, 2019	Dec. 31, 2018	Mar. 31, 2018
Other related parties			
Giant Development Co., Ltd.	\$332	\$357	\$389

D. Lease

Lease payments

	For the three-month periods ended March 31	
	2019	2018
Other related parties		
Giant Development Co., Ltd.	\$—	\$4,781

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As of March 31, 2019, December 31, 2018 and March 31, 2018 the security deposit paid to the related parties for the lease of the business premises was NT\$6,568 thousand, NT\$6,568 thousand and NT\$3,000 thousand, respectively, under the refundable deposits. The management fee for the three-month periods ended March 31, 2019 and 2018 were NT\$825 thousand and NT\$637 thousand, respectively, under the operating expense.

Right-of-use assets

	As at		
	Mar. 31, 2019	Dec. 31, 2018 (Note)	Mar. 31, 2018 (Note)
Other related parties			
Giant Development Co., Ltd.	<u>\$130,944</u>		

Lease liabilities

	As at		
	Mar. 31, 2019	Dec. 31, 2018 (Note)	Mar. 31, 2018 (Note)
Other related parties			
Giant Development Co., Ltd.	<u>\$132,071</u>		

Interest expenses

	As at		
	Mar. 31, 2019	Dec. 31, 2018 (Note)	Mar. 31, 2018 (Note)
Other related parties			
Giant Development Co., Ltd.	<u>\$341</u>		

Note: The Group adopted IFRS 16 since January 1, 2019. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 16.

E. Key management personnel compensation

	For the three-month periods ended March 31	
	2019	2018
Short-term employee benefits	\$7,703	\$7,293
Post-employment benefits	217	215
Share-based payment	569	1,217
Total	<u>\$8,489</u>	<u>\$8,725</u>

E. Others

As of December 31, 2018 and March 31, 2018, some key management personnel were joint loan guarantors for the Group's borrowing from financial institutions.

POWER WIND HEALTH INDUSTRY INCORPORATED AND SUBSIDIARIES -(Continued)
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8. ASSETS PLEDGED AS COLLATERAL

Items	Mar. 31, 2019	Dec. 31, 2018	Mar. 31 2018	Secured liabilities
Property, plant and equipment - Land and buildings	\$482,121	\$483,700	\$280,520	Long-term loan
Other financial assets - current	114,130	114,157	97,609	Performance Guarantee of Fitness Center and Bank Authorized of mail order
Total	<u>\$596,251</u>	<u>\$597,857</u>	<u>\$378,129</u>	

9. SIGNIFICANT CONTINGENCIES AND UNRECOGNIZED CONTRACT COMMITMENTS

- (1) As of March 31, 2019, the lease performance guarantee bills drawn by the Group for leasing sports venues amounted to NT\$45,074 thousand.
- (2) As of March 31, 2019, the total amounts of the equipment and construction purchases under contracts were approximately NT\$221,178 thousand, and approximately NT\$ 175,307 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, 2019	Dec. 31, 2018	Mar 31, 2018
Financial assets measured at fair value through other comprehensive income and loss	\$12,312	\$12,312	\$12,312
Financial assets measured at amortized cost			
Cash and cash equivalents (exclude cash on hand)	858,054	713,474	759,317
Trade receivables	65,943	72,963	23,632
Other receivables	2,410	4,402	371
Other financial assets - current	114,130	114,157	97,609
Other non-current assets - refundable deposits	77,925	75,721	68,523
Subtotal	<u>1,118,462</u>	<u>980,717</u>	<u>949,452</u>
Total	<u>\$1,130,774</u>	<u>\$993,029</u>	<u>\$961,764</u>

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

Financial Liabilities

	As at		
	Mar. 31, 2019	Dec. 31, 2018	Mar 31, 2018
Financial liabilities at amortized cost:			
Payables	\$309,341	\$344,196	\$303,616
Bonds payable	236,577	276,214	373,558
Long-term loans (current portion included)	376,926	386,728	282,213
Lease liabilities	3,320,989	(Note)	(Note)
Total	<u>\$4,243,833</u>	<u>\$1,007,138</u>	<u>\$959,387</u>

Note: The Group adopted IFRS 16 since January 1, 2019. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 16.

(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 Company 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.

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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, 2019 and 2018 to increase/decrease by NT\$94 thousand and NT\$71 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.

(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.

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Non-derivative financial instruments

	Less than 1 year	2 to 3 years	4 to 5 years	More than 5 years	Total
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
As at December 31, 2018					
Payables	\$344,196	—	—	—	\$344,196
Loans	\$39,274	187,774	41,085	145,120	\$413,253
convertible bonds	\$—	276,214	—	—	\$276,214
As at March 31, 2018					
Payables	\$303,616	—	—	—	\$303,616
Loans	\$63,730	49,732	43,896	178,005	\$335,363
convertible bonds	\$—	373,558	—	—	\$373,558

(6) Reconciliation of liabilities arising from financing activities

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

	Bonds	Long-term loan	Lease liabilities	Total liabilities 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

Reconciliation of liabilities for the three-month period ended March 31, 2018:

	Bonds	Long-term loan	Total liabilities from financing activities
January 1, 2018	\$—	\$301,045	\$301,045
Cash flow	400,000	(18,832)	381,168
Non-cash movement	(26,442)	—	(26,442)
March 31, 2018	\$373,558	\$282,213	\$655,771

(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.

