

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

**Consolidated Financial Statements for the
Nine Months Ended September 30, 2018 and 2017 and
Independent Auditors' Review Report**

INDEPENDENT AUDITORS' REVIEW REPORT

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

Introduction

We have reviewed the accompanying consolidated balance sheets of Lion Travel Service Co., Ltd. (the "Company") and its subsidiaries (collectively, the "Group") as of September 30, 2018 and 2017, the related consolidated statements of comprehensive income for the three months ended September 30, 2018 and 2017 and for the nine months ended September 30, 2018 and 2017, the consolidated statements of changes in equity and cash flows for the nine months ended September 30, 2018 and 2017, and the related notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on the financial statements based on our reviews.

Scope of Review

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

Basis for Qualified Conclusion

As disclosed in Note 13 to the consolidated financial statements, the financial statements of some non-significant subsidiaries included in the consolidated financial statements referred to in the first paragraph were not reviewed. As of September 30, 2018 and 2017, combined total assets of these non-significant subsidiaries were NT\$1,598,676 thousand and NT\$984,146 thousand, respectively, representing 23.96% and 15.44%, respectively, of the consolidated total assets, and combined total liabilities of these subsidiaries were NT\$859,325 thousand and NT\$548,118 thousand, respectively, representing 19.53% and 13.26%, respectively, of the consolidated total liabilities; for the three-month periods ended September 30, 2018 and 2017 and for the nine-month periods ended September 30, 2018 and 2017, the amounts of combined comprehensive (loss) income of these subsidiaries were NT\$(17,831) thousand, NT\$14,685 thousand, NT\$22,636 thousand and NT\$20,517 thousand, respectively, representing 307.91%, 9.65%, 8.53% and 5.31%, respectively, of the consolidated total comprehensive (loss) income. In addition, the relevant information related to non-significant subsidiaries disclosed in Note 33 of the consolidated financial statements were not reviewed.

Qualified Conclusion

Based on our reviews, except for the adjustments, if any, as might have been determined to be necessary had the financial statements of the non-significant subsidiaries as described in the preceding paragraph been reviewed, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not give a true and fair view of the consolidated financial position of the Group as of September 30, 2018 and 2017, its consolidated financial performance for the three months ended September 30, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the nine months ended September 30, 2018 and 2017 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Accounting Standard 34 “Interim Financial Reporting”.

The engagement partners on the reviews resulting in this independent auditors’ review report are Ching-Cheng Yang and Tza-Li Gung.

Deloitte & Touche
Taipei, Taiwan
Republic of China

November 9, 2018

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)

	September 30, 2018 (Reviewed)		December 31, 2017 (Audited)		September 30, 2017 (Reviewed)	
ASSETS	Amount	%	Amount	%	Amount	%
CURRENT ASSETS						
Cash and cash equivalents (Notes 4 and 6)	\$ 2,975,249	45	\$ 3,187,253	49	\$ 2,802,618	44
Notes receivable (Notes 4 and 12)	52,139	1	56,926	1	44,657	1
Accounts receivable (Notes 4, 12, 20 and 29)	1,123,008	17	827,546	13	951,316	15
Prepayments (Note 15)	1,540,833	23	1,607,413	24	1,694,781	26
Other current financial assets (Notes 4, 11 and 30)	87,987	1	73,634	1	54,028	1
Other current assets (Note 29)	18,443	-	16,193	-	28,226	-
Total current assets	<u>5,797,659</u>	<u>87</u>	<u>5,768,965</u>	<u>88</u>	<u>5,575,626</u>	<u>87</u>
NON-CURRENT ASSETS						
Financial assets at fair value through profit or loss - non-current (Notes 4 and 7)	124,970	2	-	-	-	-
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 8)	16,227	-	-	-	-	-
Available-for-sale financial assets (Notes 4 and 9)	-	-	84,246	1	81,924	2
Financial assets measured at cost (Notes 4 and 10)	-	-	13,400	-	10,000	-
Property, plant and equipment (Notes 14 and 30)	430,321	7	417,077	7	435,607	7
Goodwill	10,844	-	11,173	-	11,129	-
Intangible assets	12,386	-	13,170	-	13,429	-
Deferred tax assets (Note 4)	22,942	-	19,570	-	17,074	-
Other non-current assets (Notes 12 and 15)	256,004	4	221,632	4	229,731	4
Total non-current assets	<u>873,694</u>	<u>13</u>	<u>780,268</u>	<u>12</u>	<u>798,894</u>	<u>13</u>
TOTAL	<u>\$ 6,671,353</u>	<u>100</u>	<u>\$ 6,549,233</u>	<u>100</u>	<u>\$ 6,374,520</u>	<u>100</u>
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Contract liabilities - current (Note 20)	\$ 1,926,249	29	\$ -	-	\$ -	-
Notes payable	172,713	3	119,439	2	123,060	2
Accounts payable (Note 29)	1,739,622	26	1,518,972	23	1,410,131	22
Other payables (Note 17)	350,576	5	300,201	5	254,865	4
Current tax liabilities (Note 4)	36,889	1	69,914	1	58,474	1
Advance receipts (Note 17)	-	-	2,048,417	31	2,160,737	34
Current portion of long-term borrowings (Note 16)	4,051	-	-	-	-	-
Other current liabilities	16,798	-	13,258	-	14,473	-
Total current liabilities	<u>4,246,898</u>	<u>64</u>	<u>4,070,201</u>	<u>62</u>	<u>4,021,740</u>	<u>63</u>
NON-CURRENT LIABILITIES						
Long-term borrowings (Note 16)	16,615	-	-	-	-	-
Deferred tax liabilities (Note 4)	10,989	-	5,015	-	7,281	-
Net defined benefit liabilities (Note 4)	114,140	2	114,546	2	94,058	2
Other non-current liabilities	11,117	-	12,429	-	10,963	-
Total non-current liabilities	<u>152,861</u>	<u>2</u>	<u>131,990</u>	<u>2</u>	<u>112,302</u>	<u>2</u>
Total liabilities	<u>4,399,759</u>	<u>66</u>	<u>4,202,191</u>	<u>64</u>	<u>4,134,042</u>	<u>65</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 19)						
Share capital						
Common stock	700,000	11	700,000	11	700,000	11
Capital surplus	820,698	12	820,698	12	820,698	13
Retained earnings						
Legal reserve	272,214	4	226,746	4	226,746	3
Special reserve	57,985	1	48,435	1	48,435	1
Unappropriated earnings	355,863	5	487,646	7	440,228	7
Other equity	(72,922)	(1)	(57,985)	(1)	(59,733)	(1)
Total equity attributable to owners of the Company	<u>2,133,838</u>	<u>32</u>	<u>2,225,540</u>	<u>34</u>	<u>2,176,374</u>	<u>34</u>
NON-CONTROLLING INTERESTS	<u>137,756</u>	<u>2</u>	<u>121,502</u>	<u>2</u>	<u>64,104</u>	<u>1</u>
Total equity	<u>2,271,594</u>	<u>34</u>	<u>2,347,042</u>	<u>36</u>	<u>2,240,478</u>	<u>35</u>
TOTAL	<u>\$ 6,671,353</u>	<u>100</u>	<u>\$ 6,549,233</u>	<u>100</u>	<u>\$ 6,374,520</u>	<u>100</u>

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

(With Deloitte & Touche review report dated November 9, 2018)

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 September 30				For the Nine Months Ended September 30			
	2018		2017		2018		2017	
	Amount	%	Amount	%	Amount	%	Amount	%
OPERATING REVENUE (Notes 20 and 29)	\$ 7,913,084	100	\$ 7,661,166	100	\$ 23,051,220	100	\$ 20,256,097	100
OPERATING COSTS (Notes 21 and 29)	<u>(7,168,725)</u>	<u>(90)</u>	<u>(6,814,567)</u>	<u>(89)</u>	<u>(20,578,906)</u>	<u>(89)</u>	<u>(17,811,613)</u>	<u>(88)</u>
GROSS PROFIT	744,359	10	846,599	11	2,472,314	11	2,444,484	12
OPERATING EXPENSES (Notes 18, 21 and 29)	<u>(766,695)</u>	<u>(10)</u>	<u>(703,321)</u>	<u>(9)</u>	<u>(2,243,301)</u>	<u>(10)</u>	<u>(2,051,444)</u>	<u>(10)</u>
INCOME (LOSS) FROM OPERATIONS	<u>(22,336)</u>	<u>-</u>	<u>143,278</u>	<u>2</u>	<u>229,013</u>	<u>1</u>	<u>393,040</u>	<u>2</u>
NON-OPERATING INCOME AND EXPENSES (Note 21)								
Other income (Note 29)	24,969	-	22,453	-	63,453	-	50,250	-
Other gains and losses	13,287	-	15,158	-	66,910	-	37,128	-
Finance costs	<u>(33)</u>	<u>-</u>	<u>(40)</u>	<u>-</u>	<u>(80)</u>	<u>-</u>	<u>(79)</u>	<u>-</u>
Total non-operating income and expenses	<u>38,223</u>	<u>-</u>	<u>37,571</u>	<u>-</u>	<u>130,283</u>	<u>-</u>	<u>87,299</u>	<u>-</u>
INCOME BEFORE INCOME TAX	15,887	-	180,849	2	359,296	1	480,339	2
INCOME TAX EXPENSE (Note 22)	<u>(9,693)</u>	<u>-</u>	<u>(32,913)</u>	<u>-</u>	<u>(85,565)</u>	<u>-</u>	<u>(83,463)</u>	<u>-</u>
NET INCOME FOR THE PERIOD	<u>6,194</u>	<u>-</u>	<u>147,936</u>	<u>2</u>	<u>273,731</u>	<u>1</u>	<u>396,876</u>	<u>2</u>
OTHER COMPREHENSIVE INCOME (LOSS)								
Items that will not be reclassified subsequently to profit or loss:								
Unrealized loss on investments in equity instruments designated as at fair value through other comprehensive income	(429)	-	-	-	(729)	-	-	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 22)	-	-	-	-	3,153	-	-	-
Items that may be reclassified subsequently to profit or loss:								
Exchange differences on translating foreign operations	(11,556)	-	7,000	-	(10,731)	-	(8,068)	-
Unrealized loss on available-for-sale financial assets	<u>-</u>	<u>-</u>	<u>(2,810)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,590)</u>	<u>-</u>
Other comprehensive income (loss) for the period	<u>(11,985)</u>	<u>-</u>	<u>4,190</u>	<u>-</u>	<u>(8,307)</u>	<u>-</u>	<u>(10,658)</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	<u>\$ (5,791)</u>	<u>-</u>	<u>\$ 152,126</u>	<u>2</u>	<u>\$ 265,424</u>	<u>1</u>	<u>\$ 386,218</u>	<u>2</u>

