

momo.com Inc. and Subsidiaries

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

INDEPENDENT AUDITORS' REVIEW REPORT

The Board of Directors and Shareholders
momo.com Inc.

Introduction

We have reviewed the accompanying consolidated balance sheets of momo.com Inc. and its subsidiaries (the Group) as of September 30, 2018 and 2017, and the consolidated statements of comprehensive income for the three months ended September 30, 2018 and 2017 and for nine months ended September 30, 2018 and 2017, and the consolidated statements of changes in equity and cash flows for the nine months and the related notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the consolidated financial statement). 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 International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

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

Conclusion

Based on our reviews, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects the financial position of the Group as at September 30, 2018 and 2017, and its consolidated financial performance for the three months ended September 30, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the nine months ended September 30, 2018 and 2017 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

October 29, 2018

Notice to Readers

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

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

momo.com Inc. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In Thousands of New Taiwan Dollars)

	September 30, 2018		December 31, 2017		September 30, 2017	
	(Reviewed)		(Audited)		(Reviewed)	
ASSETS	Amount	%	Amount	%	Amount	%
CURRENT ASSETS						
Cash and cash equivalents (Notes 6 and 32)	\$ 1,837,286	17	\$ 2,701,070	23	\$ 1,903,766	20
Financial assets at fair value through profit or loss - current (Notes 7 and 32)	87,365	1	-	-	-	-
Financial assets at fair value through other comprehensive income - current (Note 8)	13,161	-	-	-	-	-
Available-for-sale financial assets - current (Notes 9 and 32)	-	-	874,075	7	891,651	9
Accounts receivable, net (Note 11)	36,370	-	24,480	-	23,939	-
Accounts receivable from related parties (Note 32)	4,047	-	5,729	-	8,313	-
Other receivables, net (Note 11)	702,877	7	703,009	6	414,676	4
Other receivables from related parties (Note 32)	134,223	1	233,098	2	149,047	2
Current tax assets	68,033	1	1	-	77	-
Inventories (Note 12)	1,421,708	13	1,036,560	9	589,331	6
Prepayments (Note 32)	74,355	1	34,022	-	57,843	1
Other financial assets - current (Notes 13, 32 and 33)	110,629	1	52,943	1	136,968	1
Other current assets (Note 17)	13,955	-	18,845	-	16,357	-
Rights to recover products - current (Note 17)	72,878	1	-	-	-	-
Total current assets	4,576,887	43	5,683,832	48	4,191,968	43
NON-CURRENT ASSETS						
Financial assets at fair value through other comprehensive income - non-current (Note 8)	47,856	-	-	-	-	-
Financial assets at cost - non-current (Note 10)	-	-	53,820	-	60,000	1
Investments accounted for using equity method (Note 15)	1,218,552	12	1,300,576	11	1,321,879	14
Property, plant and equipment (Notes 16 and 32)	4,508,834	42	4,565,326	39	3,895,492	40
Goodwill (Note 28)	26,664	-	-	-	-	-
Other intangible assets	103,122	1	63,356	1	62,960	1
Deferred tax assets	70,953	1	19,292	-	17,443	-
Refundable deposits (Note 32)	72,078	1	57,539	1	56,742	1
Other financial assets - non-current (Notes 13 and 33)	18,225	-	34,153	-	34,153	-
Total non-current assets	6,066,284	57	6,094,062	52	5,448,669	57
TOTAL	\$ 10,643,171	100	\$ 11,777,894	100	\$ 9,640,637	100
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Short-term loans (Notes 18, 32 and 33)	\$ 60,773	-	\$ 62,318	1	\$ 62,052	1
Contract liability - current (Note 20)	83,871	1	-	-	-	-
Notes and accounts payable (Note 19)	3,399,729	32	3,688,973	31	2,714,918	28
Accounts payable to related parties (Note 32)	95,140	1	6,516	-	9,459	-
Other payables (Note 20)	415,546	4	1,112,225	9	484,491	5
Other payables to related parties (Note 32)	49,401	-	142,504	1	90,882	1
Current tax liabilities	2,134	-	136,947	1	58,354	1
Advance receipts (Note 20)	-	-	63,050	1	52,778	-
Refundable liability - current (Note 20)	84,309	1	-	-	-	-
Other current liabilities (Note 20)	419,437	4	431,374	4	385,065	4
Total current liabilities	4,610,340	43	5,643,907	48	3,857,999	40
NON-CURRENT LIABILITIES						
Provisions - non-current	13,773	-	13,773	-	13,773	-
Deferred tax liabilities	6,525	-	4,976	-	4,323	-
Net defined benefit liabilities (Note 21)	2,575	-	3,607	-	4,294	-
Guarantee deposits (Note 22)	252,934	3	244,118	2	237,923	3
Total non-current liabilities	275,807	3	266,474	2	260,313	3
Total liabilities	4,886,147	46	5,910,381	50	4,118,312	43
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT (Note 23)						
Common stock	1,420,585	14	1,420,585	12	1,420,585	15
Capital surplus	3,003,169	28	3,057,738	26	3,057,738	32
Retained earnings						
Legal reserve	706,713	7	579,727	5	579,727	6
Special reserve	266,327	3	212,342	2	212,342	2
Unappropriated earnings	897,840	8	1,269,857	11	906,417	9
Total retained earnings	1,870,880	18	2,061,926	18	1,698,486	17
Other equity	(162,751)	(2)	(266,327)	(2)	(249,792)	(3)
Treasury shares	(397,175)	(4)	(397,175)	(4)	(397,175)	(4)
Total equity attributable to owners of the Parent	5,734,708	54	5,876,747	50	5,529,842	57
NON-CONTROLLING INTERESTS (Note 23)	22,316	-	(9,234)	-	(7,517)	-
Total equity	5,757,024	54	5,867,513	50	5,522,325	57
TOTAL	\$ 10,643,171	100	\$ 11,777,894	100	\$ 9,640,637	100

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

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

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2018		2017		2018		2017	
	Amount	%	Amount	%	Amount	%	Amount	%
OPERATING REVENUES (Notes 24 and 32)	\$ 9,811,117	100	\$ 8,023,755	100	\$ 29,625,278	100	\$ 23,298,575	100
OPERATING COSTS (Notes 12, 21, 25 and 32)	<u>8,868,707</u>	<u>90</u>	<u>7,179,609</u>	<u>89</u>	<u>26,612,535</u>	<u>90</u>	<u>20,725,354</u>	<u>89</u>
GROSS PROFIT FROM OPERATIONS	<u>942,410</u>	<u>10</u>	<u>844,146</u>	<u>11</u>	<u>3,012,743</u>	<u>10</u>	<u>2,573,221</u>	<u>11</u>
OPERATING EXPENSES (Notes 11, 21, 25 and 32)								
Marketing expenses	327,890	3	264,345	3	999,498	3	747,067	3
Administrative expenses	365,705	4	297,301	4	1,047,955	4	862,822	4
Expected credit losses	<u>1,124</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,533</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total operating expenses	<u>694,719</u>	<u>7</u>	<u>561,646</u>	<u>7</u>	<u>2,049,986</u>	<u>7</u>	<u>1,609,889</u>	<u>7</u>
NET OTHER INCOME AND EXPENSES	<u>2,977</u>	<u>-</u>	<u>822</u>	<u>-</u>	<u>8,700</u>	<u>-</u>	<u>1,592</u>	<u>-</u>
OPERATING INCOME	<u>250,668</u>	<u>3</u>	<u>283,322</u>	<u>4</u>	<u>971,457</u>	<u>3</u>	<u>964,924</u>	<u>4</u>
NON-OPERATING INCOME AND EXPENSES								
Other income (Note 25)	5,878	-	13,698	-	26,711	-	43,375	-
Other gains and losses, net (Notes 25 and 32)	(565)	-	535	-	(22,119)	-	1,798	-
Finance costs (Note 25)	(872)	-	(824)	-	(2,605)	-	(2,421)	-
Share of profit of associates accounted for using equity method	<u>4,704</u>	<u>-</u>	<u>187</u>	<u>-</u>	<u>3,425</u>	<u>-</u>	<u>71,997</u>	<u>1</u>
Total non-operating income and expenses	<u>9,145</u>	<u>-</u>	<u>13,596</u>	<u>-</u>	<u>5,412</u>	<u>-</u>	<u>114,749</u>	<u>1</u>
PROFIT BEFORE INCOME TAX	259,813	3	296,918	4	976,869	3	1,079,673	5
INCOME TAX EXPENSE (BENEFIT) (Note 26)	<u>(50,782)</u>	<u>-</u>	<u>55,548</u>	<u>1</u>	<u>(60,084)</u>	<u>-</u>	<u>178,992</u>	<u>1</u>
PROFIT	<u>310,595</u>	<u>3</u>	<u>241,370</u>	<u>3</u>	<u>1,036,953</u>	<u>3</u>	<u>900,681</u>	<u>4</u>
OTHER COMPREHENSIVE INCOME								
Items that will not be reclassified subsequently to profit or loss:								
Unrealized loss on financial assets at fair value through other comprehensive income - equity instruments	(5,258)	-	-	-	(21,072)	-	-	-
Share of remeasurement of defined benefit plans of associates accounted for using equity method	-	-	-	-	67	-	-	-

(Continued)

