

momo.com Inc. and Subsidiaries

**Consolidated Financial Statements for the
Six Months Ended June 30, 2019 and 2018 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 June 30, 2019 and 2018, and the consolidated statements of comprehensive income for the three months and six months ended June 30, 2019 and 2018, and the consolidated statements of changes in equity and cash flows for the six months ended June 30, 2019 and 2018, and the related notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the 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 consolidated financial position of the Group as of June 30, 2019 and 2018, and of its consolidated financial performance for the three months and six months ended June 30, 2019 and 2018, and its consolidated cash flows for the six months ended June 30, 2019 and 2018 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

July 23, 2019

Notice to Readers

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

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

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

	June 30, 2019		December 31, 2018		June 30, 2018	
	(Reviewed)		(Audited)		(Reviewed)	
ASSETS	Amount	%	Amount	%	Amount	%
CURRENT ASSETS						
Cash and cash equivalents (Notes 6 and 29)	\$ 2,273,309	19	\$ 2,924,449	24	\$ 1,736,381	17
Financial assets at fair value through profit or loss - current (Notes 7 and 29)	85,444	1	81,474	1	131,527	1
Financial assets at fair value through other comprehensive income - current (Note 8)	11,636	-	10,125	-	14,291	-
Accounts receivable, net (Note 9)	46,219	-	53,867	-	23,783	-
Accounts receivable from related parties (Note 29)	15,972	-	10,699	-	10,407	-
Other receivables, net (Note 9)	756,834	6	903,461	8	521,720	5
Other receivables from related parties (Note 29)	242,320	2	165,408	1	158,031	2
Inventories (Note 10)	1,902,514	15	1,627,218	13	1,477,526	14
Prepayments (Note 29)	79,052	1	161,642	1	78,329	1
Other financial assets - current (Notes 11, 29 and 30)	112,789	1	110,816	1	108,663	1
Other current assets (Note 16)	17,663	-	14,323	-	21,862	-
Rights to recover products - current (Note 16)	98,236	1	104,767	1	79,829	1
Total current assets	5,641,988	46	6,168,249	50	4,362,349	42
NON-CURRENT ASSETS						
Financial assets at fair value through other comprehensive income - non-current (Note 8)	46,392	-	42,580	-	51,984	1
Investments accounted for using equity method (Note 13)	1,253,438	10	1,272,124	11	1,257,002	12
Property, plant and equipment (Notes 14 and 29)	4,377,809	36	4,477,398	37	4,529,455	43
Right-of-use assets (Notes 15 and 29)	742,278	6	-	-	-	-
Goodwill	26,664	-	26,664	-	-	-
Other intangible assets	93,000	1	101,733	1	98,224	1
Deferred tax assets	27,670	-	46,574	-	51,302	-
Refundable deposits (Note 29)	79,868	1	72,652	1	68,522	1
Other financial assets - non-current (Notes 11, 29 and 30)	55,962	-	18,578	-	17,653	-
Total non-current assets	6,703,081	54	6,058,303	50	6,074,142	58
TOTAL	\$ 12,345,069	100	\$ 12,226,552	100	\$ 10,436,491	100
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Short-term loans (Notes 17 and 31)	\$ -	-	\$ -	-	\$ 63,055	1
Contract liabilities - current (Note 19)	113,506	1	114,417	1	78,144	1
Notes and accounts payable (Note 18)	4,176,558	34	4,474,923	37	3,406,124	32
Accounts payable to related parties (Note 29)	159,824	1	94,603	1	126,563	1
Other payables (Note 19)	455,124	4	478,025	4	334,797	3
Other payables to related parties (Note 29)	17,219	-	56,161	-	64,986	1
Current tax liabilities	121,464	1	4,915	-	96,256	1
Lease liabilities - current (Notes 15 and 29)	242,844	2	-	-	-	-
Refundable liabilities - current (Note 19)	114,089	1	123,675	1	95,040	1
Other current liabilities (Note 19)	479,547	4	426,275	4	434,744	4
Total current liabilities	5,880,175	48	5,772,994	48	4,699,709	45
NON-CURRENT LIABILITIES						
Provisions - non-current	14,374	-	13,773	-	13,773	-
Deferred tax liabilities	6,195	-	5,649	-	5,665	-
Lease liabilities - non-current (Notes 15 and 29)	504,151	4	-	-	-	-
Net defined benefit liabilities (Note 20)	1,783	-	2,473	-	2,919	-
Guarantee deposits (Note 21)	263,786	2	259,559	2	250,653	3
Total non-current liabilities	790,289	6	281,454	2	273,010	3
Total liabilities	6,670,464	54	6,054,448	50	4,972,719	48
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT (Note 22)						
Common stock	1,400,585	11	1,400,585	11	1,420,585	13
Capital surplus	2,685,893	22	2,976,991	24	3,026,155	29
Retained earnings						
Legal reserve	803,491	7	706,713	6	706,713	7
Special reserve	167,894	1	266,327	2	266,327	2
Unappropriated earnings	736,984	6	967,781	8	586,003	6
Total retained earnings	1,708,369	14	1,940,821	16	1,559,043	15
Other equity	(142,005)	(1)	(167,894)	(1)	(132,537)	(1)
Treasury shares	-	-	-	-	(397,175)	(4)
Total equity attributable to owners of the Parent	5,652,842	46	6,150,503	50	5,476,071	52
NON-CONTROLLING INTERESTS (Note 22)	21,763	-	21,601	-	(12,299)	-
Total equity	5,674,605	46	6,172,104	50	5,463,772	52
TOTAL	\$ 12,345,069	100	\$ 12,226,552	100	\$ 10,436,491	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 June 30				For the Six Months Ended June 30			
	2019		2018		2019		2018	
	Amount	%	Amount	%	Amount	%	Amount	%
OPERATING REVENUES (Notes 23 and 29)	\$ 11,815,431	100	\$ 9,630,352	100	\$ 23,551,058	100	\$ 19,814,161	100
OPERATING COSTS (Notes 10, 20, 24 and 29)	<u>10,668,992</u>	<u>90</u>	<u>8,614,911</u>	<u>89</u>	<u>21,182,787</u>	<u>90</u>	<u>17,743,828</u>	<u>90</u>
GROSS PROFIT FROM OPERATIONS	<u>1,146,439</u>	<u>10</u>	<u>1,015,441</u>	<u>11</u>	<u>2,368,271</u>	<u>10</u>	<u>2,070,333</u>	<u>10</u>
OPERATING EXPENSES (Notes 9, 20, 24 and 29)								
Marketing expenses	405,108	4	338,013	4	784,733	3	671,608	3
Administrative expenses	399,892	3	351,883	4	788,666	3	682,250	3
Expected credit losses	<u>995</u>	<u>-</u>	<u>835</u>	<u>-</u>	<u>2,196</u>	<u>-</u>	<u>1,409</u>	<u>-</u>
Total operating expenses	<u>805,995</u>	<u>7</u>	<u>690,731</u>	<u>8</u>	<u>1,575,595</u>	<u>6</u>	<u>1,355,267</u>	<u>6</u>
NET OTHER INCOME AND EXPENSES	<u>10,824</u>	<u>-</u>	<u>3,113</u>	<u>-</u>	<u>12,338</u>	<u>-</u>	<u>5,723</u>	<u>-</u>
OPERATING INCOME	<u>351,268</u>	<u>3</u>	<u>327,823</u>	<u>3</u>	<u>805,014</u>	<u>4</u>	<u>720,789</u>	<u>4</u>
NON-OPERATING INCOME AND EXPENSES								
Other income (Note 24)	8,288	-	7,925	-	22,458	-	20,833	-
Other gains and losses, net (Notes 24 and 29)	(666)	-	(3,092)	-	4,720	-	(21,554)	-
Finance costs (Notes 24 and 29)	(1,764)	-	(877)	-	(3,452)	-	(1,733)	-
Share of profit or loss of associates accounted for using equity method (Note 13)	<u>23,746</u>	<u>-</u>	<u>(3,097)</u>	<u>-</u>	<u>25,767</u>	<u>-</u>	<u>(1,279)</u>	<u>-</u>
Total non-operating income and expenses	<u>29,604</u>	<u>-</u>	<u>859</u>	<u>-</u>	<u>49,493</u>	<u>-</u>	<u>(3,733)</u>	<u>-</u>
PROFIT BEFORE INCOME TAX	380,872	3	328,682	3	854,507	4	717,056	4
INCOME TAX EXPENSE (BENEFIT) (Note 25)	<u>68,964</u>	<u>-</u>	<u>(90,713)</u>	<u>(1)</u>	<u>147,009</u>	<u>1</u>	<u>(9,302)</u>	<u>-</u>
PROFIT	<u>311,908</u>	<u>3</u>	<u>419,395</u>	<u>4</u>	<u>707,498</u>	<u>3</u>	<u>726,358</u>	<u>4</u>
OTHER COMPREHENSIVE INCOME (Notes 22 and 25)								
Items that will not be reclassified subsequently to profit or loss:								
Unrealized gain (loss) on financial assets at fair value through other comprehensive income - equity instruments	(1,045)	-	(9,061)	-	5,322	-	(15,814)	-
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 June 30				For the Six Months Ended June 30			
	2019		2018		2019		2018	
	Amount	%	Amount	%	Amount	%	Amount	%
Share of unrealized gain (loss) on financial assets at fair value through other comprehensive income - equity instruments of associates accounted for using equity method	\$ 774	-	\$ (4,465)	-	\$ 6,269	-	\$ (4,498)	-
Income tax related to items that will not be reclassified subsequently to profit or loss	-	-	-	-	-	-	253	-
Items that may be reclassified subsequently to profit or loss:								
Exchange differences on translation	(6,323)	-	(5,835)	-	15,819	-	9,292	-
Share of other comprehensive income (loss) of associates accounted for using equity method	2,565	-	(2,897)	-	(1,406)	-	(3,311)	-
Other comprehensive income (loss), net of tax	(4,029)	-	(22,258)	-	26,004	-	(14,011)	-
COMPREHENSIVE INCOME	<u>\$ 307,879</u>	<u>3</u>	<u>\$ 397,137</u>	<u>4</u>	<u>\$ 733,502</u>	<u>3</u>	<u>\$ 712,347</u>	<u>4</u>
PROFIT (LOSS) ATTRIBUTABLE TO:								
Owners of the Parent	\$ 311,600	3	\$ 420,795	4	\$ 707,539	3	\$ 729,316	4
Non-controlling interests	<u>308</u>	<u>-</u>	<u>(1,400)</u>	<u>-</u>	<u>(41)</u>	<u>-</u>	<u>(2,958)</u>	<u>-</u>
	<u>\$ 311,908</u>	<u>3</u>	<u>\$ 419,395</u>	<u>4</u>	<u>\$ 707,498</u>	<u>3</u>	<u>\$ 726,358</u>	<u>4</u>
COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:								
Owners of the Parent	\$ 307,697	3	\$ 398,442	4	\$ 733,428	3	\$ 715,412	4
Non-controlling interests	<u>182</u>	<u>-</u>	<u>(1,305)</u>	<u>-</u>	<u>74</u>	<u>-</u>	<u>(3,065)</u>	<u>-</u>
	<u>\$ 307,879</u>	<u>3</u>	<u>\$ 397,137</u>	<u>4</u>	<u>\$ 733,502</u>	<u>3</u>	<u>\$ 712,347</u>	<u>4</u>
EARNINGS PER SHARE (Note 26)								
Basic	<u>\$ 2.22</u>		<u>\$ 3.01</u>		<u>\$ 5.05</u>		<u>\$ 5.21</u>	
Diluted	<u>\$ 2.22</u>		<u>\$ 3.01</u>		<u>\$ 5.05</u>		<u>\$ 5.21</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 Company											
	Retained Earnings					Exchange Differences on Translation	Other Equity		Treasury Shares	Total	Non-controlling Interests	Total Equity
	Common Stock	Capital Surplus	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, 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	<u>1,420,585</u>	<u>3,057,738</u>	<u>579,727</u>	<u>212,342</u>	<u>1,121,843</u>	<u>(48,923)</u>	<u>(69,390)</u>	<u>-</u>	<u>(397,175)</u>	<u>5,876,747</u>	<u>(9,234)</u>	<u>5,867,513</u>
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 (loss) for the six months ended June 30, 2018	-	-	-	-	729,316	-	-	-	-	729,316	(2,958)	726,358
Other comprehensive income (loss) for the six months ended June 30, 2018	-	-	-	-	320	6,088	(20,312)	-	-	(13,904)	(107)	(14,011)
Total comprehensive income (loss) for the six months ended June 30, 2018	-	-	-	-	729,636	6,088	(20,312)	-	-	715,412	(3,065)	712,347
BALANCE AT JUNE 30, 2018	<u>\$ 1,420,585</u>	<u>\$ 3,026,155</u>	<u>\$ 706,713</u>	<u>\$ 266,327</u>	<u>\$ 586,003</u>	<u>\$ (42,835)</u>	<u>\$ (89,702)</u>	<u>\$ -</u>	<u>\$ (397,175)</u>	<u>\$ 5,476,071</u>	<u>\$ (12,299)</u>	<u>\$ 5,463,772</u>
BALANCE AT JANUARY 1, 2019	\$ 1,400,585	\$ 2,976,991	\$ 706,713	\$ 266,327	\$ 967,781	\$ (62,486)	\$ (105,408)	\$ -	\$ -	\$ 6,150,503	\$ 21,601	\$ 6,172,104
Effect of retrospective application and retrospective restatement	-	-	-	-	29,438	-	-	-	-	29,438	88	29,526
BALANCE AT JANUARY 1, 2019 AS RESTATED	<u>1,400,585</u>	<u>2,976,991</u>	<u>706,713</u>	<u>266,327</u>	<u>997,219</u>	<u>(62,486)</u>	<u>(105,408)</u>	<u>-</u>	<u>-</u>	<u>6,179,941</u>	<u>21,689</u>	<u>6,201,630</u>
Distribution of 2018 earnings												
Legal reserve	-	-	96,778	-	(96,778)	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(969,429)	-	-	-	-	(969,429)	-	(969,429)
Reversal of special reserve	-	-	-	(98,433)	98,433	-	-	-	-	-	-	-
Issue of cash dividends from capital surplus	-	(291,098)	-	-	-	-	-	-	-	(291,098)	-	(291,098)
Profit (loss) for the six months ended June 30, 2019	-	-	-	-	707,539	-	-	-	-	707,539	(41)	707,498
Other comprehensive income for the six months ended June 30, 2019	-	-	-	-	-	14,298	11,591	-	-	25,889	115	26,004
Total comprehensive income for the six months ended June 30, 2019	-	-	-	-	707,539	14,298	11,591	-	-	733,428	74	733,502
BALANCE AT JUNE 30, 2019	<u>\$ 1,400,585</u>	<u>\$ 2,685,893</u>	<u>\$ 803,491</u>	<u>\$ 167,894</u>	<u>\$ 736,984</u>	<u>\$ (48,188)</u>	<u>\$ (93,817)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,652,842</u>	<u>\$ 21,763</u>	<u>\$ 5,674,605</u>

