

momo.com Inc. and Subsidiaries

**Consolidated Financial Statements for the
Six Months Ended June 30, 2016 and 2015 and
Independent Auditors' Review Report**

INDEPENDENT AUDITORS' REVIEW REPORT

The Board of Directors and Shareholders
momo.com Inc.

We have reviewed the accompanying consolidated balance sheets of momo.com Inc. and its subsidiaries (the "Group") as of June 30, 2016 and 2015, and the related consolidated statements of comprehensive income for the three months ended June 30, 2016 and 2015 and for the six months ended June 30, 2016 and 2015, as well as the consolidated statements of change in equity and cash flows for the six months ended June 30, 2016 and 2015. These consolidated financial statements are the responsibility of the Group's management. Our responsibility is to issue a report on these consolidated financial statements based on our review.

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

Based on our review, we are not aware of any material modifications that should be made to the 2016 consolidated financial statements referred to above for them to be in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" endorsed by the Financial Supervisory Commission of the ROC.



July 22, 2016

Notice to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, consolidated financial performance, and consolidated cash flows in accordance with accounting principles and practices generally accepted in Taiwan, the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to review such financial statements are those generally accepted and applied in Taiwan, the Republic of China.

For the convenience of readers, the auditors' review report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in Taiwan, 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 auditors' review report and consolidated financial statements shall prevail.

momo.com Inc. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)
(Reviewed, Not Audited)

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2016		2015		2016		2015	
	Amount	%	Amount	%	Amount	%	Amount	%
OPERATING REVENUES (Notes 22 and 29)	\$ 6,688,891	100	\$ 6,198,935	100	\$ 13,695,167	100	\$ 12,458,587	100
OPERATING COSTS (Notes 10 and 29)	<u>5,872,009</u>	<u>88</u>	<u>5,436,924</u>	<u>88</u>	<u>11,977,136</u>	<u>87</u>	<u>10,920,939</u>	<u>88</u>
GROSS PROFIT FROM OPERATIONS	<u>816,882</u>	<u>12</u>	<u>762,011</u>	<u>12</u>	<u>1,718,031</u>	<u>13</u>	<u>1,537,648</u>	<u>12</u>
OPERATING EXPENSES (Notes 23 and 29)								
Marketing expenses	239,701	3	253,885	4	497,749	4	498,172	4
Administrative expenses	<u>257,924</u>	<u>4</u>	<u>236,312</u>	<u>4</u>	<u>531,340</u>	<u>4</u>	<u>472,819</u>	<u>4</u>
Total operating expenses	<u>497,625</u>	<u>7</u>	<u>490,197</u>	<u>8</u>	<u>1,029,089</u>	<u>8</u>	<u>970,991</u>	<u>8</u>
NET OTHER INCOME AND EXPENSES	<u>903</u>	<u>-</u>	<u>(1,243)</u>	<u>-</u>	<u>(133)</u>	<u>-</u>	<u>(1,214)</u>	<u>-</u>
OPERATING INCOME	<u>320,160</u>	<u>5</u>	<u>270,571</u>	<u>4</u>	<u>688,809</u>	<u>5</u>	<u>565,443</u>	<u>4</u>
NON-OPERATING INCOME AND EXPENSES (Note 23)								
Other income (Note 29)	16,723	-	24,632	1	32,998	-	47,034	1
Other gains and losses, net	598	-	5,321	-	(146)	-	3,036	-
Finance costs (Note 29)	(940)	-	(7)	-	(1,806)	-	(19)	-
Share of profit of associates accounted for using equity method (Note 13)	<u>15,158</u>	<u>-</u>	<u>15,137</u>	<u>-</u>	<u>40,592</u>	<u>-</u>	<u>20,607</u>	<u>-</u>
Total non-operating income and expenses	<u>31,539</u>	<u>-</u>	<u>45,083</u>	<u>1</u>	<u>71,638</u>	<u>-</u>	<u>70,658</u>	<u>1</u>
PROFIT BEFORE INCOME TAX	351,699	5	315,654	5	760,447	5	636,101	5
INCOME TAX EXPENSE (Notes 4 and 24)	<u>58,382</u>	<u>1</u>	<u>62,601</u>	<u>1</u>	<u>130,610</u>	<u>1</u>	<u>125,322</u>	<u>1</u>
PROFIT	<u>293,317</u>	<u>4</u>	<u>253,053</u>	<u>4</u>	<u>629,837</u>	<u>4</u>	<u>510,779</u>	<u>4</u>
OTHER COMPREHENSIVE INCOME								
Items that may be reclassified subsequently to profit or loss:								
Exchange differences on translation	(103)	-	(7,771)	-	750	-	(11,869)	-
Unrealized gain (loss) on available-for-sale financial assets	14,217	-	(12,979)	-	4,414	-	(20,355)	-
Share of other comprehensive loss of associates accounted for using equity method	<u>(20,237)</u>	<u>-</u>	<u>(2,761)</u>	<u>-</u>	<u>(19,713)</u>	<u>-</u>	<u>(20,739)</u>	<u>-</u>
Other comprehensive loss, net of tax	<u>(6,123)</u>	<u>-</u>	<u>(23,511)</u>	<u>-</u>	<u>(14,549)</u>	<u>-</u>	<u>(52,963)</u>	<u>-</u>
COMPREHENSIVE INCOME	<u>\$ 287,194</u>	<u>4</u>	<u>\$ 229,542</u>	<u>4</u>	<u>\$ 615,288</u>	<u>4</u>	<u>\$ 457,816</u>	<u>4</u>

(Continued)

momo.com Inc. AND SUBSIDIARIES

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

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2016		2015		2016		2015	
	Amount	%	Amount	%	Amount	%	Amount	%
PROFIT ATTRIBUTABLE TO:								
Owners of the Parent	\$ 296,851	4	\$ 268,862	4	\$ 640,352	4	\$ 543,208	4
Non-controlling interests	<u>(3,534)</u>	<u>-</u>	<u>(15,809)</u>	<u>-</u>	<u>(10,515)</u>	<u>-</u>	<u>(32,429)</u>	<u>-</u>
	<u>\$ 293,317</u>	<u>4</u>	<u>\$ 253,053</u>	<u>4</u>	<u>\$ 629,837</u>	<u>4</u>	<u>\$ 510,779</u>	<u>4</u>
COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:								
Owners of the Parent	\$ 290,861	4	\$ 246,026	4	\$ 625,836	4	\$ 491,842	4
Non-controlling interests	<u>(3,667)</u>	<u>-</u>	<u>(16,484)</u>	<u>-</u>	<u>(10,548)</u>	<u>-</u>	<u>(34,026)</u>	<u>-</u>
	<u>\$ 287,194</u>	<u>4</u>	<u>\$ 229,542</u>	<u>4</u>	<u>\$ 615,288</u>	<u>4</u>	<u>\$ 457,816</u>	<u>4</u>
EARNINGS PER SHARE (Note 25)								
Basic	<u>\$2.12</u>		<u>\$1.89</u>		<u>\$4.57</u>		<u>\$3.82</u>	
Diluted	<u>\$2.12</u>		<u>\$1.89</u>		<u>\$4.57</u>		<u>\$3.82</u>	

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

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momo.com Inc. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	Equity Attributable to Owners of the Company										
						Other Equity		Treasury Shares	Total	Non-controlling Interests	Total Equity
						Exchange Differences on Translation	Unrealized Gain (Loss) on Available-for-sale Financial Assets				
	Common Stock	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings						
BALANCE AT JANUARY 1, 2015	\$ 1,420,585	\$ 3,329,617	\$ 370,788	\$ 20,017	\$ 1,169,790	\$ 35,019	\$ (34,826)	\$ -	\$ 6,310,990	\$ 83,871	\$ 6,394,861
Distribution of 2014 earnings											
Legal reserve	-	-	116,979	-	(116,979)	-	-	-	-	-	-
Cash dividends	-	-	(132,115)	-	(1,072,542)	-	-	-	(1,204,657)	-	(1,204,657)
Reversal of special reserve	-	-	-	(20,017)	20,017	-	-	-	-	-	-
Profit for the six months ended June 30, 2015	-	-	-	-	543,208	-	-	-	543,208	(32,429)	510,779
Other comprehensive loss for the six months ended June 30, 2015	-	-	-	-	-	(10,332)	(41,034)	-	(51,366)	(1,597)	(52,963)
Total comprehensive income (loss) for the six months ended June 30, 2015	-	-	-	-	543,208	(10,332)	(41,034)	-	491,842	(34,026)	457,816
BALANCE AT JUNE 30, 2015	\$ 1,420,585	\$ 3,329,617	\$ 355,652	\$ -	\$ 543,494	\$ 24,687	\$ (75,860)	\$ -	\$ 5,598,175	\$ 49,845	\$ 5,648,020
BALANCE AT JANUARY 1, 2016	\$ 1,420,585	\$ 3,354,858	\$ 355,652	\$ -	\$ 1,058,963	\$ 17,941	\$ (169,299)	\$ (397,175)	\$ 5,641,525	\$ 15,027	\$ 5,656,552
Distribution of 2015 earnings											
Legal reserve	-	-	105,896	-	(105,896)	-	-	-	-	-	-
Special reserve	-	-	-	151,358	(151,358)	-	-	-	-	-	-
Cash dividends	-	-	-	-	(801,135)	-	-	-	(801,135)	-	(801,135)
Other changes in capital surplus											
Change in capital surplus from investments in associates accounted for by using equity method	-	-	-	-	(136)	-	-	-	(136)	-	(136)
Issue of cash dividends from capital surplus	-	(179,275)	-	-	-	-	-	-	(179,275)	-	(179,275)
Profit for the six months ended June 30, 2016	-	-	-	-	640,352	-	-	-	640,352	(10,515)	629,837
Other comprehensive income (loss) for the six months ended June 30, 2016	-	-	-	-	-	(19,033)	4,517	-	(14,516)	(33)	(14,549)
Total comprehensive income (loss) for the six months ended June 30, 2016	-	-	-	-	640,352	(19,033)	4,517	-	625,836	(10,548)	615,288
BALANCE AT JUNE 30, 2016	\$ 1,420,585	\$ 3,175,583	\$ 461,548	\$ 151,358	\$ 640,790	\$ (1,092)	\$ (164,782)	\$ (397,175)	\$ 5,286,815	\$ 4,479	\$ 5,291,294