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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										Non-controlling Interests	Total Equity
	Share Capital Common Stock	Capital Surplus	Retained Earnings			Exchange Differences on Translating Foreign Operations	Other Equity		Unrealized Gain (Loss) on Available-for-sale Financial Assets	Total		
			Legal Reserve	Special Reserve	Unappropriated Earnings		Unrealized Loss on Financial Assets at Fair Value Through Other Comprehensive Income					
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 nine months ended September 30, 2017	-	-	-	-	390,086	-	-	-	390,086	6,790	396,876	
Other comprehensive income (loss) for the nine months ended September 30, 2017, net of income tax	-	-	-	-	-	(8,708)	-	(2,590)	(11,298)	640	(10,658)	
Total comprehensive income (loss) for the nine months ended September 30, 2017	-	-	-	-	390,086	(8,708)	-	(2,590)	378,788	7,430	386,218	
Changes in percentage of ownership interest in subsidiary	-	308	-	-	-	-	-	-	308	2,192	2,500	
BALANCE AT SEPTEMBER 30, 2017	\$ 700,000	\$ 820,698	\$ 226,746	\$ 48,435	\$ 440,228	\$ (50,817)	\$ -	\$ (8,916)	\$ 2,176,374	\$ 64,104	\$ 2,240,478	
BALANCE AT JANUARY 1, 2018	\$ 700,000	\$ 820,698	\$ 226,746	\$ 48,435	\$ 487,646	\$ (51,391)	\$ -	\$ (6,594)	\$ 2,225,540	\$ 121,502	\$ 2,347,042	
Effect of retrospective application	-	-	-	-	16,169	-	(9,844)	6,594	12,919	-	12,919	
BALANCE AT JANUARY 1, 2018 AS RESTATED	700,000	820,698	226,746	48,435	503,815	(51,391)	(9,844)	-	2,238,459	121,502	2,359,961	
Appropriation of 2017 earnings												
Legal reserve	-	-	45,468	-	(45,468)	-	-	-	-	-	-	
Special reserve	-	-	-	9,550	(9,550)	-	-	-	-	-	-	
Cash dividends distributed by the Company	-	-	-	-	(364,000)	-	-	-	(364,000)	(1,502)	(365,502)	
Net income for the nine months ended September 30, 2018	-	-	-	-	267,913	-	-	-	267,913	5,818	273,731	
Other comprehensive loss for the nine months ended September 30, 2018, net of income tax	-	-	-	-	3,153	(10,958)	(729)	-	(8,534)	227	(8,307)	
Total comprehensive income (loss) for the nine months ended September 30, 2018	-	-	-	-	271,066	(10,958)	(729)	-	259,379	6,045	265,424	
Non-controlling interests	-	-	-	-	-	-	-	-	-	11,711	11,711	
BALANCE AT SEPTEMBER 30, 2018	\$ 700,000	\$ 820,698	\$ 272,214	\$ 57,985	\$ 355,863	\$ (62,349)	\$ (10,573)	\$ -	\$ 2,133,838	\$ 137,756	\$ 2,271,594	

The accompanying notes are an integral part of the consolidated financial statements.
(With Deloitte & Touche review report dated November 9, 2018)

LION TRAVEL SERVICE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Nine Months Ended September 30	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 359,296	\$ 480,339
Adjustments for:		
Depreciation expenses	78,095	74,240
Amortization expenses	1,691	2,469
Expected credit loss recognized/impairment loss recognized on accounts receivable	4,814	2,471
Net gain on fair value changes of financial assets designated as at fair value through profit or loss	(7,067)	-
Interest expenses	80	79
Interest income	(14,947)	(10,458)
Loss on disposal of property, plant and equipment	276	666
Changes in operating assets and liabilities		
Notes receivable	4,787	(1,188)
Accounts receivable	(295,358)	(333,659)
Prepayments	(32,826)	(624,426)
Other current assets	(2,792)	12,042
Contract liabilities	48,019	-
Notes payable	53,274	(51,340)
Accounts payable	166,316	150,506
Other payables	49,650	(4,358)
Advance receipts	(12,222)	602,678
Other current liabilities	3,540	2,309
Net defined benefit liabilities	(406)	(649)
Cash generated from operations	404,220	301,721
Interest received	14,947	10,458
Interest paid	(80)	(79)
Income tax paid	(114,957)	(31,250)
Net cash generated from operating activities	304,130	280,850
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for financial assets at fair value through profit or loss	(37,213)	-
Purchase of available-for-sale financial assets	-	(30,430)
Proceeds from capital reduction of available-for-sale financial assets	-	600
Net cash inflow on acquisition of subsidiaries	11,645	-
Payments for property, plant and equipment	(91,266)	(68,490)
Proceeds from disposal of property, plant and equipment	343	1,695
Increase in refundable deposits	(4,738)	(10,179)
Payments for intangible assets	(700)	-
Increase in other current financial assets	(14,353)	-
Decrease in other current financial assets	-	7,989

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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 Nine Months Ended September 30	
	2018	2017
Increase in other non-current assets	\$ (3,273)	\$ (1,616)
Increase in prepayments for equipment	<u>(29,320)</u>	<u>(4,537)</u>
Net cash used in investing activities	<u>(168,875)</u>	<u>(104,968)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term borrowings	21,000	-
Repayments of long-term borrowings	(334)	-
Increase in guarantee deposits	-	4,086
Decrease in guarantee deposits	(1,312)	-
Cash dividends paid to owners of the Company	(364,000)	(280,000)
Increase in non-controlling interests	<u>10,209</u>	<u>-</u>
Net cash used in financing activities	<u>(334,437)</u>	<u>(275,914)</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>(12,822)</u>	<u>(5,371)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(212,004)	(105,403)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	<u>3,187,253</u>	<u>2,908,021</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>\$ 2,975,249</u>	<u>\$ 2,802,618</u>

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

(With Deloitte & Touche review report dated November 9, 2018)

(Concluded)

LION TRAVEL SERVICE CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017 (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 November 9, 2018.

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) (collectively, the “IFRSs”) endorsed and issued into effect by the FSC

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 would not have any material impact on the Group’s accounting policies.

1) IFRS 9 “Financial Instruments” and related amendment

IFRS 9 supersedes IAS 39 “Financial Instruments: Recognition and Measurement”, with consequential amendments to IFRS 7 “Financial Instruments: Disclosures” and other standards. IFRS 9 sets out the requirements for classification, measurement and impairment of financial assets and hedge accounting. Refer to Note 4 for information relating to the relevant accounting policies.

The requirements for classification, measurement and impairment of financial assets have been applied retrospectively starting from January 1, 2018, and the requirements for hedge accounting have been applied prospectively. IFRS 9 is not applicable to items that have already been derecognized as of December 31, 2017.

Classification, measurement and impairment of financial assets

On the basis of the facts and circumstances that existed as of January 1, 2018, the Group has performed an assessment of the classification of recognized financial assets and has elected not to restate prior reporting periods.

The following table shows the original measurement categories and carrying amount under IAS 39 and the new measurement categories and carrying amount under IFRS 9 for each class of the Group's financial assets and financial liabilities as of January 1, 2018.

Financial Assets	Measurement Category			Carrying Amount		Remark	
	IAS 39		IFRS 9	IAS 39	IFRS 9		
Cash and cash equivalents	Receivables		Amortized cost	\$ 3,187,253	\$ 3,187,253	a)	
Notes receivable, trade receivables, other current financial assets and refundable deposits	Receivables		Amortized cost	1,176,026	1,176,026	a)	
Mutual funds	Available-for-sale financial assets		Mandatorily measured at fair value through profit or loss (FVTPL)	80,690	80,690	b)	
Equity securities	Financial assets measured at cost		FVTOCI - equity instruments	13,400	13,400	c)	
	Available-for-sale financial assets		FVTOCI - equity instruments	3,556	3,556	c)	
	IAS 39 Carrying Amount as of January 1, 2018	Reclassifi- cations	Remeasure- ments	IFRS 9 Carrying Amount as of January 1, 2018	Retained Earnings Effect on January 1, 2018	Other Equity Effect on January 1, 2018	Remark
<u>FVTPL</u>							
Add: Reclassification from available-for-sale (IAS 39)	\$ -	\$ -	\$ -				
Required reclassification	-	80,690	-				b)
	-	80,690	-	\$ 80,690	\$ 3,250	\$ (3,250)	
<u>FVTOCI</u>							
Equity instruments							
Add: From measured at cost (IAS 39)	-	13,400	-				c)
Add: Reclassification from available-for-sale (IAS 39)	-	3,556	-				c)
	-	16,956	-	16,956	-	-	
	\$ -	\$ 97,646	\$ -	\$ 97,646	\$ 3,250	\$ (3,250)	

- a) Cash and cash equivalents, notes receivable, trade receivables, other current financial assets and refundable deposits, that were previously classified as receivables under IAS 39 were classified as measured at amortized cost with an assessment of expected credit losses under IFRS 9.
- b) Privately offered funds previously classified as available-for-sale under IAS 39 were classified mandatorily as at FVTPL under IFRS 9, because the contractual cash flows are not solely payments of principal and interest on the principal outstanding and they are not equity instruments. The retrospective adjustment resulted in a decrease of \$3,250 thousand in other equity - unrealized gain on available-for-sale financial assets and an increase of \$3,250 thousand in retained earnings on January 1, 2018.
- c) The Group elected to designate all its investments in equity securities previously classified as available-for-sale under IAS 39 as at FVTOCI under IFRS 9, because these investments are not held for trading. As a result, the related other equity - unrealized loss on available-for-sale financial assets of \$9,844 thousand was reclassified to other equity - unrealized gain/(loss) on financial assets at FVTOCI.

Investments in unlisted shares previously measured at cost under IAS 39 have been designated as at FVTOCI under IFRS 9 and were remeasured at fair value. Consequently, an increase of \$13,400 thousand was recognized in financial assets at FVTOCI on January 1, 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 supersedes IAS 18 “Revenue”, IAS 11 “Construction Contracts” and a number of revenue-related interpretations. Please refer to Note 4 for related accounting policies.

Any excess of consideration received and receivable over the recognized revenue is recognized as a contract liability.

