

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

**Consolidated Financial Statements for the
Six Months Ended June 30, 2017 and 2016 and
Independent Auditors' Review Report**

INDEPENDENT AUDITORS' REVIEW REPORT

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

We have reviewed the accompanying consolidated balance sheets of Lion Travel Service Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") as of June 30, 2017 and 2016, and the related consolidated statements of comprehensive income for the three months ended June 30, 2017 and 2016, and for the six months ended June 30, 2017 and 2016, as well as the consolidated statements of changes in equity and cash flows for the six months ended June 30, 2017 and 2016. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these consolidated financial statements based on our reviews.

Except as described in the next paragraph, we conducted our reviews in accordance with Statement of Auditing Standards No. 36 "Review of Financial Statements" issued by the Auditing Standards Committee of the Accounting Research and Development Foundation of the Republic of China. A review consists principally of applying analytical procedures to financial data and of making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the Republic of China, the objective of which is the expression of an opinion regarding the consolidated financial statements taken as a whole. Accordingly, we do not express such an opinion.

As disclosed in Note 11 to the consolidated financial statements, the financial statements of subsidiaries included in the consolidated financial statements referred to in the first paragraph were not reviewed, except those of Lion International Holding Limited and Lion International Holding (China) Limited. As of June 30, 2017 and 2016, the unreviewed assets were 14.03% (NT\$956,593 thousand) and 13.05% (NT\$821,239 thousand), respectively, of the consolidated total assets, and the unreviewed liabilities of these non-significant subsidiaries were 11.57% (NT\$547,555 thousand) and 9.91% (NT\$414,609 thousand), respectively, of the consolidated total liabilities; for the six months ended June 30, 2017 and 2016, the unreviewed comprehensive income were 2.49% (NT\$5,832 thousand) and 1.59% (NT\$2,546 thousand), respectively, of the consolidated total comprehensive income. The amounts pertaining to equity-method investments and the related information disclosed in Note 32 to the consolidated financial statements were based on unreviewed financial statements of associates as of and for the same reporting periods as those of the Company.

Based on our reviews, except for the effects of adjustments, if any, as might have been determined to be necessary had the financial statements of non-significant subsidiaries and associates as described in the preceding paragraph been reviewed, we are not aware of any material modifications that should be made to the consolidated financial statements referred to above for them to be in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Accounting Standard 34 "Interim Financial Reporting" endorsed by the Financial Supervisory Commission of the Republic of China.

Deloitte & Touche

Deloitte & Touche
Taipei, Taiwan
Republic of China

August 10, 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 review such consolidated financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent auditors' review 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' review report and consolidated financial statements shall prevail.

LION TRAVEL SERVICE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

ASSETS	June 30, 2017 (Reviewed)		December 31, 2016 (Audited)		June 30, 2016 (Reviewed)	
	Amount	%	Amount	%	Amount	%
CURRENT ASSETS						
Cash and cash equivalents (Notes 4 and 6)	\$ 3,352,096	49	\$ 2,908,021	53	\$ 3,507,106	56
Notes receivable (Notes 4 and 10)	53,908	1	43,469	1	77,320	1
Accounts receivable (Notes 4, 10 and 28)	856,611	13	618,512	11	743,691	12
Prepayments (Note 13)	1,647,264	24	1,070,355	19	1,149,995	18
Other current financial assets (Notes 4, 9 and 29)	63,647	1	62,017	1	61,938	1
Other current assets (Note 28)	27,810	-	42,108	1	32,238	1
Total current assets	<u>6,001,336</u>	<u>88</u>	<u>4,744,482</u>	<u>86</u>	<u>5,572,288</u>	<u>89</u>
NON-CURRENT ASSETS						
Available-for-sale financial assets (Notes 4 and 7)	85,334	1	54,684	1	11,206	-
Financial assets measured at cost (Notes 4 and 8)	10,000	-	10,000	-	10,000	-
Property, plant and equipment (Notes 4, 12 and 29)	438,272	7	432,302	8	435,122	7
Goodwill (Notes 4 and 22)	10,966	-	11,286	-	11,818	-
Intangible assets (Note 4)	14,251	-	15,795	-	20,123	-
Deferred tax assets (Note 4)	17,109	-	17,200	1	15,903	-
Other non-current assets (Notes 10 and 13)	239,119	4	226,574	4	215,264	4
Total non-current assets	<u>815,051</u>	<u>12</u>	<u>767,841</u>	<u>14</u>	<u>719,436</u>	<u>11</u>
TOTAL	<u>\$ 6,816,387</u>	<u>100</u>	<u>\$ 5,512,323</u>	<u>100</u>	<u>\$ 6,291,724</u>	<u>100</u>
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Notes payable	\$ 172,922	3	\$ 174,400	3	\$ 194,767	3
Accounts payable (Note 28)	1,513,868	22	1,259,625	23	1,485,164	23
Other payables (Note 15)	523,170	8	259,223	5	604,343	10
Current tax liabilities (Note 4)	53,228	1	10,558	-	42,860	1
Advance receipts (Note 15)	2,348,741	34	1,558,059	28	1,755,321	28
Current portion of long-term borrowing (Note 14)	-	-	-	-	6,848	-
Other current liabilities	13,377	-	12,164	-	14,701	-
Total current liabilities	<u>4,625,306</u>	<u>68</u>	<u>3,274,029</u>	<u>59</u>	<u>4,104,004</u>	<u>65</u>
NON-CURRENT LIABILITIES						
Deferred tax liabilities (Note 4)	3,432	-	4,950	-	4,214	-
Net defined benefit liabilities (Note 4)	94,264	1	94,707	2	71,147	1
Other non-current liabilities	7,533	-	6,877	-	2,609	-
Total non-current liabilities	<u>105,229</u>	<u>1</u>	<u>106,534</u>	<u>2</u>	<u>77,970</u>	<u>1</u>
Total liabilities	<u>4,730,535</u>	<u>69</u>	<u>3,380,563</u>	<u>61</u>	<u>4,181,974</u>	<u>66</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 17)						
Share capital						
Common stock	700,000	10	700,000	13	700,000	11
Capital surplus	820,390	12	820,390	15	820,390	13
Retained earnings						
Legal reserve	226,746	3	201,949	4	201,949	3
Special reserve	48,435	1	11,846	-	11,846	-
Unappropriated earnings (Note 20)	295,289	5	391,528	7	337,147	6
Other equity	(63,734)	(1)	(48,435)	(1)	(22,237)	-
Total equity attributable to owners of the Company	<u>2,027,126</u>	<u>30</u>	<u>2,077,278</u>	<u>38</u>	<u>2,049,095</u>	<u>33</u>
NON-CONTROLLING INTERESTS	<u>58,726</u>	<u>1</u>	<u>54,482</u>	<u>1</u>	<u>60,655</u>	<u>1</u>
Total equity	<u>2,085,852</u>	<u>31</u>	<u>2,131,760</u>	<u>39</u>	<u>2,109,750</u>	<u>34</u>
TOTAL	<u>\$ 6,816,387</u>	<u>100</u>	<u>\$ 5,512,323</u>	<u>100</u>	<u>\$ 6,291,724</u>	<u>100</u>

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

(With Deloitte & Touche review report dated August 10, 2017)

LION TRAVEL SERVICE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share) (Reviewed, Not Audited)

