



**momo.com Inc.**

# 2015 Annual Report

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**Overseas Securities Exchange**

None

**Corporate Website**

<http://www.fmt.com.tw>

Disclaimer

*Please note that this English annual report is not a word-for-word translation of the Chinese version.  
In the event of any variance, the Chinese text shall prevail*

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## I. Letter to Shareholders

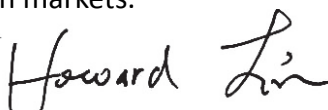
As a leading brand in Taiwan's virtual retail channels, momo.com Inc. operates E-commerce portals of "momoshop.com.tw" and "momomall.com.tw", three TV shopping channels, and also catalogues. momo offers consumers inexpensive, quality products through diverse shopping experiences 24 hours a day, every day of the year, while managing our operations with core philosophy of integrity, professionalism, and continued innovation.

The groundbreaking ceremony for momo's logistics center in Taoyuan was held in December 2015. The construction is expected to be completed before year-end 2016, with trial operations to take place during the first quarter of 2017. The logistics center aims to enhance momo's customer service by providing quality and efficient services. The 2015 annual consolidated revenue was nearly NT \$25.64 billion, an increase of more than 7% YoY and net profit after tax was NT \$1.061 billion. Online shopping, the most rapidly developing channel, accounted for more than 60% of the total revenue. In the future, momo will look to sustain the momentum of its market share gains in the Taiwan retail market and to diversify its operations overseas, while setting the standard for companies with aspiration for future growth in the industry.

The company's major accomplishments in 2015 are listed below:

- (I) Expanding E-Commerce channels: The revenue of the momoshop and momomall in 2015 totaled NT\$ 17.224 billion, an increase of 15% YoY. In respect to mobile shopping, the total number of downloads for momo's three mobile apps reached nearly 2 million downloads, benefitting from improving user interface and increasing product offerings.
- (II) Plans for overseas expansion: Fubon Gehua (Beijing) Trading Co., Ltd. was established in May 2011 and a JV with TVD Shopping Co., Ltd. was established in Thailand in March 2014. In addition, investments were made in Beijing Global Guoguang Media Technology Co., Ltd. in June 2015. As a Taiwanese business, momo aims to provide the best service to domestic customers. By expanding operations overseas, momo can leverage the strength of its suppliers and collaborate with suppliers to expand operations overseas.
- (III) Strengthening logistics services: In 2014, the company purchased 82,580 square meters (24,980 píng) of land for approximately NT \$1.7 billion in Taoyuan, anticipating the need to expand logistic service capabilities as businesses increased. The automated logistics center can reduce overall transportation costs and vastly improve delivery efficiency through automated and centralized storage management systems. It will aid in supporting momo's operation and future expansion needs.

Looking forward into 2016, in addition to the existing overseas operations, momo will actively seek additional collaborative opportunities in other Southeast Asian countries. We hope to duplicate momo's successful experience in Taiwan and provide the best virtual shopping experience to customers in other Southeast Asian markets.

Chairman 

## II. Company Profile

**Date of Incorporation:** 09 27, 2004

### Company History

Year	Milestones
Sept. 2004	Company incorporated. Named Howard Lin as Chairman and C.F. Lin as President
Nov. 2004	Officially named home shopping channel “Fubon momo TV”. The digital filming studios, with initial investment of ~NT\$100mn were officially opened. Chairman Wan-Tsai Tsai, Founder of the Fubon Group, presided over the opening ceremony
Dec. 2004	Set up subsidiary Fu Sheng Travel Service Co., Ltd. In order to promote travel products.
Jan. 2005	“Fubon momo TV” started broadcasting 24-hour home shopping programs to ~3.9 million households.
May 2005	Launched momoshop. First shopping catalog distributed.
Dec. 2005	Reached single-month break-even. Set up subsidiary Fuli Life Insurance Agent Co., Ltd. in order to promote life insurance products.
Jan. 2006	Set up subsidiary Fuli Property Insurance Agent Co., Ltd. in order to promote property insurance products,
Jan. 2008	Established the physical channel—momo opened its first drug store in Ximending (Taipei City).
July 2008	Launched momo TV2 and TV3. Capital increased out of earnings of NT\$ 180,000,000 to NT\$ 630,000,000.
Oct. 2008	Board of Director approved the issuance of employee stock option certificates of 2,020,000 shares.
Jun. 2009	Capital increased out of earnings of NT\$ 189,000,000 to NT\$ 819,000,000.
Nov. 2009	Momoshop became one of the top 3 shopping websites.
Dec. 2009	Passed the ISO 27001 certification audit, the first virtual retailer to pass Cybersecurity audita.
Jan. 2010	Opened momo Department Store.
Apr. 2010	Momo shopping catalog’s circulation reached 1 million; became the leading shopping catalogue in Taiwan.
Jun. 2010	Capital increased of NT\$ 327,600,000, from earnings to NT\$ 1,146,600,000.
Sept. 2010	In order to invest business in China, set up holding company ASIAN CROWN INTERNATIONAL CO., LTD. in the British Virgin Islands, invested and established FORTUNE KINGDOM CORPORATION in American Samoa, and then invested and established HONG KONG FUBON MULTIMEDIA TECHNOLOGY CO., LIMITED in Hong Kong.
Dec. 2010	Granted 745,000 shares employee stock option certificates
May. 2011	Fubon Gehua (Beijing) Enterprise Ltd., Chinese subsidiary, was founded.
July. 2011	Major shareholder Fubon Financial Holding Venture Capital Corp. sold its 58,857,000 shares to Wealth Media Technology Co., Ltd., with the ultimate controlling parent company of momo is now Taiwan Mobile.
Dec. 2011	Granted 830,000 shares. Of employee stock option certificates.
July. 2012	Ranked in the top 5 by CommonWealth Magazine’s Golden Service Award–Internet Shopping. Capital increased out of earnings of NT\$ 116,235,000 to NT\$ 1,278,585,000.
Aug. 2012	Acquired 20% stake in Taiwan Pelican Express Co., Ltd.