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

momo.com Inc. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Six Months Ended June 30	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	\$ 854,507	\$ 717,056
Adjustments:		
Depreciation expenses	278,263	127,270
Amortization expenses	27,049	20,991
Expected credit losses	2,196	1,409
(Gain) loss on financial assets at fair value through profit or loss, net	(3,970)	22,714
Finance costs	3,452	1,733
Interest income	(14,104)	(18,414)
Share of (profit) loss of associates accounted for using equity method	(25,767)	1,279
Gain on foreign currency exchange, net	(798)	(112)
Others	2,909	(295)
Changes in operating assets and liabilities		
Financial assets at fair value through profit or loss	-	691,565
Accounts receivable	6,719	433
Accounts receivable from related parties	(5,273)	(4,678)
Other receivables	144,975	179,927
Other receivables from related parties	(66,759)	43,975
Inventories	(275,296)	(440,966)
Prepayments	81,786	(44,307)
Other current assets	(3,333)	(3,017)
Rights to recover products	6,531	15,948
Contract liabilities	(911)	28,169
Notes and accounts payable	(298,365)	(254,752)
Accounts payable to related parties	65,221	120,047
Other payables	(30,417)	(303,492)
Other payables to related parties	(7,743)	(78,776)
Refund liabilities	(9,586)	(22,514)
Other current liabilities	53,272	(9,703)
Net defined benefit liabilities	(690)	(688)
Cash generated from operations	783,868	790,802
Interest received	19	294
Income tax paid	(6,521)	(62,456)
Net cash generated from operating activities	<u>777,366</u>	<u>728,640</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of investments accounted for using equity method	-	(20,771)
Repayment of capital reduction from associates	-	31,090
Acquisition of property, plant and equipment	(42,584)	(572,066)
Increase in refundable deposits	(9,328)	(13,062)

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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 Six Months Ended June 30	
	2019	2018
Decrease in refundable deposits	\$ 425	\$ 2,110
Acquisition of intangible assets	(20,452)	(33,642)
Increase in other financial assets	(67,951)	(64,979)
Decrease in other financial assets	28,979	25,500
Interest received	14,164	18,343
Dividend received	<u>52,007</u>	<u>49,743</u>
Net cash used in investing activities	<u>(44,740)</u>	<u>(577,734)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from guarantee deposits received	24,587	22,691
Refunds of guarantee deposits received	(20,360)	(16,156)
Repayment of the principal portion of lease liabilities	(124,426)	-
Cash dividends	(1,260,527)	(1,120,468)
Interest paid	<u>(3,236)</u>	<u>(1,743)</u>
Net cash used in financing activities	<u>(1,383,962)</u>	<u>(1,115,676)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		
	<u>196</u>	<u>81</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(651,140)	(964,689)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	<u>2,924,449</u>	<u>2,701,070</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>\$ 2,273,309</u>	<u>\$ 1,736,381</u>

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

(Concluded)

momo.com Inc. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2019 AND 2018 (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 six months ended June 30, 2019, comprise the Company and its subsidiaries (collectively, the “Group”).

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

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company’s Board of Directors on July 23, 2019.

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 International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the “IFRSs”) endorsed and issued into effect by the ROC Financial Supervisory Commission (FSC)

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:

- IFRS 16 “Leases”

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessee and lessor. It supersedes IAS 17 “Leases”, IFRIC 4 “Determining whether an Arrangement contains a Lease”, and a number of related interpretations. Refer to Note 4 for information relating to the relevant accounting policies.

Definition of a lease

The Group reassesses 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 leases are accounted for in accordance with the transitional provisions under IFRS 16.

The Group as lessee

The Group recognizes right-of-use assets and lease liabilities for all leases on the consolidated balance sheets except for those whose payments under low-value asset and short-term leases are recognized as expenses on a straight-line basis. On the consolidated statements of comprehensive income, the Group presents 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 and the interest portion of lease liabilities are classified within financing activities. Prior to the application of IFRS 16, payments under operating lease contracts were recognized as expenses on a straight-line basis. The difference between the actual payments and the expenses, as adjusted for lease incentives, was recognized as accrued or prepaid expenses. Cash flows for operating leases were classified within operating activities on the consolidated statements of cash flows.