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(8) Fair value measurement hierarchy

A. 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.

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, 2019:

	Level 1	Level 2	Level 3	Total
Assets measured at fair value:				
Measured at fair value through other Comprehensive income				
Financial assets measured at fair value through other comprehensive income	\$—	12,312	—	\$12,312

As at December 31, 2018:

	Level 1	Level 2	Level 3	Total
Assets measured at fair value:				
Measured at fair value through other Comprehensive income				
Financial assets measured at fair value through other comprehensive income	\$—	12,312	—	\$12,312

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As at March 31, 2018:

	Level 1	Level 2	Level 3	Total
Assets measured at fair value:				
Measured at fair value through other Comprehensive income				
Financial assets measured at fair value through other comprehensive income	\$—	12,312	—	\$12,312

Transfers between Level 1 and Level 2

For the three-month periods ended March 31, 2019 and 2018, 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, 2019: None.
- B. Endorsement/Guarantee provided to others for the three-month periods ended March 31, 2019: None.
- C. Securities held as of March 31, 2019: 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, 2019: 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, 2019: 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, 2019: 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, 2019: None.
- H. Investees over whom the Company exercises significant influence or control directly or indirectly (excluding investment in Mainland China): Please refer to Attachment 2.
- I. Financial instruments and derivative transactions: None.
- J. Other: Intercompany relationships and significant intercompany transactions for the three-month period ended March 31, 2019: None.

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

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, 2019 and 2018, 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, 2019 (Excluding subsidiaries, associates and joint ventures)

(In Thousands of New Taiwan Dollars)

Securities held by	Marketable securities (Note 1)	Relationship with the securities issuer (Note 2)	General ledger account	As of March 31, 2019				Footnote (Note 4)
				Number of shares (thousand)	Book value (Note 3)	Percentage of ownership (%)	Fair value	
POWER WIND HEALTH INDUSTRY INCORPORATED	Taroko Development Corporation	—	Financial assets measured at fair through other comprehensive income and loss, non-current	900	\$10,417	0.55%	\$10,417	—
POWER WIND HEALTH INDUSTRY INCORPORATED	Taroko Shopping Center Corporation	—	Financial assets measured at fair through other comprehensive income and loss, non-current	160	\$1,895	0.53%	\$1,895	—

Note 1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities within the scope of IFRS9 “Financial instruments.”

Note 2: Leave the column blank if the issuer of marketable securities is non-related party.

Note 3: Fill in the amount after adjusted at fair value and deducted by accumulated impairment for the marketable securities measured at fair value; fill in the acquisition cost or amortised cost deducted by accumulated impairment for the marketable securities not measured at fair value.

Note 4: The number of shares of securities and their amounts pledged as security or pledged for loans and their restrictions on use under some agreements should be stated in the footnote if the securities presented herein have such conditions.

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 (Note 1,2)	Address	Main businesses and products	Initial investment		Investment as of March 31, 2019			Net income (loss) of investee company (Note 2(2))	Investment income (loss) recognized (Note 2(3))	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%	\$33,414	\$7,377	\$4,426	Note 3

Note 1: If a public company is equipped with an overseas holding company and takes consolidated financial report as the main financial report according to the local law rules, it can only disclose the information of the overseas holding company about the disclosure of related overseas investee information.

Note 2: If situation does not belong to Note 1, fill in the columns according to the following regulations:

- (1) The columns of "Investee", "Location", "Main business activities", "Initial investment amount" and "Shares held as at March 31, 2019" should fill orderly in the Company's (public company's) information on investees and every directly or indirectly controlled investee's investment information, and note the relationship between the Company (public company) and its investee each (ex. direct subsidiary or indirect subsidiary) in the "footnote" column.
- (2) The "Net profit (loss) of the investee for the year ended March 31, 2019" column should fill in amount of net profit (loss) of the investee for this period.
- (3) The "Investment income (loss) recognised by the Company for the year ended March 31, 2019" column should fill in the Company (public company) recognised investment income (loss) of its direct subsidiary and recognised investment income (loss) of its investee accounted for under the equity method for this period. When filling in recognised investment income (loss) of its direct subsidiary, the Company (public company) should confirm that direct subsidiary's net profit (loss) for this period has included its investment income (loss) which shall be recognised by regulations.

Note 3: Aforementioned investment has been written off when preparing the consolidated financial statements.