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

Impact on assets, liabilities and equity for current period

	As Originally Stated	Adjustments Arising from Initial Application	Restated
Accounts receivable	\$ 827,546	\$ 1,645	\$ 829,191
Prepayments	<u>1,607,413</u>	<u>(100,075)</u>	<u>1,507,338</u>
Total effect on assets	<u>\$ 2,434,959</u>	<u>\$ (98,430)</u>	<u>\$ 2,336,529</u>
Contract liabilities - current	\$ -	\$ 1,878,230	\$ 1,878,230
Accounts payable	1,518,972	54,267	1,573,239
Advance receipts	2,048,417	(2,046,492)	1,925
Deferred tax liabilities	<u>5,015</u>	<u>2,646</u>	<u>7,661</u>
Total effect on liabilities	<u>\$ 3,572,404</u>	<u>\$ (111,349)</u>	<u>\$ 3,461,055</u>
Unappropriated earnings	<u>\$ 487,646</u>	<u>\$ 12,919</u>	<u>\$ 500,565</u>
Total effect on equity	<u>\$ 487,646</u>	<u>\$ 12,919</u>	<u>\$ 500,565</u>
			September 30, 2018
Increase in accounts receivable			\$ 10,640
Decrease in prepayments			<u>(160,611)</u>
Decrease in assets			<u>\$ (149,971)</u>
Increase in contract liability - current			\$ 1,926,249
Increase in accounts payable			33,774
Increase in deferred tax liabilities			2,722
Decrease in advance receipts			<u>(2,123,606)</u>
Decrease in liabilities			<u>\$ (160,861)</u>
Increase in retained earnings			<u>\$ 10,890</u>
Increase in equity			<u>\$ 10,890</u>

Impact on total comprehensive income for current period

**For the Nine
Months Ended
September 30,
2018**

Increase in operating revenue	\$ 207,997
Increase in operating cost	(194,385)
Increase in income tax expense	<u>(2,722)</u>
Increase in net profit for the period	10,890
Increase in other comprehensive income for the period, net of income tax	<u>-</u>
Increase in total comprehensive income for the period	<u>\$ 10,890</u>
Increase in net profit attributable to:	
Owners of the Company	\$ 10,890
Non-controlling interests	<u>-</u>
	<u>\$ 10,890</u>
Increase in total comprehensive income attributable to:	
Owners of the Company	\$ 10,890
Non-controlling interests	<u>-</u>
	<u>\$ 10,890</u>
Impact on earnings per share:	
Increase in basic earnings per share	<u>\$ 0.16</u>
Increase in diluted earnings per share	<u>\$ 0.15</u>

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

The impact on the current period of the 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 is summarized below:

Impact on assets, liabilities and equity for current period

	As Originally Stated	Adjustments Arising from Initial Application	Restated
Available-for-sale financial assets - non-current	\$ 84,246	\$ (84,246)	\$ -
Financial assets measured at cost - non-current	13,400	(13,400)	-
Financial assets at FVTPL - non-current	-	80,690	80,690
Financial assets at FVTOCI - non-current	-	16,956	16,956
Accounts receivable	827,546	1,645	829,191
Prepayments	<u>1,607,413</u>	<u>(100,075)</u>	<u>1,507,338</u>
Total effect on assets	<u>\$ 2,532,605</u>	<u>\$ (98,430)</u>	<u>\$ 2,434,175</u>
Contract liabilities - current	\$ -	\$ 1,878,230	\$ 1,878,230
Accounts payable	1,518,972	54,267	1,573,239
Advance receipts	2,048,417	(2,046,492)	1,925
Deferred tax liabilities	<u>5,015</u>	<u>2,646</u>	<u>7,661</u>
Total effect on liabilities	<u>\$ 3,572,404</u>	<u>\$ (111,349)</u>	<u>\$ 3,461,055</u>
Unappropriated earnings	\$ 487,646	\$ 16,169	\$ 503,815
Other equity	<u>(57,985)</u>	<u>(3,250)</u>	<u>(61,235)</u>
Total effect on equity	<u>\$ 429,661</u>	<u>\$ 12,919</u>	<u>\$ 442,580</u>
			September 30, 2018
Decrease in available-for-sale financial assets - non-current			\$ (127,797)
Decrease in financial assets measured at cost - non-current			(13,400)
Increase in financial assets at FVTPL - non-current			124,970
Increase in financial assets at FVTOCI - non-current			16,227
Increase in accounts receivable			10,640
Decrease in prepayments			<u>(160,611)</u>
Decrease in assets			<u>\$ (149,971)</u>
Increase in contract liabilities - current			\$ 1,926,249
Increase in accounts payable			33,774
Increase in deferred tax liabilities			2,722
Decrease in advance receipts			<u>(2,123,606)</u>
Decrease in liabilities			<u>\$ (160,861)</u>
Increase in retained earnings			\$ 17,957
Decrease in other equity			<u>(7,067)</u>
Increase in equity			<u>\$ 10,890</u>

Impact on total comprehensive income for current period

**For the Nine
Months Ended
September 30,
2018**

Increase in operating revenue	\$ 207,997
Increase in operating costs	(194,385)
Increase in other profit or loss	7,067
Increase in income tax expense	<u>(2,722)</u>
Increase in net profit for the period	<u>17,957</u>
Items that will not be reclassified subsequently to profit or loss:	
Increase in unrealized loss in equity instruments designated as at FVTOCI	<u>(729)</u>
	<u>(729)</u>
Items that may be reclassified subsequently to profit or loss:	
Decrease in unrealized gain on available-for-sale financial assets	<u>(6,338)</u>
	<u>(6,338)</u>
Decrease in other comprehensive income for the period, net of income tax	<u>(7,067)</u>
Increase in total comprehensive income for the period	<u>\$ 10,890</u>
Increase in net profit attributable to:	
Owners of the Company	\$ 10,890
Non-controlling interests	<u>-</u>
	<u>\$ 10,890</u>
Increase in total comprehensive income attributable to:	
Owners of the Company	\$ 10,890
Non-controlling interests	<u>-</u>
	<u>\$ 10,890</u>
Impact on earnings per share:	
Increase in basic earnings per share	<u>\$ 0.16</u>
Increase in diluted earnings per share	<u>\$ 0.15</u>

Impact on cash flows for current period

**For the Nine
Months Ended
September 30,
2018**

Item	
Decrease in net cash flows from operating activities	\$ (7,067)
Net decrease in cash and cash equivalents	<u>\$ (7,067)</u>

- b. 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) (collectively, the “IFRSs”) endorsed by the FSC for application starting from 2019

New, Amended or Revised Standards and Interpretations (the “New IFRSs”)	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2015-2017 Cycle	January 1, 2019
Amendments to IFRS 9 “Prepayment Features with Negative Compensation”	January 1, 2019 (Note 2)
IFRS 16 “Leases”	January 1, 2019
Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”	January 1, 2019 (Note 3)
Amendments to IAS 28 “Long-term Interests in Associates and Joint Ventures”	January 1, 2019
IFRIC 23 “Uncertainty over Income Tax Treatments”	January 1, 2019

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 FSC permits the election for early adoption of the amendments starting from 2018.

Note 3: The Group shall apply these amendments to plan amendments, curtailments or settlements occurring on or after January 1, 2019.

IFRS 16 “Leases”

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

Definition of a lease

Upon initial application of IFRS 16, the Group will elect to apply the guidance of IFRS 16, in determining whether contracts are, or contain, a lease, only to contracts entered into (or changed) on or after January 1, 2019. Contracts identified as containing a lease under IAS 17 and IFRIC 4 will not be reassessed and will be accounted for in accordance with the transitional provisions under IFRS 16.

Upon initial application of IFRS 16, if the Group is a lessee, the Group will recognize right-of-use assets, or investment properties if the right-of-use assets meet the definition of investment properties, and lease liabilities for all leases on the consolidated balance sheets except for those whose payments under low-value and short-term leases will be recognized as expenses on a straight-line basis. On the consolidated statements of comprehensive income, the Group will present the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the effective interest method. On the consolidated statements of cash flows, cash payments for the principal portion of lease liabilities will be classified within financing activities; cash payments for the interest portion will be classified within operating activities. Currently, payments under operating lease contracts are recognized as expenses on a straight-line basis. Cash flows for operating leases are classified within operating activities on the consolidated statements of cash flows. Leased assets and finance lease payables are recognized for contracts classified as finance leases.

The Group anticipates applying IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized on January 1, 2019. Comparative information will not be restated.

Except for sublease transactions, the Group will not make any adjustments for leases in which it is a lessor and will account for those leases with the application of IFRS 16 starting from January 1, 2019.

The Group subleased its leasehold building to a third party in 2018. Such sublease is classified as an operating lease under IAS 17. The Group will assess the sublease classification on the basis of the remaining contractual terms and conditions of the head lease and sublease on January 1, 2019.

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.

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

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020 (Note 2)
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 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020 (Note 3)

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 Group shall apply these amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period.

Note 3: The Group shall apply these amendments prospectively for annual reporting periods beginning on or after January 1, 2020.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- a. Statement of compliance

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

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

Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective dates of acquisitions up to the effective dates of disposals.

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

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

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

See Note 13, Tables 5 and 6 for detailed information on subsidiaries (including percentages of ownership and main businesses).

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, 2017.

1) Financial instruments

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

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

a) Financial assets

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

i. Measurement category

2018

Financial assets are classified into the following categories: Financial assets at FVTPL, financial assets at amortized cost and financial assets at FVTOCI.

i) Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, notes receivable at amortized cost and accounts receivable, other financial assets - non-current and refundable deposits, are measured at amortized cost, which equals to gross carrying amount determined by the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset.

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

ii) Financial asset at FVTPL

Financial asset is classified as at FVTPL when the financial asset is mandatorily classified as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI.

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss does not incorporate any dividend or interest earned on the financial asset.

iii) Investments in equity instruments at FVTOCI

On initial recognition, the Group may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, instead, they will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Fair value is determined in the manner described in Note 8.

2017

Financial assets are classified into the following categories: Available-for-sale financial assets and receivables.

i) Available-for-sale financial assets

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

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

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

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

ii) Receivables

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

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

ii. Impairment of financial assets

2018

The Group recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including notes receivable, accounts receivable, other financial assets - non-current and refundable deposits), investments in debt instruments that are measured at FVTOCI.

The Group always recognizes lifetime Expected Credit Loss (i.e. ECL) for notes receivable, accounts receivable and overdue receivable. For all other financial instruments, the Group recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Expected credit losses reflect the weighted average of credit losses with the respective risks of a default occurring as the weights. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and does not reduce the carrying amount of the financial asset.

2017

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

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

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

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

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

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

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

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

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

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

iii. Derecognition of financial assets

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

Before 2018, on derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss which had been recognized in other comprehensive income is recognized in profit or loss. Starting from 2018, on derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in a debt instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss which had been recognized in other comprehensive income is recognized in profit or loss. However, on derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

b) Equity instruments

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

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

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

c) Financial liabilities

i. Subsequent measurement

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

ii. Derecognition of financial liabilities

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

2) Revenue recognition

2018

The Group identifies the performance obligations in the contract, allocates the transaction price to the performance obligations, and recognizes revenue when performance obligations are satisfied.

Rendering of service

The Group tour revenue is recognized over time, that is, as the customers obtain and consume the benefits of the Group's performance of the contract. Service income is recognized as services are provided and may be classified as realized or unrealized.

2017

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

a) Rendering of services

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

b) Dividend and interest income

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

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

3) Employee 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.

