

## **momo.com Inc. and Subsidiaries**

**Consolidated Financial Statements for the  
Nine Months Ended September 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 September 30, 2019 and 2018, and the consolidated statements of comprehensive income for the three months and nine months ended September 30, 2019 and 2018, and the consolidated statements of changes in equity and cash flows for the nine months ended September 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 September 30, 2019 and 2018, and of its consolidated financial performance for the three months and nine months ended September 30, 2019 and 2018, and its consolidated cash flows for the nine months ended September 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 Pei-De Chen.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

October 29, 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)**

	<b>September 30, 2019</b>		<b>December 31, 2018</b>		<b>September 30, 2018</b>	
	<b>(Reviewed)</b>		<b>(Audited)</b>		<b>(Reviewed)</b>	
<b>ASSETS</b>	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
<b>CURRENT ASSETS</b>						
Cash and cash equivalents (Notes 6 and 30)	\$ 5,988,898	35	\$ 2,924,449	24	\$ 1,837,286	17
Financial assets at fair value through profit or loss - current (Notes 7 and 30)	-	-	81,474	1	87,365	1
Financial assets at fair value through other comprehensive income - current (Note 8)	7,774	-	10,125	-	13,161	-
Accounts receivable, net (Note 9)	54,275	-	53,867	-	36,370	-
Accounts receivable from related parties (Note 30)	38,939	-	10,699	-	4,047	-
Other receivables, net (Note 9)	998,622	6	903,461	8	702,877	7
Other receivables from related parties (Note 30)	190,489	1	165,408	1	134,223	1
Current tax assets	61	-	54	-	68,033	1
Inventories (Note 10)	2,153,191	13	1,627,218	13	1,421,708	13
Prepayments (Note 30)	108,819	1	161,642	1	74,355	1
Other financial assets - current (Notes 11, 30 and 31)	127,497	1	110,816	1	110,629	1
Other current assets	11,760	-	14,269	-	13,955	-
Rights to recover products - current (Note 23)	86,106	1	104,767	1	72,878	1
Total current assets	9,766,431	58	6,168,249	50	4,576,887	43
<b>NON-CURRENT ASSETS</b>						
Financial assets at fair value through other comprehensive income - non-current (Note 8)	49,128	-	42,580	-	47,856	-
Investments accounted for using equity method (Note 13)	1,233,070	7	1,272,124	11	1,218,552	12
Property, plant and equipment (Notes 14 and 30)	4,349,024	25	4,477,398	37	4,508,834	42
Right-of-use assets (Notes 15 and 30)	1,152,963	7	-	-	-	-
Goodwill	26,664	-	26,664	-	26,664	-
Other intangible assets	87,376	1	101,733	1	103,122	1
Deferred tax assets	28,665	-	46,574	-	70,953	1
Prepayments for equipment (Note 32)	62,814	-	-	-	-	-
Refundable deposits (Note 30)	91,485	1	72,652	1	72,078	1
Other financial assets - non-current (Notes 11, 30 and 31)	95,962	1	18,578	-	18,225	-
Total non-current assets	7,177,151	42	6,058,303	50	6,066,284	57
<b>TOTAL</b>	<b>\$ 16,943,582</b>	<b>100</b>	<b>\$ 12,226,552</b>	<b>100</b>	<b>\$ 10,643,171</b>	<b>100</b>
<b>LIABILITIES AND EQUITY</b>						
<b>CURRENT LIABILITIES</b>						
Short-term loans (Notes 16 and 32)	\$ -	-	\$ -	-	\$ 60,773	-
Contract liabilities - current	23,170	-	114,417	1	83,871	1
Notes and accounts payable (Note 17)	7,749,280	46	4,474,923	37	3,399,729	32
Accounts payable to related parties (Note 30)	336,427	2	94,603	1	95,140	1
Other payables (Note 18)	591,796	4	478,025	4	415,546	4
Other payables to related parties (Note 30)	26,015	-	56,161	-	49,401	-
Current tax liabilities	193,349	1	4,915	-	2,134	-
Lease liabilities - current (Notes 15, 27 and 30)	342,010	2	-	-	-	-
Refundable liabilities - current (Note 23)	99,426	1	123,675	1	84,309	1
Other current liabilities (Note 19)	553,673	3	426,275	4	419,437	4
Total current liabilities	9,915,146	59	5,772,994	48	4,610,340	43
<b>NON-CURRENT LIABILITIES</b>						
Provisions - non-current	17,545	-	13,773	-	13,773	-
Deferred tax liabilities	5,606	-	5,649	-	6,525	-
Lease liabilities - non-current (Notes 15, 27 and 30)	816,498	5	-	-	-	-
Net defined benefit liabilities (Note 20)	1,438	-	2,473	-	2,575	-
Guarantee deposits (Note 21)	268,842	1	259,559	2	252,934	3
Total non-current liabilities	1,109,929	6	281,454	2	275,807	3
Total liabilities	11,025,075	65	6,054,448	50	4,886,147	46
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT (Note 22)</b>						
Common stock	1,400,585	8	1,400,585	11	1,420,585	14
Capital surplus	2,685,893	16	2,976,991	24	3,003,169	28
Retained earnings						
Legal reserve	803,491	5	706,713	6	706,713	7
Special reserve	167,894	1	266,327	2	266,327	3
Unappropriated earnings	1,004,430	6	967,781	8	897,840	8
Total retained earnings	1,975,815	12	1,940,821	16	1,870,880	18
Other equity	(165,016)	(1)	(167,894)	(1)	(162,751)	(2)
Treasury shares	-	-	-	-	(397,175)	(4)
Total equity attributable to owners of the Parent	5,897,277	35	6,150,503	50	5,734,708	54
<b>NON-CONTROLLING INTERESTS (Note 22)</b>	21,230	-	21,601	-	22,316	-
Total equity	5,918,507	35	6,172,104	50	5,757,024	54
<b>TOTAL</b>	<b>\$ 16,943,582</b>	<b>100</b>	<b>\$ 12,226,552</b>	<b>100</b>	<b>\$ 10,643,171</b>	<b>100</b>

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

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

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2019		2018		2019		2018	
	Amount	%	Amount	%	Amount	%	Amount	%
OPERATING REVENUES (Notes 23 and 30)	\$ 12,371,510	100	\$ 9,811,117	100	\$ 35,922,568	100	\$ 29,625,278	100
OPERATING COSTS (Notes 10, 20, 24 and 30)	<u>11,181,313</u>	<u>90</u>	<u>8,868,707</u>	<u>90</u>	<u>32,364,100</u>	<u>90</u>	<u>26,612,535</u>	<u>90</u>
GROSS PROFIT FROM OPERATIONS	<u>1,190,197</u>	<u>10</u>	<u>942,410</u>	<u>10</u>	<u>3,558,468</u>	<u>10</u>	<u>3,012,743</u>	<u>10</u>
OPERATING EXPENSES (Notes 9, 20, 24 and 30)								
Marketing expenses	428,142	3	327,890	3	1,212,875	3	999,498	3
Administrative expenses	433,308	4	365,705	4	1,221,974	4	1,047,955	4
Expected credit losses	<u>1,659</u>	<u>-</u>	<u>1,124</u>	<u>-</u>	<u>3,855</u>	<u>-</u>	<u>2,533</u>	<u>-</u>
Total operating expenses	<u>863,109</u>	<u>7</u>	<u>694,719</u>	<u>7</u>	<u>2,438,704</u>	<u>7</u>	<u>2,049,986</u>	<u>7</u>
NET OTHER INCOME AND EXPENSES	<u>4,614</u>	<u>-</u>	<u>2,977</u>	<u>-</u>	<u>16,952</u>	<u>-</u>	<u>8,700</u>	<u>-</u>
OPERATING INCOME	<u>331,702</u>	<u>3</u>	<u>250,668</u>	<u>3</u>	<u>1,136,716</u>	<u>3</u>	<u>971,457</u>	<u>3</u>
NON-OPERATING INCOME AND EXPENSES								
Other income (Note 24)	10,756	-	5,878	-	33,214	-	26,711	-
Other gains and losses, net (Notes 24 and 30)	(4,650)	-	(565)	-	70	-	(22,119)	-
Finance costs (Notes 24 and 30)	(2,582)	-	(872)	-	(6,034)	-	(2,605)	-
Share of profit or loss of associates accounted for using equity method (Note 13)	<u>5,858</u>	<u>-</u>	<u>4,704</u>	<u>-</u>	<u>31,625</u>	<u>-</u>	<u>3,425</u>	<u>-</u>
Total non-operating income and expenses	<u>9,382</u>	<u>-</u>	<u>9,145</u>	<u>-</u>	<u>58,875</u>	<u>-</u>	<u>5,412</u>	<u>-</u>
PROFIT BEFORE INCOME TAX	341,084	3	259,813	3	1,195,591	3	976,869	3
INCOME TAX EXPENSE (BENEFIT) (Note 25)	<u>74,069</u>	<u>1</u>	<u>(50,782)</u>	<u>-</u>	<u>221,078</u>	<u>-</u>	<u>(60,084)</u>	<u>-</u>
PROFIT	<u>267,015</u>	<u>2</u>	<u>310,595</u>	<u>3</u>	<u>974,513</u>	<u>3</u>	<u>1,036,953</u>	<u>3</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	(1,125)	-	(5,258)	-	4,197	-	(21,072)	-
Share of remeasurement of defined benefit plans of associates accounted for using equity method	268	-	-	-	268	-	67	-

