

**Lion Travel Service Co., Ltd. and
Subsidiaries**

**Consolidated Financial Statements for the
Years Ended December 31, 2016 and 2015 and
Independent Auditors' Report**

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The entities that are required to be included in the combined financial statements of Lion Travel Service Co., Ltd. as of and for the year ended December 31, 2016, under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standard 10, "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Lion Travel Service Co., Ltd. and Subsidiaries do not prepare a separate set of combined financial statements.

Very truly yours,

LION TRAVEL SERVICE CO., LTD.

By

WEN-JEH WANG
Chairman

March 24, 2017

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Lion Travel Service Co., Ltd.

Opinion

We have audited the accompanying consolidated financial statements of Lion Travel Service Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated balance sheets as of December 31, 2016 and 2015, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2016 and 2015, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the (Regulations Governing the Preparation of Financial Reports by Securities Issuers, and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2016. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters for the Group's consolidated financial statements for the year ended December 31, 2016 are stated as follows:

Recognition of Operating Revenue from Group Tour

According to IAS 18 "Revenue", group tour revenue is recognized when the related tour is provided and completed and the rights and obligations under the tour contract have been fulfilled. Because of its significance and impact on the Group's financial performance, we consider group tour revenue recognition as a key audit matter. For the related accounting policy and disclosures, please refer to Notes 4 and 18 to the consolidated financial statements.

The key audit procedures performed in respect of the above area included the following:

1. We have obtained an understanding of the Group's policies and procedures and internal controls for group tour revenue accounting and we have tested the operating effectiveness of the key controls over the timing of revenue recognition.
2. We selected from each month tour numbers in the accounting records of group tour revenue and verified the recorded amounts and start and end dates of the tours against the supporting documents.

Operating Revenue Presentation and Disclosure

In addition to the group tour revenue, the Group also has revenue from Free Independent Travel (FIT) and ticketing services. According to IAS 18, revenue may be recognized at gross or net amount. The parties exposed to the risks and rewards of products sold or services provided are the parties to the transaction. When the Group acts as agent for FIT and ticketing services, only the net amount after deducting cost from proceeds is recognized as revenue. Because of the significance to the financial statements, we considered FIT and ticketing revenue as key audit matter. Please refer to Notes 4 and 18 to the consolidated financial statements for the related accounting policy and disclosures.

The key audit procedures performed in respect of the above area included the following:

1. We have obtained an understanding of the Group's policies and procedures and internal controls for FIT and ticketing service revenue recognition and we have tested the operating effectiveness of the key controls over the timing of revenue recognition.
2. We have selected sample transactions in the FIT and ticketing revenue records and confirmed them against the supporting documents.

Other Matter

We have also audited the parent company only financial statements of Lion Travel Service Co., Ltd. as of and for the years ended December 31, 2016 and 2015 on which we have issued an unmodified opinion.

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including members of the Audit Committee are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2016 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Shui-En Liu and Tza-Li Gung.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 24, 2017

Notice to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance 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 audit such consolidated financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail.

LION TRAVEL SERVICE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars)

ASSETS	2016		2015	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 2,908,021	53	\$ 2,811,445	56
Notes receivable (Notes 4 and 10)	43,469	1	52,366	1
Accounts receivable (Notes 4, 5, 10 and 27)	618,512	11	752,295	15
Prepayments (Note 13)	1,070,355	19	767,425	15
Other current financial assets (Notes 4, 9 and 28)	62,017	1	65,649	1
Other current assets (Note 27)	<u>42,108</u>	<u>1</u>	<u>19,362</u>	<u>-</u>
Total current assets	<u>4,744,482</u>	<u>86</u>	<u>4,468,542</u>	<u>88</u>
NON-CURRENT ASSETS				
Available-for-sale financial assets (Notes 4 and 7)	54,684	1	12,520	-
Financial assets measured at cost (Notes 4 and 8)	10,000	-	10,000	-
Property, plant and equipment (Notes 4, 12 and 28)	432,302	8	370,732	8
Goodwill (Notes 4 and 22)	11,286	-	-	-
Intangible assets (Note 4)	15,795	-	3,478	-
Deferred tax assets (Notes 4, 5 and 20)	17,200	1	14,902	-
Other non-current assets (Notes 10, 13 and 27)	<u>226,574</u>	<u>4</u>	<u>174,702</u>	<u>4</u>
Total non-current assets	<u>767,841</u>	<u>14</u>	<u>586,334</u>	<u>12</u>
TOTAL	<u>\$ 5,512,323</u>	<u>100</u>	<u>\$ 5,054,876</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowing (Note 14)	\$ -	-	\$ 25,000	1
Notes payable	174,400	3	106,729	2
Accounts payable (Note 27)	1,259,625	23	940,421	19
Other payables (Note 15)	259,223	5	306,014	6
Current tax liabilities (Notes 4 and 20)	10,558	-	61,460	1
Advance receipts (Note 15)	1,558,059	28	1,292,470	26
Current portion of long-term borrowing (Notes 14 and 28)	-	-	19,848	-
Other current liabilities	<u>12,164</u>	<u>-</u>	<u>11,972</u>	<u>-</u>
Total current liabilities	<u>3,274,029</u>	<u>59</u>	<u>2,763,914</u>	<u>55</u>
NON-CURRENT LIABILITIES				
Deferred tax liabilities (Notes 4 and 20)	4,950	-	2,010	-
Net defined benefit liabilities (Notes 4, 5 and 16)	94,707	2	71,715	1
Other non-current liabilities	<u>6,877</u>	<u>-</u>	<u>781</u>	<u>-</u>
Total non-current liabilities	<u>106,534</u>	<u>2</u>	<u>74,506</u>	<u>1</u>
Total liabilities	<u>3,380,563</u>	<u>61</u>	<u>2,838,420</u>	<u>56</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 17)				
Share capital				
Common stock	700,000	13	700,000	14
Capital surplus	820,390	15	815,850	16
Retained earnings				
Legal reserve	201,949	4	156,933	3
Special reserve	11,846	-	1,623	-
Unappropriated earnings (Note 20)	391,528	7	540,651	11
Other equity	<u>(48,435)</u>	<u>(1)</u>	<u>(11,846)</u>	<u>-</u>
Total equity attributable to owners of the Company	2,077,278	38	2,203,211	44
NON-CONTROLLING INTERESTS	<u>54,482</u>	<u>1</u>	<u>13,245</u>	<u>-</u>
Total equity	<u>2,131,760</u>	<u>39</u>	<u>2,216,456</u>	<u>44</u>
TOTAL	<u>\$ 5,512,323</u>	<u>100</u>	<u>\$ 5,054,876</u>	<u>100</u>

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

LION TRAVEL SERVICE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2016		2015	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 18 and 27)	\$ 21,875,701	100	\$ 21,004,847	100
OPERATING COSTS (Note 27)	<u>(19,216,904)</u>	<u>(88)</u>	<u>(18,161,226)</u>	<u>(86)</u>
GROSS PROFIT	2,658,797	12	2,843,621	14
OPERATING EXPENSES (Notes 16, 19 and 27)	<u>(2,509,264)</u>	<u>(12)</u>	<u>(2,426,790)</u>	<u>(12)</u>
INCOME FROM OPERATIONS	<u>149,533</u>	<u>-</u>	<u>416,831</u>	<u>2</u>
NON-OPERATING INCOME AND EXPENSES (Note 19)				
Other income (Note 27)	82,417	1	84,868	1
Other gains and losses	75,794	-	45,892	-
Finance costs	<u>(349)</u>	<u>-</u>	<u>(1,025)</u>	<u>-</u>
Total non-operating income and expenses	<u>157,862</u>	<u>1</u>	<u>129,735</u>	<u>1</u>
INCOME BEFORE INCOME TAX	307,395	1	546,566	3
INCOME TAX EXPENSE (Notes 4, 5 and 20)	<u>(68,002)</u>	<u>-</u>	<u>(100,980)</u>	<u>(1)</u>
NET INCOME	<u>239,393</u>	<u>1</u>	<u>445,586</u>	<u>2</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss				
Remeasurement of defined benefit plans (Note 16)	(23,930)	-	(25,040)	-
Income tax benefit related to items that will not be reclassified subsequently (Note 20)	4,068	-	4,257	-
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translating foreign operations	(31,452)	-	(6,788)	-
Unrealized loss on available-for-sale financial assets	<u>(4,846)</u>	<u>-</u>	<u>(7,888)</u>	<u>-</u>
Other comprehensive loss for the year, net of income tax	<u>(56,160)</u>	<u>-</u>	<u>(35,459)</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 183,233</u>	<u>1</u>	<u>\$ 410,127</u>	<u>2</u>

(Continued)

LION TRAVEL SERVICE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2016		2015	
	Amount	%	Amount	%
NET INCOME (LOSS) ATTRIBUTABLE TO:				
Owners of the Company	\$ 247,978	1	\$ 450,156	2
Non-controlling interests	<u>(8,585)</u>	<u>-</u>	<u>(4,570)</u>	<u>-</u>
	<u>\$ 239,393</u>	<u>1</u>	<u>\$ 445,586</u>	<u>2</u>
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:				
Owners of the Company	\$ 191,527	1	\$ 415,202	2
Non-controlling interests	<u>(8,294)</u>	<u>-</u>	<u>(5,075)</u>	<u>-</u>
	<u>\$ 183,233</u>	<u>1</u>	<u>\$ 410,127</u>	<u>2</u>
EARNINGS PER SHARE (NT\$; Note 21)				
Basic earnings per share	<u>\$ 3.54</u>		<u>\$ 6.43</u>	
Diluted earnings per share	<u>\$ 3.53</u>		<u>\$ 6.40</u>	

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

(Concluded)

LION TRAVEL SERVICE CO., LTD. AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(In Thousands of New Taiwan Dollars)**

	Equity Attributable to the Owners of the Company					Other Equity		Total	Non-controlling Interests	Total Equity
	Common Stock	Capital Surplus	Retained Earnings		Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets			
			Legal Reserve	Special Reserve						
BALANCE, JANUARY 1, 2015	\$ 700,000	\$ 815,850	\$ 118,542	\$ 1,623	\$ 443,669	\$ (4,083)	\$ 6,408	\$ 2,082,009	\$ 5,805	\$ 2,087,814
Appropriation of 2014 earnings										
Legal reserve	-	-	38,391	-	(38,391)	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	(294,000)	-	-	(294,000)	-	(294,000)
Net income (loss) in 2015	-	-	-	-	450,156	-	-	450,156	(4,570)	445,586
Other comprehensive loss in 2015, net of income tax	-	-	-	-	(20,783)	(6,283)	(7,888)	(34,954)	(505)	(35,459)
Total comprehensive income (loss) in 2015	-	-	-	-	429,373	(6,283)	(7,888)	415,202	(5,075)	410,127
Non-controlling interests	-	-	-	-	-	-	-	-	12,515	12,515
BALANCE, DECEMBER 31, 2015	700,000	815,850	156,933	1,623	540,651	(10,366)	(1,480)	2,203,211	13,245	2,216,456
Appropriation of 2015 earnings										
Legal reserve	-	-	45,016	-	(45,016)	-	-	-	-	-
Special reserve	-	-	-	10,223	(10,223)	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	(322,000)	-	-	(322,000)	-	(322,000)
Net income (loss) in 2016	-	-	-	-	247,978	-	-	247,978	(8,585)	239,393
Other comprehensive income (loss) in 2016, net of income tax	-	-	-	-	(19,862)	(31,743)	(4,846)	(56,451)	291	(56,160)
Total comprehensive income (loss) in 2016	-	-	-	-	228,116	(31,743)	(4,846)	191,527	(8,294)	183,233
Changes in percentage of ownership interest in subsidiary	-	4,540	-	-	-	-	-	4,540	-	4,540
Non-controlling interests	-	-	-	-	-	-	-	-	49,531	49,531
BALANCE, DECEMBER 31, 2016	<u>\$ 700,000</u>	<u>\$ 820,390</u>	<u>\$ 201,949</u>	<u>\$ 11,846</u>	<u>\$ 391,528</u>	<u>\$ (42,109)</u>	<u>\$ (6,326)</u>	<u>\$ 2,077,278</u>	<u>\$ 54,482</u>	<u>\$ 2,131,760</u>

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

LION TRAVEL SERVICE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars)

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 307,395	\$ 546,566
Adjustments for:		
Depreciation expenses	88,241	92,491
Amortization expenses	3,022	3,624
(Reversal of impairment loss) impairment loss recognized on accounts receivable	(3,275)	6,673
Interest expenses	349	1,025
Interest income	(8,028)	(11,636)
(Gain) loss on disposal of property, plant and equipment	(470)	10,351
Gain on disposal of investments	(3,485)	-
Changes in operating assets and liabilities		
Notes receivable	8,897	28,118
Accounts receivable	137,303	(5,619)
Prepayments	(302,703)	(115,083)
Other current assets	(16,406)	(6,433)
Notes payable	65,671	(23,769)
Accounts payable	319,204	149,752
Other payables	(62,783)	61,434
Advance receipts	269,295	101,177
Other current liabilities	192	(823)
Net defined benefit liabilities	(938)	(1,402)
Cash generated from operations	801,481	836,446
Interest received	8,028	11,636
Interest paid	(349)	(1,025)
Income tax paid	(117,154)	(89,615)
Net cash generated from operating activities	<u>692,006</u>	<u>757,442</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of available-for-sale financial assets	(47,010)	-
Purchase of financial assets measured at cost	-	(5,000)
Net cash outflow on acquisition of subsidiary	(6,797)	-
Payments for property, plant and equipment	(155,784)	(94,074)
Proceeds from disposal of property, plant and equipment	5,607	131
Increase in refundable deposits	(50,671)	(49,366)
Payments for intangible assets and increase in deferred expenses	(440)	(182)
Decrease (increase) in other current financial assets	3,632	(31,737)
Increase in other non-current assets	(245)	(2,287)
Increase in prepayments for equipment	(1,201)	(8,848)
Net cash used in investing activities	<u>(252,909)</u>	<u>(191,363)</u>

(Continued)

LION TRAVEL SERVICE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars)

	2016	2015
CASH FLOWS FROM FINANCING ACTIVITIES		
(Decrease) increase in short-term borrowing	\$ (25,000)	\$ 25,000
Repayments of long-term borrowing	(19,848)	(26,000)
Increase (decrease) in guarantee deposits	3,096	(524)
Payments of owner's dividends	(322,000)	(294,000)
Increase in non-controlling interests	<u>24,050</u>	<u>12,515</u>
Net cash used in financing activities	<u>(339,702)</u>	<u>(283,009)</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>(2,819)</u>	<u>(5,978)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	96,576	277,092
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>2,811,445</u>	<u>2,534,353</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 2,908,021</u>	<u>\$ 2,811,445</u>

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

(Concluded)

LION TRAVEL SERVICE CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

Lion Travel Service Co., Ltd. (the “Company”) was incorporated in Taiwan in June 1977.