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

momo.com Inc. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Six Months Ended June 30	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	\$ 760,447	\$ 636,101
Adjustments:		
Depreciation expenses	44,944	59,911
Amortization expenses	4,948	8,102
Provision for bad debt expense	108	1,872
Finance costs	1,806	19
Interest income	(31,846)	(44,665)
Share of profit of associates accounted for using equity method	(40,592)	(20,607)
Loss on disposal of property, plant and equipment, net	551	-
Gain on disposal of investments	-	(2,660)
Loss on foreign currency exchange, net	205	279
Others	(295)	(100)
Changes in operating assets and liabilities		
Accounts receivable	(4,604)	9,745
Accounts receivable from related parties	8,050	(5,332)
Other receivables	26,317	(26,032)
Other receivables from related parties	12,585	17,629
Inventories	(6,543)	1,067
Prepayments	(13,339)	1,348
Other current assets	1,255	(15,703)
Accounts payable	(82,426)	(172,926)
Accounts payable to related parties	2,285	(11,670)
Other payables	(79,724)	(58,110)
Other payables to related parties	(1,799)	3,551
Advance receipts	1,578	14,408
Other current liabilities	(43,204)	7,370
Net defined benefit liabilities	(824)	(905)
Cash generated from operations	559,883	402,692
Interest received	200	201
Income tax paid	(100,141)	(193,173)
Net cash generated from operating activities	<u>459,942</u>	<u>209,720</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of available-for-sale financial assets	(200,000)	-
Proceeds on sale of available-for-sale financial assets	-	1,002,660
Acquisition of associated accounted for using equity method	-	(603,403)
Acquisition of property, plant and equipment	(294,609)	(27,028)
Proceeds from disposal of property, plant and equipment	497	-
Increase in refundable deposits	(8,578)	(9,047)
Decrease in refundable deposits	5,760	151
Acquisition of intangible assets	(7,151)	(5,160)

(Continued)

momo.com Inc. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Six Months Ended June 30	
	2016	2015
Increase in other financial assets	\$ (447,000)	\$ (16,730)
Decrease in other financial assets	1,624,900	1,372,000
Interest received	31,941	43,824
Dividend received	<u>27,666</u>	<u>-</u>
Net cash generated from investing activities	<u>733,426</u>	<u>1,757,267</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	83,145	-
Repayments of short-term borrowings	(83,654)	-
Proceeds from guarantee deposits received	14,980	17,031
Refund of guarantee deposits received	(18,764)	(15,685)
Increase in lease payables	1	106
Decrease in lease payables	(120)	(1,047)
Cash dividends	(980,410)	(1,204,657)
Interest paid	<u>(1,918)</u>	<u>(19)</u>
Net cash used in financing activities	<u>(986,740)</u>	<u>(1,204,271)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>227</u>	<u>(1,591)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	206,855	761,125
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	<u>3,128,081</u>	<u>1,958,210</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>\$ 3,334,936</u>	<u>\$ 2,719,335</u>

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

(Concluded)

momo.com Inc. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2016 AND 2015 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise) (Reviewed, Not Audited)

1. GENERAL INFORMATION

momo.com Inc. (“momo” or the “Company”), a Republic of China (“ROC”) corporation was incorporated on September 27, 2004. The Company’s shares were listed on the ROC Over-the-Counter Securities Exchange (formerly known as the GreTai Securities Market) on February 27, 2014. On December 19, 2014, The Company’s shares were shifted to be listed on the Taiwan Stock Exchange. The Company is mainly engaged in software design, TV and radio production, radio and TV program distribution, radio and TV advertising, issuing of magazine, and retailing.

The consolidated financial statements by the Company as of and for the six months ended June 30, 2016, comprise the Company and its subsidiaries (collectively, the “Group”).

The consolidated financial statements are presented in the Company’s functional currency, New Taiwan dollars (NTD).

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company’s Board of Directors on July 22, 2016.

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

- a. International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) endorsed by the Financial Supervisory Commission (FSC) for application from 2017

Rule No. 1050026834 issued by the FSC endorsed the following IFRS, IAS, IFRIC and SIC (collectively, the “IFRSs”) for application starting January 1, 2017.

New, Amended or Revised Standards and Interpretations (the “New IFRSs”)	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2010-2012 Cycle	July 1, 2014 (Note 2)
Annual Improvements to IFRSs 2011-2013 Cycle	July 1, 2014
Annual Improvements to IFRSs 2012-2014 Cycle	January 1, 2016 (Note 3)
Amendments to IFRS 10, IFRS 12 and IAS 28 “Investment Entities: Applying the Consolidation Exception”	January 1, 2016
Amendment to IFRS 11 “Accounting for Acquisitions of Interests in Joint Operations”	January 1, 2016
IFRS 14 “Regulatory Deferral Accounts”	January 1, 2016
Amendment to IAS 1 “Disclosure Initiative”	January 1, 2016
Amendments to IAS 16 and IAS 38 “Clarification of Acceptable Methods of Depreciation and Amortization”	January 1, 2016
Amendments to IAS 16 and IAS 41 “Agriculture: Bearer Plants”	January 1, 2016

(Continued)

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

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

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

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

The initial application of the above IFRSs in 2017 would not have any material impact on the Group’s accounting policies.

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

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

The FSC announced that the Group should apply IFRS 15 starting January 1, 2018. As of the date the consolidated financial statements were authorized for issue, the FSC has not announced the effective dates of other new IFRSs.

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

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

1) IFRS 9 “Financial Instruments”

Recognition and measurement of financial assets

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

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

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

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

The impairment of financial assets

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

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

2) IFRS 15 “Revenue from Contracts with Customers”

IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers, and will supersede IAS 18 “Revenue”, IAS 11 “Construction Contracts” and a number of revenue-related interpretations from January 1, 2017.

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

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

IFRS 15 and related amendment require that when another party is involved in providing goods or services to a customer, the Group is a principal if it controls the specified good or service before that good or service is transferred to a customer. Since a specified good or service is a distinct good or service, the Group determines whether it is a principal or an agent for each specified good or service.

The Group is a principal if it obtains control of any one of the following:

- a) The good or another asset that it then transfers to the customer.
- b) The right to a service to be performed by other party, which gives the Group the ability to direct that party to provide the service to the customer on its behalf.
- c) The good or service from the other party that it then combines with the other goods or services in providing the specified good or service to the customer.

Indicators to support the Group’s assessment of whether it controls a specified good or service include, but are not limited to, the following:

- a) The Group is primarily responsible for fulfilling the promise to provide the specified good or service.
- b) The Group has inventory risk before or after the specified good or service is transferred to the customer.
- c) The Group has discretion in establishing the price of the specified good or service.

Under current standard, the Group determines whether it is a principal or an agent based on its exposure to the significant risks and rewards of the transaction.

IFRS 15 establishes the principles that incremental costs of obtaining a contract will be recognized as an asset to the extent the Group expects to recover those costs. Such asset will be amortized on a basis that is consistent with the transfer to the customer of the goods or services during the contract period to which the asset relates. This will lead to the later recognition of charges for certain customer-obtaining costs.

When IFRS 15 becomes effective, the Group may elect to apply this standard either retrospectively to each period presented or to recognize the accumulated adjustment at the date of initial application.

3) IFRS 16 “Leases”

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

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

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

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

Except for the above potential 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 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 consolidation

See Note 12, Table 5 and Table 6 for the detailed information of subsidiaries (including the percentage of ownership and main business).

c. Other significant accounting policies

Except for the following, the accounting policies applied in these consolidated financial statements are consistent with those applied in the consolidated financial statements for the year ended December 31, 2015. For the summary of other significant accounting policies, please refer to the consolidated financial statements for the year ended December 31, 2015.

1) Retirement benefits

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

2) Taxation

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

The same critical accounting judgments and key sources of estimates and uncertainty have been followed in these consolidated financial statements as were applied in the preparation of the Company's consolidated financial statements for the year ended December 31, 2015.

6. CASH AND CASH EQUIVALENTS

	June 30, 2016	December 31, 2015	June 30, 2015
Cash on hand and revolving funds	\$ 194	\$ 234	\$ 192
Cash in banks	333,073	532,497	637,298
Time deposits	2,901,700	1,996,000	1,582,739
Short-term notes and bills	<u>99,969</u>	<u>599,350</u>	<u>499,106</u>
	<u>\$ 3,334,936</u>	<u>\$ 3,128,081</u>	<u>\$ 2,719,335</u>

7. AVAILABLE-FOR-SALE FINANCIAL ASSETS - CURRENT

	June 30, 2016	December 31, 2015	June 30, 2015
Domestic investments			
Beneficiary certificates	\$ 958,922	\$ 734,991	\$ 989,104
Foreign investments			
Unlisted stock	<u>58,229</u>	<u>77,746</u>	<u>-</u>
	<u>\$ 1,017,151</u>	<u>\$ 812,737</u>	<u>\$ 989,104</u>

In July 2015, the Group bought 3-year convertible notes issued by Media Asia Group Holdings Limited ("Media Asia") with a coupon rate of 0%. The new Shares were issued by Media Asia under these notes in August 2015.

For the six months ended June 30, 2016, the financial assets were not pledged.

8. FINANCIAL ASSETS AT COST - NON-CURRENT

	June 30, 2016	December 31, 2015	June 30, 2015
Domestic unlisted common stock	<u>\$ 60,000</u>	<u>\$ 60,000</u>	<u>\$ 60,000</u>

The management believed that the fair value of domestic unlisted equity investments held by the Group, cannot be reliably measured due to the significant range of reasonable fair value estimates; therefore, they were measured at cost less impairment at the end of reporting period.

For the six months ended June 30, 2016 and 2015, there was no impairment loss recognized on the financial assets at cost.

9. ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

	June 30, 2016	December 31, 2015	June 30, 2015
<u>Accounts receivable</u>			
Accounts receivable	\$ 36,495	\$ 32,039	\$ 42,410
Less: Allowance for doubtful accounts	<u>(2,286)</u>	<u>(2,428)</u>	<u>(2,282)</u>
Accounts receivable, net	<u>\$ 34,209</u>	<u>\$ 29,611</u>	<u>\$ 40,128</u>
<u>Other receivables</u>			
Other receivables	\$ 386,959	\$ 413,640	\$ 369,764
Less: Allowance for doubtful accounts	<u>(2,342)</u>	<u>(2,392)</u>	<u>(1,792)</u>
Other receivables, net	<u>\$ 384,617</u>	<u>\$ 411,248</u>	<u>\$ 367,972</u>

The aging of receivables was as follows:

	June 30, 2016	December 31, 2015	June 30, 2015
Neither past due nor impaired	\$ 400,204	\$ 432,501	\$ 404,368
Past due but not impaired			
Past due within 180 days	17,511	8,082	3,497
Past due over 180 days	<u>1,111</u>	<u>276</u>	<u>235</u>
	<u>\$ 418,826</u>	<u>\$ 440,859</u>	<u>\$ 408,100</u>

The above aging schedule was based on the past due date.

Movements of allowance for doubtful receivables by individual assessment were as follows:

	For the Six Months Ended June 30	
	2016	2015
Beginning balance	\$ 4,820	\$ 2,511
Add: Provision	108	1,872
Reversal	-	2
Less: Write-off	<u>(300)</u>	<u>(311)</u>
Ending balance	<u>\$ 4,628</u>	<u>\$ 4,074</u>

10. INVENTORIES

	June 30, 2016	December 31, 2015	June 30, 2015
Merchandise	<u>\$ 131,182</u>	<u>\$ 124,639</u>	<u>\$ 104,002</u>

The cost of inventories recognized as cost of goods sold were \$5,214,807 thousand and \$10,650,070 thousand, included reversal of inventory write-downs of \$8,684 thousand and \$20,950 thousand, and inventory obsolescence losses of \$3,307 thousand and \$5,262 thousand, for the three months ended June 30, 2016 and for the six months ended June 30, 2016, respectively.

The cost of inventories recognized as cost of goods sold were \$4,743,651 thousand and \$9,536,164 thousand, included reversal of inventory write-downs of \$2,509 thousand and \$8,185 thousand, and inventory obsolescence losses of \$0 thousand and \$2,246 thousand for the three months ended June 30, 2015 and for the six months ended June 30, 2015, respectively.

11. OTHER FINANCIAL ASSETS

	June 30, 2016	December 31, 2015	June 30, 2015
<u>Current</u>			
Pledged time deposits	\$ 2,000	\$ 22,500	\$ -
Time deposits with original maturity more than 3 months	<u>52,497</u>	<u>1,209,702</u>	<u>934,623</u>
	<u>\$ 54,497</u>	<u>\$ 1,232,202</u>	<u>\$ 934,623</u>
<u>Non-current</u>			
Pledged time deposits	\$ 34,350	\$ 34,750	\$ 34,750
Time deposits with original maturity more than 3 months	<u>-</u>	<u>-</u>	<u>2,193</u>
	<u>\$ 34,350</u>	<u>\$ 34,750</u>	<u>\$ 36,943</u>

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

12. SUBSIDIARIES

a. Subsidiaries included in the consolidated financial statements

Investor	Subsidiary	Main Business and Products	Percentage of Ownership			Note
			June 30, 2016	December 31, 2015	June 30, 2015	
momo	Fu Sheng Travel Service Co., Ltd. (FST)	Travel agent	100.000	100.000	100.000	-
momo	Fuli Life Insurance Agent Co., Ltd. (FLI)	Life insurance agent	100.000	100.000	100.000	-
momo	Fuli Property Insurance Agent Co., Ltd. (FPI)	Property insurance agent	100.000	100.000	100.000	-
momo	Asian Crown International Co., Ltd. (Asian Crown (BVI))	Investment	76.260	76.260	76.260	-
Asian Crown (BVI)	Fortune Kingdom Corporation (Fortune Kingdom)	Investment	100.000	100.000	100.000	-
Fortune Kingdom	Hong Kong Fubon Multimedia Technology Co., Ltd. (HK Fubon Multimedia)	Investment	100.000	100.000	100.000	-
HK Fubon Multimedia	Fubon Gehua (Beijing) Enterprise Ltd. (FGE)	Wholesaling	91.304	91.304	91.304	-
momo	Honest Development Co, Ltd. (Honest Development)	Investment	100.000	100.000	100.000	-
Honest Development	Hongkong Yue Numerous Investment Co., Ltd. (HK Yue Numerous)	Investment	100.000	100.000	100.000	-
HK Yue Numerous	Haobo Information Consulting (Shenzhen) Co., Ltd. (Haobo)	Investment	100.000	100.000	100.000	-

b. Subsidiaries excluded from the consolidated financial statements: None.

13. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

The Group's associates that are accounted for using equity method were as follows:

Investee Company	June 30, 2016		December 31, 2015		June 30, 2015	
	Amount	% of Ownership	Amount	% of Ownership	Amount	% of Ownership
Beijing Global Goupuang Media Technology Co., Ltd. (GHS)	\$ 738,671	20.00	\$ 713,691	18.00	\$ 672,094	20.00
Taiwan Pelican Express Co., Ltd. (TPE)	409,039	17.70	415,597	17.70	428,212	17.70
TVD Shopping Co., Ltd. (TVD shopping)	<u>149,301</u>	35.00	<u>161,491</u>	35.00	<u>151,317</u>	35.00
	<u>\$ 1,297,011</u>		<u>\$ 1,290,779</u>		<u>\$ 1,251,623</u>	

Refer to Table 5 "Names, Locations and Related Information of Investees over Which the Company Exercised Significant Influence (Excluding Information on Investment in Mainland China)" and Table 6 "Investments in Mainland China" for the nature of activities, principal place of business and country of incorporation of the associates.

a. GHS

In June 2015, momo's subsidiary acquired 20% equity interests of GHS for \$670,448 thousand and obtained purchase price allocation report in December 2015. The excess of the purchase price over the fair value of the acquired net assets included \$657,332 thousand and \$79,617 thousand for goodwill and customer relationship, respectively, where customer relationship is amortized over nine and a half years.

Due to non-participation in GHS's capital increase in October 2015, momo subsidiary's shareholding in GHS decreased to 18%, but still has significant influence on GHS due to having a seat in GHS's Board of Directors.

In January 2016, the Group acquired 2% equity interests of GHS for \$22,136 thousand (equal to RMB4,444 thousand). The shareholding in GHS increased to 20%. As of June 30, 2016, the investment has not been remitted.

b. TPE

In August 2012, the Company acquired 20% of TPE.

As of December 2013, the Company held 17.70% of TPE due to not subscribing for new shares issued by TPE and selling part of its shares when TPE went public. momo still has significant influence on TPE due to having two seats in TPE's Board of Directors.

c. TVD Shopping

In April 2014, the Company acquired 35% of TVD Shopping, which was set up by TV Direct Public Company Limited. The Group engaged in E-commerce and TV Shopping in Thailand.

d. Fair values (Level 1) of investments in associates with available published price quotation are summarized as follows:

Name of Associate	June 30, 2016	December 31, 2015	June 30, 2015
TPE	<u>\$ 410,500</u>	<u>\$ 484,829</u>	<u>\$ 537,197</u>

All the associates are accounted for using the equity method.

14. PROPERTY, PLANT AND EQUIPMENT

	Land	Machinery	Office Equipment	Lease Assets	Lease Improvement	Other Equipment	Property in Construction	Total
<u>Cost</u>								
Balance, January 1, 2016	\$ 1,717,927	\$ 796,499	\$ 27,611	\$ 11,424	\$ 228,966	\$ 3,506	\$ 23,385	\$ 2,809,318
Additions	-	11,067	2,376	-	4,482	-	269,640	287,565
Disposals	-	(1,981)	(1,786)	-	-	(57)	-	(3,824)
Reclassification	-	-	-	-	-	-	(5,376)	(5,376)
Effect of exchange rate changes	-	(4,729)	(66)	-	-	(8)	-	(4,803)
Balance, June 30, 2016	<u>\$ 1,717,927</u>	<u>\$ 800,856</u>	<u>\$ 28,135</u>	<u>\$ 11,424</u>	<u>\$ 233,448</u>	<u>\$ 3,441</u>	<u>\$ 287,649</u>	<u>\$ 3,082,880</u>
<u>Accumulated depreciation and impairment</u>								
Balance, January 1, 2016	\$ -	\$ 539,305	\$ 19,344	\$ 11,307	\$ 47,528	\$ 1,683	\$ -	\$ 619,167
Depreciation	-	29,725	1,296	117	13,431	375	-	44,944
Disposals	-	(1,051)	(1,677)	-	-	(48)	-	(2,776)
Reclassification	-	-	-	-	-	-	-	-
Effect of exchange rate changes	-	(3,197)	(41)	-	(1)	(7)	-	(3,246)
Balance, June 30, 2016	<u>\$ -</u>	<u>\$ 564,782</u>	<u>\$ 18,922</u>	<u>\$ 11,424</u>	<u>\$ 60,958</u>	<u>\$ 2,003</u>	<u>\$ -</u>	<u>\$ 658,089</u>
Carrying amount, January 1, 2016	<u>\$ 1,717,927</u>	<u>\$ 257,194</u>	<u>\$ 8,267</u>	<u>\$ 117</u>	<u>\$ 181,438</u>	<u>\$ 1,823</u>	<u>\$ 23,385</u>	<u>\$ 2,190,151</u>
Carrying amounts June 30, 2016	<u>\$ 1,717,927</u>	<u>\$ 236,074</u>	<u>\$ 9,213</u>	<u>\$ -</u>	<u>\$ 172,490</u>	<u>\$ 1,438</u>	<u>\$ 287,649</u>	<u>\$ 2,424,791</u>

(Continued)