(Continued)

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

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	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	\$ 31	-	\$ (3,065)	-	\$ 6,300	-	\$ (7,563)	-
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	(28,052)	-	(23,900)	-	(12,233)	-	(14,608)	-
Share of other comprehensive income (loss) of associates accounted for using equity method	5,765	-	2,269	-	4,359	-	(1,042)	-
Other comprehensive income (loss), net of tax	(23,113)	-	(29,954)	-	2,891	-	(43,965)	-
COMPREHENSIVE INCOME	<u>\$ 243,902</u>	<u>2</u>	<u>\$ 280,641</u>	<u>3</u>	<u>\$ 977,404</u>	<u>3</u>	<u>\$ 992,988</u>	<u>3</u>
PROFIT (LOSS) ATTRIBUTABLE TO:								
Owners of the Parent	\$ 267,178	2	\$ 311,837	3	\$ 974,717	3	\$ 1,041,153	3
Non-controlling interests	(163)	-	(1,242)	-	(204)	-	(4,200)	-
	<u>\$ 267,015</u>	<u>2</u>	<u>\$ 310,595</u>	<u>3</u>	<u>\$ 974,513</u>	<u>3</u>	<u>\$ 1,036,953</u>	<u>3</u>
COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:								
Owners of the Parent	\$ 244,435	2	\$ 281,623	3	\$ 977,863	3	\$ 997,035	3
Non-controlling interests	(533)	-	(982)	-	(459)	-	(4,047)	-
	<u>\$ 243,902</u>	<u>2</u>	<u>\$ 280,641</u>	<u>3</u>	<u>\$ 977,404</u>	<u>3</u>	<u>\$ 992,988</u>	<u>3</u>
EARNINGS PER SHARE (Note 26)								
Basic	<u>\$ 1.91</u>		<u>\$ 2.22</u>		<u>\$ 6.96</u>		<u>\$ 7.43</u>	
Diluted	<u>\$ 1.91</u>		<u>\$ 2.22</u>		<u>\$ 6.96</u>		<u>\$ 7.43</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											
	Common Stock	Capital Surplus	Retained Earnings			Exchange Differences on Translation	Other Equity		Treasury Shares	Total	Non-controlling Interests	Total Equity
			Legal Reserve	Special Reserve	Unappropriated Earnings		Unrealized Gain (Loss) on Financial Assets at Fair Value through Other Comprehensive Income	Unrealized Gain (Loss) on Available-for-sale Financial Assets				
BALANCE AT JANUARY 1, 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>(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 nine months ended September 30, 2018	-	-	-	-	1,041,153	-	-	-	-	1,041,153	(4,200)	1,036,953
Other comprehensive income (loss) for the nine months ended September 30, 2018	-	-	-	-	320	(15,803)	(28,635)	-	-	(44,118)	153	(43,965)
Total comprehensive income (loss) for the nine months ended September 30, 2018	-	-	-	-	<u>1,041,473</u>	<u>(15,803)</u>	<u>(28,635)</u>	-	-	<u>997,035</u>	<u>(4,047)</u>	<u>992,988</u>
Changes in ownership interests in subsidiaries	-	(22,986)	-	-	-	-	-	-	-	(22,986)	25,302	2,316
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	10,295	10,295
BALANCE AT SEPTEMBER 30, 2018	<u>\$ 1,420,585</u>	<u>\$ 3,003,169</u>	<u>\$ 706,713</u>	<u>\$ 266,327</u>	<u>\$ 897,840</u>	<u>\$ (64,726)</u>	<u>\$ (98,025)</u>	<u>\$ -</u>	<u>\$ (397,175)</u>	<u>\$ 5,734,708</u>	<u>\$ 22,316</u>	<u>\$ 5,757,024</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>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 nine months ended September 30, 2019	-	-	-	-	974,717	-	-	-	-	974,717	(204)	974,513
Other comprehensive income (loss) for the nine months ended September 30, 2019	-	-	-	-	268	(7,619)	10,497	-	-	3,146	(255)	2,891
Total comprehensive income (loss) for the nine months ended September 30, 2019	-	-	-	-	<u>974,985</u>	<u>(7,619)</u>	<u>10,497</u>	-	-	<u>977,863</u>	<u>(459)</u>	<u>977,404</u>
BALANCE AT SEPTEMBER 30, 2019	<u>\$ 1,400,585</u>	<u>\$ 2,685,893</u>	<u>\$ 803,491</u>	<u>\$ 167,894</u>	<u>\$ 1,004,430</u>	<u>\$ (70,105)</u>	<u>\$ (94,911)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,897,277</u>	<u>\$ 21,230</u>	<u>\$ 5,918,507</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)**

	<b>For the Nine Months Ended September 30</b>	
	<b>2019</b>	<b>2018</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before income tax	\$ 1,195,591	\$ 976,869
Adjustments:		
Depreciation expenses	444,638	195,584
Amortization expenses	41,352	36,936
Expected credit losses	3,855	2,533
(Gain) loss on financial assets at fair value through profit or loss, net	(3,390)	22,176
Finance costs	6,034	2,605
Interest income	(19,928)	(22,922)
Share of profit of associates accounted for using equity method	(31,625)	(3,425)
Loss on disposal of property, plant and equipment	7	-
Loss on foreign currency exchange, net	1,107	921
Others	2,678	(443)
Changes in operating assets and liabilities		
Financial assets at fair value through profit or loss	84,864	736,265
Accounts receivable	(1,288)	(12,510)
Accounts receivable from related parties	(28,240)	1,682
Other receivables	(98,353)	(1,375)
Other receivables from related parties	(25,040)	67,805
Inventories	(525,973)	(383,593)
Prepayments	52,019	(39,476)
Other current assets	2,509	4,929
Rights to recover products	18,661	22,899
Contract liabilities	14,942	33,896
Notes and accounts payable	3,274,357	(262,044)
Accounts payable to related parties	241,824	88,624
Other payables	91,052	(231,836)
Other payables to related parties	1,283	(93,951)
Refund liabilities	(24,249)	(33,245)
Other current liabilities	21,209	(25,033)
Net defined benefit liabilities	(1,035)	(1,032)
Cash generated from operations	4,738,861	1,082,839
Interest received	29	463
Income tax paid	(10,289)	(192,620)
Net cash generated from operating activities	<u>4,728,601</u>	<u>890,682</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of investments accounted for using equity method	-	(20,771)
Net cash flow from acquisition of subsidiaries	-	(2,925)
Repayment of capital reduction from associates	-	31,090
Acquisition of property, plant and equipment	(77,112)	(618,369)