The Company engages mainly in packaged tours, transportation ticketing, visa application, providing tour guides and other travel-related services.

The Company’s shares have been listed on the Taiwan Stock Exchange (TSE) since September 24, 2013.

The consolidated financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) are presented in the Company’s functional currency, the New Taiwan dollar.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company’s board of directors on March 24, 2017.

3. APPLICATION OF NEW AND REVISED STANDARDS, AMENDMENTS AND INTERPRETATIONS

- a. Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) endorsed by the FSC for application starting from 2017

Rule No. 1050050021 and Rule No. 1050026834 issued by the FSC stipulated that starting January 1, 2017, the Group should apply the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRS, IAS, IFRIC and SIC (collectively, the “IFRSs”) issued by the IASB and endorsed by the FSC for application starting from 2017.

New, Amended or Revised Standards and Interpretations (the “New IFRSs”)	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2010-2012 Cycle	July 1, 2014 (Note 2)
Annual Improvements to IFRSs 2011-2013 Cycle	July 1, 2014
Annual Improvements to IFRSs 2012-2014 Cycle	January 1, 2016 (Note 3)
Amendments to IFRS 10, IFRS 12 and IAS 28 “Investment Entities: Applying the Consolidation Exception”	January 1, 2016
Amendment to IFRS 11 “Accounting for Acquisitions of Interests in Joint Operations”	January 1, 2016
Amendment to IAS 1 “Disclosure Initiative”	January 1, 2016
Amendments to IAS 16 and IAS 38 “Clarification of Acceptable Methods of Depreciation and Amortization”	January 1, 2016

(Continued)

New, Amended or Revised Standards and Interpretations (the “New IFRSs”)	Effective Date Announced by IASB (Note 1)
Amendments to IAS 16 and IAS 41 “Agriculture: Bearer Plants”	January 1, 2016
Amendment to IAS 19 “Defined Benefit Plans: Employee Contributions”	July 1, 2014
Amendment to IAS 36 “Impairment of Assets: Recoverable Amount Disclosures for Non-financial Assets”	January 1, 2014
Amendment to IAS 39 “Novation of Derivatives and Continuation of Hedge Accounting”	January 1, 2014
IFRIC 21 “Levies”	January 1, 2014

(Concluded)

Note 1: Unless stated otherwise, the above New or amended IFRSs are effective for annual periods beginning on or after their respective effective dates.

Note 2: The amendment to IFRS 2 applies to share-based payment transactions with grant date on or after July 1, 2014; the amendment to IFRS 3 applies to business combinations with acquisition date on or after July 1, 2014; the amendment to IFRS 13 is effective immediately; the remaining amendments are effective for annual periods beginning on or after July 1, 2014.

Note 3: The amendment to IFRS 5 is applied prospectively to changes in a method of disposal that occur in annual periods beginning on or after January 1, 2016; the remaining amendments are effective for annual periods beginning on or after January 1, 2016.

The initial application in 2017 of the above IFRSs and related amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers would not have any material impact on the Group’s accounting policies, except for the following:

1) Amendment to IFRS 3 “Business Combinations”

IFRS 3 was amended by the Annual Improvements to IFRSs: 2010-2012 Cycle to clarify that contingent consideration should be measured at fair value, irrespective of whether the contingent consideration is a financial instrument within the scope of IFRS 9 or IAS 39. Changes in fair value should be recognized in profit or loss. The amendment will be applied prospectively to business combination with acquisition date on or after January 1, 2017.

IFRS 3 was also amended by the Annual Improvements to IFRSs: 2011-2013 Cycle to clarify that IFRS 3 does not apply to the accounting for the formation of all types of joint arrangements in the financial statements of the joint arrangement itself. The amendment will be applied prospectively starting from January 1, 2017.

2) Amendment to IFRS 8 “Operating Segments”

IFRS 8 was amended by the Annual Improvements to IFRSs: 2010-2012 Cycle to require disclosure of the judgments made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have “similar economic characteristics”. The amendment also clarifies that a reconciliation of the total of the reportable segments’ assets to the entity’s assets should only be provided if the segments’ assets are regularly provided to the chief operating decision-maker. The judgements made in applying aggregation criteria should be disclosed retrospectively upon initial application of the amendment in 2017.

3) Amendments to IFRS 13 “Fair Value Measurement”

The basis for conclusions of IFRS 13 was amended by the Annual Improvements to IFRSs: 2010-2012 Cycle to clarify that when the amendment becomes effective in 2017, the short-term receivables and payables with no stated interest rate will be measured at their invoice amounts without discounting, if the effect of not discounting is immaterial. Otherwise, the material effect of discounting will be adjusted retrospectively.

IFRS 13 was also amended by the Annual Improvements to IFRSs: 2011-2013 Cycle to clarify that the scope in IFRS 13 of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, IAS 39 or IFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within IAS 32.

4) Amendments to IAS 16 “Property, Plant and Equipment”

The amendment “Clarification of Acceptable Methods of Depreciation and Amortization” amended IAS 16 to stipulate that the entity should use appropriate depreciation method to reflect the pattern in which the future economic benefits of property, plant and equipment are expected to be consumed by the entity. It stipulates that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate. The amended standard does not provide any exception from this requirement.

5) Amendment to IAS 19 “Employee Benefits”

IAS 19 was amended by the Annual Improvements to IFRSs: 2012-2014 Cycle to clarify that the depth of the market for high quality corporate bonds used to estimate discount rate for post-employment benefits should be assessed by the market of the corporate bonds denominated in the same currency as the benefits to be paid, i.e. assessed at currency level (instead of country or regional level). The amendment will be applied from January 1, 2016, and any adjustment arising from the initial application of the amendment will be recognized in net defined benefit liabilities, deferred tax asset and retained earnings.

6) Amendment to IAS 24 “Related Party Disclosures”

IAS 24 was amended by the Annual Improvements to IFRSs: 2010-2012 Cycle to clarify that a management entity providing key management personnel services to the Group is a related party of the Group. Consequently, the Group is required to disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

7) Amendment to IAS 36 “Impairment of Assets”

The amendment “Disclosures for Non-financial Assets” clarifies that the recoverable amount of an asset or a cash-generating unit is disclosed only when an impairment loss on the asset has been recognized or reversed during the period. Furthermore, if the recoverable amount of an item of property, plant and equipment for which impairment loss has been recognized or reversed is fair value less costs of disposal, the Group is required to disclose the fair value hierarchy. If the fair value measurements are categorized within Level 2, the valuation technique and key assumptions used to measure the fair value are disclosed. The discount rate used is disclosed if such fair value less costs of disposal is measured by using present value technique. The amendment will be applied retrospectively.

8) Amendment to IAS 38 “Intangible assets”

The amendment “Clarification of Acceptable Methods of Depreciation and Amortization” amended IAS 38 to stipulate that the entity should use appropriate amortization method to reflect the pattern in which the future economic benefits of the intangible assets are expected to be consumed by the entity. It clarifies there is a rebuttable presumption that an amortization method that is based on revenue that is generated by an activity that includes the use of an intangible asset is not appropriate. This presumption can be overcome only in the following limited circumstances:

- a) In which the intangible asset is expressed as a measure of revenue (for example, the contract that specifies the entity’s use of the intangible asset will expire upon achievement of a revenue threshold); or
- b) When it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

9) Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers

The amendments include additions of several accounting items and requirements for disclosures of impairment of non-financial assets as a consequence of the IFRSs endorsed by the FSC for application starting from 2017. In addition, as a result of the post implementation review of IFRSs in Taiwan, the amendments also include emphasis on certain recognition and measurement considerations and add requirements for disclosures of related party transactions and goodwill.

The amendments stipulate that other companies or institutions of which the chairman of the board of directors or president serves as the chairman of the board of directors or the president, or is the spouse or second immediate family of the chairman of the board of directors or president of the Group are deemed to have a substantive related party relationship, unless it can be demonstrated that no control, joint control, or significant influence exists. Furthermore, the amendments require the disclosure of the names of the related parties and the relationship with which the Group has significant transaction. If the transaction or balance with a specific related party is 10% or more of the Group’s respective total transaction or balance, such transaction should be separately disclosed by the name of each related party.

The disclosures of related party transactions and impairment of goodwill will be enhanced when the above amendments are retrospectively applied in 2017.

Except for the above impacts, as of the date the consolidated financial statements were authorized for issue, the Group continues assessing other possible impacts that application of the aforementioned amendments and the related amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers will have on the Group’s financial position and financial performance, and will disclose these other impacts when the assessment is completed.

b. New IFRSs in issue but not yet endorsed by the FSC

The Group has not applied the following IFRSs issued by the IASB but not yet endorsed by the FSC.

The FSC announced that amendments to IFRS 9 and IFRS 15 will take effect starting January 1, 2018. As of the date the consolidated financial statements were authorized for issue, the FSC has not announced the effective dates of other new IFRSs.

New IFRSs	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2014-2016 Cycle	Note 2
Amendment to IFRS 2 “Classification and Measurement of Share-based Payment Transactions”	January 1, 2018
IFRS 9 “Financial Instruments”	January 1, 2018
Amendments to IFRS 9 and IFRS 7 “Mandatory Effective Date of IFRS 9 and Transition Disclosures”	January 1, 2018
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 15 “Revenue from Contracts with Customers”	January 1, 2018
Amendments to IFRS 15 “Clarifications to IFRS 15 Revenue from Contracts with Customers”	January 1, 2018
IFRS 16 “Leases”	January 1, 2019
Amendment to IAS 7 “Disclosure Initiative”	January 1, 2017
Amendments to IAS 12 “Recognition of Deferred Tax Assets for Unrealized Losses”	January 1, 2017
Amendments to IAS 40 “Transfers of investment property”	January 1, 2018
IFRIC 22 “Foreign Currency Transactions and Advance Consideration”	January 1, 2018

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after their respective effective dates.

Note 2: The amendment to IFRS 12 is retrospectively applied for annual periods beginning on or after January 1, 2017; the amendment to IAS 28 is retrospectively applied for annual periods beginning on or after January 1, 2018.

1) IFRS 9 “Financial Instruments”

Recognition and measurement of financial assets

With regards to financial assets, all recognized financial assets that are within the scope of IAS 39 “Financial Instruments: Recognition and Measurement” are subsequently measured at amortized cost or fair value. Under IFRS 9, the requirement for the classification of financial assets is stated below.

For the Group’s debt instruments that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, their classification and measurement are as follows:

- a) For debt instruments, if they are held within a business model whose objective is to collect the contractual cash flows, the financial assets are measured at amortized cost and are assessed for impairment continuously with impairment loss recognized in profit or loss, if any. Interest revenue is recognized in profit or loss by using the effective interest method;
- b) For debt instruments, if they are held within a business model whose objective is achieved by both the collecting of contractual cash flows and the selling of financial assets, the financial assets are measured at fair value through other comprehensive income (FVTOCI) and are assessed for impairment. Interest revenue is recognized in profit or loss by using the effective interest method, and other gain or loss shall be recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses. When the debt instruments are derecognized or reclassified, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.

Except for the above, all other financial assets are measured at fair value through profit or loss. However, the Group may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss. No subsequent impairment assessment is required, and the cumulative gain or loss previously recognized in other comprehensive income cannot be reclassified from equity to profit or loss.

Impairment of financial assets

IFRS 9 requires impairment loss on financial assets to be recognized by using the “Expected Credit Losses Model”. The credit loss allowance is required for financial assets measured at amortized cost, financial assets mandatorily measured at FVTOCI, lease receivables, contract assets arising from IFRS 15 “Revenue from Contracts with Customers”, certain written loan commitments and financial guarantee contracts. A loss allowance for the 12-month expected credit losses is required for a financial asset if its credit risk has not increased significantly since initial recognition. A loss allowance for full lifetime expected credit losses is required for a financial asset if its credit risk has increased significantly since initial recognition and is not low. However, a loss allowance for full lifetime expected credit losses is required for trade receivables that do not constitute a financing transaction.