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2017		2016		2017		2016	
	Amount	%	Amount	%	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 18 and 28)	\$ 7,033,523	100	\$ 5,859,888	100	\$ 12,594,931	100	\$ 10,444,702	100
OPERATING COSTS (Notes 19 and 28)	<u>(6,184,440)</u>	<u>(88)</u>	<u>(5,175,089)</u>	<u>(88)</u>	<u>(10,997,046)</u>	<u>(87)</u>	<u>(9,116,138)</u>	<u>(87)</u>
GROSS PROFIT	849,083	12	684,799	12	1,597,885	13	1,328,564	13
OPERATING EXPENSES (Notes 16, 19 and 28)	<u>(696,111)</u>	<u>(10)</u>	<u>(606,160)</u>	<u>(11)</u>	<u>(1,348,123)</u>	<u>(11)</u>	<u>(1,190,440)</u>	<u>(12)</u>
INCOME FROM OPERATIONS	<u>152,972</u>	<u>2</u>	<u>78,639</u>	<u>1</u>	<u>249,762</u>	<u>2</u>	<u>138,124</u>	<u>1</u>
NON-OPERATING INCOME AND EXPENSES (Note 19)								
Other income (Note 28)	20,113	1	23,749	1	31,835	-	38,152	-
Other gains and losses	9,261	-	22,103	-	17,932	-	39,307	1
Finance costs	<u>(39)</u>	<u>-</u>	<u>(82)</u>	<u>-</u>	<u>(39)</u>	<u>-</u>	<u>(290)</u>	<u>-</u>
Total non-operating income and expenses	<u>29,335</u>	<u>1</u>	<u>45,770</u>	<u>1</u>	<u>49,728</u>	<u>-</u>	<u>77,169</u>	<u>1</u>
INCOME BEFORE INCOME TAX	182,307	3	124,409	2	299,490	2	215,293	2
INCOME TAX EXPENSE (Notes 4 and 20)	<u>(29,281)</u>	<u>(1)</u>	<u>(28,773)</u>	<u>(1)</u>	<u>(50,550)</u>	<u>-</u>	<u>(44,132)</u>	<u>-</u>
NET INCOME FOR THE PERIOD	<u>153,026</u>	<u>2</u>	<u>95,636</u>	<u>1</u>	<u>248,940</u>	<u>2</u>	<u>171,161</u>	<u>2</u>
OTHER COMPREHENSIVE INCOME (LOSS)								
Items that may be reclassified subsequently to profit or loss								
Exchange differences on translating foreign operations	8,223	-	(9,498)	-	(15,068)	-	(9,240)	-
Unrealized gain (loss) on available-for-sale financial assets	<u>(1,512)</u>	<u>-</u>	<u>(358)</u>	<u>-</u>	<u>220</u>	<u>-</u>	<u>(1,314)</u>	<u>-</u>
Other comprehensive income (loss) for the period, net of income tax	<u>6,711</u>	<u>-</u>	<u>(9,856)</u>	<u>-</u>	<u>(14,848)</u>	<u>-</u>	<u>(10,554)</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	<u>\$ 159,737</u>	<u>2</u>	<u>\$ 85,780</u>	<u>1</u>	<u>\$ 234,092</u>	<u>2</u>	<u>\$ 160,607</u>	<u>2</u>
NET INCOME (LOSS) ATTRIBUTABLE TO:								
Owners of the Company	\$ 147,959	2	\$ 97,976	2	\$ 245,147	2	\$ 173,735	2
Non-controlling interests	<u>5,067</u>	<u>-</u>	<u>(2,340)</u>	<u>-</u>	<u>3,793</u>	<u>-</u>	<u>(2,574)</u>	<u>-</u>
	<u>\$ 153,026</u>	<u>2</u>	<u>\$ 95,636</u>	<u>2</u>	<u>\$ 248,940</u>	<u>2</u>	<u>\$ 171,161</u>	<u>2</u>

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LION TRAVEL SERVICE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share) (Reviewed, Not Audited)

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2017		2016		2017		2016	
	Amount	%	Amount	%	Amount	%	Amount	%
TOTAL COMPREHENSIVE INCOME (LOSS)								
ATTRIBUTABLE TO:								
Owners of the Company	\$ 154,484	2	\$ 88,300	1	\$ 229,848	2	\$ 163,344	2
Non-controlling interests	<u>5,253</u>	-	<u>(2,520)</u>	-	<u>4,244</u>	-	<u>(2,737)</u>	-
	<u>\$ 159,737</u>	<u>2</u>	<u>\$ 85,780</u>	<u>1</u>	<u>\$ 234,092</u>	<u>2</u>	<u>\$ 160,607</u>	<u>2</u>
EARNINGS PER SHARE (Note 21)								
Basic earnings per share	<u>\$ 2.11</u>		<u>\$ 1.40</u>		<u>\$ 3.50</u>		<u>\$ 2.48</u>	
Diluted earnings per share	<u>\$ 2.11</u>		<u>\$ 1.40</u>		<u>\$ 3.49</u>		<u>\$ 2.47</u>	

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

(With Deloitte & Touche review report dated August 10, 2017)

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LION TRAVEL SERVICE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (In Thousands of New Taiwan Dollars) (Reviewed, Not Audited)

	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 AT JANUARY 1, 2016	\$ 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) for the six months ended June 30, 2016	-	-	-	-	173,735	-	-	173,735	(2,574)	171,161
Other comprehensive loss for the six months ended June 30, 2016, net of income tax	-	-	-	-	-	(9,077)	(1,314)	(10,391)	(163)	(10,554)
Total comprehensive income (loss) for the six months ended June 30, 2016	-	-	-	-	173,735	(9,077)	(1,314)	163,344	(2,737)	160,607
Changes in percentage of ownership interest in subsidiary	-	4,540	-	-	-	-	-	4,540	-	4,540
Non-controlling interests	-	-	-	-	-	-	-	-	50,147	50,147
BALANCE AT JUNE 30, 2016	\$ 700,000	\$ 820,390	\$ 201,949	\$ 11,846	\$ 337,147	\$ (19,443)	\$ (2,794)	\$ 2,049,095	\$ 60,655	\$ 2,109,750
BALANCE AT JANUARY 1, 2017	\$ 700,000	\$ 820,390	\$ 201,949	\$ 11,846	\$ 391,528	\$ (42,109)	\$ (6,326)	\$ 2,077,278	\$ 54,482	\$ 2,131,760
Appropriation of 2016 earnings										
Legal reserve	-	-	24,797	-	(24,797)	-	-	-	-	-
Special reserve	-	-	-	36,589	(36,589)	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	(280,000)	-	-	(280,000)	-	(280,000)
Net income for the six months ended June 30, 2017	-	-	-	-	245,147	-	-	245,147	3,793	248,940
Other comprehensive income (loss) for the six months ended June 30, 2017, net of income tax	-	-	-	-	-	(15,519)	220	(15,299)	451	(14,848)
Total comprehensive income (loss) for the six months ended June 30, 2017	-	-	-	-	245,147	(15,519)	220	229,848	4,244	234,092
BALANCE AT JUNE 30, 2017	\$ 700,000	\$ 820,390	\$ 226,746	\$ 48,435	\$ 295,289	\$ (57,628)	\$ (6,106)	\$ 2,027,126	\$ 58,726	\$ 2,085,852

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

(With Deloitte & Touche review report dated August 10, 2017)

LION TRAVEL SERVICE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Six Months Ended	
	June 30	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 299,490	\$ 215,293
Adjustments for:		
Depreciation expenses	48,202	42,521
Amortization expenses	1,648	1,240
Impairment loss recognized (reversal of impairment loss) on accounts receivable	2,905	(4,983)
Interest expenses	39	290
Interest income	(8,041)	(5,808)
Gain on disposal of investments	-	(3,485)
Changes in operating assets and liabilities		
Notes receivable	(10,439)	(24,954)
Accounts receivable	(239,347)	13,163
Prepayments	(576,909)	(382,343)
Other current assets	9,619	(7,517)
Notes payable	(1,478)	88,038
Accounts payable	254,243	544,743
Other payables	(16,053)	(37,663)
Advance receipts	790,682	466,557
Other current liabilities	1,213	2,729
Net defined benefit liabilities	(443)	(568)
Cash generated from operations	555,331	907,253
Interest received	8,041	5,808
Interest paid	(39)	(290)
Income tax paid	(4,628)	(63,508)
Net cash generated from operating activities	<u>558,705</u>	<u>849,263</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of available-for-sale financial assets	(30,430)	-
Net cash outflow on acquisition of subsidiary	-	(6,797)
Payments for property, plant and equipment	(46,692)	(107,024)
Proceeds from disposal of property, plant and equipment	-	79
Increase in refundable deposits	(15,866)	(38,282)
Payments for intangible assets and increase in deferred expenses	-	(7,502)
(Increase) decrease in other current financial assets	(1,630)	3,711
(Increase) decrease in other non-current assets	(1,657)	424
Increase in prepayments for equipment	(4,429)	(2,280)
Net cash used in investing activities	<u>(100,704)</u>	<u>(157,671)</u>

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LION TRAVEL SERVICE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Six Months Ended	
	June 30	
	2017	2016
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in short-term borrowing	\$ -	\$ (25,000)
Repayments of long-term borrowing	-	(13,000)
Increase in guarantee deposits	656	1,828
Increase in non-controlling interests	-	24,050
Net cash generated from (used in) financing activities	656	(12,122)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(14,582)	16,191
NET INCREASE IN CASH AND CASH EQUIVALENTS	444,075	695,661
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	2,908,021	2,811,445
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>\$ 3,352,096</u>	<u>\$ 3,507,106</u>

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

(With Deloitte & Touche review report dated August 10, 2017)

(Concluded)

LION TRAVEL SERVICE CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2017 AND 2016 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise) (Reviewed, Not Audited)

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 August 10, 2017.

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

- a. Initial application of the 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 and issued into effect by the FSC starting 2017

Except for the following, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC did not have any material impact on the Group’s accounting policies.

- 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 is 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 is 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 and issued into effect by the FSC. 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 amendments also require additional disclosure if there is a significant difference between the actual operation after business combination and the expected benefit on acquisition date.

When the amendments are applied retrospectively from January 1, 2017, the disclosures of related party transactions and impairment of goodwill are enhanced. Refer to Note 22 and Note 28 for related disclosures.

- b. 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) (collectively, the “IFRSs”) endorsed by the FSC for application starting from 2018

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
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
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, measurement and impairment 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.