The Group elects to apply IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized in retained earnings on January 1, 2019. Comparative information is not restated.

Lease liabilities were recognized on January 1, 2019 for leases previously classified as operating leases under IAS 17. Lease liabilities were 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 are measured at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments. The Group applies IAS 36 to all right-of-use assets.

The Group applies the practical expedients: The Group applies a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.

The weighted average lessee's incremental borrowing rate applied to lease liabilities recognized on January 1, 2019 is 0.89%. The difference between the lease liabilities recognized and operating lease commitments disclosed under IAS 17 on December 31, 2018 is explained as follows:

The future minimum lease payments of non-cancellable operating lease commitments on December 31, 2018	\$ 789,024
Less: Recognition exemption for short-term leases	<u>(31,043)</u>
Undiscounted amounts on January 1, 2019	<u>\$ 757,981</u>
Discounted amounts using the incremental borrowing rate on January 1, 2019	\$ 744,684
Less: Others	<u>(1,113)</u>
Lease liabilities recognized on January 1, 2019	<u>\$ 743,571</u>

The Group as lessor

The Group does not make any adjustments for leases in which it is a lessor, and it accounts for those leases with the application of IFRS 16 starting from January 1, 2019.

The impact on assets, liabilities and equity as of January 1, 2019 from the initial application of IFRS 16 is set out as follows:

	As Originally Stated on January 1, 2019	Adjustments Arising from Initial Application	Restated on January 1, 2019
Prepayments	\$ 161,642	\$ (804)	\$ 160,838
Right-of-use assets	-	746,549	746,549
Deferred tax asset	46,574	(7,286)	39,288
Refundable deposits	72,652	(1,795)	70,857
Total effect on assets	12,226,552	736,664	12,963,216
Other payables	478,025	(4,524)	473,501
Other payables to related parties	56,161	(31,909)	24,252
Lease liabilities - current	-	220,150	220,150
Lease liabilities - non-current	-	523,421	523,421
Total effect on liabilities	6,054,448	707,138	6,761,586
Unappropriated earnings	967,781	29,438	997,219
Non-controlling interests	21,601	88	21,689
Total effect on equity	6,172,104	29,526	6,201,630

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

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020 (Note 2)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2021
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020 (Note 3)

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

Note 2: The Group shall apply these amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period.

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

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, 2018.

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

d. Leasing

2019

At the inception of a contract, the Group assesses whether the contract is, or contains, a lease.

The Group as lessee

The Group recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the consolidated balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, or a change in future lease payments resulting from a change in an index used to determine those payments, the Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheets.

2018

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

The Group as lessee

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

e. Other significant accounting policies

Except for leasing 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, 2018. For the summary of other significant accounting policies, please refer to the consolidated financial statements for the year ended December 31, 2018.

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.

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, estimations 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 estimates are revised if the revisions affect only that period or in the period of the revision and future periods if the revisions affect 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, 2018.

6. CASH AND CASH EQUIVALENTS

	June 30, 2019	December 31, 2018	June 30, 2018
Cash on hand and revolving funds	\$ 17	\$ 17	\$ 14
Cash in banks	838,200	1,585,159	1,202,842
Time deposits	<u>1,435,092</u>	<u>1,339,273</u>	<u>533,525</u>
	<u>\$ 2,273,309</u>	<u>\$ 2,924,449</u>	<u>\$ 1,736,381</u>
The market rate intervals of time deposits	0.1%-2.55%	0.1%-2.7%	0.1%-2.2%

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

	June 30, 2019	December 31, 2018	June 30, 2018
<u>Current</u>			
Domestic beneficiary certificates	<u>\$ 85,444</u>	<u>\$ 81,474</u>	<u>\$ 131,527</u>

As of June 30, 2019, December 31, 2018 and June 30, 2018, the financial assets were not pledged.

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Equity Instrument Investments

	June 30, 2019	December 31, 2018	June 30, 2018
<u>Current</u>			
Foreign unlisted stock	<u>\$ 11,636</u>	<u>\$ 10,125</u>	<u>\$ 14,291</u>
<u>Non-current</u>			
Domestic unlisted stock	<u>\$ 46,392</u>	<u>\$ 42,580</u>	<u>\$ 51,984</u>

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.

As of June 30, 2019, December 31, 2018 and June 30, 2018, the financial assets were not pledged.

9. ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

	June 30, 2019	December 31, 2018	June 30, 2018
<u>Accounts receivable</u>			
Measured at amortized cost			
Accounts receivable	\$ 48,865	\$ 55,729	\$ 24,620
Less: Allowance for impairment loss	<u>(2,646)</u>	<u>(1,862)</u>	<u>(837)</u>
Accounts receivable, net	<u>\$ 46,219</u>	<u>\$ 53,867</u>	<u>\$ 23,783</u>
<u>Other receivables</u>			
Measured at amortized cost			
Other receivables	\$ 765,270	\$ 910,630	\$ 526,979
Less: Allowance for impairment loss	<u>(8,436)</u>	<u>(7,169)</u>	<u>(5,259)</u>
Other receivables, net	<u>\$ 756,834</u>	<u>\$ 903,461</u>	<u>\$ 521,720</u>

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

The Group measures the loss allowance for trade receivables at an amount equal to lifetime ECLs. The expected credit losses on accounts receivable and other receivables are estimated by reference to the 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.

June 30, 2019

	Not Past Due	1 to 120 Days	121 to 365 Days	Over 365 Days	Total
Gross carrying amount	\$ 770,247	\$ 26,141	\$ 10,304	\$ 7,443	\$ 814,135
Loss allowance (Lifetime ECL)	<u>(182)</u>	<u>(914)</u>	<u>(2,543)</u>	<u>(7,443)</u>	<u>(11,082)</u>
Amortized cost	<u>\$ 770,065</u>	<u>\$ 25,227</u>	<u>\$ 7,761</u>	<u>\$ -</u>	<u>\$ 803,053</u>

December 31, 2018

	Not Past Due	1 to 120 Days	121 to 365 Days	Over 365 Days	Total
Gross carrying amount	\$ 931,202	\$ 21,668	\$ 7,825	\$ 5,664	\$ 966,359
Loss allowance (Lifetime ECL)	<u>(13)</u>	<u>(963)</u>	<u>(2,391)</u>	<u>(5,664)</u>	<u>(9,031)</u>
Amortized cost	<u>\$ 931,189</u>	<u>\$ 20,705</u>	<u>\$ 5,434</u>	<u>\$ -</u>	<u>\$ 957,328</u>

June 30, 2018

	Not Past Due	1 to 120 Days	121 to 365 Days	Over 365 Days	Total
Gross carrying amount	\$ 527,936	\$ 14,385	\$ 4,190	\$ 5,088	\$ 551,599
Loss allowance (Lifetime ECL)	<u>(2)</u>	<u>(263)</u>	<u>(743)</u>	<u>(5,088)</u>	<u>(6,096)</u>
Amortized cost	<u>\$ 527,934</u>	<u>\$ 14,122</u>	<u>\$ 3,447</u>	<u>\$ -</u>	<u>\$ 545,503</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 were as follows:

	For the Six Months Ended June 30	
	2019	2018
Beginning balance	\$ 9,031	\$ 4,774
Add: Provision	2,196	1,409
Less: Write-off	<u>(145)</u>	<u>(87)</u>
Ending balance	<u>\$ 11,082</u>	<u>\$ 6,096</u>

10. INVENTORIES

	June 30, 2019	December 31, 2018	June 30, 2018
Merchandise	\$ 1,902,514	\$ 1,627,218	\$ 1,477,526

The cost of inventories recognized as cost of goods sold for the three months ended June 30, 2019 and for the six months ended June 30, 2019 were \$9,876,021 thousand and \$19,625,834 thousand, respectively, which included inventory write-downs of \$12,137 thousand and \$23,293 thousand, respectively.

The cost of inventories recognized as cost of goods sold for the three months ended June 30, 2018 and for the six months ended June 30, 2018 were \$7,883,064 thousand and \$16,283,259 thousand, respectively, which included inventory write-downs of \$4,488 thousand and reversal of inventory write-downs of \$4,145 thousand, respectively.

11. OTHER FINANCIAL ASSETS

	June 30, 2019	December 31, 2018	June 30, 2018
<u>Current</u>			
Pledged time deposits and restricted deposits	\$ 69,223	\$ 68,128	\$ 65,076
Time deposits with original maturities of more than 3 months	<u>43,566</u>	<u>42,688</u>	<u>43,587</u>
	<u>\$ 112,789</u>	<u>\$ 110,816</u>	<u>\$ 108,663</u>
<u>Non-current</u>			
Pledged time deposits and restricted deposits	<u>\$ 55,962</u>	<u>\$ 18,578</u>	<u>\$ 17,653</u>

- The ranges of interest rates for time deposits with original maturities of more than 3 months were 0.17%-2.15%, 0.17%-1.75% and 0.17%-1.75% per annum as of June 30, 2019, December 31, 2018 and June 30, 2018, respectively.
- 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.
- Refer to Note 30 for information relating to other financial assets pledged as security.

12. SUBSIDIARIES

- Subsidiaries included in the consolidated financial statements

Investor	Subsidiary	Main Business and Products	Percentage of Ownership			Note
			June 30, 2019	December 31, 2018	June 30, 2018	
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	85.000	-	Note 1

(Continued)

Investor	Subsidiary	Main Business and Products	Percentage of Ownership			Note
			June 30, 2019	December 31, 2018	June 30, 2018	
momo	Asian Crown International Co., Ltd. (Asian Crown (BVI))	Investment	81.990	81.990	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	93.548	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	-

(Concluded)

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 Asian Crown (BVI) in order to ultimately invest in FGE. As a result, momo's shareholding in Asian 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.

13. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

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

Investee Company	June 30, 2019		December 31, 2018		June 30, 2018	
	Amount	% of Ownership	Amount	% of Ownership	Amount	% of Ownership
Global Home Shopping Co., Ltd. (GHS)	\$ 737,623	20.00	\$ 766,529	20.00	\$ 736,425	20.00
Taiwan Pelican Express Co., Ltd. (TPE)	390,869	17.70	385,706	17.70	403,146	17.70
TVD Shopping Co., Ltd. (TVD shopping)	<u>124,946</u>	35.00	<u>119,889</u>	35.00	<u>117,431</u>	35.00
	<u>\$ 1,253,438</u>		<u>\$ 1,272,124</u>		<u>\$ 1,257,002</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 and consequently 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	June 30, 2019	December 31, 2018	June 30, 2018
TPE	<u>\$ 381,782</u>	<u>\$ 369,112</u>	<u>\$ 429,082</u>

All the associates are accounted for using the equity method.

14. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Machinery	Office Equipment	Lease Improvement	Other Equipment	Property in Construction	Total
<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	-	10,075	41,716	19,896	11,263	2,377	28,927	114,254
Disposals	-	-	(2,446)	(269)	-	(114)	-	(2,829)
Reclassification	-	78,211	32,346	24,626	-	46,972	(205,218)	(23,063)
Effect of exchange rate changes	-	-	957	26	33	2	-	1,018
Balance, June 30, 2018	<u>\$ 1,717,927</u>	<u>\$ 1,764,743</u>	<u>\$ 1,524,090</u>	<u>\$ 92,618</u>	<u>\$ 257,592</u>	<u>\$ 61,824</u>	<u>\$ 9,250</u>	<u>\$ 5,428,044</u>
<u>Accumulated depreciation and impairment</u>								
Balance, January 1, 2018	\$ -	\$ 6,219	\$ 636,067	\$ 25,802	\$ 101,098	\$ 4,152	\$ -	\$ 773,338
Depreciation	-	39,208	62,031	8,792	14,471	2,768	-	127,270
Disposals	-	-	(2,446)	(269)	-	(114)	-	(2,829)
Effect of exchange rate changes	-	-	779	20	9	2	-	810
Balance, June 30, 2018	<u>\$ -</u>	<u>\$ 45,427</u>	<u>\$ 696,431</u>	<u>\$ 34,345</u>	<u>\$ 115,578</u>	<u>\$ 6,808</u>	<u>\$ -</u>	<u>\$ 898,589</u>
Carrying amounts, January 1, 2018	<u>\$ 1,717,927</u>	<u>\$ 1,670,238</u>	<u>\$ 815,450</u>	<u>\$ 22,537</u>	<u>\$ 145,198</u>	<u>\$ 8,435</u>	<u>\$ 185,541</u>	<u>\$ 4,565,326</u>
Carrying amounts, June 30, 2018	<u>\$ 1,717,927</u>	<u>\$ 1,719,316</u>	<u>\$ 827,659</u>	<u>\$ 58,273</u>	<u>\$ 142,014</u>	<u>\$ 55,016</u>	<u>\$ 9,250</u>	<u>\$ 4,529,455</u>
<u>Cost</u>								
Balance, January 1, 2019	\$ 1,717,927	\$ 1,768,148	\$ 1,455,732	\$ 101,574	\$ 262,460	\$ 61,927	\$ 15,039	\$ 5,382,807
Additions	-	1,116	8,241	5,688	9,631	4,144	17,049	45,869
Disposals	-	-	(6)	(462)	-	-	-	(468)
Reclassification	-	-	-	-	-	-	(122)	(122)
Effect of exchange rate changes	-	-	993	26	34	4	-	1,057
Balance, June 30, 2019	<u>\$ 1,717,927</u>	<u>\$ 1,769,264</u>	<u>\$ 1,464,960</u>	<u>\$ 106,826</u>	<u>\$ 272,125</u>	<u>\$ 66,075</u>	<u>\$ 31,966</u>	<u>\$ 5,429,143</u>

(Continued)

	Land	Buildings	Machinery	Office Equipment	Lease Improvement	Other Equipment	Property in Construction	Total
Accumulated depreciation and impairment								
Balance, January 1, 2019	\$ -	\$ 85,812	\$ 632,401	\$ 45,355	\$ 131,787	\$ 10,054	\$ -	\$ 905,409
Depreciation	-	40,530	71,839	11,642	18,104	3,384	-	145,499
Disposals	-	-	(6)	(462)	-	-	-	(468)
Effect of exchange rate changes	-	-	851	24	16	3	-	894
Balance, June 30, 2019	<u>\$ -</u>	<u>\$ 126,342</u>	<u>\$ 705,085</u>	<u>\$ 56,559</u>	<u>\$ 149,907</u>	<u>\$ 13,441</u>	<u>\$ -</u>	<u>\$ 1,051,334</u>
Carrying amounts, January 1, 2019	<u>\$ 1,717,927</u>	<u>\$ 1,682,336</u>	<u>\$ 823,331</u>	<u>\$ 56,219</u>	<u>\$ 130,673</u>	<u>\$ 51,873</u>	<u>\$ 15,039</u>	<u>\$ 4,477,398</u>
Carrying amounts, June 30, 2019	<u>\$ 1,717,927</u>	<u>\$ 1,642,922</u>	<u>\$ 759,875</u>	<u>\$ 50,267</u>	<u>\$ 122,218</u>	<u>\$ 52,634</u>	<u>\$ 31,966</u>	<u>\$ 4,377,809</u>

(Concluded)

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

Buildings	5-50 years
Machinery	2-10 years
Office equipment	3-10 years
Lease improvement	1-10 years
Other equipment	3-10 years

As of June 30, 2019, December 31, 2018 and June 30, 2018, the property, plant and equipment were not pledged as collateral.

15. LEASE ARRANGEMENTS

a. Right-of-use assets - 2019

	June 30, 2019	
Carrying amounts		
Buildings		\$ 736,431
Office equipment		5,573
Transportation equipment		<u>274</u>
		<u>\$ 742,278</u>
	For the Three Months Ended June 30, 2019	For the Six Months Ended June 30, 2019
Additions to right-of-use assets		<u>\$ 128,399</u>
Depreciation charge for right-of-use assets		
Buildings	\$ 69,232	\$ 131,372
Office equipment	534	1,036
Transportation equipment	<u>178</u>	<u>356</u>
	<u>\$ 69,944</u>	<u>\$ 132,764</u>

b. Lease liabilities - 2019

	June 30, 2019
<u>Carrying amounts</u>	
Current	\$ <u>242,844</u>
Non-current	\$ <u>504,151</u>

Range of discount rate for lease liabilities was 0.86%-5.44%.

c. Material lease-in activities and terms

The Group leases buildings for the use of offices with lease terms of 1.5 to 5 years. The Group does not have bargain purchase options to acquire the buildings at the end of the lease terms. In addition, the Group is prohibited from subleasing or transferring all or any portion of the underlying assets without the lessor's consent.

d. Other lease information

2019

	For the Three Months Ended June 30, 2019	For the Six Months Ended June 30, 2019
Expenses relating to short-term leases	\$ <u>15,640</u>	\$ <u>33,547</u>
Expenses relating to low-value asset leases	\$ <u>158</u>	\$ <u>662</u>
Expenses relating to variable lease payments not included in the measurement of lease liabilities	\$ <u>19,800</u>	\$ <u>39,121</u>
Total cash outflow for leases		\$ <u>(200,992)</u>

The Group leases certain buildings which qualify as short-term leases and certain office equipment which qualify as low-value asset leases. The Group has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

The amount of lease commitments for short-term leases for which the recognition exemption is applied (including lease commitments for short-term leases with lease terms commencing after the balance sheet dates) was \$5,531 thousand as of June 30, 2019.

2018

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

	December 31, 2018	June 30, 2018
Not later than 1 year	\$ 258,068	\$ 180,417
Later than 1 year and not later than 5 years	<u>530,956</u>	<u>135,958</u>
	<u>\$ 789,024</u>	<u>\$ 316,375</u>

16. OTHER ASSETS

	June 30, 2019	December 31, 2018	June 30, 2018
<u>Current</u>			
Rights to recover products (Note 23)	\$ 98,236	\$ 104,767	\$ 79,829
Others	<u>17,663</u>	<u>14,323</u>	<u>21,862</u>
	<u>\$ 115,899</u>	<u>\$ 119,090</u>	<u>\$ 101,691</u>

17. SHORT-TERM LOANS

	June 30, 2018
Unsecured bank loans	<u>\$ 63,055</u>
Annual interest rate	5.44%
Refer to Note 28(d) for information relating on financial risk and Note 31 for information on endorsements and guarantees.	