Dec. 2012	Momoshop's single-month sales reached NT\$ 1 billion.
Jun. 2013	Awarded 1st Place in Digital Service Benchmark Enterprise–Media and Entertainment by Business Next.
	Winner of “Technological Innovative Awards of E-Commerce Enterprises” by MOEA
July. 2013	Awarded “Excellent enterprise of improving E-invoice” by Ministry of Finance for the third consecutive year.
	Launched momomall's official Line account
Sept. 2013	Management of momo Department Store transferred.
Nov. 2013	Awarded “Gold Award in Online Shopping Platforms” by MOEA.
Dec. 2013	Momo TV's digital HD filming studio officially opened.
	The Financial Supervisory Commission approved the public offering of shares of the company.
Feb. 2014	TPEX approved the company's stock to start trading on the Emerging Market Board.
Mar. 2014	Founded a joint venture “TVD SHOPPING CO., LTD.” with TV Direct in Thailand.
Apr. 2014	4th Place in Commonwealth Magazine's Golden Service Award–Internet Shopping Center.
May 2014	Renamed company to momo.com Inc., approved in shareholders' meeting.
	Launched mobile app for momoshop.com.
Jun. 2014	Awarded 1st place in “Media and Entertainment Category, Digital Service Investigation” by Business Next.
	Awarded the Silver Prize in “Taiwanese Services Evaluation” by Commercial Times.
	Launched TVD SHOP home shopping in Thailand.
	Launched TVD SHOP home shopping in Thailand.
July. 2014	Launched momomall.com.
	Management of momo Drug Store transferred.
Aug. 2014	Launched official account for momomall.
Sept. 2014	10 year anniversary of momo.
Oct. 2014	5th place in Commonwealth Magazine's Best Reputation Benchmarking Enterprise–E-commerce.
	Launched official app for momo TV Shopping.
Dec. 2014	Momo's shares were listed on TWSE.
May. 2015	Awarded 1st place in Taiwan's Top 2000: Service Industry Survey–E-Commerce by Commonwealth Magazine.
	Awarded 4th place in Golden Service Award–Internet Shopping Center by Commonwealth Magazine.
Jun. 2015	Acquired 20% stake in “Global Home Shopping”, a Chinese home shopping company.
	Presented with Distinguished Award in Future Commerce Award–Best Integrated Communication by Business Next.
	Awarded E-Commerce Information Security Contribution Award.
Dec. 2015	Groundbreaking ceremony of the Northern Logistics Center in Taoyuan.



## Divisional Scope of Responsibilities

Division		Scope of responsibilities
Internal Audit Office		<ol style="list-style-type: none"> <li>1. Execution of the internal audit of momo and the respective subsidiary companies</li> <li>2. Inspection and assessment of the execution of internal control in this company and the respective subsidiary companies</li> <li>3. Supervision and review of the self-inspection procedures of internal control in this company and the respective subsidiary companies</li> </ol>
International Business Division		<ol style="list-style-type: none"> <li>1. International market expansion and overseas operations' management</li> <li>2. Establish a network of international business operations and cross-border trades</li> </ol>
Broadcasting Division	Live Production Dept.	<ul style="list-style-type: none"> <li>• Program planning, production, and visual management of TV home shopping channels</li> </ul>
	Engineering Dept.	<ol style="list-style-type: none"> <li>1. The production, engineering planning, and management of live programming</li> <li>2. Planning, management, and execution of the enhancement of equipment technology and resources</li> <li>3. Execution and management of program broadcast and transmission</li> <li>4. Providing supports to program engineering technology and the execution of program post-production technology</li> </ol>
	Video Production Dept.	<ol style="list-style-type: none"> <li>1. Corporate branding and image</li> <li>2. Marketing of holidays and promotional events</li> <li>3. The production of prerecorded TV programming</li> </ol>
TV Merchandise Division	Garment Dept. Boutiques Dept. Cosmetic Dept. Appliances and Electronics Dept. LOHAS Dept.	<ol style="list-style-type: none"> <li>1. Introduction of TV channel suppliers</li> <li>2. Development and product planning for various product categories</li> <li>3. Product launches and sales management of TV Home Shopping channels</li> </ol>
	Operations Management Dept.	<ol style="list-style-type: none"> <li>1. Management of pre-recorded programming</li> <li>2. Management of administration, marketing, and sales targets of TV home shopping channel</li> </ol>
Web & Catalogue Division	EC Home&Tools First Dept. EC Home&Tools Second Dept. EC Consumer Electronics&Home Appliances Dept. EC Healthcare&Food Dept. EC Beauty&Cosmetic Dept. EC Fashion&Boutiques Dept.	<ol style="list-style-type: none"> <li>1. Management of Internet channel suppliers and product development</li> <li>2. Management of business performance and staff performance</li> <li>3. Management of online products</li> </ol>
	EC Marketing Dept.	<ol style="list-style-type: none"> <li>1. Brand management of Internet channels</li> <li>2. Operations of Internal and external promotions</li> <li>3. Management of membership and customer relationship</li> </ol>
	EC Operations Dept.	<ol style="list-style-type: none"> <li>1. Planning of online UI/UX and innovative mechanisms</li> <li>2. Production of EDM and design of respective graphic and website visual effects</li> <li>3. Planning and maintenance of backend systems</li> <li>4. Management of suppliers and supplier contracts</li> <li>5. Cross-border e-commerce collaboration and expansion of new business models</li> </ol>
	Momomall Dept.	<ol style="list-style-type: none"> <li>1. Supplier and product management for momomall.com</li> <li>2. Management of business and staff performances</li> <li>3. Supplier recruitment and assistance</li> </ol>
	Catalogue Dept.	<ol style="list-style-type: none"> <li>1. Management of product catalogue publication</li> <li>2. Control of catalogue publication cost</li> <li>3. Management of performance and staff efficiency</li> </ol>
	Quality Management Dept.	<ol style="list-style-type: none"> <li>1. Sample inspection and management</li> <li>2. Product inspection and management</li> <li>3. Price inquiry and market research</li> </ol>
	Supporting Service Dept.	<ol style="list-style-type: none"> <li>1. Management of supplier contract and product info</li> <li>2. Control of purchase order and return; assistance in problem solving</li> <li>3. Educational training and counselling/complaints/negotiations for suppliers</li> <li>4. Integration and optimization of supplier system and</li> </ol>



