

**momo.com Inc. and Subsidiaries**

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

## **DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES**

The entities that are required to be included in the combined financial statements of momo.com Inc. as of and for the year ended December 31, 2016, under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standards No. 10 "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, momo.com Inc. and subsidiaries do not prepare a separate set of combined financial statements.

Very truly yours,

momo.com Inc.

By

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HOWARD LIN  
Chairman

January 24, 2017

## INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders  
momo.com Inc.

### Opinion

We have audited the consolidated financial statements of momo.com Inc. and its subsidiaries (the Group), which comprise the consolidated balance sheets as of December 31, 2016 and 2015, and the consolidated statements of comprehensive income, consolidated statement of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

### Basis for Opinion

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

### Key Audit Matters

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

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

#### Risk of revenue recognition

The Group's primary source of revenue is generated from virtual channels, including TV shopping channels, E-commerce portals and catalogues. Due to the nature of the Group's core sales, the Group offers a wide range of products and services to different customers; the trading quantity is rather high while each transaction is individually low in value and is highly automated through the website and related system. As a result of the Group's business model being highly relying on IT infrastructure and



the fact that the Group process, store and transmit large amounts of data through digital and web-based environment, the risk derived from revenue recognition depends on whether the sales amount can be transferred in the IT system appropriately thus ensuring correct timing of revenue recognition. We obtained an understanding and tested the major automatic and manual controls of the related IT system with the assistance of our IT specialists to perform test of details as an audit procedure of sales revenue for the year ended December 31, 2016. The major audit procedures as follows:

1. Verify the details of invoices in the system to check if the sales amount of each invoice is consistent with its shipping notice and sales order.
2. Confirm the completeness and consistency of transmission through IT system by testing the information transferred from front-end system to general ledger system, and further perform tests on whether the Daily Sales Report in the system is consistent with journal entries of revenue each day.

#### Impairment of property, plant and equipment estimates

Driven by continued growth in both revenue and operation, the Group's capital expenditures have increased as well. The carrying value of property, plant and equipment was \$2,921,160 thousand, accounted for 29% of the consolidated assets as of December 31, 2016. At the end of each reporting period, management will assess whether there is any indication that the property, plant and equipment may be impaired in accordance with IAS 36 - Impairment of Assets; if there is an indication that an asset may be impaired, then the asset's recoverable amount should be calculated. The Group evaluates the recoverable amount of the aforementioned asset of its cash-generating unit, since the evaluation requires a number of assumptions and estimates, which will directly affect the recognition of impairment losses; the impairment assessment, in our professional judgement, is one of the key audit matters for the Company's consolidated financial statements for the year ended December 31, 2016. We carried out procedures to understand and walkthrough the design and implement of the Group's internal process for impairment assessment. Additionally, we performed the audit procedures as follows:

1. Obtain the Group's valuation report of impairment indicators regarding each cash generating unit.
2. Evaluate and Consult with our specialists the appropriateness of management's judgments regarding identification of impairment, as well as the assumptions and the Group's sensitivity analyses, including the allocation of cash generating units, the future cash flows and the applied discount rates, which are used to determine the recoverable amount of property, plant and equipment.

#### **Other Matter**

We have also audited the parent company only financial statements of momo.com Inc. as of and for the years ended December 31, 2016 and 2015 on which we have issued an unmodified report.

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

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

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



Those charged with governance (including audit committee) are responsible for overseeing the Group's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

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

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

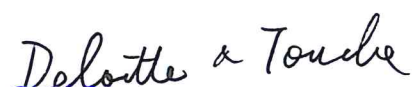
1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of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

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Li-Wen Kuo and Wen-Chin Lin.



Deloitte & Touche  
Taipei, Taiwan  
Republic of China

January 24, 2017

Notice to Readers

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

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

**momo.com Inc. AND SUBSIDIARIES**
**CONSOLIDATED BALANCE SHEETS  
DECEMBER 31, 2016 AND 2015  
(In Thousands of New Taiwan Dollars)**

	<b>2016</b>		<b>2015</b>	
<b>ASSETS</b>	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Notes 6 and 29)	\$ 2,745,359	27	\$ 3,128,081	33
Available-for-sale financial assets - current (Notes 7 and 29)	1,011,259	10	812,737	9
Accounts receivable, net (Note 9)	44,969	1	29,611	-
Accounts receivable from related parties (Note 29)	4,947	-	15,830	-
Other receivables, net (Note 9)	494,611	5	411,248	4
Other receivables from related parties (Note 29)	165,402	2	132,155	2
Current tax assets	3,483	-	3,921	-
Inventories (Note 10)	312,270	3	124,639	1
Prepayments	26,705	-	32,076	-
Other financial assets - current (Notes 11, 29 and 30)	890,123	9	1,232,202	13
Other current assets	<u>15,945</u>	<u>-</u>	<u>18,274</u>	<u>-</u>
Total current assets	<u>5,715,073</u>	<u>57</u>	<u>5,940,774</u>	<u>62</u>
<b>NON-CURRENT ASSETS</b>				
Financial assets at cost - non-current (Note 8)	60,000	1	60,000	1
Investments accounted for using equity method (Notes 5 and 13)	1,286,727	12	1,290,779	13
Property, plant and equipment (Notes 5, 14 and 29)	2,921,160	29	2,190,151	23
Intangible assets	24,239	-	19,837	-
Deferred tax assets (Note 24)	17,243	-	20,973	-
Refundable deposits (Note 29)	52,708	1	50,186	1
Other financial assets - non-current (Notes 11 and 30)	<u>34,150</u>	<u>-</u>	<u>34,750</u>	<u>-</u>
Total non-current assets	<u>4,396,227</u>	<u>43</u>	<u>3,666,676</u>	<u>38</u>
<b>TOTAL</b>	<u>\$ 10,111,300</u>	<u>100</u>	<u>\$ 9,607,450</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term borrowings (Notes 15, 29 and 31)	\$ 63,005	1	\$ 70,938	1
Accounts payable (Note 16)	2,818,318	27	2,476,640	26
Accounts payable to related parties (Note 29)	5,167	-	45,949	-
Other payables (Note 17)	493,943	5	394,020	4
Other payables to related parties (Note 29)	80,527	1	42,315	-
Current tax liabilities	123,111	1	101,337	1
Advance receipts	59,708	1	58,462	1
Other current liabilities (Note 18)	<u>422,578</u>	<u>4</u>	<u>493,359</u>	<u>5</u>
Total current liabilities	<u>4,066,357</u>	<u>40</u>	<u>3,683,020</u>	<u>38</u>
<b>NON-CURRENT LIABILITIES</b>				
Provisions - non-current	13,773	-	13,773	-
Deferred tax liabilities (Note 24)	4,854	-	7,430	-
Net defined benefit liabilities (Note 19)	5,307	-	5,012	-
Guarantee deposits (Note 20)	<u>241,407</u>	<u>3</u>	<u>241,663</u>	<u>3</u>
Total non-current liabilities	<u>265,341</u>	<u>3</u>	<u>267,878</u>	<u>3</u>
Total liabilities	<u>4,331,698</u>	<u>43</u>	<u>3,950,898</u>	<u>41</u>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 21)</b>				
Common stock	<u>1,420,585</u>	<u>14</u>	<u>1,420,585</u>	<u>15</u>
Capital surplus	<u>3,175,583</u>	<u>31</u>	<u>3,354,858</u>	<u>35</u>
Retained earnings				
Legal reserve	461,548	5	355,652	4
Special reserve	151,358	1	-	-
Unappropriated earnings	<u>1,181,786</u>	<u>12</u>	<u>1,058,963</u>	<u>11</u>
Total retained earnings	<u>1,794,692</u>	<u>18</u>	<u>1,414,615</u>	<u>15</u>
Other equity	<u>(212,342)</u>	<u>(2)</u>	<u>(151,358)</u>	<u>(2)</u>
Treasury shares	<u>(397,175)</u>	<u>(4)</u>	<u>(397,175)</u>	<u>(4)</u>
Total equity attributable to owners of the Company	<u>5,781,343</u>	<u>57</u>	<u>5,641,525</u>	<u>59</u>
<b>NON-CONTROLLING INTERESTS (Note 21)</b>	<u>(1,741)</u>	<u>-</u>	<u>15,027</u>	<u>-</u>
Total equity	<u>5,779,602</u>	<u>57</u>	<u>5,656,552</u>	<u>59</u>
<b>TOTAL</b>	<u>\$ 10,111,300</u>	<u>100</u>	<u>\$ 9,607,450</u>	<u>100</u>