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

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2018		2017		2018		2017	
	Amount	%	Amount	%	Amount	%	Amount	%
Share of unrealized loss on financial assets at fair value through other comprehensive income - equity instruments of associates accounted for using equity method	\$ (3,065)	-	\$ -	-	\$ (7,563)	-	\$ -	-
Income tax related to items that will not be reclassified subsequently to profit or loss	-	-	-	-	253	-	-	-
	(8,323)	-	-	-	(28,315)	-	-	-
Items that may be reclassified subsequently to profit or loss:								
Exchange differences on translation	(23,900)	-	14,579	-	(14,608)	-	(10,314)	-
Unrealized loss on available-for-sale financial assets	-	-	(1,343)	-	-	-	(19,608)	-
Share of other comprehensive loss of associates accounted for using equity method	2,269	-	(1,134)	-	(1,042)	-	(7,568)	-
	(21,631)	-	12,102	-	(15,650)	-	(37,490)	-
Other comprehensive income (loss), net of tax	(29,954)	-	12,102	-	(43,965)	-	(37,490)	-
COMPREHENSIVE INCOME	<u>\$ 280,641</u>	<u>3</u>	<u>\$ 253,472</u>	<u>3</u>	<u>\$ 992,988</u>	<u>3</u>	<u>\$ 863,191</u>	<u>4</u>
PROFIT ATTRIBUTABLE TO:								
Owners of the Parent	\$ 311,837	3	\$ 243,364	3	\$ 1,041,153	3	\$ 906,417	4
Non-controlling interests	(1,242)	-	(1,994)	-	(4,200)	-	(5,736)	-
	<u>\$ 310,595</u>	<u>3</u>	<u>\$ 241,370</u>	<u>3</u>	<u>\$ 1,036,953</u>	<u>3</u>	<u>\$ 900,681</u>	<u>4</u>
COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:								
Owners of the Parent	\$ 281,623	3	\$ 255,599	3	\$ 997,035	3	\$ 868,967	4
Non-controlling interests	(982)	-	(2,127)	-	(4,047)	-	(5,776)	-
	<u>\$ 280,641</u>	<u>3</u>	<u>\$ 253,472</u>	<u>3</u>	<u>\$ 992,988</u>	<u>3</u>	<u>\$ 863,191</u>	<u>4</u>
EARNINGS PER SHARE (Note 27)								
Basic	<u>\$ 2.22</u>		<u>\$ 1.74</u>		<u>\$ 7.43</u>		<u>\$ 6.47</u>	
Diluted	<u>\$ 2.22</u>		<u>\$ 1.74</u>		<u>\$ 7.43</u>		<u>\$ 6.47</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
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	Equity Attributable to Owners of the Parent											
	Common Stock	Capital Surplus	Retained Earnings			Exchange Differences on Translation	Other Equity		Treasury Shares	Total	Non-controlling Interests	Total Equity
			Legal Reserve	Special Reserve	Unappropriated Earnings		Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Unrealized Gain (Loss) on Available-for-sale Financial Assets				
BALANCE AT JANUARY 1, 2017	\$ 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
Distribution of 2016 earnings												
Legal reserve	-	-	118,179	-	(118,179)	-	-	-	-	-	-	-
Special reserve	-	-	-	60,984	(60,984)	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(1,002,623)	-	-	-	-	(1,002,623)	-	(1,002,623)
Issue of cash dividends from capital surplus	-	(117,845)	-	-	-	-	-	-	-	(117,845)	-	(117,845)
Profit for the nine months ended September 30, 2017	-	-	-	-	906,417	-	-	-	-	906,417	(5,736)	900,681
Other comprehensive income (loss) for the nine months ended September 30, 2017	-	-	-	-	-	(11,757)	-	(25,693)	-	(37,450)	(40)	(37,490)
Total comprehensive income (loss) for the nine months ended September 30, 2017	-	-	-	-	906,417	(11,757)	-	(25,693)	-	868,967	(5,776)	863,191
BALANCE AT SEPTEMBER 30, 2017	\$ 1,420,585	\$ 3,057,738	\$ 579,727	\$ 212,342	\$ 906,417	\$ (49,683)	\$ -	\$ (200,109)	\$ (397,175)	\$ 5,529,842	\$ (7,517)	\$ 5,522,325
BALANCE AT JANUARY 1, 2018	\$ 1,420,585	\$ 3,057,738	\$ 579,727	\$ 212,342	\$ 1,269,857	\$ (48,923)	\$ -	\$ (217,404)	\$ (397,175)	\$ 5,876,747	\$ (9,234)	\$ 5,867,513
Effect of retrospective application and retrospective restatement	-	-	-	-	(148,014)	-	(69,390)	217,404	-	-	-	-
BALANCE AT JANUARY 1, 2018 AS RESTATED	1,420,585	3,057,738	579,727	212,342	1,121,843	(48,923)	(69,390)	-	(397,175)	5,876,747	(9,234)	5,867,513
Distribution of 2017 earnings												
Legal reserve	-	-	126,986	-	(126,986)	-	-	-	-	-	-	-
Special reserve	-	-	-	53,985	(53,985)	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(1,088,885)	-	-	-	-	(1,088,885)	-	(1,088,885)
Changes in equity of associates accounted for using equity method	-	-	-	-	4,380	-	-	-	-	4,380	-	4,380
Issue of cash dividends from capital surplus	-	(31,583)	-	-	-	-	-	-	-	(31,583)	-	(31,583)
Profit for the nine months ended September 30, 2018	-	-	-	-	1,041,153	-	-	-	-	1,041,153	(4,200)	1,036,953
Other comprehensive income (loss) for the nine months ended September 30, 2018	-	-	-	-	320	(15,803)	(28,635)	-	-	(44,118)	153	(43,965)
Total comprehensive income (loss) for the nine months ended September 30, 2018	-	-	-	-	1,041,473	(15,803)	(28,635)	-	-	997,035	(4,047)	992,988
Changes in ownership interests in subsidiaries	-	(22,986)	-	-	-	-	-	-	-	(22,986)	25,302	2,316
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	10,295	10,295
BALANCE AT SEPTEMBER 30, 2018	\$ 1,420,585	\$ 3,003,169	\$ 706,713	\$ 266,327	\$ 897,840	\$ (64,726)	\$ (98,025)	\$ -	\$ (397,175)	\$ 5,734,708	\$ 22,316	\$ 5,757,024

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

momo.com Inc. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Nine Months Ended September 30	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	\$ 976,869	\$ 1,079,673
Adjustments:		
Depreciation expenses	195,584	68,747
Amortization expenses	36,936	12,172
Expected credit losses	2,533	-
Provision for bad debt expense	-	1,063
Loss on financial assets at fair value through profit or loss, net	22,176	-
Finance costs	2,605	2,421
Interest income	(22,922)	(41,312)
Share of profit of associates accounted for using equity method	(3,425)	(71,997)
Gain on disposal of property, plant and equipment, net	-	(2,559)
Gain on disposal of investments	-	(692)
Loss (gain) on foreign currency exchange, net	921	(588)
Others	(443)	(442)
Changes in operating assets and liabilities		
Financial assets at fair value through profit or loss	736,265	-
Accounts receivable	(12,510)	20,108
Accounts receivable from related parties	1,682	(3,366)
Other receivables	(1,375)	78,741
Other receivables from related parties	67,805	16,318
Inventories	(383,593)	(277,061)
Prepayments	(39,476)	(31,138)
Other current assets	4,929	(412)
Rights to recover products	22,899	-
Contract liability	33,896	-
Notes and accounts payable	(262,044)	(103,400)
Accounts payable to related parties	88,624	4,292
Other payables	(231,836)	(24,076)
Other payables to related parties	(93,951)	10,363
Refund liability	(33,245)	-
Advance receipts	-	(6,930)
Other current liabilities	(25,033)	(37,513)
Net defined benefit liabilities	(1,032)	(1,013)
Cash generated from operations	1,082,839	691,399
Interest received	463	371
Interest paid	-	(1)
Income tax paid	(192,620)	(241,073)
Net cash generated from operating activities	890,682	450,696

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momo.com Inc. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Nine Months Ended September 30	
	2018	2017
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of available-for-sale financial assets	\$ -	\$ (220,000)
Proceeds from disposal of available-for-sale financial assets	-	320,692
Acquisition of investments accounted for using equity method	(20,771)	-
Net cash flow from acquisition of subsidiaries	(2,925)	-
Repayment of capital reduction from associates	31,090	-
Acquisition of property, plant and equipment	(618,369)	(1,047,243)
Proceeds from disposal of property, plant and equipment	-	2,559
Increase in refundable deposits	(16,707)	(3,439)
Decrease in refundable deposits	2,395	278
Acquisition of intangible assets	(52,063)	(32,619)
Increase in other financial assets	(68,554)	(34,231)
Decrease in other financial assets	25,503	787,971
Interest received	22,417	41,130
Dividend received	<u>67,481</u>	<u>19,536</u>
Net cash used in investing activities	<u>(630,503)</u>	<u>(165,366)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in short-term loans	(9,522)	-
Repayments of long-term loans	(2,042)	-
Proceeds from guarantee deposits received	34,952	33,386
Refunds of guarantee deposits received	(26,036)	(36,870)
Cash dividends	(1,120,468)	(1,120,468)
Interest paid	(2,622)	(2,430)
Changes in non-controlling interests	<u>2,316</u>	<u>-</u>
Net cash used in financing activities	<u>(1,123,422)</u>	<u>(1,126,382)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>(541)</u>	<u>(541)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(863,784)	(841,593)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	<u>2,701,070</u>	<u>2,745,359</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>\$ 1,837,286</u>	<u>\$ 1,903,766</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 NINE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise) (Reviewed, Not Audited)

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 nine months ended September 30, 2018, 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 October 29, 2018.

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

- a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRS, IAS, IFRIC, and SIC (collectively, the “IFRSs”) endorsed and issued into effect by the Financial Supervisory Commission (FSC)

On the basis of the facts and circumstances that existed as at January 1, 2018, the Group has performed an assessment of the existing issues and has restated prior reporting periods. However, according to the adjustment of general principles within the Group and the practices of the industry, the Group chose to reselect not to restate prior reporting periods.

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

- 1) IFRS 9 “Financial Instruments” and related amendment

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

Classification, measurement and impairment of financial assets

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

Financial Assets	Measurement Category		Carrying Amount		Remark	
	IAS 39	IFRS 9	IAS 39	IFRS 9		
Cash and cash equivalents	Loans and receivables	Amortized cost	\$ 2,701,070	\$ 2,701,070	-	
Foreign investments - unlisted stock	Available-for-sale	Fair value through other comprehensive income (i.e. FVTOCI) - equity instrument	28,269	28,269	(a)	
Domestic unlisted common stock	Financial assets at cost	FVTOCI - equity instrument	53,820	53,820	(a)	
Domestic investments - beneficiary certificates	Available-for-sale	Mandatorily at fair value through profit or loss (i.e. FVTPL)	845,806	845,806	(b)	
Other financial assets	Loans and receivables	Amortized cost	87,096	87,096	-	
Accounts receivable and other receivables (including related parties)	Loans and receivables	Amortized cost	966,316	966,316	(c)	
Refundable deposits	Loans and receivables	Amortized cost	57,539	57,539	-	
Financial Assets	IAS 39 Carrying Amount as of January 1, 2018	Reclassifi- cations	IFRS 9 Carrying Amount as of January 1, 2018	Retained Earnings Effect on January 1, 2018	Other Equity Effect on January 1, 2018	Remark
FVTPL	\$ -	\$ -	\$ -	\$ -	\$ -	
Add: Reclassification from available-for-sale (IAS 39)						
Required reclassification	-	845,806	845,806	(154,194)	154,194	(b)
	-	845,806	845,806	(154,194)	154,194	
FVTOCI						
Equity instruments	-	-	-	-	-	
Add: Reclassification from available-for-sale (IAS 39)	-	28,269	28,269	-	-	(a)
Add: Reclassification from financial assets at cost (IAS 39)	-	53,820	53,820	6,180	(6,180)	(a)
	-	82,089	82,089	6,180	(6,180)	
	\$ -	\$ 927,895	\$ 927,895	\$ (148,014)	\$ 148,014	

- a) Investments in foreign unlisted stock previously classified as available-for-sale under IAS 39 have been designated as at FVTOCI under IFRS 9, because these investments are not held for trading. As a result, the related other equity - unrealized loss on available-for-sale financial assets of \$70,582 thousand was reclassified to other equity - unrealized loss on financial assets at FVTOCI.

Investments in domestic unlisted common stock previously measured at cost under IAS 39 have been designated as at FVTOCI under IFRS 9 and were remeasured at fair value.

The Group recognized under IAS 39 impairment loss on certain investments in domestic unlisted common stock previously measured at cost and the loss was accumulated in retained earnings. Since those investments were designated as at FVTOCI under IFRS 9 and no impairment assessment is required, an adjustment was made that resulted in a decrease of \$6,180 thousand in other equity - unrealized loss on financial assets at FVTOCI and an increase of \$6,180 thousand in retained earnings on January 1, 2018.