4) 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 pre-tax income the tax rate that would be applicable to expected total annual earnings. The effect of a change in tax rate resulting from a change in tax law is recognized consistent with the accounting for the transaction itself which gives rise to the tax consequence, and is recognized in profit or loss, other comprehensive income or directly in equity in full in the period in which the change in tax rate occurs.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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, 2017.

a. Estimated impairment of financial assets - 2018

The provision for impairment of trade receivables is based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and in selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

b. Estimated impairment of trade receivables - 2017

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

6. CASH AND CASH EQUIVALENTS

	September 30, 2018	December 31, 2017	September 30, 2017
Cash on hand	\$ 59,044	\$ 60,044	\$ 35,955
Checking accounts and demand deposits	1,830,866	2,190,436	1,980,818
Cash equivalents (investments with original maturities of less than 3 months)			
Time deposits	<u>1,085,339</u>	<u>936,773</u>	<u>785,845</u>
	<u>\$ 2,975,249</u>	<u>\$ 3,187,253</u>	<u>\$ 2,802,618</u>
Annual yield rates for bank deposits	0.01%-4.10%	0.01%-3.93%	0.01%-3.40%

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	September 30, 2018	December 31, 2017	September 30, 2017
<u>Non-current</u>			
Mandatorily measured at FVTPL			
Non-derivatives financial assets			
Privately offered fund	<u>\$ 124,970</u>	<u>\$ -</u>	<u>\$ -</u>

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - 2018

	September 30, 2018
<u>Non-current</u>	
FVTOCI - equity instrument	<u>\$ 16,227</u>
FVTOCI - Equity Instrument	
	September 30, 2018
<u>Non-current</u>	
Domestic investments	
Emerging market share	
Vigor Kobo Co., Ltd.	\$ 2,827
Unlisted shares	
Development of cultural and creative value of Venture Capital Co., Ltd.	10,000
Yuyupas Co., Ltd.	2,400
Circle Island Tours Co., Ltd.	<u>1,000</u>
	<u>\$ 16,227</u>

The above investments are held for medium to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes. These investments in equity instruments are classified as available-for-sale under IAS 39. Refer to Note 3, Note 9 and Note 10 for information relating to their reclassification and comparative information for 2017.

9. AVAILABLE-FOR-SALE FINANCIAL ASSETS - 2017

	December 31, 2017	September 30, 2017
<u>Non-current</u>		
Domestic investments		
Emerging market shares	\$ 3,556	\$ 4,484
Foreign investments		
Privately offered fund	<u>80,690</u>	<u>77,440</u>
	<u>\$ 84,246</u>	<u>\$ 81,924</u>

10. FINANCIAL ASSETS MEASURED AT COST - 2017

	December 31, 2017	September 30, 2017
<u>Non-current</u>		
Domestic unlisted common shares	<u>\$ 13,400</u>	<u>\$ 10,000</u>
Classified according to financial assets measurement categories		
Available-for-sale financial assets	<u>\$ 13,400</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.

11. OTHER CURRENT FINANCIAL ASSETS

	September 30, 2018	December 31, 2017	September 30, 2017
<u>Current</u>			
Pledged time deposits and demand deposits	<u>\$ 87,987</u>	<u>\$ 73,634</u>	<u>\$ 54,028</u>
Rate intervals	0.20%-2.25%	0.23%-2.25%	0.50%-2.25%

Refer to Note 30 for information relating on other current financial assets pledged as security.

12. NOTES RECEIVABLE, ACCOUNTS RECEIVABLE AND OVERDUE RECEIVABLES

	September 30, 2018	December 31, 2017	September 30, 2017
<u>Notes receivable</u>			
Notes receivable - operating	\$ <u>52,139</u>	\$ <u>56,926</u>	\$ <u>44,657</u>
<u>Accounts receivable</u>			
At amortized cost			
Gross carrying amount	\$ 1,125,589	\$ 828,648	\$ 953,542
Less: Allowance for impairment loss	<u>(2,581)</u>	<u>(1,102)</u>	<u>(2,226)</u>
	\$ <u>1,123,008</u>	\$ <u>827,546</u>	\$ <u>951,316</u>
<u>Overdue receivables</u>			
Overdue receivables	\$ 7,580	\$ 5,526	\$ 13,508
Less: Allowance for impairment loss	<u>(7,580)</u>	<u>(5,526)</u>	<u>(13,508)</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

For the nine months ended September 30, 2018

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 applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all trade receivables. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance was based on past due status.

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation, or when the trade receivables are past due, whichever occurs earlier. For trade receivables that have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of notes receivable, accounts receivable and overdue receivables on the Group's provision matrix.

September 30, 2018

	Up to 90 Days	91 to 180 Days	181 to 365 Days	Over 365 Days	Total
Gross carrying amount	\$ 1,119,886	\$ 53,736	\$ 3,365	\$ 8,321	\$ 1,185,308
Loss allowance (Lifetime ECL)	-	(252)	(1,588)	(8,321)	(10,161)
Amortized cost	<u>\$ 1,119,886</u>	<u>\$ 53,484</u>	<u>\$ 1,777</u>	<u>\$ -</u>	<u>\$ 1,175,147</u>

The range of ECL rate excludes overdue receivable have been recognized 100%. The Group recognized within 0-50% allowance for all accounts receivable overdue under 180 days, 50% to 100% allowance for all accounts receivable overdue between 181 days and 365 days, and 100% allowance for all accounts receivable overdue over 365 days.

The movements of the loss allowance of notes receivables, accounts receivable and overdue receivables were as follows:

	For the Nine Months Ended September 30, 2018
Balance at January 1, 2018 per IAS 39	\$ 6,628
Effect of retrospective application of IFRS 9	-
Balance at January 1, 2018 per IFRS 9	6,628
Add: Net remeasurement of loss allowance (a)	4,814
Less: Amounts written off (b)	(1,281)
Balance at September 30, 2018	<u>\$ 10,161</u>

- 1) Compared with January 1, 2018 the balance of loss allowance on September 30, 2018 increase by \$294,208 thousand as result of origination of notes receivable, accounts receivable and overdue receivables net of those settled of \$4,814 thousand.
- 2) The Group wrote off accounts receivable and overdue receivables and related loss allowance of \$1,281 thousand due to the liquidation of one customer.

For the nine months ended September 30, 2017

The credit policy of the Group in 2017 is the same as the 2018 credit policy. 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:

	December 31, 2017	September 30, 2017
Up to 90 days	\$ 806,549	\$ 905,295
91-180 days	75,812	82,796
181-365 days	<u>3,213</u>	<u>10,108</u>
	<u>\$ 885,574</u>	<u>\$ 998,199</u>

The above aging schedule was based on the invoice date.

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

	Collectively Assessed for Impairment Accounts Receivable	Individually Assessed for Impairment Overdue Receivables	Total
Balance at January 1	\$ 1,398	\$ 12,142	\$ 13,540
Add: Impairment losses (reversal of impairment losses) recognized on receivables	855	1,616	2,471
Less: Amounts written off during the period as uncollectible	<u>(27)</u>	<u>(250)</u>	<u>(277)</u>
Balance at September 30	<u>\$ 2,226</u>	<u>\$ 13,508</u>	<u>\$ 15,734</u>

13. SUBSIDIARIES

Entities included in the consolidated financial statements:

Investor	Investee	Nature of Activities	Proportion of Ownership			Remark
			September 30, 2018	December 31, 2017	September 30, 2017	
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%	
	LionBobby International Travel Service Co., Ltd. (LionBobby)	Travel industry	55.00%	55.00%	-	b.
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%	
	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%	

(Continued)

Investor	Investee	Nature of Activities	Proportion of Ownership			Remark
			September 30, 2018	December 31, 2017	September 30, 2017	
Shuangshi Investment	Lion International Travel Service Co., Ltd. (THA) ("Lion THA")	Travel industry	49.00%	49.00%	49.00%	c.
	Lion International Travel Service Co., Ltd. (UK) ("Lion UK")	Travel industry	100.00%	-	-	d.
	Lion International Holding (China) Limited ("Lion Holding (China)")	Management consulting activities	100.00%	100.00%	100.00%	
	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	43.10%	43.10%	43.10%	e.
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%	
Uplan Travel	New Vision Travel Service Co., Ltd. ("New Vision")	Travel industry	58.33%	-	-	f.
LionBobby	LionBobby Travel Service Co., Ltd. (JPN) ("LionBobby JPN")	Travel industry	100.00%	-	-	g.

(Concluded)

- The financial statements of subsidiaries included in the consolidated financial statements were not reviewed by independent auditors. As of September 30, 2018 and 2017, combined total assets of these non-significant subsidiaries were NT\$1,598,676 thousand and NT\$984,146 thousand, respectively, representing 23.96% and 15.44%, respectively, of the consolidated total assets, and combined total liabilities of these subsidiaries were NT\$859,325 thousand and NT\$548,118 thousand, respectively, representing 19.53% and 13.26%, respectively, of the consolidated total liabilities; for the three months ended September 30, 2018 and 2017 and for the nine months ended September 30, 2018 and 2017, the amounts of combined comprehensive (loss) income of these subsidiaries were NT\$(17,831) thousand, NT\$14,685 thousand, NT\$22,636 thousand and NT\$20,517 thousand, respectively, representing 307.91%, 9.65%, 8.53% and 5.31%, respectively, of the consolidated total comprehensive (loss) income.
- LionBobby was invested in October 2017.
- 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.
- Lion UK was invested in March 2018.

- e. The Group's equity interest in Fontrip Technology declined to 43.10% and the Group can direct Fontrip Technology's activities and thus has control over this investee.
- f. New Vision was invested in March 2018.
- g. LionBobby JPN was invested in April 2018.

14. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Computer Equipment	Transportation Equipment	Office Equipment	Total
<u>Cost</u>						
Balance at January 1, 2017	\$ 39,527	\$ 30,957	\$ 142,715	\$ 264,209	\$ 227,376	\$ 704,784
Additions	-	-	18,776	-	49,714	68,490
Disposals	-	-	(5,838)	(6,055)	(3,531)	(15,424)
Reclassification	-	-	(13)	-	11,572	11,559
Effect of foreign currency exchange differences	-	-	(58)	108	175	225
Balance at September 30, 2017	<u>\$ 39,527</u>	<u>\$ 30,957</u>	<u>\$ 155,582</u>	<u>\$ 258,262</u>	<u>\$ 285,306</u>	<u>\$ 769,634</u>
<u>Accumulated depreciation</u>						
Balance at January 1, 2017	\$ -	\$ 10,983	\$ 54,671	\$ 121,642	\$ 85,186	\$ 272,482
Depreciation expenses	-	415	26,703	18,549	28,573	74,240
Disposals	-	-	(5,836)	(3,696)	(3,531)	(13,063)
Effect of foreign currency exchange differences	-	-	4	61	303	368
Balance at September 30, 2017	<u>\$ -</u>	<u>\$ 11,398</u>	<u>\$ 75,542</u>	<u>\$ 136,556</u>	<u>\$ 110,531</u>	<u>\$ 334,027</u>
Carrying amounts at September 30, 2017	<u>\$ 39,527</u>	<u>\$ 19,559</u>	<u>\$ 80,040</u>	<u>\$ 121,706</u>	<u>\$ 174,775</u>	<u>\$ 435,607</u>
<u>Cost</u>						
Balance at January 1, 2018	\$ 39,527	\$ 30,957	\$ 155,410	\$ 258,294	\$ 285,827	\$ 770,015
Additions	-	-	22,976	51,531	16,759	91,266
Disposals	-	-	(21,856)	-	(29,112)	(50,968)
Reclassification	-	-	-	-	514	514
Effect of foreign currency exchange differences	-	-	(123)	337	(90)	124
Balance at September 30, 2018	<u>\$ 39,527</u>	<u>\$ 30,957</u>	<u>\$ 156,407</u>	<u>\$ 310,162</u>	<u>\$ 273,898</u>	<u>\$ 810,951</u>
<u>Accumulated depreciation</u>						
Balance at January 1, 2018	\$ -	\$ 11,536	\$ 80,033	\$ 142,619	\$ 118,750	\$ 352,938
Depreciation expenses	-	414	27,735	19,688	30,258	78,095
Disposals	-	-	(21,585)	-	(28,764)	(50,349)
Effect of foreign currency exchange differences	-	-	(130)	186	(110)	(54)
Balance at September 30, 2018	<u>\$ -</u>	<u>\$ 11,950</u>	<u>\$ 86,053</u>	<u>\$ 162,493</u>	<u>\$ 120,134</u>	<u>\$ 380,630</u>
Carrying amounts at December 31, 2017 and January 1, 2018	<u>\$ 39,527</u>	<u>\$ 19,421</u>	<u>\$ 75,377</u>	<u>\$ 115,675</u>	<u>\$ 167,077</u>	<u>\$ 417,077</u>
Carrying amounts at September 30, 2018	<u>\$ 39,527</u>	<u>\$ 19,007</u>	<u>\$ 70,354</u>	<u>\$ 147,669</u>	<u>\$ 153,764</u>	<u>\$ 430,321</u>