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

# **momo.com Inc. AND SUBSIDIARIES**

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

	<b>2016</b>		<b>2015</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
OPERATING REVENUES (Notes 22 and 29)	\$ 28,080,788	100	\$ 25,639,898	100
OPERATING COSTS (Notes 10, 23 and 29)	<u>24,769,608</u>	<u>88</u>	<u>22,536,236</u>	<u>88</u>
GROSS PROFIT FROM OPERATIONS	<u>3,311,180</u>	<u>12</u>	<u>3,103,662</u>	<u>12</u>
OPERATING EXPENSES (Notes 19, 23 and 29)				
Marketing expenses	967,513	3	1,059,398	4
Administrative expenses	<u>1,073,733</u>	<u>4</u>	<u>983,867</u>	<u>4</u>
Total operating expenses	<u>2,041,246</u>	<u>7</u>	<u>2,043,265</u>	<u>8</u>
NET OTHER INCOME AND EXPENSES	<u>484</u>	<u>-</u>	<u>(1,628)</u>	<u>-</u>
OPERATING INCOME	<u>1,270,418</u>	<u>5</u>	<u>1,058,769</u>	<u>4</u>
NON-OPERATING INCOME AND EXPENSES				
Other income (Notes 23 and 29)	66,016	-	107,000	1
Other gains and losses, net (Notes 23 and 29)	(475)	-	2,382	-
Finance costs (Note 23)	(3,268)	-	(239)	-
Share of profit of associates accounted for using equity method (Notes 5 and 13)	<u>78,599</u>	<u>-</u>	<u>68,147</u>	<u>-</u>
Total non-operating income and expenses	<u>140,872</u>	<u>-</u>	<u>177,290</u>	<u>1</u>
PROFIT BEFORE INCOME TAX	1,411,290	5	1,236,059	5
INCOME TAX EXPENSE (Note 24)	<u>244,662</u>	<u>1</u>	<u>242,970</u>	<u>1</u>
PROFIT	<u>1,166,628</u>	<u>4</u>	<u>993,089</u>	<u>4</u>
OTHER COMPREHENSIVE INCOME (Notes 19 and 24)				
Items that may not be reclassified to profit or loss:				
Remeasurement of defined benefit plans	(1,695)	-	(1,000)	-
Share of other comprehensive loss of associates accounted for using equity method	(472)	-	(1,274)	-
Income tax relating to items that may not be reclassified to profit or loss	288	-	170	-

(Continued)



# **momo.com Inc. AND SUBSIDIARIES**

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

	<b>2016</b>		<b>2015</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation	\$ (55,863)	-	\$ (11,110)	-
Unrealized loss on available-for-sale financial assets	(1,478)	-	(101,848)	(1)
Share of other comprehensive loss of associates accounted for using equity method	<u>(3,812)</u>	<u>-</u>	<u>(39,745)</u>	<u>-</u>
Other comprehensive losses, net of tax	<u>(63,032)</u>	<u>-</u>	<u>(154,807)</u>	<u>(1)</u>
COMPREHENSIVE INCOME	<u>\$ 1,103,596</u>	<u>4</u>	<u>\$ 838,282</u>	<u>3</u>
PROFIT ATTRIBUTABLE TO:				
Owners of the Parent	\$ 1,183,227	4	\$ 1,060,781	4
Non-controlling interests	<u>(16,599)</u>	<u>-</u>	<u>(67,692)</u>	<u>-</u>
	<u>\$ 1,166,628</u>	<u>4</u>	<u>\$ 993,089</u>	<u>4</u>
COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:				
Owners of the Parent	\$ 1,120,364	4	\$ 907,126	3
Non-controlling interests	<u>(16,768)</u>	<u>-</u>	<u>(68,844)</u>	<u>-</u>
	<u>\$ 1,103,596</u>	<u>4</u>	<u>\$ 838,282</u>	<u>3</u>
EARNINGS PER SHARE (Note 25)				
Basic	<u>\$ 8.45</u>		<u>\$ 7.48</u>	
Diluted	<u>\$ 8.45</u>		<u>\$ 7.48</u>	

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

(Concluded)

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

	Equity Attributable to 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	-	-	-	-	-	-
Other changes in capital surplus											
Change in capital surplus from investments in associates accounted for by using equity method	-	25,241	-	-	-	-	-	-	25,241	-	25,241
Profit for the year ended December 31, 2015	-	-	-	-	1,060,781	-	-	-	1,060,781	(67,692)	993,089
Other comprehensive losses for the year ended December 31, 2015	-	-	-	-	(2,104)	(17,078)	(134,473)	-	(153,655)	(1,152)	(154,807)
Total comprehensive income (loss) for the year ended December 31, 2015	-	-	-	-	1,058,677	(17,078)	(134,473)	-	907,126	(68,844)	838,282
Buy-back of ordinary shares	-	-	-	-	-	-	-	(397,175)	(397,175)	-	(397,175)
BALANCE AT DECEMBER 31, 2015	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 year ended December 31, 2016	-	-	-	-	1,183,227	-	-	-	1,183,227	(16,599)	1,166,628
Other comprehensive losses for the year ended December 31, 2016	-	-	-	-	(1,879)	(55,867)	(5,117)	-	(62,863)	(169)	(63,032)
Total comprehensive income (loss) for the year ended December 31, 2016	-	-	-	-	1,181,348	(55,867)	(5,117)	-	1,120,364	(16,768)	1,103,596
BALANCE AT DECEMBER 31, 2016	\$ 1,420,585	\$ 3,175,583	\$ 461,548	\$ 151,358	\$ 1,181,786	\$ (37,926)	\$ (174,416)	\$ (397,175)	\$ 5,781,343	\$ (1,741)	\$ 5,779,602

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

# **momo.com Inc. AND SUBSIDIARIES**

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

	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before income tax	\$ 1,411,290	\$ 1,236,059
Adjustments:		
Depreciation expenses	87,588	115,051
Amortization expenses	12,705	16,943
Provision for bad debt expense	2,594	3,689
Net gain on financial assets at fair value through profit or loss	-	(1,533)
Finance costs	3,268	239
Interest income	(61,428)	(83,675)
Share of profit of associates accounted for using equity method	(78,599)	(68,147)
Loss on disposal of property, plant and equipment, net	545	18,925
Gain on disposal of investments	-	(12,437)
Loss (gain) on foreign currency exchange, net	554	(4,094)
Others	(590)	(690)
Changes in operating assets and liabilities		
Financial assets held for trading	-	1,478
Accounts receivable	(17,161)	20,008
Accounts receivable from related parties	10,883	(12,497)
Other receivables	(84,171)	(89,974)
Other receivables from related parties	(33,303)	26,403
Inventories	(187,631)	(19,570)
Prepayments	5,371	6,552
Other current assets	2,329	(2,671)
Accounts payable	341,678	168,846
Accounts payable to related parties	(40,782)	(16,030)
Other payables	84,167	(9,191)
Other payables to related parties	38,309	(1,743)
Advance receipts	1,246	(2,500)
Other current liabilities	(70,781)	175,368
Net defined benefit liabilities	(1,400)	(1,495)
Cash generated from operations	1,426,681	1,463,314
Interest received	476	423
Income tax paid	(221,008)	(333,562)
Net cash generated by operating activities	<u>1,206,149</u>	<u>1,130,175</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of available-for-sale financial assets	(200,000)	-
Proceeds on sale of available-for-sale financial assets	-	1,192,504
Acquisition of convertible notes	-	(79,980)
Acquisition of associates accounted for using equity method	-	(670,448)
Acquisition of property, plant and equipment	(836,115)	(57,036)
Proceeds from disposal of property, plant and equipment	475	997
Increase in refundable deposits	(16,298)	(12,295)
Decrease in refundable deposits	12,706	26,533
Acquisition of intangible assets	(11,520)	(8,546)
Increase in other financial assets	(1,306,524)	(1,199,201)

(Continued)



**momo.com Inc. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015  
(In Thousands of New Taiwan Dollars)**

	<b>2016</b>	<b>2015</b>
Decrease in other financial assets	\$ 1,648,650	\$ 2,259,551
Interest received	61,111	81,818
Dividend received	<u>45,652</u>	<u>31,407</u>
Net cash (used in) generated by investing activities	<u>(601,863)</u>	<u>1,565,304</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from short-term borrowings	187,921	70,938
Repayments of short-term borrowings	(190,921)	-
Proceeds from guarantee deposits received	38,545	37,792
Refund of guarantee deposits received	(38,800)	(30,733)
Increase in lease payables	1	25
Decrease in lease payables	(120)	(1,413)
Cash dividends	(980,410)	(1,204,657)
Payments for buy-back of ordinary shares	-	(397,175)
Interest paid	<u>(3,410)</u>	<u>(67)</u>
Net cash used in financing activities	<u>(987,194)</u>	<u>(1,525,290)</u>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>	<u>186</u>	<u>(318)</u>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(382,722)</b>	<b>1,169,871</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<u><b>3,128,081</b></u>	<u><b>1,958,210</b></u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<u><b>\$ 2,745,359</b></u>	<u><b>\$ 3,128,081</b></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 YEARS ENDED DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

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### **1. GENERAL INFORMATION**

momo.com Inc. (“momo” or the “Company”), a ROC corporation was incorporated on September 27, 2004. The Company’s shares were listed on the ROC Over-the-Counter Securities Exchange 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 year ended December 31, 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 January 24, 2017.