For purchased or originated credit-impaired financial assets, the Group takes into account the expected credit losses on initial recognition in calculating the credit-adjusted effective interest rate. Subsequently, any changes in expected losses are recognized as a loss allowance with a corresponding gain or loss recognized in profit or loss.

2) IFRS 15 “Revenue from Contracts with Customers” and related amendment

IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers, and will supersede IAS 18 “Revenue”, IAS 11 “Construction Contracts” and a number of revenue-related interpretations.

When applying IFRS 15, an entity shall recognize revenue by applying the following steps:

- a) Identify the contract with the customer;
- b) Identify the performance obligations in the contract;
- c) Determine the transaction price;
- d) Allocate the transaction price to the performance obligations in the contract; and
- e) Recognize revenue when the entity satisfies a performance obligation.

When IFRS 15 and related amendment are effective, an entity may elect to apply this Standard either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of initially applying this Standard recognized at the date of initial application.

3) IFRS 16 “Leases”

IFRS 16 sets out the accounting standards for leases that will supersede IAS 17 and a number of related interpretations.

Under IFRS 16, if the Group is a lessee, it shall recognize right-of-use assets and lease liabilities for all leases on the consolidated balance sheets except for low-value and short-term leases. The Group may elect to apply the accounting method similar to the accounting for operating lease under IAS 17 to the low-value and short-term leases. On the consolidated statements of comprehensive income, the Group should present the depreciation expense charged on the right-of-use asset separately from interest expense accrued on the lease liability; interest is computed by using effective interest method. On the consolidated statements of cash flows, cash payments for the

principal portion of the lease liability are classified within financing activities; cash payments for interest portion are classified within operating activities.

The application of IFRS 16 is not expected to have a material impact on the accounting of the Group as lessor.

When IFRS 16 becomes effective, the Group may elect to apply this Standard either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of the initial application of this Standard recognized at the date of initial application.

4) IFRIC 22 “Foreign Currency Transactions and Advance Consideration”

IAS 21 stipulated that a foreign currency transaction shall be recorded on initial recognition in the functional currency by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction. IFRIC 22 further explains that the date of the transaction is the date on which an entity recognizes a non-monetary asset or non-monetary liability from payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the entity shall determine the date of the transaction for each payment or receipt of advance consideration.

The Group shall apply IFRIC 22 either retrospectively or prospectively to all assets, expenses and income in the scope of the Interpretation initially recognized on or after (a) the beginning of the reporting period in which the entity first applies IFRIC 22, or (b) the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies IFRIC 22.

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group’s financial position and financial performance, and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

The accompanying financial statements have been prepared in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs as endorsed and issued into effect by the FSC.

b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value.

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, are described as follows:

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- 3) Level 3 inputs are unobservable inputs for the asset or liability.

c. Classification of current and non-current assets and liabilities

Current assets include:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets expected to be realized within 12 months after the reporting period; and
- 3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within 12 months after the reporting period; and
- 3) Liabilities for which the Company does not have an unconditional right to defer settlement for at least 12 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.

Assets and liabilities that are not classified as current are classified as non-current.

d. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e. its subsidiaries).

Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition up to the effective date of disposal, as appropriate.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company.

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Company.

See Note 11, Tables 5 and 6 for the detailed information of subsidiaries (including the percentage of ownership and main business).

e. Business combinations

Acquisitions of businesses are accounted for using the acquisition method. Acquisition-related costs are generally recognized in profit or loss as they are incurred.

Goodwill is measured as the excess of the sum of the consideration transferred and the fair value of the acquirer's previously held equity interests in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of the measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value.

f. Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising from the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which cases, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

For the purpose of presenting financial statements, the functional currencies of the Group entities (including subsidiaries and branches in other countries that use currency different from the currency of the Company) are translated into the presentation currency - the New Taiwan dollar as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income (attributed to the owners of the Company and non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Company's entire interest in a foreign operation), all of the exchange differences accumulated in equity in respect of that operation are reclassified to profit or loss.

g. Property, plant and equipment

Property, plant and equipment are stated at cost, less accumulated depreciation and accumulated impairment loss.

Depreciation on property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. If the lease term is shorter than the useful lives, assets are depreciated over the lease term. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effects of any changes in estimates accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

h. Goodwill

Goodwill arising from the acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment loss.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units or groups of cash-generating units (referred to as cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired, by comparing its carrying amount, including the attributed goodwill, with its recoverable amount. However, if the goodwill allocated to a cash-generating unit was acquired in a business combination during the current annual period, that unit shall be tested for impairment before the end of the current annual period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss is recognized directly in profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

If goodwill has been allocated to a cash-generating unit and the entity disposes of an operation within that unit, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal and is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

i. Intangible assets

1) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful life, residual value, and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimates accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are measured at cost less accumulated impairment loss.

2) Derecognition of intangible assets

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

j. Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the smallest group of cash-generating units on a reasonable and consistent basis of allocation.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

k. Financial instruments

Financial assets and financial liabilities are recognized when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

1) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

a) Measurement category

Financial assets are classified into the following categories, which are available-for-sale financial assets, and loans and receivables.

i. Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

Available-for-sale financial assets are measured at fair value. Changes in the carrying amounts of available-for-sale financial assets relating to changes in foreign currency exchange rates, interest income calculated using the effective interest method and dividends on available-for-sale equity investments are recognized in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognized in other comprehensive income and will be reclassified to profit or loss when the investment is disposed of or is determined to be impaired.

Dividends on available-for-sale equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment loss at the end of each reporting period and presented in a separate line item as financial assets carried at cost. If, in a subsequent period, the fair value of the financial assets can be reliably measured, the financial assets are remeasured at fair value. The difference between the carrying amount and fair value is recognized in other comprehensive income on financial assets. Any impairment losses are recognized in profit and loss.

ii. Loans and receivables

Loans and receivables (including trade receivables, cash and cash equivalent, and other financial assets) are measured at amortized cost using the effective interest method, less any impairment, except for short-term receivables when the effect of discounting is immaterial.

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

b) Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence, as a result of one or more events that occurred after the initial recognition of the financial asset, that the estimated future cash flows of the investment have been affected.

For financial assets carried at amortized cost, such as trade receivables, such assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 90 days, as well as observable changes in national or local economic conditions that correlate with a default on receivables.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

For available-for-sale equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include significant financial difficulty of the issuer or counterparty, breach of contract, such as a default or delinquency in interest or principal payments, it becoming probable that the borrower will enter bankruptcy or financial re-organization, or the disappearance of an active market for that financial asset because of financial difficulties.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

In respect of available-for-sale equity securities, impairment loss previously recognized in profit or loss is not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income. In respect of available-for-sale debt securities, the impairment loss is subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

For financial assets that are carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When trade receivables are considered uncollectible, they are written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss except for uncollectible trade receivables that are written off against the allowance account.

c) Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

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

2) Equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments issued by a group entity are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

3) Financial liabilities

a) Subsequent measurement

All financial liabilities are measured at amortized cost using the effective interest method.

b) Derecognition of financial liabilities

The difference between the carrying amount of the financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

1. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

1) Rendering of services

Service income is recognized when services are provided and may be classified as realized or unrealized. Service income is realized only when the conditions for the service have been met.

2) Dividend and interest income

Dividend income from investments is recognized when the shareholder's right to receive payment has been established provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably.

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis by reference to the principal outstanding and at the applicable effective interest rate.

m. Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor, rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease.

The Group as lessee, operating lease payments are recognized as an expense on a straight-line basis over the lease term.

n. Employee benefits

1) Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered services entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost, past service cost and net interest on the net defined benefit liability (asset)) are recognized as employee benefit expenses in the period they occur. Remeasurement, comprising actuarial gains and losses, and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which it occurs. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liability (asset) represents the actual deficit (surplus) in the Group's defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

o. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

According to the Income Tax Law, an additional tax at 10% of unappropriated earnings is provided for as income tax in the year the shareholders approve to retain the earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences and unused loss carry forward to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax assets and 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.

3) Current and deferred taxes for the year

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred taxes are also recognized in other comprehensive income or directly in equity, respectively.

Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

a. Estimated impairment of trade receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. Where the actual future cash flows are less than expected, a material impairment loss may arise.

b. Income taxes

As of December 31, 2016 and 2015, the carrying amount of deferred tax assets in relation to unused tax losses was \$17,200 thousand and \$14,902 thousand, respectively. As of December 31, 2016 and 2015, no deferred tax assets have been recognized on tax losses (please specify) of \$8,575 thousand, \$6,857 thousand, respectively, due to the unpredictability of future profit streams. The realizability of deferred tax assets mainly depends on whether sufficient future profits or taxable temporary differences will be available. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognized in profit or loss for the period in which such a reversal takes place.

c. Recognition and measurement of defined benefit plans

The net defined benefit liabilities (assets) and the resulting defined benefit costs under the defined benefit pension plans are calculated using the projected unit credit method. Actuarial assumptions comprise the discount rates, rates of employee turnover, future salary increases, etc. Changes in economic circumstances and market conditions will affect these assumptions and may have a material impact on the amount of expenses and liabilities.

6. CASH AND CASH EQUIVALENTS

	<u>December 31</u>	
	2016	2015
Cash on hand	\$ 51,512	\$ 39,316
Checking accounts and demand deposits	2,388,381	2,189,879
Cash equivalents		
Time deposits with original maturities of less than three months	<u>468,128</u>	<u>582,250</u>
	<u>\$ 2,908,021</u>	<u>\$ 2,811,445</u>
Annual yield rates for bank deposits	0.01%-1.49%	0.01%-1.62%

7. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	<u>December 31</u>	
	2016	2015
<u>Non-current</u>		
Domestic investments		
Emerging market shares	\$ 7,674	\$ 12,520
Foreign investments		
Privately offered fund	<u>47,010</u>	<u>-</u>
	<u>\$ 54,684</u>	<u>\$ 12,520</u>

8. FINANCIAL ASSETS MEASURED AT COST

	<u>December 31</u>	
	2016	2015
<u>Non-current</u>		
Domestic unlisted common shares	<u>\$ 10,000</u>	<u>\$ 10,000</u>
Classified according to financial assets measurement categories		
Available-for-sale financial assets	<u>\$ 10,000</u>	<u>\$ 10,000</u>

The unlisted common shares held by the Group were measured at cost less impairment at the end of each reporting period. The Company believed that the fair values could not be reliably measured because of the wide range of fair value measurements, thus, cost represented the best estimate of fair value within that range.

9. OTHER CURRENT FINANCIAL ASSETS

	<u>December 31</u>	
	2016	2015
<u>Current</u>		
Pledged time deposits and demand deposits	<u>\$ 62,017</u>	<u>\$ 65,649</u>
Rate intervals	0.41%-2.25%	0.52%-2.25%

Refer to Note 28 for information relating on other current financial assets pledged as security.

10. NOTES RECEIVABLE, ACCOUNTS RECEIVABLE AND OVERDUE RECEIVABLES

	<u>December 31</u>	
	<u>2016</u>	<u>2015</u>
<u>Notes receivable</u>		
Notes receivable - operating	\$ <u>43,469</u>	\$ <u>52,366</u>
<u>Accounts receivable</u>		
Accounts receivable	\$ 619,910	\$ 757,389
Less: Allowance for impairment loss	<u>(1,398)</u>	<u>(5,094)</u>
	<u>\$ 618,512</u>	<u>\$ 752,295</u>
<u>Overdue receivables</u>		
Overdue receivables	\$ 12,142	\$ 12,177
Less: Allowance for impairment loss	<u>(12,142)</u>	<u>(12,177)</u>
	<u>\$ -</u>	<u>\$ -</u>

a. Notes receivable

The checks received by the Group are encash either right after the reporting period or within one month after the issue date; thus, the Group did not recognize an allowance for impairment loss in the reporting periods.

b. Accounts receivable

The Group sales transactions are settled through cash, checks, bank remittances and credit cards. The accounts receivable refer to package tours, ticketing, credit cards, and commissions. Individual customers have to pay before their trips, and corporate customers and other travel service companies have to make payments based on the credit terms or the contracts.

The Group prepares monthly aging schedules of accounts receivable to check for any overdue receivables. If there are overdue receivables, the Group will order the departments concerned to make the needed checks for prevention of bad debts. If the receivables become uncollectible, the Group will reclassify them to overdue receivables and instruct the internal legal department to carry out settlement procedures.

Allowances for impairment loss are set up as follows: For individual customers, who generally make payments before their trips, the Group recognizes a 50% allowance for all accounts receivable overdue between 91 days and 180 days, and 100% for all receivables overdue beyond 180 days. For corporate customers' and other travel service companies that are under certain credit arrangements and contract payment terms and have longer payment periods, the Group recognizes a 50% allowance for all accounts receivable overdue between 181 days and 365 days and 100% for all receivables overdue beyond 365 days. For credit card receivables from the credit card centers of banks, the banks generally make payments within one month of billings, so the Group does not recognize an allowance for impairment loss on these receivables.

If the accounts receivable become overdue receivables, a 100% allowance for bad debts is set up.

The aging of receivable was as follows:

	<u>December 31</u>	
	<u>2016</u>	<u>2015</u>
Up to 90 days	\$ 645,766	\$ 776,564
91-180 days	16,040	30,260
181-365 days	<u>1,573</u>	<u>2,931</u>
	<u>\$ 663,379</u>	<u>\$ 809,755</u>

The above aging schedule was based on the invoice date.