- b) Domestic investments in beneficiary certificates previously classified as available-for-sale under IAS 39 were classified mandatorily as at FVTPL under IFRS 9, because the contractual cash flows are not solely payments of principal and interest on the principal outstanding and they are not equity instruments. The retrospective adjustment resulted in an increase of \$154,194 thousand in other equity - unrealized loss on available-for-sale financial assets and a decrease of \$154,194 thousand in retained earnings on January 1, 2018.
- c) Accounts receivable and other receivables (including related parties) that were previously classified as loans and receivables under IAS 39 were classified as measured at amortized cost with an assessment of expected credit losses under IFRS 9.

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

IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers, and supersedes IAS 18 “Revenue”, IAS 11 “Construction Contracts” and a number of revenue-related interpretations. Refer to Note 4 for related accounting policies.

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 other goods or services in providing a 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.

Prior to the application of IFRS 15, the Group determined whether it was a principal or an agent based on its exposure to the significant risks and rewards of the goods or services.

Incremental costs of obtaining a contract is recognized as an asset to the extent the Group expects to recover those costs. Such asset is amortized on a basis that is consistent with the transfer to the customer of the goods or services to which the asset relates.

Under IFRS 15, the net effect of revenue recognized and consideration received and receivable is recognized as a contract asset or a contract liability. Prior to the application of IFRS 15, the receivable was recognized or the deferred revenue was reduced when revenue is recognized for the contract under IAS 18.

For the sale with a right of return, the Group recognizes a refund liability and a right to recover a product when recognizing revenue. Prior to the application of IFRS 15, return provisions were recognized when recognizing revenue.

The Group elected only to retrospectively apply IFRS 15 to contracts that were not complete on January 1, 2018. The cumulative effect on January 1, 2018 is as below:

Impact on assets and liabilities for current period

	As Originally Stated	Adjustments Arising from Initial Application	Restated
Rights to recover products	\$ -	\$ 95,777	\$ 95,777
Total effect on assets	11,777,894	95,777	11,873,671
Contract liability - current	-	49,975	49,975
Accounts payable	3,688,973	(28,097)	3,660,876
Other payables	1,112,225	6,320	1,118,545
Advance receipts	63,050	(49,975)	13,075
Refundable liability	-	117,554	117,554
Total effect on liabilities	5,910,381	95,777	6,006,158

The financial information if the Group continued using IAS 18 as of September 30, 2018 is as below:

	September 30, 2018 (IFRS 15)	Adjustments Arising from IFRS 15 Application	September 30, 2018 (IAS 18)
Rights to recover products	\$ 72,878	\$ (72,878)	\$ -
Total effect on assets	10,643,171	(72,878)	10,570,293
Contract liability - current	83,871	(83,871)	-
Accounts payable	3,399,729	11,431	3,411,160
Advance receipts	-	83,871	83,871
Refundable liability	84,309	(84,309)	-
Total effect on liabilities	4,886,147	(72,878)	4,813,269

- b. Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed by the FSC for application starting from 2019

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

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

Note 2: The FSC permits the election for early adoption of the amendments starting from 2018.

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

IFRS 16 “Leases”

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

Definition of a lease

Upon initial application of IFRS 16, the Group will reassess whether a contract is, or contains, a lease in accordance with the definition of a lease under IFRS 16. Contracts that are reassessed as containing a lease will be accounted for in accordance with the transitional provisions under IFRS 16.

The Group as lessee

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

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

Lease liabilities will be recognized on January 1, 2019 for leases currently classified as operating leases with the application of IAS 17. Lease liabilities will be measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on January 1, 2019. Right-of-use assets will be measured at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments. The Group will apply IAS 36 to all right-of-use assets.

The Group expects to apply the practical expedients: The Group will apply a single discount rate to measure lease liabilities.

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

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.

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

New IFRSs	Effective Date Announced by IASB (Note)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2021

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- a. Statement of compliance

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

- b. Basis of preparation

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

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

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

- c. Basis of consolidation

The basis for the consolidated financial statements applied in these consolidated financial statements is consistent with those applied in the consolidated financial statements for the year ended December 31, 2017.

See Note 14, Table 6 and Table 7 for the detailed information of subsidiaries (including the percentage of ownership and main business).

d. Financial instruments

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

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

1) Financial assets

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

a) Measurement category

2018

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

i. Financial asset at FVTPL

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

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. Fair value is determined in the manner described in Note 31.

ii. Financial assets at amortized cost

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

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

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

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

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

iii. Investments in equity instruments at FVTOCI

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

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

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

2017

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 31.

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

b) Impairment of financial assets

2018

The Group recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including accounts receivable and other receivables) as well as contract assets.

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

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

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

2017

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence 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 is not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income. In respect of available-for-sale debt securities, the impairment loss is subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

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

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of 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.

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

e. Revenue recognition

2018

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

1) Revenue from sale of goods

The Group's primary source of revenue is generated from virtual channels, including TV shopping channels, E-commerce portals and catalogues. Sales of goods are recognized as revenue after the goods are shipped, and the transaction price received is recognized as a contract liability before the goods are delivered to the customer.

Under customer loyalty programme, the Group offers vouchers which can be used in future purchases by the customer. The voucher provides a material right to the customer. Transaction price allocated to the voucher is recognized as contract liability when collected and will be recognized as revenue when the voucher is redeemed.

2) Revenue from rendering of services

The Group is an agent and its performance obligation is to procure the good on behalf of the customer. The Group recognizes revenue in the net amount of consideration received or receivable when the good is transferred to the customer and the Group has no further obligation to the customer.

2017

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

The sale of goods that result in awarded credits for customers under the Group's award scheme is 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 awarded credits is measured by reference to their fair value, the amount for which the awarded 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 awarded 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 applicable effective interest rate.

f. Other significant accounting policies

Except for financial instruments, revenue recognition, and the following statements, the accounting policies applied in these consolidated financial statements are consistent with those applied in the consolidated financial statements for the year ended December 31, 2017. For the summary of other significant accounting policies, please refer to the consolidated financial statements for the year ended December 31, 2017.

1) Retirement benefits

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

2) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. Interim period income taxes are assessed on an annual basis and calculated by applying to an interim period's pre-tax income the tax rate that would be applicable to expected total annual earnings. The effect of a change in tax rate resulting from a change in tax law is recognized in consistent with the accounting for the transaction itself for which the tax consequence arises from, and is recognized in profit or loss, other comprehensive income or directly in equity in full in the period in which the change in tax rate occurs.

3) Business combinations

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

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

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. Other types of non-controlling interests are measured at fair value.

4) Goodwill

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

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

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently when there is an indication that the unit may be impaired, by comparing its carrying amount, including the attributed goodwill, with its recoverable amount. However, if the goodwill allocated to a cash-generating unit was acquired in a business combination during the current annual period, that unit shall be tested for impairment before the end of the current annual period.

If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then pro rata to the other assets of the unit based on the carrying amount of each asset in the unit. Any impairment loss is recognized directly in profit or loss. Any impairment loss recognized for goodwill is not reversed in subsequent periods.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

The same critical accounting judgments and key sources of estimates and uncertainty have been followed in these consolidated financial statements as were applied in the preparation of the Company's consolidated financial statements for the year ended December 31, 2017.

6. CASH AND CASH EQUIVALENTS

	September 30, 2018	December 31, 2017	September 30, 2017
Cash on hand and revolving funds	\$ 39	\$ 14	\$ 14
Cash in banks	942,448	527,821	314,902
Time deposits	894,799	2,013,350	1,588,850
Short-term notes and bills	<u>-</u>	<u>159,885</u>	<u>-</u>
	<u>\$ 1,837,286</u>	<u>\$ 2,701,070</u>	<u>\$ 1,903,766</u>
The market rate intervals of time deposits	0.06%-2.2%	0.1%-0.6%	0.1%-0.6%

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS - CURRENT - 2018

September 30,
2018

Current

Domestic beneficiary certificates	\$ <u>87,365</u>
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As of September 30, 2018, the financial assets were not pledged.

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

Equity Instrument Investments

September 30,
2018

Current

Foreign unlisted stock	\$ <u>13,161</u>
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Non-current

Domestic unlisted stock	\$ <u>47,856</u>
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These investments in equity instruments are not held for trading. Instead, they are held for medium to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes. These investments in equity instruments were classified as available-for-sale under IAS 39. Refer to Note 3, Note 4, Note 9 and Note 10 for information relating to their reclassification and comparative information for 2017.

As of September 30, 2018, the financial assets were not pledged.

9. AVAILABLE-FOR-SALE FINANCIAL ASSETS - CURRENT - 2017

	December 31, 2017	September 30, 2017
Domestic investments		
Beneficiary certificates	\$ 845,806	\$ 859,281
Foreign investments		
Unlisted stock	<u>28,269</u>	<u>32,370</u>
	<u>\$ 874,075</u>	<u>\$ 891,651</u>

For the year ended December 31, 2017, the financial assets were not pledged.

10. FINANCIAL ASSETS AT COST - NON-CURRENT - 2017

	December 31, 2017	September 30, 2017
Domestic unlisted common stock	\$ <u>53,820</u>	\$ <u>60,000</u>

As a result of the declining operation performance of the domestic unlisted equity investment held by the Group, an impairment loss of \$6,180 thousand was recognized in other gains and losses in the statements of comprehensive income for the year ended December 31, 2017.

11. ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

	September 30, 2018	December 31, 2017	September 30, 2017
<u>Accounts receivable</u>			
Measured at amortized cost			
Accounts receivable	\$ 37,935	\$ 25,088	\$ 24,519
Less: Allowance for impairment loss	<u>(1,565)</u>	<u>(608)</u>	<u>(580)</u>
Accounts receivable, net	<u>\$ 36,370</u>	<u>\$ 24,480</u>	<u>\$ 23,939</u>
<u>Other receivables</u>			
Measured at amortized cost			
Other receivables	\$ 708,431	\$ 707,175	\$ 418,667
Less: Allowance for impairment loss	<u>(5,554)</u>	<u>(4,166)</u>	<u>(3,991)</u>
Other receivables, net	<u>\$ 702,877</u>	<u>\$ 703,009</u>	<u>\$ 414,676</u>

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

For the nine months ended September 30, 2018

The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all accounts receivable and other receivables. The expected credit losses on accounts receivable and other receivables are estimated by reference to past default experience and collecting experience of each debtor as well as an increase in the number of delayed payments in the portfolio past the average credit period. Furthermore, the Group considers both its own trading records and observable changes in national or local economic conditions that correlate with defaults on receivables as factors affecting the expected credit losses. The Group estimates expected credit loss rate, based on different loss patterns for different customer segments, by past due status and actual situation.

The following table details the loss allowance of accounts receivable and other receivables.

September 30, 2018

	Not Past Due	1 to 120 Days	121 to 365 Days	Over 365 Days	Total
Gross carrying amount	\$ 710,013	\$ 27,614	\$ 3,741	\$ 4,998	\$ 746,366
Loss allowance (Lifetime ECL)	<u>(385)</u>	<u>(443)</u>	<u>(1,293)</u>	<u>(4,998)</u>	<u>(7,119)</u>
Amortized cost	<u>\$ 709,628</u>	<u>\$ 27,171</u>	<u>\$ 2,448</u>	<u>\$ -</u>	<u>\$ 739,247</u>

The expected credit loss rate of each period above, excluding abnormal transactions which have been recognized 100% credit loss, is lower than 10% when the aging of the receivables not past due or within 120 days and is between 35%-100% when the aging period past due over 121 days.