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

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

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

<b>New, Amended or Revised Standards and Interpretations (the “New IFRSs”)</b>	<b>Effective Date Announced by IASB (Note 1)</b>
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

(Continued)

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

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

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

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

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

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

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

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

The amendments also require additional disclosure if there is a significant difference between the actual operation after business combination and the expected benefit on acquisition date.

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



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

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

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

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

<b>New IFRSs</b>	<b>Effective Date Announced by IASB (Note 1)</b>
Annual Improvements to IFRSs 2014-2016 Cycle	Note 2
Amendment to IFRS 2 "Classification and Measurement of Share-based Payment Transactions"	January 1, 2018
Amendments to IFRS 4 "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts"	January 1, 2018
IFRS 9 "Financial Instruments"	January 1, 2018
Amendments to IFRS 9 and IFRS 7 "Mandatory Effective Date of IFRS 9 and Transition Disclosures"	January 1, 2018
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
Amendments to IFRS 15 "Clarifications to IFRS 15 Revenue from Contracts with Customers"	January 1, 2018
IFRS 16 "Leases"	January 1, 2019
Amendment to IAS 7 "Disclosure Initiative"	January 1, 2017
Amendments to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017
Amendments to IAS 40 "Transfers of investment property"	January 1, 2018
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018

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

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

1) IFRS 9 "Financial Instruments"

Recognition and measurement of financial assets

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

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

- a) For debt instruments, if they are held within a business model whose objective is to collect the contractual cash flows, the financial assets are measured at amortized cost and are assessed for impairment continuously with impairment loss, 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.

#### 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.

#### Transition

Financial instruments that have been derecognized prior to the effective date of IFRS 9 cannot be reversed to apply IFRS 9 when it becomes effective. Under IFRS 9, the requirements for classification, measurement and impairment of financial assets are applied retrospectively with the difference between the previous carrying amount and the carrying amount at the date of initial application recognized in the current period and restatement of prior periods is not required. The requirements for general hedge accounting shall be applied prospectively and the accounting for hedging options shall be applied retrospectively.

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

IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers, and will supersede IAS 18 “Revenue”, IAS 11 “Construction Contracts” and a number of revenue-related interpretations from January 1, 2018.

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

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs as endorsed by the FSC with the effective dates.

### b. Basis of preparation

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

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

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

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

Current assets include:

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

Current liabilities include:

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

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

d. Basis of consolidation

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

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

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

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

See Note 12, table 6 and table 7 for the detailed information of subsidiaries (including the percentage of ownership and main business).

e. Foreign currencies

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

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

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

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

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

In relation to a partial disposal of a subsidiary (associates) that does not result in the Company losing control (material impact) over the subsidiary (associate), the proportionate share of accumulated exchange differences is included in the calculation of equity transactions but is not recognized in profit or loss. For all other partial disposals, the proportionate share of the accumulated exchange differences recognized in other comprehensive income is reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets and liabilities acquired arising from the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognized in other comprehensive income.

f. Inventories

Inventories are measured at the lower of cost or net realizable value. Inventories are assessed item by item, except those with similar characteristics which are assessed collectively. Net realizable value is the estimated selling price in the ordinary course of business less the estimated selling expenses. The weighted-average method is used in the calculation of cost.

g. Investments in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture.

The Group uses the equity method to account for its investments in associates.

Under the equity method, investment in an associate is initially recognized at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate. The Group also recognizes the changes in the Group's share of equity of associates attributable to the Group.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets and liabilities of an associate at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

When the Group subscribes for additional new shares of the associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Group's proportionate interest in the associate. The Group records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus - changes in the Group's share of equity of associates. If the Group's ownership interest is reduced due to the additional subscription of the new shares of associate, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate is reclassified to profit or loss on the same basis as would be required if the investee had directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for by the equity method is insufficient, the shortage is debited to retained earnings.

The entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is deducted from the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

When a Group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

#### h. Property, plant and equipment

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

Properties, plant and equipment in the course of construction are carried at cost, less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Such assets are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for intended use.

Freehold land is not depreciated.

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

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

#### i. Intangible assets

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

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



j. Impairment of tangible and intangible assets other than goodwill

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

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

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

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

k. Financial instruments

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

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

1) Financial assets

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

a) Measurement category

Financial assets are classified into the following categories: Financial assets at fair value through profit or loss, available-for-sale financial assets, and loans and receivables.

i. Financial assets at fair value through profit or loss

Financial asset is classified as at fair value through profit or loss when it is held for trading.

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. Fair value is determined in the manner described in Note 28.

ii. Available-for-sale financial assets

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

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

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

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

iii. Loans and receivables

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

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

b) Impairment of financial assets

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

Financial assets carried at amortized cost, such as accounts receivable and other receivables, are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments and observable changes in national or local economic conditions that correlate with default on receivables.

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

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

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

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

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

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

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

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

c) Derecognition of financial assets

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

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

## 2) Equity instruments

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

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

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

## 3) Financial liabilities

### a) Subsequent measurement

Financial liabilities are measured at amortized cost using effective interest method.

### b) Derecognition of financial liabilities

The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

## 1. Provisions

Provisions are measured at the best estimate of the discounted cash flows of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

The restoration cost for lease improvements that were originally acquired or used by the Group for a period of time and had obligations for dismantling, relocating, and restoring to the previous state should be recognized as an addition to the assets and accrued as a potential liability accordingly.

## m. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances. Allowance for sales returns and liability for returns are recognized at the time of sale based on the seller's reliable estimate of future returns and based on past experience and other relevant factors.

### 1) Sale of goods

Revenue from the sale of goods is recognized when all the following conditions are satisfied:

- a) The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- b) The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- c) The amount of revenue can be measured reliably;
- d) It is probable that the economic benefits associated with the transaction will flow to the Group; and

- e) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Sales of goods that result in award credits for customers, under the Group's award scheme, are accounted for as multiple element revenue transactions and the fair value of the consideration received or receivable is allocated between the goods supplied and the award credits granted. The consideration allocated to the award credits is measured by reference to their fair value, the amount for which the award credits could be sold separately. Such consideration is not recognized as revenue at the time of the initial sale transaction but is deferred and recognized as revenue when the award credits are redeemed and the Group's obligations have been fulfilled.

## 2) Rendering of services and commission revenues

Service income is recognized when services are provided.

Revenue from service rendered is recognized in profit or loss in proportion to the stage of completion of the transaction at the end of the reporting period.

When the Group acts in the capacity of an agent rather than as the principal in a transaction, the revenue recognized is the net amount of commission due to the Group.

## 3) Dividend and interest income

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

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

## n. Leasing

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

### The Group as lessee

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

## o. Employee benefits

### 1) Short-term employee benefits

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

### 2) Retirement benefits

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



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

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

### 3) Termination benefits

A liability for a termination benefit is recognized at the earlier of when the Group can no longer withdraw the offer of the termination benefit and when the Group recognizes any related restructuring costs.

## p. Taxation

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

### 1) Current tax

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

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

### 2) Deferred tax

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

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

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

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

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3) Current and deferred tax for the year

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

## 5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

a. Impairment of property, plant and equipment

The impairment of property, plant and equipment was based on the recoverable amounts of those assets, which is the higher of their fair value less costs of disposal and their value in use. Any changes in the market prices or future cash flows will affect the recoverable amounts of those assets and may lead to recognition of additional impairment losses.

b. Significant influence over associates

Note 13 describes that several companies are associates of the Group although the Group only owns less than 20% of the voting power in each of these companies. The Group has significant influence over these companies by virtue of the right to appoint the directors to the Board of Directors of these companies.

## 6. CASH AND CASH EQUIVALENTS

	<b>December 31</b>	
	<b>2016</b>	<b>2015</b>
Cash on hand and revolving funds	\$ 50	\$ 234
Cash in banks	271,016	532,497
Time deposits	1,924,950	1,996,000
Short-term notes and bills	<u>549,343</u>	<u>599,350</u>
	<u>\$ 2,745,359</u>	<u>\$ 3,128,081</u>
The market rate intervals of time deposits	0.1%-0.6%	0.27%-0.81%

## 7. AVAILABLE-FOR-SALE FINANCIAL ASSETS - CURRENT

	<b>December 31</b>	
	<b>2016</b>	<b>2015</b>
Domestic investments		
Beneficiary certificates	\$ 965,833	\$ 734,991
Foreign investments		
Unlisted stock	<u>45,426</u>	<u>77,746</u>
	<u>\$ 1,011,259</u>	<u>\$ 812,737</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 year ended December 31, 2016, the financial assets were not pledged.