The movements of the allowance for doubtful accounts were as follows:

	<u>2016</u>		<u>2015</u>	
	<u>Collectively Assessed for Impairment Accounts Receivable</u>	<u>Individually Assessed for Impairment Overdue Receivables</u>	<u>Collectively Assessed for Impairment Accounts Receivable</u>	<u>Individually Assessed for Impairment Overdue Receivables</u>
Balance at January 1	\$ 5,094	\$ 12,177	\$ 1,148	\$ 4,699
Add: Impairment losses (reversal of impairment losses) recognized on receivables	(3,520)	245	4,386	2,287
Add: Reversal of impairment losses	-	-	-	5,191
Deduct: Amounts written off during the period as uncollectible	<u>(176)</u>	<u>(280)</u>	<u>(440)</u>	<u>-</u>
Balance at December 31	<u>\$ 1,398</u>	<u>\$ 12,142</u>	<u>\$ 5,094</u>	<u>\$ 12,177</u>

11. SUBSIDIARIES

Entities included in the consolidated financial statements:

Investor	Investee	Nature of Activities	<u>Proportion of Ownership</u>		Remark
			<u>2016</u>	<u>2015</u>	
The Company	Lion International Holding Limited ("Lion Holding")	Investments	100.00	100.00	
	Travel Trend Service Co., Ltd. ("Travel Trend")	Travel industry	100.00	100.00	
	Shuangshi Investment Co., Ltd. ("Shuangshi Investment")	Investments	100.00	100.00	
	Lion (Fujian) International Travel Service Co., Ltd. ("Fujian Lion")	Travel industry	90.00	90.00	a.
Lion Holding	Lion International Travel Service Co., Ltd. (YVR) ("Lion YVR")	Travel industry	100.00	100.00	
	Lion International Travel Service Pty., Ltd. (SYD) ("Lion SYD")	Travel industry	100.00	100.00	
	Lion International Travel Service Co., Ltd. (AKL) ("Lion AKL")	Travel industry	100.00	100.00	

(Continued)

Investor	Investee	Nature of Activities	Proportion of Ownership		Remark
			2016	2015	
	Lion International Travel Service Co., Ltd. (HK) ("Lion HK")	Travel industry	100.00	100.00	
	US Lion Travel ("US Lion")	Travel industry	100.00	100.00	
	Lion International Travel Service Co., Ltd. ("Lion JPN")	Travel industry	100.00	100.00	
	Lion International Travel Service Co., Ltd. (THA) ("Lion THA")	Travel industry	49.00	49.00	b.
	Lion International Holding (China) Limited ("Lion Holding (China)")	Management consulting activities	100.00	100.00	c.
Shuangshi Investment	Lion Information Technology Co., Ltd. ("Lion Information")	Information technology activities	100.00	100.00	
	Lion Express Co., Ltd. ("Lion Express")	Tour bus transportation activities	100.00	100.00	
	Ansett Tour Co., Ltd. ("Ansett Tour")	Tour bus transportation activities	100.00	100.00	
	Travel Around Investment Holding Co., Ltd. ("Travel Around Investment")	Investments	100.00	100.00	c.
Lion Information	Lion Technology Holding Limited ("Lion Technology")	Investments	100.00	100.00	
Lion Technology	Guangzhou Lion Technology Co., Ltd. ("Guangzhou Lion Technology")	Information technology activities	-	100.00	d.
Lion HK	Lion International Travel Service (Shanghai) Co., Ltd. ("Lion Shanghai")	Travel industry	100.00	100.00	
	Lion International Travel Service (Beijing) Co., Ltd. ("Lion Beijing")	Travel industry	100.00	100.00	
Travel Around Investment	Uplan Travel Service Co., Ltd. ("Uplan Travel")	Travel industry	62.44	80.00	e.
	Xinflight Travel Service Co., Ltd. ("Xinflight Travel")	Travel industry	100.00	100.00	e.
	Fontrip Technology Co., Ltd. ("Fontrip Technology")	Information technology activities	45.05	-	f.
Lion Holding (China)	Lion Travel International Holding Limited ("Lion Travel Holding")	Travel industry	100.00	100.00	g.
Lion Travel Holding	Skylion International Travel Service Co., Ltd. ("Skylion Travel")	Travel industry	100.00	-	h.

(Concluded)

- a. Fujian Lion was invested in September 2015.
- b. Although the Group holds only a 49% interest in Lion THA, the Group can direct Lion THA's activities and thus has control over this investee.
- c. Lion Holding (China) and Travel Around Investment were invested in January 2015.
- d. Guangzhou Lion Technology completed liquidation in March 2016.
- e. Uplan Travel and Xinflight Travel were invested in March 2015. The Group's equity interest in Uplan Travel decreased from 80% to 62.44% in February 2016.
- f. Fontrip Technology was established in May 2016. Although the Group holds only a 45.05% interest in Fontrip Technology, the Group can direct Fontrip Technology's activities and thus has control over this investee.
- g. Lion Travel Holding was invested in August 2015.
- h. Skylion Travel was invested in April 2016.

12. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Computer Equipment	Transportation Equipment	Office Equipment	Total
<u>Cost</u>						
Balance at January 1, 2015	\$ 39,527	\$ 30,957	\$ 120,275	\$ 236,764	\$ 249,534	\$ 677,057
Additions	-	-	50,396	-	43,678	94,074
Disposals	-	-	(46,187)	-	(110,677)	(156,864)
Effect of foreign currency exchange differences	-	-	(190)	(587)	(2,226)	(3,003)
Balance at December 31, 2015	<u>\$ 39,527</u>	<u>\$ 30,957</u>	<u>\$ 124,294</u>	<u>\$ 236,177</u>	<u>\$ 180,309</u>	<u>\$ 611,264</u>
<u>Accumulated depreciation</u>						
Balance at January 1, 2015	\$ -	\$ 9,878	\$ 65,971	\$ 81,255	\$ 139,519	\$ 296,623
Depreciation expenses	-	552	27,700	22,437	41,802	92,491
Disposals	-	-	(45,976)	-	(100,406)	(146,382)
Effect of foreign currency exchange differences	-	-	(129)	(168)	(1,903)	(2,200)
Balance at December 31, 2015	<u>\$ -</u>	<u>\$ 10,430</u>	<u>\$ 47,566</u>	<u>\$ 103,524</u>	<u>\$ 79,012</u>	<u>\$ 240,532</u>
Carrying amounts at December 31, 2015	<u>\$ 39,527</u>	<u>\$ 20,527</u>	<u>\$ 76,728</u>	<u>\$ 132,653</u>	<u>\$ 101,297</u>	<u>\$ 370,732</u>
<u>Cost</u>						
Balance at January 1, 2016	\$ 39,527	\$ 30,957	\$ 124,294	\$ 236,177	\$ 180,309	\$ 611,264
Additions	-	-	45,499	38,130	72,155	155,784
Disposals	-	-	(26,234)	(10,000)	(25,075)	(61,309)
Effect of foreign currency exchange differences	-	-	(844)	(98)	(13)	(955)
Balance at December 31, 2016	<u>\$ 39,527</u>	<u>\$ 30,957</u>	<u>\$ 142,715</u>	<u>\$ 264,209</u>	<u>\$ 227,376</u>	<u>\$ 704,784</u>
<u>Accumulated depreciation</u>						
Balance at January 1, 2016	\$ -	\$ 10,430	\$ 47,566	\$ 103,524	\$ 79,012	\$ 240,532
Depreciation expenses	-	553	33,417	24,200	30,071	88,241
Disposals	-	-	(26,122)	(6,033)	(23,860)	(56,015)
Effect of foreign currency exchange differences	-	-	(190)	(49)	(37)	(276)
Balance at December 31, 2016	<u>\$ -</u>	<u>\$ 10,983</u>	<u>\$ 54,671</u>	<u>\$ 121,642</u>	<u>\$ 85,186</u>	<u>\$ 272,482</u>
Carrying amounts at December 31, 2016	<u>\$ 39,527</u>	<u>\$ 19,974</u>	<u>\$ 88,044</u>	<u>\$ 142,567</u>	<u>\$ 142,190</u>	<u>\$ 432,302</u>

No impairment assessment was performed as of December 31, 2016 and 2015 because there was no indication of impairment. Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives, as follows:

Buildings	55 years
Computer equipment	3-10 years
Transportation equipment	5-9 years
Office equipment	3-10 years

Refer to Note 28 for the carrying amounts of property, plant and equipment pledged as security for long-term borrowing.

13. OTHER ASSETS

	<u>December 31</u>	
	<u>2016</u>	<u>2015</u>
<u>Current</u>		
Prepayments		
Prepaid expenses	\$ 20,768	\$ 34,146
Prepaid tour costs	886,735	623,482
Inventory of supplies	161,839	108,623
Others	<u>1,013</u>	<u>1,174</u>
	<u>\$ 1,070,355</u>	<u>\$ 767,425</u>
<u>Non-current</u>		
Other assets		
Prepayments for equipment	\$ 11,559	\$ 10,358
Refundable deposits	<u>215,015</u>	<u>164,344</u>
	<u>\$ 226,574</u>	<u>\$ 174,702</u>

14. BORROWING

Short-term Borrowing

	<u>December 31</u>	
	<u>2016</u>	<u>2015</u>
<u>Unsecured borrowing</u>		
Line of credit borrowing	<u>\$ -</u>	<u>\$ 25,000</u>
Annual interest rate	-	1.60%

Long-term Borrowing

	<u>December 31</u>	
	<u>2016</u>	<u>2015</u>
<u>Secured borrowing</u>		
Bank loan	\$ -	\$ 19,848
Less: Current portion	<u>-</u>	<u>(19,848)</u>
Long-term borrowing	<u>\$ -</u>	<u>\$ -</u>
Annual interest rate	-	2.74%

Refer to Note 28 for information on the Group's long-term borrowing secured by its freehold transportation equipment. The loan is due on October 24, 2016.

15. OTHER LIABILITIES

	<u>December 31</u>	
	<u>2016</u>	<u>2015</u>
<u>Other payables</u>		
Accrued expense payable	\$ 204,994	\$ 239,673
Accrued remuneration to employees and directors	19,301	40,532
Sales tax payable	22,423	16,212
Others	<u>12,505</u>	<u>9,597</u>
	<u>\$ 259,223</u>	<u>\$ 306,014</u>
<u>Advance receipts</u>		
Deposits received from package-tour customers	\$ 1,443,109	\$ 1,217,144
Deposits received on sold travel vouchers or gift certificates	94,205	73,906
Others	<u>20,745</u>	<u>1,420</u>
	<u>\$ 1,558,059</u>	<u>\$ 1,292,470</u>

16. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The plan under the Labor Pension Act (the “Act”) is deemed a defined contribution plan. The Group makes monthly contributions equal to 6% of each employee’s monthly salary to employees’ pension accounts. Furthermore, foreign subsidiaries also make monthly contributions at certain percentages of the basic salary of their employees.

b. Defined benefit plans

The defined benefit plan adopted by the Group in accordance with the Labor Standards Law is operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Group contributes amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee’s name. Before the end of each year, the Group assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Group is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (“the Bureau”); the Group has no right to influence the investment policy and strategy.

The amounts included in the consolidated balance sheets in respect of the Group’s defined benefit plans were as follows:

	<u>December 31</u>	
	<u>2016</u>	<u>2015</u>
Present value of defined benefit plans	\$ 159,278	\$ 138,490
Fair value of plan assets	<u>(64,571)</u>	<u>66,775</u>
Net defined benefit liability	<u>\$ 94,707</u>	<u>\$ 71,715</u>

Movements in net defined benefit liability (asset) were as follows:

	Present Value of the Defined Benefit Plans	Fair Value of the Plan Assets	Net Defined Benefit Liability (Asset)
Balance at January 1, 2015	\$ 115,798	\$ (67,721)	\$ 48,077
Service cost			
Current service cost	921	-	921
Net interest expense (income)	2,171	(1,299)	872
Others	<u>63</u>	<u>-</u>	<u>63</u>
Recognized in profit or loss	<u>3,155</u>	<u>(1,299)</u>	<u>1,856</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(606)	(606)
Actuarial loss - changes in demographic assumptions	14,884	-	14,884
Actuarial loss - changes in financial assumptions	5,145	-	5,145
Actuarial loss - experience adjustments	<u>5,617</u>	<u>-</u>	<u>5,617</u>
Recognized in other comprehensive income	<u>25,646</u>	<u>(606)</u>	<u>25,040</u>
Contributions from the employer	-	(3,258)	(3,258)
Benefits paid	<u>(6,109)</u>	<u>6,109</u>	<u>-</u>
Balance at December 31, 2015	<u>138,490</u>	<u>(66,775)</u>	<u>71,715</u>
Service cost			
Current service cost	755	-	755
Net interest expense (income)	2,070	(1,024)	1,046
Other	<u>189</u>	<u>-</u>	<u>189</u>
Recognized in profit or loss	<u>3,014</u>	<u>(1,024)</u>	<u>1,990</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	558	558
Actuarial loss - changes in demographic assumptions	9,315	-	9,315
Actuarial loss - changes in financial assumptions	4,445	-	4,445
Actuarial loss - experience adjustments	<u>9,612</u>	<u>-</u>	<u>9,612</u>
Recognized in other comprehensive income	<u>23,372</u>	<u>558</u>	<u>23,930</u>
Contributions from the employer	-	(2,928)	(2,928)
Benefits paid	<u>(5,598)</u>	<u>5,598</u>	<u>-</u>
Balance at December 31, 2016	<u>\$ 159,278</u>	<u>\$ (64,571)</u>	<u>\$ 94,707</u>

Through the defined benefit plans under the Labor Standards Law, the Group is exposed to the following risks:

- 1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the government and corporate bond interest rate will increase the present value of the defined benefit plans; however, this will be partially offset by an increase in the return on the plan's debt investments.