	Land	Machinery	Office Equipment	Lease Assets	Lease Improvement	Other Equipment	Property in Construction	Total
Cost								
Balance, January 1, 2015	\$ 1,717,927	\$ 778,742	\$ 24,574	\$ 11,424	\$ 300,691	\$ 1,565	\$ 4,435	\$ 2,839,358
Additions	-	18,249	1,423	-	3,378	1,162	7,347	31,559
Disposals	-	(390)	(15)	-	-	-	-	(405)
Effect of exchange rate changes	-	(4,209)	(60)	-	(1,613)	(11)	-	(5,983)
Balance, June 30, 2015	<u>\$ 1,717,927</u>	<u>\$ 792,392</u>	<u>\$ 25,922</u>	<u>\$ 11,424</u>	<u>\$ 302,456</u>	<u>\$ 2,716</u>	<u>\$ 11,782</u>	<u>\$ 2,864,619</u>
Accumulated depreciation and impairment								
Balance, January 1, 2015	\$ -	\$ 474,375	\$ 17,862	\$ 9,989	\$ 71,123	\$ 1,292	\$ -	\$ 574,641
Depreciation	-	38,962	797	897	19,036	219	-	59,911
Disposals	-	(390)	(15)	-	-	-	-	(405)
Effect of exchange rate changes	-	(2,105)	(23)	-	(1,022)	(6)	-	(3,156)
Balance, June 30, 2015	<u>\$ -</u>	<u>\$ 510,842</u>	<u>\$ 18,621</u>	<u>\$ 10,886</u>	<u>\$ 89,137</u>	<u>\$ 1,505</u>	<u>\$ -</u>	<u>\$ 630,991</u>
Carrying amount, January 1, 2015	<u>\$ 1,717,927</u>	<u>\$ 304,367</u>	<u>\$ 6,712</u>	<u>\$ 1,435</u>	<u>\$ 229,568</u>	<u>\$ 273</u>	<u>\$ 4,435</u>	<u>\$ 2,264,717</u>
Carrying amounts June 30, 2015	<u>\$ 1,717,927</u>	<u>\$ 281,550</u>	<u>\$ 7,301</u>	<u>\$ 538</u>	<u>\$ 213,319</u>	<u>\$ 1,211</u>	<u>\$ 11,782</u>	<u>\$ 2,233,628</u>

(Concluded)

The above items of property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives as follows:

Machinery	3-10 years
Office equipment	3-10 years
Lease asset	2-5 years
Lease improvement	2-10 years
Other equipment	3-10 years

Refer to Note 30 for information on assets pledged relating on secured loans.

15. SHORT-TERM BORROWINGS

	June 30, 2016	December 31, 2015	June 30, 2015
Secured loans	\$ 33,929	\$ -	\$ -
Unsecured bank loans	<u>34,675</u>	<u>70,938</u>	<u>-</u>
	<u>\$ 68,604</u>	<u>\$ 70,938</u>	<u>\$ -</u>

Annual interest rate:

	June 30, 2016	December 31, 2015	June 30, 2015
Secured loans	4.43%	-	-
Unsecured bank loans	4.57%	4.57%	-

Refer to Note 28, for information relating on financial risk, Note 30 for information on assets pledged relating on secured loans and Note 31 for information on endorsements and guarantees.

16. ACCOUNTS PAYABLE

	June 30, 2016	December 31, 2015	June 30, 2015
Suppliers	\$ 2,388,139	\$ 2,470,716	\$ 2,126,147
Others	<u>6,075</u>	<u>5,924</u>	<u>8,721</u>
	<u>\$ 2,394,214</u>	<u>\$ 2,476,640</u>	<u>\$ 2,134,868</u>

17. OTHER PAYABLES

	June 30, 2016	December 31, 2015	June 30, 2015
Payable for salaries and bonus	\$ 95,895	\$ 161,063	\$ 83,302
Payable for investment	21,540	-	67,045
Payable for business tax	26,882	37,825	22,864
Others	<u>185,208</u>	<u>195,132</u>	<u>239,706</u>
	<u>\$ 329,525</u>	<u>\$ 394,020</u>	<u>\$ 412,917</u>

18. OTHER CURRENT LIABILITIES

	June 30, 2016	December 31, 2015	June 30, 2015
Collection about travelling merchandise	\$ 285,540	\$ 359,395	\$ 214,258
Others	<u>164,615</u>	<u>133,964</u>	<u>111,103</u>
	<u>\$ 450,155</u>	<u>\$ 493,359</u>	<u>\$ 325,361</u>

19. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Group was incorporated in Taiwan, ROC which adopted a pension plan under the Labor Pension Act (the "LPA"), which is a state-managed defined contribution plan. Under the LPA, an entity has made monthly contributions equal to 6% of each employee's monthly salary to employees' accounts.

The employees of the Group's subsidiaries in other countries are members of state-managed retirement benefit plans operated by local governments. The subsidiaries have made monthly contributions to the retirement benefit scheme to local governments.

Accordingly, the Group recognized expense of \$14,193 thousand and \$12,233 thousand for the three months ended June 30, 2016 and 2015, respectively, and \$28,653 thousand and \$23,862 thousand for the six months ended June 30, 2016 and 2015, respectively.

b. Defined benefit plans

Employee benefit expenses in respect of the Group's defined benefit retirement plans were \$19 thousand and \$26 thousand for the three months ended June 30, 2016 and 2015, respectively, and \$37 thousand and \$51 thousand for the six months ended June 30, 2016 and 2015, and were calculated using the actuarially determined pension cost discount rate as of December 31, 2015 and 2014.

20. GUARANTEE DEPOSITS

	June 30, 2016	December 31, 2015	June 30, 2015
Vendors	\$ 237,845	\$ 241,629	\$ 231,978
Decorations	<u>34</u>	<u>34</u>	<u>34</u>
	<u>\$ 237,879</u>	<u>\$ 241,663</u>	<u>\$ 232,012</u>

21. EQUITY

a. Capital stock

As of June 30, 2016, December 31, 2015 and June 30, 2015, momo had authorized 150,000 thousand common shares, with 142,059 thousand shares issued and outstanding at par value \$10 per share.

b. Capital surplus

	June 30, 2016	December 31, 2015	June 30, 2015
Additional paid-in capital	\$ 2,952,960	\$ 3,132,235	\$ 3,132,235
From share of changes in equities of subsidiaries	148,277	148,277	148,277
Expired employee share options	170	170	170
From share of changes in equities of associates	<u>74,176</u>	<u>74,176</u>	<u>48,935</u>
	<u>\$ 3,175,583</u>	<u>\$ 3,354,858</u>	<u>\$ 3,329,617</u>

Under the Company Law, the capital surplus generated from the excess of the issuance price over the par value of capital stock 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 stock dividends up to a certain percentage of momo's paid-in capital. The capital surplus from share of changes in equities of subsidiaries, expired employee share options, and from share of changes in equities of associates may be used to offset a deficit.

c. Appropriation of earnings and dividend policy

momo's Articles of Incorporation provide that, in the event that momo, according to the financial report, earns profits in a fiscal year, such profits shall first be applied to pay the applicable taxes, recover losses, set aside legal reserve pursuant to laws and regulations until the accumulated legal reserves equal momo's paid-in capital, and set aside or reverse a special reserve in accordance with the law or to satisfy the business needs of momo. The remaining balance and any unappropriation earnings of the previous fiscal years shall be distributed to the shareholders with more than 10% as dividends in accordance with resolutions of the shareholders' meetings.

Based on the consideration of the needs of the Company's operations and to maximize shareholders' interest, the Board of Directors proposed, for approval in the shareholder's meeting, to distribute dividends per residual dividend policy. The Board makes the decision based on the Company's future capital budget-planning and funding needs for the following fiscal year, in addition to factors such as the Company's profitability, financial structure and diluted earnings per share.

Dividends shall be paid in stocks, cash or both; the payment of cash shall be at least over 10% of total amount, if dividends distribution includes cash and stocks.

In accordance with the amendments to Company Act in May 2015, the recipients of dividends and bonuses are limited to shareholders and do not include employees. The consequential amendments to momo's Articles of Incorporation was subject to the resolution of shareholders in their meeting on April 20, 2016. For information about the accrual basis of the employees' compensation and remuneration to directors and supervisors and the actual appropriations, please refer to e. employee benefits expense in Note 23,e.

momo distributes and reverses special reserve in accordance with Decree No. 1010012865, Decree No. 1010047490, and "The Q&A for special reserve recognition after adopting IFRS" issued by the FSC.

Appropriation of earnings to legal reserve shall be made until the legal reserve equals momo's paid-in capital. Legal reserve may be used to offset deficit. If momo has no deficit and the legal reserve has exceeded 25% of momo's paid-in capital, the excess may be transferred to capital or distributed in cash.

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

The appropriations of earnings for 2015 and 2014 have been approved in the shareholders' meetings on April 20, 2016 and on May 6, 2015, respectively, were as follows:

	Appropriation of Earnings		Dividends Per Share (NT\$)	
	For the Year Ended December 31		For the Year Ended December 31	
	2015	2014	2015	2014
Legal reserve	\$ 105,896	\$ 116,979		
Special reserve	151,358	(20,017)		
Cash dividends	801,135	1,072,542	\$ 5.72	\$ 7.55

The Company's shareholders resolved in the shareholders' meeting on April 20, 2016 and May 6, 2015 to issue cash dividends from paid-in capital of \$179,275 thousand and legal reserve of \$132,115 thousand, respectively.

d. Other equity

1) Exchange differences on translation

	For the Six Months Ended June 30	
	2016	2015
Beginning balance	\$ 17,941	\$ 35,019
Exchange differences arising on translation	783	(10,272)
Share of exchange difference of associates accounted for using the equity method	<u>(19,816)</u>	<u>(60)</u>
Ending balance	<u>\$ (1,092)</u>	<u>\$ 24,687</u>

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

	For the Six Months Ended June 30	
	2016	2015
Beginning balance	\$ (169,299)	\$ (34,826)
Unrealized gain (loss) arising on revaluation of available-for-sale financial assets	4,414	(20,355)
Share of unrealized gain (loss) on revaluation of available-for-sale financial assets of associates accounted for using the equity method	<u>103</u>	<u>(20,679)</u>
Ending balance	<u>\$ (164,782)</u>	<u>\$ (75,860)</u>

e. Non-controlling interests

	For the Six Months Ended June 30	
	2016	2015
Beginning balance	\$ 15,027	\$ 83,871
Attributable to non-controlling interests:		
Share of loss for the period	(10,515)	(32,429)
Exchange difference arising on translation	<u>(33)</u>	<u>(1,597)</u>
Ending balance	<u>\$ 4,479</u>	<u>\$ 49,845</u>

f. Treasury shares

	Total (In Thousands of Shares)
Shares Transferred to Employees	
Number of shares at January 1, 2016	<u>2,000</u>
Number of shares at June 30, 2016	<u>2,000</u>

Under the Securities and Exchange Act, the Company shall neither pledge treasury shares nor exercise shareholders' rights on these shares, such as rights to dividends and to vote.