## 8. FINANCIAL ASSETS AT COST - NON-CURRENT

	<b>December 31</b>	
	<b>2016</b>	<b>2015</b>
Domestic unlisted common stock	<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 years ended December 31, 2016 and 2015, there was no impairment loss recognized on the financial assets at cost.

## 9. ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

	<b>December 31</b>	
	<b>2016</b>	<b>2015</b>
<u>Accounts receivable</u>		
Accounts receivable	\$ 45,930	\$ 32,039
Less: Allowance for doubtful accounts	<u>(961)</u>	<u>(2,428)</u>
Accounts receivable, net	<u>\$ 44,969</u>	<u>\$ 29,611</u>
<u>Other receivables</u>		
Other receivables	\$ 497,566	\$ 413,640
Less: Allowance for doubtful accounts	<u>(2,955)</u>	<u>(2,392)</u>
Other receivables, net	<u>\$ 494,611</u>	<u>\$ 411,248</u>

Accounts receivable and other receivables mainly include amounts that customers has paid through banks and logistics companies but not yet received.

The aging of receivables was as follows:

	<b>December 31</b>	
	<b>2016</b>	<b>2015</b>
Neither past due nor impaired	\$ 514,832	\$ 432,501
Past due but not impaired		
Past due within 180 days	22,675	8,082
Past due over 180 days	<u>2,073</u>	<u>276</u>
	<u>\$ 539,580</u>	<u>\$ 440,859</u>

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

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

	<b>For the Year Ended December 31</b>	
	<b>2016</b>	<b>2015</b>
Beginning balance	\$ 4,820	\$ 2,511
Add: Provision	2,594	3,689
Reversal	-	2
Less: Write-off	(3,412)	(1,382)
Effect of exchange rate changes	<u>(86)</u>	<u>-</u>
Ending balance	<u>\$ 3,916</u>	<u>\$ 4,820</u>

## 10. INVENTORIES

	<b>December 31</b>	
	<b>2016</b>	<b>2015</b>
Merchandise	<u>\$ 312,270</u>	<u>\$ 124,639</u>

The cost of inventories recognized as cost of goods sold were \$22,057,745 thousand and \$19,754,868 thousand, included reversal of inventory write-downs of \$31,497 thousand and \$11,462 thousand, and inventory obsolescence losses of \$10,623 thousand and \$6,039 thousand for the years ended December 31, 2016 and 2015, respectively. Previous write-downs were reversed because the factor which caused net realized value lower than cost no longer existed.

## 11. OTHER FINANCIAL ASSETS

	<b>December 31</b>	
	<b>2016</b>	<b>2015</b>
<u>Current</u>		
Pledged time deposits	\$ 86,024	\$ 22,500
Time deposits with original maturity more than 3 months	<u>804,099</u>	<u>1,209,702</u>
	<u>\$ 890,123</u>	<u>\$ 1,232,202</u>
<u>Non-current</u>		
Pledged time deposits and restricted deposits	<u>\$ 34,150</u>	<u>\$ 34,750</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 December 31		Note
			2016	2015	
momo	Fu Sheng Travel Service Co., Ltd. (FST)	Travel agent	100.000	100.000	-
momo	Fuli Life Insurance Agent Co., Ltd. (FLI)	Life insurance agent	100.000	100.000	-
momo	Fuli Property Insurance Agent Co., Ltd. (FPI)	Property insurance agent	100.000	100.000	-
momo	Asian Crown International Co., Ltd. (Asian Crown (BVI))	Investment	76.260	76.260	-
Asian Crown (BVI)	Fortune Kingdom Corporation (Fortune Kingdom)	Investment	100.000	100.000	-
Fortune Kingdom	Hong Kong Fubon Multimedia Technology Co., Ltd. (HK Fubon Multimedia)	Investment	100.000	100.000	-
HK Fubon Multimedia	Fubon Gehua (Beijing) Enterprise Ltd. (FGE)	Wholesaling	91.304	91.304	-
momo	Honest Development Co, Ltd. (Honest Development)	Investment	100.000	100.000	-
Honest Development	Hongkong Yue Numerous Investment Co., Ltd. (HK Yue Numerous)	Investment	100.000	100.000	-
HK Yue Numerous	Haobo Information Consulting (Shenzhen) Co., Ltd. (Haobo)	Investment	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	December 31			
	2016		2015	
	Amount	% of Ownership	Amount	% of Ownership
Beijing Global Goupuang Media Technology Co., Ltd. (GHS)	\$ 736,742	20.00	\$ 713,691	18.00
Taiwan Pelican Express Co., Ltd. (TPE)	402,464	17.70	415,597	17.70
TVD Shopping Co., Ltd. (TVD shopping)	<u>147,521</u>	35.00	<u>161,491</u>	35.00
	<u>\$ 1,286,727</u>		<u>\$ 1,290,779</u>	

Refer to Table 6 "Names, Locations and Related Information of Investees over Which the Company Exercised Significant Influence (Excluding Information on Investment in Mainland China" and Table 7 "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 December 31, 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. Aggregate information of associates

The summarized financial information below represents amounts shown in the associates' financial statements prepared in accordance with IFRSs adjusted by the Group for equity accounting purposes.

	<b>For the Year Ended December 31</b>	
	<b>2016</b>	<b>2015</b>
The Group's share of:		
Profit	\$ 78,599	\$ 68,147
Other comprehensive loss	<u>(4,284)</u>	<u>(33,890)</u>
Total comprehensive income for the year	<u>\$ 74,315</u>	<u>\$ 34,257</u>

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

	<b>December 31</b>	
<b>Name of Associate</b>	<b>2016</b>	<b>2015</b>
TPE	<u>\$ 419,791</u>	<u>\$ 484,829</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, 2015	\$ 1,717,927	\$ 778,742	\$ 24,574	\$ 11,424	\$ 300,691	\$ 1,565	\$ 4,435	\$ 2,839,358
Additions	-	33,584	3,422	-	4,822	2,086	19,567	63,481
Disposals	-	(11,275)	(304)	-	(75,641)	(133)	-	(87,353)
Reclassification	-	14	(14)	-	-	-	(617)	(617)
Effect of exchange rate changes	-	(4,566)	(67)	-	(906)	(12)	-	(5,551)
Balance, December 31, 2015	<u>\$ 1,717,927</u>	<u>\$ 796,499</u>	<u>\$ 27,611</u>	<u>\$ 11,424</u>	<u>\$ 228,966</u>	<u>\$ 3,506</u>	<u>\$ 23,385</u>	<u>\$ 2,809,318</u>
<u>Accumulated depreciation and impairment</u>								
Balance, January 1, 2015	\$ -	\$ 474,375	\$ 17,862	\$ 9,989	\$ 71,123	\$ 1,292	\$ -	\$ 574,641
Depreciation	-	75,061	1,745	1,318	36,440	487	-	115,051
Disposals	-	(7,621)	(232)	-	(59,489)	(89)	-	(67,431)
Effect of exchange rate changes	-	(2,510)	(31)	-	(546)	(7)	-	(3,094)
Balance, December 31, 2015	<u>\$ -</u>	<u>\$ 539,305</u>	<u>\$ 19,344</u>	<u>\$ 11,307</u>	<u>\$ 47,528</u>	<u>\$ 1,683</u>	<u>\$ -</u>	<u>\$ 619,167</u>
Carrying amounts at December 31, 2015	<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>
<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	-	21,137	5,385	-	7,806	303	795,930	830,561
Disposals	-	(2,480)	(1,803)	-	-	(56)	-	(4,339)
Reclassification	-	-	-	-	-	-	(6,805)	(6,805)
Effect of exchange rate changes	-	(12,770)	(167)	-	-	(24)	-	(12,961)
Balance, December 31, 2016	<u>\$ 1,717,927</u>	<u>\$ 802,386</u>	<u>\$ 31,026</u>	<u>\$ 11,424</u>	<u>\$ 236,772</u>	<u>\$ 3,729</u>	<u>\$ 812,510</u>	<u>\$ 3,615,774</u>
<u>Accumulated depreciation and impairment</u>								
Balance, January 1, 2016	\$ -	\$ 539,305	\$ 19,344	\$ 11,307	\$ 47,528	\$ 1,683	\$ -	\$ 619,167
Depreciation	-	57,149	2,756	117	26,810	756	-	87,588
Disposals	-	(1,577)	(1,694)	-	-	(48)	-	(3,319)
Effect of exchange rate changes	-	(8,682)	(106)	-	(16)	(18)	-	(8,822)
Balance, December 31, 2016	<u>\$ -</u>	<u>\$ 586,195</u>	<u>\$ 20,300</u>	<u>\$ 11,424</u>	<u>\$ 74,322</u>	<u>\$ 2,373</u>	<u>\$ -</u>	<u>\$ 694,614</u>
Carrying amounts at December 31, 2016	<u>\$ 1,717,927</u>	<u>\$ 216,191</u>	<u>\$ 10,726</u>	<u>\$ -</u>	<u>\$ 162,450</u>	<u>\$ 1,356</u>	<u>\$ 812,510</u>	<u>\$ 2,921,160</u>

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

Machinery	2-10 years
Office equipment	3-10 years
Lease asset	2-5 years
Lease improvement	1-10 years
Other equipment	3-10 years

As of December 31, 2016, the property, plant and equipment were not pledged as collateral.