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

## **CONSOLIDATED STATEMENTS OF CASH FLOWS**

**(In Thousands of New Taiwan Dollars)**

**(Reviewed, Not Audited)**

	<b>For the Nine Months Ended September 30</b>	
	<b>2019</b>	<b>2018</b>
Proceeds from disposal of property, plant and equipment	\$ 6	\$ -
Increase in refundable deposits	(22,388)	(16,707)
Decrease in refundable deposits	1,016	2,395
Acquisition of intangible assets	(26,023)	(52,063)
Increase in other financial assets	(124,530)	(68,554)
Decrease in other financial assets	28,979	25,503
Increase in prepayments for equipment	(62,814)	-
Interest received	19,594	22,417
Dividend received	<u>68,167</u>	<u>67,481</u>
Net cash used in investing activities	<u>(195,105)</u>	<u>(630,503)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Decrease in short-term loans	-	(9,522)
Repayments of long-term loans	-	(2,042)
Proceeds from guarantee deposits received	37,187	34,952
Refunds of guarantee deposits received	(27,904)	(26,036)
Repayment of the principal portion of lease liabilities	(211,159)	-
Cash dividends	(1,260,527)	(1,120,468)
Interest paid	(5,755)	(2,622)
Changes in non-controlling interests	<u>-</u>	<u>2,316</u>
Net cash used in financing activities	<u>(1,468,158)</u>	<u>(1,123,422)</u>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>	<u>(889)</u>	<u>(541)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	3,064,449	(863,784)
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<u>2,924,449</u>	<u>2,701,070</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<u>\$ 5,988,898</u>	<u>\$ 1,837,286</u>

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

(Concluded)

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

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise) (Reviewed, Not Audited)**

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### **1. ORGANIZATION AND OPERATIONS**

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

The consolidated financial statements by the Company as of and for the nine months ended September 30, 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 October 29, 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, 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 did 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. The IFRSs endorsed by the FSC for application starting from 2020

New IFRSs	Effective Date Announced by IASB
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020 (Note 1)
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020 (Note 2)

Note 1: 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 2: 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.

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

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 9, IAS 39 and IFRS 7 “Interest Rate Benchmark Reform”	January 1, 2020
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2021

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

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

#### **4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **a. Statement of compliance**

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

##### **b. Basis of preparation**

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

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

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an 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 an 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. Leases**

###### 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 expenses on a straight-line basis over the lease term.

#### e. Other significant accounting policies

Except for leases 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 estimation 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

	September 30, 2019	December 31, 2018	September 30, 2018
Cash on hand and revolving funds	\$ 16	\$ 17	\$ 39
Cash in banks	4,162,855	1,585,159	942,448
Time deposits	<u>1,826,027</u>	<u>1,339,273</u>	<u>894,799</u>
	<u>\$ 5,988,898</u>	<u>\$ 2,924,449</u>	<u>\$ 1,837,286</u>
The market rate intervals of time deposits	0.1%-1.1%	0.1%-2.7%	0.06%-2.2%

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

	September 30, 2019	December 31, 2018	September 30, 2018
<u>Current</u>			
Domestic beneficiary certificates	<u>\$ -</u>	<u>\$ 81,474</u>	<u>\$ 87,365</u>

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

## 8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

### Equity Instrument Investments

	September 30, 2019	December 31, 2018	September 30, 2018
<u>Current</u>			
Foreign unlisted stock	\$ <u>7,774</u>	\$ <u>10,125</u>	\$ <u>13,161</u>
<u>Non-current</u>			
Domestic unlisted stock	\$ <u>49,128</u>	\$ <u>42,580</u>	\$ <u>47,856</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 September 30, 2019, December 31, 2018 and September 30, 2018, the financial assets were not pledged.

## 9. ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

	September 30, 2019	December 31, 2018	September 30, 2018
<u>Accounts receivable</u>			
Measured at amortized cost			
Accounts receivable	\$ 56,788	\$ 55,729	\$ 37,935
Less: Allowance for impairment loss	<u>(2,513)</u>	<u>(1,862)</u>	<u>(1,565)</u>
Accounts receivable, net	\$ <u>54,275</u>	\$ <u>53,867</u>	\$ <u>36,370</u>
<u>Other receivables</u>			
Measured at amortized cost			
Other receivables	\$ 1,007,217	\$ 910,630	\$ 708,431
Less: Allowance for impairment loss	<u>(8,595)</u>	<u>(7,169)</u>	<u>(5,554)</u>
Other receivables, net	\$ <u>998,622</u>	\$ <u>903,461</u>	\$ <u>702,877</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.

September 30, 2019

	<b>Not Past Due</b>	<b>1 to 120 Days</b>	<b>121 to 365 Days</b>	<b>Over 365 Days</b>	<b>Total</b>
Gross carrying amount	\$ 1,019,071	\$ 25,940	\$ 13,177	\$ 5,817	\$ 1,064,005
Loss allowance (Lifetime ECL)	<u>(26)</u>	<u>(251)</u>	<u>(5,014)</u>	<u>(5,817)</u>	<u>(11,108)</u>
Amortized cost	<u>\$ 1,019,045</u>	<u>\$ 25,689</u>	<u>\$ 8,163</u>	<u>\$ -</u>	<u>\$ 1,052,897</u>

December 31, 2018

	<b>Not Past Due</b>	<b>1 to 120 Days</b>	<b>121 to 365 Days</b>	<b>Over 365 Days</b>	<b>Total</b>
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>

September 30, 2018

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

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

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

	<b>For the Nine Months Ended September 30</b>	
	<b>2019</b>	<b>2018</b>
Beginning balance	\$ 9,031	\$ 4,774
Add: Provision	3,855	2,533
Less: Write-off	<u>(1,778)</u>	<u>(188)</u>
Ending balance	<u>\$ 11,108</u>	<u>\$ 7,119</u>

## 10. INVENTORIES

	September 30, 2019	December 31, 2018	September 30, 2018
Merchandise	\$ 2,153,191	\$ 1,627,218	\$ 1,421,708

The cost of inventories recognized as cost of goods sold for the three months ended September 30, 2019 and for the nine months ended September 30, 2019 were \$10,377,704 thousand and \$30,003,538 thousand, respectively, which included inventory write-downs of \$1,474 thousand and \$24,767 thousand, respectively.

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

## 11. OTHER FINANCIAL ASSETS

	September 30, 2019	December 31, 2018	September 30, 2018
<u>Current</u>			
Pledged time deposits and restricted deposits	\$ 69,293	\$ 68,128	\$ 68,075
Time deposits with original maturities of more than 3 months	<u>58,204</u>	<u>42,688</u>	<u>42,554</u>
	<u>\$ 127,497</u>	<u>\$ 110,816</u>	<u>\$ 110,629</u>

### Non-current

Pledged time deposits and restricted deposits	<u>\$ 95,962</u>	<u>\$ 18,578</u>	<u>\$ 18,225</u>
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- 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 September 30, 2019, December 31, 2018 and September 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 31 for information relating to other financial assets pledged as security.