Except for depreciation recognized, the Group did not have significant addition, disposal, or impairment of property, plant and equipment during the nine months ended September 30, 2018 and 2017.

The above items of 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

Property, plant and equipment pledged as collateral for bank borrowings are set out in Note 30.

15. OTHER ASSETS

	September 30, 2018	December 31, 2017	September 30, 2017
<u>Current</u>			
Prepayments			
Prepaid tour costs	\$ 1,418,829	\$ 1,459,069	\$ 1,589,220
Inventory of supplies	105,267	136,482	83,559
Prepaid expenses	15,763	11,197	15,618
Others	<u>974</u>	<u>665</u>	<u>6,384</u>
	<u>\$ 1,540,833</u>	<u>\$ 1,607,413</u>	<u>\$ 1,694,781</u>
<u>Non-current</u>			
Other assets			
Refundable deposits	\$ 223,486	\$ 217,920	\$ 225,194
Prepayments for equipment	<u>32,518</u>	<u>3,712</u>	<u>4,537</u>
	<u>\$ 256,004</u>	<u>\$ 221,632</u>	<u>\$ 229,731</u>

16. BORROWINGS

Long-term borrowings

	September 30, 2018	December 31, 2017	September 30, 2017
<u>Secured borrowings</u>			
Bank loans	\$ 20,666	\$ -	\$ -
Less: Current portions	<u>(4,051)</u>	<u>-</u>	<u>-</u>
Long-term borrowings	<u>\$ 16,615</u>	<u>\$ -</u>	<u>\$ -</u>

For the nine months ended September 30, 2018, the Group had obtained bank loans of \$20,666 thousand with transportation equipment pledged as security (refer to Note 30) for the loans. The loans are payable over five years and bear interest at the rate of 1.87% per annum.

17. OTHER LIABILITIES

	September 30, 2018	December 31, 2017	September 30, 2017
<u>Current</u>			
Other payables			
Accrued expense payable	\$ 298,622	\$ 228,941	\$ 196,551
Accrued remuneration to employees and directors	23,324	33,329	28,415
Sales tax payable	15,978	24,870	13,838
Others	<u>12,652</u>	<u>13,061</u>	<u>16,061</u>
	<u>\$ 350,576</u>	<u>\$ 300,201</u>	<u>\$ 254,865</u>
Advance receipts			
Deposits received from package-tour customers	\$ -	\$ 1,922,320	\$ 2,035,543
Deposits received on sold travel vouchers or gift certificates	-	124,609	115,429
Others	<u>-</u>	<u>1,488</u>	<u>9,765</u>
	<u>\$ -</u>	<u>\$ 2,048,417</u>	<u>\$ 2,160,737</u>

18. RETIREMENT BENEFIT PLANS

Employee benefit expenses in respect of the Group's defined benefit retirement plans were \$1,662 thousand and \$1,495 thousand for the nine months ended September 30, 2018 and 2017, respectively, and were calculated using the actuarially determined pension cost discount rate as of December 31, 2017 and 2016.

19. EQUITY

a. Share capital

Common stock

	September 30, 2018	December 31, 2017	September 30, 2017
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

	September 30, 2018	December 31, 2017	September 30, 2017
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
May be used to offset a deficit only			
Recognized from changes in percentage of ownership interest in subsidiary (2)	<u>4,848</u>	<u>4,848</u>	<u>4,848</u>
	<u>\$ 820,698</u>	<u>\$ 820,698</u>	<u>\$ 820,698</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 24).

c. Retained earnings and dividend policy

Under the dividends policy as set forth in the amended Articles, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as a legal reserve of 10% of the remaining profit, setting aside or reversing a 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 the distribution of dividends and bonuses to shareholders. For the policies on the distribution of employees' compensation and remuneration of directors and supervisors after the amendment, refer to employees' compensation and remuneration of directors and supervisors in Note 21-6.

The Company's dividends policy worked on development plans, investment environment, capital requirement, market competition and shareholder's profit. Every year, distribution of bonuses to shareholders is not lower than 10% of appropriated earnings. Bonuses could be cash dividends or stock dividends and cash dividends are not lower than 30% of total dividends.

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 the directive titled "Questions and Answers on Special Reserves Appropriated Following Adoption of IFRS," the Company should appropriate or reverse to a special reserve.

The appropriations of earnings for 2017 and 2016 approved in the shareholders' meetings on June 15, 2018 and 2017, respectively were as follows:

	Appropriation of Earnings		Dividends Per Share (NT\$)	
	For the Year Ended December 31		For the Year Ended December 31	
	2017	2016	2017	2016
Legal reserve	\$ 45,468	\$ 24,797	\$ -	\$ -
Special reserve	9,550	36,589	-	-
Cash dividends	364,000	280,000	5.2	4.0

d. Special reserves

	For the Nine Months Ended September 30	
	2018	2017
Beginning at January 1	\$ 48,435	\$ 11,846
Appropriations in respect of Debits to other equity items	<u>9,550</u>	<u>36,589</u>
Balance at September 30	<u>\$ 57,985</u>	<u>\$ 48,435</u>

e. Other equity items

1) Exchange differences on translating the financial statements of foreign operations

	For the Nine Months Ended September 30	
	2018	2017
Balance at January 1	\$ (51,391)	\$ (42,109)
Recognized during the period Exchange differences on translating the financial statements of foreign operations	<u>(10,958)</u>	<u>(8,708)</u>
Balance at September 30	<u>\$ (62,349)</u>	<u>\$ (50,817)</u>

2) Unrealized gain (loss) on available-for-sale financial assets

Balance at January 1, 2017	\$ (6,326)
Recognized during the period Unrealized loss on revaluation of available-for-sale financial assets	<u>(2,590)</u>
Balance at September 30, 2017	<u>\$ (8,916)</u>
Balance at January 1, 2018	\$ (6,594)
Effect of retrospective application of IFRS 9	<u>6,594</u>
Balance at September 30, 2018	<u>\$ -</u>

3) Unrealized gain (loss) on financial assets at FVTOCI

	For the Nine Months Ended September 30, 2018
Balance at January 1 per IAS 39	\$ -
Effect of retrospective application of IFRS 9	(9,844)
Balance at January 1 per IFRS 9	(9,844)
Recognized during the period	
Unrealized loss - equity instruments	(729)
Balance at September 30	<u>\$ (10,573)</u>

f. Non-controlling interests

	For the Nine Months Ended September 30	
	2018	2017
Balance at January 1	\$ 121,502	\$ 54,482
Share in profit for the period	5,818	6,790
Other comprehensive income (loss) in the period		
Exchange difference on translating the financial statements of foreign entities	227	640
Issuance of common stock for service in subsidiaries	-	2,500
Issuance of common stock for cash in subsidiaries	6,711	-
Acquisition of non-controlling interests in subsidiaries	5,000	-
Cash dividends	(1,502)	-
Adjustment for changes in capital surplus	-	(308)
Balance at September 30	<u>\$ 137,756</u>	<u>\$ 64,104</u>

20. REVENUE

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2018	2017	2018	2017
Revenue from contracts with customers				
Tour revenue	\$ 7,679,887	\$ 7,434,457	\$ 22,308,975	\$ 19,589,070
FIT (Free Independent Traveler) revenue	88,099	101,667	263,113	302,241
Others	145,098	125,042	479,132	364,786
	<u>\$ 7,913,084</u>	<u>\$ 7,661,166</u>	<u>\$ 23,051,220</u>	<u>\$ 20,256,097</u>

a. Disaggregation of revenue

For the nine months ended September 30, 2018

	Reportable Departments		
	Domestic	Foreign	Total
<u>Type of contract revenue</u>			
Tour revenue	\$ 21,653,379	\$ 655,596	\$ 22,308,975
FIT revenue	233,219	29,894	263,113
Others	<u>441,153</u>	<u>37,979</u>	<u>479,132</u>
	<u>\$ 22,327,751</u>	<u>\$ 723,469</u>	<u>\$ 23,051,220</u>

For the nine months ended September 30, 2017

	Reportable Departments		
	Domestic	Foreign	Total
<u>Type of contract revenue</u>			
Tour revenue	\$ 19,164,217	\$ 424,853	\$ 19,589,070
FIT revenue	272,872	29,369	302,241
Others	<u>338,445</u>	<u>26,341</u>	<u>364,786</u>
	<u>\$ 19,775,534</u>	<u>\$ 480,563</u>	<u>\$ 20,256,097</u>

b. Contract balance

	September 30, 2018
Accounts receivable (Note 12)	<u>\$ 1,123,008</u>
Contract liabilities - current	<u>\$ 1,926,249</u>