## 15. SHORT-TERM BORROWINGS

	<u>December 31</u>	
	<u>2016</u>	<u>2015</u>
Unsecured bank loans from related parties	\$ 63,005	\$ -
Unsecured bank loans	<u>-</u>	<u>70,938</u>
	<u>\$ 63,005</u>	<u>\$ 70,938</u>
Annual interest rate	5.22%	4.57%

Refer to Note 28(d), for information relating on financial risk and Note 31 for information on endorsements and guarantees.

## 16. ACCOUNTS PAYABLE

	<b>December 31</b>	
	<b>2016</b>	<b>2015</b>
Suppliers	\$ 2,812,412	\$ 2,470,716
Others	<u>5,906</u>	<u>5,924</u>
	<u>\$ 2,818,318</u>	<u>\$ 2,476,640</u>

## 17. OTHER PAYABLES

	<b>December 31</b>	
	<b>2016</b>	<b>2015</b>
Payable for salaries and bonus	\$ 174,903	\$ 161,063
Payable for investment	20,571	-
Payable for business tax	46,097	37,825
Others	<u>252,372</u>	<u>195,132</u>
	<u>\$ 493,943</u>	<u>\$ 394,020</u>

## 18. OTHER CURRENT LIABILITIES

	<b>December 31</b>	
	<b>2016</b>	<b>2015</b>
Collection about travelling merchandise	\$ 234,113	\$ 359,395
Others	<u>188,465</u>	<u>133,964</u>
	<u>\$ 422,578</u>	<u>\$ 493,359</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, and the Group's subsidiaries in other countries are members of state-managed retirement benefit plans operated by local governments. The subsidiaries are required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

Accordingly, the Group recognized expense of \$59,868 thousand and \$48,578 thousand in the consolidated statements of comprehensive income for the years ended December 31, 2016 and 2015, respectively.

b. Defined benefit plans

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

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

	<b>December 31</b>	
	<b>2016</b>	<b>2015</b>
Present value of defined benefit obligation	\$ 12,221	\$ 10,506
Fair value of plan assets	<u>(6,914)</u>	<u>(5,494)</u>
Net defined benefit liability	<u>\$ 5,307</u>	<u>\$ 5,012</u>

Movements in present value of defined benefit obligation were as follows:

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liability</b>
Balance at January 1, 2015	<u>\$ 9,307</u>	<u>\$ (3,799)</u>	<u>\$ 5,508</u>
Net interest expense (income)	<u>197</u>	<u>(98)</u>	<u>99</u>
Recognized in profit or loss	<u>197</u>	<u>(98)</u>	<u>99</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(2)	(2)
Actuarial loss - changes in demographic assumptions	883	-	883
Actuarial loss - changes in financial assumptions	691	-	691
Actuarial gain - experience adjustments	<u>(572)</u>	<u>-</u>	<u>(572)</u>
Recognized in other comprehensive income	<u>1,002</u>	<u>(2)</u>	<u>1,000</u>
Contributions from the employer	<u>-</u>	<u>(1,595)</u>	<u>(1,595)</u>
Balance at December 31, 2015	<u>10,506</u>	<u>(5,494)</u>	<u>5,012</u>
Net interest expense (income)	<u>184</u>	<u>(110)</u>	<u>74</u>
Recognized in profit or loss	<u>184</u>	<u>(110)</u>	<u>74</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	66	66
Actuarial loss - changes in demographic assumptions	661	-	661

(Continued)

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liability</b>
Actuarial loss - changes in financial assumptions	\$ 1,068	\$ -	\$ 1,068
Actuarial gain - experience adjustments	<u>(100)</u>	<u>-</u>	<u>(100)</u>
Recognized in other comprehensive income	<u>1,629</u>	<u>66</u>	<u>1,695</u>
Contributions from the employer	-	(1,474)	(1,474)
Benefits paid	<u>(98)</u>	<u>98</u>	<u>-</u>
Balance at December 31, 2016	<u>\$ 12,221</u>	<u>\$ (6,914)</u>	<u>\$ 5,307</u> (Concluded)

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

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

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

	<b>December 31</b>	
	<b>2016</b>	<b>2015</b>
Discount rate(s)	1.25%	1.75%
Expected rate(s) of salary increase	2.50%	2.50%

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

	<b>December 31</b>	
	<b>2016</b>	<b>2015</b>
Discount rate(s)		
0.25% increase	<u>\$ (562)</u>	<u>\$ (492)</u>
0.25% decrease	<u>\$ 594</u>	<u>\$ 521</u>
Expected rate(s) of salary increase		
0.25% increase	<u>\$ 580</u>	<u>\$ 511</u>
0.25% decrease	<u>\$ (552)</u>	<u>\$ (485)</u>

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

Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation is calculated using the projected unit credit method at the end of the reporting period, which is the same method applied to the calculation of the defined benefit obligation liability recognized in the consolidated balance sheets.

	<b>December 31</b>	
	<b>2016</b>	<b>2015</b>
The expected contributions to the plan for the next year	<u>\$ 1,470</u>	<u>\$ 1,538</u>
The average duration of the defined benefit obligation	19 years	19.4 years

## 20. GUARANTEE DEPOSITS

	<b>December 31</b>	
	<b>2016</b>	<b>2015</b>
Vendors	\$ 241,373	\$ 241,629
Decorations	<u>34</u>	<u>34</u>
	<u>\$ 241,407</u>	<u>\$ 241,663</u>

## 21. EQUITY

### a. Capital stock

As of December 31, 2016, and 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

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

Under the Company Act, 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 employee benefits expense in Note 23,d.

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:

	<b>Appropriation of Earnings</b>		<b>Dividends Per Share</b>	
	<b>For the Year Ended</b>		<b>(NT\$)</b>	
	<b>December 31</b>		<b>For the Year Ended</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
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 \$132,115 thousand, respectively.



d. Other equity

1) Exchange differences on translation

	<b>For the Year Ended December 31</b>	
	<b>2016</b>	<b>2015</b>
Beginning balance	\$ 17,941	\$ 35,019
Exchange differences arising on translation	(55,694)	(9,958)
Share of exchange differences of associates accounted for using the equity method	<u>(173)</u>	<u>(7,120)</u>
Ending balance	<u>\$ (37,926)</u>	<u>\$ 17,941</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2016</b>	<b>2015</b>
Beginning balance	\$ (169,299)	\$ (34,826)
Unrealized loss arising on revaluation of available-for-sale financial assets	(1,478)	(101,848)
Share of unrealized loss on revaluation of available-for-sale financial assets of associates accounted for using the equity method	<u>(3,639)</u>	<u>(32,625)</u>
Ending balance	<u>\$ (174,416)</u>	<u>\$ (169,299)</u>

e. Non-controlling interests

	<b>For the Year Ended December 31</b>	
	<b>2016</b>	<b>2015</b>
Beginning balance	\$ 15,027	\$ 83,871
Attributable to non-controlling interests:		
Share of loss for the year	(16,599)	(67,692)
Exchange difference arising on translation	<u>(169)</u>	<u>(1,152)</u>
Ending balance	<u>\$ (1,741)</u>	<u>\$ 15,027</u>

f. Treasury shares

	<b>Total (In Thousands of Shares) For the Year Ended December 31</b>	
<b>Shares Transferred to Employees</b>	<b>2016</b>	<b>2015</b>
Beginning balance	2,000	-
Increase during the year	<u>-</u>	<u>2,000</u>
Ending balance	<u>2,000</u>	<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

	<b>For the Year Ended December 31</b>	
	<b>2016</b>	<b>2015</b>
Sales revenue	\$ 27,680,020	\$ 25,334,014
Other operating revenues	<u>400,768</u>	<u>305,884</u>
	<u><b>\$ 28,080,788</b></u>	<u><b>\$ 25,639,898</b></u>

## 23. NET PROFIT

### a. Other income

	<b>For the Year Ended December 31</b>	
	<b>2016</b>	<b>2015</b>
Interest income	\$ 61,428	\$ 83,675
Others	<u>4,588</u>	<u>23,325</u>
	<u><b>\$ 66,016</b></u>	<u><b>\$ 107,000</b></u>