## 12. SUBSIDIARIES

### a. Subsidiaries included in the consolidated financial statements

Investor	Subsidiary	Main Business and Products	Percentage of Ownership		
			September 30, 2019	December 31, 2018	September 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	85.000
momo	Asian Crown International Co., Ltd. (Asian Crown (BVI))	Investment	81.990	81.990	81.990
Asian Crown (BVI)	Fortune Kingdom Corporation (Fortune Kingdom)	Investment	100.000	100.000	100.000
Fortune Kingdom	Hong Kong Fubon Multimedia Technology Co., Ltd. (HK Fubon Multimedia)	Investment	100.000	100.000	100.000
HK Fubon Multimedia	Fubon Gehua (Beijing) Enterprise Ltd. (FGE)	Wholesaling	93.548	93.548	93.548
momo	Honest Development Co, Ltd. (Honest Development)	Investment	100.000	100.000	100.000
Honest Development	Hongkong Yue Numerous Investment Co., Ltd. (HK Yue Numerous)	Investment	100.000	100.000	100.000
HK Yue Numerous	Haobo Information Consulting (Shenzhen) Co., Ltd. (Haobo)	Investment	100.000	100.000	100.000

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

## 13. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

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

Investee Company	September 30, 2019		December 31, 2018		September 30, 2018	
	Amount	% of Owner-ship	Amount	% of Owner-ship	Amount	% of Owner-ship
Global Home Shopping Co., Ltd. (GHS)	\$ 711,017	20.00	\$ 766,529	20.00	\$ 711,823	20.00
Taiwan Pelican Express Co., Ltd. (TPE)	397,662	17.70	385,706	17.70	382,731	17.70
TVD Shopping Co., Ltd. (TVD Shopping)	<u>124,391</u>	35.00	<u>119,889</u>	35.00	<u>123,998</u>	35.00
	<u>\$ 1,233,070</u>		<u>\$ 1,272,124</u>		<u>\$ 1,218,552</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	September 30, 2019	December 31, 2018	September 30, 2018
TPE	<u>\$ 456,956</u>	<u>\$ 369,112</u>	<u>\$ 414,723</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
<b>Cost</b>								
Balance, January 1, 2018	\$ 1,717,927	\$ 1,676,457	\$ 1,451,517	\$ 48,339	\$ 246,296	\$ 12,587	\$ 185,541	\$ 5,338,664
Additions	-	12,098	80,917	25,336	13,434	2,507	29,775	164,067
Disposals	-	-	(131,977)	(428)	-	(114)	-	(132,519)
Reclassification	-	78,212	33,631	24,626	-	46,971	(208,098)	(24,658)
Effect of exchange rate changes	-	-	(2,004)	(53)	(68)	(8)	-	(2,133)
Balance, September 30, 2018	<u>\$ 1,717,927</u>	<u>\$ 1,766,767</u>	<u>\$ 1,432,084</u>	<u>\$ 97,820</u>	<u>\$ 259,662</u>	<u>\$ 61,943</u>	<u>\$ 7,218</u>	<u>\$ 5,343,421</u>
<b>Accumulated depreciation and impairment</b>								
Balance, January 1, 2018	\$ -	\$ 6,219	\$ 636,067	\$ 25,802	\$ 101,098	\$ 4,152	\$ -	\$ 773,338
Depreciation	-	59,383	95,197	14,280	22,297	4,427	-	195,584
Disposals	-	-	(131,977)	(428)	-	(114)	-	(132,519)
Effect of exchange rate changes	-	-	(1,723)	(51)	(34)	(8)	-	(1,816)
Balance, September 30, 2018	<u>\$ -</u>	<u>\$ 65,602</u>	<u>\$ 597,564</u>	<u>\$ 39,603</u>	<u>\$ 123,361</u>	<u>\$ 8,457</u>	<u>\$ -</u>	<u>\$ 834,587</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, September 30, 2018	<u>\$ 1,717,927</u>	<u>\$ 1,701,165</u>	<u>\$ 834,520</u>	<u>\$ 58,217</u>	<u>\$ 136,301</u>	<u>\$ 53,486</u>	<u>\$ 7,218</u>	<u>\$ 4,508,834</u>
<b>Cost</b>								
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	46,297	10,858	16,317	10,187	10,294	95,069
Disposals	-	-	(71)	(556)	-	-	-	(627)
Reclassification	-	-	3,657	-	-	-	(6,710)	(3,053)
Effect of exchange rate changes	-	-	(1,915)	(50)	(66)	(7)	-	(2,038)
Balance, September 30, 2019	<u>\$ 1,717,927</u>	<u>\$ 1,769,264</u>	<u>\$ 1,503,700</u>	<u>\$ 111,826</u>	<u>\$ 278,711</u>	<u>\$ 72,107</u>	<u>\$ 18,623</u>	<u>\$ 5,472,158</u>
<b>Accumulated depreciation and impairment</b>								
Balance, January 1, 2019	\$ -	\$ 85,812	\$ 632,401	\$ 45,355	\$ 131,787	\$ 10,054	\$ -	\$ 905,409
Depreciation	-	60,808	108,638	17,901	27,504	5,359	-	220,210
Disposals	-	-	(68)	(546)	-	-	-	(614)
Effect of exchange rate changes	-	-	(1,768)	(48)	(48)	(7)	-	(1,871)
Balance, September 30, 2019	<u>\$ -</u>	<u>\$ 146,620</u>	<u>\$ 739,203</u>	<u>\$ 62,662</u>	<u>\$ 159,243</u>	<u>\$ 15,406</u>	<u>\$ -</u>	<u>\$ 1,123,134</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, September 30, 2019	<u>\$ 1,717,927</u>	<u>\$ 1,622,644</u>	<u>\$ 764,497</u>	<u>\$ 49,164</u>	<u>\$ 119,468</u>	<u>\$ 56,701</u>	<u>\$ 18,623</u>	<u>\$ 4,349,024</u>

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

## 15. LEASE ARRANGEMENTS

### a. Right-of-use assets - 2019

	<b>September 30, 2019</b>	
<u>Carrying amounts</u>		
Buildings		\$ 1,147,243
Office equipment		5,021
Transportation equipment		<u>699</u>
		<u>\$ 1,152,963</u>
	<b>For the Three Months Ended September 30, 2019</b>	<b>For the Nine Months Ended September 30, 2019</b>
Additions to right-of-use assets		<u>\$ 631,055</u>
Depreciation charge for right-of-use assets		
Buildings	\$ 90,941	\$ 222,313
Office equipment	549	1,585
Transportation equipment	<u>174</u>	<u>530</u>
	<u>\$ 91,664</u>	<u>\$ 224,428</u>

### b. Lease liabilities - 2019

	<b>September 30, 2019</b>
<u>Carrying amounts</u>	
Current	<u>\$ 342,010</u>
Non-current	<u>\$ 816,498</u>

Range of discount rate for lease liabilities was 0.82%-5.44%.

c. Material lease-in activities and terms

The Group leases buildings for the use of offices and warehouses 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

	<b>For the Three Months Ended September 30, 2019</b>	<b>For the Nine Months Ended September 30, 2019</b>
Expenses relating to short-term leases	<u>\$ 8,401</u>	<u>\$ 41,948</u>
Expenses relating to low-value asset leases	<u>\$ 284</u>	<u>\$ 946</u>
Expenses relating to variable lease payments not included in the measurement of lease liabilities	<u>\$ 20,462</u>	<u>\$ 59,583</u>
Total cash outflow for leases		<u>\$ (319,391)</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 \$29,455 thousand as of September 30, 2019.

2018

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

	<b>December 31, 2018</b>	<b>September 30, 2018</b>
Not later than 1 year	\$ 258,068	\$ 265,714
Later than 1 year and not later than 5 years	<u>530,956</u>	<u>568,534</u>
	<u>\$ 789,024</u>	<u>\$ 834,248</u>

## 16. SHORT-TERM LOANS

	<b>September 30, 2018</b>
Unsecured bank loans	<u>\$ 60,773</u>
Annual interest rate	5.44%

Refer to Note 29(d) for information relating on financial risk and Note 32 for information on endorsements and guarantees.