22. REVENUE

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2016	2015	2016	2015
Sales revenue	\$ 6,579,070	\$ 6,112,340	\$ 13,513,384	\$ 12,333,302
Other operating revenues	<u>109,821</u>	<u>86,595</u>	<u>181,783</u>	<u>125,285</u>
	<u>\$ 6,688,891</u>	<u>\$ 6,198,935</u>	<u>\$ 13,695,167</u>	<u>\$ 12,458,587</u>

23. NET PROFIT

a. Other income

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2016	2015	2016	2015
Interest income	\$ 16,108	\$ 22,855	\$ 31,846	\$ 44,665
Others	<u>615</u>	<u>1,777</u>	<u>1,152</u>	<u>2,369</u>
	<u>\$ 16,723</u>	<u>\$ 24,632</u>	<u>\$ 32,998</u>	<u>\$ 47,034</u>

b. Other gains and losses

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2016	2015	2016	2015
Gain on disposal of investment, net	\$ -	\$ 2,660	\$ -	\$ 2,660
Gain (loss) on disposal of property, plant and equipment, net	5	-	(551)	-
Net foreign exchange gains	591	2,660	644	436
Others	<u>2</u>	<u>1</u>	<u>(239)</u>	<u>(60)</u>
	<u>\$ 598</u>	<u>\$ 5,321</u>	<u>\$ (146)</u>	<u>\$ 3,036</u>

c. Finance costs

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2016	2015	2016	2015
Interest on bank loans	\$ 940	\$ -	\$ 1,805	\$ -
Others	<u>-</u>	<u>7</u>	<u>1</u>	<u>19</u>
	<u>\$ 940</u>	<u>\$ 7</u>	<u>\$ 1,806</u>	<u>\$ 19</u>

d. Depreciation and amortization

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2016	2015	2016	2015
Property, plant and equipment	\$ 21,015	\$ 29,857	\$ 44,944	\$ 59,911
Intangible assets	<u>2,351</u>	<u>4,505</u>	<u>4,948</u>	<u>8,102</u>
	<u>\$ 23,366</u>	<u>\$ 34,362</u>	<u>\$ 49,892</u>	<u>\$ 68,013</u>
An analysis of depreciation by function				
Operating costs	\$ 9,603	\$ 18,214	\$ 21,051	\$ 36,748
Operating expenses	<u>11,412</u>	<u>11,643</u>	<u>23,893</u>	<u>23,163</u>
	<u>\$ 21,015</u>	<u>\$ 29,857</u>	<u>\$ 44,944</u>	<u>\$ 59,911</u>
An analysis of amortization by function				
Operating costs	\$ 189	\$ 426	\$ 402	\$ 879
Operating expenses	<u>2,162</u>	<u>4,079</u>	<u>4,546</u>	<u>7,223</u>
	<u>\$ 2,351</u>	<u>\$ 4,505</u>	<u>\$ 4,948</u>	<u>\$ 8,102</u>

e. Employee benefits expense

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2016	2015	2016	2015
Short-term benefits				
Salary	\$ 249,493	\$ 242,728	\$ 516,948	\$ 502,598
Insurance expense	<u>24,830</u>	<u>26,652</u>	<u>52,752</u>	<u>56,130</u>
	274,323	269,380	569,700	558,728
Post-employment benefits (see Note 19)				
Defined contribution plans	14,193	12,233	28,653	23,862
Defined benefit plans	<u>19</u>	<u>26</u>	<u>37</u>	<u>51</u>
	14,212	12,259	28,690	23,913
Other employee benefits	<u>17,753</u>	<u>16,038</u>	<u>35,420</u>	<u>29,339</u>
Total employee benefits expense	<u>\$ 306,288</u>	<u>\$ 297,677</u>	<u>\$ 633,810</u>	<u>\$ 611,980</u>
An analysis of employee benefits expense by function				
Operating costs	\$ 122,575	\$ 126,597	\$ 247,248	\$ 261,210
Operating expenses	<u>183,713</u>	<u>171,080</u>	<u>386,562</u>	<u>350,770</u>
	<u>\$ 306,288</u>	<u>\$ 297,677</u>	<u>\$ 633,810</u>	<u>\$ 611,980</u>

Under the Company Act as amended in May 2015, the Company's Articles of Incorporation had been approved in the shareholders meeting in April 2016.

If the Company earns profits in a fiscal year, such profits shall be appropriated as follows:

- 1) Remuneration to directors, not exceeding 0.3%; and
- 2) Employee bonuses in the sum of 0.1% to 1%.

Before allocating the profits for above shall first offset its losses in previous years.

Employee bonuses including the employees of momo and its subsidiaries.

The Company's estimated employees' compensation and remuneration to directors were accrued at 0.1% of the profit before income tax, employees' compensation and remuneration to directors. The estimated employees' compensation were \$354 thousand and \$767 thousand, and remuneration to directors were \$354 thousand and \$767 thousand for the three months ended June 30, 2016 and for the six months June 30, 2016, respectively.

The Company's estimated bonus to employees were \$268 thousand and \$536 thousand, and remuneration to directors were \$268 thousand and \$536 thousand for the three months ended June 30, 2015 and for the six months ended June 30, 2015, respectively, based on the Articles of Incorporation in effect in 2014 which stipulated bonus to employees and remuneration to directors both at 0.1% of the net profit; the amounts were recognized as operating expenses.

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

The employees' compensation and remuneration to directors for 2015 resolved by the Board of Directors on March 4 2016, the amounts of the bonus to employees and remuneration to directors for 2014 approved in the shareholders' meetings on May 6, 2015, respectively, and the respective amounts recognized in the consolidated financial statements, were as follows:

	For the Year Ended December 31			
	2015		2014	
	Employees' Compensation	Remuneration of Directors	Bonus to Employees	Remuneration of Directors
Amounts approved in the shareholders' meetings			\$ 1,073	\$ 1,073
Amounts resolved by the Board of Directors	\$ 1,303	\$ 1,303		
Amounts recognized in respective consolidated financial statements	\$ 1,305	\$ 1,305	\$ 1,073	\$ 1,073

Due to estimated differences the different amounts between resolved in Board of Directors and recognized in consolidated financial statements in 2015 were adjusted to profit and loss for the year ended December 31, 2016 and there was no difference between approved in the shareholders' meeting and recognized in consolidated financial statements in 2014.

The employees' compensation and remuneration of directors in 2015 were reported in the shareholders' meeting on April 20, 2016 after the Company's Articles of Incorporation have been amended and resolved.

Information on the employees' compensation and remuneration to directors for 2015 resolved by the momo's Board of Directors in 2016 and bonus to employees and remuneration to directors for 2014 approved by the shareholders' meeting in 2015 is available on the Market Observation Post System Website of the Taiwan Stock Exchange.

24. INCOME TAXES

a. Income tax recognized in profit or loss

The major components of tax expense were as follows:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2016	2015	2016	2015
Current tax				
Current period	\$ 64,029	\$ 61,121	\$ 132,441	\$ 125,783
Adjustments for prior years	<u>(3,230)</u>	<u>12</u>	<u>(2,790)</u>	<u>12</u>
	<u>60,799</u>	<u>61,133</u>	<u>129,651</u>	<u>125,795</u>
Deferred tax				
In respect of the current period	<u>(2,417)</u>	<u>1,468</u>	<u>959</u>	<u>(473)</u>
Income tax expense recognized in profit or loss	<u>\$ 58,382</u>	<u>\$ 62,601</u>	<u>\$ 130,610</u>	<u>\$ 125,322</u>

b. Integrated income tax information was as follows:

	June 30, 2016	December 31, 2015	June 30, 2015
Unappropriated earnings			
Generated on and after January 1, 1998	<u>\$ 640,790</u>	<u>\$ 1,058,963</u>	<u>\$ 543,494</u>
Imputation credits account (ICA)	<u>\$ 200,720</u>	<u>\$ 319,125</u>	<u>\$ 177,420</u>

	For the Years Ended December 31	
	2015	2014
Creditable ratio for distribution of earning	20.48%	21.83%

c. Income tax assessments

momo's income tax returns up to 2013 have been assessed by the tax authorities. And subsidiaries income tax returns which have been assessed by the tax authorities were as follows:

<u>Company</u>	<u>Year</u>
FST	2014
FLI	2014
FPI	2014

25. EARNINGS PER SHARE

Unit: NT\$ Per Share

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2016	2015	2016	2015
Basic earnings per share	<u>\$ 2.12</u>	<u>\$ 1.89</u>	<u>\$ 4.57</u>	<u>\$ 3.82</u>
Diluted earnings per share	<u>\$ 2.12</u>	<u>\$ 1.89</u>	<u>\$ 4.57</u>	<u>\$ 3.82</u>

Net Profit for the Period

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2016	2015	2016	2015
Net profit for the period	<u>\$ 296,851</u>	<u>\$ 268,862</u>	<u>\$ 640,352</u>	<u>\$ 543,208</u>

Weighted Average Number of Common Stocks Outstanding (In Thousand Shares)

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2016	2015	2016	2015
Weighted average number of common stocks in computation of basic earnings per share	140,059	142,059	140,059	142,059
Effect of potentially dilutive common stocks:				
Employees' compensation	<u>2</u>	<u>4</u>	<u>5</u>	<u>5</u>
Weighted average number of common stocks used in the computation of diluted earnings per share	<u>140,061</u>	<u>142,063</u>	<u>140,064</u>	<u>142,064</u>

Since the Group offered to settle compensation of employees in cash or shares, the Group assumed the entire amount of the compensation would be settled in shares and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, if the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

26. OPERATING LEASE ARRANGEMENTS

The Group as Lessee

Operating leases relate to leases of office with lease terms between 1 and 5 years.