Division		Scope of responsibilities
		promotion/control/improvement of SOP 5. Execution and procedures of purchase orders 6. Consolidation of sourcing demands across various channels and organization of administrative functions
	Logistics Dept.	1. Product storage/inspection/shelving management 2. Management and tracking of inventory purchases 3. Management of product inventory 4. Management of product delivery 5. Analysis and management of product order/shipment
Financial & Accounting Division	Finance Dept.	1. Evaluation and execution of investment 2. Financial and cash management 3. Receivable/Payment operations
	Accounting Dept.	1. Preparation of financial statements 2. Management of financial accounts Tax filing
	Operation Analysis Dept.	1. Preparation and analysis of management accounting reports 2. Preparation of annual budget 3. Planning and organization of shareholder services
	Billing Management Dept.	1. Management of supplier accounts 2. Accounting services to clients 3. Cost accounting
	Investor Relations	1. Establish and maintenance communication protocols with domestic and foreign investor relations 2. Planning and organization of institutional investor visits and conferences 3. Analysis of relevant competitor information
Information Technology Division	System Engineering Dept.	• Installation and maintenance of communication networks, management of information machine rooms and Internet equipment, and providing the basic service of personal computers and telephone
	Web Application Dept.	• Development and maintenance of the programs for momoshop, momomall, mofun, mobile app programs and relevant backend management systems; webpage design and UI planning
	TV Application Dept.	• Program development and maintenance for supplier management system
	Research and Maintenance Dept.	• Data analysis and project planning; authority control of operational systems; maintenance of online search engine, recommendation mechanisms, and business intelligence (BI) reporting systems; program QC and schedule management.
Customer Service Center	Business Operations and Strategy	1. Educational training and monitoring of SOP 2. Supervision on program broadcast and management of product knowledge 3. Projection and scheduling of tele-traffic 4. System integration and installation planning 5. Preparation of management reports
	Customer Relationship Management	1. Contact with external parties and operations 2. Contact with suppliers 3. Outbound calls for operation support 4. Management of major customer complaints (including personal visits) 5. Customer service for online momoshop
	Customer Service Taichung Branch	1. Order confirmation services 2. Transaction process inquiry services 3. Product return or exchange
	Customer Service Taipei Branch	4. Management of customer complaints 5. Outbound calls
Cable & Media Dept.		• Contracts for broadcasting on advertising channels of cable TVs (system operators); planning and management of signal transmission contract

Division	Scope of responsibilities
Marketing Communications Dept.	<ol style="list-style-type: none"> <li>1. Maintenance and brand management for media relations</li> <li>2. Crisis management and handling of major customer complaints</li> <li>3. Maintenance Fubon Group relations</li> <li>4. Membership management and analysis/customer satisfaction survey</li> </ol>
Human Resources Dept.	<ol style="list-style-type: none"> <li>1. Utilization and integration of human resources; plans and execution of wages and benefits; educational training and employee development; labor relations and negotiations.</li> <li>2. Procure and manage of equipment and supplies, repair management; work safety and hygiene management, management of official company seals, management of official document and mail delivery; management of vehicles usage, maintenance of environment and other relevant operations.</li> </ol>
Legal Office	<ol style="list-style-type: none"> <li>1. Draft and review contracts</li> <li>2. Provide legal opinion and explanation of applicable laws and regulations</li> <li>3. Mitigate consumer complaints and litigation cases</li> <li>4. Clarification of training regulation for employees and suppliers</li> </ol>
Service Excellence Dept.	<ol style="list-style-type: none"> <li>1. Establish the company's service indexes</li> <li>2. Cultivate a service culture and service training.</li> <li>3. Simplify and revise internal work processes</li> </ol>

## ii.Board of Directors and Executive Management

### Board of Directors

As of Feb. 21, 2016																		
Title	Nationality/ Country of Origin	Name	Date Elected (Note1)	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience ( Education )	Other Position	Executives or Directors who are spouses or within two degrees of kinship		
						Shares	% (Note2)	Shares	% (Note2)	Shares	%	Shares	%			Title	Name	Relation
	ROC	Wealth Media Technology Co. Ltd.	2014.2.14	3	2011.7.29	64,742,205	50.64%	63,047,205	44.38%	-	-	-	-	-	-	-	-	-
Chairman														1. Chairman of momo.com 2. Chief Investment Officer, Fubon Financial Holding Co., Ltd. 3. Vice Chairman, Fubon Financial Holding Venture Capital Corp. 4 Vice Chairman, Fubon Life Insurance Co., Ltd. 5. Director, Fu Sheng Travel Service Co., Ltd. 6. Director, FORTUNE KINGDOM CORPORATION 7. Director, ASIAN CROWN INTERNATIONAL CO.LTD. 8. Director, Hong Kong Fubon Multimedia Technology Co., Limited 9. Director, Taiwan Mobile Co., Ltd. 10.Director, Fubon Asset Management Co., Ltd.				
	ROC	Wealth Media Technology Co. Ltd. Representative: Howard Lin.	2014.2.14	3	2011.7.29	2,710,136	2.12%	2,710,136	1.91%	-	-	-	-	1. PhD in Chemical Engineering, National Taiwan University 2. Director, Technical & Development Dept., Grand Pacific Petrochemical Corp. 3. President, Fubon Asset Management Co., Ltd. 4. Senior Vice President, Fubon Financial Holding Co., Ltd.				
	ROC	Wealth Media Technology Co. Ltd.	2014.2.14	3	2011.7.29	64,742,205	50.64%	63,047,205	44.38%	-	-	-	-	-	-	-	-	-
Director														1. Director and President, Taiwan Mobile Co., Ltd. 2. Director, Taipei New Horizon Co., Ltd. 3. Director and President, Taiwan Cellular Co., Ltd. 4. Director and President, Wealth Media Technology Co., Ltd. 5. Chairman, Taiwan Teleservices & Technologies Co., Ltd. 6. Chairman, Globalview Cable TV Co., Ltd. 7. Chairman, Yeong Jia Leih Cable TV Co., Ltd. 8. Chairman, Union Cable TV Co., Ltd. 9. Chairman, Phoenix Cable TV Co., Ltd. 10. Chairman and President, TWM Communications (Beijing) Co., Ltd. 11. Director and President, Taiwan Fixed Network Co., Ltd. 12. Board of Director and President, Tai Lian Wang Investment Co., Ltd 13. Director and President, TFN Media Co., Ltd. 14. Chairman, Win TV Broadcasting Co., Ltd. 15. Chairman, Taiwan Kuro Times Co., Ltd. 16. Chairman and President, Taiwan Digital Service Co., Ltd. 17. Director, TWM HOLDING CO., LTD. 18. Director, TFN HK LTD 19. Chairman and President, Fu Tan Xia Media				
	ROC	Wealth Media Technology Co. Ltd. Representative: James Jeng	2014.2.14	3	2014.1.6	-	-	-	-	-	-	-	-	1. PhD and MS in Electrical and Computer Engineering, New York State University 2. BS in Electrical Engineering, National Cheng Kung University 3. Member of Technical Staff, AT&T Bell Labs, USA 4. Executive Vice President, United Fiber Optic Communication Inc. 5. CEO, Asia Pacific Telecom Group 6. CEO, Asia Pacific Broadband and Wireless Communications Inc. 7. CEO, Asia Pacific Broadband Telecom Co., Ltd. 8. President, Asia Pacific Online 9. President, TFN Media Co., Ltd. 10. Chief Technology Officer and Chief Operating Officer of Home Business Group, Taiwan Mobile Co., Ltd. 11 Chairman and CEO, Kbro Co., Ltd.				