## 17. NOTES AND ACCOUNTS PAYABLE

	September 30, 2019	December 31, 2018	September 30, 2018
Notes payable	\$ <u>-</u>	\$ <u>1,889</u>	\$ <u>959</u>
Accounts payable Suppliers	\$ <u>7,749,280</u>	\$ <u>4,473,034</u>	\$ <u>3,398,770</u>

## 18. OTHER PAYABLES

	September 30, 2019	December 31, 2018	September 30, 2018
Other payables			
Payable for salaries and bonus	\$ 236,701	\$ 268,548	\$ 199,544
Payable for equipment and construction	27,935	11,681	23,674
Payable for business tax	1,880	54,122	15,646
Others	<u>325,280</u>	<u>143,674</u>	<u>176,682</u>
	\$ <u>591,796</u>	\$ <u>478,025</u>	\$ <u>415,546</u>

## 19. OTHER CURRENT LIABILITIES

	September 30, 2019	December 31, 2018	September 30, 2018
Collection about travelling merchandise	\$ 262,208	\$ 207,288	\$ 225,525
Other financial liabilities	106,189	-	-
Others	<u>185,276</u>	<u>218,987</u>	<u>193,912</u>
	\$ <u>553,673</u>	\$ <u>426,275</u>	\$ <u>419,437</u>

## 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 \$20,741 thousand and \$19,568 thousand for the three months ended September 30, 2019 and 2018, respectively, and \$59,820 thousand and \$56,558 thousand for the nine months ended September 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 \$11 thousand for the three months ended September 30, 2019 and 2018, respectively, and \$18 thousand and \$35 thousand for the nine months ended September 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

	September 30, 2019	December 31, 2018	September 30, 2018
Vendors	\$ 267,008	\$ 259,525	\$ 252,900
Decorations	<u>1,834</u>	<u>34</u>	<u>34</u>
	<u>\$ 268,842</u>	<u>\$ 259,559</u>	<u>\$ 252,934</u>

## 22. EQUITY

a. Capital stock

As of September 30, 2019, December 31, 2018 and September 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

	September 30, 2019	December 31, 2018	September 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	125,291
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>\$ 3,003,169</u>

Under the ROC 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:

	<b>Appropriation of Earnings</b>		<b>Dividends Per Share</b>	
	<b>For the Year Ended</b>		<b>(NT\$)</b>	
	<b>December 31</b>		<b>For the Year Ended</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
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

	<b>For the Nine Months Ended September 30</b>	
	<b>2019</b>	<b>2018</b>
Beginning balance	\$ (62,486)	\$ (48,923)
In respect of the current period		
Exchange differences arising on translation	(11,978)	(14,761)
Share of exchange differences of associates accounted for using the equity method	<u>4,359</u> <u>(7,619)</u>	<u>(1,042)</u> <u>(15,803)</u>
Ending balance	<u>\$ (70,105)</u>	<u>\$ (64,726)</u>

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

	<b>For the Nine Months Ended September 30</b>	
	<b>2019</b>	<b>2018</b>
Beginning balance	\$ (105,408)	\$ (69,390)
In respect of the current period		
Unrealized gain (loss) - equity instruments	4,197	(21,072)
Associates accounted for using equity method	<u>6,300</u> <u>10,497</u>	<u>(7,563)</u> <u>(28,635)</u>
Ending balance	<u>\$ (94,911)</u>	<u>\$ (98,025)</u>

e. Non-controlling interests

	<b>For the Nine Months Ended September 30</b>	
	<b>2019</b>	<b>2018</b>
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	(204)	(4,200)
Exchange differences arising on translation	(255)	153
Acquisition of non-controlling interests in subsidiaries	-	10,295
Changes in ownership interests in subsidiaries	-	22,986
Others	<u>-</u>	<u>2,316</u>
Ending balance	<u>\$ 21,230</u>	<u>\$ 22,316</u>

f. Treasury shares

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

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Sales revenue	\$ 12,215,828	\$ 9,665,333	\$ 35,399,350	\$ 29,169,911
Other operating revenues	<u>155,682</u>	<u>145,784</u>	<u>523,218</u>	<u>455,367</u>
	<u><u>\$ 12,371,510</u></u>	<u><u>\$ 9,811,117</u></u>	<u><u>\$ 35,922,568</u></u>	<u><u>\$ 29,625,278</u></u>

Please refer to Note 4(o) to the consolidated financial statements for the year ended December 31, 2018 and Note 35 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

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Interest income	\$ 5,824	\$ 4,508	\$ 19,928	\$ 22,922
Others	<u>4,932</u>	<u>1,370</u>	<u>13,286</u>	<u>3,789</u>
	<u><u>\$ 10,756</u></u>	<u><u>\$ 5,878</u></u>	<u><u>\$ 33,214</u></u>	<u><u>\$ 26,711</u></u>

b. Other gains and losses

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2019	2018	2019	2018
Gain (loss) on financial assets				
Financial assets at fair value				
through profit or loss	\$ (580)	\$ 538	\$ 3,390	\$ (22,176)
Loss on disposal of property,				
plant and equipment	(7)	-	(7)	-
Net foreign exchange gains				
(losses)	<u>(4,063)</u>	<u>(1,103)</u>	<u>(3,313)</u>	<u>57</u>
	<u>\$ (4,650)</u>	<u>\$ (565)</u>	<u>\$ 70</u>	<u>\$ (22,119)</u>

c. Finance costs

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2019	2018	2019	2018
Interest on bank loans	\$ -	\$ 872	\$ -	\$ 2,605
Interest on lease liabilities	2,574	-	6,025	-
Others	<u>8</u>	<u>-</u>	<u>9</u>	<u>-</u>
	<u>\$ 2,582</u>	<u>\$ 872</u>	<u>\$ 6,034</u>	<u>\$ 2,605</u>

d. Employee benefits expense, depreciation and amortization

Function Nature	For the Three Months Ended September 30, 2019			For the Three Months Ended September 30, 2018		
	Operating Costs	Operating Expenses	Total	Operating Costs	Operating Expenses	Total
Employee benefits expense						
Salary	\$ 159,159	\$ 246,077	\$ 405,236	\$ 138,036	\$ 217,440	\$ 355,476
Insurance expense	17,289	24,617	41,906	14,262	21,661	35,923
Post-employment benefits	8,309	12,438	20,747	7,100	12,479	19,579
Other employee benefits	10,440	19,215	29,655	8,592	11,620	20,212
Depreciation	130,847	35,528	166,375	58,261	10,053	68,314
Amortization	2,405	11,898	14,303	2,295	13,650	15,945

Function Nature	For the Nine Months Ended September 30, 2019			For the Nine Months Ended September 30, 2018		
	Operating Costs	Operating Expenses	Total	Operating Costs	Operating Expenses	Total
Employee benefits expense						
Salary	\$ 470,135	\$ 723,915	\$ 1,194,050	\$ 406,067	\$ 646,981	\$ 1,053,048
Insurance expense	49,760	71,967	121,727	40,810	63,671	104,481
Post-employment benefits	24,047	35,791	59,838	20,287	36,306	56,593
Other employee benefits	29,773	48,749	78,522	25,180	41,665	66,845
Depreciation	337,883	106,755	444,638	166,359	29,225	195,584
Amortization	7,021	34,331	41,352	5,885	31,051	36,936

According to momo's Articles, 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 September 30, 2019 and 2018, and for the nine months ended September 30, 2019 and 2018, the estimated employees' compensation and remuneration of directors were as follows:

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Employees' compensation	<u>\$ 337</u>	<u>\$ 260</u>	<u>\$ 1,191</u>	<u>\$ 978</u>
Remuneration of directors	<u>\$ 337</u>	<u>\$ 260</u>	<u>\$ 1,191</u>	<u>\$ 978</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:

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

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:

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Current tax				
In respect of the current period	\$ 75,653	\$ (31,991)	\$ 210,516	\$ 64,517
Adjustments for prior periods	<u>-</u>	<u>-</u>	<u>(18)</u>	<u>(74,742)</u>
	<u>75,653</u>	<u>(31,991)</u>	<u>210,498</u>	<u>(10,225)</u>
Deferred tax				
In respect of the current period	(1,584)	(18,791)	10,580	(47,586)
Adjustments to deferred tax attributable to changes in tax rate	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,273)</u>
	<u>(1,584)</u>	<u>(18,791)</u>	<u>10,580</u>	<u>(49,859)</u>
Income tax expense (benefit) recognized in profit or loss	<u>\$ 74,069</u>	<u>\$ (50,782)</u>	<u>\$ 221,078</u>	<u>\$ (60,084)</u>

For the nine months ended September 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

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
<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

	<u>For the Three Months Ended September 30</u>		<u>For the Nine Months Ended September 30</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Basic earnings per share	<u>\$ 1.91</u>	<u>\$ 2.22</u>	<u>\$ 6.96</u>	<u>\$ 7.43</u>
Diluted earnings per share	<u>\$ 1.91</u>	<u>\$ 2.22</u>	<u>\$ 6.96</u>	<u>\$ 7.43</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

	<u>For the Three Months Ended September 30</u>		<u>For the Nine Months Ended September 30</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Earnings used in the computation of basic and diluted earnings per share	<u>\$ 267,178</u>	<u>\$ 311,837</u>	<u>\$ 974,717</u>	<u>\$ 1,041,153</u>

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

	<u>For the Three Months Ended September 30</u>		<u>For the Nine Months Ended September 30</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
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>1</u>	<u>5</u>	<u>6</u>
Weighted average number of common stocks used in the computation of diluted earnings per share	<u>140,060</u>	<u>140,060</u>	<u>140,064</u>	<u>140,065</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. CASH FLOW INFORMATION

Changes in liabilities arising from financing activities:

For the nine months ended September 30, 2019

	Opening Balance	Cash Flows	Non-cash Changes		Closing Balance
			New Leases	Others	
Lease liabilities (including current and non-current portions)	\$ 743,571	\$ (216,914)	\$ 626,144	\$ 5,707	\$ 1,158,508

## 28. 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.

## 29. 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

September 30, 2019

	Level 1	Level 2	Level 3	Total
Financial assets at fair value through other comprehensive income				
Equity instrument investments				
Unlisted stock - foreign investments	\$ -	\$ 7,774	\$ -	\$ 7,774
Unlisted stock - domestic investments	-	-	49,128	49,128
	<u>\$ -</u>	<u>\$ 7,774</u>	<u>\$ 49,128</u>	<u>\$ 56,902</u>



December 31, 2018

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
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>

September 30, 2018

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

	<b>For the Nine Months Ended September 30</b>	
	<b>2019</b>	<b>2018</b>
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>6,548</u>	<u>(5,964)</u>
Ending balance	<u>\$ 49,128</u>	<u>\$ 47,856</u>

c. Categories of financial instruments

	<b>September 30, 2019</b>	<b>December 31, 2018</b>	<b>September 30, 2018</b>
<u>Financial assets</u>			
Financial assets at fair value through profit or loss			
Mandatorily at fair value through profit or loss	\$ -	\$ 81,474	\$ 87,365
Financial assets at fair value through other comprehensive income			
Equity instrument investments	56,902	52,705	61,017
Financial assets at amortized cost (Note 1)	<u>7,586,167</u>	<u>4,259,930</u>	<u>2,915,735</u>
	<u>\$ 7,643,069</u>	<u>\$ 4,394,109</u>	<u>\$ 3,064,117</u>

Financial liabilities

Financial liabilities at amortized cost (Note 2)	<u>\$ 9,078,549</u>	<u>\$ 5,363,271</u>	<u>\$ 4,273,523</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, other financial liabilities and guarantee deposits.

d. Financial risk management objectives and policies

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

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

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

2) Risk management framework

a) Decision-making mechanism:

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

b) Risk management policies:

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

c) Monitoring mechanism:

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

3) Credit risk

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

4) Liquidity risk

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

The Group manages and maintains sufficient capital to ensure the requirements of paying estimated operating expenditures, including financial obligations on each contract. The Group also monitors its bank credit facilities to ensure that the provisions of loan contracts are all complied with properly. As of September 30, 2019, December 31, 2018 and September 30, 2018, the Group had unused bank facilities of \$748,102 thousand, \$751,158 thousand and \$666,491 thousand, respectively.

The following table details the Group's remaining contractual maturities 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.

September 30, 2019

	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>	<b>1-5 Years</b>	<b>5+ Years</b>
<u>Non-derivative financial liabilities</u>					
Lease liabilities	\$ 29,872	\$ 60,698	\$ 261,103	\$ 826,124	\$ -

September 30, 2018

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

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 33.

#### Sensitivity analysis

The Group was mainly exposed to the USD, EUR, 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:

	<b>For the Nine Months Ended September 30</b>	
	<b>2019</b>	<b>2018</b>
Appreciated 5%	\$ (3,981)	\$ (2,460)
Depreciated 5%	\$ 3,981	\$ 2,460

#### 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:

	<b>September 30, 2019</b>	<b>December 31, 2018</b>	<b>September 30, 2018</b>
Fair value interest rate risk			
Financial assets	\$ 2,026,109	\$ 1,445,288	\$ 1,000,629
Financial liabilities	1,158,508	-	-
Cash flow interest rate risk			
Financial assets	4,185,586	1,605,450	907,295
Financial liabilities	-	-	60,773

#### Sensitivity analysis

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

If interest rates had been 50 basis points higher or lower and all other variables were held constant, the Group's profit for the nine months ended September 30, 2019 and 2018 would increase or decrease by \$15,696 thousand and \$3,174 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 nine months ended September 30, 2018 would have increased or decreased by \$4,368 thousand, as a result of the changes in fair value of financial assets at FVTPL, and the post-tax other comprehensive income for the nine months ended September 30, 2019 and 2018 would have increased or decreased by \$2,845 thousand and \$3,051 thousand, respectively, as a result of the changes in fair value of financial assets at FVTOCI.

### 30. TRANSACTIONS WITH RELATED PARTIES

momo's parent is Wealth Media Technology Co., Ltd. (WMT), which held 45.01% of common stocks of momo as of September 30, 2019, December 31, 2018 and September 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 Zhiquan Trading Co., Ltd. (GHS-ZQ)	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 Financial Holding Co., Ltd. (FFH)	Related party in substance
Fubon Cultural & Educational Foundation (FCEF)	Related party in substance

(Continued)

<b>Related Party Name</b>	<b>Related Party Categories</b>
Fubon Hospitality Management Co., Ltd. (FHM)	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
	(Concluded)

b. Operating revenues

<b>Line Items</b>	<b>Related Party Categories</b>	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
		<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Sales	Parent entity	\$ 52,850	\$ 50	\$ 77,671	\$ 116
	Associates	<u>10,934</u>	<u>10,480</u>	<u>46,437</u>	<u>39,767</u>
		<u>\$ 63,784</u>	<u>\$ 10,530</u>	<u>\$ 124,108</u>	<u>\$ 39,883</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