The Group analyzed the facts and circumstances of its financial assets that exist at June 30, 2017 and performed a preliminary assessment of the impact of IFRS 9 on the classification and measurement of financial assets. Under IFRS 9:

- a) Emerging market shares and unlisted shares classified as available-for-sale will be designated as at fair value through other comprehensive income and the fair value gains or losses accumulated in other equity will be transferred directly to retained earnings instead of being reclassified to profit or loss on disposal. Besides, unlisted shares measured at cost will be measured at fair value instead;
- b) Mutual funds classified as available-for-sale will be classified as at fair value through profit or loss because the contractual cash flows are not solely payments of principal and interest on the principal outstanding and they are not equity instruments.

IFRS 9 requires impairment loss on financial assets to be recognized by using the “Expected Credit Losses Model”. The 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.

The Group has performed a preliminary assessment that the Group will apply the simplified approach to recognize lifetime expected credit losses for trade receivables. In relation to the debt instrument investments and the financial guarantee contracts, the Group will assess whether there has been a significant increase in the credit risk to determine whether to recognize 12-month or lifetime expected credit losses. In general, the Group anticipates that the application of the expected credit loss model of IFRS 9 will result in earlier recognition of credit losses for financial assets.

The Group elects not to restate prior periods when applying the requirements for the recognition, measurement and impairment of financial assets under IFRS 9 and will provide the disclosures related to the classification and the adjustment information upon initial application of IFRS 9. Furthermore, the Group will provide disclosure of the differences in amounts if the Group continued to apply the existing accounting treatments in 2018.

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.

The Group elects to retrospectively apply IFRS 15 to contracts that are not complete on January 1, 2018 and recognize the cumulative effect of the change in the retained earnings on January 1, 2018.

3) 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 will apply IFRIC 22 prospectively to all assets, expenses and income recognized on or after January 1, 2018 within the scope of the Interpretation.

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.

c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

New IFRSs	Effective Date Announced by IASB (Note)
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 16 “Leases”	January 1, 2019
IFRS 17 “Insurance Contracts”	January 1, 2021
IFRIC 23 “Uncertainty Over Income Tax Treatments”	January 1, 2019

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

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

These interim consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and IAS 34 “Interim Financial Reporting” as endorsed and issued into effect by the FSC. Disclosure information included in these interim consolidated financial statements is less than the disclosure information required in a complete set of annual financial statements.

b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for the financial instruments which are measured at fair value, net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

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. Basis of consolidation

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

d. Other significant accounting policies

Except for the following, the accounting policies applied to these consolidated financial statements are consistent with those applied to the consolidated financial statements for the year ended December 31, 2016. For the summary of other significant accounting policies, please refer to the consolidated financial statements for the year ended December 31, 2016.

1) Retirement benefits

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant plan amendments, settlements, or other significant one-off events.

2) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. Interim period income taxes are assessed on an annual basis and calculated by applying to an interim period's pretax income the tax rate that would be applicable to expected total annual earnings.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The critical accounting judgments and key sources of estimation uncertainty applied to these consolidated financial statements are consistent with those applied to the consolidated financial statements for the year ended December 31, 2016. For the summary, please refer to the consolidated financial statements for the year ended December 31, 2016.

6. CASH AND CASH EQUIVALENTS

	June 30, 2017	December 31, 2016	June 30, 2016
Cash on hand	\$ 52,907	\$ 51,512	\$ 93,821
Checking accounts and demand deposits	2,220,379	2,388,381	2,826,624
Cash equivalents			
Time deposits with original maturities of less than three months	<u>1,078,810</u>	<u>468,128</u>	<u>586,661</u>
	<u>\$ 3,352,096</u>	<u>\$ 2,908,021</u>	<u>\$ 3,507,106</u>
Annual yield rates for bank deposits	0.01%-4.10%	0.01%-1.49%	0.01%-1.62%

7. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	June 30, 2017	December 31, 2016	June 30, 2016
<u>Non-current</u>			
Domestic investments			
Emerging market shares	\$ 7,894	\$ 7,674	\$ 11,206
Foreign investments			
Privately offered fund	<u>77,440</u>	<u>47,010</u>	<u>-</u>
	<u>\$ 85,334</u>	<u>\$ 54,684</u>	<u>\$ 11,206</u>

8. FINANCIAL ASSETS MEASURED AT COST

	June 30, 2017	December 31, 2016	June 30, 2016
<u>Non-current</u>			
Domestic unlisted common shares	<u>\$ 10,000</u>	<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>	<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

	June 30, 2017	December 31, 2016	June 30, 2016
<u>Current</u>			
Pledged time deposits and demand deposits	<u>\$ 63,647</u>	<u>\$ 62,017</u>	<u>\$ 61,938</u>
Rate intervals	0.41%-2.25%	0.41%-2.25%	0.29%-2.25%

Refer to Note 29 for information relating on other current financial assets pledged as security.

10. NOTES RECEIVABLE, ACCOUNTS RECEIVABLE AND OVERDUE RECEIVABLES

	June 30, 2017	December 31, 2016	June 30, 2016
<u>Notes receivable</u>			
Notes receivable - operating	\$ <u>53,908</u>	\$ <u>43,469</u>	\$ <u>77,320</u>
Accounts receivable	\$ 859,220	\$ 619,910	\$ 744,221
Less: Allowance for impairment loss	<u>(2,609)</u>	<u>(1,398)</u>	<u>(530)</u>
	<u>\$ 856,611</u>	<u>\$ 618,512</u>	<u>\$ 743,691</u>
<u>Overdue receivables</u>			
Overdue receivables	\$ 13,735	\$ 12,142	\$ 11,567
Less: Allowance for impairment loss	<u>(13,735)</u>	<u>(12,142)</u>	<u>(11,567)</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

a. Notes receivable

The checks received by the Group are encashed 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's 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:

	June 30, 2017	December 31, 2016	June 30, 2016
Up to 90 days	\$ 847,786	\$ 645,766	\$ 794,037
91-180 days	58,942	16,040	26,405
181-365 days	<u>6,400</u>	<u>1,573</u>	<u>1,099</u>
	<u>\$ 913,128</u>	<u>\$ 663,379</u>	<u>\$ 821,541</u>

The above aging schedule was based on the invoice date.

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

	For the Six Months Ended June 30			
	2017		2016	
	Collectively Assessed for Impairment Accounts Receivable	Individually Assessed for Impairment Overdue Receivables	Collectively Assessed for Impairment Accounts Receivable	Individually Assessed for Impairment Overdue Receivables
Balance at January 1	\$ 1,398	\$ 12,142	\$ 5,094	\$ 12,177
Add: Impairment losses (reversal of impairment losses) recognized on receivables	1,248	1,657	(4,559)	(424)
Less: Amounts written off during the period as uncollectible	<u>(37)</u>	<u>(64)</u>	<u>(5)</u>	<u>(186)</u>
Balance at June 30	<u>\$ 2,609</u>	<u>\$ 13,735</u>	<u>\$ 530</u>	<u>\$ 11,567</u>

11. SUBSIDIARIES

Entities included in the consolidated financial statements:

Investor	Investee	Nature of Activities	Proportion of Ownership			Remark
			June 30, 2017	December 31, 2016	June 30, 2016	
The Company	Lion International Holding Limited ("Lion Holding")	Investments	100.00	100.00	100.00	
	Travel Trend Service Co., Ltd. ("Travel Trend")	Travel industry	100.00	100.00	100.00	
	Shuangshi Investment Co., Ltd. ("Shuangshi Investment")	Investments	100.00	100.00	100.00	
	Lion (Fujian) International Travel Service Co., Ltd. ("Fujian Lion")	Travel industry	90.00	90.00	90.00	
Lion Holding	Lion International Travel Service Co., Ltd. (YVR) ("Lion YVR")	Travel industry	100.00	100.00	100.00	
	Lion International Travel Service Pty., Ltd. (SYD) ("Lion SYD")	Travel industry	100.00	100.00	100.00	
	Lion International Travel Service Co., Ltd. (AKL) ("Lion AKL")	Travel industry	100.00	100.00	100.00	
	Lion International Travel Service Co., Ltd. (HK) ("Lion HK")	Travel industry	100.00	100.00	100.00	

(Continued)