The movements of the loss allowance of accounts receivable and other receivables is as follows:

	For the Nine Months Ended September 30, 2018
Balance at January 1, 2018 per IAS 39	\$ 4,774
Adjustment on initial application of IFRS 9	<u>-</u>
Balance at January 1, 2018 per IFRS 9	4,774
Add: Provision	2,533
Less: Write-off	<u>(188)</u>
Balance at September 30, 2018	<u>\$ 7,119</u>

For the nine months ended September 30, 2017

The Group's credit policy in 2017 was the same as the aforementioned credit policy in 2018.

The aging of receivables was as follows:

	December 31, 2017	September 30, 2017
Neither past due nor impaired	\$ 693,539	\$ 400,855
Past due but not impaired		
Past due within 180 days	32,811	34,874
Past due over 180 days	<u>1,139</u>	<u>2,886</u>
	<u>\$ 727,489</u>	<u>\$ 438,615</u>

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

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

	For the Nine Months Ended September 30, 2017
Beginning balance	\$ 3,916
Add: Provision	1,063
Reversal	300
Less: Write-off	<u>(708)</u>
Ending balance	<u>\$ 4,571</u>

12. INVENTORIES

	September 30, 2018	December 31, 2017	September 30, 2017
Merchandise	<u>\$ 1,421,708</u>	<u>\$ 1,036,560</u>	<u>\$ 589,331</u>

The cost of inventories recognized as cost of goods sold were \$8,136,124 thousand and \$24,419,383 thousand, included inventory write-downs of \$2,248 thousand and the reversal of inventory write-downs of \$1,897 thousand for the three months ended September 30, 2018 and for the nine months ended September 30, 2018, respectively.

The cost of inventories recognized as cost of goods sold were \$6,480,721 thousand and \$18,648,644 thousand, included inventory write-downs of \$8,087 thousand and \$13,682 thousand for the three months ended September 30, 2017 and for the nine months ended September 30, 2017, respectively.

13. OTHER FINANCIAL ASSETS

	September 30, 2018	December 31, 2017	September 30, 2017
<u>Current</u>			
Pledged time deposits	\$ 68,075	\$ 35,076	\$ 119,024
Time deposits with original maturity more than 3 months	<u>42,554</u>	<u>17,867</u>	<u>17,944</u>
	<u>\$ 110,629</u>	<u>\$ 52,943</u>	<u>\$ 136,968</u>

Non-current

Pledged time deposits and restricted deposits	<u>\$ 18,225</u>	<u>\$ 34,153</u>	<u>\$ 34,153</u>
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- a. The market interest rates of the time deposit with original maturity more than 3 months were 0.17%-1.75%, 0.15%-1.065% and 0.15%-1.065% per annum, as of September 30, 2018, December 31, 2017 and September 30, 2017, respectively.
- b. The Group estimates the expected credit risks of the above financial assets are not significant, and all the credit risks did not increase after initial recognition.

- c. Refer to Note 33 for information relating to other financial assets pledged as security.

14. SUBSIDIARIES

- a. Subsidiaries included in the consolidated financial statements

Investor	Subsidiary	Main Business and Products	Percentage of Ownership			Note
			September 30, 2018	December 31, 2017	September 30, 2017	
momo	Fu Sheng Travel Service Co., Ltd. (FST)	Travel agent	100.000	100.000	100.000	-
momo	Fuli Life Insurance Agent Co., Ltd. (FLI)	Life insurance agent	100.000	100.000	100.000	-
momo	Fuli Property Insurance Agent Co., Ltd. (FPI)	Property insurance agent	100.000	100.000	100.000	-
momo	Bebe Poshe International Co., Ltd. (Bebe Poshe)	Wholesale of cosmetics	85.000	-	-	Note 1
momo	Asian Crown International Co., Ltd. (Asian Crown (BVI))	Investment	81.990	76.260	76.260	Note 2
Asian Crown (BVI)	Fortune Kingdom Corporation (Fortune Kingdom)	Investment	100.000	100.000	100.000	Note 2
Fortune Kingdom	Hong Kong Fubon Multimedia Technology Co., Ltd. (HK Fubon Multimedia)	Investment	100.000	100.000	100.000	Note 2
HK Fubon Multimedia	Fubon Gehua (Beijing) Enterprise Ltd. (FGE)	Wholesaling	93.548	91.304	91.304	Note 3
momo	Honest Development Co, Ltd. (Honest Development)	Investment	100.000	100.000	100.000	-
Honest Development	Hongkong Yue Numerous Investment Co., Ltd. (HK Yue Numerous)	Investment	100.000	100.000	100.000	-
HK Yue Numerous	Haobo Information Consulting (Shenzhen) Co., Ltd. (Haobo)	Investment	100.000	100.000	100.000	-

Note 1: In July 2018, the board of directors approved to acquire 85% equity interests in Bebe Poshe, resulting in a capital increase for Bebe Poshe of 85,000 thousands. momo acquired control of Bebe Poshe on September 6, 2018 and incorporated the company into the consolidated financial statements.

Note 2: In May 2018, the board of directors approved a capital increase of RMB20,000 thousands in Asia Crown (BVI) in order to ultimately invest in FGE. As a result, momo's shareholding in Asia Crown (BVI) increased from 76.26% to 81.99%.

Note 3: In May 2018, FGE held an interim shareholders meeting to propose an increase in capital by RMB20,000 thousand which was fully subscribed by HK Fubon Multimedia. Thus, HK Fubon Multimedia's shareholding in FGE increased from 91.304% to 93.548%.

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

15. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

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

Investee Company	September 30, 2018		December 31, 2017		September 30, 2017	
	Amount	% of Ownership	Amount	% of Ownership	Amount	% of Ownership
Global Home Shopping Co., Ltd. (GHS) (Previously known as Beijing Global Gouguang Media Technology Co., Ltd.)	\$ 711,823	20.00	\$ 781,922	20.00	\$ 774,096	20.00
Taiwan Pelican Express Co., Ltd. (TPE)	382,731	17.70	401,192	17.70	402,926	17.70
TVD Shopping Co., Ltd. (TVD shopping)	<u>123,998</u>	35.00	<u>117,462</u>	35.00	<u>144,857</u>	35.00
	<u>\$ 1,218,552</u>		<u>\$ 1,300,576</u>		<u>\$ 1,321,879</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.

Due to non-participation in GHS’s capital increase in October 2015, momo subsidiary’s shareholding in GHS decreased to 18%, while 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% again.

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, with the total amount of investment of THB155,750 thousand. The Group engaged in E-commerce and TV Shopping in Thailand. In order to adjust the capital structure, financial indicators and operating indicators, TVD Shopping held the interim shareholders meeting on November 23, 2017 to propose the capital reduction of THB35,000 thousand. The Group has received the returns of the capital \$31,090 thousand in January 2018.

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

Name of Associate	September 30, 2018	December 31, 2017	September 30, 2017
TPE	<u>\$ 414,723</u>	<u>\$ 489,052</u>	<u>\$ 531,285</u>

All the associates are accounted for using the equity method.

16. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Machinery	Office Equipment	Lease Assets	Lease Improvement	Other Equipment	Property in Construction	Total
<u>Cost</u>									
Balance, January 1, 2017	\$ 1,717,927	\$ -	\$ 802,386	\$ 31,026	\$ 11,424	\$ 236,772	\$ 3,729	\$ 812,510	\$ 3,615,774
Additions	-	-	96,607	11,948	-	7,097	7,050	938,595	1,061,297
Disposals	-	-	(13,489)	(538)	(11,424)	-	-	-	(25,451)
Reclassification	-	-	-	-	-	-	-	(17,825)	(17,825)
Effect of exchange rate changes	-	-	(2,056)	(33)	-	(42)	(5)	-	(2,136)
Balance, September 30, 2017	<u>\$ 1,717,927</u>	<u>\$ -</u>	<u>\$ 883,448</u>	<u>\$ 42,403</u>	<u>\$ -</u>	<u>\$ 243,827</u>	<u>\$ 10,774</u>	<u>\$ 1,733,280</u>	<u>\$ 4,631,659</u>
<u>Accumulated depreciation and impairment</u>									
Balance, January 1, 2017	\$ -	\$ -	\$ 586,195	\$ 20,300	\$ 11,424	\$ 74,322	\$ 2,373	\$ -	\$ 694,614
Depreciation	-	-	43,613	4,089	-	20,108	937	-	68,747
Disposals	-	-	(13,489)	(538)	(11,424)	-	-	-	(25,451)
Effect of exchange rate changes	-	-	(1,722)	(19)	-	1	(3)	-	(1,743)
Balance, September 30, 2017	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 614,597</u>	<u>\$ 23,832</u>	<u>\$ -</u>	<u>\$ 94,431</u>	<u>\$ 3,307</u>	<u>\$ -</u>	<u>\$ 736,167</u>
Carrying amount, January 1, 2017	<u>\$ 1,717,927</u>	<u>\$ -</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>
Carrying amounts September 30, 2017	<u>\$ 1,717,927</u>	<u>\$ -</u>	<u>\$ 268,851</u>	<u>\$ 18,571</u>	<u>\$ -</u>	<u>\$ 149,396</u>	<u>\$ 7,467</u>	<u>\$ 1,733,280</u>	<u>\$ 3,895,492</u>
<u>Cost</u>									
Balance, January 1, 2018	\$ 1,717,927	\$ 1,676,457	\$ 1,451,517	\$ 48,339	\$ -	\$ 246,296	\$ 12,587	\$ 185,541	\$ 5,338,664
Additions	-	12,098	80,917	25,336	-	13,434	2,507	29,775	164,067
Disposals	-	-	(131,977)	(428)	-	-	(114)	-	(132,519)
Reclassification	-	78,212	33,631	24,626	-	-	46,971	(208,098)	(24,658)
Effect of exchange rate changes	-	-	(2,004)	(53)	-	(68)	(8)	-	(2,133)
Balance, September 30, 2018	<u>\$ 1,717,927</u>	<u>\$ 1,766,767</u>	<u>\$ 1,432,084</u>	<u>\$ 97,820</u>	<u>\$ -</u>	<u>\$ 259,662</u>	<u>\$ 61,943</u>	<u>\$ 7,218</u>	<u>\$ 5,343,421</u>
<u>Accumulated depreciation and impairment</u>									
Balance, January 1, 2018	\$ -	\$ 6,219	\$ 636,067	\$ 25,802	\$ -	\$ 101,098	\$ 4,152	\$ -	\$ 773,338
Depreciation	-	59,383	95,197	14,280	-	22,297	4,427	-	195,584
Disposals	-	-	(131,977)	(428)	-	-	(114)	-	(132,519)
Effect of exchange rate changes	-	-	(1,723)	(51)	-	(34)	(8)	-	(1,816)
Balance, September 30, 2018	<u>\$ -</u>	<u>\$ 65,602</u>	<u>\$ 597,564</u>	<u>\$ 39,603</u>	<u>\$ -</u>	<u>\$ 123,361</u>	<u>\$ 8,457</u>	<u>\$ -</u>	<u>\$ 834,587</u>
Carrying amounts at January 1, 2018	<u>\$ 1,717,927</u>	<u>\$ 1,670,238</u>	<u>\$ 815,450</u>	<u>\$ 22,537</u>	<u>\$ -</u>	<u>\$ 145,198</u>	<u>\$ 8,435</u>	<u>\$ 185,541</u>	<u>\$ 4,565,326</u>
Carrying amounts at September 30, 2018	<u>\$ 1,717,927</u>	<u>\$ 1,701,165</u>	<u>\$ 834,520</u>	<u>\$ 58,217</u>	<u>\$ -</u>	<u>\$ 136,301</u>	<u>\$ 53,486</u>	<u>\$ 7,218</u>	<u>\$ 4,508,834</u>

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

Building	5-50 years
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 September 30, 2018, the property, plant and equipment were not pledged as collateral.