<b>Related Party Categories</b>	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Parent entity	\$ 295,880	\$ 24,194	\$ 567,036	\$ 69,265
Associates	190,881	97,646	391,848	305,591
Other related parties	<u>23,272</u>	<u>26,905</u>	<u>89,636</u>	<u>80,563</u>
	<u>\$ 510,033</u>	<u>\$ 148,745</u>	<u>\$ 1,048,520</u>	<u>\$ 455,419</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	September 30, 2019	December 31, 2018	September 30, 2018
Accounts receivable	Parent entity			
	TWM	\$ 26,186	\$ 346	\$ 14
	Associates	10,275	9,088	2,767
	Other related parties	<u>2,478</u>	<u>1,265</u>	<u>1,266</u>
		<u>\$ 38,939</u>	<u>\$ 10,699</u>	<u>\$ 4,047</u>
Other receivables	Parent entity	<u>\$ 16,011</u>	<u>\$ 12,978</u>	<u>\$ 10,056</u>
	Associates			
	TPE	109,081	112,956	93,045
	Others	<u>10</u>	<u>-</u>	<u>68</u>
		<u>109,091</u>	<u>112,956</u>	<u>93,113</u>
	Other related parties	<u>65,387</u>	<u>39,474</u>	<u>31,054</u>
		<u>\$ 190,489</u>	<u>\$ 165,408</u>	<u>\$ 134,223</u>

The outstanding trade receivables from related parties are unsecured. For the nine months ended September 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	September 30, 2019	December 31, 2018	September 30, 2018
Accounts payable	Parent entity	\$ 223,290	\$ 3,009	\$ 11,183
	Associates	111,406	91,167	83,187
	Other related parties	<u>1,731</u>	<u>427</u>	<u>770</u>
		<u>\$ 336,427</u>	<u>\$ 94,603</u>	<u>\$ 95,140</u>
Other payables	Parent entity	\$ 13,288	\$ 9,097	\$ 8,032
	Associates	428	5	2
	Other related parties	<u>12,299</u>	<u>47,059</u>	<u>41,367</u>
		<u>\$ 26,015</u>	<u>\$ 56,161</u>	<u>\$ 49,401</u>

The outstanding trade payables from related parties are unsecured.

f. Bank deposits

Line Items	Related Party Categories/Name	September 30, 2019	December 31, 2018	September 30, 2018
Cash and cash equivalents	Other related parties			
	TFCB	\$ 3,858,856	\$ 294,567	\$ 345,712
	Others	<u>16,864</u>	<u>23,001</u>	<u>89,461</u>
		<u>\$ 3,875,720</u>	<u>\$ 317,568</u>	<u>\$ 435,173</u>
Other financial assets	Other related parties	<u>\$ 11,470</u>	<u>\$ 11,438</u>	<u>\$ 11,057</u>



g. Prepayments

<b>Related Party Categories</b>	<b>September 30, 2019</b>	<b>December 31, 2018</b>	<b>September 30, 2018</b>
Parent entity	\$ -	\$ -	\$ 7
Associates	321	-	1,091
Other related parties	<u>13,175</u>	<u>7,047</u>	<u>13,290</u>
	<u>\$ 13,496</u>	<u>\$ 7,047</u>	<u>\$ 14,388</u>

h. Acquisition of property, plant and equipment

<b>Related Party Categories</b>	<b>Purchase Price</b>			
	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Other related parties	<u>\$ 1,404</u>	<u>\$ 848</u>	<u>\$ 3,554</u>	<u>\$ 20,584</u>

i. Lease arrangements

Acquisition of right-of-use assets

<b>Related Party Categories</b>	<b>For the Three Months Ended September 30, 2019</b>	<b>For the Nine Months Ended September 30, 2019</b>
Other related parties	<u>\$ -</u>	<u>\$ 46,453</u>

<b>Line Items</b>	<b>Related Party Categories/Name</b>	<b>September 30, 2019</b>
Lease liabilities	Parent entity	\$ 7,446
	Other related parties	
	Fubon Life	<u>491,410</u>
		<u>\$ 498,856</u>

<b>Related Party Categories/Name</b>	<b>For the Three Months Ended September 30, 2019</b>	<b>For the Nine Months Ended September 30, 2019</b>
<u>Interest expense</u>		
Parent entity	\$ 17	\$ 59
Associates	5	61
Other related parties		
Fubon Life	<u>1,102</u>	<u>3,396</u>
	<u>\$ 1,124</u>	<u>\$ 3,516</u>

j. Disposal of financial assets

For the three months ended September 30, 2019

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>\$ 84,864</u>

For the nine months ended September 30, 2019

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>\$ 84,864</u>

The Group recognized gain on financial assets at fair value through profit or loss of \$3,390 thousand for the three months ended September 30, 2019 and for the nine months ended September 30, 2019, and the accumulated loss was \$15,136 thousand.

For the nine months ended September 30, 2018

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

The Group recognized loss on financial assets at fair value through profit or loss of \$2,249 thousand for the nine months ended September 30, 2018, and the accumulated loss was \$11,816 thousand.

k. Others

1) Refundable deposits

Related Party Categories/Name	September 30, 2019	December 31, 2018	September 30, 2018
Parent entity	<u>\$ 737</u>	<u>\$ 750</u>	<u>\$ 750</u>
Associates	<u>5,691</u>	<u>5,714</u>	<u>5,711</u>
Other related parties			
Fubon Life	33,017	30,072	30,072
Others	<u>541</u>	<u>542</u>	<u>542</u>
	<u>33,558</u>	<u>30,614</u>	<u>30,614</u>
	<u>\$ 39,986</u>	<u>\$ 37,078</u>	<u>\$ 37,075</u>

2) Operating expenses

Related Party Categories/ Name	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2019	2018	2019	2018
Parent entity				
TWM	\$ 10,739	\$ 5,469	\$ 24,350	\$ 14,361
Associates	<u>2,625</u>	<u>1,634</u>	<u>5,228</u>	<u>4,291</u>
Other related parties				
Fubon Life	2,140	19,478	6,195	56,785
TFCB	29,316	18,051	75,580	72,317
TFN	1,445	1,606	4,196	4,854
Fubon Ins.	1,430	5,000	4,346	15,045
FPM	10,365	9,964	10,365	9,964
Others	<u>7,634</u>	<u>8,745</u>	<u>16,434</u>	<u>18,395</u>
	<u>52,330</u>	<u>62,844</u>	<u>117,116</u>	<u>177,360</u>
	<u>\$ 65,694</u>	<u>\$ 69,947</u>	<u>\$ 146,694</u>	<u>\$ 196,012</u>

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

1. Key management compensation

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2019	2018	2019	2018
Short-term employee benefits	\$ 11,103	\$ 10,071	\$ 32,541	\$ 31,307
Post-employment benefits	<u>475</u>	<u>1,744</u>	<u>1,386</u>	<u>5,404</u>
	<u>\$ 11,578</u>	<u>\$ 11,815</u>	<u>\$ 33,927</u>	<u>\$ 36,711</u>

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

### 31. ASSETS PLEDGED

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

	September 30, 2019	December 31, 2018	September 30, 2018
Other financial assets - current	\$ 69,293	\$ 68,128	\$ 68,075
Other financial assets - non-current	<u>95,962</u>	<u>18,578</u>	<u>18,225</u>
	<u>\$ 165,255</u>	<u>\$ 86,706</u>	<u>\$ 86,300</u>

### 32. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Group at September 30, 2019 was as follows:

- a. 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 \$112,968 thousand as of September 30, 2019, and electronic tickets of \$33,854 thousand as of September 30, 2019.
- b. As of September 30, 2019, the Group's lease commitments, as a lessee, amounted to \$294,382 thousand after the balance sheet date.
- c. Due to the business development needs, in July 2019, momo's Board of Directors resolved the land procurement for the logistics warehouse. The total amount of contract was 628,143 thousand. As of September 30, 2019, contract amounts not yet paid for the land was \$565,329 thousand.