Investor	Investee	Nature of Activities	Proportion of Ownership			Remark
			December 31,			
			June 30, 2017	2016	June 30, 2016	
Lion Holding	US Lion Travel (“US Lion”)	Travel industry	100.00	100.00	100.00	
	Lion International Travel Service Co., Ltd. (“Lion JPN”)	Travel industry	100.00	100.00	100.00	
	Lion International Travel Service Co., Ltd. (THA) (“Lion THA”)	Travel industry	49.00	49.00	49.00	b.
	Lion International Holding (China) Limited (“Lion Holding (China)”)	Management consulting activities	100.00	100.00	100.00	
Shuangshi Investment	Lion Information Technology Co., Ltd. (“Lion Information”)	Information technology activities	100.00	100.00	100.00	
	Lion Express Co., Ltd. (“Lion Express”)	Tour bus transportation activities	100.00	100.00	100.00	
	Ansett Tour Co., Ltd. (“Ansett Tour”)	Tour bus transportation activities	100.00	100.00	100.00	
	Travel Around Investment Holding Co., Ltd. (“Travel Around Investment”)	Investments	100.00	100.00	100.00	
Lion Information	Lion Technology Holding Limited (“Lion Technology”)	Investments	100.00	100.00	100.00	
Lion HK	Lion International Travel Service (Shanghai) Co., Ltd. (“Lion Shanghai”)	Travel industry	100.00	100.00	100.00	
	Lion International Travel Service (Beijing) Co., Ltd. (“Lion Beijing”)	Travel industry	100.00	100.00	100.00	
Travel Around Investment	Uplan Travel Service Co., Ltd. (“Uplan Travel”)	Travel industry	62.44	62.44	62.44	
	Xinflight Travel Service Co., Ltd. (“Xinflight Travel”)	Travel industry	100.00	100.00	100.00	
	Fontrip Technology Co., Ltd. (“Fontrip Technology”)	Information technology activities	45.05	45.05	45.05	c.
Lion Holding (China)	Lion Travel International Holding Limited (“Lion Travel Holding”)	Travel industry	100.00	100.00	100.00	
Lion Travel Holding	Skylion International Travel Service Co., Ltd. (“Skylion Travel”)	Travel industry	100.00	100.00	100.00	d.

(Concluded)

- a. Except for Lion International Holding Limited and Lion International Holding (China) Limited, the financial statements of subsidiaries included in the consolidated financial statements were not reviewed by independent auditors. As of June 30, 2017 and 2016, the unreviewed assets were 14.03% (NT\$956,593 thousand) and 13.05% (NT\$821,239 thousand), respectively, of the consolidated total assets, and the unreviewed liabilities of these non-significant subsidiaries were 11.57% (NT\$547,555 thousand) and 9.91% (NT\$414,609 thousand), respectively, of the consolidated total liabilities; for the six months ended June 30, 2017 and 2016, the unreviewed comprehensive (loss) income were 2.49% (NT\$5,832 thousand) and 1.59% (NT\$2,546 thousand), respectively, of the consolidated total comprehensive income.
- 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. 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.
- d. 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, 2016	\$ 39,527	\$ 30,957	\$ 124,294	\$ 236,177	\$ 180,309	\$ 611,264
Additions	-	-	33,572	35,130	38,322	107,024
Disposals	-	-	(10,763)	-	(18,171)	(28,934)
Effect of foreign currency exchange differences	-	-	(18)	87	342	411
Balance at June 30, 2016	<u>\$ 39,527</u>	<u>\$ 30,957</u>	<u>\$ 147,085</u>	<u>\$ 271,394</u>	<u>\$ 200,802</u>	<u>\$ 689,765</u>
<u>Accumulated depreciation</u>						
Balance at January 1, 2016	\$ -	\$ 10,430	\$ 47,566	\$ 103,524	\$ 79,012	\$ 240,532
Depreciation expenses	-	277	16,293	11,444	14,507	42,521
Disposals	-	-	(10,684)	-	(18,014)	(28,698)
Effect of foreign currency exchange differences	-	-	(4)	26	266	288
Balance at June 30, 2016	<u>\$ -</u>	<u>\$ 10,707</u>	<u>\$ 53,171</u>	<u>\$ 114,994</u>	<u>\$ 75,771</u>	<u>\$ 254,643</u>
Carrying amounts at June 30, 2016	<u>\$ 39,527</u>	<u>\$ 20,250</u>	<u>\$ 93,914</u>	<u>\$ 156,400</u>	<u>\$ 125,031</u>	<u>\$ 435,122</u>
<u>Cost</u>						
Balance at January 1, 2017	\$ 39,527	\$ 30,957	\$ 142,715	\$ 264,209	\$ 227,376	\$ 704,784
Additions	-	-	8,944	-	37,442	46,386
Disposals	-	-	(2,889)	-	(181)	(3,070)
Reclassification	-	-	(13)	-	8,069	8,056
Effect of foreign currency exchange differences	-	-	(199)	(65)	(69)	(333)
Balance at June 30, 2017	<u>\$ 39,527</u>	<u>\$ 30,957</u>	<u>\$ 148,561</u>	<u>\$ 264,144</u>	<u>\$ 272,391</u>	<u>\$ 755,823</u>
<u>Accumulated depreciation</u>						
Balance at January 1, 2017	\$ -	\$ 10,983	\$ 54,671	\$ 121,642	\$ 85,186	\$ 272,482
Depreciation expenses	-	276	17,197	12,419	18,310	48,202
Disposals	-	-	(2,889)	-	(181)	(3,070)
Effect of foreign currency exchange differences	-	-	(96)	(24)	57	(63)
Balance at June 30, 2017	<u>\$ -</u>	<u>\$ 11,259</u>	<u>\$ 68,886</u>	<u>\$ 134,037</u>	<u>\$ 103,126</u>	<u>\$ 317,551</u>
Carrying amounts at December 31, 2016 and January 1, 2017	<u>\$ 39,527</u>	<u>\$ 19,974</u>	<u>\$ 88,044</u>	<u>\$ 142,567</u>	<u>\$ 142,190</u>	<u>\$ 432,302</u>
Carrying amounts at June 30, 2017	<u>\$ 39,527</u>	<u>\$ 19,698</u>	<u>\$ 79,675</u>	<u>\$ 130,107</u>	<u>\$ 169,265</u>	<u>\$ 438,272</u>

No impairment assessment was performed from January 1 to June 30, 2017 and 2016 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	5-10 years
Office equipment	3-10 years

Refer to Note 29 for the carrying amounts of property, plant and equipment pledged as security for long-term borrowing.

13. OTHER ASSETS

	June 30, 2017	December 31, 2016	June 30, 2016
<u>Current</u>			
Prepayments			
Prepaid expenses	\$ 14,515	\$ 20,768	\$ 34,053
Prepaid tour costs	1,523,892	886,735	1,035,629
Inventory of supplies	108,584	161,839	78,313
Others	<u>273</u>	<u>1,013</u>	<u>2,000</u>
	<u>\$ 1,647,264</u>	<u>\$ 1,070,355</u>	<u>\$ 1,149,995</u>
<u>Non-current</u>			
Other assets			
Prepayments for equipment	\$ 8,238	\$ 11,559	\$ 12,638
Refundable deposits	<u>230,881</u>	<u>215,015</u>	<u>202,626</u>
	<u>\$ 239,119</u>	<u>\$ 226,574</u>	<u>\$ 215,264</u>

14. BORROWING

Long-term Borrowing

	June 30, 2017	December 31, 2016	June 30, 2016
<u>Secured borrowing</u>			
Bank loan	\$ -	\$ -	\$ 6,848
Less: Current portion	<u>-</u>	<u>-</u>	<u>(6,848)</u>
Long-term borrowing	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Annual interest rate	-	-	2.74%

Refer to Note 29 for information on the Group's long-term borrowing secured by its freehold transportation equipment. The loan was due and paid on October 24, 2016.

15. OTHER LIABILITIES

	June 30, 2017	December 31, 2016	June 30, 2016
<u>Other payables</u>			
Accrued expense payable	\$ 162,146	\$ 204,994	\$ 210,626
Accrued remuneration to employees and directors	36,677	19,301	20,028
Sales tax payable	28,608	22,423	23,068
Dividends payable	280,000	-	322,000
Others	<u>15,739</u>	<u>12,505</u>	<u>28,621</u>
	<u>\$ 523,170</u>	<u>\$ 259,223</u>	<u>\$ 604,343</u>
<u>Advance receipts</u>			
Deposits received from package-tour customers	\$ 2,240,072	\$ 1,443,109	\$ 1,669,344
Deposits received on sold travel vouchers or gift certificates	106,463	94,205	76,050
Others	<u>2,206</u>	<u>20,745</u>	<u>9,927</u>
	<u>\$ 2,348,741</u>	<u>\$ 1,558,059</u>	<u>\$ 1,755,321</u>

16. RETIREMENT BENEFIT PLANS

Employee benefit expenses in respect of the Group's defined benefit retirement plans were calculated using the actuarially determined pension cost discount rate as of December 31, 2016 and 2015 and recognized in the following line items in their respective periods:

	<u>For the Three Months Ended</u> <u>June 30</u>		<u>For the Six Months Ended</u> <u>June 30</u>	
	2017	2016	2017	2016
Operating expenses	<u>\$ 499</u>	<u>\$ 451</u>	<u>\$ 997</u>	<u>\$ 901</u>

17. EQUITY

a. Share capital

Common stock

	June 30, 2017	December 31, 2016	June 30, 2016
Number of shares authorized (in thousands)	<u>80,000</u>	<u>80,000</u>	<u>80,000</u>
Shares authorized	<u>\$ 800,000</u>	<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>	<u>70,000</u>
Shares issued	<u>\$ 700,000</u>	<u>\$ 700,000</u>	<u>\$ 700,000</u>

b. Capital surplus

	June 30, 2017	December 31, 2016	June 30, 2016
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)			
Recognized from issuance of ordinary shares	\$ 815,850	\$ 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>4,540</u>	<u>4,540</u>
	<u>\$ 820,390</u>	<u>\$ 820,390</u>	<u>\$ 820,390</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 that 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. (Note 23)

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.