17. OTHER ASSETS

	September 30, 2018	December 31, 2017	September 30, 2017
<u>Current</u>			
Rights to recover products (Note 24)	\$ 72,878	\$ -	\$ -
Others	<u>13,955</u>	<u>18,845</u>	<u>16,357</u>
	<u>\$ 86,833</u>	<u>\$ 18,845</u>	<u>\$ 16,357</u>

18. SHORT-TERM LOANS

	September 30, 2018	December 31, 2017	September 30, 2017
Unsecured bank loans from related parties	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 62,052</u>
Unsecured bank loans	<u>\$ 60,773</u>	<u>\$ 62,318</u>	<u>\$ -</u>
Annual interest rate	5.44%	5.44%	5.22%

Refer to Note 31(d) for information relating on financial risk, Note 33 for information on assets pledged relating on secured bank loans and Note 34 for information on endorsements and guarantees.

19. NOTES AND ACCOUNTS PAYABLE

	September 30, 2018	December 31, 2017	September 30, 2017
Notes payable	<u>\$ 959</u>	<u>\$ -</u>	<u>\$ -</u>
Accounts payable			
Suppliers	\$ 3,398,770	\$ 3,682,653	\$ 2,711,107
Others	<u>-</u>	<u>6,320</u>	<u>3,811</u>
	<u>\$ 3,398,770</u>	<u>\$ 3,688,973</u>	<u>\$ 2,714,918</u>

20. OTHER LIABILITIES

	September 30, 2018	December 31, 2017	September 30, 2017
<u>Current</u>			
Other payables			
Payable for salaries and bonus	\$ 199,544	\$ 206,456	\$ 138,195
Payable for business tax	15,646	47,650	12,332
Payable for equipment and construction	23,674	477,607	5,970
Payable for investment	-	20,265	20,260
Others	<u>176,682</u>	<u>360,247</u>	<u>307,734</u>
	<u>\$ 415,546</u>	<u>\$ 1,112,225</u>	<u>\$ 484,491</u>

(Continued)

	September 30, 2018	December 31, 2017	September 30, 2017
Others			
Contract liabilities	\$ 83,871	\$ -	\$ -
Advance receipts	-	63,050	52,778
Refundable liability (Note 24)	84,309	-	-
Collection about travelling merchandise	225,525	261,772	214,601
Others	<u>193,912</u>	<u>169,602</u>	<u>170,464</u>
	<u>\$ 587,617</u>	<u>\$ 494,424</u>	<u>\$ 437,843</u> (Concluded)

Contract liabilities mainly include advanced receipts from customers and annual fees from users on the sales platform.

21. 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 \$19,568 thousand and \$16,209 thousand for the three months ended September 30, 2018 and 2017, respectively, and \$56,558 thousand and \$47,940 thousand for the nine months ended September 30, 2018 and 2017, respectively.

b. Defined benefit plans

Employee benefit expenses in respect of the Group’s defined benefit retirement plans were \$11 thousand and \$15 thousand for the three months ended September 30, 2018 and 2017, respectively, and \$35 thousand and \$43 thousand for the nine months ended September 30, 2018 and 2017, respectively. The employee benefit expenses were calculated using the actuarially determined pension cost discount rate as of December 31, 2017 and 2016.

22. GUARANTEE DEPOSITS

	September 30, 2018	December 31, 2017	September 30, 2017
Vendors	\$ 252,900	\$ 244,084	\$ 237,889
Decorations	<u>34</u>	<u>34</u>	<u>34</u>
	<u>\$ 252,934</u>	<u>\$ 244,118</u>	<u>\$ 237,923</u>

23. EQUITY

a. Capital stock

As of September 30, 2018, December 31, 2017 and September 30, 2017, 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

	September 30, 2018	December 31, 2017	September 30, 2017
Additional paid-in capital	\$ 2,803,532	\$ 2,835,115	\$ 2,835,115
From share of changes in equities of subsidiaries	125,291	148,277	148,277
Expired employee share options	170	170	170
From share of changes in equities of associates	<u>74,176</u>	<u>74,176</u>	<u>74,176</u>
	<u>\$ 3,003,169</u>	<u>\$ 3,057,738</u>	<u>\$ 3,057,738</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. Expired employee share options, changes in percentage of ownership interests in subsidiaries and from share of changes in capital surplus 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. For information about the accrual basis of the employees' compensation and remuneration to directors and the actual appropriations, please refer to employee benefits expense in Note 25(d).

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.

momo distributes and reverses special reserve in accordance with Decree No. 1010012865, Decree No. 1010047490, and "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs" 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.

The appropriations of earnings for 2017 and 2016 were approved in the shareholders' meetings on May 17, 2018 and May 17, 2017, respectively, were as follows:

	Appropriation of Earnings		Dividends Per Share (NT\$)	
	For the Year Ended December 31		For the Year Ended December 31	
	2017	2016	2017	2016
Legal reserve	\$ 126,986	\$ 118,179		
Special reserve	53,985	60,984		
Cash dividends	1,088,885	1,002,623	\$ 7.7745	\$ 7.1586

The Company's shareholders resolved to issue cash dividends from capital surplus of \$31,583 thousand and \$117,845 thousand on May 17, 2018 and May 17, 2017, respectively.

d. Other equity

1) Exchange differences on translation

	For the Nine Months Ended September 30	
	2018	2017
Beginning balance	<u>\$ (48,923)</u>	<u>\$ (37,926)</u>
In respect of the current period		
Exchange differences arising on translation	(14,761)	(10,274)
Share of exchange differences of associates accounted for using the equity method	<u>(1,042)</u>	<u>(1,483)</u>
	<u>(15,803)</u>	<u>(11,757)</u>
Ending balance	<u>\$ (64,726)</u>	<u>\$ (49,683)</u>

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

	For the Nine Months Ended September 30, 2017
Beginning balance	<u>\$ (174,416)</u>
In respect of the current period	
Unrealized loss	(19,608)
Associates accounted for using equity method	<u>(6,085)</u>
	<u>(25,693)</u>
Ending balance	<u>\$ (200,109)</u>
Balance at January 1, 2018 per IAS 39	\$ (217,404)
Adjustment on initial application of IFRS 9	<u>217,404</u>
Balance at January 1, 2018 per IFRS 9	<u>\$ -</u>

3) Unrealized gain (loss) on financial assets at fair value through other comprehensive income

	For the Nine Months Ended September 30, 2018
Beginning balance per IAS 39	\$ -
Adjustment on initial application of IFRS 9	<u>(69,390)</u>
Beginning balance per IFRS 9	<u>(69,390)</u>
In respect of the current period	
Unrealized gain (loss) - equity instruments	(21,072)
Associates accounted for using equity method	<u>(7,563)</u>
	<u>(28,635)</u>
Ending balance	<u>\$ (98,025)</u>

e. Non-controlling interests

	For the Nine Months Ended September 30	
	2018	2017
Beginning balance	\$ (9,234)	\$ (1,741)
Attributable to non-controlling interests:		
Share of loss for the period	(4,200)	(5,736)
Exchange differences arising on translation	153	(40)
Acquisition of non-controlling interests in subsidiaries (Note 28)	10,295	-
Changes in ownership interests in subsidiaries	22,986	-
Others	<u>2,316</u>	<u>-</u>
Ending balance	<u>\$ 22,316</u>	<u>\$ (7,517)</u>

f. Treasury shares

	Total (In Thousands of Shares) For the Nine Months Ended September 30	
Shares Transferred to Employees	2018	2017
Number of shares on January 1	2,000	2,000
Changes during the period	<u>-</u>	<u>-</u>
Number of shares on September 30	<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. In October 2018, momo had been approved by the Board of Directors to cancel the treasury shares. Please refer to Note 35 for the details of treasury shares.

24. REVENUE

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2018	2017	2018	2017
Sales revenue	\$ 9,665,333	\$ 7,931,362	\$ 29,169,911	\$ 22,991,639
Other operating revenues	<u>145,784</u>	<u>92,393</u>	<u>455,367</u>	<u>306,936</u>
	<u>\$ 9,811,117</u>	<u>\$ 8,023,755</u>	<u>\$ 29,625,278</u>	<u>\$ 23,298,575</u>

Please refer to Note 4(e) and Note 38 for the details of revenue.

Contract Information

The Group's customary business practice allows customers to return the goods within 10 days with full refund. The rate of return is estimated on a portfolio level using the expected value method, taking into account the Group's accumulated historical experience. The refund liability and the related right to recover products from customers are recorded accordingly.

25. PROFIT BEFORE INCOME TAX

a. Other income

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2018	2017	2018	2017
Interest income	\$ 4,508	\$ 12,886	\$ 22,922	\$ 41,312
Others	<u>1,370</u>	<u>812</u>	<u>3,789</u>	<u>2,063</u>
	<u>\$ 5,878</u>	<u>\$ 13,698</u>	<u>\$ 26,711</u>	<u>\$ 43,375</u>

b. Other gains and losses

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2018	2017	2018	2017
Gain on disposal of investments				
Available-for-sale financial assets	\$ -	\$ -	\$ -	\$ 692
Loss on financial assets				
Financial assets at fair value through profit or loss	538	-	(22,176)	-
Gain on disposal of property, plant and equipment, net	-	11	-	2,559
Net foreign exchange (losses) gains	(1,103)	595	57	1,618
Others	<u>-</u>	<u>(71)</u>	<u>-</u>	<u>(3,071)</u>
	<u>\$ (565)</u>	<u>\$ 535</u>	<u>\$ (22,119)</u>	<u>\$ 1,798</u>

c. Finance costs

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2018	2017	2018	2017
Interest on bank loans	\$ 872	\$ 823	\$ 2,605	\$ 2,420
Others	<u>-</u>	<u>1</u>	<u>-</u>	<u>1</u>
	<u>\$ 872</u>	<u>\$ 824</u>	<u>\$ 2,605</u>	<u>\$ 2,421</u>

d. Employee benefits expense, depreciation and amortization

Function Nature	For the Three Months Ended September 30, 2018			For the Three Months Ended September 30, 2017		
	Operating Costs	Operating Expenses	Total	Operating Costs	Operating Expenses	Total
Employee benefits expense						
Salary	\$ 138,036	\$ 217,440	\$ 355,476	\$ 103,071	\$ 173,146	\$ 276,217
Insurance expense	14,262	21,661	35,923	11,350	18,130	29,480
Post-employment benefits	7,100	12,479	19,579	5,586	10,638	16,224
Other employee benefits	8,592	11,620	20,212	6,988	11,505	18,493
Depreciation	58,261	10,053	68,314	14,142	9,541	23,683
Amortization	2,295	13,650	15,945	538	5,631	6,169