- 3) Salary risk: The present value of the defined benefit plans is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit plans.

The actuarial valuations of the present value of the defined benefit plans were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	<u>December 31</u>	
	2016	2015
Discount rate(s)	1.250%	1.500%
Expected rate(s) of salary increase	2.000%	2.000%

If possible reasonable change in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit plans would increase (decrease) as follows:

	<u>December 31</u>	
	2016	2015
Discount rate(s)		
0.5% increase	<u>\$ (9,365)</u>	<u>\$ (7,884)</u>
0.5% decrease	<u>\$ 10,238</u>	<u>\$ 8,607</u>
Expected rate(s) of salary increase		
0.5% increase	<u>\$ 9,963</u>	<u>\$ 8,394</u>
0.5% decrease	<u>\$ (9,210)</u>	<u>\$ (7,769)</u>

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit plans as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	<u>December 31</u>	
	2016	2015
The expected contributions to the plan for the next year	<u>\$ 2,982</u>	<u>\$ 2,959</u>
The average duration of the defined benefit plans	12.4 years	11.9 years

17. EQUITY

- a. Share capital

Common stock

	<u>December 31</u>	
	2016	2015
Number of shares authorized (in thousands)	<u>80,000</u>	<u>80,000</u>
Shares authorized	<u>\$ 800,000</u>	<u>\$ 800,000</u>
Number of shares issued and fully paid (in thousands)	<u>70,000</u>	<u>70,000</u>
Shares issued	<u>\$ 700,000</u>	<u>\$ 700,000</u>

b. Capital surplus

	<u>December 31</u>	
	<u>2016</u>	<u>2015</u>
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)</u>		
Recognized from issuance of ordinary shares	\$ 815,850	\$ 815,850
<u>May be used to offset a deficit only</u>		
Recognized from changes in percentage of ownership interest in subsidiary (2)	<u>4,540</u>	<u>-</u>
	<u>\$ 820,390</u>	<u>\$ 815,850</u>

- 1) Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and once a year).
- 2) Such capital surplus arises from the effect of changes in ownership interest in a subsidiary resulted from equity transactions other than actual disposal or acquisition, or from changes in capital surplus of subsidiaries accounted for by using the equity method.

c. Retained earnings and dividend policy

In accordance with the amendments to the Company Act in May 2015, the recipients of dividends and bonuses are limited to shareholders and do not include employees. The shareholders held their regular meeting on June 17, 2016 and, in that meeting, had resolved amendments to the Company's Articles of Incorporation (the "Articles"), particularly the amendment to the policy on dividend distribution and the addition of the policy on distribution of employees' compensation.

Under the dividend policy as set forth in the amended Articles, where the Company made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for distribution of dividends and bonus to shareholders. For the policies on distribution of employees' compensation and remuneration to directors and supervisors before and after amendment, please refer to e. employee benefits expense in Note 19.

Legal reserve should be appropriated until the legal reserve equals the Company's paid-in capital. Legal reserve may be used to offset deficit. If the Company has no deficit and the legal reserve exceeds 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

Under Rule No. 1010012865, Rule No. 1010047490 and Rule No. 1030006415 issued by the Financial Supervisory Commission (FSC) and the directive titled "Questions and Answers on Special Reserves Appropriated Following Adoption of IFRS," the Company should appropriate or reverse to a special reserve.

Except for non-ROC resident shareholders, all shareholders are allowed a tax credit equal to their proportionate share of the income tax paid by the Company.

The appropriations of earnings for 2015 and 2014 approved in the shareholders' meetings on June 17, 2016 and June 15, 2015, respectively, were as follows:

	Appropriation of Earnings		Dividends Per Share (NT\$)	
	For the Year Ended December 31		For the Year Ended December 31	
	2015	2014	2015	2014
Legal reserve	\$ 45,016	\$ 38,391	\$ -	\$ -
Special reserve	10,223	-	-	-
Cash dividends	322,000	294,000	4.60	4.20

The appropriations of earnings for 2016 had been proposed by the Company's board of directors on March 24, 2017. The appropriations and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT\$)
Legal reserve	\$ 24,797	\$ -
Special reserve	36,589	-
Cash dividends	280,000	4.00

The appropriations of earnings for 2016 to be presented for approval in the shareholders' meeting to be held on June 15, 2017.

d. Special reserves

	For the Year Ended December 31	
	2016	2015
Beginning at January 1	\$ 1,623	\$ 1,623
Appropriation in respect of Debit to other equity items	<u>10,223</u>	<u>-</u>
Balance at December 31	<u>\$ 11,846</u>	<u>\$ 1,623</u>

f. Non-controlling interests

	For the Year Ended December 31	
	2016	2015
Balance at January 1	\$ 13,245	\$ 5,805
Attributable to non-controlling interests:		
Share of profit for the year	(8,585)	(4,570)
Exchange difference arising on translation of foreign entities	291	(505)
Issue of shares in subsidiaries	24,050	6,000
Non-controlling interest arising from acquisition of subsidiaries	30,021	6,515
Adjustment for changes in capital surplus	<u>(4,540)</u>	<u>-</u>
Balance at December 31	<u>\$ 54,482</u>	<u>\$ 13,245</u>

18. REVENUE

	<u>For the Year Ended December 31</u>	
	<u>2016</u>	<u>2015</u>
Tour revenue	\$ 20,964,695	\$ 20,078,100
FIT (Free Independent Traveler) revenue	410,197	413,963
Others	<u>500,809</u>	<u>512,784</u>
	<u>\$ 21,875,701</u>	<u>\$ 21,004,847</u>

19. NET PROFIT AND OTHER COMPREHENSIVE INCOME

a. Other income

	<u>For the Year Ended December 31</u>	
	<u>2016</u>	<u>2015</u>
Interest income	\$ 8,028	\$ 11,636
Rental income	5,286	9,180
Others	<u>69,103</u>	<u>64,052</u>
	<u>\$ 82,417</u>	<u>\$ 84,868</u>

b. Other gains and losses

	<u>For the Year Ended December 31</u>	
	<u>2016</u>	<u>2015</u>
Net foreign exchange gains	\$ 82,837	\$ 67,889
Gain (loss) on disposal of property, plant and equipment	469	(10,351)
Gain on disposal of investments	3,485	-
Others	<u>(10,997)</u>	<u>(11,646)</u>
	<u>\$ 75,794</u>	<u>\$ 45,892</u>

c. Finance costs

	<u>For the Year Ended December 31</u>	
	<u>2016</u>	<u>2015</u>
Interest on bank loans	\$ <u>349</u>	\$ <u>1,025</u>

d. Depreciation and amortization

	<u>For the Year Ended December 31</u>	
	<u>2016</u>	<u>2015</u>
Property, plant and equipment	\$ 88,241	\$ 92,491
Intangible assets	<u>3,022</u>	<u>3,624</u>
	<u>\$ 91,263</u>	<u>\$ 96,115</u>

(Continued)

	For the Year Ended December 31	
	2016	2015
An analysis of depreciation by function		
Operating costs	\$ 24,055	\$ 22,067
Operating expenses	<u>64,186</u>	<u>70,424</u>
	<u>\$ 88,241</u>	<u>\$ 92,491</u>
An analysis of amortization by function		
Operating costs	\$ 877	\$ 100
Operating expenses	<u>2,145</u>	<u>3,524</u>
	<u>\$ 3,022</u>	<u>\$ 3,624</u>

(Concluded)

e. Employee benefits expense

	For the Year Ended December 31	
	2016	2015
Post-employment benefits (Note 16)		
Defined contribution plans	\$ 76,942	\$ 73,348
Defined benefit plans	1,990	1,856
Other employee benefits	<u>1,819,955</u>	<u>1,702,565</u>
Total employee benefits expense	<u>\$ 1,898,887</u>	<u>\$ 1,777,769</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 83,495	\$ 69,725
Operating expenses	<u>1,815,392</u>	<u>1,708,044</u>
	<u>\$ 1,898,887</u>	<u>\$ 1,777,769</u>

1) Employees' compensation and remuneration of directors and supervisors for 2016 and 2015

In compliance with the Company Act as amended in May 2015 and the amended Articles of Incorporation of the Company approved by the shareholders in their meeting in June 2016, the Company accrued employees' compensation and remuneration of directors and supervisors at the rates no less than 3% and no higher than 2%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors and supervisors. The employees' compensation and remuneration of directors and supervisors for the years ended December 31, 2016 and 2015 which have been approved by the Company's board of directors on March 24, 2017 and March 24, 2016, respectively, were as follows:

Accrual rate

	For the Year Ended December 31	
	2016	2015
Employees' compensation	5.0%	6.0%
Remuneration of directors and supervisors	0.7%	0.8%

Amount

	For the Year Ended December 31			
	2016		2015	
	Cash	Stock	Cash	Stock
Employees' compensation	\$ 16,234	\$ -	\$ 34,992	\$ -
Remuneration of directors and supervisors	2,272	-	4,665	-

If there is a change in the proposed amounts after the annual consolidated financial statements were authorized for issue, the differences are recorded as a change in accounting estimate in the subsequent.

The differences were adjusted to profit and loss for the years ended December 31, 2016 and 2015.

	For the Year Ended December 31, 2015	
	Employee's Compensation	Remuneration of Directors and Supervisors
Amounts approved in the board of directors' meeting	<u>\$ 34,992</u>	<u>\$ 4,665</u>
Amounts recognized in annual financial statements	<u>\$ 34,992</u>	<u>\$ 4,666</u>

Information on the employees' compensation and remuneration to directors and supervisors for 2015 that were approved by the Company's board of directors in 2016 and compensation to employees, directors and supervisors for 2014 approved at the shareholders' meeting in 2015.

For any further information of the employee' compensation and remuneration to directors and supervisors approved in the meeting of board of directors in 2017 and 2016, see disclosures in the "Market Observation Post System".

2) Bonus to employees and remuneration of directors and supervisors for 2014

The bonus to employees and remuneration of directors and supervisors for 2014 which have been approved in the shareholders' meeting on June 15, 2015 were as follows:

	For the Year Ended December 31, 2014	
	Bonus to Employees	Remuneration of Directors and Supervisors
Amounts approved in shareholders' meeting	<u>\$ 20,750</u>	<u>\$ 3,350</u>
Amounts recognized in annual financial statements	<u>\$ 20,747</u>	<u>\$ 3,400</u>

The differences were adjusted to profit and loss for the year ended December 31, 2015.

Information on the bonus to employees and remuneration of directors and supervisors resolved by the shareholders in their meeting in 2015 is available at the "Market Observation Post System".

f. Gain or loss on foreign currency exchange

	For the Year Ended December 31	
	2016	2015
Foreign exchange gains	\$ 111,678	\$ 103,122
Foreign exchange losses	<u>(28,841)</u>	<u>(35,233)</u>
Net gain	<u>\$ 82,837</u>	<u>\$ 67,889</u>

20. INCOME TAXES

a. Major components of tax expense recognized in profit or loss

	For the Year Ended December 31	
	2016	2015
<u>Current tax</u>		
Recognized in the current year	\$ 57,920	\$ 98,079
Income tax on unappropriated earnings	5,299	2,459
Adjustments for prior years	<u>73</u>	<u>(226)</u>
	<u>63,292</u>	<u>100,312</u>
<u>Deferred tax</u>		
Recognized in the current year	4,701	668
Adjustments for prior years	<u>9</u>	<u>-</u>
	<u>4,710</u>	<u>668</u>
Income tax expense recognized in profit or loss	<u>\$ 68,002</u>	<u>\$ 100,980</u>

A reconciliation of accounting profit and income tax expenses is as follows:

	For the Year Ended December 31	
	2016	2015
Profit before income tax	<u>\$ 307,395</u>	<u>\$ 546,566</u>
Income tax expense calculated at the statutory rate	\$ 68,578	\$ 96,132
Nondeductible expenses in determining taxable income	464	47
Tax-exempt income	(7,165)	3,636
Income tax on unappropriated earnings	5,299	2,459
Unrecognized loss carryforwards and deductible temporary differences	1,265	(1,068)
Used loss carryforwards	(521)	-
Adjustments of tax expense on prior years	<u>82</u>	<u>(226)</u>
Income tax expense recognized in profit or loss	<u>\$ 68,002</u>	<u>\$ 100,980</u>

The applicable tax rate used above is the corporate tax rate of 17% payable by the Group in R.O.C., while the applicable tax rate used by subsidiaries in China is 25%. Tax rates used by other group entities operating in other jurisdictions are based on the tax laws in those jurisdictions.