21. NET INCOME

a. Other income

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2018	2017	2018	2017
Interest income	\$ 5,597	\$ 2,417	\$ 14,947	\$ 10,458
Rental income	968	1,035	3,493	3,121
Others	<u>18,404</u>	<u>19,001</u>	<u>45,013</u>	<u>36,671</u>
	<u>\$ 24,969</u>	<u>\$ 22,453</u>	<u>\$ 63,453</u>	<u>\$ 50,250</u>

b. Other gains and losses

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2018	2017	2018	2017
Net foreign exchange gains	\$ 15,800	\$ 16,631	\$ 63,380	\$ 39,178
Net gain on fair value changes of financial assets designated as at fair value through profit	828	-	7,067	-
Loss on disposal of property, plant and equipment	(253)	(666)	(276)	(666)
Others	<u>(3,088)</u>	<u>(807)</u>	<u>(3,261)</u>	<u>(1,384)</u>
	<u>\$ 13,287</u>	<u>\$ 15,158</u>	<u>\$ 66,910</u>	<u>\$ 37,128</u>

c. Finance costs

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2018	2017	2018	2017
Interest on bank loans	<u>\$ 33</u>	<u>\$ 40</u>	<u>\$ 80</u>	<u>\$ 79</u>

d. Depreciation and amortization

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2018	2017	2018	2017
An analysis of depreciation by function				
Operating costs	\$ 7,260	\$ 7,300	\$ 19,761	\$ 18,623
Operating expenses	<u>19,395</u>	<u>18,738</u>	<u>58,334</u>	<u>55,617</u>
	<u>\$ 26,655</u>	<u>\$ 26,038</u>	<u>\$ 78,095</u>	<u>\$ 74,240</u>
An analysis of amortization by function				
Operating costs	\$ 503	\$ 375	\$ 1,507	\$ 1,125
Operating expenses	<u>58</u>	<u>446</u>	<u>184</u>	<u>1,344</u>
	<u>\$ 561</u>	<u>\$ 821</u>	<u>\$ 1,691</u>	<u>\$ 2,469</u>

e. Employee benefits expense

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2018	2017	2018	2017
Post-employment benefits				
Defined contribution plans	\$ 22,557	\$ 20,214	\$ 65,888	\$ 59,907
Defined benefit plans (Note 18)	554	498	1,662	1,495
Other employee benefits	<u>547,228</u>	<u>519,216</u>	<u>1,617,434</u>	<u>1,509,871</u>
Total employee benefits expense	<u>\$ 570,339</u>	<u>\$ 539,928</u>	<u>\$ 1,684,984</u>	<u>\$ 1,571,273</u>
An analysis of employee benefits expense by function				
Operating costs	\$ 29,410	\$ 26,517	\$ 84,333	\$ 74,916
Operating expenses	<u>540,929</u>	<u>513,411</u>	<u>1,600,651</u>	<u>1,496,357</u>
	<u>\$ 570,339</u>	<u>\$ 539,928</u>	<u>\$ 1,684,984</u>	<u>\$ 1,571,273</u>

f. Employees' compensation and remuneration of directors and supervisors

The Company accrued employees' compensation and remuneration of directors and supervisors at the rates of no less than 3% and no higher than 2%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors and supervisors.

For the nine months ended September 30, 2018 and 2017, the employees' compensation and remuneration of directors and supervisors were as follows:

Accrual rate

	For the Nine Months Ended September 30	
	2018	2017
Employees' compensation	5%	5%
Remuneration of directors and supervisors	0.7%	0.7%

Amount

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2018	2017	2018	2017
Employees' compensation	\$ 1,003	\$ 9,273	\$ 17,890	\$ 24,905
Remuneration to directors and supervisors	141	1,299	2,505	3,487

The appropriations for employees' compensation and remuneration of directors and supervisors for 2017 and 2016 approved by the Company's board of directors on March 22, 2018 and March 24, 2017, respectively, were as follows:

	For the Year Ended December 31			
	2017		2016	
	Cash	Share	Cash	Share
Employees' compensation	\$ 28,930	\$ -	\$ 16,234	\$ -
Remuneration of directors and supervisors	4,050	-	2,272	-

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.

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 years ended December 31, 2017 and 2016.

Information on the employees' compensation and remuneration of directors and supervisors approved by the Company's board of directors in 2018 and 2017 is available at the Market Observation Post System.

g. Foreign exchange gains or loss

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2018	2017	2018	2017
Foreign exchange gains	\$ 29,112	\$ 27,775	\$ 95,336	\$ 67,207
Foreign exchange losses	(13,312)	(11,144)	(31,956)	(28,029)
Net gain	<u>\$ 15,800</u>	<u>\$ 16,631</u>	<u>\$ 63,380</u>	<u>\$ 39,178</u>

22. INCOME TAX

a. Income tax recognized in in profit or loss

Major components of tax expense recognized in profit or loss

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2018	2017	2018	2017
Current tax				
In respect of the current period	\$ 9,686	\$ 30,697	\$ 82,456	\$ 83,459
Deferred tax				
In respect of the current period	7	2,216	2,057	4
Adjustments to deferred tax attributable to changes in tax rates and laws	<u>-</u>	<u>-</u>	<u>1,052</u>	<u>-</u>
Income tax expense recognized in profit or loss	<u>\$ 9,693</u>	<u>\$ 32,913</u>	<u>\$ 85,565</u>	<u>\$ 83,463</u>

b. Income tax recognized in other comprehensive income

	For the Nine Months Ended September 30	
	2018	2017
<u>Deferred tax</u>		
Change in tax rate	\$ (3,153)	\$ -
Total income tax recognized in other comprehensive income	\$ (3,153)	\$ -

The Income Tax Act in the ROC was amended in 2018 and the corporate income tax rate was adjusted from 17% to 20% effective in 2018. The effect of the change in tax rate on deferred tax income had been recognized in profit or loss. In addition, the rate of the corporate surtax applicable to 2018 unappropriated earnings will be reduced from 10% to 5%.

c. Income tax assessments

The Company provided for the income tax through 2015 assessed by the tax authorities. However, Shuangshi Investment, Travel Trend, Ansett Tour, Lion Technology, Lion Express, Travel Around Investment, Uplan Travel, Xinflight Travel and Fontrip Technology provided for the income tax through 2016 assessed by the tax authorities.

23. EARNINGS PER SHARE

Unit: NT\$ Per Share

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2018	2017	2018	2017
Basic earnings per share	\$ 0.13	\$ 2.07	\$ 3.83	\$ 5.57
Diluted earnings per share	\$ 0.13	\$ 2.06	\$ 3.81	\$ 5.55

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 September 30		For the Nine Months Ended September 30	
	2018	2017	2018	2017
Income for the period attributable to owners of the Company	\$ 9,184	\$ 144,939	\$ 267,913	\$ 390,086

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

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2018	2017	2018	2017
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>200</u>	<u>268</u>	<u>265</u>	<u>323</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>70,200</u>	<u>70,268</u>	<u>70,265</u>	<u>70,323</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.

24. EQUITY TRANSACTION WITH NON-CONTROLLING INTERESTS

On July 10, 2017, the Group subscribed for additional new shares of Fontrip Technology at a percentage different from its prior ownership percentage, reducing its continuing interest from 45.05% to 43.10%.

	Fontrip Technology
Cash consideration paid	\$ -
The proportionate share of the carrying amount of the net assets of the subsidiary transferred to non-controlling interests	<u>308</u>
Differences arising from equity transaction	<u>\$ 308</u>
<u>Line items adjusted for equity transaction</u>	
Capital surplus - changes in percentage of ownership interest in subsidiary	<u>\$ 308</u>

25. 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 5 years have clauses requiring market rental reviews every 5 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:

	September 30, 2018	December 31, 2017	September 30, 2017
Not later than 1 year	\$ 321,346	\$ 289,114	\$ 300,301
Later than 1 year and not later than 5 years	885,405	707,920	745,801
Later than 5 years	<u>469,001</u>	<u>293,257</u>	<u>319,303</u>
	<u>\$ 1,675,752</u>	<u>\$ 1,290,291</u>	<u>\$ 1,365,405</u>

26. 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 second quarter and 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.

27. 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.

28. FINANCIAL INSTRUMENTS

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

1) Fair value hierarchy

September 30, 2018

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Privately offered fund	<u>\$ -</u>	<u>\$ 124,970</u>	<u>\$ -</u>	<u>\$ 124,970</u>
<u>Financial assets at FVTOCI</u>				
Emerging market shares				
Equity securities	\$ -	\$ 2,827	\$ -	\$ 2,827
Domestic unlisted common shares	<u>-</u>	<u>13,400</u>	<u>-</u>	<u>13,400</u>
	<u>\$ -</u>	<u>\$ 16,227</u>	<u>\$ -</u>	<u>\$ 16,227</u>

December 31, 2017

	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
Emerging market shares				
Equity securities	\$ -	\$ 3,556	\$ -	\$ 3,556
Privately offered fund	-	80,690	-	80,690
	<u>\$ -</u>	<u>\$ 84,246</u>	<u>\$ -</u>	<u>\$ 84,246</u>

September 30, 2017

	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
Emerging market shares				
Equity securities	\$ -	\$ 4,484	\$ -	\$ 4,484
Privately offered fund	-	77,440	-	77,440
	<u>\$ -</u>	<u>\$ 81,924</u>	<u>\$ -</u>	<u>\$ 81,924</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.

b. Categories of financial instruments

	September 30, 2018	December 31, 2017	September 30, 2017
<u>Financial assets</u>			
Financial assets at FVTPL			
Mandatorily measured at FVTPL	\$ 124,970	\$ -	\$ -
Receivables (Note 1)	4,461,869	4,363,279	4,077,813
Available-for-sale financial assets (Note 2)	-	97,646	91,924
Financial assets at FVTOCI	16,227	-	-
<u>Financial liabilities</u>			
Measured at amortized cost (Note 3)	2,283,577	1,938,612	1,788,056

Note 1: The balances included 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 borrowings.

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' borrowings and demand deposits have floating and fixed interest rates, respectively, so there is no material cash flow risk of borrowings 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 32.

b) Sensitivity analysis

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

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 Nine Months Ended September 30	
	2018	2017
USD	\$ 5,615	\$ 1,980
RMB	2,571	(2,585)
EUR	(3,640)	(1,932)
THB	(5,921)	(1,216)

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

29. 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
Lion Consulting Co., Ltd.	Substantive related party
Lion Investment Co., Ltd.	Substantive related party
Travel Trend Investment Co., Ltd.	Substantive related party
XIN Investment Co., Ltd.	Substantive related party
Bobby Travel Service Co., Ltd	Substantive related party

b. Operating revenue

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2018	2017	2018	2017
<u>Operating revenue</u>				
Substantive related party	\$ <u>6,931</u>	\$ <u>4,609</u>	\$ <u>23,274</u>	\$ <u>10,084</u>

The selling prices in related-party transactions were not significantly different from those for transactions with third parties.

c. Operating costs

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2018	2017	2018	2017
<u>Operating costs</u>				
Substantive related party	\$ <u>16,286</u>	\$ <u>16,558</u>	\$ <u>55,622</u>	\$ <u>34,105</u>

The purchase prices in related-party transactions were not significantly different from those for transactions with third parties.

d. Accounts receivable from related parties

Line Item	Related Party Category	September 30, 2018	December 31, 2017	September 30, 2017
Accounts receivable	Substantive related party	\$ <u>4,369</u>	\$ <u>2,624</u>	\$ <u>2,094</u>

The outstanding accounts receivable to related parties were unsecured. For the nine months ended September 30, 2018 and 2017, no impairment loss was recognized for accounts receivable from related parties.

e. Accounts payable to related parties

Line Item	Related Party Category	September 30, 2018	December 31, 2017	September 30, 2017
Accounts payable	Substantive related party	\$ <u>2,899</u>	\$ <u>2,489</u>	\$ <u>2,685</u>

The outstanding accounts payable to related parties were unsecured and payable in cash.

f. 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 September 30		For the Nine Months Ended September 30	
	2018	2017	2018	2017
Substantive related party	\$ <u>4,303</u>	\$ <u>5,977</u>	\$ <u>12,629</u>	\$ <u>16,253</u>

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

	September 30, 2018	December 31, 2017	September 30, 2017
Substantive related party	\$ <u>827</u>	\$ <u>1,954</u>	\$ <u>2,178</u>

2) Lease transactions

The revenues and expenses on lease transactions with related parties are based on market conditions and not significantly different from transactions with third parties; rental expenses are recognized under operating expenses.