### b. Other gains and losses

	<b>For the Year Ended December 31</b>	
	<b>2016</b>	<b>2015</b>
Gain on disposal of investments, net	\$ -	\$ 12,437
Loss on disposal of property, plant and equipment, net	(545)	(18,925)
Net foreign exchange gains	576	8,998
Net gain on financial assets at FVTPL	-	1,533
Others	<u>(506)</u>	<u>(1,661)</u>
	<u><b>\$ (475)</b></u>	<u><b>\$ 2,382</b></u>

### c. Finance costs

	<b>For the Year Ended December 31</b>	
	<b>2016</b>	<b>2015</b>
Interest on bank loans	\$ 3,267	\$ 214
Others	<u>1</u>	<u>25</u>
	<u><b>\$ 3,268</b></u>	<u><b>\$ 239</b></u>

### d. Employee benefits expense, depreciation and amortization

Function Nature	<b>For the Year Ended December 31, 2016</b>			<b>For the Year Ended December 31, 2015</b>		
	<b>Operating Costs</b>	<b>Operating Expenses</b>	<b>Total</b>	<b>Operating Costs</b>	<b>Operating Expenses</b>	<b>Total</b>
Employee benefits expense						
Salary	\$411,216	\$643,456	\$1,054,672	\$422,091	\$600,685	\$1,022,776
Insurance expense	43,573	61,500	105,073	47,840	62,206	110,046
Post-employment benefits	22,224	37,718	59,942	20,722	27,955	48,677
Other employee benefits	26,914	41,215	68,129	28,238	35,228	63,466
Depreciation	40,742	46,846	87,588	68,907	46,144	115,051
Amortization	816	11,889	12,705	1,666	15,277	16,943

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 \$1,421 thousand, and remuneration to directors were \$1,421 thousand for the year ended December 31, 2016, respectively.

The Company's estimated bonus to employees were \$1,305 thousand, and remuneration to directors were \$1,305 thousand for the year ended December 31, 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			\$ <u>1,073</u>	\$ <u>1,073</u>
Amounts resolved by the Board of Directors	\$ <u>1,303</u>	\$ <u>1,303</u>		
Amounts recognized in respective consolidated financial statements	\$ <u>1,305</u>	\$ <u>1,305</u>	\$ <u>1,073</u>	\$ <u>1,073</u>

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. Major components of tax expense recognized in profit or loss

	<b>For the Year Ended December 31</b>	
	<b>2016</b>	<b>2015</b>
Current tax		
Current year	\$ 243,830	\$ 239,232
Adjustments for prior years	<u>(610)</u>	<u>(3,062)</u>
	<u>243,220</u>	<u>236,170</u>
Deferred tax		
In respect of the current year	<u>1,442</u>	<u>6,800</u>
Income tax expense recognized in profit or loss	<u>\$ 244,662</u>	<u>\$ 242,970</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2016</b>	<b>2015</b>
Profit before tax	<u>\$ 1,411,290</u>	<u>\$ 1,236,059</u>
Income tax expense calculated at the statutory rate (17%)	\$ 239,919	\$ 210,130
Share of loss of domestic investment accounted for using the equity method	(188)	(2,143)
Nondeductible expenses in determining taxable income	6,208	5,453
Tax-exempt income	-	(43)
Temporary differences	(11,451)	(12,225)
Deferred tax	1,442	6,800
Income tax on unappropriated earnings	29	-
Adjustments for prior years' tax	(610)	(3,062)
Unrecognized loss carryforwards	13,642	55,712
Loss carryforwards	148	160
Effect of different tax rate of group entities operating in other jurisdictions	<u>(4,477)</u>	<u>(17,812)</u>
Income tax expense recognized in profit or loss	<u>\$ 244,662</u>	<u>\$ 242,970</u>

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

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

- b. Income tax recognized in other comprehensive income

	<b>For the Year Ended December 31</b>	
	<b>2016</b>	<b>2015</b>
<u>Deferred tax</u>		
Remeasurement of defined benefit plans	<u>\$ 288</u>	<u>\$ 170</u>

c. Deferred tax assets and liabilities

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

For the year ended December 31, 2016

<b>Deferred Tax Assets</b>	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Comprehensive Income</b>	<b>Closing Balance</b>
Temporary differences				
Defined benefit obligation	\$ 1,205	\$ (591)	\$ 288	\$ 902
Allowance for inventory valuation loss	7,786	(4,845)	-	2,941
Others	<u>11,982</u>	<u>1,418</u>	<u>-</u>	<u>13,400</u>
	<u>\$ 20,973</u>	<u>\$ (4,018)</u>	<u>\$ 288</u>	<u>\$ 17,243</u>

<b>Deferred Tax Liabilities</b>	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Comprehensive Income</b>	<b>Closing Balance</b>
Temporary differences				
Unrealized gain on available-for-sale financial assets	\$ 3,208	\$ -	\$ -	\$ 3,208
Others	<u>4,222</u>	<u>(2,576)</u>	<u>-</u>	<u>1,646</u>
	<u>\$ 7,430</u>	<u>\$ (2,576)</u>	<u>\$ -</u>	<u>\$ 4,854</u>

For the year ended December 31, 2015

<b>Deferred Tax Assets</b>	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Comprehensive Income</b>	<b>Closing Balance</b>
Temporary differences				
Defined benefit obligation	\$ 1,035	\$ -	\$ 170	\$ 1,205
Allowance for inventory valuation loss	9,860	(2,074)	-	7,786
Others	<u>9,278</u>	<u>2,704</u>	<u>-</u>	<u>11,982</u>
	<u>\$ 20,173</u>	<u>\$ 630</u>	<u>\$ 170</u>	<u>\$ 20,973</u>

<b>Deferred Tax Liabilities</b>	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Comprehensive Income</b>	<b>Closing Balance</b>
Temporary differences				
Unrealized gain on available-for-sale financial assets	\$ -	\$ 3,208	\$ -	\$ 3,208
Others	-	<u>4,222</u>	-	<u>4,222</u>
	<u>\$ -</u>	<u>\$ 7,430</u>	<u>\$ -</u>	<u>\$ 7,430</u>

- d. Unused loss carryforwards for which no deferred tax assets have been recognized in the consolidated balance sheets

	<b>December 31</b>	
	<b>2016</b>	<b>2015</b>
Loss carryforwards	<u>\$ 905,258</u>	<u>\$ 1,049,203</u>

The Group did not recognize the deferred tax assets because estimated income would be not enough to use the tax in the future.

As of December 31, 2016, the Group had not recognized the prior years' loss carryforwards as deferred tax assets. The expiry years are as follows:

<b>Remaining Creditable Amount</b>	<b>Expiry Year</b>
\$ 905,042	2017 to 2021
<u>216</u>	2022 to 2026
<u>\$ 905,258</u>	

- e. Loss carryforwards as of December 31, 2016 comprised of:

<b>Unused Amount</b>	<b>Expiry Year</b>
\$ 938	2025
<u>858</u>	2026
<u>\$ 1,796</u>	

- f. Integrated income tax information was as follows:

	<b>December 31</b>	
	<b>2016</b>	<b>2015</b>
Unappropriated earnings		
Generated on and after January 1, 1998	<u>\$ 1,181,786</u>	<u>\$ 1,058,963</u>
Imputation credits account (ICA)	<u>\$ 323,563</u>	<u>\$ 319,125</u>

	<b>For the Year Ended December 31</b>	
	<b>2016</b>	<b>2015</b>
	<b>(Expected)</b>	<b>(Actual)</b>
Creditable ratio for distribution of earnings	20.48%	20.48%

g. Income tax assessments

The Group's income tax returns which have been assessed by the tax authorities were as follows:

<b>Company</b>	<b>Year</b>
momo	2013
FST	2014
FLI	2014
FPI	2014

## 25. EARNINGS PER SHARE

Unit: NT\$ Per Share

	<b>For the Year Ended December 31</b>	
	<b>2016</b>	<b>2015</b>
Basic earnings per share	\$ <u>8.45</u>	\$ <u>7.48</u>
Diluted earnings per share	\$ <u>8.45</u>	\$ <u>7.48</u>

### Net Profit for the Year

	<b>For the Year Ended December 31</b>	
	<b>2016</b>	<b>2015</b>
Net profit for the year	\$ <u>1,183,227</u>	\$ <u>1,060,781</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2016</b>	<b>2015</b>
Weighted average number of common stocks in computation of basic earnings per share	140,059	141,778
Effect of potentially dilutive common stocks:		
Employees' compensation	<u>8</u>	<u>8</u>
Weighted average number of common stocks used in the computation of diluted earnings per share	<u>140,067</u>	<u>141,786</u>

Since the Group offered to settle compensation of employees in cash or shares, the Group assumed the entire amount of the compensation will 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, as 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:

	<b>December 31</b>	
	<b>2016</b>	<b>2015</b>
Not later than 1 year	\$ 204,205	\$ 178,576
Later than 1 year and not later than 5 years	<u>186,548</u>	<u>307,657</u>
	<u>\$ 390,753</u>	<u>\$ 486,233</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

#### December 31, 2016

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Available-for-sale financial assets				
Beneficiary certificates	\$ 965,833	\$ -	\$ -	\$ 965,833
Unlisted stock - foreign investments	<u>-</u>	<u>45,426</u>	<u>-</u>	<u>45,426</u>
	<u>\$ 965,833</u>	<u>\$ 45,426</u>	<u>\$ -</u>	<u>\$ 1,011,259</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>

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

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 year.