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 and Rule No. 1010047490 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 2016 and 2015 approved in the shareholders' meeting on June 15, 2017 and June 17, 2016, respectively were as follows:

	Appropriation of Earnings		Dividends Per Share (NT\$)	
	For the Year Ended December 31		For the Year Ended December 31	
	2016	2015	2016	2015
Legal reserve	\$ 24,797	\$ 45,016	\$ -	\$ -
Special reserve	36,589	10,223	-	-
Cash dividends	280,000	322,000	4.00	4.60

d. Special reserve

	For the Six Months Ended June 30	
	2017	2016
Beginning at January 1	\$ 11,846	\$ 1,623
Appropriation in respect of Debit to other equity items	<u>36,589</u>	<u>10,223</u>
Balance at June 30	<u>\$ 48,435</u>	<u>\$ 11,846</u>

18. REVENUE

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2017	2016	2017	2016
Tour revenue	\$ 6,793,081	\$ 5,601,858	\$ 12,154,613	\$ 9,993,011
FIT (Free Independent Traveler) revenue	108,504	110,428	200,574	201,893
Others	<u>131,938</u>	<u>147,602</u>	<u>239,744</u>	<u>249,798</u>
	<u>\$ 7,033,523</u>	<u>\$ 5,859,888</u>	<u>\$ 12,594,931</u>	<u>\$ 10,444,702</u>

19. NET INCOME

a. Other income

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2017	2016	2017	2016
Interest income	\$ 6,875	\$ 3,905	\$ 8,041	\$ 5,808
Rental income	1,085	1,590	2,086	3,252
Others	<u>12,153</u>	<u>18,254</u>	<u>21,708</u>	<u>29,092</u>
	<u>\$ 20,113</u>	<u>\$ 23,749</u>	<u>\$ 31,835</u>	<u>\$ 38,152</u>

b. Other gains and losses

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2017	2016	2017	2016
Net foreign exchange gains	\$ 12,316	\$ 23,855	\$ 22,547	\$ 39,007
Gain on disposal of investments	-	-	-	3,485
Others	<u>(3,055)</u>	<u>(1,752)</u>	<u>(4,615)</u>	<u>(3,185)</u>
	<u>\$ 9,261</u>	<u>\$ 22,103</u>	<u>\$ 17,932</u>	<u>\$ 39,307</u>

c. Finance costs

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2017	2016	2017	2016
Interest on bank loans	<u>\$ 39</u>	<u>\$ 82</u>	<u>\$ 39</u>	<u>\$ 290</u>

d. Depreciation and amortization

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2017	2016	2017	2016
Property, plant and equipment	\$ 24,947	\$ 21,886	\$ 48,202	\$ 42,521
Intangible assets	<u>822</u>	<u>660</u>	<u>1,648</u>	<u>1,240</u>
	<u>\$ 25,769</u>	<u>\$ 22,546</u>	<u>\$ 49,850</u>	<u>\$ 43,761</u>
An analysis of depreciation by function				
Operating costs	\$ 6,234	\$ 5,806	\$ 12,469	\$ 11,323
Operating expenses	<u>18,713</u>	<u>16,080</u>	<u>35,733</u>	<u>31,198</u>
	<u>\$ 24,947</u>	<u>\$ 21,886</u>	<u>\$ 48,202</u>	<u>\$ 42,521</u>
An analysis of amortization by function				
Operating costs	\$ 375	\$ -	\$ 750	\$ 2
Operating expenses	<u>447</u>	<u>660</u>	<u>898</u>	<u>1,238</u>
	<u>\$ 822</u>	<u>\$ 660</u>	<u>\$ 1,648</u>	<u>\$ 1,240</u>

e. Employee benefits expense

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2017	2016	2017	2016
Post-employment benefits				
Defined contribution plans	\$ 19,609	\$ 18,850	\$ 39,693	\$ 36,763
Defined benefit plans (Note 16)	499	451	997	901
Other employee benefits	<u>514,684</u>	<u>437,311</u>	<u>990,655</u>	<u>870,859</u>
 Total employee benefits expense	 <u>\$ 534,792</u>	 <u>\$ 456,612</u>	 <u>\$1,031,345</u>	 <u>\$ 908,523</u>
 An analysis of employee benefits expense by function				
Operating costs	\$ 25,479	\$ 18,922	\$ 48,399	\$ 37,433
Operating expenses	<u>509,313</u>	<u>437,690</u>	<u>982,946</u>	<u>871,090</u>
	<u>\$ 534,792</u>	<u>\$ 456,612</u>	<u>\$1,031,345</u>	<u>\$ 908,523</u>

f. Employees' compensation and remuneration of directors and supervisors

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 were as follows:

Accrual rate

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2017	2016	2017	2016
Employees' compensation	5.0%	5.0%	5.0%	5.0%
Remuneration of directors and supervisors	0.7%	0.7%	0.7%	0.7%

Amount

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2017	2016	2017	2016
Employees' compensation	<u>\$ 9,403</u>	<u>\$ 6,605</u>	<u>\$ 15,632</u>	<u>\$ 11,310</u>
Remuneration to directors and supervisors	<u>\$ 1,316</u>	<u>\$ 924</u>	<u>\$ 2,188</u>	<u>\$ 1,583</u>

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

The appropriations for employees' compensation and remuneration of directors and supervisors for 2016 and 2015 approved by the Company's board of directors on March 24, 2017 and March 24, 2016, respectively, were as follows:

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

There was no difference between the actual amounts of employees' compensation and remuneration of directors and supervisors paid and the amounts recognized in the consolidated financial statements for the year ended December 31, 2016.

The Company's board of directors held a meeting on March 24, 2016 that approved the actual amounts of the employees' compensation and remuneration of directors and supervisors paid for 2015 to differ from the amounts recognized in the consolidated financial statements for the year ended December 31, 2015. The differences were adjusted to profit and loss for the year ended December 31, 2016.

	For the Year Ended December 31, 2015	
	Employees' 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 the annual financial statements	<u>\$ 34,992</u>	<u>\$ 4,666</u>

Information on the employees' compensation and remuneration of directors and supervisors approved by the Company's board of directors in 2017 and 2016 is available at the Market Observation Post System.

g. Foreign exchange gains or loss

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2017	2016	2017	2016
	Foreign exchange gains	\$ 14,338	\$ 29,721	\$ 39,432
Foreign exchange losses	<u>(2,022)</u>	<u>(5,866)</u>	<u>(16,885)</u>	<u>(12,421)</u>
Net gain	<u>\$ 12,316</u>	<u>\$ 23,855</u>	<u>\$ 22,547</u>	<u>\$ 39,007</u>

20. INCOME TAX

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

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2017	2016	2017	2016
Current tax				
In respect of the current period	\$ 28,644	\$ 27,472	\$ 52,762	\$ 44,510
Deferred tax				
In respect of the current period	<u>637</u>	<u>1,301</u>	<u>(2,212)</u>	<u>(378)</u>
Income tax expense recognized in profit or loss	<u>\$ 29,281</u>	<u>\$ 28,773</u>	<u>\$ 50,550</u>	<u>\$ 44,132</u>

- b. Integrated income tax

	June 30, 2017	December 31, 2016	June 30, 2016
Unappropriated earnings			
Generated before January 1, 1998	\$ 523	\$ 523	\$ 523
Generated on and after January 1, 1998	<u>294,766</u>	<u>391,005</u>	<u>336,624</u>
	<u>\$ 295,289</u>	<u>\$ 391,528</u>	<u>\$ 337,147</u>
Shareholder-imputed credit account	<u>\$ 92,472</u>	<u>\$ 86,337</u>	<u>\$ 128,612</u>

- c. Income tax assessments

The tax returns through 2015 have been assessed by the tax authorities.

21. EARNINGS PER SHARE

Unit: NT\$ Per Share

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2017	2016	2017	2016
Basic earnings per share	<u>\$ 2.11</u>	<u>\$ 1.40</u>	<u>\$ 3.50</u>	<u>\$ 2.48</u>
Diluted earnings per share	<u>\$ 2.11</u>	<u>\$ 1.40</u>	<u>\$ 3.49</u>	<u>\$ 2.47</u>

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

Net Income for the Period

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2017	2016	2017	2016
Income for the period attributable to owners of the Company	<u>\$ 147,959</u>	<u>\$ 97,976</u>	<u>\$ 245,147</u>	<u>\$ 173,735</u>

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

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2017	2016	2017	2016
Weighted average number of ordinary shares used in the computation of basic earnings per share	70,000	70,000	70,000	70,000
Effect of potentially dilutive ordinary shares:				
Employees' compensation	<u>141</u>	<u>124</u>	<u>224</u>	<u>270</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>70,141</u>	<u>70,124</u>	<u>70,224</u>	<u>70,270</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	11,286
Effect of exchange rate changes	<u>(320)</u>
Balance at June 30, 2017	<u>\$ 10,966</u>

The Group acquired Skylion Travel in April 2016, and recognized goodwill of \$11,865 thousand relating to expected benefit from operations of Skylion Travel in China region. Based on the estimation for the year ended December 31, 2016, the recoverable amount of Skylion Travel Service was higher than the carrying amount; thus, no impairment was recognized.