The Group leased certain assets to related parties, and the rental revenue is recognized as deduction of operating expenses.

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2018	2017	2018	2017
<u>Rental revenue</u>				
Substantive related party	\$ <u>3,481</u>	\$ <u>3,620</u>	\$ <u>10,400</u>	\$ <u>10,838</u>
<u>Rental expense</u>				
Substantive related party	\$ <u>689</u>	\$ <u>-</u>	\$ <u>2,068</u>	\$ <u>-</u>

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

	September 30, 2018	December 31, 2017	September 30, 2017
Substantive related party	\$ <u>253</u>	\$ <u>322</u>	\$ <u>137</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 September 30		For the Nine Months Ended September 30	
	2018	2017	2018	2017
Substantive related party	\$ 4,975	\$ 12,006	\$ 29,542	\$ 31,178

g. Compensation of key management personnel

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2018	2017	2018	2017
Short-term employee benefits	\$ 46,786	\$ 35,358	\$ 132,997	\$ 97,753
Post-employment benefits	<u>1,721</u>	<u>1,327</u>	<u>5,253</u>	<u>3,897</u>
	<u>\$ 48,507</u>	<u>\$ 36,685</u>	<u>\$ 138,250</u>	<u>\$ 101,650</u>

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

30. ASSETS PLEDGED AS COLLATERALS OR FOR SECURITY

	September 30, 2018	December 31, 2017	September 30, 2017
Pledged deposits and demand deposits	\$ 87,987	\$ 73,634	\$ 54,028
Property, plant and equipment, net	<u>25,520</u>	<u>-</u>	<u>-</u>
	<u>\$ 113,507</u>	<u>\$ 73,634</u>	<u>\$ 54,028</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.

31. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Group are the following:

- Letters of guarantee obtained by the Group from banks and issued for hotel and transportation reservations, which amounted to \$2,429,869 thousand, \$2,305,719 thousand and \$2,007,570 thousand as of September 30, 2018, December 31, 2017 and September 30, 2017, respectively.
- Letters of guarantee provided to buy tickets from airlines and others amounted to \$560,764 thousand, \$637,702 thousand and \$705,366 thousand as of September 30, 2018, December 31, 2017 and September 30, 2017, respectively.

32. 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>September 30, 2018</u>			
<u>Financial assets</u>			
Monetary items			
USD	\$ 11,277	30.53 (USD:NTD)	\$ 344,287
JPY	649,015	0.27 (JPY:NTD)	175,234
RMB	34,541	4.44 (RMB:NTD)	153,362
EUR	2,336	35.49 (EUR:NTD)	82,905
HKD	2,834	3.91 (HKD:NTD)	11,081
			<u>\$ 766,869</u>
<u>Financial liabilities</u>			
Monetary items			
USD	7,599	30.53 (USD:NTD)	\$ 231,997
JPY	701,873	0.27 (JPY:NTD)	189,506
EUR	4,387	35.49 (EUR:NTD)	155,695
THB	125,249	0.95 (THB:NTD)	118,987
RMB	22,962	4.44 (RMB:NTD)	101,951
HKD	7,252	3.91 (HKD:NTD)	28,355
CAD	1,176	23.48 (CAD:NTD)	27,612
GBP	373	39.90 (GBP:NTD)	14,883
			<u>\$ 868,986</u>
<u>December 31, 2017</u>			
<u>Financial assets</u>			
Monetary items			
JPY	596,324	0.26 (JPY:NTD)	\$ 157,907
EUR	3,336	35.64 (EUR:NTD)	118,895
USD	2,979	29.78 (USD:NTD)	88,715
HKD	6,722	3.82 (HKD:NTD)	25,678
GBP	481	40.17 (GBP:NTD)	19,322
			<u>\$ 410,517</u>

(Continued)

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial liabilities</u>			
Monetary items			
JPY	\$ 446,118	0.26 (JPY:NTD)	\$ 118,132
USD	3,497	29.78 (USD:NTD)	104,141
EUR	2,192	35.64 (EUR:NTD)	78,123
RMB	14,614	4.57 (RMB:NTD)	66,786
THB	38,922	0.92 (THB:NTD)	35,808
HKD	8,398	3.82 (HKD:NTD)	32,080
AUD	690	23.24 (AUD:NTD)	<u>16,036</u>
			<u>\$ 451,106</u>
<u>September 30, 2017</u>			
<u>Financial assets</u>			
Monetary items			
USD	4,681	30.28 (USD:NTD)	\$ 141,741
JPY	468,126	0.27 (JPY:NTD)	126,394
EUR	2,311	35.85 (EUR:NTD)	82,849
RMB	8,466	4.56 (RMB:NTD)	38,605
AUD	756	23.72 (AUD:NTD)	<u>17,932</u>
			<u>\$ 407,521</u>
<u>Financial liabilities</u>			
Monetary items			
JPY	688,980	0.27 (JPY:NTD)	\$ 186,025
EUR	3,389	35.85 (EUR:NTD)	121,496
USD	3,373	30.28 (USD:NTD)	102,134
RMB	19,805	4.56 (RMB:NTD)	90,311
THB	25,577	0.91 (THB:NTD)	23,275
HKD	5,692	3.88 (HKD:NTD)	22,085
AUD	542	23.72 (AUD:NTD)	12,856
GBP	292	40.65 (GBP:NTD)	11,870
CHF	377	31.29 (CHF:NTD)	11,796
CAD	464	24.32 (CAD:NTD)	<u>11,284</u>
			<u>\$ 593,132</u>
			(Concluded)

The Group is mainly exposed to the USD, RMB, EUR and THB. 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 September 30, 2018		For the Three Months Ended September 30, 2017	
	Exchange Rate	Net Foreign Exchange Gain	Exchange Rate	Net Foreign Exchange Gain
NTD	1 (NTD:NTD)	<u>\$ 15,800</u>	1 (NTD:NTD)	<u>\$ 16,631</u>
Functional Currencies	For the Nine Months Ended September 30, 2018		For the Nine Months Ended September 30, 2017	
	Exchange Rate	Net Foreign Exchange Gain	Exchange Rate	Net Foreign Exchange Gain
NTD	1 (NTD:NTD)	<u>\$ 63,380</u>	1 (NTD:NTD)	<u>\$ 39,178</u>

33. 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.

34. 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 nine months ended September 30, 2018 and 2017, the Group's revenues and income by segment, i.e., by each business division, were as follows:

	Travel Department	Others	Elimination	Total
For the nine months ended <u>September 30, 2018</u>				
Revenues from external customers	\$ 22,959,639	\$ 91,581	\$ -	\$ 23,051,220
Inter-segment revenues	<u>2,498,765</u>	<u>284,537</u>	<u>(2,783,302)</u>	<u>-</u>
Segment revenues	<u>\$ 25,458,404</u>	<u>\$ 376,118</u>	<u>\$ (2,783,302)</u>	<u>\$ 23,051,220</u>
Segment income	<u>\$ 226,251</u>	<u>\$ (8,693)</u>	<u>\$ 11,455</u>	<u>\$ 229,013</u>
Non-operating income				<u>130,283</u>
Income before income tax				<u>\$ 359,296</u>

(Continued)

	Travel Department	Others	Elimination	Total
For the nine months ended <u>September 30, 2017</u>				
Revenues from external customers	\$ 20,223,609	\$ 32,488	\$ -	\$ 20,256,097
Inter-segment revenues	<u>1,702,383</u>	<u>227,317</u>	<u>(1,929,700)</u>	<u>-</u>
Segment revenues	<u>\$ 21,925,992</u>	<u>\$ 259,805</u>	<u>\$ (1,929,700)</u>	<u>\$ 20,256,097</u>
Segment income	<u>\$ 406,698</u>	<u>\$ (17,243)</u>	<u>\$ 3,585</u>	\$ 393,040
Non-operating income				<u>87,299</u>
Income before income tax				<u>\$ 480,339</u> (Concluded)

LION TRAVEL SERVICE CO., LTD. AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018
(In Thousands of New Taiwan Dollars)

No. (Note 1)	Endorser/ Guarantor	Endorsee/Guaranteee Party		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. Uplan Travel Service Co., Ltd. Skylion International Travel Service Co., Ltd.	b b b	\$ 426,768 426,768 426,768	\$ 46,850 170,000 53,470	\$ 44,380 170,000 52,720	\$ 31,066 27,770 -	\$ - - -	1.45 1.30 -	\$ 2,133,838 2,133,838 2,133,838	Y Y Y	N N N	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/guaranteee party:

- The Company and guarantee party have business deals.
- The Company directly and indirectly owned over 50% of guaranteed party's voting stocks.
- The guaranteed party owned directly and indirectly over 50% of the Company's voting stocks.
- The guaranteed party owned directly and indirectly over 90% of the Company's voting stocks.
- The guarantor and guaranteed party are peers in contract projects or cobuilders in accordance with contract provisions which require mutual insurance company.
- Owing to the joint venture funded by all shareholders on its endorsement of its holding company.
- Peers in performance bond joint security of pre-sale house contract under Consumer Protection Act.

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 highest amount of guarantee or endorsement during the period.

Note 5: Amount approved by the Company's board of directors. The Company's board follows Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies Article 12-8 Hierarchy of decision-making authority and delegation that means the amount was decided by the chairman of the board of directors.

Note 6: 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" if yes or "N" if no.

LION TRAVEL SERVICE CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
SEPTEMBER 30, 2018
(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	September 30, 2018				Note (Note 4)
				Shares (In Thousands)	Carrying Amount (Note 3)	Percentage of Ownership	Fair Value	
Lion Travel Service Co., Ltd. ("the Company")	Stock Development of cultural and creative value of Venture Capital Co., Ltd.	-	Financial assets at FVTOCI - non-current	1,000	\$ 10,000	0.67	\$ 10,000	
The Company	Privately offered fund Millerful Value Creation Fund I	-	Financial assets at FVTPL - non-current	-	124,970	-	124,970	
Shuangshi Investment	Stock Vigor Kobo Co., Ltd.	-	Financial assets at FVTOCI - non-current	140	2,827	0.83	2,827	Note 6
LionBobby	Stock Yuyupas Co., Ltd. Circle Island Tours Co., Ltd.	- -	Financial assets at FVTOCI - non-current Financial assets at FVTOCI - non-current	240 100	2,400 1,000	4.80 11.11	2,400 1,000	

Note 1: The marketable securities in this table is related to stock, bonds and short-term investments of "IFRS 9 Financial Instruments".