Function Nature	For the Nine Months Ended September 30, 2018			For the Nine Months Ended September 30, 2017		
	Operating Costs	Operating Expenses	Total	Operating Costs	Operating Expenses	Total
Employee benefits expense						
Salary	\$ 406,067	\$ 646,981	\$1,053,048	\$ 313,456	\$ 520,374	\$ 833,830
Insurance expense	40,810	63,671	104,481	34,061	53,790	87,851
Post-employment benefits	20,287	36,306	56,593	16,745	31,238	47,983
Other employee benefits	25,180	41,665	66,845	21,439	35,692	57,131
Depreciation	166,359	29,225	195,584	38,354	30,393	68,747
Amortization	5,885	31,051	36,936	932	11,240	12,172

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

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2018	2017	2018	2017
Employees' compensation	<u>\$ 260</u>	<u>\$ 298</u>	<u>\$ 978</u>	<u>\$ 1,083</u>
Remuneration of directors	<u>\$ 260</u>	<u>\$ 298</u>	<u>\$ 978</u>	<u>\$ 1,083</u>

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 appropriations of employees' compensation and remuneration of directors for 2017 and 2016 having been resolved by the Board of Directors on January 26, 2018 and January 24, 2017, respectively, and the respective amounts recognized in the consolidated financial statements, were as follows:

	For the Year Ended December 31			
	2017		2016	
	Employees' Compensation	Remuneration of Directors	Employees' Compensation	Remuneration of Directors
Amounts approved in the board of directors' meeting	<u>\$ 1,525</u>	<u>\$ 1,525</u>	<u>\$ 1,421</u>	<u>\$ 1,421</u>

There was no difference between resolved by the Board of Directors and recognized in consolidated financial statements in 2017 and 2016.

Information on the employees' compensation and remuneration of directors resolved by momo's Board of Directors in 2018 and 2017 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

26. INCOME TAXES

a. Income tax recognized in profit or loss

The major components of tax expense (benefit) were as follows:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2018	2017	2018	2017
Current tax				
In respect of the current period	\$ (31,991)	\$ 56,997	\$ 64,517	\$ 181,169
Adjustments for prior periods	<u>-</u>	<u>1,658</u>	<u>(74,742)</u>	<u>(1,446)</u>
	<u>(31,991)</u>	<u>58,655</u>	<u>(10,225)</u>	<u>179,723</u>
Deferred tax				
In respect of the current period	(18,791)	(3,107)	(47,586)	(731)
Adjustments to deferred tax attributable to changes in tax rate	<u>-</u>	<u>-</u>	<u>(2,273)</u>	<u>-</u>
	<u>(18,791)</u>	<u>(3,107)</u>	<u>(49,859)</u>	<u>(731)</u>
Income tax expense (benefit) recognized in profit or loss	<u>\$ (50,782)</u>	<u>\$ 55,548</u>	<u>\$ (60,084)</u>	<u>\$ 178,992</u>

The tax benefit recognized in the current period resulted from the approval for investment tax credit of the acquisition of equipment in May 2018, deducted tax payable from 2017 income tax return and recognized related deferred tax assets.

The Income Tax Act in the ROC was amended in February 2018 and the corporate income tax rate is adjusted from 17% to 20% effective in 2018. The effect of the change in tax rate is recognized in full in the period in which the tax rate occurs. In addition, the rate of the corporate surtax applicable to 2018 unappropriated earnings will be reduced from 10% to 5%.

b. Income tax recognized in other comprehensive income

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2018	2017	2018	2017
<u>Deferred tax</u>				
Change in tax rate - remeasurement of defined benefit plans	\$ -	\$ -	\$ 253	\$ -
Income tax recognized in other comprehensive income	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 253</u>	<u>\$ -</u>

c. Income tax assessments

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

<u>Company</u>	<u>Year</u>
momo	2015
FST	2016
FLI	2016
FPI	2016
Bebe Poshe	2016

27. EARNINGS PER SHARE

Unit: NT\$ Per Share

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2018	2017	2018	2017
Basic earnings per share	<u>\$ 2.22</u>	<u>\$ 1.74</u>	<u>\$ 7.43</u>	<u>\$ 6.47</u>
Diluted earnings per share	<u>\$ 2.22</u>	<u>\$ 1.74</u>	<u>\$ 7.43</u>	<u>\$ 6.47</u>

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

Net Profit for the Period

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2018	2017	2018	2017
Earnings used in the computation of basic and diluted earnings per share	<u>\$ 311,837</u>	<u>\$ 243,364</u>	<u>\$1,041,153</u>	<u>\$ 906,417</u>

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

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2018	2017	2018	2017
Weighted average number of common stocks in computation of basic earnings per share	140,059	140,059	140,059	140,059
Effect of potentially dilutive common stocks:				
Employees' compensation	<u>1</u>	<u>1</u>	<u>6</u>	<u>6</u>
Weighted average number of common stocks used in the computation of diluted earnings per share	<u>140,060</u>	<u>140,060</u>	<u>140,065</u>	<u>140,065</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.

28. BUSINESS COMBINATIONS- SUBSIDIARIES ACQUIRED

In July 2018, the board of directors approved to acquire 85% equity interests in Bebe Poshe, resulting in a capital increase for Bebe Poshe of 85,000 thousands, and recognized goodwill of \$26,664 thousand as a result of the control premium included in the cost of the combination. The non-controlling interest (15% ownership interest in Bebe Poshe) was measured by the acquiree's identifiable net assets of the non-controlling interest at the acquisition date and amounted to \$10,295 thousand.

29. OPERATING LEASE ARRANGEMENTS

The Group as Lessee

Operating leases relate to leases of office with lease terms between 1 and 5 years, certain lease contracts can be renewed upon expiration.

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

	September 30, 2018	December 31, 2017	September 30, 2017
Not later than 1 year	\$ 265,714	\$ 164,982	\$ 179,473
Later than 1 year and not later than 5 years	<u>568,534</u>	<u>107,793</u>	<u>88,816</u>
	<u>\$ 834,248</u>	<u>\$ 272,775</u>	<u>\$ 268,289</u>

30. 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.

31. 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

September 30, 2018

	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Beneficiary certificates	\$ 87,365	\$ -	\$ -	\$ 87,365
Financial assets at fair value through other comprehensive income				
Equity instrument investments				
Unlisted stock - foreign investments	\$ -	\$ 13,161	\$ -	\$ 13,161
Unlisted stock - domestic investments	-	-	47,856	47,856
	\$ -	\$ 13,161	\$ 47,856	\$ 61,017

December 31, 2017

	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
Beneficiary certificates	\$ 845,806	\$ -	\$ -	\$ 845,806
Equity instrument investments				
Unlisted stock - foreign investments	-	28,269	-	28,269
	\$ 845,806	\$ 28,269	\$ -	\$ 874,075

September 30, 2017

	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
Beneficiary certificates	\$ 859,281	\$ -	\$ -	\$ 859,281
Unlisted stock - foreign investments	<u>-</u>	<u>32,370</u>	<u>-</u>	<u>32,370</u>
	<u>\$ 859,281</u>	<u>\$ 32,370</u>	<u>\$ -</u>	<u>\$ 891,651</u>

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

Valuation techniques and assumptions used in fair value determination

- 1) The fair value of financial instruments traded in active markets is based on quoted market prices (including beneficiary certificates that went public).
- 2) Valuation techniques and inputs applied for Level 2 fair value measurement: The Group uses market comparison approach to evaluate fair values on observable prices of the similar financial instruments and evaluate market liquidity at the end of the period.
- 3) Valuation techniques and inputs applied for Level 3 fair value measurement: The Group uses price-book ratio approach, comparing the net value per share with other public companies among the similar industries or evaluating stock price based on average price-book ratio of other competitors, to capture the present value of the expected future economic benefits to be derived from the ownership of these investees.

Reconciliation of Level 3 fair value measurements of financial instruments

Financial assets at fair value through other comprehensive income - equity instruments

	For the Nine Months Ended September 30, 2018
Beginning balance	\$ 53,820
Recognized in other comprehensive income (unrealized loss on financial assets at fair value through other comprehensive income)	<u>(5,964)</u>
Ending balance	<u>\$ 47,856</u>

c. Categories of financial instruments

	September 30, 2018	December 31, 2017	September 30, 2017
<u>Financial assets</u>			
Financial assets at fair value through profit or loss			
Mandatorily at fair value through profit or loss	\$ 87,365	\$ -	\$ -
Financial assets at fair value through other comprehensive income			
Equity instruments	61,017	-	-
Available-for-sale financial assets	-	874,075	891,651
Financial assets at cost	-	53,820	60,000
Financial assets at amortized cost (including current and non-current portions) (Note 1)	2,915,735	-	-
Loans and receivables (including current and non-current portions) (Note 1)	<u>-</u>	<u>3,812,021</u>	<u>2,727,604</u>
	<u>\$ 3,064,117</u>	<u>\$ 4,739,916</u>	<u>\$ 3,679,255</u>
<u>Financial liabilities</u>			
Financial liabilities at amortized cost (Note 2)	<u>\$ 4,273,523</u>	<u>\$ 5,256,654</u>	<u>\$ 3,599,725</u>

Note 1: The balances include loans and receivables, which comprise cash and cash equivalents, accounts receivable, other receivables, other financial assets and refundable deposits. The balances were reclassified to financial assets at amortized cost upon the application of IFRS 9 starting from 2018.

Note 2: The balances include financial liabilities at amortized cost, which comprise short-term loans, notes and accounts payable, other payables and guarantee deposits.

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 manages and maintains sufficient capital to ensure the requirements of paying estimated operating expenditures, including financial obligations on each contract. The Group also monitors its bank credit facilities to ensure that the provisions of loan contracts are all complied with properly. As of September 30, 2018, December 31, 2017 and September 30, 2017, the Group had unused bank facilities of \$666,491 thousand, \$754,060 thousand and \$822,749 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.

September 30, 2018

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
<u>Non-derivative financial liabilities</u>					
Unsecured loans	<u>\$ 60,938</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

December 31, 2017

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
<u>Non-derivative financial liabilities</u>					
Unsecured loans	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 65,057</u>	<u>\$ -</u>	<u>\$ -</u>

September 30, 2017

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
<u>Non-derivative financial liabilities</u>					
Unsecured loans	<u>\$ 62,223</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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 36.

Sensitivity analysis

The Group was mainly exposed to the USD, JPY 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:

	For the Nine Months Ended September 30	
	2018	2017
Appreciated 5%	\$ (2,460)	\$ 50
Depreciated 5%	\$ 2,460	\$ (50)

b) Interest rate risk

The Group was exposed to interest rate risk because entities in the Group carried deposits and loans 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:

	September 30, 2018	December 31, 2017	September 30, 2017
Fair value interest rate risk			
Financial assets	\$ 1,000,629	\$ 2,224,878	\$ 1,724,518
Cash flow interest rate risk			
Financial assets	907,295	562,646	350,033
Financial liabilities	60,773	62,318	62,052

Sensitivity analysis

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

If interest rates had been 50 basis points higher or lower and all other variables were held constant, the Group's profit for the nine months ended September 30, 2018 and 2017 would increase or decrease by \$3,174 thousand and \$1,080 thousand, respectively.

c) Other price risk

The Group was exposed to other price risk through its investments in equity instruments and beneficiary certificates. The Group supervises the equity price risk actively and manages the risk based on fair value.