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						Shares	% (Note2)	Shares	% (Note2)	Shares	%	Shares	%			Title	Name	Relation
Director															Technology Co., Ltd. 20. Chairman and President, Fu Shu Lin Media Technology Co., Ltd. 21. Chairman and President, Taiwan Digital Communications Co., Ltd. 22. Director and President, Tai Xing Investment Co., Ltd. 23. Director and President, Tai Gu Venture Capital Co., Ltd. 24. Director, Taiwan Mobile Foundation. 25. Director, Taipei New Horizon Foundation.			
	ROC	Wealth Media Technology Co. Ltd. Representative: C.F. Lin	2014.2.14	3	2011.7.29	588,588	0.46%	624,588	0.44%					1. Master of Science, Baker University 2. President, Fubon Direct Marketing Consulting Co., Ltd. 3. Executive Vice President, Taipei Fubon Commercial Bank Co., Ltd. 4. President, Fubon Direct Marketing Consulting Co., Ltd. 5. Supervisor, Full Property Insurance Agent Co., Ltd.	1. President of this company 2. Chairman, Fubon Gehua (Beijing) Enterprise Ltd. 3. Chairman, Fu Sheng Travel Service Co., Ltd. 4. Supervisor, Full Property Insurance Agent Co., Ltd. 5. Chairman, Full Life Insurance Agent Co., Ltd. 6. Director, Hong Kong Fubon Multimedia Technology Co., Limited 7. Director, FORTUNE KINGDOM CORPORATION 8. Director, ASIAN CROWN INTERNATIONAL CO.LTD. 9. Director, TVD SHOPPING CO., LTD. 10. Director, Beijing Global Guoguang Media Technology Co., Ltd. 11. Director, Hongkong Yue Numerous Investment Co. Limited 12. Chairman, Haobo Information Consulting(Shenzhen) Co., Ltd. 13. Director, Honest Development Co., Ltd.	-	-	-
	ROC	Wealth Media Technology Co. Ltd. Representative: Jerry Kao	2014.2.14	3	2011.7.29	132,000	0.10%	155,000	0.11%	133,496	0.09%			1.BBA in Banking and Finance, Tamkang University 2. Chairman, Fubon Gehua (Beijing) Enterprise Ltd. 3. Chairman, Full Life Insurance Agent Co., Ltd.	1. Senior Vice President of this company 2. Chairman, Full Property Insurance Agent Co., Ltd. 3. Director, Fubon Gehua (Beijing) Enterprise Ltd. 4. Director, Taiwan Pelican Express Co., Ltd. 5. Supervisor, Fu Sheng Travel Service Co., Ltd. 6. Director, Hong Kong Fubon Multimedia Technology Co., Limited 7. Director, FORTUNE KINGDOM CORPORATION 8. Director, ASIAN CROWN INTERNATIONAL CO.LTD. 9. Director, TVD SHOPPING CO., LTD. 10. President, Haobo Information Consulting (Shenzhen) Co., Ltd. 11. Director, Honest Development Co., Ltd. 12. Director, Hongkong Yue Numerous Investment Co. Limited	-	-	-

Title	Nationality/ Country of Origin	Name	Date Elected (Note1)	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience ( Education )	Other Position	Executives or Directors who are spouses or within two degrees of kinship		
						Shares	% (Note2)	Shares	% (Note2)	Shares	%	Shares	%			Title	Name	Relation
Director	ROC	TECO CAPITAL INVESTMENT CO., LTD.	2014.2.14	3	2006.6.30	16,324,000	12.77%	15,715,000	11.06%	-	-	-	-	-	-	-	-	-
Director	ROC	TECO CAPITAL INVESTMENT CO., LTD. Representative: Mao-Hsiung Huang	2014.2.14	3	2009.5.20	-	-	-	-	-	-	-	-	1.MBA, Wharton School, University of Pennsylvania 2. Chairman, TECO Electric and Machinery Co., Ltd.	1. Director, Managing Director, Tung Pei Industrial Co., Ltd. 2. Chairman, Royal Host Taiwan, Co., Ltd. 3. Chairman, E-Joy Electronics International Co., Ltd. 4. Chairman, TECO Tour Travel Service Co., Ltd. 5. Chairman, An-Shin Food Services Co., Ltd. 6. Director, TG TECO Vacuum Insulated Glass Corp. 7. Chairman, TECO International Investment Co., Ltd. 8. Chairman, Tong-An Investment Co., Ltd. 9. Chairman, Tong-An Asset Development Management Co., Ltd. 10. Director, TECNOS International Consultant Co., Ltd. 11. Chairman, An Tai International Investment Co., Ltd. 12. Chairman, Century Development Corporation 13. Chairman, Shi Hua Development Co., Ltd. 14. Director, Taiwan Pelican Express Co., Ltd. 15. Director, Taiwan High Speed Rail Corporation 16. Director, Ericsson Taiwan Ltd. 17. Director, Kun Gi Venture Capital. 18. Director, Atetsu International Inc. 19. Director, Shin-Etsu Handotai Taiwan Co., Ltd. 20. Director, E&E Recycling Inc. 21. Independent director, Inotera Memories Inc. 22. Director, Indec Taiwan Co., Ltd. 23. Director, Mos Food Industry Corp. 24. Director, Qingdao TECO Innovative Technology Co., Ltd. 25. Director, Qingdao TECO Century Advanced High- Tech Mechatronics Co., Ltd. 26. Director, Qingdao JZ Property Management Co., Ltd. 27. Director, Nanchang TECO Electric & Machinery Co., Ltd. 28. Director, An Tai Innovative Technology (Xiamen) Co., Ltd. 29. Director, Beijing Pelican Express Co., Ltd. 30. Director, TECO-Westinghouse Motor Company (TWMCO) 31. Chairman, TECO Australia Pty Limited (TAC) 32. Director, TECMA INFORMATION SYSTEMS SDN. BHD. 33. Director, TAIAN (Malaysia) Electric Sdn. Bhd 34. Chairman, TECO ELEKTRIK TURKEY A.S. 35. Director, Tecocapital Investment Co., Ltd. 36. Director, TECOCAPITAL INVESTMENT (SAMOA) Co., Ltd. 37. Director, TECOM GLOBAL TECH INVESTMENT PTE LTD.	-	-	-