18. NOTES AND ACCOUNTS PAYABLE

	June 30, 2019	December 31, 2018	June 30, 2018
Notes payable	<u>\$ -</u>	<u>\$ 1,889</u>	<u>\$ -</u>
Accounts payable			
Suppliers	<u>\$ 4,176,558</u>	<u>\$ 4,473,034</u>	<u>\$ 3,406,124</u>

19. OTHER LIABILITIES

	June 30, 2019	December 31, 2018	June 30, 2018
<u>Current</u>			
Other payables			
Payable for salaries and bonus	\$ 179,176	\$ 268,548	\$ 138,787
Payable for business tax	36,688	54,122	23,360
Payable for equipment and construction	11,951	11,681	18,504
Others	<u>227,309</u>	<u>143,674</u>	<u>154,146</u>
	<u>\$ 455,124</u>	<u>\$ 478,025</u>	<u>\$ 334,797</u>

(Continued)

	June 30, 2019	December 31, 2018	June 30, 2018
Others			
Contract liabilities	\$ 113,506	\$ 114,417	\$ 78,144
Refundable liabilities (Note 23)	114,089	123,675	95,040
Collection about travelling merchandise	270,157	207,288	242,937
Others	<u>209,390</u>	<u>218,987</u>	<u>191,807</u>
	<u>\$ 707,142</u>	<u>\$ 664,367</u>	<u>\$ 607,928</u> (Concluded)

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

20. RETIREMENT BENEFIT PLANS

a. Defined contribution plan

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 \$19,866 thousand and \$18,971 thousand for the three months ended June 30, 2019 and 2018, respectively, and \$39,079 thousand and \$36,990 thousand for the six months ended June 30, 2019 and 2018, respectively.

b. Defined benefit plans

Employee benefit expenses in respect of the Group’s defined benefit retirement plans were \$6 thousand and \$12 thousand for the three months ended June 30, 2019 and 2018, respectively, and \$12 thousand and \$24 thousand for the six months ended June 30, 2019 and 2018, respectively. The employee benefit expenses were calculated using the actuarially determined pension cost discount rate as of December 31, 2018 and 2017.

21. GUARANTEE DEPOSITS

	June 30, 2019	December 31, 2018	June 30, 2018
Vendors	\$ 261,952	\$ 259,525	\$ 250,619
Decorations	<u>1,834</u>	<u>34</u>	<u>34</u>
	<u>\$ 263,786</u>	<u>\$ 259,559</u>	<u>\$ 250,653</u>

22. EQUITY

a. Capital stock

As of June 30, 2019, December 31, 2018 and June 30, 2018, momo had authorized 150,000 thousand common shares, with 140,059, 140,059 and 142,059 thousand shares, respectively, which were issued and outstanding at par value \$10 per share.

momo's capital stock changes due to retirement of treasury stock.

b. Capital surplus

	June 30, 2019	December 31, 2018	June 30, 2018
Additional paid-in capital	\$ 2,472,964	\$ 2,764,062	\$ 2,803,532
From share of changes in equities of subsidiaries	125,291	125,291	148,277
Expired employee share options	170	170	170
From share of changes in equities of associates	<u>87,468</u>	<u>87,468</u>	<u>74,176</u>
	<u>\$ 2,685,893</u>	<u>\$ 2,976,991</u>	<u>\$ 3,026,155</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 of directors and the actual appropriations, please refer to employee benefits expense in Note 24(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.

An 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 a 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.

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.

The appropriations of earnings for 2018 and 2017 were approved in the shareholders’ meetings on May 16, 2019 and May 17, 2018, respectively, were as follows:

	Appropriation of Earnings		Dividends Per Share (NT\$)	
	For the Year Ended December 31		For the Year Ended December 31	
	2018	2017	2018	2017
Legal reserve	\$ 96,778	\$ 126,986		
Special reserve	(98,433)	53,985		
Cash dividends	969,429	1,088,885	\$ 6.9216	\$ 7.7745

The Company’s shareholders resolved to issue cash dividends from capital surplus of \$291,098 thousand and \$31,583 thousand on May 16, 2019 and May 17, 2018, respectively.

d. Other equity

1) Exchange differences on translation

	For the Six Months Ended June 30	
	2019	2018
Beginning balance	\$ (62,486)	\$ (48,923)
In respect of the current period		
Exchange differences arising on translation	15,704	9,399
Share of exchange differences of associates accounted for using the equity method	(1,406)	(3,311)
	<u>14,298</u>	<u>6,088</u>
Ending balance	\$ (48,188)	\$ (42,835)

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

	For the Six Months Ended June 30	
	2019	2018
Beginning balance	\$ (105,408)	\$ (69,390)
In respect of the current period		
Unrealized gain (loss) - equity instruments	5,322	(15,814)
Associates accounted for using equity method	6,269	(4,498)
	<u>11,591</u>	<u>(20,312)</u>
Ending balance	\$ (93,817)	\$ (89,702)

e. Non-controlling interests

	For the Six Months Ended June 30	
	2019	2018
Beginning balance	\$ 21,601	\$ (9,234)
Adjustment on initial application of IFRS 16	<u>88</u>	<u>-</u>
Beginning balance as restated	21,689	(9,234)
Attributable to non-controlling interests:		
Share of loss for the period	(41)	(2,958)
Exchange differences arising on translation	<u>115</u>	<u>(107)</u>
Ending balance	<u>\$ 21,763</u>	<u>\$ (12,299)</u>

f. Treasury shares

	Total (In Thousands of Shares) For the Six Months Ended June 30, 2018
Shares Transferred to Employees	
Number of shares on January 1	2,000
Changes during the period	<u>-</u>
Number of shares on June 30	<u>2,000</u>

On October 29, 2018, momo's Board of Directors approved to retire 2,000 thousand shares of treasury stock and the record date of capital deduction was on December 15, 2018. The related registration procedures had been completed.

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.

23. REVENUE

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	2018	2019	2018
Sales revenue	\$ 11,639,095	\$ 9,441,399	\$ 23,183,522	\$ 19,504,578
Other operating revenues	<u>176,336</u>	<u>188,953</u>	<u>367,536</u>	<u>309,583</u>
	<u>\$ 11,815,431</u>	<u>\$ 9,630,352</u>	<u>\$ 23,551,058</u>	<u>\$ 19,814,161</u>

Please refer to Note 4(o) to the consolidated financial statements for the year ended December 31, 2018 and Note 34 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.

24. PROFIT BEFORE INCOME TAX

a. Other income

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	2018	2019	2018
Interest income	\$ 7,295	\$ 6,633	\$ 14,104	\$ 18,414
Others	<u>993</u>	<u>1,292</u>	<u>8,354</u>	<u>2,419</u>
	<u>\$ 8,288</u>	<u>\$ 7,925</u>	<u>\$ 22,458</u>	<u>\$ 20,833</u>

b. Other gains and losses

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	2018	2019	2018
Gain (loss) on financial assets				
Financial assets at fair value through profit or loss	\$ 103	\$ (3,915)	\$ 3,970	\$ (22,714)
Net foreign exchange gains (losses)	<u>(769)</u>	<u>823</u>	<u>750</u>	<u>1,160</u>
	<u>\$ (3,092)</u>	<u>\$ (3,092)</u>	<u>\$ 4,720</u>	<u>\$ (21,554)</u>

c. Finance costs

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	2018	2019	2018
Interest on bank loans	\$ -	\$ 877	\$ -	\$ 1,733
Interest on lease liabilities	1,763	-	3,451	-
Others	<u>1</u>	<u>-</u>	<u>1</u>	<u>-</u>
	<u>\$ 1,764</u>	<u>\$ 877</u>	<u>\$ 3,452</u>	<u>\$ 1,733</u>

d. Employee benefits expense, depreciation and amortization

Function Nature	For the Three Months Ended June 30, 2019			For the Three Months Ended June 30, 2018		
	Operating Costs	Operating Expenses	Total	Operating Costs	Operating Expenses	Total
Employee benefits expense						
Salary	\$ 157,725	\$ 233,026	\$ 390,751	\$ 135,556	\$ 218,675	\$ 354,231
Insurance expense	16,659	23,450	40,109	13,687	21,144	34,831
Post-employment benefits	8,049	11,823	19,872	6,833	12,150	18,983
Other employee benefits	9,900	13,763	23,663	8,471	14,830	23,301
Depreciation	107,817	35,256	143,073	56,452	9,705	66,157
Amortization	2,310	10,451	12,761	2,204	9,066	11,270

Function Nature	For the Six Months Ended June 30, 2019			For the Six Months Ended June 30, 2018		
	Operating Costs	Operating Expenses	Total	Operating Costs	Operating Expenses	Total
Employee benefits expense						
Salary	\$ 310,976	\$ 477,838	\$ 788,814	\$ 268,031	\$ 429,541	\$ 697,572
Insurance expense	32,471	47,350	79,821	26,548	42,010	68,558
Post-employment benefits	15,738	23,353	39,091	13,187	23,827	37,014
Other employee benefits	19,333	29,534	48,867	16,588	30,045	46,633
Depreciation	207,036	71,227	278,263	108,098	19,172	127,270
Amortization	4,616	22,433	27,049	3,590	17,401	20,991

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

- 1) A maximum of 0.3% as director remuneration
- 2) 0.1% to 1% as employee remuneration

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

Employees' compensation may be distributed to, including but not limited to, employees of parents or subsidiaries of the Company meeting certain specific requirements set by the Board of Directors or its authorized persons.

The Company's estimated employees' compensation and remuneration of directors were made by applying the rates to the aforementioned regulation. For the three months ended June 30, 2019 and 2018, and for the six months ended June 30, 2019 and 2018, the estimated employees' compensation and remuneration of directors were as follows:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	2018	2019	2018
Employees' compensation	<u>\$ 380</u>	<u>\$ 329</u>	<u>\$ 854</u>	<u>\$ 718</u>
Remuneration of directors	<u>\$ 380</u>	<u>\$ 329</u>	<u>\$ 854</u>	<u>\$ 718</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 2018 and 2017 having been resolved by the Board of Directors on January 29, 2019 and January 26, 2018, respectively, were as follows:

	For the Year Ended December 31	
	2018	2017
	Cash	Cash
Employees' compensation	\$ 1,480	\$ 1,525
Remuneration of directors	\$ 1,480	\$ 1,525

There was no difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the year ended December 31, 2018 and 2017.