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

<u>Financial Instruments</u>	<u>Valuation Techniques and Inputs</u>
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

	<u>December 31</u>	
	<u>2016</u>	<u>2015</u>
<u>Financial assets</u>		
Available-for-sale financial assets	<u>\$ 1,011,259</u>	<u>\$ 812,737</u>
Financial assets at cost	<u>60,000</u>	<u>60,000</u>
Loans and receivables:		
Cash and cash equivalents	2,745,359	3,128,081
Accounts receivables (including related parties)	49,916	45,441
Other receivables (including related parties)	660,013	543,403
Other financial assets (including current and non-current portions)	924,273	1,266,952
Refundable deposits	<u>52,708</u>	<u>50,186</u>
	<u>4,432,269</u>	<u>5,034,063</u>
	<u>\$ 5,503,528</u>	<u>\$ 5,906,800</u>

(Continued)

	<b>December 31</b>	
	<b>2016</b>	<b>2015</b>
<u>Financial liabilities</u>		
Short-term borrowings	\$ 63,005	\$ 70,938
Accounts payables (including related parties)	2,823,485	2,522,589
Other payables (including related parties)	574,470	436,335
Guarantee deposits	<u>241,407</u>	<u>241,663</u>
	<u>\$ 3,702,367</u>	<u>\$ 3,271,525</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 December 31, 2016 and 2015, the Group had unused bank facilities of \$824,094 thousand and \$829,884 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.

#### December 31, 2016

	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>	<b>1-5 Years</b>	<b>5+ Years</b>
<u>Non-derivative financial liabilities</u>					
Unsecured loans	\$ -	\$ 64,202	\$ -	\$ -	\$ -

#### December 31, 2015

	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>	<b>1-5 Years</b>	<b>5+ Years</b>
<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 and RMB.

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, other financial assets, accounts payable and other payables, etc. If the NTD, when compared with the relevant foreign currencies, had appreciated or depreciated by 5% on the reporting date, profit would have increased (decreased) as follows:

	<b>December 31</b>	
	<b>2016</b>	<b>2015</b>
Appreciated 5%	\$ 497	\$ (1,563)
Depreciated 5%	\$ (497)	\$ 1,563

### b) Interest rate risk

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

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.

	<b>December 31</b>	
	<b>2016</b>	<b>2015</b>
Fair value interest rate risk		
Financial assets	\$ 3,333,116	\$ 3,794,002
Cash flow interest rate risk		
Financial assets	335,659	600,061
Financial liabilities	63,005	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 year. 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 years ended December 31, 2016 and 2015 would decrease or increase by \$1,363 thousand and \$2,646 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 years ended December 31, 2016 and 2015 would increase or decrease by \$50,563 thousand and \$40,637 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 both 45.01% of common stocks of momo as of December 31, 2016 and 2015. 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 Year Ended December 31	
		2016	2015
Sales	Parent entity	\$ 434	\$ 638
	Associates	<u>73,981</u>	<u>31,094</u>
		<u>\$ 74,415</u>	<u>\$ 31,732</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 Year Ended December 31	
	2016	2015
Parent entity	\$ 112,182	\$ 135,473
Associates	375,678	441,957
Other related parties	<u>140,154</u>	<u>137,377</u>
	<u>\$ 628,014</u>	<u>\$ 714,807</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	December 31	
		2016	2015
Accounts receivable	Parent entity	\$ 237	\$ -
	Associates	1,250	14,759
	Other related parties	<u>3,460</u>	<u>1,071</u>
		<u>\$ 4,947</u>	<u>\$ 15,830</u>
Other receivables	Parent entity	\$ 6,380	\$ 3,797
	Associates	94,873	88,661
	Other related parties	<u>64,149</u>	<u>39,697</u>
		<u>\$ 165,402</u>	<u>\$ 132,155</u>

The outstanding trade receivables from related parties are unsecured. For the years ended December 31, 2016 and 2015, no impairment loss was recognized for trade receivables from related parties.

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

Line Items	Related Party Categories	December 31	
		2016	2015
Accounts payable	Parent entity	\$ 4,657	\$ 7,219
	Associates	398	38,485
	Other related parties	<u>112</u>	<u>245</u>
		<u>\$ 5,167</u>	<u>\$ 45,949</u>
Other payables	Parent entity	\$ 7,661	\$ 2,163
	Associates	34,402	-
	Other related parties	<u>38,464</u>	<u>40,152</u>
		<u>\$ 80,527</u>	<u>\$ 42,315</u>

The outstanding trade payables from related parties are unsecured.

e. Bank deposits

Line Items	Related Party Categories	December 31	
		2016	2015
Cash and cash equivalents	Other related parties	\$ 157,876	\$ 330,639
Other financial assets	Other related parties	\$ 19,599	\$ 18,202

f. Property, plant and equipment acquired

Line Items	Related Party Categories	Price
Property, plant and equipment	Other related parties	\$ 568

g. Disposal of financial assets

For the year ended December 31, 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	\$ 200,506	\$ 506
Available-for-sale financial assets	Other related parties	3,886	Fubon China High Yield Bond Fund-B (CNY)	189,843	(3,881)
				<u>\$ 390,349</u>	<u>\$ (3,375)</u>

h. Loans from related parties

Related Party Categories	December 31	
	2016	2015
Other related parties	\$ 63,005	\$ -

The Group obtained loans at rates comparable to market interest rate for the loans from related parties.

i. Others

1) Guarantee deposits

Related Parties Categories	December 31	
	2016	2015
Other related parties	\$ 27,738	\$ 27,738

2) Operating expenses

Related Parties Categories	For the Year Ended December 31	
	2016	2015
Parent entity	\$ 31,563	\$ 6,829
Other related parties	<u>210,256</u>	<u>219,267</u>
	<u>\$ 241,819</u>	<u>\$ 226,096</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 Year Ended December 31	
	2016	2015
Other related parties	\$ 8,671	\$ 21,468

j. Key management compensation

	For the Year Ended December 31	
	2016	2015
Short-term employee benefits	\$ 48,448	\$ 45,061
Post-employment benefits	6,498	913
Termination benefits	-	648
	<u>\$ 54,946</u>	<u>\$ 46,622</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, loans and purchases were as follows:

	December 31	
	2016	2015
Other financial assets - current	\$ 86,024	\$ 22,500
Other financial assets - non-current	<u>34,150</u>	<u>34,750</u>
	<u>\$ 120,174</u>	<u>\$ 57,250</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 December 31, 2016 and 2015 were as follows:

- As of December 31, 2016 and 2015, the amounts of endorsements and guarantees for FGE were RMB30,000 thousand and US\$16,000 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 \$17,733 thousand and \$20,228 thousand, respectively; and electronic tickets of \$5,890 thousand and \$374 as of December 31, 2016 and 2015, respectively.
- Due to the business development needs, in January 2015, momo's Board of Directors resolved the warehousing logistics construction and the equipment procurement. As of December 31, 2016, contract amounts not yet paid for the warehousing logistics construction and equipment were \$982,543 thousand and \$397,600 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:

#### December 31, 2016

	<b>Foreign Currencies</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial assets</u>			
Monetary items			
RMB	\$ 2,217	4.629 (RMB:NTD)	\$ 10,262
USD	199	32.28 (USD:NTD)	<u>6,421</u>
			<u>\$ 16,683</u>
Non-monetary items			
Available-for-sale financial assets			
HKD	10,917	4.161 (HKD:NTD)	\$ 45,426
Investments accounted for using equity method			
RMB	159,158	4.629 (RMB:NTD)	736,742
THB	163,007	0.905 (THB:NTD)	<u>147,521</u>
			<u>\$ 929,689</u>
<u>Financial liabilities</u>			
Monetary items			
RMB	4,444	4.629 (RMB:NTD)	\$ 20,571
USD	188	32.28 (USD:NTD)	<u>6,053</u>
			<u>\$ 26,624</u>

#### December 31, 2015

	<b>Foreign Currencies</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<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)

For the years ended December 31, 2016 and 2015, realized and unrealized net foreign exchange gains were \$576 thousand and \$8,998 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 from to the regulatory agency in six months from date of amendment of the Act. On July 6, 2016, the Company submitted the application from to the regulatory agency for approval. However, the Article 64 of Satellite Broadcasting Act was amended again on November 9, 2016 to extend the grace period from six months to two years. In order to acquire more information for later preparation of refined application, the Company made the withdrawal of the application in November 2016. As of the reporting date of the consolidated financial statements, the Company had not yet submitted the reapplication.