Title	Nationality/ Country of Origin	Name	Date Elected (Note1)	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience ( Education )	Other Position	Executives or Directors who are spouses or within two degrees of kinship		
						Shares	% (Note2)	Shares	% (Note2)	Shares	%	Shares	%			Title	Name	Relation
Director	ROC	TECO CAPITAL INVESTMENT CO., LTD. Representative: Mao-Hsiung Huang	2014.2.14	3	2009.5.20	-	-	-	-	-	-	-	-	1.MBA, Wharton School, University of Pennsylvania 2. Chairman, TECO Electric and Machinery Co., Ltd.	38. Director, TECOM GLOBAL TECH INVESTMENT (B.V.) LTD. 39. Director, An-Shin Food Services (Singapore) Pte.Ltd. 40. Chairman, MOS Burger Australia Pty Ltd 41. Director, Xiamen MOS Restaurant Management Co., Ltd.	-	-	-
Director	Korea	WOORI HOME SHOPPING CO., LTD.	2014.2.14	3	2004.8.19	14,014,000	10.96%	14,014,000	9.86%	-	-	-	-	-	-	-	-	-
	Korea	WOORI HOME SHOPPING CO., LTD Representative: KIM, IN HO	2014.2.14	3	2012.5.1	-	-	-	-	-	-	-	-	1.Kyung Hee University English Language 2.Korea University MBA 3.Lotte Group, Overseas investment	WOORI HOME SHOPPING CO., LTD. : Director of Strategy Planning & International Business	-	-	-
Independent Director	ROC	CHEN,HONG- SO	2014.2.14	3	2014.2.14	-	-	-	-	-	-	-	-	1.EMBA, National Taiwan University 2. Department of Transportation Engineering and Management, National Chiao Tung University 3. CEO/President, BACO International., Ltd./Systex Corporation 4. President in China region/Vice President of Sales in North Asia region, Yahoo 5. Chief Operation Officer, Yahoo Kimo 6. Business Marketing Skills Support Manager and President, IBM, Microsoft, Motorola, Oracle, Novell Corporation 7. Corporate Director, E-Life Mall Corporation 8. Independent Director, Sercomm Corporation 9. Independent Director, Genetics Generation Advancement Corp. (GGA Corp.)	1. Chairman, Guoshi Partners Co., Ltd. 2. Independent director, Yageo Corporation 3. Independent director, Spirox Corporation 4. Independent director, Giant Manufacturing Co., Ltd.	-	-	-
Independent Director	ROC	Shikuan Chen	2014.2.14	3	2014.2.14	-	-	-	-	-	-	-	-	1.Ph.D. in Economics, Yale University 2. Professor, College of Management, National Taiwan University	1. Independent director, Guoshi Partners Co., Ltd. 2. Supervisor, Yageo Corporation 3. Independent director, Spirox Corporation 4. Independent director, Giant Manufacturing Co., Ltd.	-	-	-
Independent Director	ROC	Brian Y. Hsieh	2014.2.14	3	2014.2.14	-	-	-	-	-	-	-	-	1.J.S.D., School of Law, Stanford University 2. Bachelor of Laws, College of Law, National Taiwan University 3. Adjunct Professor, College of Management, National Taiwan University	Independent director, Yulon Motor Co., Ltd.	-	-	-

Note1: The board of directors and independent directors listed above were elected on February 14, 2014. The structure was revised as an audit committee.

Note2: Shareholding ratio = number of shares ÷ actual number of issued shares (142,058,500 shares, including treasury shares of 2,000,000 shares).

## 1. Major shareholders of the institutional shareholders

As of Feb. 21, 2016

Name of Institutional Shareholders	Major Shareholders
Wealth Media Technology Co., Ltd.	Taiwan Mobile Co., Ltd. (100.00%)
Tong-An Investment Co., Ltd.	TECO ELECTRIC & MACHINERY CO., LTD. (99.60%)
WOORI HOME SHOPPING CO., LTD.	Lotte Shopping Co., Ltd. (53.03%) Taekwang Industrial Co., Ltd. (27.99%) Daehan Synthetic Fiber Co., Ltd. (10.21%) Taekwang Tourist Development Co., Ltd. (6.78%)