Information on the employees' compensation and remuneration of directors resolved by momo's Board of Directors in 2019 and 2018 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

25. INCOME TAX

a. Income tax recognized in profit or loss

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

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	2018	2019	2018
Current tax				
In respect of the current period	\$ 71,983	\$ 12,347	\$ 134,863	\$ 96,508
Adjustments for prior periods	(18)	(74,742)	(18)	(74,742)
	<u>71,965</u>	<u>(62,395)</u>	<u>134,845</u>	<u>21,766</u>
Deferred tax				
In respect of the current period	(3,001)	(28,318)	12,164	(28,795)
Adjustments to deferred tax attributable to changes in tax rate	-	-	-	(2,273)
	<u>(3,001)</u>	<u>(28,318)</u>	<u>12,164</u>	<u>(31,068)</u>
Income tax expense (benefit) recognized in profit or loss	<u>\$ 68,964</u>	<u>\$ (90,713)</u>	<u>\$ 147,009</u>	<u>\$ (9,302)</u>

For the six months ended June 30, 2018, the income tax benefit 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 2018, and the corporate income tax rate was adjusted from 17% to 20%. The effect of the change in tax rate on deferred tax expense to be recognized in profit or loss is recognized in full in the period in which the change in tax rate occurs. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings was reduced from 10% to 5%.

b. Income tax recognized in other comprehensive income

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	2018	2019	2018
<u>Deferred tax</u>				
Tax change - remeasurement of defined benefit plans	\$ -	\$ -	\$ -	\$ 253
Income tax recognized in other comprehensive income	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 253</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	2017
FST	2017
FLI	2017
FPI	2017
Bebe Poshe	2017

26. EARNINGS PER SHARE

Unit: NT\$ Per Share

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	2018	2019	2018
Basic earnings per share	<u>\$ 2.22</u>	<u>\$ 3.01</u>	<u>\$ 5.05</u>	<u>\$ 5.21</u>
Diluted earnings per share	<u>\$ 2.22</u>	<u>\$ 3.01</u>	<u>\$ 5.05</u>	<u>\$ 5.21</u>

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

Net Profit for the Period

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	2018	2019	2018
Earnings used in the computation of basic and diluted earnings per share	<u>\$ 311,600</u>	<u>\$ 420,795</u>	<u>\$ 707,539</u>	<u>\$ 729,316</u>

Weighted Average Number of Ordinary Stocks Outstanding (In Thousands of Shares)

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	2018	2019	2018
Weighted average number of ordinary stocks used in computation of basic earnings per share	140,059	140,059	140,059	140,059
Effect of potentially dilutive ordinary stocks:				
Employees' compensation	<u>1</u>	<u>2</u>	<u>4</u>	<u>4</u>
Weighted average number of common stocks used in the computation of diluted earnings per share	<u>140,060</u>	<u>140,061</u>	<u>140,063</u>	<u>140,063</u>

Since the Group offered to settle compensation of employees in cash or shares, the Group assumed that 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.

27. CAPITAL MANAGEMENT

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

28. FINANCIAL INSTRUMENTS**a. Fair value of financial instruments that are not measured at fair value**

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

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

1) Fair value hierarchy

June 30, 2019

	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Beneficiary certificates	<u>\$ 85,444</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 85,444</u>
Financial assets at fair value through other comprehensive income				
Equity instrument investments				
Unlisted stock - foreign investments	\$ -	\$ 11,636	\$ -	\$ 11,636
Unlisted stock - domestic investments	<u>-</u>	<u>-</u>	<u>46,392</u>	<u>46,392</u>
	<u>\$ -</u>	<u>\$ 11,636</u>	<u>\$ 46,392</u>	<u>\$ 58,028</u>

December 31, 2018

	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Beneficiary certificates	<u>\$ 81,474</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 81,474</u>
Financial assets at fair value through other comprehensive income				
Equity instrument investments				
Unlisted stock - foreign investments	\$ -	\$ 10,125	\$ -	\$ 10,125
Unlisted stock - domestic investments	<u>-</u>	<u>-</u>	<u>42,580</u>	<u>42,580</u>
	<u>\$ -</u>	<u>\$ 10,125</u>	<u>\$ 42,580</u>	<u>\$ 52,705</u>

June 30, 2018

	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Beneficiary certificates	<u>\$ 131,527</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 131,527</u>
Financial assets at fair value through other comprehensive income				
Equity instrument investments				
Unlisted stock - foreign investments	\$ -	\$ 14,291	\$ -	\$ 14,291
Unlisted stock - domestic investments	<u>-</u>	<u>-</u>	<u>51,984</u>	<u>51,984</u>
	<u>\$ -</u>	<u>\$ 14,291</u>	<u>\$ 51,984</u>	<u>\$ 66,275</u>

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

2) Valuation techniques and assumptions used in fair value determination

- a) The fair value of financial instruments traded in active markets is based on quoted market prices (including beneficiary certificates that went public).
- b) 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.
- c) 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.

3) Reconciliation of Level 3 fair value measurements of financial instruments

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

	For the Six Months Ended June 30	
	2019	2018
Beginning balance	\$ 42,580	\$ 53,820
Recognized in other comprehensive income (included unrealized gain (loss) on financial assets at fair value through other comprehensive income)	<u>3,812</u>	<u>(1,836)</u>
Ending balance	<u>\$ 46,392</u>	<u>\$ 51,984</u>

c. Categories of financial instruments

	June 30, 2019	December 31, 2018	June 30, 2018
<u>Financial assets</u>			
Financial assets at fair value through profit or loss			
Mandatorily at fair value through profit or loss	\$ 85,444	\$ 81,474	\$ 131,527
Financial assets at fair value through other comprehensive income			
Equity instrument investments	58,028	52,705	66,275
Financial assets at amortized cost (Note 1)	<u>3,583,273</u>	<u>4,259,930</u>	<u>2,645,160</u>
	<u>\$ 3,726,745</u>	<u>\$ 4,394,109</u>	<u>\$ 2,842,962</u>

Financial liabilities

Financial liabilities at amortized cost (Note 2)	<u>\$ 5,072,511</u>	<u>\$ 5,363,271</u>	<u>\$ 4,246,178</u>
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Note 1: The balances include financial assets at amortized cost, which comprise cash and cash equivalents, accounts receivable, other receivables, other financial assets and refundable deposits.

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 June 30, 2019, December 31, 2018 and June 30, 2018, the Group had unused bank facilities of \$751,216 thousand, \$751,158 thousand and \$754,212 thousand, respectively.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed upon repayment periods. The table has 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 table includes 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 upon repayment dates.

June 30, 2019

	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>					
Lease liabilities	\$ 22,926	\$ 45,229	\$ 182,652	\$ 509,018	\$ -

June 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	\$ -	\$ -	\$ 64,103	\$ -	\$ -

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

5) Market risk

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

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

a) Exchange rate risk

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

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

Sensitivity analysis

The Group was mainly exposed to the USD, GBP 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 Six Months Ended June 30	
	2019	2018
Appreciated 5%	\$ (6,145)	\$ (3,184)
Depreciated 5%	\$ 6,145	\$ 3,184

b) Interest rate risk

The Group was exposed to interest rate risk because entities in the Group carried deposits, other financial assets, loans and lease liabilities 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:

	June 30, 2019	December 31, 2018	June 30, 2018
Fair value interest rate risk			
Financial assets	\$ 1,580,465	\$ 1,445,288	\$ 637,388
Financial liabilities	746,995	-	-
Cash flow interest rate risk			
Financial assets	858,417	1,605,450	1,178,313
Financial liabilities	-	-	63,055

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 six months ended June 30, 2019 and 2018 would increase or decrease by \$2,146 thousand and \$2,788 thousand, respectively.

c) Other price risk

The Group was exposed to equity 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, profit for the six months ended June 30, 2019 and 2018 would have increased or decreased by \$4,272 thousand and \$6,576 thousand, respectively, as a result of the changes in fair value of financial assets at FVTPL, and the post-tax other comprehensive income for the six months ended June 30, 2019 and 2018 would have increased or decreased by \$2,901 thousand and \$3,314 thousand, respectively, as a result of the changes in fair value of financial assets at FVTOCI.

29. 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 June 30, 2019, December 31, 2018 and June 30, 2018, 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 information 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

Related Party Name	Related Party Categories
Taiwan Mobile Co., Ltd. (TWM)	Ultimate parent entity
Wealth Media Technology Co., Ltd. (WMT)	Parent entity
Taiwan Pelican Express Co., Ltd. (TPE)	Associates
Global Home Shopping Co., Ltd. (GHS)	Associates
Beijing Global Jiusha Media Technology Co., Ltd. (JS)	Associates
Beijing YueShih JiuSha Media Technology Co., Ltd. (YSJS)	Associates
GHS Trading Ltd. (GTL)	Associates
TVD Shopping Co., Ltd. (TVD Shopping)	Associates
Taipei Fubon Commercial Bank Co., Ltd. (TFCB)	Related party in substance
Fubon Life Insurance Co., Ltd. (Fubon Life)	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 Cultural & Educational Foundation (FCEF)	Related party in substance
Taiwan Fixed Network Co., Ltd. (TFN)	Same ultimate parent entity
TFN Media Co., Ltd. (TFNM)	Same ultimate parent entity
Mangrove Cable TV Co., Ltd. (MCTV)	Same ultimate parent entity
Union Cable TV Co., Ltd. (UCTV)	Same ultimate parent entity
Yeong Jia Leh Cable TV Co., Ltd. (YJCTV)	Same ultimate parent entity
Taipei New Horizon Co., Ltd. (TNH)	Same ultimate parent entity
Globalview Cable TV Co., Ltd. (GCTV)	Same ultimate parent entity
Phoenix Cable TV Co., Ltd. (PCTV)	Same ultimate parent entity
Win TV Broadcasting Co., Ltd. (WTVB)	Same ultimate parent entity
Taiwan Kuro Times Co., Ltd. (TKT)	Same ultimate parent entity

b. Operating revenues

Line Items	Related Party Categories	For the Three Months Ended June 30		For the Six Months Ended June 30	
		2019	2018	2019	2018
Sales	Parent entity	\$ 21,965	\$ 33	\$ 24,821	\$ 66
	Associates	<u>17,312</u>	<u>15,896</u>	<u>35,503</u>	<u>29,287</u>
		<u>\$ 39,277</u>	<u>\$ 15,929</u>	<u>\$ 60,324</u>	<u>\$ 29,353</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 June 30		For the Six Months Ended June 30	
	2019	2018	2019	2018
Parent entity	\$ 186,576	\$ 20,494	\$ 271,156	\$ 45,071
Associates	109,339	96,159	200,967	207,945
Other related parties	<u>38,816</u>	<u>27,122</u>	<u>66,364</u>	<u>53,658</u>
	<u>\$ 334,731</u>	<u>\$ 143,775</u>	<u>\$ 538,487</u>	<u>\$ 306,674</u>