Sensitivity analysis

The sensitivity analysis below was 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 profit for the nine months ended September 30, 2018 would have increased or decreased by \$4,368 thousand, as a result of the changes in fair value of financial assets at FVTPL, and the post-tax other comprehensive income for the nine months ended September 30, 2018 would have increased or decreased by \$3,051 thousand, as a result of the changes in fair value of financial assets at FVTOCI.

If equity prices had been 5% higher or lower, the other comprehensive income for the nine months ended September 30, 2017 would have increased or decreased by \$44,583 thousand, as a result of the changes in fair value of available-for-sale financial assets.

32. TRANSACTIONS WITH RELATED PARTIES

momo's parent is Wealth Media Technology Co., Ltd. (WMT), which held 45.01% of common stocks of momo as of September 30, 2018, December 31, 2017 and September 30, 2017, respectively. momo's ultimate parent and ultimate controlling party is Taiwan Mobile Co., Ltd. (TWM).

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

a. The name and categories of related parties

Name	Related Party Categories
Taiwan Mobile Co., Ltd. (TWM)	Parent entity
Taiwan Pelican Express Co., Ltd. (TPE)	Associates
Beijing Pelican Express Co., Ltd. (BPE)	Associates
Global Home Shopping Co., Ltd. (GHS) (previously known as Beijing Global Gouguang Media Technology Co., Ltd.)	Associates
Beijing Global Jiusha Media Technology Co., Ltd. (JS)	Associates
Beijing YueShih JiuSha Media Technology Co., Ltd. (YSJS)	Associates
TVD Shopping Co., Ltd. (TVD Shopping)	Associates
Taipei Fubon Commercial Bank Co., Ltd. (TFCB)	Related party in substance
Fubon Life Insurance Co., Ltd. (FLI)	Related party in substance
Fubon Asset Management Co., Ltd. (FAM)	Related party in substance
Fubon Bank (China) Co., Ltd. (FB China)	Related party in substance
Fubon Insurance Co., Ltd. (Fubon Ins.)	Related party in substance
Fubon Sports & Entertainment Co., Ltd. (FSE)	Related party in substance
Fubon Securities Co., Ltd. (Fubon Securities)	Related party in substance
Fubon Property Management Co., Ltd. (FPM)	Related party in substance
Fubon Gymnasium Co., Ltd. (Fubon Gymnasium)	Related party in substance
Fubon Financial Holding Co., Ltd. (FFH)	Related party in substance
Fubon Cultural & Educational Foundation (FCEF)	Related party in substance
Taiwan Fixed Network Co., Ltd. (TFN)	Same parent entity
TFN Media Co., Ltd. (TFNM)	Same parent entity
Mangrove Cable TV Co., Ltd. (MCTV)	Same parent entity
Union Cable TV Co., Ltd. (UCTV)	Same parent entity
Yeong Jia Leh Cable TV Co., Ltd. (YJCTV)	Same parent entity

(Continued)

Name	Related Party Categories
Taipei New Horizon Co., Ltd. (TNH)	Same parent entity
Globalview Cable TV Co., Ltd. (GCTV)	Same parent entity
Phoenix Cable TV Co., Ltd. (PCTV)	Same parent entity
Win TV Broadcasting Co., Ltd. (WTVB)	Same parent entity
Taiwan Kuro Times Co., Ltd. (TKT)	Same parent entity
	(Concluded)

b. Operating revenues

Line Items	Related Party Categories	For the Three Months Ended September 30		For the Nine Months Ended September 30	
		2018	2017	2018	2017
Sales	Parent entity	\$ 50	\$ 59	\$ 116	\$ 139
	Associates	<u>10,480</u>	<u>13,561</u>	<u>39,767</u>	<u>21,231</u>
		<u>\$ 10,530</u>	<u>\$ 13,620</u>	<u>\$ 39,883</u>	<u>\$ 21,370</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.

c. Purchases

Related Party Categories	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2018	2017	2018	2017
Parent entity	\$ 24,194	\$ 33,660	\$ 69,265	\$ 91,033
Associates	97,646	100,466	305,591	296,672
Other related parties	<u>26,905</u>	<u>29,945</u>	<u>80,563</u>	<u>89,816</u>
	<u>\$ 148,745</u>	<u>\$ 164,071</u>	<u>\$ 455,419</u>	<u>\$ 477,521</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.

d. Receivables from related parties

Line Items	Related Party Categories/Name	September 30, 2018	December 31, 2017	September 30, 2017
Accounts receivable	Parent entity	<u>\$ 14</u>	<u>\$ -</u>	<u>\$ 33</u>
	Associates			
	JS	836	2,125	4,154
	Others	<u>1,931</u>	<u>911</u>	<u>1,333</u>
		<u>2,767</u>	<u>3,036</u>	<u>5,487</u>
	Other related parties	<u>1,266</u>	<u>2,693</u>	<u>2,793</u>
		<u>\$ 4,047</u>	<u>\$ 5,729</u>	<u>\$ 8,313</u>

(Continued)

Line Items	Related Party Categories/Name	September 30, 2018	December 31, 2017	September 30, 2017
Other receivables	Parent entity	\$ 10,056	\$ 7,439	\$ 5,693
	Associates			
	TPE	93,045	123,502	110,089
	Others	68	37	52
		<u>93,113</u>	<u>123,539</u>	<u>110,141</u>
	Other related parties	<u>31,054</u>	<u>71,187</u>	<u>33,213</u>
		<u>\$ 134,223</u>	<u>\$ 202,165</u>	<u>\$ 149,047</u>
				(Concluded)

The outstanding trade receivables from related parties are unsecured. For the nine months ended September 30, 2018 and 2017, no impairment losses was recognized for trade receivables from related parties.

e. Payables to related parties

Line Items	Related Party Categories	September 30, 2018	December 31, 2017	September 30, 2017
Accounts payable	Parent entity	\$ 11,183	\$ 5,714	\$ 7,851
	Associates	83,187	501	746
	Other related parties	<u>770</u>	<u>301</u>	<u>862</u>
		<u>\$ 95,140</u>	<u>\$ 6,516</u>	<u>\$ 9,459</u>
Other payables	Parent entity	\$ 8,032	\$ 5,710	\$ 5,140
	Associates	2	95,554	47,105
	Other related parties	<u>41,367</u>	<u>41,240</u>	<u>38,637</u>
		<u>\$ 49,401</u>	<u>\$ 142,504</u>	<u>\$ 90,882</u>

The outstanding trade payables from related parties are unsecured.

f. Bank deposits

Line Items	Related Party Categories/Name	September 30, 2018	December 31, 2017	September 30, 2017
Cash and cash equivalents	Other related parties			
	TFCB	\$ 345,712	\$ 274,056	\$ 214,611
	Others	<u>89,461</u>	<u>8,529</u>	<u>6,918</u>
		<u>\$ 435,173</u>	<u>\$ 282,585</u>	<u>\$ 221,529</u>
Other financial assets	Other related parties			
	TFCB	<u>\$ 11,057</u>	<u>\$ 13,371</u>	<u>\$ 13,447</u>

g. Prepayments

Related Party Categories	September 30, 2018	December 31, 2017	September 30, 2017
Parent entity	\$ 7	\$ -	\$ -
Associates	1,091	2,190	987
Other related parties	<u>13,290</u>	<u>2,212</u>	<u>8,065</u>
	<u>\$ 14,388</u>	<u>\$ 4,402</u>	<u>\$ 9,052</u>

h. Acquisition of property, plant and equipment

Related Party Categories	Purchase Price			
	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2018	2017	2018	2017
Other related parties	<u>\$ 848</u>	<u>\$ 5,280</u>	<u>\$ 20,584</u>	<u>\$ 6,295</u>

i. Acquisition of financial assets

For the nine months ended September 30, 2017

Line Items	Related Party Categories/Name	Number of Units (In Thousand)	Underlying Assets	Purchase Price
Available-for-sale financial assets	Other related parties FAM	7,719	Fubon Chi-Hsiang Money Market Fund	<u>\$ 120,000</u>

j. Disposal of financial assets

For the nine months ended September 30, 2018

Line Items	Related Party Categories/Name	Number of Units (In Thousand)	Underlying Assets	Purchase Price	Proceeds
Financial assets at fair value through profit or loss	Other related parties FAM	9,151	Fubon Strategic High Income Fund B	<u>\$ 100,000</u>	<u>\$ 88,184</u>

The Group recognized loss on financial assets at fair value through profit or loss of \$2,249 thousand for the current reporting period, and the accumulated loss was \$11,816 thousand.

For the nine months ended September 30, 2017

Line Items	Related Party Categories/Name	Number of Units (In Thousand)	Underlying Assets	Proceeds	Gain (Loss) on Disposal
Available-for-sale financial assets	Other related parties FAM	7,719	Fubon Chi-Hsiang Money Market Fund	<u>\$ 120,012</u>	<u>\$ 12</u>

k. Loans from related parties

Related Party Categories/Name	September 30, 2018	December 31, 2017	September 30, 2017
Other related parties			
FB China	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 62,052</u>

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

l. Others

1) Guarantee deposits

Related Party Categories/Name	September 30, 2018	December 31, 2017	September 30, 2017
Parent entity	<u>\$ 750</u>	<u>\$ -</u>	<u>\$ -</u>
Associates	<u>5,711</u>	<u>995</u>	<u>995</u>
Other related parties			
FLI	30,072	27,219	27,219
Others	<u>542</u>	<u>519</u>	<u>519</u>
	<u>30,614</u>	<u>27,738</u>	<u>27,738</u>
	<u>\$ 37,075</u>	<u>\$ 28,733</u>	<u>\$ 28,733</u>

2) Operating expenses

Related Party Categories/Name	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2018	2017	2018	2017
Parent entity	<u>\$ 5,469</u>	<u>\$ 4,153</u>	<u>\$ 14,361</u>	<u>\$ 13,844</u>
Associates	<u>1,634</u>	<u>1,798</u>	<u>4,291</u>	<u>4,690</u>
Other related parties				
FLI	19,478	18,500	56,785	55,319
TFCB	18,051	23,961	72,317	78,399
TFN	1,606	1,558	4,854	4,394
Fubon Ins.	5,000	3,328	15,045	10,006
FPM	9,964	9,122	9,964	9,122
Others	<u>8,745</u>	<u>5,167</u>	<u>18,395</u>	<u>11,567</u>
	<u>62,844</u>	<u>61,636</u>	<u>177,360</u>	<u>168,807</u>
	<u>\$ 69,947</u>	<u>\$ 67,587</u>	<u>\$ 196,012</u>	<u>\$ 187,341</u>

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

m. Key management compensation

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2018	2017	2018	2017
Short-term employee benefits	\$ 10,071	\$ 11,191	\$ 31,307	\$ 28,817
Post-employment benefits	1,744	1,931	5,404	5,511
Termination benefits	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,112</u>
	<u>\$ 11,815</u>	<u>\$ 13,122</u>	<u>\$ 36,711</u>	<u>\$ 35,440</u>

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

33. ASSETS PLEDGED

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

	September 30, 2018	December 31, 2017	September 30, 2017
Other financial assets - current	\$ 68,075	\$ 35,076	\$ 119,024
Other financial assets - non-current	<u>18,225</u>	<u>34,153</u>	<u>34,153</u>
	<u>\$ 86,300</u>	<u>\$ 69,229</u>	<u>\$ 153,177</u>

34. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Group as of September 30, 2018, December 31, 2017 and September 30, 2017 were as follows:

- As of September 30, 2018, December 31, 2017 and September 30, 2017, the amounts of endorsements and guarantees for FGE were RMB15,000 thousand, RMB15,000 thousand and RMB45,000 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 \$50,288 thousand, \$23,397 thousand and \$24,114 thousand, respectively; and electronic tickets of \$12,812 thousand, \$13,649 thousand and \$8,100 thousand as of September 30, 2018, December 31, 2017 and September 30, 2017, respectively.