As the status of 2017 appropriations of earnings is uncertain, the potential income tax consequences of 2016 unappropriated earnings are not reliably determinable.

b. Income tax expense recognized in other comprehensive income

For the Year Ended December 31
2016 **2015**

Deferred tax

Recognized in the current year:

Remeasurement on defined benefit plan

\$ 4,068

\$ 4,257

c. Current tax liabilities

December 31
2016 **2015**

Current tax liabilities

Income tax payable

\$ 10,558

\$ 61,460

d. Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities were as follows:

For the year ended December 31, 2016

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Others	Closing Balance
<u>Deferred tax assets</u>					
Temporary differences					
Allowance for impaired receivables	\$ 1,142	\$ (30)	\$ -	\$ -	\$ 1,112
Exchange difference on foreign operations	1,595	(1,577)	-	-	18
Defined benefit plans	12,145	(159)	4,068	-	16,054
Others	<u>20</u>	<u>(4)</u>	<u>-</u>	<u>-</u>	<u>16</u>
	<u>\$ 14,902</u>	<u>\$ (1,770)</u>	<u>\$ 4,068</u>	<u>\$ -</u>	<u>\$ 17,200</u>
<u>Deferred tax liabilities</u>					
Temporary differences					
Exchange difference on foreign operations	\$ 7	\$ 918	\$ -	\$ -	\$ 925
Foreign operations accounted for using equity method	<u>2,003</u>	<u>2,022</u>	<u>-</u>	<u>-</u>	<u>4,025</u>
	<u>\$ 2,010</u>	<u>\$ 2,940</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,950</u>

For the year ended December 31, 2015

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Others	Closing Balance
<u>Deferred tax assets</u>					
Temporary differences					
Allowance for impaired receivables	\$ 1,036	\$ 106	\$ -	\$ -	\$ 1,142
Exchange difference on foreign operations	1,496	99	-	-	1,595
Defined benefit plans	8,126	(238)	4,257	-	12,145
Others	<u>681</u>	<u>(597)</u>	<u>-</u>	<u>(64)</u>	<u>20</u>
	<u>\$ 11,339</u>	<u>\$ (630)</u>	<u>\$ 4,257</u>	<u>\$ (64)</u>	<u>\$ 14,902</u>

(Continued)

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Others	Closing Balance
<u>Deferred tax liabilities</u>					
Temporary differences					
Exchange difference on foreign operations	\$ -	\$ 7	\$ -	\$ -	\$ 7
Foreign operations accounted for using equity method	<u>1,972</u>	<u>31</u>	<u>-</u>	<u>-</u>	<u>2,003</u>
	<u>\$ 1,972</u>	<u>\$ 38</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,010</u>

(Concluded)

- e. Deductible temporary differences, unrecognized loss carryforwards for which deferred tax assets have not been recognized in the consolidated financial statements.

	<u>December 31</u>	
	<u>2016</u>	<u>2015</u>
Loss carryforwards		
Expiry in 2022	\$ 48	\$ 44
Expiry in 2023	-	3,064
Expiry in 2024	27,393	27,365
Expiry in 2025	<u>16,587</u>	<u>-</u>
	<u>\$ 44,028</u>	<u>\$ 30,473</u>
Deductible temporary differences	<u>\$ 6,413</u>	<u>\$ 9,863</u>

- f. Integrated income tax

	<u>December 31</u>	
	<u>2016</u>	<u>2015</u>
Unappropriated earnings		
Generated before January 1, 1998	\$ 523	\$ 523
Generated on and after January 1, 1998	<u>391,005</u>	<u>540,128</u>
	<u>\$ 391,528</u>	<u>\$ 540,651</u>
Shareholder-imputed credit account	<u>\$ 86,337</u>	<u>\$ 69,475</u>
	<u>For the Year Ended December 31</u>	
	<u>2016</u>	<u>2015</u>
	(Expected)	2015
Creditable ratio for distribution of earnings	23.64%	23.39%

- g. Income tax assessments

The tax returns of Travel Trend, Shuangshi Investment, Travel Around Investment, Uplan Travel, and Xinflight Travel, have been assessed by the tax authorities through 2015. Nevertheless, to be conservative, the Company and its subsidiaries, including Lion Information, Lion Express and Ansett Tour, provided for the income tax assessed by the tax authorities through 2014.

21. EARNINGS PER SHARE

Unit: NT\$ Per Share

	For the Year Ended December 31	
	2016	2015
Basic earnings per share	<u>\$ 3.54</u>	<u>\$ 6.43</u>
Diluted earnings per share	<u>\$ 3.53</u>	<u>\$ 6.40</u>

The earnings and weighted average number of ordinary shares outstanding in the computation of earnings per share were as follows:

Net Profit for the Year

	For the Year Ended December 31	
	2016	2015
Profit for the year attributable to owners of the Company	<u>\$ 247,978</u>	<u>\$ 450,156</u>

Weighted Average Number of Ordinary Shares Outstanding (In Thousand Shares)

	For the Year Ended December 31	
	2016	2015
Weighted average number of ordinary shares used in the computation of basic earnings per share	70,000	70,000
Effect of potentially dilutive ordinary shares:		
Employees' compensation	<u>269</u>	<u>373</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>70,269</u>	<u>70,373</u>

If the Company decides to settle compensation to employees in cash or shares, the Company will assume the entire amount of the compensation would be settled in shares; if the effect of this settlement is dilutive, the resulting potential shares will be included in the weighted average number of shares outstanding used in the computation of diluted earnings per share. The dilutive effect of the potential shares will be included in the computation of diluted earnings per share until the number of shares to be distributed to employees is approved in the following year.

22. BUSINESS COMBINATIONS

a. Subsidiaries acquired

	Principal Activity	Date of Acquisition	Proportion of Voting Equity Interests Acquired (%)	Consideration Transferred
Skylion Travel	Travel industry	April 13, 2016	100.00	<u>\$ 1,498</u>
Fontrip Technology	Information technology activities	June 7, 2016	45.05	<u>\$ 25,000</u>

b. Considerations transferred

	Skylion Travel	Fontrip Technology
Cash	\$ <u>1,498</u>	\$ <u>25,000</u>

c. Assets acquired and liabilities assumed at the date of acquisition

	Skylion Travel	Fontrip Technology
Current assets		
Cash and cash equivalents	\$ -	\$ 19,701
Prepayments	-	227
Other current assets	3,386	-
Non-current assets		
Intangible assets	-	8,000
Current liabilities		
Other payables	<u>(13,753)</u>	<u>(239)</u>
	<u>\$ (10,367)</u>	<u>\$ 27,689</u>

d. Goodwill arising on acquisition

	Skylion Travel
Consideration transferred	\$ 1,498
Less: Fair value of identifiable net assets acquired	<u>(10,367)</u>
Goodwill arising on acquisition	11,865
Effect of exchange rate changes	<u>(579)</u>
Balance at December 31, 2016	<u>\$ 11,286</u>

e. Net cash outflow on acquisition of subsidiaries

	Skylion Travel	Fontrip Technology
Consideration paid in cash	\$ 1,498	\$ 25,000
Less: Cash and cash equivalent balances acquired	<u>-</u>	<u>(19,701)</u>
	<u>\$ 1,498</u>	<u>\$ 5,299</u>

f. Impact of acquisitions on the results of the Group

The results of the acquired companies since the acquisition date included in the consolidated statements of comprehensive income were as follows:

	Skylion Travel	Fontrip Technology
Revenue	<u>\$ 153,545</u>	<u>\$ 14,528</u>
Net income/(loss)	<u>\$ 5,310</u>	<u>\$ (6,077)</u>

23. EQUITY TRANSACTION WITH NON-CONTROLLING INTERESTS

On January 25, 2016, the Group subscribed for additional new shares of Uplan Travel Service Co., Ltd. at a percentage different from its prior ownership percentage, reducing its continuing interest from 80% to 62%.

The above transaction was accounted for as an equity transaction because the Group did not cease to have control over this subsidiary.

	Uplan Travel
Cash consideration paid	\$ (25,950)
The proportionate share of the carrying amount of the net assets of the subsidiary transferred to non-controlling interests	<u>30,490</u>
Differences arising from equity transaction	<u>\$ 4,540</u>
Line items adjusted for equity transaction	
Capital surplus - changes in percentage of ownership interest in subsidiary	<u>\$ 4,540</u>

24. OPERATING LEASE ARRANGEMENTS

The Group as Lessee

Operating leases relate to leases of buildings with terms of between 2 and 10 years. All operating lease contracts that exceed five years have clauses requiring market rental reviews every five years. The Group does not have a bargain purchase option to acquire the leased buildings at the expiration of the lease periods.

The future minimum lease payables on non-cancellable operating lease commitments are as follows:

	December 31	
	2016	2015
Not later than 1 year	\$ 218,956	\$ 277,989
Later than 1 year and not later than 5 years	591,445	723,079
Later than 5 years	<u>393,942</u>	<u>503,206</u>
	<u>\$ 1,204,343</u>	<u>\$ 1,504,274</u>

25. CAPITAL MANAGEMENT

The Groups' capital management strategy is based on its need for working capital and capital expenditure for product processing (e.g., advance ticket purchases or table reservations), sales promotion and marketing, and distribution of dividends.

26. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments that are measured at fair value on a recurring basis

1) Fair value hierarchy

<u>December 31, 2016</u>	Level 1	Level 2	Level 3	Total
<u>Available-for-sale financial assets</u>				
Emerging market shares				
Equity securities	\$ -	\$ 7,674	\$ -	\$ 7,674
Privately offered fund	<u>-</u>	<u>47,010</u>	<u>-</u>	<u>47,010</u>
	<u>\$ -</u>	<u>\$ 54,684</u>	<u>\$ -</u>	<u>\$ 54,684</u>
 <u>December 31, 2015</u>				
<u>Available-for-sale financial assets</u>				
Emerging market shares				
Equity securities	<u>\$ -</u>	<u>\$ 12,520</u>	<u>\$ -</u>	<u>\$ 12,520</u>

There were no transfers between Levels 1 and 2 for the years ended December 31, 2016 and 2015.

2) Valuation techniques and inputs applied for the purpose of measuring Level 2 fair value measurement

Level 2 inputs are inputs other than quoted prices that are directly or indirectly observable for the financial assets, which have standard terms and conditions.

b. Categories of financial instruments

	<u>December 31</u>	
	2016	2015
<u>Financial assets</u>		
Loans and receivables (Note 1)	\$ 3,847,034	\$ 3,846,099
Available-for-sale financial assets (Note 2)	54,684	12,520
<u>Financial liabilities</u>		
Measured at amortized cost (Note 3)	1,693,248	1,398,012

Note 1: The balances included receivables measured at amortized cost: Cash and cash equivalents, notes receivable, accounts receivable, other current financial assets, and Refundable deposits.

Note 2: The balances included the carrying amounts of available-for-sale financial assets measured at amortized cost.

Note 3: The balances included financial liabilities measured at amortized cost: Short-term borrowing, notes payable, accounts payable, other payables, and long-term borrowing.

c. Financial risk management objectives and policies

The financial risks on the Group's operations pertain to currency, interest rates, credit, and liquidity. For financial risk management, the Group not only identified and evaluated the market uncertainties but also applies a conservative approach to its operations. That is, the Group does not use or trade higher-risk derivative financial instruments and other complex financial instruments. This way, the Group protects itself from the effects of adverse market fluctuations.

1) Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates. However, the Group's borrowing and demand deposits all have fixed interest rates, so there is no material cash flow risk due to interest rate changes. In addition, the Group's management assesses the operating environment to determine if derivative financial instruments may be used to reduce currency risk. (See (a) below for more currency risk information, and (b) below for interest rate information.)

a) Currency risk

The Group manages currency risk by using derivative financial instruments, i.e., the Group uses these instruments for hedging against adverse changes in exchange rates. In addition, there reserves have been set up for each foreign currency required for operations, and these reserves are reviewed regularly for adequacy.

The carrying amounts of the Group's foreign currency-denominated monetary assets and monetary liabilities (including those eliminated on consolidation) at the end of the reporting period are set out in Note 30.

b) Sensitivity analysis

The Group was mainly exposed to the U.S. dollar, Canadian dollar, Chinese yuan renminbi, Australian dollar, Hong Kong dollar, Euro currency, New Zealand dollar and Japanese yen.

The following table shows the Group's sensitivity to a 5% increase and decrease in New Taiwan dollars (the functional currency) against the relevant foreign currencies. The 5% sensitivity rate is used when foreign currency risk is reported internally to key management personnel as well as represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis included only outstanding foreign currency-denominated monetary items and forward contracts designated as cash flow hedges, and the translation of these items and contracts at the end of the reporting period is adjusted for a 5% change in foreign currency rates. A positive number below indicates an increase in pretax profit in New Taiwan dollars due to a 5% weakening against the relevant currency. For a 5% strengthening of the New Taiwan dollar against the relevant currency, there would be an equal and opposite impact on pretax profit, and the balances below would be negative.

	For the Year Ended December 31	
	2016	2015
USD	\$ 2,625	\$ 11,698
EUR	2,140	(2,272)
CAD	625	(142)
HKD	270	(1,315)
AUD	241	293
JPY	(255)	(2,990)
NZD	(446)	(630)
RMB	(2,247)	304

This is mainly attributable to the exposure outstanding on different currency payables, which were not hedged at the end of reporting period.

2) Credit risk

Credit risk is the risk that a counterparty will default on its contractual obligations, resulting in uncollectible receivables that could bring financial loss to the Group. The Group manages credit risk as follows:

- a) For the maintenance or enhancement of the quality of receivables, the Group evaluates the creditworthiness of commercial customers and other travel service companies before transacting with them. The Group has also implemented a receivables management and collection system to reduce credit risk.
- b) The Group enters into financial instrument contracts only with banks that have good credit status; thus, the Group has no significant risk arising from breach of contracts.

Further, there is credit risk because the Group diversifies its customer or financial transaction counterparty pool.

3) Liquidity risk

The main objective of the Group's liquidity risk management-specifically in relation to cash, cash equivalents, banking facilities and so on - is to ensure that the Group has sufficient funds for its daily operations and activities. In addition, the receivable collection periods are similar to those in the market. For example, the Group requires that the settlement of check payments should be within one month after the check issue date. Payments for credit cards and other receivables should be settled within one month of the statement dates. Accounts payable should be settled within 90 days after the transaction. Further, the Group sees to it that funds are sufficient to cover daily operations as well as meet its bank borrowing obligation.

27. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. In addition to those disclosed in other notes, transactions between the Group and its related parties are disclosed below:

a. Operating transactions

	<u>For the Year Ended December 31</u>	
	2016	2015
<u>Operating revenue</u>		
Others	<u>\$ 16,746</u>	<u>\$ 17,664</u>
<u>Operating costs</u>		
Others	<u>\$ 41,009</u>	<u>\$ 37,092</u>

The balances of accounts receivable from related parties were as follows:

	<u>December 31</u>	
	2016	2015
Others	\$ <u>876</u>	\$ <u>552</u>

The balances of accounts payable to related parties were as follows:

	<u>December 31</u>	
	2016	2015
Others	\$ <u>2,702</u>	\$ <u>1,455</u>

The outstanding accounts payable to related parties were unsecured and payable in cash. For the years ended December 31, 2016 and 2015, no impairment loss was recognized for accounts receivable from related parties. The selling and purchase prices in related-party transactions were not significantly different from those for transactions with third parties.

b. Other transactions with related parties

1) Revenue from administration services

The Group provided administrative service to related parties, and recognized the revenue on account services as a reduction of operating expenses.

	<u>For the Year Ended December 31</u>	
	2016	2015
Others	\$ <u>22,379</u>	\$ <u>28,918</u>

The balances of other receivables from related parties were as follows:

	<u>December 31</u>	
	2016	2015
Others	\$ <u>-</u>	\$ <u>2,132</u>

2) Lease transactions

The revenues from and expenses for lease transactions with related parties were based on market conditions and were not significantly different from those for transactions with third parties which related rental expenses were recognized under operating expenses, and the rental revenues were recognized under other revenues. As of December 31, 2016 and 2015, guarantee deposits for leases were \$0 thousand and \$10,016 thousand, respectively.

The Group provided lease to related parties, and recognized the rental revenue on account as a reduction of operating expenses.

	<u>For the Year Ended December 31</u>	
	2016	2015
<u>Rental revenue</u>		
Others	\$ <u>17,905</u>	\$ <u>6,426</u>
<u>Rental expense</u>		
Others	\$ <u>-</u>	\$ <u>66,993</u>

The balances of other lease receivables from related parties were as follows:

	December 31	
	2016	2015
Others	\$ <u> -</u>	\$ <u> 1,046</u>

3) Advertising, video production and travel magazine expenses

Related parties produced advertisements and travel videos for the Group, and the Group subscribed to travel magazines published by related parties, which related expenses were recognized as advertising expenses and miscellaneous expenses, respectively.

	For the Year Ended December 31	
	2016	2015
Others	\$ <u> 54,280</u>	\$ <u> 60,228</u>

c. Compensation of key management personnel

The compensation of directors and key executives for 2016 and 2015 were as follows:

	For the Year Ended December 31	
	2016	2015
Short-term employee benefits	\$ 124,363	\$ 88,769
Post-employment benefits	<u> 5,104</u>	<u> 3,564</u>
	<u>\$ 129,467</u>	<u>\$ 92,333</u>

The remunerations of directors and key executives were determined by the remuneration committee on the basis of individual performance and market trends.

28. ASSETS PLEDGED AS COLLATERALS OR FOR SECURITY

	December 31	
	2016	2015
Pledged deposits and demand deposits	\$ 62,017	\$ 65,649
Property, plant and equipment, net	<u> -</u>	<u> 98,003</u>
	<u>\$ 62,017</u>	<u>\$ 163,652</u>

Under the regulations of the Tourism Bureau of the Ministry of Transportation and Communications, time deposits had been pledged as guarantee deposits for the operation of credit card machines and as part of meeting requirements for daily operations. These pledged time deposits were recognized as other current financial assets.

29. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Group as of December 31, 2016 and 2015 consisted of letters of guarantee issued by banks for hotel and transportation reservations, which amounted to \$1,655,585 thousand and \$1,638,145 thousand as of December 31, 2016 and 2015, respectively.

30. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The significant assets and liabilities denominated in foreign currencies were as follows:

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>December 31, 2016</u>			
<u>Financial assets</u>			
Monetary items			
USD	\$ 4,180	32.25 (USD:NTD)	\$ 134,805
EUR	3,210	33.91 (EUR:NTD)	108,851
JPY	379,737	0.28 (JPY:NTD)	104,731
HKD	10,470	4.16 (HKD:NTD)	43,555
CAD	852	23.93 (CAD:NTD)	20,388
AUD	632	23.31 (AUD:NTD)	<u>14,732</u>
			<u>\$ 427,062</u>
<u>Financial liabilities</u>			
Monetary items			
JPY	398,214	0.28 (JPY:NTD)	\$ 109,827
USD	2,552	32.25 (USD:NTD)	82,302
EUR	1,948	33.91 (EUR:NTD)	66,057
RMB	10,619	4.62 (RMB:NTD)	49,060
HKD	9,174	4.16 (HKD:NTD)	<u>38,164</u>
			<u>\$ 345,410</u>
<u>December 31, 2015</u>			
<u>Financial assets</u>			
Monetary items			
USD	9,432	32.81 (USD:NTD)	\$ 309,464
JPY	172,165	0.27 (JPY:NTD)	47,001
RMB	8,872	5.00 (RMB:NTD)	44,360
AUD	462	24.01 (AUD:NTD)	11,093
EUR	276	35.89 (EUR:NTD)	<u>9,906</u>
			<u>\$ 421,824</u>
<u>Financial liabilities</u>			
Monetary items			
JPY	391,193	0.27 (JPY:NTD)	\$ 106,796
USD	2,301	32.81 (USD:NTD)	75,496
EUR	1,542	35.89 (EUR:NTD)	55,342
RMB	7,658	5.00 (RMB:NTD)	38,290
HKD	8,207	4.24 (HKD:NTD)	34,798
NZD	600	22.53 (NZD:NTD)	13,518
THB	10,781	0.91 (THB:NTD)	<u>9,811</u>
			<u>\$ 334,051</u>

The Group is mainly exposed to the USD, EUR, JPY and RMB. Based on the above currency information, the significant realized and unrealized net foreign exchange gains were as follows:

Functional Currencies	For the Year Ended December 31			
	2016		2015	
	Exchange Rate	Net Foreign Exchange Gain	Exchange Rate	Net Foreign Exchange Gain
NTD	1 (NTD:NTD)	<u>\$ 82,837</u>	1 (NTD:NTD)	<u>\$ 67,889</u>

31. SEPARATELY DISCLOSED ITEMS

a. Information on significant transactions and investees:

- 1) Financing provided to others. (None)
- 2) Endorsements/guarantees provided. (Table 1)
- 3) Marketable securities held (excluding investment in subsidiaries, associates and joint ventures). (Table 2)
- 4) Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital. (None)
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital. (None)
- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital. (None)
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (Table 3)
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (None)
- 9) Trading in derivative instruments. (None)
- 10) Intercompany relationships and significant intercompany transactions. (Table 4)
- 11) Information on investees. (Table 5)

b. Information on investments in mainland China

- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area. (Table 6)

- 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: (Table 7)
- a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.
 - c) The amount of property transactions and the amount of the resultant gains or losses.
 - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.
 - e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds.
 - f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services.

32. SEGMENT INFORMATION

Information reported to the chief operating decision makers is for resource allocation and assessment of segment performance focuses on the types of goods and services to be delivered. Specifically, the Group's reportable segments were as follows:

Segments revenues and operating results

The following was an analysis of the Group's revenue and operating results from continuing operations by reportable segments.

	Travel Department	Others	Elimination	Total
For the year ended <u>December 31, 2016</u>				
Revenues from external customers	\$ 21,827,784	\$ 47,917	\$ -	\$ 21,875,701
Inter-segment revenues	<u>-</u>	<u>275,389</u>	<u>(275,389)</u>	<u>-</u>
Segment revenues	<u>\$ 21,827,784</u>	<u>\$ 323,306</u>	<u>\$ (275,389)</u>	<u>\$ 21,875,701</u>
Segment income	<u>\$ 145,482</u>	<u>\$ (2,253)</u>	<u>\$ 6,304</u>	\$ 149,533
Non-operating income				<u>157,862</u>
Profit before income tax				<u>\$ 307,395</u>

(Continued)

	Travel Department	Others	Elimination	Total
For the year ended <u>December 31, 2015</u>				
Revenues from external customers	\$ 20,955,967	\$ 48,880	\$ -	\$ 21,004,847
Inter-segment revenues	<u>-</u>	<u>275,367</u>	<u>(275,367)</u>	<u>-</u>
Segment revenues	<u>\$ 20,955,967</u>	<u>\$ 324,247</u>	<u>\$ (275,367)</u>	<u>\$ 21,004,847</u>
Segment income	<u>\$ 391,979</u>	<u>\$ 16,149</u>	<u>\$ 8,703</u>	\$ 416,831
Non-operating income				<u>129,735</u>
Profit before income tax				<u>\$ 546,566</u>
				(Concluded)

LION TRAVEL SERVICE CO., LTD. AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2016

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No. (Note 1)	Endorser/ Guarantor	Endorsee/Guarantee Receiver		Limit on Endorsement/ Guarantee Given on Behalf of Each Party (Note 3)	Maximum Amount Endorsed/Guar anteed During the Period (Note 4)	Outstanding Endorsement/ Guarantee at the End of the Period (Note 5)	Actual Borrowing Amount (Note 6)	Amount Endorsed/ Guaranteed by Collaterals	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit (Note 3)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries (Note 7)	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent (Note 7)	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China (Note 7)	Note
		Name	Relationship (Note 2)											
0	Lion Travel Service Co., Ltd.	Lion International Travel Service (Shanghai) Co., Ltd.	c	\$ 415,456	\$ 46,190	\$ 46,190	\$ 46,190	\$ -	2.22	\$ 2,077,278	Y	N	Y	
		Uplan Travel Service Co., Ltd.	c	415,456	170,000	170,000	26,561	-	1.27	2,077,278	Y	N	N	
		Skylion International Travel Service Co., Ltd.	c	415,456	69,285	69,285	-	-	-	2,077,278	Y	N	Y	

Note 1: Significant transactions between the Company and its subsidiaries or among subsidiaries are numbered as follows:

- "0" for the Company.
- Subsidiaries are numbered from "1"

Note 2: Relationships between the endorser/guarantor and the endorsee/guarantee receiver:

- The Company in relation to business.
- Subsidiaries' common stocks which were directly owned by parent company over 50%.
- Investees' common stocks which were both owned by parent company and subsidiary over 50%.
- Investees' common stocks which were directly or indirectly held by the Company over 50%.
- Based on contract projects among their peers in accordance with contract provisions which need mutual insurance company.
- Owing to the joint venture funded by the shareholders on its endorsement of its holding company

Note 3: The maximum balance of the aggregate endorsement/guarantee should not exceed 100% of the endorser's net value as shown in its most recent financial statements. The maximum balance of the endorsement/guarantee to an individual counterparty should not exceed 20% of the endorser's net value as shown in its most recent financial statements.

Note 4: The balance of the period as the highest guarantee of endorsement.

Note 5: By the end of the period, if the bank guarantee amount of the contract or endorsement of the Company is approved, it shall be assumed endorsement or guarantee liability; if they have other endorsement or relevant guaranteed circumstances, they shall be calculated as ensure balance.

Note 6: To fill in the amount which used by the borrowing company.

Note 7: Which related to endorsement/guarantee given by parent on behalf of subsidiaries, subsidiaries on behalf of parent and companies in Mainland China fill in "Y".

LION TRAVEL SERVICE CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

DECEMBER 31, 2016

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2016				Note
				Shares	Carrying Amount (Note 1)	Percentage of Ownership	Fair Value	
Lion Travel Service Co., Ltd.	<u>Stock</u> Development of cultural and creative value of Venture Capital Co., Ltd.	-	Financial assets measured at cost - non-current	1,000	\$ 10,000	0.67	\$ -	No price information
	<u>Privately offered fund</u> Millerful Value Creation Fund I	-	Available-for-sale financial assets - non-current	-	47,010	-	47,010	
Shuangshi Investment	<u>Stock</u> Vigor Kobo Co., Ltd.	-	Available-for-sale financial assets - non-current	200	7,674	0.83	7,674	Note 6

Note 1: The marketable securities in this table is related to stock, bonds and short-term investments of "IAS 39 Financial Instruments - Recognition and Measurement"

Note 2: Transactions issuer was not determined as significantly related parties should leave the blank empty.

Note 3: Showing at carrying amounts with adjustments for fair value and deducted accumulated impairment loss; otherwise, showing at their original carrying amounts on amortized cost deducted the accumulated impairment loss.

Note 4: Which amount remarked as guaranteed and pledged should note on the table.

Note 5: Subsidiaries, related associated and the information of joint ventures, please refer to Tables 5 and 6.

Note 6: The fair value of emerging stock is the average transaction price in December 2016.