The future minimum lease payments of non-cancellable operating lease commitments are as follows:

	June 30, 2016	December 31, 2015	June 30, 2015
Not later than 1 year	\$ 159,386	\$ 178,576	\$ 151,146
Later than 1 year and not later than 5 years	<u>169,467</u>	<u>307,657</u>	<u>373,018</u>
	<u>\$ 328,853</u>	<u>\$ 486,233</u>	<u>\$ 524,164</u>

27. CAPITAL MANAGEMENT

The Group maintains and manages its capital to optimize the balance of liabilities and equity in order to maximize shareholders' return. By periodically reviewing and measuring relative cost, risk, and rate of return to ensure profit and to maintain adequate financial ratios, the Group may adopt various financing approaches to balance its capital structure in order to meet the demands for capital expenditures, working capital, settlements of liabilities, and dividend payments in normal course of business for the future.

28. FINANCIAL INSTRUMENTS

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

Management of the Group believes the carrying amounts of financial assets and financial liabilities recognized in the consolidated financial statements approximate their fair values or their fair values cannot be reliably measured.

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

Fair value hierarchy

June 30, 2016

	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
Beneficiary certificates	\$ 958,922	\$ -	\$ -	\$ 958,922
Unlisted stock - foreign investments	<u>-</u>	<u>58,229</u>	<u>-</u>	<u>58,229</u>
	<u>\$ 958,922</u>	<u>\$ 58,229</u>	<u>\$ -</u>	<u>\$ 1,017,151</u>

December 31, 2015

	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
Beneficiary certificates	\$ 734,991	\$ -	\$ -	\$ 734,991
Unlisted stock - foreign investments	<u>-</u>	<u>77,746</u>	<u>-</u>	<u>77,746</u>
	<u>\$ 734,991</u>	<u>\$ 77,746</u>	<u>\$ -</u>	<u>\$ 812,737</u>

June 30, 2015

	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
Beneficiary certificates	\$ 989,104	\$ -	\$ -	\$ 989,104

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

Valuation techniques and assumptions used in fair value determination

- 1) The fair value of financial instruments traded in active markets is based on quoted market prices (including beneficiary certificates that went public).
- 2) Valuation techniques and inputs applied for Level 2 fair value measurement: The Group uses market comparison approach to evaluate fair values on observable prices of the similar financial instruments and evaluate market liquidity at the end of the period.

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

Financial Instruments	Valuation Techniques and Inputs
Unlisted stock - foreign investments	The Group uses market comparison approach to evaluate fair values of foreign unlisted stocks based on price fluctuation and risk-free rate.

c. Categories of financial instruments

	June 30, 2016	December 31, 2015	June 30, 2015
<u>Financial assets</u>			
Available-for-sale financial assets	\$ 1,017,151	\$ 812,737	\$ 989,104
Financial assets at cost	60,000	60,000	60,000
Loans and receivables:			
Cash and cash equivalents	3,334,936	3,128,081	2,719,335
Accounts receivables (including related parties)	41,989	45,441	48,793
Other receivables (including related parties)	514,240	543,403	508,731
Other financial assets (including current and non-current portions)	88,847	1,266,952	971,566
Refundable deposits	52,608	50,186	73,398
	<u>4,032,620</u>	<u>5,034,063</u>	<u>4,321,823</u>
	<u>\$ 5,109,771</u>	<u>\$ 5,906,800</u>	<u>\$ 5,370,927</u>

(Continued)

	June 30, 2016	December 31, 2015	June 30, 2015
<u>Financial liabilities</u>			
Short-term borrowings	\$ 68,604	\$ 70,938	\$ -
Accounts payables (including related parties)	2,442,448	2,522,589	2,185,177
Other payables (including related parties)	369,922	436,335	461,092
Guarantee deposits	<u>237,879</u>	<u>241,663</u>	<u>232,012</u>
	<u>\$ 3,118,853</u>	<u>\$ 3,271,525</u>	<u>\$ 2,878,281</u> (Concluded)

d. Financial risk management objectives and policies

1) The Group is exposed to the following risks due to usage of financial instruments:

- a) Credit risk
- b) Liquidity risk
- c) Market risk

This note presents information concerning the Group's risk exposure and the Group's targets, policies and procedures to measure and manage the risks.

2) Risk management framework

a) Decision-making mechanism:

The highest decision-making authority is the Board of Directors. The Board of Directors assesses material risks in accordance with operation strategy while monitoring the overall risks and their strategy execution steadily. In addition, the Operations and Management Committee conducts periodic reviews of each business group's operating target and performance to meet the Group's guidance and budget.

b) Risk management policies:

- i. Promote a risk-management-based business model.
- ii. Establish a risk management mechanism that can effectively recognize, evaluate, supervise and control risk.
- iii. Create a company-wide risk management structure that can limit risk to an acceptable level.
- iv. Introduce best risk management practices and continue to seek improvements.

c) Monitoring mechanism:

The Internal Audit Office regularly monitors and assesses the potential risks that the Group may face and use this information as a reference for drafting its annual audit plan. The Internal Audit Office should report any discrepancy to the concerned unit chief and ensure that remediation efforts are completed.

3) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty of a financial instrument fails to meet its contractual obligations, which arises principally from the Group's receivables from customers and financial instruments. The Group deals with customers with good reputation and monitors customers' credit risk and credit ratings continuously. The Group did transactions with a large number of unrelated customers and, thus, no concentration of credit risk was observed. The Group's maximum exposure to credit risk of all kinds of financial instruments is equal to the carrying amount.

4) Liquidity risk

Liquidity risk is the risk that the Group fails to meet the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to manage liquidity is to ensure, as far as possible, that it always has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable loss or damage to the Group's reputation.

The Group ensures sufficient cash for the requirements of paying estimated operating expenditures, including financial obligations. The Group also monitors its bank credit facilities to ensure that the provisions of loan contracts are all complied with properly. As of June 30, 2016, December 31, 2015 and June 30, 2015, the Group had unused bank facilities of \$262,203 thousand, \$829,884 thousand and \$910,520 thousand, respectively.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables had been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay. The tables included both interest and principal cash flows. Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed repayment dates.

June 30, 2016

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
<u>Non-derivative financial liabilities</u>					
Secured loans	\$ -	\$ 34,134	\$ -	\$ -	\$ -
Unsecured loans	\$ -	\$ -	\$ 35,146	\$ -	\$ -

December 31, 2015

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
<u>Non-derivative financial liabilities</u>					
Unsecured loans	\$ -	\$ -	\$ 74,178	\$ -	\$ -

The Group's working capital is sufficient to meet the cash flow demand; therefore, liquidity risk is not considered to be significant.

5) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable range and to optimize the return.

The Group engages in financial instrument transactions without involving any significant risk such as exchange rate risk, interest rate risk, and market price risk; therefore, the Group's market risk is insignificant.

a) Exchange rate risk

Most of the operating revenues and expenses are measured in the Group's functional currency. Overall, exchange rate risk is not significant.

For the Group's financial assets and liabilities exposed to significant exchange rate risk (including those eliminated on consolidation), please refer to Note 32.

Sensitivity analysis

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

The Group's exchange rate risk comes mainly from conversion gains and losses of accounts denominated in foreign currencies such as cash and cash equivalents, accounts receivable, other receivables, accounts payable and other payables, etc. If the NTD, when compared with the relevant foreign currencies, had appreciated or depreciated 5% at the reporting date, profit would have increased or decreased by \$285 thousand and by \$9,593 thousand for the six months ended June 30, 2016 and 2015, respectively.

b) Interest rate risk

The Group was exposed to interest rate risk because entities in the Group carried deposits at both fixed and floating interest rates and loans.

The carrying amount of the Group's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows.

	June 30, 2016	December 31, 2015	June 30, 2015
Fair value interest rate risk			
Financial assets	\$ 3,023,416	\$ 3,794,002	\$ 2,967,156
Cash flow interest rate risk			
Financial assets	399,796	600,061	722,305
Financial liabilities	68,604	70,938	-

Sensitivity analysis

The sensitivity analyses below were determined based on the Group's exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating rate assets and liabilities, the analysis was prepared assuming the amount of the assets and liability outstanding at the end of the reporting period was outstanding for the whole period. A 50 basis point increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher or lower and all other variables were held constant, the Group's profit for the six months ended June 30, 2016 and 2015 would increase or decrease by \$828 thousand and \$1,806 thousand, respectively.

c) Other price risk

The Group was exposed to other price risk through its investments in available-for-sale financial assets. The Group supervises the equity price risk actively and manages the risk based on fair value.

Sensitivity analysis

The sensitivity analyses below were determined based on the exposure to equity price risks at the end of the reporting period.

If equity prices had been 5% higher or lower, the other comprehensive income for the six months ended June 30, 2016 and 2015 would increase or decrease by \$50,858 thousand and \$49,455 thousand, respectively, as a result of the changes in fair value of available-for-sale financial assets.

29. TRANSACTIONS WITH RELATED PARTIES

momo's parent is Wealth Media Technology Co., Ltd. (WMT), which held 45.01%, 45.01% and 44.38% of common stocks of momo as of June 30, 2016, December 31, 2015 and June 30, 2015, respectively. momo's ultimate parent and ultimate controlling party is Taiwan Mobile Co., Ltd. ("TWM").