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: The informations about 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 September 2018.

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 NINE MONTHS ENDED SEPTEMBER 30, 2018
(In Thousands of New Taiwan Dollars)

Buyer/Saler	Related Party	Relationship	Transaction Details			Abnormal Transaction (Note 1)		Notes/Accounts Receivable (Payable)		Note (Note 2)
			Purchase/Sales	Amount	% to Total	Payment Terms	Unit Price	Ending Balance	% to Total	
Lion Travel Service Co., Ltd. ("the Company")	Uplan Travel	Grandson company	Purchase	\$ 753,659	3.90	Same as those for unrelated parties	No significant difference	\$ (2,490)	0.16	
Uplan Travel	The Company	Parent company	Sales	753,659	60.40	Same as those for unrelated parties	No significant difference	2,490	58.85	
The Company	Lion Shanghai	Grandson company	Purchase	629,983	3.26	Same as those for unrelated parties	No significant difference	(65,887)	4.31	
Lion Shanghai	The Company	Parent company	Sales	629,983	98.72	Same as those for unrelated parties	No significant difference	65,887	69.19	
The Company	Lion THA	Grandson company	Purchase	202,944	1.05	Same as those for unrelated parties	No significant difference	(30,223)	1.98	
Lion THA	The Company	Parent company	Sales	202,944	87.22	Same as those for unrelated parties	No significant difference	30,223	100	
The Company	Lion SYD	Grandson company	Purchase	184,269	0.95	Same as those for unrelated parties	No significant difference	(1,304)	0.09	
Lion SYD	The Company	Parent company	Sales	184,269	99.34	Same as those for unrelated parties	No significant difference	1,304	56.86	
The Company	Lion YVR	Grandson company	Purchase	140,668	0.73	Same as those for unrelated parties	No significant difference	(25,936)	1.70	
Lion YVR	The Company	Parent company	Sales	140,668	45.32	Same as those for unrelated parties	No significant difference	25,936	64.79	
Lion Information	The Company	Parent company	Sales	126,577	89.70	Same as those for unrelated parties	No significant difference	20,159	94.34	
The Company	Lion Beijing	Grandson company	Purchase	109,696	0.57	Same as those for unrelated parties	No significant difference	(10,883)	0.71	
Lion Beijing	The Company	Parent company	Sales	109,696	99.59	Same as those for unrelated parties	No significant difference	10,883	99.80	
The Company	US Lion	Grandson company	Purchase	104,305	0.54	Same as those for unrelated parties	No significant difference	(9,116)	0.60	
US Lion	The Company	Parent company	Sales	104,305	65.46	Same as those for unrelated parties	No significant difference	9,116	32.42	

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.

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

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

Note 2: The flow of transactions is as follows:

- a. 1 - from the parent company to the subsidiary
- b. 2 - from the parent company to the grandson company.
- c. 3 - between subsidiaries.
- d. 4 - from the subsidiary to the grandson company.
- e. 5 - 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 NINE MONTHS ENDED SEPTEMBER 30, 2018
(In Thousands of New Taiwan Dollars)

Investor Company	Investee Company (Notes 1 and 2)	Location	Main Business and Product	Original Investment Amount		As of September 30, 2018		Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				September 30, 2018	December 31, 2017	Shares (In Thousands)	Carrying Amount			
Lion Travel Service Co., Ltd.	Shuangshi Investment	Taiwan	Investments	\$ 270,000	\$ 270,000	27,000	\$ 303,776	\$ 21,297	\$ 21,297	Subsidiary (Note 5)
	Lion Holding	Hong Kong	Investments	509,137	509,137	128,040	484,597	6,267	6,267	Subsidiary
	Travel Trend	Taiwan	Travel industry	27,980	27,980	3,000	11,872	(11,445)	(11,445)	Subsidiary (Note 5)
	LionBobby	Taiwan	Travel industry	66,000	66,000	6,600	59,324	(11,474)	(6,311)	Subsidiary (Note 5)
Shuangshi Investment	Lion Information	Taiwan	Information technology industry	14,301	14,301	3,000	25,111	(724)	(724)	Grandson company (Note 5)
	Lion Express	Taiwan	Tour bus transportation industry	110,336	110,336	11,500	115,280	(1,386)	(1,386)	Grandson company (Note 5)
	Ansett Tour	Taiwan	Tour bus transportation industry	40,517	40,517	5,000	47,018	103	103	Grandson company (Note 5)
	Travel Around Investment	Taiwan	Investments	90,000	90,000	9,000	108,446	23,375	23,375	Grandson company (Note 5)
Lion Information	Lion Technology	Samoa	Investments	6,216	6,216	200	(280)	(41)	(41)	Grandson company of subsidiary (Note 5)
				USD 200	USD 200					
Lion Holding	Lion YVR	Canada	Travel industry	19,548	19,548	100	45,735	(8,763)	(8,763)	Grandson company (Note 5)
	Lion SYD	Australia	Travel industry	662	662	44	7,221	382	(CAD 374)	Grandson company (Note 5)
	Lion AKL	New Zealand	Travel industry	1,961	1,961	0.1	3,955	17	AUD 17	Grandson company (Note 5)
	Lion HK	Hong Kong	Travel industry	2,527	2,527	3	74,281	24	NZD 24	Grandson company (Note 5)
US Lion	Lion JPN	United States	Travel industry	63,780	63,780	1,200	38,407	11,758	11,758	Grandson company (Note 5)
	Lion THA	Thailand	Travel industry	16,294	16,294	7	23,852	3,087	HKD 3,087	Grandson company (Note 5)
	Lion UK	United Kingdom	Travel industry	37,182	37,182	300	10,825	4,697	4,697	Grandson company (Note 5)
				USD 1,200	USD 1,200			153	USD 153	Grandson company (Note 5)
Travel Around Investment	Uplan Travel	Taiwan	Travel industry	26,427	26,427	4,995	64,043	3,292	3,292	Grandson company of subsidiary (Note 5)
	Xinflight Travel	Taiwan	Travel industry	74,000	74,000	1,000	20,963	11,976	JPY 11,976	Grandson company of subsidiary (Note 5)
	Fontrip Technology	Taiwan	Information technology industry	11,579	5,131	1,323	20,440	10,658	5,222	Grandson company of subsidiary (Note 5)
	New Vision	Taiwan	Travel industry	12,395	5,535	700	4,529	THB 11,440	5,606	Grandson company of subsidiary (Note 5)
LionBobby	LionBobby JPN	Japan	Travel industry	12,321	-	0.1	3,252	(1,166)	(1,166)	Grandson company (Note 5)
				GBP 300	GBP -			(GBP 29)	(GBP 29)	Grandson company (Note 5)
				49,950	49,950			21,590	13,482	Grandson company of subsidiary (Note 5)
				10,000	10,000			10,840	10,840	Grandson company of subsidiary (Note 5)
Uplan Travel	Fontrip Technology	Taiwan	Information technology industry	25,000	25,000	2,500	15,797	(2,051)	(884)	Grandson company of subsidiary (Note 5)
	New Vision	Taiwan	Travel industry	7,000	-	700	4,529	(4,237)	(2,470)	Grandson company of subsidiary (Note 5)
	LionBobby JPN	Japan	Travel industry	2,033	-	0.1	3,252	1,281	1,281	Grandson company (Note 5)
				JPY 7,400	JPY -			JPY 4,686	JPY 4,686	Grandson company (Note 5)

(Continued)

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:

- a. "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.
- b. "Net Income (Loss) of the Investee" column should be filled in each investee net income (loss).
- c. "Share of Profit (Loss)" column only needs to be filled in the profits or loss which recognized under equity method's in each subsidiary. Net income of the investee 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 September 30, 2018.

(Concluded)

LION TRAVEL SERVICE CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018
(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, 2018	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of September 30, 2018	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2(b)(3))	Carrying Amount as of September 30, 2018	Accumulated Repatriation of Investment Income as of September 30, 2018	Note
					Outward	Inward							
Fujian Lion	Travel industry	\$ 61,060 USD 2,000	The Company reinvested in Mainland China	\$ 54,954 USD 1,800	-	\$ - USD -	\$ 54,954 USD 1,800	\$ 3,711 RMB 796	90	\$ 3,340 RMB 716	\$ 47,957	\$ -	
Lion Shanghai	Travel industry	30,530 USD 1,000	Lion HK reinvested in Mainland China	30,530 USD 1,000	-	-	30,530 USD 1,000	12,075 RMB 2,558	100	12,075 RMB 2,558	55,911	-	
Lion Beijing	Travel industry	15,265 USD 500	Lion HK reinvested in Mainland China	15,265 USD 500	-	-	15,265 USD 500	(870) (RMB 184)	100	(870) (RMB 184)	(853)	-	
Lion Holding (China)	Management consulting activities	305,300 USD 10,000	Lion Holding reinvested in Mainland China	305,300 USD 10,000	-	-	305,300 USD 10,000	(10,811) (RMB 2,400)	100	(10,811) (RMB 2,400)	241,787	-	
Lion Travel Holding	Travel industry	133,140 RMB 30,000	Lion Holding (China) reinvested in Mainland China	133,140 RMB 30,000	-	-	133,140 RMB 30,000	(5,378) (RMB 1,218)	100	(5,378) (RMB 1,218)	116,088	-	
Skylion Travel	Travel industry	15,533 RMB 3,500	Lion Travel Holding reinvested in Mainland China	10,207 RMB 2,300	-	-	10,207 RMB 2,300	(4,852) (RMB 1,106)	100	(4,852) (RMB 1,106)	(6,628)	-	

Accumulated Outward Remittance for Investment in Mainland China as of September 30, 2018	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA	
\$ 412,155 USD 13,500	\$ 967,801 (Note 4) USD 31,700	\$ 1,280,303	

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. Please specify no investment income (loss) has been recognized due to the investment is still during 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 a R.O.C. accounting firm.
 - 2) The financial statements reviewed by the CPA of the parent company in Taiwan.
 - 3) Others: The financial statements of Lion Holding (China) 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 nine months ended September 30, 2018; the rest was presented at the exchange rate in September 30, 2018.

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 NINE MONTHS ENDED SEPTEMBER 30, 2018
(In Thousands of New Taiwan Dollars)

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	\$ 629,983	Transactions with non-related party fairly	Normal	Fairly the same as transactions with non-related parties	\$ (65,887)	4.31	\$ -	
Lion Beijing	Purchase	109,696	Transactions with non-related party fairly	Normal	Fairly the same as transactions with non-related parties	(10,883)	0.71	-	
Fujian Lion	Sales	25,761	Transactions with non-related party fairly	Normal	Fairly the same as transactions with non-related parties	3,747	0.36	-	
Skylion Travel	Sales	126,178	Transactions with non-related party fairly	Normal	Fairly the same as transactions with non-related parties	6,143	0.59	-	

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