The entities mentioned above provide sales, 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	June 30, 2019	December 31, 2018	June 30, 2018
Accounts receivable	Parent entity			
	TWM	\$ 10,318	\$ 346	\$ 1
	Associates			
	JS	1,405	4,447	6,120
	Others	<u>2,544</u>	<u>4,641</u>	<u>2,466</u>
		<u>3,949</u>	<u>9,088</u>	<u>8,586</u>
	Other related parties	<u>1,705</u>	<u>1,265</u>	<u>1,820</u>
		<u>\$ 15,972</u>	<u>\$ 10,699</u>	<u>\$ 10,407</u>
Other receivables	Parent entity	\$ 14,449	\$ 12,978	\$ 9,009
	Associates			
	TPE	113,716	112,956	102,347
	Others	<u>108</u>	<u>-</u>	<u>139</u>
		<u>113,824</u>	<u>112,956</u>	<u>102,486</u>
	Other related parties			
	TFCB	103,911	39,474	46,345
	Others	<u>-</u>	<u>-</u>	<u>191</u>
		<u>103,911</u>	<u>39,474</u>	<u>46,536</u>
		<u>\$ 232,184</u>	<u>\$ 165,408</u>	<u>\$ 158,031</u>

The outstanding trade receivables from related parties are unsecured. For the six months ended June 30, 2019 and 2018, no impairment losses were recognized for trade receivables from related parties.

e. Payables to related parties

Line Items	Related Party Categories	June 30, 2019	December 31, 2018	June 30, 2018
Accounts payable	Parent entity	\$ 55,902	\$ 3,009	\$ 984
	Associates	103,113	91,167	86,820
	Other related parties	<u>809</u>	<u>427</u>	<u>38,759</u>
		<u>\$ 159,824</u>	<u>\$ 94,603</u>	<u>\$ 126,563</u>
Other payables	Parent entity	\$ 9,441	\$ 9,097	\$ 7,261
	Associates	183	5	1
	Other related parties	<u>7,595</u>	<u>47,059</u>	<u>57,724</u>
		<u>\$ 17,219</u>	<u>\$ 56,161</u>	<u>\$ 64,986</u>

The outstanding trade payables from related parties are unsecured.

f. Bank deposits

Line Items	Related Party Categories/Name	June 30, 2019	December 31, 2018	June 30, 2018
Cash and cash equivalents	Other related parties			
	TFCB	\$ 355,698	\$ 294,567	\$ 463,052
	Others	<u>24,000</u>	<u>23,001</u>	<u>2,305</u>
		<u>\$ 379,698</u>	<u>\$ 317,568</u>	<u>\$ 465,357</u>
Other financial assets	Other related parties			
	TFCB	<u>\$ 11,479</u>	<u>\$ 11,438</u>	<u>\$ 10,483</u>

g. Prepayments

Related Party Categories/Name	June 30, 2019	December 31, 2018	June 30, 2018
Other related parties			
Fubon Ins.	\$ 13,583	\$ 6,953	\$ 11,868
Fubon Gymnasium	600	-	8,400
FSE	9,600	-	6,000
Others	<u>-</u>	<u>94</u>	<u>-</u>
	<u>\$ 23,783</u>	<u>\$ 7,047</u>	<u>\$ 26,268</u>

h. Acquisition of property, plant and equipment

Related Party Categories	Purchase Price			
	For the Three Months Ended		For the Six Months Ended	
	June 30		June 30	
	2019	2018	2019	2018
Other related parties	<u>\$ 2,150</u>	<u>\$ 1,257</u>	<u>\$ 2,150</u>	<u>\$ 19,736</u>

i. Lease arrangements

Acquisition of right-of-use assets

Related Party Category/Name	For the Three Months Ended June 30, 2019	For the Six Months Ended June 30, 2019
Other related parties		
Fubon Life	<u>\$ 46,453</u>	<u>\$ 46,453</u>

Line Items	Related Party Categories/Name	June 30, 2019
Lease liabilities	Parent entity	\$ 8,500
	Associates	4,735
	Other related parties	
	Fubon Life	<u>523,242</u>
		<u>\$ 536,477</u>

Related Party Categories/Name	For the Three Months Ended June 30, 2019	For the Six Months Ended June 30, 2019
<u>Interest expense</u>		
Parent entity	\$ 20	\$ 42
Associates	20	56
Other related parties		
Fubon Life	<u>1,167</u>	<u>2,294</u>
	<u>\$ 1,207</u>	<u>\$ 2,392</u>

j. Disposal of financial assets

For the six months ended June 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 reporting period, and the accumulated loss was \$11,816 thousand.

k. Others

1) Guarantee deposits

Related Party Categories/Name	June 30, 2019	December 31, 2018	June 30, 2018
Parent entity	\$ 735	\$ 750	\$ -
Associates	<u>5,718</u>	<u>5,714</u>	<u>5,747</u>
Other related parties			
Fubon Life	32,933	30,072	27,219
Others	<u>541</u>	<u>542</u>	<u>519</u>
	<u>33,474</u>	<u>30,614</u>	<u>27,738</u>
	<u>\$ 39,927</u>	<u>\$ 37,078</u>	<u>\$ 33,485</u>

2) Operating expenses

Related Party Categories/ Name	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	2018	2019	2018
Parent entity				
TWM	\$ 12,966	\$ 8,531	\$ 13,611	\$ 8,892
Associates	<u>1,310</u>	<u>1,151</u>	<u>2,603</u>	<u>2,657</u>
Other related parties				
Fubon Life	3,981	20,510	4,055	37,307
TFCB	31,128	27,356	46,264	54,266
TFN	2,751	3,248	2,751	3,248
Fubon Ins.	2,916	10,045	2,916	10,045
Others	<u>8,800</u>	<u>9,650</u>	<u>8,800</u>	<u>9,650</u>
	<u>49,576</u>	<u>70,809</u>	<u>64,786</u>	<u>114,516</u>
	<u>\$ 63,852</u>	<u>\$ 80,491</u>	<u>\$ 81,000</u>	<u>\$ 126,065</u>

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

l. Key management compensation

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	2018	2019	2018
Short-term employee benefits	\$ 9,606	\$ 11,131	\$ 21,438	\$ 21,236
Post-employment benefits	<u>472</u>	<u>1,805</u>	<u>911</u>	<u>3,660</u>
	<u>\$ 10,078</u>	<u>\$ 12,936</u>	<u>\$ 22,349</u>	<u>\$ 24,896</u>

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

30. ASSETS PLEDGED

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

	June 30, 2019	December 31, 2018	June 30, 2018
Other financial assets - current	\$ 69,223	\$ 68,128	\$ 65,076
Other financial assets - non-current	<u>55,962</u>	<u>18,578</u>	<u>17,653</u>
	<u>\$ 125,185</u>	<u>\$ 86,706</u>	<u>\$ 82,729</u>

31. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Group as of June 30, 2019, December 31, 2018 and June 30, 2018 were as follows:

- a. As of June 30, 2018, the amounts of guarantees for FGE were RMB15,000 thousand.
- b. 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 \$88,289 thousand, \$77,398 thousand and \$46,466 thousand as of June 30, 2019, December 31, 2018 and June 30, 2018, respectively; and electronic tickets of \$35,531 thousand, \$37,066 thousand and \$14,252 thousand as of June 30, 2019, December 31, 2018 and June 30, 2018, respectively.
- c. As of June 30, 2019, the Group's lease commitments, as a lessee, amounted to \$614,843 thousand after the balance sheet date.

32. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

June 30, 2019

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
RMB	\$ 18,762	4.52 (RMB:NTD)	\$ 84,804
USD	1,498	31.08 (USD:NTD)	<u>46,545</u>
			<u>\$ 131,349</u>

(Continued)

	Foreign Currencies	Exchange Rate	Carrying Amount
Non-monetary items			
Financial assets at fair value through other comprehensive income			
HKD	\$ 2,926	3.977 (HKD:NTD)	\$ 11,636
Investments accounted for using the equity method			
RMB	163,191	4.52 (RMB:NTD)	737,623
THB	122,918	1.017 (THB:NTD)	<u>124,946</u>
			<u>\$ 874,205</u>
<u>Financial liabilities</u>			
Monetary items			
USD	225	31.08 (USD:NTD)	\$ 6,981
GBP	37	39.45 (GBP:NTD)	<u>1,463</u>
			<u>\$ 8,444</u>
			(Concluded)

December 31, 2018

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
RMB	\$ 6,923	4.464 (RMB:NTD)	\$ 30,903
USD	1,848	30.79 (USD:NTD)	<u>56,915</u>
			<u>\$ 87,818</u>
Non-monetary items			
Financial assets at fair value through other comprehensive income			
HKD	2,576	3.93 (HKD:NTD)	\$ 10,125
Investments accounted for using the equity method			
RMB	171,713	4.464 (RMB:NTD)	766,529
THB	125,776	0.953 (THB:NTD)	<u>119,889</u>
			<u>\$ 896,543</u>
<u>Financial liabilities</u>			
Monetary items			
USD	561	30.79 (USD:NTD)	\$ 17,284
GBP	31	38.98 (GBP:NTD)	<u>1,189</u>
			<u>\$ 18,473</u>

June 30, 2018

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
RMB	\$ 10,668	4.614 (RMB:NTD)	\$ 49,223
USD	1,181	30.575 (USD:NTD)	<u>36,115</u>
			<u>\$ 85,338</u>
Non-monetary items			
Financial assets at fair value through other comprehensive income			
HKD	3,668	3.896 (HKD:NTD)	\$ 14,291
Investments accounted for using the equity method			
RMB	159,607	4.614 (RMB:NTD)	736,425
THB	127,131	0.924 (THB:NTD)	<u>117,431</u>
			<u>\$ 868,147</u>
<u>Financial liabilities</u>			
Monetary items			
USD	708	30.575 (USD:NTD)	<u>\$ 21,654</u>

(Concluded)

For the three months ended June 30, 2019 and 2018, realized and unrealized net foreign exchange gains (losses) were \$(769) thousand and \$823 thousand, respectively, and for the six months ended June 30, 2019 and 2018, realized and unrealized net foreign exchange gains were \$750 thousand and \$1,160 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.

33. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

- 1) Financing provided to others. (None)
- 2) Endorsements/guarantees provided. (None)
- 3) Marketable securities held (excluding investment in subsidiaries and associates). (Table 1)
- 4) Marketable securities acquired or disposed of at costs or prices of 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 2)
- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital. (None)

- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (Table 3)
 - 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (Table 4)
 - 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. (None)

34. SEGMENT INFORMATION

The Group has two reporting segments: Television and magazine department and internet department.

Other segments include FST - travel agent, FLI - life insurance agent, FPI - property insurance agent, Bebe Poshe - wholesale of cosmetics, Asian Crown (BVI) - investment, and Honest Development - investment; for the six months ended June 30, 2019 and 2018, 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 six months ended <u>June 30, 2019</u>					
Revenues					
Non-inter-company revenues	<u>\$ 3,169,551</u>	<u>\$ 20,316,268</u>	<u>\$ 76,954</u>	<u>\$ (11,715)</u>	<u>\$ 23,551,058</u>
Segment profits	<u>\$ 312,603</u>	<u>\$ 518,929</u>	<u>\$ 23,057</u>	<u>\$ (82)</u>	<u>\$ 854,507</u>
For the six months ended <u>June 30, 2018</u>					
Revenues					
Non-inter-company revenues	<u>\$ 3,438,652</u>	<u>\$ 16,325,520</u>	<u>\$ 52,431</u>	<u>\$ (2,442)</u>	<u>\$ 19,814,161</u>
Segment profits	<u>\$ 363,847</u>	<u>\$ 364,192</u>	<u>\$ (10,955)</u>	<u>\$ (28)</u>	<u>\$ 717,056</u>

TABLE 1

momo.com Inc. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
JUNE 30, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	June 30, 2019				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	\$ 85,444	-	\$ 85,444	
	<u>Stock</u> Media Asia Group Holdings Limited	-	Financial assets at fair value through other comprehensive income - current	43,668	11,636	2.04	11,636	
	We Can Medicines Co., Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	2,400	46,392	7.73	46,392	

TABLE 2

momo.com Inc. AND SUBSIDIARIES

**ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE SIX MONTHS ENDED JUNE 30, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Buyer	Property	Event Date	Transaction Amount	Payment Status	Counterparty	Relationship	Information on Previous Title Transfer If Counterparty Is A Related Party				Pricing Reference	Purpose of Acquisition	Other Terms
							Property Owner	Relationship	Transaction Date	Amount			
momo	Warehousing logistics	2019.05.23	\$ 390,073	\$6,600 will be paid monthly (tax excluded)	Infomedia Inc.,	-	-	-	-	\$ -	According to the professional appraisal report and market condition	Increase the logistics warehouse in response to the operational needs	-

TABLE 3

momo.com Inc. AND SUBSIDIARIES

**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE SIX MONTHS ENDED JUNE 30, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/ Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
momo	TPE TWM	Equity-method investee Ultimate parent entity	Purchase	\$ 200,967	1	Based on contract terms	-	-	\$ (103,113)	(2)	
			Purchase	271,156	1	Based on contract terms	-	-	(55,902)	(1)	

TABLE 4

momo.com Inc. AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% of THE PAID-IN CAPITAL

JUNE 30, 2019

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Related Party	Relationship	Ending Balance		Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Impairment Loss
						Amount	Actions Taken		
momo	TPE	Equity-method investee	Accounts receivable	\$ 104	3.88	\$ -	-	\$ -	\$ -
	TPE	Equity-method investee	Other receivables	113,716		-	-	113,716	-
	TFCB	Related party in substance	Other receivables	101,296		-	-	101,296	-

TABLE 5

momo.com Inc. AND SUBSIDIARIES

**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE SIX MONTHS ENDED JUNE 30, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Number	Company Name	Counterparty	Relationship (Note)	Transaction Details			% of Total Operating Revenues or Assets
				Account	Amount	Transaction Terms	
0	momo	FST	1	Other receivables	\$ 12,174	The terms of transaction are determined in accordance with mutual agreements or general business practices	0.10
		FGE	1	Accounts receivable	13,344	The terms of transaction are determined in accordance with mutual agreements or general business practices	0.11

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

TABLE 6**momo.com Inc. AND SUBSIDIARIES**

INFORMATION ON INVESTEEES
(EXCLUDING INFORMATION ON INVESTMENT IN MAINLAND CHINA)
FOR THE SIX MONTHS ENDED JUNE 30, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor	Investee	Location	Main Businesses and Products	Original Investment Amount		Balance as of June 30, 2019			Net Income (Loss) of the Investee	Investment Income (Loss)	Note
				June 30, 2019	December 31, 2018	Shares (Thousands)	% of Ownership	Carrying Value			
momo	FST	Taiwan	Travel agent	\$ 6,000	\$ 6,000	3,000	100.00	\$ 42,229	\$ 2,912	\$ 2,912	Note 3
	FLI	Taiwan	Life insurance agent	3,000	3,000	500	100.00	9,104	8	8	
	FPI	Taiwan	Property insurance agent	3,000	3,000	500	100.00	9,841	713	713	
	Asian Crown (BVI)	British Virgin Islands	Investment	885,285	885,285	9,735	81.99	43,573	1,717	1,408	
	TPE	Taiwan	Logistics industry	337,860	337,860	16,893	17.70	390,869	73,013	9,238	
	TVD Shopping	Thailand	Wholesale and retail sales	122,742	122,742	24,150	35.00	124,946	16,201	5,485	
				(THB 120,750)	(THB 120,750)						
	Honest Development	Samoa	Investment	670,448	670,448	21,778	100.00	814,248	11,337	11,337	
	Bebe Poshe	Taiwan	Wholesale of cosmetics	85,000	85,000	8,500	85.00	80,131	(3,053)	(2,595)	
Asian Crown (BVI)	Fortune Kingdom	Samoa	Investment	1,132,789	1,132,789	11,594	100.00	48,619	1,696	Note 2	
Fortune Kingdom	HK Fubon Multimedia	Hong Kong	Investment	1,132,789	1,132,789	11,594	100.00	48,619	1,696	Note 2	
Honest Development	HK Yue Numerous	Hong Kong	Investment	670,448	670,448	16,600	100.00	814,248	11,337	Note 2	

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

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

Note 3: The exchange rate on June 30, 2019 is THB1=NT\$1.017.

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

TABLE 7**momo.com Inc. AND SUBSIDIARIES****INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE SIX MONTHS ENDED JUNE 30, 2019****(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type (Note 1)	Accumulated Outflow of Investment from Taiwan as of January 1, 2019	Investment Flows		Accumulated Outflow of Investment from Taiwan as of June 30, 2019	Net Income (Loss) of Investee	% Ownership through Direct or Indirect Investment	Investment Income (Loss)	Carrying Value as of June 30, 2019	Accumulated Inward Remittance of Earnings as of June 30, 2019	Note
					Outflow	Inflow							
FGE	Wholesaling	\$ 350,300 (RMB 77,500)	b.	\$ 838,607 (USD 14,000) (RMB 89,267)	\$ -	\$ -	\$ 838,607 (USD 14,000) (RMB 89,267)	\$ 1,673	76.70	\$ 1,283	\$ 32,775	\$ -	
Haobo	Investment	49,720 (RMB 11,000)	b.	-	-	-	-	11,519	100.00	11,519	782,606	-	
GHS	Wholesaling	226,000 (RMB 50,000)	b.	-	-	-	-	89,612	20.00	11,044	737,623	-	

Accumulated Investment in Mainland China as of June 30, 2019	Investment Amounts Authorized by the Investment Commission, MOEA	Upper Limit on Investment Authorized by the Investment Commission, MOEA
\$1,508,886 (USD14,000, RMB89,267 and HKD168,539)	\$1,508,886 (USD14,000, RMB89,267 and HKD168,539)	\$3,404,763

Note 1: The investment types are as follows:

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

Note 2: The exchange rates on June 30, 2019 are USD1=NT\$31.08, RMB1=NT\$4.52, and HKD1=NT\$3.977.