## 2. Major shareholders of the Company's major institutional shareholders

As of Feb. 21, 2016

Name of Institutional Shareholders	Major Shareholders
Taiwan Mobile Co., Ltd. (Note1)	Tai Lian Wang Investment Co., Ltd. (12.00%) Tai Xing Investment Co., Ltd. (5.86%) Ming Tung Industry Co., Ltd. (5.40%) Fubon Life Insurance Co., Ltd. (3.65%) Dao Ying Industry Co., Ltd. (3.32%) Shin Kong Life Insurance Co., Ltd. (2.77%) Nan Shan Life Insurance Co., Ltd. (2.71%) Daniel Tsai (2.69%) Richard Tsai (2.64%) Nan Shan Life Insurance Co., Ltd. (2.56%)
TECO ELECTRIC & MACHINERY CO., LTD. (Note 2)	External manager account at Aberdeen Asset Management Ltd. As custodian to the employees provident fund deposited with HSBC Bank (Taiwan) Limited. 2.42% Deutsche Bank's Taipei Branch as custodian to M&G Global Emerging Market Fund depositary owned by M&G investment fund (7). 2.11% Deutsche Bank's Taipei Branch as custodian to WGI Emerging Markets Smaller Companies Fund's investment accounts. 1.91% Citibank Taiwan as custodian to Singapore Government's investment accounts. 1.83% Standard Chartered Bank as custodian to Vanguard Emerging Markets Stock Index Fund. 1.69% Tong Guang Investment Co., Ltd. 1.52% Yaskawa Electric Corporation. 1.48% JP Morgan Chase Bank's Taipei Branch as custodian to APG Emerging Markets Equity Pool accounts. 1.30% JP Morgan Chase Bank as custodian to Norges Bank's investment account. 1.22%
Lotte Shopping Co., Ltd.	Shin Dong Bin (13.46%) Shin Dong Joo (13.45%) Hotel Lotte Co., Ltd. (8.83%) Korea Fujifilm Co., Ltd. (7.86%) Lotte Confectionery Co., Ltd. (7.86%) Minority shareholders (48.54%)
Taekwang Industrial Co., Ltd.	Lee Ho Jin (15.14%) Total System & Information service Co., Ltd. (11.22%) Lee Won Jun (7.49%) Minority shareholders (66.15%)
Daehan Synthetic Fiber Co., Ltd.	Korea Book Promotion Co., Ltd. (17.74%) Lee Ho Jin (15.39%) Seohan Moolsan Co., Ltd. (14.04%) Iiju Academy & Culture Foundation (5%) Minority shareholders (47.83%)
Taekwang Tourist Development	Taekwang Industrial Co., Ltd. (44.96%) Daehan Synthetic Fiber Co., Ltd. (44.96%) Others (10.08%)

Note 1 : The information is in accordance with the company's shareholders list dated July 4, 2015

Note 2 : The information is in accordance with the company's annual shareholders meeting report dated April 30, 2015

### 3. Professional qualifications and independence analysis of directors

As of Feb. 25, 2016

Name	Criteria	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independence Criteria(Note)										Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
		An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8	9	10	
Wealth Media Technology Co. Ltd. Representative: Howard Lin			✓	✓				✓			✓	✓	✓		-
Wealth Media Technology Co. Ltd. Representative: James Jeng			✓				✓	✓			✓	✓	✓		-
Wealth Media Technology Co. Ltd. Representative: C.F. Lin			✓				✓	✓			✓	✓	✓		-
Wealth Media Technology Co. Ltd. Representative: Jerry Kao			✓				✓	✓			✓	✓	✓		-
TECO CAPITAL INVESTMENT CO., LTD. Representative: Mao-Hsiung Huang			✓	✓			✓	✓			✓	✓	✓		1
WOORI HOME SHOPPING CO., LTD. Representative: KIM, IN HO			✓	✓	✓	✓	✓	✓			✓	✓	✓		-
CHEN,HONG-SO			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	3
Shikuan Chen	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	3
Brian Y. Hsieh	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1

"V" denotes meeting the conditions specified above

Criterion 1: Not an employee of the Company or its affiliated companies

Criterion 2: Not a director or supervisor of the Company's affiliated companies (unless the person is an independent director of the Company, the Company's parent company or any subsidiary in which the Company holds, directly or indirectly, more than 50 percent of the voting shares)

Criterion 3: Not a shareholder whose total holdings, including that of his/her spouse and minor children, or shares held under others' names reach or exceed 1 percent of the total outstanding shares of the Company or rank among the top 10 individual shareholders

Criterion 4: Not a spouse or relative within second degree by affinity, or within five degrees by consanguinity to any person specified in criteria 1 to 3

Criterion 5: Neither a director, supervisor, or employee of an entity that directly and/or indirectly holds more than 5% of the Company's shares, nor one of the Company's top five shareholders

Criterion 6: Not a director, supervisor, manager, or shareholder owning more than 5% of the outstanding shares of any company that has financial or business relations with the Company

Criterion 7: Not an owner, partner, director, supervisor, manager, or spouse of any of the aforementioned, of any sole proprietorship, partnership, company, or institution that provides commercial, legal, financial or accounting services or consultations to the Company or its affiliates. However, members of the Compensation Committee are not covered by this restriction per Article 7 of the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter

Criterion 8: Not a spouse or relative within second degree by affinity to other directors

Criterion 9: Not in contravention of Article 30 of the Company Act

Criterion 10: Not an institutional shareholder or its representative pursuant to Article 27 of the Company Act