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>
<u>Line items adjusted for equity transaction</u>	
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:

	June 30, 2017	December 31, 2016	June 30, 2016
Not later than 1 year	\$ 306,533	\$ 295,219	\$ 273,134
Later than 1 year and not later than 5 years	785,837	812,325	734,223
Later than 5 years	<u>346,195</u>	<u>397,727</u>	<u>450,448</u>
	<u>\$ 1,438,565</u>	<u>\$ 1,505,271</u>	<u>\$ 1,457,805</u>

25. EXPLANATORY COMMENTS ABOUT THE SEASONALITY OR CYCLICALITY OF INTERIM OPERATIONS

The travel industry is highly seasonal in nature. Based on past experience, the Group's operations peak annually during the Chinese New Year holiday in the first quarter and the summer holidays in the third quarter. The Group recognizes revenue on completion of services.

In the fourth quarter of each year, the Group's expenditures increase because of tourism promotion. The Group cannot measure the future benefits of these expenditures, so it recognizes these expenditures as current expenses.

26. 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) and sales promotion and marketing and distribution of dividends.

27. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments that are not measured at fair value

The management considers that the carrying amounts of financial assets and financial liabilities not carried at fair value approximate their fair value or the fair value are not measured reliably.

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

1) Fair value hierarchy

June 30, 2017

	Level 1	Level 2	Level 3	Total
<u>Available-for-sale financial assets</u>				
Emerging market shares				
Equity securities	\$ -	\$ 7,894	\$ -	\$ 7,894
Privately offered fund	<u>-</u>	<u>77,440</u>	<u>-</u>	<u>77,440</u>
	<u>\$ -</u>	<u>\$ 85,334</u>	<u>\$ -</u>	<u>\$ 85,334</u>

December 31, 2016

	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>

June 30, 2016

	Level 1	Level 2	Level 3	Total
<u>Available-for-sale financial assets</u>				
Emerging market shares				
Equity securities	<u>\$ -</u>	<u>\$ 11,206</u>	<u>\$ -</u>	<u>\$ 11,206</u>

There were no transfers between Levels 1 and 2 in the current and prior periods.

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.

c. Categories of financial instruments

	June 30, 2017	December 31, 2016	June 30, 2016
<u>Financial assets</u>			
Loans and receivables (Note 1)	\$ 4,557,143	\$ 3,847,034	\$ 4,592,681
Available-for-sale financial assets (Note 2)	95,334	64,684	21,206
<u>Financial liabilities</u>			
Measured at amortized cost (Note 3)	2,209,960	1,693,248	2,291,122

Note 1: The balances included loans and receivables measured at amortized cost, which comprise cash and cash equivalents, notes receivable, accounts receivable, and 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, which comprise notes payable, accounts payable, other payables, and long-term borrowing.

d. 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 Groups' 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, 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 31.

b) Sensitivity analysis

The Group was mainly exposed to the USD, JPY, EUR and RMB.

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 (negative) number below indicates an increase (decrease) 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 Six Months Ended	
	June 30	
	2017	2016
USD	\$ (2,120)	\$ 7,888
JPY	(455)	(4,197)
EUR	(2,020)	(4,610)
RMB	(4,077)	(2,779)

The above amounts were mainly attributable to period-end balances of cash in banks and outstanding foreign currency payables and receivables, 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 no concentration of 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.

28. 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. Details of transactions between the Group and other related parties are disclosed below.

a. Related parties categories and its relationship between the Group

<u>Related Party Name</u>	<u>Relationship Between the Group and Other Related Parties</u>
JWI Marketing Co., Ltd.	Substantive related party
AnsetTrans Co., Ltd.	Substantive related party
XinMedia Co., Ltd.	Substantive related party
American Vacation, Inc.	Substantive related party

b. Operating transactions

	<u>For the Three Months Ended</u>		<u>For the Six Months Ended</u>	
	<u>June 30</u>		<u>June 30</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
<u>Operating revenue</u>				
Substantive related party	<u>\$ 1,016</u>	<u>\$ 1,973</u>	<u>\$ 5,475</u>	<u>\$ 8,157</u>
<u>Operating costs</u>				
Substantive related party	<u>\$ 10,760</u>	<u>\$ 13,038</u>	<u>\$ 17,547</u>	<u>\$ 21,056</u>

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

	<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Substantive related party	<u>\$ 99</u>	<u>\$ 876</u>	<u>\$ 374</u>

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

	<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Substantive related party	<u>\$ 5,174</u>	<u>\$ 2,702</u>	<u>\$ 3,495</u>

The outstanding accounts payable to related parties were unsecured and payable in cash. For the six months ended June 30, 2017 and 2016, 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.

c. Other transactions with related parties

1) Revenue from administration services

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

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2017	2016	2017	2016
Substantive related party	<u>\$ 5,338</u>	<u>\$ 5,182</u>	<u>\$ 10,276</u>	<u>\$ 11,788</u>

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

	June 30, 2017	December 31, 2016	June 30, 2016
Substantive related party	<u>\$ 2,273</u>	<u>\$ -</u>	<u>\$ 1,112</u>

2) Lease transactions

The revenues from lease transactions with related parties were based on market conditions and were not significantly different from those for transactions with third parties. On the buildings leased to related parties, rental revenue was recognized as a reduction of operating expenses and rental expenses were recognized under operating expenses.

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2017	2016	2017	2016
<u>Rental revenue</u>				
Substantive related party	<u>\$ 3,609</u>	<u>\$ 4,829</u>	<u>\$ 7,218</u>	<u>\$ 9,731</u>

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

	June 30, 2017	December 31, 2016	June 30, 2016
Substantive related party	<u>\$ 194</u>	<u>\$ -</u>	<u>\$ 433</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, and related expenses were recognized as advertising expenses.

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2017	2016	2017	2016
Substantive related party	\$ <u>9,839</u>	\$ <u>10,565</u>	\$ <u>19,172</u>	\$ <u>23,921</u>

d. Compensation of key management personnel

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2017	2016	2017	2016
Short-term employee benefits	\$ 20,789	\$ 32,209	\$ 62,395	\$ 81,079
Post-employment benefits	<u>1,292</u>	<u>1,297</u>	<u>2,570</u>	<u>2,519</u>
	\$ <u>22,081</u>	\$ <u>33,506</u>	\$ <u>64,965</u>	\$ <u>83,598</u>

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

29. ASSETS PLEDGED AS COLLATERALS OR FOR SECURITY

	June 30, 2017	December 31, 2016	June 30, 2016
Pledged deposits and demand deposits	\$ 63,647	\$ 62,017	\$ 61,938
Property, plant and equipment, net	<u>-</u>	<u>-</u>	<u>89,481</u>
	\$ <u>63,647</u>	\$ <u>62,017</u>	\$ <u>151,419</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.

30. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Group as of June 30, 2017, December 31, 2016 and June 30, 2016 consisted of letters of guarantee issued by banks for hotel and transportation reservations, which amounted to \$1,907,884 thousand, \$1,655,585 thousand and \$1,615,810 thousand, respectively.

31. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information is an aggregation of foreign currencies other than the functional currencies of the Group and includes the exchange rates between foreign currencies and respective functional currencies. The significant assets and liabilities denominated in foreign currencies were as follows:

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>June 30, 2017</u>			
<u>Financial assets</u>			
Monetary items			
JPY	\$ 534,274	0.27 (JPY:NTD)	\$ 144,254
EUR	2,885	34.73 (EUR:NTD)	100,196
USD	2,112	30.42 (USD:NTD)	64,247
CAD	1,777	23.43 (CAD:NTD)	41,635
AUD	1,098	23.36 (AUD:NTD)	25,649
HKD	5,759	3.90 (HKD:NTD)	22,460
RMB	2,120	4.49 (RMB:NTD)	<u>9,519</u>
			<u>\$ 407,960</u>

Financial liabilities

Monetary items			
JPY	\$ 567,960	0.27 (JPY:NTD)	\$ 153,349
EUR	4,048	34.73 (EUR:NTD)	140,587
USD	3,506	30.42 (USD:NTD)	106,653
RMB	20,281	4.49 (RMB:NTD)	91,062
HKD	8,490	3.90 (HKD:NTD)	33,111
CAD	802	23.43 (CAD:NTD)	18,791
GBP	424	39.60 (GBP:NTD)	16,790
THB	17,429	0.90 (THB:NTD)	15,686
AUD	532	23.36 (AUD:NTD)	<u>12,428</u>
			<u>\$ 588,457</u>

December 31, 2016

Financial assets

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>

(Continued)

	Foreign Currencies	Exchange Rate	Carrying Amount
<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>June 30, 2016</u>			
<u>Financial assets</u>			
Monetary items			
USD	\$ 8,214	32.27 (USD:NTD)	\$ 265,066
JPY	343,367	0.31 (JPY:NTD)	106,444
RMB	6,836	4.84 (RMB:NTD)	33,086
AUD	1,070	23.99 (AUD:NTD)	25,669
CAD	508	24.93 (CAD:NTD)	12,664
GBP	178	43.48 (GBP:NTD)	7,739
EUR	183	35.89 (EUR:NTD)	<u>6,568</u>
			<u>\$ 457,236</u>
 <u>Financial liabilities</u>			
Monetary items			
JPY	\$ 614,146	0.31 (JPY:NTD)	\$ 190,385
USD	3,325	32.27 (USD:NTD)	107,298
EUR	2,752	35.89 (EUR:NTD)	98,769
RMB	18,318	4.84 (RMB:NTD)	88,659
HKD	9,057	4.16 (HKD:NTD)	37,677
CAD	1,156	24.93 (CAD:NTD)	28,819
THB	12,521	0.92 (THB:NTD)	11,519
GBP	227	43.48 (GBP:NTD)	9,870
AUD	285	23.99 (AUD:NTD)	<u>6,837</u>
			<u>\$ 579,833</u>
			(Concluded)

The Group is mainly exposed to the USD, JPY, EUR and RMB. The following information was aggregated by the functional currencies of the group entities, and the exchanges rates between respective functional currencies and the presentation currency were disclosed. The significant realized and unrealized foreign exchange gains were as follows:

Functional Currencies	For the Three Months Ended June 30			
	2017		2016	
	Exchange Rate	Net Foreign Exchange Gain	Exchange Rate	Net Foreign Exchange Gain
NTD	1 (NTD:NTD)	<u>\$ 12,316</u>	1 (NTD:NTD)	<u>\$ 23,855</u>

Functional Currencies	For the Six Months Ended June 30			
	2017		2016	
	Exchange Rate	Net Foreign Exchange Gain	Exchange Rate	Net Foreign Exchange Gain
NTD	1 (NTD:NTD)	<u>\$ 22,547</u>	1 (NTD:NTD)	<u>\$ 39,007</u>

32. 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. (Table 2)
- 4) Marketable securities acquired and disposed at costs or prices 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.

33. SEGMENT INFORMATION

The information provided to the chief operating decision maker for use in resource allocation and assessment of segment performance focuses on the types of goods and services to be delivered. For the six months ended June 30, 2017 and 2016, the Group's revenues and income by segment, i.e., by each business division, were as follows:

	Travel Department	Others	Elimination	Total
For the six months ended <u>June 30, 2017</u>				
Revenues from external customers	\$ 12,578,709	\$ 16,222	\$ -	\$ 12,594,931
Inter-segment revenues	<u>1,023,459</u>	<u>151,757</u>	<u>(1,175,216)</u>	<u>-</u>
Segment revenues	<u>\$ 13,602,168</u>	<u>\$ 167,979</u>	<u>\$ (1,175,216)</u>	<u>\$ 12,594,931</u>
Segment income	<u>\$ 257,015</u>	<u>\$ (11,489)</u>	<u>\$ 4,236</u>	\$ 249,762
Non-operating income				<u>49,728</u>
Income before income tax				<u>\$ 299,490</u>

(Continued)

	Travel Department	Others	Elimination	Total
For the six months ended <u>June 30, 2016</u>				
Revenues from external customers	\$ 10,420,171	\$ 24,531	\$ -	\$ 10,444,702
Inter-segment revenues	<u>-</u>	<u>129,749</u>	<u>(129,749)</u>	<u>-</u>
Segment revenues	<u>\$ 10,420,171</u>	<u>\$ 154,280</u>	<u>\$ (129,749)</u>	<u>\$ 10,444,702</u>
Segment income	<u>\$ 131,296</u>	<u>\$ 4,317</u>	<u>\$ 2,511</u>	\$ 138,124
Non-operating income				<u>77,169</u>
Income before income tax				<u>\$ 215,293</u>
				(Concluded)

LION TRAVEL SERVICE CO., LTD. AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE SIX MONTHS ENDED JUNE 30, 2017
(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. ("the Company")	Lion International Travel Service (Shanghai) Co., Ltd.	c	\$ 405,425	\$ 44,880	\$ 44,880	\$ 44,880	\$ -	2.21	\$ 2,027,126	Y	N	Y	
		Uplan Travel Service Co., Ltd.	c	405,425	170,000	170,000	27,637	-	1.36	2,027,126	Y	N	N	
		Skylion International Travel Service Co., Ltd.	c	405,425	120,180	120,180	-	-	-	2,027,126	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 used by the borrowing company.

Note 7: For 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

JUNE 30, 2017

(In Thousands of New Taiwan Dollars)

Holding Company Name	Type and Name of Marketable Securities (Note 1)	Relationship with the Holding Company (Note 2)	Financial Statement Account	June 30, 2017				Note
				Shares (In Thousands)	Carrying Amount (Note 3)	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	-	77,440	-	77,440	
Shuangshi Investment	<u>Stock</u> Vigor Kobo Co., Ltd.	-	Available-for-sale financial assets - non-current	200	7,894	0.83%	7,894	Note 6

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

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

Note 3: Carrying amounts with adjustments for fair value and deduction of accumulated impairment loss; otherwise, original carrying amounts or amortized cost after deduction of accumulated impairment loss.

Note 4: Amount guaranteed and pledged should note on the table.

Note 5: Subsidiaries, associates and joint ventures, please refer to Tables 5 and 6.

Note 6: The fair value of emerging stock is the average transaction price in June 2017.

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 SIX MONTHS ENDED JUNE 30, 2017
(In Thousands of New Taiwan Dollars)**

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	\$ 306,743	2.90%	Same as those for unrelated parties	No significant difference	No significant difference	\$ (54,655)	3.73%	
Lion Shanghai	The Company	Parent company	Sales	306,743	97.46%	Same as those for unrelated parties	No significant difference	No significant difference	54,655	69.53%	
The Company	Uplan Travel	Grandson company	Purchase	226,107	2.14%	Same as those for unrelated parties	No significant difference	No significant difference	(32,346)	2.21%	
Uplan Travel	The Company	Parent company	Sales	226,107	44.14%	Same as those for unrelated parties	No significant difference	No significant difference	32,346	93.26%	

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 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 SIX MONTHS ENDED JUNE 30, 2017
(Amounts in Thousands of New Taiwan Dollars)

No. (Note 1)	Company	Counterparty	Flow of Transactions (Note 2)	Transaction Details (Note 4)			% to Total Sales or Assets (Note 3)
				Financial Statement Account	Amount (Note 5)	Payment Terms	
0	Lion Travel Service Co., Ltd. ("the Company")	Uplan Travel	2	Operating revenue	\$ 43,676	Without significant difference from transactions with unrelated parties	0.35%
		Lion Shanghai	2	Operating costs	306,743	Without significant difference from transactions with unrelated parties	2.44%
		Uplan Travel	2	Operating costs	226,107	Without significant difference from transactions with unrelated parties	1.80%
		Lion THA	2	Operating costs	99,289	Without significant difference from transactions with unrelated parties	0.79%
		Lion SYD	2	Operating costs	90,817	Without significant difference from transactions with unrelated parties	0.72%
		Lion YVR	2	Operating costs	73,901	Without significant difference from transactions with unrelated parties	0.59%
		Lion Express	2	Operating costs	68,184	Without significant difference from transactions with unrelated parties	0.54%
		US Lion	2	Operating costs	52,534	Without significant difference from transactions with unrelated parties	0.42%
		Lion Beijing	2	Operating costs	46,091	Without significant difference from transactions with unrelated parties	0.37%
		Lion AKL	2	Operating costs	36,123	Without significant difference from transactions with unrelated parties	0.29%
		Uplan Travel	2	Accounts receivable	9,105	Without significant difference from transactions with unrelated parties	0.13%
		Lion SYD	2	Prepayment	7,008	Without significant difference from transactions with unrelated parties	0.10%
		Lion Shanghai	2	Accounts payable	54,655	Without significant difference from transactions with unrelated parties	0.80%
		Uplan Travel	2	Accounts payable	32,346	Without significant difference from transactions with unrelated parties	0.47%
		Lion YVR	2	Accounts payable	15,834	Without significant difference from transactions with unrelated parties	0.23%
		US Lion	2	Accounts payable	15,362	Without significant difference from transactions with unrelated parties	0.23%
		Lion SYD	2	Accounts payable	15,229	Without significant difference from transactions with unrelated parties	0.22%
		Lion THA	2	Accounts payable	9,086	Without significant difference from transactions with unrelated parties	0.13%
		Lion Beijing	2	Accounts payable	6,618	Without significant difference from transactions with unrelated parties	0.10%
		Lion JPN	2	Accounts payable	6,570	Without significant difference from transactions with unrelated parties	0.10%
Lion Information	2	Other payables	10,471	Without significant difference from transactions with unrelated parties	0.15%		
		Skylion Travel	2	Refundable deposits	12,059	Without significant difference from transactions with unrelated parties	0.18%
1	Travel Trend	Fujian Lion	3	Operating revenue	18,435	Without significant difference from transactions with unrelated parties	0.15%
2	Lion Information	The Company	2	Operating revenue	61,467	Without significant difference from transactions with unrelated parties	0.49%
2	Ansett Tour	Lion Express	6	Operating revenue	6,840	Without significant difference from transactions with unrelated parties	0.05%

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.