LION TRAVEL SERVICE CO., LTD. AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2016
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Buyer	Related Party	Relationship	Transaction Details (Note 1)				Abnormal Transaction (Note 1)		Notes/Accounts Receivable (Payable)		Note (Note 2)
			Purchase/Sales	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
Lion Travel Service Co., Ltd. (the "Company")	Lion Shanghai	Grandson company	Purchase	\$ 668,548	3.64	Same as those for unrelated parties	No significant difference	No significant difference	\$ (28,339)	2.24	
Lion Shanghai	The Company	Parent company	Sales	668,548	49.07	Same as those for unrelated parties	No significant difference	No significant difference	28,339	49.97	
The Company	Lion SYD	Grandson company	Purchase	183,528	1.00	Same as those for unrelated parties	No significant difference	No significant difference	(12,587)	1.00	
Lion SYD	The Company	Parent company	Sales	183,528	98.55	Same as those for unrelated parties	No significant difference	No significant difference	12,587	100.00	
The Company	Lion YVR	Grandson company	Purchase	221,420	1.21	Same as those for unrelated parties	No significant difference	No significant difference	(5,161)	0.41	
Lion YVR	The Company	Parent company	Sales	221,420	18.08	Same as those for unrelated parties	No significant difference	No significant difference	5,161	30.46	
The Company	US Lion	Grandson company	Purchase	113,114	0.62	Same as those for unrelated parties	No significant difference	No significant difference	(4,143)	0.33	
US Lion	The Company	Parent company	Sales	113,114	50.15	Same as those for unrelated parties	No significant difference	No significant difference	4,143	95.87	
The Company	Lion Express	Grandson company	Purchase	136,153	0.74	Same as those for unrelated parties	No significant difference	No significant difference	(1,752)	0.14	
Lion Express	The Company	Parent company	Sales	136,153	75.00	Same as those for unrelated parties	No significant difference	No significant difference	1,752	29.06	
Lion Information	The Company	Parent company	Sales	117,946	88.99	Same as those for unrelated parties	No significant difference	No significant difference	9,147	95.27	

Note 1: Condition of transactions which different from related parties and general, should note the difference on the table.

Note 2: Note the reason, payment terms, amount, and general condition if there is an advance receipt or prepaid receivable.

Note 3: Actual capital amount which from the Company, including no par stock and stock less than \$10 New Taiwan dollar is determined as 10% of the equity.

Note 4: The transactions between the Company and investee companies have already been eliminated in the preparation of the consolidated financial statements.

LION TRAVEL SERVICE CO., LTD. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2016

(In Thousands of New Taiwan Dollars)

No. (Note 1)	Company	Counterparty	Flow of Transactions (Note 2)	Transaction Details (Note 4)			
				Financial Statement Account	Amount (Note 5)	Payment Terms	% to Total Sales or Assets (Note 3)
0	Lion Travel Service Co., Ltd. (the "Company")	Fujian Lion	1	Operating revenue	\$ 26,441	Without significant difference from transactions with unrelated parties	0.12
		Uplan Travel	2	Operating revenue	77,289	Without significant difference from transactions with unrelated parties	0.35
		Lion THA	2	Operating costs	94,008	Without significant difference from transactions with unrelated parties	0.43
		Lion SYD	2	Operating costs	183,528	Without significant difference from transactions with unrelated parties	0.84
		Lion YVR	2	Operating costs	221,420	Without significant difference from transactions with unrelated parties	1.01
		Lion AKL	2	Operating costs	63,380	Without significant difference from transactions with unrelated parties	0.29
		US Lion	2	Operating costs	113,114	Without significant difference from transactions with unrelated parties	0.52
		Lion Shanghai	2	Operating costs	668,548	Without significant difference from transactions with unrelated parties	3.06
		Lion Beijing	2	Operating costs	94,010	Without significant difference from transactions with unrelated parties	0.43
		Lion Express	2	Operating costs	136,153	Without significant difference from transactions with unrelated parties	0.62
		Uplan Travel	2	Accounts receivable	28,214	Without significant difference from transactions with unrelated parties	0.51
		Lion Shanghai	2	Accounts payable	28,339	Without significant difference from transactions with unrelated parties	0.51
		Lion SYD	2	Accounts payable	12,587	Without significant difference from transactions with unrelated parties	0.23
		Lion AKL	2	Accounts payable	10,009	Without significant difference from transactions with unrelated parties	0.18
		Uplan Travel	2	Accounts payable	12,728	Without significant difference from transactions with unrelated parties	0.23
		2	Lion Information	The Company	2	Operating revenue	117,946
2	Ansett Tour	Lion Express	5	Operating revenue	14,630	Without significant difference from transactions with unrelated parties	0.07
1	Travel Trend	Fujian Lion	3	Operating revenue	40,547	Without significant difference from transactions with unrelated parties	0.19

(Continued)

Note 1: Companies are identified by number, as follows:

- a. "0" represents the parent company.
- b. "1" represents the subsidiary.
- c. "2" represents the grandson company.

Note 2: The flow of transactions is as follows:

- a. 1 - from the parent company to the subsidiary.
- b. 2 - from the parent company to the grandson company.
- c. 3 - between subsidiaries.
- d. 4 - from the subsidiary to the grandson company.
- e. 5 - between grandson companies.

Note 3: Percentage of consolidated operating revenues or consolidated total assets: If the account is in the balance sheet account, it was calculated by dividing the ending balance by the consolidated total assets; if the account is in the income statement, it was calculated by dividing the interim cumulative balance by the consolidated operating revenue.

Note 4: The important transactions listed accord with the materiality principle of the Company.

Note 5: The transactions between the Company and investee companies have already been eliminated in the preparation of the consolidated financial statements.

(Concluded)

LION TRAVEL SERVICE CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEEES

FOR THE YEAR ENDED DECEMBER 31, 2016

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company (Notes 1 and 2)	Location	Main Business and Product	Original Investment Amount		As of December 31, 2016			Net Income (Loss) of the Investee (Note 2 b)	Share of Profit (Loss) (Note 2 c)	Note
				December 31, 2016	December 31, 2015	Shares	%	Carrying Amount			
Lion Travel Service Co., Ltd. (the "Company")	Shuangshi Investment	Taiwan	Investments	\$ 270,000	\$ 210,000	27,000	100	\$ 260,105	\$ (1,338)	\$ (1,338)	Subsidiary
	Lion Holding	Hong Kong	Investments	509,137	509,137	128,040	100	497,540	15,075	15,075	Subsidiary
	Travel Trend	Taiwan	Travel industry	27,980	27,980	3,000	100	36,920	2,983	2,983	Subsidiary
Shuangshi Investment	Lion Information	Taiwan	Information technology activities	14,301	14,301	3,000	100	24,843	1,800	1,800	Grandson company
	Lion Express	Taiwan	Tour bus transportation activities	110,336	80,336	11,500	100	116,162	4,245	4,245	Grandson company
	Ansett Tour	Taiwan	Tour bus transportation activities	40,517	40,517	5,000	100	47,087	2,697	2,697	Grandson company
	Travel Around Investment	Taiwan	Investments	90,000	60,000	9,000	100	61,013	(10,862)	(10,862)	Grandson company
Lion Information	Lion Technology	Samoa	Investments	6,216	6,216	200	100	(197)	3,450	3,450	Grandson company of subsidiary
Lion Holding	Lion YVR	Canada	Travel industry	19,548	19,548	100	100	48,650	14,511	14,511	Grandson company
				CAD 662	CAD 662				CAD 596	CAD 596	
	Lion SYD	Australia	Travel industry	1961	1961	44	100	6,244	1,054	1,054	Grandson company
				AUD 67	AUD 67				AUD 44	AUD 44	
	Lion AKL	New Zealand	Travel industry	2,527	2,527	0.1	100	3,798	(51)	(51)	Grandson company
				NZD 113	NZD 113				(NZD 2)	(NZD 2)	
	Lion HK	Hong Kong	Travel industry	63,780	63,780	3	100	62,433	(2,371)	(2,371)	Grandson company
				HKD 16,294	HKD 16,294				(HKD 561)	(HKD 561)	
	US Lion	United States	Travel industry	37,182	37,182	1,200	100	32,437	531	531	Grandson company
				USD 1,200	USD 1,200				USD 18	USD 18	
Lion JPN	Japan	Travel industry	26,427	26,427	7	100	17,691	73	73	Grandson company	
			JPY 74,000	JPY 74,000				JPY 94	JPY 94		
Lion THA	Thailand	Travel industry	5,131	5,131	637	49	4,574	(1,600)	(784)	Grandson company	
			THB 5,535	THB 5,535				(THB 1,732)	(THB 849)		
Travel Around Investment	Uplan Travel	Taiwan	Travel industry	49,950	24,000	4,995	62	29,406	(9,395)	(6,275)	Grandson company of subsidiary
	Xinflight Travel	Taiwan	Travel industry	10,000	6,000	1,000	100	4,543	(1,725)	(1,725)	Grandson company of subsidiary
	Fontrip Technology	Taiwan	Information technology activities	25,000	-	2,500	45	22,261	(6,077)	(2,599)	Grandson company of subsidiary

Note 1: Foreign subsidiaries of the Group are calculated and disclose based on the consolidated statements.

Note 2: Which is not belongs to Note 1, filled in by the following rules:

- "Investee", "Location", "Main Business and Product", "Original Investment Amount" and "Shares at the end of the period" should be filled in followed by the Company invest directly or indirectly and noted the relationship between each investee.
- "Net Income (Loss) of the Investee" column should be filled in each investee net income (loss).
- "Share of Profits (Loss)" column only needs to be filled in the profits or loss which recognized under equity method's in each subsidiary. Net income of the investee was included share of profit or loss in each subsidiary.

Note 3: Information on investments in mainland China, please refer to Table 6.

Note 4: The investee company was merged into the Group.

LION TRAVEL SERVICE CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2016

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment (Note 1)	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2016	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2016	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of December 31, 2016	Accumulated Repatriation of Investment Income as of December 31, 2016	Note
					Outward	Inward							
Lion (Fujian) International Travel Service Co., Ltd.	Travel industry	\$ 65,098 USD 2,000	The Company reinvested in Mainland China	\$ 58,588 USD 1,800	\$ - USD -	\$ - USD -	\$ 58,588 USD 1,800	\$ (3,534) (RMB 789)	90	\$ (3,181) (RMB 710)	\$ 49,378	\$ -	
Lion International Travel Service (Shanghai) Co., Ltd.	Travel industry	32,046 USD 1,000	Lion HK reinvested in Mainland China	32,046 USD 1,000	- USD -	- USD -	32,046 USD 1,000	(689) (RMB 128)	100	(689) (RMB 128)	41,871	-	
Lion International Travel Service (Beijing) Co., Ltd.	Travel industry	15,010 USD 500	Lion HK reinvested in Mainland China	15,010 USD 500	- USD -	- USD -	15,010 USD 500	(2,707) (RMB 588)	100	(2,707) (RMB 588)	1,932	-	
Lion International Holding (China) Limited	Management consulting activities	312,700 USD 10,000	Lion Holding reinvested in Mainland China	312,700 USD 10,000	- USD -	- USD -	312,700 USD 10,000	(4,569) (RMB 927)	100	(4,569) (RMB 927)	284,851	-	
Lion Travel International Holding Limited	Travel industry	152,850 RMB 30,000	Lion International (China) reinvested in Mainland China	152,850 RMB 30,000	- RMB -	- RMB -	152,850 RMB 30,000	3,632 RMB 782	100	3,632 RMB 782	142,257	-	
Skylion International Travel Service Co., Ltd.	Travel industry	7,488 RMB 1,500	Lion Travel International Holding Limited reinvested in Mainland China	- RMB -	1,498 RMB 300	- RMB -	1,498 RMB 300	5,310 RMB 1,144	100	5,310 RMB 1,144	6,668	-	

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2016	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
\$ 424,560 USD 13,500	\$ 994,235 (Note 4) USD 31,700	\$ 1,246,367

Note 1: Investment is divided into the following three categories which can be marked:

- Direct investment in mainland China.
- Reinvestment in mainland China companies through the third region (please indicated the third area of investment company).
- Others.

(Continued)

Note 2: The investment income (loss) recognized in current period:

- a. Please specify no investment income (loss) has been recognized due to the investment is still during development stage.
- b. The investment income (loss) was determined based on the following basis:
 - 1) The financial report was audited and certified by an international accounting firm in cooperation with a R.O.C. accounting firm.
 - 2) The financial statements audited by the CPA of the parent company in Taiwan.
 - 3) Others.

Note 3: The table is present by the New Taiwan dollar.

Note 4: Investment commission approved the foreign currency limit the amount of investment. As of the current period, the Company did not exceed the limit.

Note 5: The investee company was included in the consolidate financial statements.

(Concluded)

LION TRAVEL SERVICE CO., LTD. AND SUBSIDIARIES

SIGNIFICANT TRANSACTIONS WITH INVESTEE COMPANIES IN MAINLAND CHINA, EITHER DIRECTLY OR INDIRECTLY THROUGH A THIRD PARTY, AND THEIR PRICES, PAYMENT TERMS, AND UNREALIZED GAINS OR LOSSES

FOR THE YEAR ENDED DECEMBER 31, 2016

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Transaction Type	Purchase/Sales	Price	Transaction Details		Notes/Accounts Receivable (Payable)		Unrealized Gain (Loss)	Note
		Amount		Payment Term	Comparison with Normal Transaction	Ending Balance	%		
Lion Shanghai	Purchase	\$ 668,548	Transactions with non-related party fairly	Normal	Fairly the same as transactions with non-related parties	\$ (28,339)	2.24	\$ -	
Lion Beijing	Purchase	94,010	Transactions with non-related party fairly	Normal	Fairly the same as transactions with non-related parties	(2,668)	0.21	-	
Fujian Lion	Sales	26,441	Transactions with non-related party fairly	Normal	Fairly the same as transactions with non-related parties	377	0.06	-	

Note: The amount was eliminated upon consolidation.