35. SIGNIFICANT EVENTS AFTER REPORTING PERIOD

On October 29, 2018, momo's board of directors resolved to cancel 2,000 thousand treasury shares, totaling \$397,175 thousand, thus resulting in a decrease in retained earnings of \$337,705 thousand. The record date of capital deduction will be December 15, 2018.

36. 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:

September 30, 2018

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
RMB	\$ 6,528	4.447 (RMB:NTD)	\$ 29,029
USD	1,473	30.59 (USD:NTD)	<u>45,062</u>
			<u>\$ 74,091</u>
Non-monetary items			
Financial assets at fair value through other comprehensive income			
HKD	\$ 3,362	3.914 (HKD:NTD)	\$ 13,161
Investments accounted for using equity method			
RMB	160,068	4.447 (RMB:NTD)	711,823
THB	130,731	0.949 (THB:NTD)	<u>123,998</u>
			<u>\$ 848,982</u>

Financial liabilities

Monetary items			
USD	814	30.59 (USD:NTD)	<u>\$ 24,894</u>

December 31, 2017

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
RMB	\$ 4,495	4.56 (RMB:NTD)	\$ 20,497
USD	162	29.77 (USD:NTD)	4,826
THB	33,711	0.918 (THB:NTD)	<u>30,933</u>
			<u>\$ 56,256</u>

(Continued)

	Foreign Currencies	Exchange Rate	Carrying Amount
Non-monetary items			
Available-for-sale financial assets			
HKD	7,424	3.808 (HKD:NTD)	\$ 28,269
Investments accounted for using equity method			
RMB	171,474	4.56 (RMB:NTD)	781,922
THB	128,011	0.918 (THB:NTD)	<u>117,462</u>
			<u>\$ 927,653</u>
<u>Financial liabilities</u>			
Monetary items			
RMB	4,444	4.56 (RMB:NTD)	\$ 20,265
USD	174	29.77 (USD:NTD)	5,169
JPY	6,650	0.264 (JPY:NTD)	<u>1,757</u>
			<u>\$ 27,191</u> (Concluded)

September 30, 2017

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
RMB	\$ 4,776	4.559 (RMB:NTD)	\$ 21,774
USD	359	30.315 (USD:NTD)	<u>10,888</u>
			<u>\$ 32,662</u>
Non-monetary items			
Available-for-sale financial assets			
HKD	8,341	3.881 (HKD:NTD)	\$ 32,370
Investments accounted for using equity method			
RMB	169,795	4.559 (RMB:NTD)	774,096
THB	158,695	0.913 (THB:NTD)	<u>144,857</u>
			<u>\$ 951,323</u>
<u>Financial liabilities</u>			
Monetary items			
RMB	4,545	4.559 (RMB:NTD)	\$ 20,721
USD	365	30.315 (USD:NTD)	11,063
JPY	6,975	0.27 (JPY:NTD)	<u>1,881</u>
			<u>\$ 33,665</u>

For the three months ended September 30, 2018 and 2017, realized and unrealized net foreign exchange gains (losses) were \$(1,103) thousand and \$595 thousand, respectively, and for the nine months ended September 30, 2018 and 2017, exchange gains were \$57 thousand and \$1,618 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.

37. 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)

38. 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, Bebe Poshe –wholesale of cosmetics, Asian Crown (BVI) - investment, and Honest Development - investment; for the nine months ended September 30, 2018 and 2017, 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 nine months ended <u>September 30, 2018</u>					
Revenues					
Non-inter-company revenues	\$ 4,892,929	\$ 24,663,312	\$ 72,883	\$ (3,846)	\$ 29,625,278
Segment profits	\$ 459,290	\$ 532,334	\$ (14,747)	\$ (8)	\$ 976,869
For the nine months ended <u>September 30, 2017</u>					
Revenues					
Non-inter-company revenues	\$ 4,888,307	\$ 18,362,390	\$ 48,266	\$ (388)	\$ 23,298,575
Segment profits	\$ 254,914	\$ 766,556	\$ 58,203	\$ -	\$ 1,079,673

TABLE 1

momo.com Inc. AND SUBSIDIARIES

**ENDORSEMENT/GUARANTEE PROVIDED TO OTHER PARTIES
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018
(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	\$ 825,230	\$ 66,705	\$ 66,705	\$ 66,705	\$ -	1.16	\$ 5,734,708	Y	N	Y	

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

- a. More than 50% directly and 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
SEPTEMBER 30, 2018
(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	September 30, 2018				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	Financial assets at fair value through profit or loss - current	9,151	\$ 87,365	-	\$ 87,365	
	<u>Stock</u> Media Asia Group Holdings Limited	-	Financial assets at fair value through other comprehensive income - current	43,668	13,161	2.04	13,161	
	We Can Medicines Co., Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	2,400	47,856	7.73	47,856	

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
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018
(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	\$ 1,728,552 (Note)	The payment has been fully paid (including the payment of \$193,435 thousand for the current reporting period)	Li Jin Engineering Co., Ltd.	-	-	-	-	\$ -	According to the budget approved by the board of directors, price comparison and price negotiation	Business development purpose	-

Note: Due to the supplementary contract of \$3,143 thousand for the current reporting period, the total transaction amount increased to \$1,728,552 thousand.

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 NINE MONTHS ENDED SEPTEMBER 30, 2018
(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	\$ 305,591	1	Based on contract terms	-	-	\$ (83,187)	(2)	

TABLE 5

momo.com Inc. AND SUBSIDIARIES

**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018
(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	\$ 12,988	The terms of transaction are determined in accordance with mutual agreements or general business practices	0.12

Note: No.1 represents the transactions from parent company to subsidiary.

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 NINE MONTHS ENDED SEPTEMBER 30, 2018
(Amount in Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Investor	Investee	Location	Main Businesses and Products	Investment Amount		Balance as of September 30, 2018			Net Income (Loss) of the Investee	Investment Income (Loss)	Note
				September 30, 2018	December 31, 2017	Shares (Thousands)	Percentage of Ownership	Carrying Value			
momo	FST	Taiwan	Travel agent	\$ 6,000	\$ 6,000	3,000	100.00	\$ 45,341	\$ 7,049	\$ 7,049	Note 5
	FLI	Taiwan	Life insurance agent	3,000	3,000	500	100.00	9,323	251	251	
	FPI	Taiwan	Property insurance agent	3,000	3,000	500	100.00	10,600	1,677	1,677	
	Asian Crown (BVI)	British Virgin Islands	Investment	885,285	789,864	9,735	81.99	42,642	(12,973)	(9,995)	
	TPE	Taiwan	Logistics industry	337,860	337,860	16,893	17.70	382,731	43,790	2,466	
	TVD Shopping	Thailand	Wholesale and retail sales	114,531	114,531	24,150	35.00	123,998	12,842	3,308	
				(THB 120,750)	(THB 120,750)						
	Honest Development	Samoa	Investment	670,448	670,448	21,778	100.00	739,567	(3,367)	(3,367)	Note 6
	Bebe Poshe	Taiwan	wholesale of cometics	85,000	-	8,500	85.00	84,779	(19,554)	(221)	
Asian Crown (BVI)	Fortune Kingdom	Samoa	Investment	1,132,789	1,035,051	11,594	100.00	47,552	(13,076)	Note 2	Note 5
Fortune Kingdom	HK Fubon Multimedia	Hong Kong	Investment	1,132,789	1,035,051	11,594	100.00	47,552	(13,076)	Note 2	Note 5
Honest Development	HK Yue Numerous	Hong Kong	Investment	670,448	670,448	16,600	100.00	739,567	(3,367)	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 September 30, 2018 is THB1=NT\$0.9485.

Note 4: Please refer to Table 7 for information on investment in mainland China.

Note 5: In May 2018, the board of directors approved a capital increase of RMB20,000 thousands in Asia Crown (BVI) in order to ultimately invest in FGE. As a result, momo's shareholding in Asia Crown (BVI) increased from 76.26% to 81.99%.

Note 6: In July 2018, the board of directors approved to acquire 85% equity interests in Bebe Poshe, resulting in a capital increase for Bebe Poshe of 85,000 thousands. momo acquired control of Bebe Poshe on September 6, 2018 and incorporated the company into the consolidated financial statements.

TABLE 7**momo.com Inc. AND SUBSIDIARIES****INVESTMENTS IN MAINLAND CHINA****FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018****(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, 2018	Investment Flows		Accumulated Outflow of Investment from Taiwan as of September 30, 2018	Net (Loss) Income of Investee	% Ownership through Direct or Indirect Investment	Investment Income (Loss)	Carrying Value as of September 30, 2018	Accumulated Inward Remittance of Earnings as of September 30, 2018	Note
					Outflow	Inflow							
FGE	Wholesaling	\$ 344,643 (RMB 77,500)	b.	\$ 738,398 (US\$ 14,000) (RMB 69,741)	\$ 86,832 (RMB 19,526)	\$ -	\$ 825,230 (US\$ 14,000) (RMB 89,267)	\$ (14,479)	76.70	\$ (10,240)	\$ 32,025	\$ -	Note 3
Haobo	Investment	48,917 (RMB 11,000)	b.	-	-	-	-	(3,367)	100.00	(3,367)	739,567	-	
GHS	Wholesaling	222,350 (RMB 50,000)	b.	-	-	-	-	5,022	20.00	(2,349)	711,823	-	

Accumulated Investment in Mainland China as of September 30, 2018	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment Authorized by Investment Commission, MOEA
\$1,484,892 (US\$14,000, RMB89,267 and HK\$168,539)	\$1,484,892 (US\$14,000, RMB89,267 and HK\$168,539)	\$3,454,214

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 September 30, 2018 are US\$1=NT\$30.59, RMB1=NT\$4.447 and HK\$1=NT\$3.914.

Note 3: In May 2018, FGE held an interim shareholders meeting to propose an increase in capital by RMB20,000 thousand which was fully subscribed by HK Fubon Multimedia. Thus, HK Fubon Multimedia 's shareholding in FGE increased from 91.304% to 93.548%.