### 33. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

September 30, 2019

	<b>Foreign Currencies</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial assets</u>			
Monetary items			
RMB	\$ 17,139	4.356 (RMB:NTD)	\$ 74,655
USD	1,094	31.02 (USD:NTD)	33,933
EUR	43	33.87 (EUR:NTD)	<u>1,449</u>
			<u>\$ 110,037</u>
Non-monetary items			
Financial assets at fair value through other comprehensive income			
HKD	1,965	3.956 (HKD:NTD)	\$ 7,774
Investments accounted for using equity method			
RMB	163,227	4.356 (RMB:NTD)	711,017
THB	121,892	1.021 (THB:NTD)	<u>124,391</u>
			<u>\$ 843,182</u>
<u>Financial liabilities</u>			
Monetary items			
USD	839	31.02 (USD:NTD)	\$ 26,026
EUR	85	33.87 (EUR:NTD)	2,865
GBP	40	38.1 (GBP:NTD)	<u>1,526</u>
			<u>\$ 30,417</u>

December 31, 2018

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

Financial liabilities

Monetary items			
USD	561	30.79 (USD:NTD)	\$ 17,284
GBP	31	38.98 (GBP:NTD)	<u>1,189</u>
			<u>\$ 18,473</u>

September 30, 2018

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

(Continued)

	<b>Foreign Currencies</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial liabilities</u>			
Monetary items			
USD	\$ 814	30.59 (USD:NTD)	\$ <u>24,894</u> (Concluded)

For the three months ended September 30, 2019 and 2018, realized and unrealized net foreign exchange gains (losses) were \$(4,063) thousand and \$(1,103) thousand, respectively, and for the nine months ended September 30, 2019 and 2018, realized and unrealized net foreign exchange gains (losses) were \$(3,313) thousand and \$57 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.

### 34. 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)

### 35. SEGMENT INFORMATION

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

Other segments include FST - travel agent, FLI - life insurance agent, FPI - property insurance agent, Bebe Poshe - wholesale of cosmetics, Asian Crown (BVI) - investment, and Honest Development - investment; for the nine months ended September 30, 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:

	<b>TV and Magazine</b>	<b>Internet</b>	<b>Others</b>	<b>Adjustments and Eliminations</b>	<b>Total</b>
<u>For the nine months ended September 30, 2019</u>					
Revenues					
Non-inter-company revenues	\$ 4,586,575	\$ 31,228,092	\$ 141,945	\$ (34,044)	\$ 35,922,568
Segment profits	\$ 425,490	\$ 744,912	\$ 25,470	\$ (281)	\$ 1,195,591
<u>For the nine months ended September 30, 2018</u>					
Revenues					
Non-inter-company revenues	\$ 4,892,929	\$ 24,663,312	\$ 72,883	\$ (3,846)	\$ 29,625,278
Segment profits	\$ 459,290	\$ 532,334	\$ (14,747)	\$ (8)	\$ 976,869

**TABLE 1**

**momo.com Inc. AND SUBSIDIARIES**

**MARKETABLE SECURITIES HELD**  
**SEPTEMBER 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	September 30, 2019				Note
				Units/Shares (Thousands)	Carrying Value	Percentage of Ownership	Fair Value	
momo	<u>Stock</u> Media Asia Group Holdings Limited	-	Financial assets at fair value through other comprehensive income - current	43,668	\$ 7,774	2.04	\$ 7,774	
	We Can Medicines Co., Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	2,400	49,128	7.73	49,128	



**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 NINE MONTHS ENDED SEPTEMBER 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	Land	2019.07.31	\$ 628,143	\$62,814 has been paid, the remaining payment is paid according to the contract	YiJinn Industrial Co., Ltd	-	-	-	-	\$ -	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 NINE MONTHS ENDED SEPTEMBER 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	\$ 391,848	1	Based on contract terms	-	-	\$ (111,406)	(1)	
			Purchase	567,036	2	Based on contract terms	-	-	(223,290)	(3)	

**TABLE 4**

**momo.com Inc. AND SUBSIDIARIES**

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

**SEPTEMBER 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	\$ 99	3.50	\$ -	-	\$ -	\$ -
	TPE	Equity-method investee	Other receivables	109,081		-	-	109,081	-

**TABLE 5**

**momo.com Inc. AND SUBSIDIARIES**

**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS  
FOR THE NINE MONTHS ENDED SEPTEMBER 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	\$ 17,515	The terms of transaction are determined in accordance with mutual agreements or general business practices	0.10
		FGE	1	Accounts receivable	20,580	The terms of transaction are determined in accordance with mutual agreements or general business practices	0.12
		FGE	1	Sales revenue	19,672	The terms of transaction are determined in accordance with mutual agreements or general business practices	0.05
1	Bebe Poshe	momo	2	Sales revenue	13,023	The terms of transaction are determined in accordance with mutual agreements or general business practices	0.04

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

No. 2 represents the transactions from subsidiary to parent company.

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

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

Investor	Investee	Location	Main Businesses and Products	Original Investment Amount		Balance as of September 30, 2019			Net Income (Loss) of the Investee	Investment Income (Loss)	Note
				September 30, 2019	December 31, 2018	Shares (Thousands)	% of Ownership	Carrying Value			
momo	FST	Taiwan	Travel agent	\$ 6,000	\$ 6,000	3,000	100.00	\$ 44,810	\$ 5,493	\$ 5,493	Note 3
	FLI	Taiwan	Life insurance agent	3,000	3,000	500	100.00	8,876	(220)	(220)	
	FPI	Taiwan	Property insurance agent	3,000	3,000	500	100.00	10,027	900	900	
	Asian Crown (BVI)	British Virgin Islands	Investment	885,285	885,285	9,735	81.99	43,456	3,059	2,508	
	TPE	Taiwan	Logistics industry	337,860	337,860	16,893	17.70	397,662	121,877	16,126	
	TVD Shopping	Thailand	Wholesale and retail sales	123,225	123,225	24,150	35.00	124,391	29,198	10,032	
				(THB 120,750)	(THB 120,750)						
	Honest Development	Samoa	Investment	670,448	670,448	21,778	100.00	781,927	46	46	
	Bebe Poshe	Taiwan	Wholesale of cosmetics	85,000	85,000	8,500	85.00	77,319	(6,361)	(5,407)	
Asian Crown (BVI)	Fortune Kingdom	Samoa	Investment	1,132,789	1,132,789	11,594	100.00	48,462	3,024	Note 2	
Fortune Kingdom	HK Fubon Multimedia	Hong Kong	Investment	1,132,789	1,132,789	11,594	100.00	48,462	3,024	Note 2	
Honest Development	HK Yue Numerous	Hong Kong	Investment	670,448	670,448	16,600	100.00	781,927	46	Note 2	

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

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

Note 3: The exchange rate on September 30, 2019 is THB1=NT\$1.021.

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 NINE MONTHS ENDED SEPTEMBER 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 September 30, 2019	Net Income (Loss) of Investee	% Ownership through Direct or Indirect Investment	Investment Income (Loss)	Carrying Value as of September 30, 2019	Accumulated Inward Remittance of Earnings as of September 30, 2019	Note
					Outflow	Inflow							
FGE	Wholesaling	\$ 337,590 (RMB 77,500)	b.	\$ 823,127 (USD 14,000) (RMB 89,267)	\$ -	\$ -	\$ 823,127 (USD 14,000) (RMB 89,267)	\$ 3,088	76.70	\$ 2,368	\$ 32,642	\$ -	
Haobo	Investment	47,916 (RMB 11,000)	b.	-	-	-	-	4,426	100.00	4,426	754,483	-	
GHS	Wholesaling	217,800 (RMB 50,000)	b.	-	-	-	-	107,147	20.00	5,467	711,017	-	

Accumulated Investment in Mainland China as of September 30, 2019	Investment Amounts Authorized by the Investment Commission, MOEA	Upper Limit on Investment Authorized by the Investment Commission, MOEA
\$1,489,867 (USD14,000, RMB89,267 and HKD168,539)	\$1,489,867 (USD14,000, RMB89,267 and HKD168,539)	\$3,551,104

Note 1: The investment types are as follows:

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

Note 2: The exchange rates on September 30, 2019 are USD1=NT\$31.02, RMB1=NT\$4.356, and HKD1=NT\$3.956.