### 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. (Table 3)
  - 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 4)
  - 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 5)
  - 11) Information on investees. (Table 6)
- 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 7)
  - 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, unrealized gains or losses, and other related information which is helpful to understand the impact of investment in Mainland China on financial reports. (Table 1)

### 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 years ended December 31, 2016 and 2015, the above segments did not exceed the quantitative threshold for separate reporting.

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) on 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 year ended December 31, 2016					
Revenues					
Non-inter-company revenues	\$ 7,351,422	\$ 20,579,574	\$ 149,794	\$ (2)	\$ 28,080,788
Depreciation and amortization	\$ 47,737	\$ 34,796	\$ 17,760	\$ -	\$ 100,293
Segment profits	\$ 434,546	\$ 922,650	\$ 54,094	\$ -	\$ 1,411,290

(Continued)

	<b>TV and Magazine</b>	<b>Internet</b>	<b>Others</b>	<b>Adjustments and Eliminations</b>	<b>Total</b>
For the year ended December 31, <u>2015</u>					
Revenues					
Non-inter-company revenues	<u>\$ 8,125,475</u>	<u>\$ 17,224,072</u>	<u>\$ 315,667</u>	<u>\$ (25,316)</u>	<u>\$ 25,639,898</u>
Depreciation and amortization	<u>\$ 48,318</u>	<u>\$ 40,339</u>	<u>\$ 43,337</u>	<u>\$ -</u>	<u>\$ 131,994</u>
Segment profits	<u>\$ 617,794</u>	<u>\$ 781,667</u>	<u>\$ (163,402)</u>	<u>\$ -</u>	<u>\$ 1,236,059</u>
					(Concluded)

**TABLE 1**

**momo.com Inc. AND SUBSIDIARIES**

**ENDORSEMENT/GUARANTEE PROVIDED TO OTHER PARTIES  
FOR THE YEAR ENDED DECEMBER 31, 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	\$ 774,751	\$ 277,740	\$ 138,870	\$ 138,870	\$ 84,000	2.40%	\$ 5,781,343	Y	N	Y	

Note 1: The nature of relationship between the Company and receiving parties:

- a. 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**  
**DECEMBER 31, 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	December 31, 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	\$ 184,323	-	\$ 184,323	
	Fuh Hwa Emerging Market High Yield Bond Fund B	-	"	10,225	65,235	-	65,235	
	PineBridge Global Multi - Strategy High Yield Bond Fund-B	-	"	23,351	171,752	-	171,752	
	Eastspring Investments Global High Yield Bond Fund B	-	"	19,028	165,081	-	165,081	
	JPMorgan (Taiwan) Asia High Yield Total Return Bond Fund - Monthly Distribution Share Class	-	"	18,916	178,991	-	178,991	
	Eastspring Investments Well Pool Money Market Fund	-	"	14,879	200,451	-	200,451	
	<u>Stock</u>							
	Media Asia Group Holdings Limited	-	"	43,668	45,426	2.04	45,426	
	We Can Medicines Co., Ltd.	-	Financial assets at cost - non-current	2,400	60,000	7.73	-	

**TABLE 3**

**momo.com Inc. AND SUBSIDIARIES**

**ACQUISITION OF INDIVIDUAL REAL ESTATE PROPERTIES AT COST OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL  
DECEMBER 31, 2016  
(Amount in Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Company Name	Type of Property	Transaction Date	Transaction Amount	Payment Term	Counter-party	Nature of Relationship	Prior Transaction of Related Counter-party				Price Reference	Purpose of Acquisition	Other Terms
							Owner	Relationship	Transfer Date	Amount			
momo	Warehousing logistics	2015.11.09	\$1,655,238	\$672,695 has been paid, the remaining payment settled monthly by the construction progress and acceptance	Li Jin Engineering Co., Ltd.	-	-	-	-	\$ -	According to the budget approved by the board of directors, price comparison and price negotiation	Business development purpose	-

**TABLE 4**

**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 YEAR ENDED DECEMBER 31, 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	\$ 374,719	2	Based on contract terms	-	-	\$ (34,800)	(1)	Note 1
momo	TWM	Ultimate parent	Purchase	112,182	1	Based on contract terms	-	-	(12,318)	-	Note 1

Note 1: Including accounts payable and other payables.



**TABLE 5**

**momo.com Inc. AND SUBSIDIARIES**

**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(Amount in Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Number	Company Name	Counterparty	Nature of Relationship (Note)	Transaction Details			Percentage of Consolidated Total Operating Revenues or Total Assets
				Account	Amount	Transaction Terms	
0	momo	FST	1	Other receivables	\$ 16,230	The terms of transaction are determined in accordance with mutual agreements or general business practices	0.16
		FGE	2	Property, plant and equipment	16,799	The terms of transaction are determined in accordance with mutual agreements or general business practices	0.17

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

**TABLE 6****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 YEAR ENDED DECEMBER 31, 2016  
(Amount in Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Investor	Investee	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2016			Net Income (Loss) of the Investee	Investment Income (Loss)	Note
				December 31, 2016	December 31, 2015	Shares (Thousands)	Percentage of Ownership	Carrying Value			
momo	FST	Taiwan	Travel agent	\$ 6,000	\$ 6,000	3,000	100.00%	\$ 45,452	\$ 18,327	\$ 18,327	
	FLI	Taiwan	Life insurance agent	3,000	3,000	500	100.00%	10,950	2,218	2,218	
	FPI	Taiwan	Property insurance agent	3,000	3,000	500	100.00%	7,394	(722)	(722)	
	Asian Crown (BVI)	British Virgin Islands	Investment	789,864	789,864	26,500	76.26%	(2,873)	(49,976)	(38,112)	Note 4
	TPE	Taiwan	Logistics industry	337,860	337,860	16,893	17.70%	402,464	83,162	1,107	
	TVD Shopping	Thailand	Wholesale and retail sales	140,954	140,954	31,150	35.00%	147,521	69,101	22,437	Note 3
				(THB 155,750)	(THB 155,750)						
	Honest Development	Samoa	Investment	670,448	670,448	21,778	100.00%	716,333	56,751	56,751	
Asian Crown (BVI)	Fortune Kingdom	Samoa	Investment	1,035,051	1,035,051	33,633	100.00%	(8,513)	(49,834)	Note 2	Note 4
Fortune Kingdom	HK Fubon Multimedia	Hong Kong	Investment	1,035,051	1,035,051	33,633	100.00%	(8,513)	(49,834)	Note 2	Note 4
Honest Development	HK Yue Numerous	Hong Kong	Investment	670,448	670,448	16,600	100.00%	716,333	56,751	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 December 31, 2016 is THB1=NT\$0.9050.

Note 4: The credit balance of the carrying value of the investment is due to the Company's intention to keep supporting the investee.

Note 5: Please refer to Table 7 for information on investment in Mainland China.

**TABLE 7****momo.com Inc. AND SUBSIDIARIES****INVESTMENTS IN MAINLAND CHINA  
FOR THE YEAR ENDED DECEMBER 31, 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 December 31, 2016	Net (Loss) Income of Investee	% Ownership through Direct or Indirect Investment	Investment Income (Loss)	Carrying Value as of December 31, 2016	Accumulated Inward Remittance of Earnings as of December 31, 2016	Note
					Outflow	Inflow							
FGE	Wholesaling	\$ 1,064,670 (RMB 230,000)	b.	\$ 774,751 (US\$ 14,000) (RMB 69,741)	\$ -	\$ -	\$ 774,751 (US\$ 14,000) (RMB 69,741)	\$ (54,447)	69.63	\$ (37,911)	\$ (6,783)	\$ -	Note 3
Haobo	Investment	50,919 (RMB 11,000)	b.	-	-	-	-	56,751	100.00	56,751	716,333	-	
GHS	Wholesaling	60,510 (RMB 13,072)	b.	-	Note 4	-	-	327,551	20.00	55,055	736,742	-	

Accumulated Investment in Mainland China as of December 31, 2016	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment Authorized by Investment Commission, MOEA
\$1,476,042 (US\$14,000, RMB69,741 and HK\$168,539)	\$1,555,811 (US\$15,000, RMB80,000 and HK\$168,539)	\$3,467,761

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 December 31, 2016 are US\$1=NT\$32.28, RMB1=NT\$4.629 and HK\$1=NT\$4.161.

Note 3: The credit balance of the carrying value of the investment is due to the Company's intention to keep supporting the investee.

Note 4: In January 2016, the Group acquired 2% equity interests of GHS for \$22,136 thousand (equal to RMB4,444 thousand). As of December 31, 2016, the investment has not been remitted.