## Management Team

As of Feb. 21, 2016

Title	Nationality	Name	Date Effective (Note1)	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship		
				Shares	% (Note2)	Shares	%	Shares	%			Title	Name	Relation
Chairman	ROC	Howard Lin	2004.10	2,710,136	1.91%	-	-	-	-	1. PhD in Chemical Engineering, National Taiwan University 2. Director, Technical & Development Dept., Grand Pacific Petrochemical Corp. 3. President, Fubon Asset Management Co., Ltd. 4. Senior Vice President, Fubon Financial Holding Co., Ltd.	1. Chairman of this company 2. Chief Investment Officer, Fubon Financial Holding Co., Ltd. 3. Vice Chairman, Fubon Financial Holding Venture Capital Corp 4. Vice Chairman, Fubon Life Insurance Co., Ltd. 5. Director, Fu Sheng Travel Service Co., Ltd. 6. Director, FORTUNE KINGDOM CORPORATION 7. Director, ASIAN CROWN INTERNATIONAL CO.LTD. 8. Director, Hong Kong Fubon Multimedia Technology Co., Limited 9. Director, Taiwan Mobile Co., Ltd. 10. Director, Fubon Asset Management Co., Ltd.	-	-	-
President	ROC	C.F. Lin	2004.10	624,588	0.44%	-	-	-	-	1. Master of Science, Baker University 2. President, Fubon Direct Marketing Consulting Co., Ltd. 3. Executive Vice President, Taipei Fubon Commercial Bank Co., Ltd. 4. President, Fubon Direct Marketing Consulting Co., Ltd. 5. Supervisor, Full Property Insurance Agent Co., Ltd.	1. Chairman, Fubon Gehua (Beijing) Enterprise Ltd. 2. Chairman, Fu Sheng Travel Service Co., Ltd. 3. Chairman, Full Life Insurance Agent Co., Ltd. 4. Supervisor, Full Property Insurance Agent Co., Ltd. 5. Director, Hong Kong Fubon Multimedia Technology Co., Limited 6. Director, FORTUNE KINGDOM CORPORATION 7. Director, ASIAN CROWN INTERNATIONAL CO.LTD. 8. Director, TVD SHOPPING CO., LTD. 9. Director, Beijing Global Guoguang Media Technology Co., Ltd. 10. Director, Hongkong Yue Numerous Investment Co. Limited 11. Chairman, Hado Information Consulting (Shenzhen) Co., Ltd.	-	-	-
Senior Vice President	ROC	Jerry Kao	2008.04	155,000	0.11%	133,496	0.09%	-	-	1. BBA in Banking and Finance, Tamkang University 2. Chairman, Fubon Gehua (Beijing) Enterprise Ltd. 3. Chairman, Full Life Insurance Agent Co., Ltd.	1. Chairman, Honest Development Co., Ltd. 2. Director, Fubon Gehua (Beijing) Enterprise Ltd. 3. Director, Taiwan Pelican Express Co., Ltd. 4. Supervisor, Fu Sheng Travel Service Co., Ltd. 5. Director, Hong Kong Fubon Multimedia Technology Co., Limited 6. Director, FORTUNE KINGDOM CORPORATION 7. Director, ASIAN CROWN INTERNATIONAL CO.LTD. 8. Director, TVD SHOPPING CO., LTD. 9. President, Hado Information Consulting (Shenzhen) Co., Ltd. 10. Director, Honest Development Co., Ltd. 11. Director, Hongkong Yue Numerous Investment Co. Limited	-	-	-
Vice President	ROC	Vicky Tu	2016.2	-	-	-	-	-	-	1. Drexel University MBA 2. Department of Foreign Languages and Literatures, National Taiwan University 3. Manager, DHL Taiwan 4. Manager, Citibank 5. Vice President, ABN AMRO/The Royal Bank of Scotland Group/Australia and New Zealand Bank 6. Senior Vice President, Citibank 7. CEO, GT Consulting Ltd.	-	-	-	-

Title	Nationality	Name	Date Effective (Note1)	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship		
				Shares	% (Note2)	Shares	%	Shares	%			Title	Name	Relation
Broadcasting Division Director	ROC	Alex Chen	2012.04	37,000	0.03%	-	-	-	-	1. Electrical Engineering, partial completion, Ming Chi University of Technology 2. Cameraperson, Central Pictures Corporation 3. Screenwriter and Director, Super Communications Inc. 4. Producer, Team leader, Director of Employees' Training Division, Eastern Home Shopping & Leisure Co., Ltd.	1. Director, Fu Sheng Travel Service Co., Ltd. 2. Supervisor, Fubon Gehua (Beijing) Enterprise Ltd.	-	-	-
TV Merchandise Division Director	ROC	Kiki Hung	2015.08	63,002	0.04%	-	-	-	-	1. BBA, Tamkang University 2. Marketing Specialist, Multimedia Marketing Department, Taiwan Securities Co., Ltd. 3. Director of TV Merchandise Division, momo.com Inc.	1. Supervisor, Fuli Life Insurance Agent Co., Ltd. 2. Supervisor, Fuli Property Insurance Agent Co., Ltd. 3. Director, Fubon Gehua (Beijing) Enterprise Ltd. 4. Supervisor, Haobo Information Consulting (Shenzhen) Co., Ltd.	-	-	-
Division Director	ROC	Summer Hsieh	2015.08	100,056	0.07%	-	-	-	-	1. MA in Communication Administration, Min Chuan University 2. BBA, National Chung Cheng University 3. Merchandise Development, Eastern Home Shopping & Leisure Co., Ltd. 4. Manager of Overseas Department, Vice director of TV Merchandise Division, director of Web & Catalogue Division, momo.com Inc.	-	-	-	-
Information Technology Division Director	ROC	Van Yu	2015.08	95,056	0.07%	-	-	-	-	1. BS in Computer Science and Information Engineering, Tamkang University 2. Assistant Manager of Application Development Dept., IT Division, Core Pacific City Co., Ltd.	-	-	-	-
Supporting Service Division Director	ROC	Leanne Wang	2014.10	-	-	2,000	0.001%	-	-	1. Master's degree in Traffic and Transportation, National Chiao Tung University 2. Director, DHL Supply Chain	-	-	-	-
Financial & Accounting Division Director	ROC	Gina Lu	2014.05	59,000	0.04%	82,302	0.06%	-	-	1. BBA, Hsing Wu University 2. Assistant Manager of Administration Department, Fubon Direct Marketing Consulting Co., Ltd.	1. Director, Fuli Life Insurance Agent Co., Ltd. 2. Director, Fuli Property Insurance Agent Co., Ltd. 3. Supervisor, Fubon Gehua (Beijing) Enterprise Ltd.	-	-	-
Internal Audit Office Assistant Manager	ROC	Liang Dung Nan	2014.05	-	-	-	-	-	-	1. MBA, Min Chuan University 2. Certified Internal Auditor (CIA) 3. Internal Audit Manager, Surecom Technology Corp	-	-	-	-

Note1: Date assumed current position.