Balances and transactions between momo and its subsidiaries, which are related parties of momo, have been eliminated on consolidation and are not disclosed in this note. Besides as disclosed elsewhere in the other notes, details of transactions between the Group and other related parties are disclosed below.

a. Operating revenues

Line Items	Related Party Categories	For the Three Months Ended		For the Six Months Ended	
		June 30		June 30	
		2016	2015	2016	2015
Sales	Parent entity	\$ 46	\$ 158	\$ 92	\$ 489
	Associates	<u>12,321</u>	<u>2,333</u>	<u>29,177</u>	<u>3,187</u>
		<u>\$ 12,367</u>	<u>\$ 2,491</u>	<u>\$ 29,269</u>	<u>\$ 3,676</u>

The Group renders sales service to other related parties.

The transaction terms with related parties were not significantly different from those with third parties.

b. Purchases

Related Party Categories	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2016	2015	2016	2015
Parent entity	\$ 33,057	\$ 44,440	\$ 67,549	\$ 90,169
Associates	89,293	107,881	191,265	229,590
Other related parties	<u>35,031</u>	<u>35,003</u>	<u>70,042</u>	<u>67,362</u>
	<u>\$ 157,381</u>	<u>\$ 187,324</u>	<u>\$ 328,856</u>	<u>\$ 387,121</u>

The entities mentioned above provide logistics, play video program and other services.

The transaction terms with related parties were not significantly different from those with third parties.

c. Receivables from related parties (excluding loans to related parties)

Line Items	Related Party Categories	June 30, 2016	December 31, 2015	June 30, 2015
Accounts receivable	Associates	\$ 4,847	\$ 14,759	\$ 1,686
	Other related parties	<u>2,933</u>	<u>1,071</u>	<u>6,979</u>
		<u>\$ 7,780</u>	<u>\$ 15,830</u>	<u>\$ 8,665</u>
Other receivables	Parent entity	\$ 4,551	\$ 3,797	\$ 1
	Associates	89,984	88,661	81,768
	Other related parties	<u>35,088</u>	<u>39,697</u>	<u>58,990</u>
		<u>\$ 129,623</u>	<u>\$ 132,155</u>	<u>\$ 140,759</u>

The outstanding receivables from related parties are unsecured. For the six months ended June 30, 2016 and 2015, no impairment loss was recognized on receivables from related parties.

d. Payables to related parties (excluding loans from related parties)

Line Items	Related Party Categories	June 30, 2016	December 31, 2015	June 30, 2015
Accounts payable	Parent entity	\$ 10,134	\$ 7,219	\$ 8,602
	Associates	29,487	38,485	35,914
	Other related parties	<u>8,613</u>	<u>245</u>	<u>5,793</u>
		<u>\$ 48,234</u>	<u>\$ 45,949</u>	<u>\$ 50,309</u>
Other payables	Parent entity	\$ 2,987	\$ 2,163	\$ 168
	Associates	-	-	39
	Other related parties	<u>37,410</u>	<u>40,152</u>	<u>47,968</u>
		<u>\$ 40,397</u>	<u>\$ 42,315</u>	<u>\$ 48,175</u>

The outstanding payables to related parties are unsecured.

e. Bank deposits

Line Items	Related Party Categories	June 30, 2016	December 31, 2015	June 30, 2015
Cash and cash equivalents	Other related parties	<u>\$ 200,429</u>	<u>\$ 330,639</u>	<u>\$ 341,881</u>
Other financial assets	Other related parties	<u>\$ 17,997</u>	<u>\$ 18,202</u>	<u>\$ 40,316</u>

f. Disposal of financial assets

For the three months ended June 30, 2015

Line Items	Related Parties Categories	Number of Units (In Thousand)	Underlying Assets	Proceeds	Gain (Loss) on Disposal
Available-for-sale financial assets	Other related parties	12,970	Fubon Chi-Hsiang Money Market Fund	<u>\$ 200,506</u>	<u>\$ 506</u>

For the six months ended June 30, 2015

Line Items	Related Parties Categories	Number of Units (In Thousand)	Underlying Assets	Proceeds	Gain (Loss) on Disposal
Available-for-sale financial assets	Other related parties	12,970	Fubon Chi-Hsiang Money Market Fund	<u>\$ 200,506</u>	<u>\$ 506</u>

g. Others

1) Guarantee deposits

	June 30, 2016	December 31, 2015	June 30, 2015
Related Parties Categories			
Other related parties	<u>\$ 27,738</u>	<u>\$ 27,738</u>	<u>\$ 27,740</u>

2) Operating expenses

	For the Three Months Ended June 30		For the Six Months Ended June 30	
Related Parties Categories	2016	2015	2016	2015
Parent entity	\$ 16,346	\$ 1,963	\$ 16,346	\$ 1,963
Other related parties	<u>46,429</u>	<u>53,412</u>	<u>88,101</u>	<u>104,212</u>
	<u>\$ 62,775</u>	<u>\$ 55,375</u>	<u>\$ 104,447</u>	<u>\$ 106,175</u>

The operating expense included rental expense. Leases were conducted at general market prices, and the rental was paid monthly.

3) Non-operating income

Related Parties Categories	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2016	2015	2016	2015
Other related parties	\$ 4,620	\$ 14,350	\$ 4,620	\$ 14,350

h. Key management compensation

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2016	2015	2016	2015
Short-term employee benefits	\$ 9,677	\$ 7,625	\$ 19,510	\$ 15,604
Post-employment benefits	1,605	234	3,211	480
Termination benefits	-	-	-	648
	<u>\$ 11,282</u>	<u>\$ 7,859</u>	<u>\$ 22,721</u>	<u>\$ 16,732</u>

The compensation to directors and key executives were determined by the remuneration committee in accordance with individual performance and market trends.

30. ASSETS PLEDGED

The assets pledged as collateral for performance guarantee, purchases and loans were as follows:

	June 30, 2016	December 31, 2015	June 30, 2015
Other financial assets - current	\$ 2,000	\$ 22,500	\$ -
Other financial assets - non-current	34,350	34,750	34,750
Property, plant and equipment	<u>59,260</u>	<u>-</u>	<u>-</u>
	<u>\$ 95,610</u>	<u>\$ 57,250</u>	<u>\$ 34,750</u>

31. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Group as of June 30, 2016, December 31, 2015 and June 30, 2015 were as follows:

- As of June 30, 2016, December 31, 2015 and June 30, 2015, the amounts of endorsements and guarantees for FGE were RMB30,000 thousand, US\$16,000 thousand and US\$0 thousand, respectively.
- In accordance with the Ministry of Economic Affairs' policy, momo entered into a contract with First Commercial Bank Co., Ltd., which provided performance guarantee for advance receipts from prepaid bonus of \$21,953 thousand, \$20,228 thousand and \$24,936 thousand, respectively; and electronic tickets of \$3,279 thousand, \$374 thousand and \$0 thousand as of June 30, 2016, December 31, 2015 and June 30, 2015, respectively.
- Due to the business development needs, in January 2014, momo's Board of Directors resolved the warehousing logistics construction and the equipment procurement. As of June 30, 2016, contract amounts not yet paid for the warehousing logistics construction and equipment were \$1,491,058 thousand and \$385,600 thousand, separately.

32. OTHERS

a. Significant assets and liabilities denominated in foreign currencies.

The following information was aggregated by the foreign currencies other than functional currency of the group. The exchange rates disclosed were used to translate the foreign currencies into the functional currency. The significant assets and liabilities denominated in foreign currencies were as follows:

June 30, 2016

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
RMB	\$ 1,793	4.847 (RMB:NTD)	\$ 8,691
USD	841	32.335 (USD:NTD)	<u>27,181</u>
			<u>\$ 35,872</u>
Non-monetary items			
Available-for-sale financial assets			
HKD	13,974	4.167 (HKD:NTD)	\$ 58,229
Investments accounted for using equity method			
RMB	152,397	4.847 (RMB:NTD)	738,671
THB	161,704	0.9233 (THB:NTD)	<u>149,301</u>
			<u>\$ 946,201</u>
<u>Financial liabilities</u>			
Monetary items			
RMB	4,444	4.847 (RMB:NTD)	\$ 21,540
AUD	360	23.975 (AUD:NTD)	<u>8,635</u>
			<u>\$ 30,175</u>

December 31, 2015

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
RMB	\$ 1,755	4.975 (RMB:NTD)	\$ 8,731
USD	716	32.86 (USD:NTD)	<u>23,542</u>
			<u>\$ 32,273</u>
			(Continued)

	Foreign Currencies	Exchange Rate	Carrying Amount
Non-monetary items			
Available-for-sale financial assets			
HKD	\$ 18,341	4.239 (HKD:NTD)	\$ 77,746
Investments accounted for using equity method			
RMB	143,455	4.975 (RMB:NTD)	713,691
THB	176,166	0.9167 (THB:NTD)	<u>161,491</u>
			<u>\$ 952,928</u>
<u>Financial liabilities</u>			
Monetary items			
USD	31	32.86 (USD:NTD)	<u>\$ 1,018</u> (Concluded)

June 30, 2015

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
RMB	\$ 1,643	4.987 (RMD:NTD)	\$ 8,194
USD	1,170	30.97 (USD:NTD)	36,244
HKD	36,913	3.994 (HKD:NTD)	<u>147,431</u>
			<u>\$ 191,869</u>
Non-monetary items			
Available-for-sale financial assets			
RMB	38,056	4.987 (RMB:NTD)	\$ 189,786
Investments accounted for using equity method			
RMB	134,769	4.987 (RMB:NTD)	672,094
THB	164,422	0.9203 (THB:NTD)	<u>151,317</u>
			<u>\$ 1,013,197</u>

For the three months ended June 30, 2016 and 2015, realized and unrealized net foreign exchange gains were \$591 thousand and \$2,660 thousand, respectively, and for the six months ended June 30, 2016 and 2015, were an exchange gains were \$644 thousand and \$436 thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the functional currencies of the group's foreign entities.

- b. In accordance with the amendments to Satellite Broadcasting Act in January 2016, Paragraph 2 of Article 64 describes that broadcasting provider without using satellite business (including TV shopping) shall complete and submit an application form to the regulatory agency in six months from date of amendment of the Act. On July 6, 2016 the Company submitted an application form to the regulatory agency. As of the date the consolidated financial statements were authorized for issue, the application is reviewed by the regulatory agency and the Company is waiting for approved.

33. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

- 1) Financing provided to others. (None)
- 2) Endorsements/guarantees provided. (Table 1)
- 3) Marketable securities held (excluding investment in subsidiaries and associates). (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: None
 - 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 Group has two reporting segments: Television and magazine department and internet department. Other segments include FST - travel agent, FLI - life insurance agent, FPI - property insurance agent, Asian Crown (BVI) - investment, and Honest Development - investment for the six months ended June 30, 2016 and 2015.

The Group's reporting segments provide different goods and services and require different techniques and strategies; thus, they were reported separately.

The Group has not apportioned income tax expense (benefit) and non-regular gains and losses to reporting segments. The reported amounts are the same with those used in making operating decision.

The segments' assets and liabilities are not provided to key management as reference in making decision; thus, the segments' assets and liabilities were not disclosed in the consolidated financial statements.

The Group's reporting segments information and adjustments are as follows:

	TV and Magazine	Internet	Others	Adjustments and Eliminations	Total
For the six months ended June 30, 2016					
Revenues					
Non-inter-company revenues	\$ 3,814,545	\$ 9,810,382	\$ 70,240	\$ -	\$ 13,695,167
Segment profits	\$ 272,733	\$ 463,708	\$ 24,006	\$ -	\$ 760,447
For the six months ended June 30, 2015					
Revenues					
Non-inter-company revenues	\$ 4,113,122	\$ 8,169,453	\$ 182,389	\$ (6,377)	\$ 12,458,587
Segment profits	\$ 316,190	\$ 401,456	\$ (81,545)	\$ -	\$ 636,101

TABLE 1

momo.com Inc. AND SUBSIDIARIES

**ENDORSEMENT/GUARANTEE PROVIDED TO OTHER PARTIES
FOR THE SIX MONTHS ENDED JUNE 30, 2016
(Amount in Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

No.	Company Providing Endorsements/ Guarantees	Receiving Party		Limits on Endorsements/ Guarantees Amount Provided to Each Entity	Maximum Balance for the Period	Ending Balance	Drawdown Amounts	Amount of Endorsements/ Guarantees Collateralized by Property	Ratio of Accumulated Endorsements/ Guarantees to Net Worth of the Guarantor	Maximum Endorsements/ Guarantees Amount Allowable	Guarantee Provided by Parent Company	Guarantee Provided by A Subsidiary	Guarantee Provided to Subsidiaries in Mainland China	Note
		Name	Nature of Relationship											
0	momo	FGE	Note 1	\$ 790,725	\$ 145,410	\$ 145,410	\$ 145,410	\$ -	2.75	\$ 5,286,815	Y	N	Y	

Note 1: The nature of relationship between the Company and receiving parties: (1) More than 50% directly or indirectly owned by the Company.

Note 2: The endorsements/guarantees amount shall be limited as below:

- a. The amount to any individual entity shall not exceed the investment amount in it.
- b. The total amount shall not exceed the net worth of the Company.

Note 3: The maximum guarantee/endorsement balance for the period, and the ending balance represent quotas, not actual drawdown.

TABLE 2

momo.com Inc. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
JUNE 30, 2016
(Amount in Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	June 30, 2016				Note
				Units/Shares (Thousands)	Carrying Value	Percentage of Ownership	Fair Value	
momo	<u>Beneficiary certificates</u>							
	Fubon Strategic High Income Fund B	Related party in substance	Available-for-sale financial assets - current	18,302	\$ 178,041	-	\$ 178,041	
	Fuh Hwa Emerging Market High Yield Bond Fund B	-	"	10,225	66,155	-	66,155	
	PineBridge Global Multi - Strategy High Yield Bond Fund-B	-	"	23,351	167,195	-	167,195	
	Eastspring Investments Global High Yield Bond Fund B	-	"	19,028	162,111	-	162,111	
	JPMorgan (Taiwan) Asia High Yield Total Return Bond Fund - Monthly Distribution Share Class	-	"	18,916	185,237	-	185,237	
	Eastspring Investments Well Pool Money Market Fund	-	"	14,879	200,183	-	200,183	
	<u>Stock</u>							
	Media Asia Group Holdings Limited	-	"	43,668	58,229	2.04	58,229	
	We Can Medicines Co., Ltd.	-	Financial assets at cost - non-current	2,400	60,000	7.73	-	

TABLE 3

momo.com Inc. AND SUBSIDIARIES

**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE SIX MONTHS ENDED JUNE 30, 2016
(Amount in Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Company Name	Related Party	Nature of Relationship	Transaction Details				Transactions with Terms Different from Others		Notes/Accounts Payable or Receivable		Note
			Purchase/Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
momo	TPE	Equity-method investee	Purchase	\$ 190,753	2	Based on contract terms	-	-	\$ (29,487)	(1)	

TABLE 4

momo.com Inc. AND SUBSIDIARIES

**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS
FOR THE SIX MONTHS ENDED JUNE 30, 2016
(Amount in Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

No.	Investee Company	Counterparty	Relationship	Transactions Details			
				Financial Statement Accounts	Amount	Payment Terms	% to Total Sales or Assets
0	momo	FST	1	Accounts receivable, net	\$ 19,082	The terms of transaction are determined in accordance with mutual agreements or general business practices	0.21

Note: 1. Parent to subsidiary.
2. Subsidiary to parent.
3. Between subsidiaries.

TABLE 5**momo.com Inc. AND SUBSIDIARIES**

**NAMES, LOCATIONS AND RELATED INFORMATION OF INVESTEEES OVER WHICH THE COMPANY EXERCISED SIGNIFICANT INFLUENCE
(EXCLUDING INFORMATION ON INVESTMENT IN MAINLAND CHINA)
FOR THE SIX MONTHS ENDED JUNE 30, 2016
(Amount in Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Investor	Investee	Location	Main Businesses and Products	Investment Amount		Balance as of June 30, 2016			Net Income (Loss) of the Investee	Investment Income (Loss)	Note
				June 30, 2016	December 31, 2015	Shares (Thousands)	Percentage of Ownership	Carrying Value			
momo	FST	Taiwan	Travel agent	\$ 6,000	\$ 6,000	3,000	100.00	\$ 38,556	\$ 11,431	\$ 11,431	Note 3
	FLI	Taiwan	Life insurance agent	3,000	3,000	500	100.00	9,929	1,197	1,197	
	FPI	Taiwan	Property insurance agent	3,000	3,000	500	100.00	7,717	(399)	(399)	
	Asian Crown (BVI)	British Virgin Islands	Investment	789,864	789,864	26,500	76.26	11,390	(31,683)	(24,161)	
	TPE	Taiwan	Logistics industry	337,860	337,860	16,893	17.70	409,039	68,114	3,417	
	TVD Shopping	Thailand	Wholesale and retail sales	143,804	143,804	31,150	35.00	149,301	46,425	14,501	
				(THB 155,750)	(THB 155,750)						
	Honest Development	Samoa	Investment	670,448	670,448	21,778	100.00	717,292	23,399	23,399	
Asian Crown (BVI)	Fortune Kingdom	Samoa	Investment	1,035,051	1,035,051	33,633	100.00	10,182	(31,547)	Note 2	
Fortune Kingdom	HK Fubon Multimedia	Hong Kong	Investment	1,035,051	1,035,051	33,633	100.00	10,182	(31,547)	Note 2	
Honest Development	HK Yue Numerous	Hong Kong	Investment	670,448	670,448	16,600	100.00	717,292	23,399	Note 2	

Note 1: Except for TPE and TVD shopping, the investment income (loss) was eliminated in consolidation.

Note 2: The income/loss of the investee was already included in the income/loss of the investor, and is not presented in this table.

Note 3: The exchange rate on June 30, 2016 is THB1=NT\$0.9233

Note 4: Please refer to Table 6 for information on investment in Mainland China.

TABLE 6**momo.com Inc. AND SUBSIDIARIES****INVESTMENTS IN MAINLAND CHINA
FOR THE SIX MONTHS ENDED JUNE 30, 2016****(Amount in Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type (Note 1)	Accumulated Outflow of Investment from Taiwan as of January 1, 2016	Investment Flows		Accumulated Outflow of Investment from Taiwan as of June 30, 2016	Net (Loss) Income of Investee	% Ownership through Direct or Indirect Investment	Investment Income (Loss)	Carrying Value as of June 30, 2016	Accumulated Inward Remittance of Earnings as of June 30, 2016	Note
					Outflow	Inflow							
FGE	Wholesaling	\$ 1,114,810 (RMB 230,000)	b.	\$ 790,725 (US\$ 14,000) (RMB 69,741)	\$ -	\$ -	\$ 790,725 (US\$ 14,000) (RMB 69,741)	\$ (34,423)	69.63	\$ (23,969)	\$ 7,472	\$ -	
Haobo	Investment	53,317 (RMB 11,000)	b.	-	-	-	-	23,399	100.00	23,399	717,292	-	
GHS	Wholesaling	63,360 (RMB 13,072)	b.	-	- (Note 3)	-	-	135,734	20.00	22,674	738,671	-	

Accumulated Investment in Mainland China as of June 30, 2016	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment Authorized by Investment Commission, MOEA
\$1,493,027 (US\$14,000 RMB69,741 and HK\$168,539)	\$1,575,087 (US\$15,000 RMB80,000 and HK\$168,539)	\$3,174,776

Note 1: The investment types are as follows:

- a. Direct investment in mainland China.
- b. Indirect investment in mainland China through a subsidiary in a third place.
 - 1) FGE is HK Fubon Multimedia's subsidiary.
 - 2) Haobo is HK Yue Numerous's subsidiary.
 - 3) GHS is Haobo's associate.
- c. Others.

Note 2: The exchange rates on June 30, 2016 are US\$1=NT\$32.335, RMB1=NT\$4.847 and HK\$1=NT\$4.167.

Note 3: In January 2016, the Group acquired 2% equity interests of GHS for \$22,136 thousand (equal to RMB4,444 thousand). As of June 30, 2016, the investment has not been remitted.