(Continued)

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 - from the grandson company to the subsidiary.
- f. 6 - 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 are in accordance with the materiality principle of the Company.

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

(Concluded)

LION TRAVEL SERVICE CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEEES
FOR THE SIX MONTHS ENDED JUNE 30, 2017
(In Thousands of New Taiwan Dollars)

Investor Company	Investee Company (Notes 1 and 2)	Location	Main Business and Product	Original Investment Amount		As of June 30, 2017			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				June 30, 2017	December 31, 2016	Shares (In Thousands)	%	Carrying Amount			
Lion Travel Service Co., Ltd.	Shuangshi Investment	Taiwan	Investments	\$ 270,000	\$ 270,000	27,000	100	\$ 271,886	\$ 11,561	\$ 11,561	Subsidiary (Note 5)
	Lion Holding	Hong Kong	Investments	509,137	509,137	128,040	100	477,157	(6,870)	(6,870)	Subsidiary
	Travel Trend	Taiwan	Travel industry	27,980	27,980	3,000	100	28,285	(8,635)	(8,635)	Subsidiary (Note 5)
Shuangshi Investment	Lion Information	Taiwan	Information technology industry	14,301	14,301	3,000	100	23,397	(1,446)	(1,446)	Grandson company (Note 5)
	Lion Express	Taiwan	Tour bus transportation industry	110,336	110,336	11,500	100	116,207	45	45	Grandson company (Note 5)
	Ansett Tour	Taiwan	Tour bus transportation industry	40,517	40,517	5,000	100	47,156	69	69	Grandson company (Note 5)
	Travel Around Investment	Taiwan	Investments	90,000	90,000	9,000	100	73,989	12,976	12,976	Grandson company (Note 5)
Lion Information	Lion Technology	Samoa	Investments	6,216	6,216	200	100	(239)	(42)	(42)	Grandson company of subsidiary (Note 5)
				USD 200	USD 200						
Lion Holding	Lion YVR	Canada	Travel industry	19,548	19,548	100	100	49,866	2,186	2,186	Grandson company (Note 5)
				CAD 662	CAD 662				CAD 95	CAD 95	
	Lion SYD	Australia	Travel industry	1,961	1,961	44	100	6,483	229	229	Grandson company (Note 5)
				AUD 67	AUD 67				AUD 10	AUD 10	
	Lion AKL	New Zealand	Travel industry	2,527	2,527	0.1	100	3,885	115	115	Grandson company (Note 5)
				NZD 113	NZD 113				NZD 5	NZD 5	
	Lion HK	Hong Kong	Travel industry	63,780	63,780	3	100	58,381	(1,587)	(1,587)	Grandson company (Note 5)
				HKD 16,294	HKD 16,294				(HKD 399)	(HKD 399)	
US Lion	United States	Travel industry	37,182	37,182	1,200	100	29,650	(982)	(982)	Grandson company (Note 5)	
			USD 1,200	USD 1,200				(USD 31)	(USD 31)		
Lion JPN	Japan	Travel industry	26,427	26,427	7	100	20,383	2,972	2,972	Grandson company (Note 5)	
			JPY 74,000	JPY 74,000				JPY 10,889	JPY 10,889		
Lion THA	Thailand	Travel industry	5,131	5,131	637	49	6,138	3,211	1,573	Grandson company (Note 5)	
			THB 5,535	THB 5,535				THB 3,633	THB 1,780		
Travel Around Investment	Uplan Travel	Taiwan	Travel industry	49,950	49,950	4,995	62	42,935	21,666	13,528	Grandson company of subsidiary (Note 5)
	Xinflight Travel	Taiwan	Travel industry	10,000	10,000	1,000	100	8,454	3,911	3,911	Grandson company of subsidiary (Note 5)
	Fontrip Technology	Taiwan	Information technology industry	25,000	25,000	2,500	45	17,850	(9,792)	(4,411)	Grandson company of subsidiary (Note 5)

Note 1: Foreign subsidiaries of the Group are calculated and disclosed based on the consolidated financial 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 Profit (Loss)” column only needs to be filled in the profit or loss which recognized under equity method in each subsidiary. Net income of the investee were 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.

Note 5: The calculation was based on unreviewed financial statements as of June 30, 2017.

LION TRAVEL SERVICE CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE SIX MONTHS ENDED JUNE 30, 2017

(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, 2017	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of June 30, 2017	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2 b 3)	Carrying Amount as of June 30, 2017	Accumulated Repatriation of Investment Income as of June 30, 2017	Note
					Outward	Inward							
Lion (Fujian) International Travel Service Co., Ltd.	Travel industry	\$ 60,840 USD 2,000	The Company reinvested in Mainland China	\$ 54,756 USD 1,800	\$ - USD -	\$ - USD -	\$ 54,756 USD 1,800	\$ (6,027) (RMB 1,341)	90	\$ (5,425) (RMB 1,207)	\$ 42,560	\$ -	
Lion International Travel Service (Shanghai) Co., Ltd.	Travel industry	30,420 USD 1,000	Lion HK reinvested in Mainland China	30,420 USD 1,000	- USD -	- USD -	30,420 USD 1,000	(483) (RMB 110)	100	(483) (RMB 110)	40,155	-	
Lion International Travel Service (Beijing) Co., Ltd.	Travel industry	15,210 USD 500	Lion HK reinvested in Mainland China	15,210 USD 500	- USD -	- USD -	15,210 USD 500	(1,665) (RMB 379)	100	(1,665) (RMB 379)	176	-	
Lion International Holding (China) Limited	Management consulting activities	304,200 USD 10,000	Lion Holding reinvested in Mainland China	304,200 USD 10,000	- USD -	- USD -	304,200 USD 10,000	(12,980) (RMB 2,867)	100	(12,980) (RMB 2,867)	263,907	-	
Lion Travel International Holding Limited	Travel industry	134,640 RMB 30,000	Lion International (China) reinvested in Mainland China	134,640 RMB 30,000	- RMB -	- RMB -	134,640 RMB 30,000	(10,450) (RMB 2,308)	100	(10,450) (RMB 2,308)	127,864	-	
Skylion International Travel Service Co., Ltd.	Travel industry	6,732 RMB 1,500	Lion Travel International Holding Limited reinvested in Mainland China	1,346 RMB 300	- RMB -	- RMB -	1,346 RMB 300	(12,538) (RMB 2,769)	100	(12,538) (RMB 2,769)	3,028	-	

Accumulated Outward Remittance for Investment in Mainland China as of June 30, 2017	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
\$ 410,670 USD 13,500	\$ 964,314 (Note 4) USD 31,700	\$ 1,216,276

Note 1: Investment is divided into the following three categories:

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

(Continued)

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

- a. No investment income (loss) has been recognized due to the investment is still in development stage.
- b. The investment gain (loss) was determined based on the following basis:
 - 1) The financial report was reviewed and certified by an international accounting firm in cooperation with ROC accounting firm.
 - 2) The financial statements reviewed by the CPA of the parent company in Taiwan.
 - 3) Others: The financial statements of Shuangshi Investment Co., Ltd. were reviewed. The other financial statements of some subsidiaries included in the consolidated financial statements were not reviewed.

Note 3: The table is presented in New Taiwan dollar.

Note 4: The Investment Commission approved the foreign currency limit of investment. As of the current period, the Group did not exceed the limit.

Note 5: The net income (loss) of the investee was presented at the average exchange rate of the six months ended June 30, 2017; the rest was presented at the exchange rate in June 30, 2017.

Note 6: The investee company was merged into the Group.

(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 SIX MONTHS ENDED JUNE 30, 2017
(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	\$ 306,743	Transactions with non-related party fairly	Normal	Fairly the same as transactions with non-related parties	\$ (54,655)	3.73%	\$ -	
Lion Beijing	Purchase	46,091	Transactions with non-related party fairly	Normal	Fairly the same as transactions with non-related parties	(6,618)	0.45%	-	
Fujian Lion	Sales	21,048	Transactions with non-related party fairly	Normal	Fairly the same as transactions with non-related parties	7,398	0.88%	-	

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