Note2: Shareholding ratio = number of shares ÷ actual number of issued shares (142,058,500 shares, including repurchased treasury shares of 2,000,000 shares)

# Remuneration of Directors, Supervisors, President, and Vice President

## 1. Remuneration of Directors

Unit: NT\$ thousands

Title	Name	Remuneration					Ratio of Total Remuneration (A+B+C+D) to Net Income (%)		Relevant Remuneration Received by Directors Who are Also Employees						Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income (%)		Compensation Paid to Directors from an Invested Company Other than the Company's Subsidiary		
		Base Compensation (A)	Severance Pay (B)		Bonus to Directors (C)		Allowances (D)		Salary, Bonuses, and Allowances (E)	Severance Pay (F)		Profit Sharing- Employee Bonus (G)		Exercisable Employee Stock Options (H)	New Restricted Employee Shares (I)				
			The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements		The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements		Cash Stock	The company		Companies in the consolidated financial statements	The company
Chairman	Wealth Media Technology Co. Ltd. Representative: Howard Lin.																		
Director	Wealth Media Technology Co. Ltd. Representative: James Jeng																		
	Representative: C.F. Lin																		
	Representative: Jerry Kao																		
	TECO CAPITAL INVESTMENT CO., LTD. Representative: Mao-Hsiung Huang	-	-	1,303	1,303	5,160	5,160	0.61%	13,205	216	216	18	-	-	-	-	1.88%	2.27%	854
Director	WOORI HOME SHOPPING CO. LTD. KIM, IN HO																		
Independent Director	Shikuan Chen																		
Independent Director	Brian Y. Hsieh																		
Independent Director	CHEN,HONG-SO																		

## Range of Remuneration

Range of Remuneration	Name of Directors			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements
Under NT\$ 2,000,000	Wealth Media Technology Co. Ltd Howard Lin. C.F. Lin Jerry Kao James Jeng TECO CAPITAL INVESTMENT CO., LTD. Mao-Hsiung Huang WOORI HOME SHOPPING CO, LTD. KIM, IN HO Shikuan Chen Brian Y. Hsieh CHEN,HONG-SO	Wealth Media Technology Co. Ltd Howard Lin. C.F. Lin Jerry Kao James Jeng TECO CAPITAL INVESTMENT CO., LTD. Mao-Hsiung Huang WOORI HOME SHOPPING CO, LTD. KIM, IN HO Shikuan Chen Brian Y. Hsieh CHEN,HONG-SO	Wealth Media Technology Co. Ltd James Jeng TECO CAPITAL INVESTMENT CO., LTD. Mao-Hsiung Huang WOORI HOME SHOPPING CO, LTD. KIM, IN HO Shikuan Chen Brian Y. Hsieh CHEN,HONG-SO	Wealth Media Technology Co. Ltd James Jeng TECO CAPITAL INVESTMENT CO., LTD. Mao-Hsiung Huang WOORI HOME SHOPPING CO, LTD. KIM, IN HO Shikuan Chen Brian Y. Hsieh CHEN,HONG-SO
	NT\$2,000,001 ~ NT\$5,000,000		Jerry Kao	Jerry Kao
	NT\$5,000,001 ~ NT\$10,000,000		Howard Lin. C.F. Lin	Howard Lin. C.F. Lin
	NT\$10,000,001 ~ NT\$15,000,000			
	NT\$15,000,001 ~ NT\$30,000,000			
	NT\$30,000,001 ~ NT\$50,000,000			
	NT\$50,000,001 ~ NT\$100,000,000			
	Over NT\$100,000,000			
	Total	12	12	12

## 2. Remuneration of the President and Vice President

Unit: NT\$ thousands

Title and name	Salary(A)		Severance Pay (B)		Bonuses and Allowances (C)		Profit Sharing- Employee Bonus (D)			Ratio of total compensation (A+B+C+D) to net income (%)		Exercisable Employee Stock Options		New Restricted Employee Shares		Compensation paid to the President and Vice President from an Invested Company Other Than the Company's Subsidiary
	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Cash	Stock	Companies in the consolidated financial statements	The company	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	
Chairman Howard Lin : President C.F. Lin : Senior Vice President Jerry Kao : Vice President Bob Hsieh (Note)	10,143	11,574	261	261	4,069	5,302		18	-	18	-	-	-	-	-	854

## Range of Remuneration

Range of Remuneration	Name of President and Vice President	
	The company	Companies in the consolidated financial statements
NT\$2,000,001 ~ NT\$5,000,000		Bob Hsieh (Note)
NT\$5,000,001 ~ NT\$10,000,000		Howard Lin 、 C.F. Lin 、 Jerry Kao
NT\$10,000,001 ~ NT\$15,000,000		Howard Lin 、 Jerry Kao
NT\$15,000,001 ~ NT\$30,000,000		C.F. Lin
NT\$30,000,001 ~ NT\$50,000,000		
NT\$50,000,001 ~ NT\$100,000,000		
Over NT\$100,000,000		
Total		
NT\$2,000,001 ~ NT\$5,000,000	4	4

Note: Vice President Bob Hsieh resigned in August 2015

### 3. Managers and employee bonuses

Unit: NT\$ thousands

Title and name of managers	Stock bonus Cash bonus Total As a % of net	Stock bonus Cash bonus Total As a % of net	Stock bonus Cash bonus Total As a % of net	Stock bonus Cash bonus Total As a % of net
Chairman Howard Lin ; President C.F. Lin ; Senior Vice President Jerry Kao ; Broadcasting Division Vice President Bob Hsieh (Note1) ; Broadcasting Division Director Alex Chen ; InternationalBusinessDivision Director Kiki Hung ; Division Director Summer Hsieh ; President Office Director Joseph Chou(Note 2) ; Supporting Service Division Director Leanne Wang ; Information Technology Division Director Van Yu ; Financial & Accounting Division Director Gina Lu ; Internal Audit Office Assistant Manager Liang Dung Nan	-	38	38	0.00%

Note1 : Vice President Bob Hsieh resigned in August 2015

Note2 : Assistant Manager Joseph Chou resigned in January 2015.

### Comparison of Remuneration for Directors, Supervisors, Presidents and Vice Presidents in the Most Recent Two Fiscal Years and Remuneration Policy for Directors, Supervisors, Presidents and Vice Presidents

1. Total remuneration as a percentage of net income paid to directors, supervisors, presidents and vice presidents of the Company and all companies included in the consolidated financial statements for the two most recent fiscal years.

NT\$ thousands,%

Title	2014				2015			
	Remuneration		As a % of net income		Remuneration		As a % of net income	
	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements
Directors	4,845	4,845	0.41%	0.43%	6,463	6,463	0.61%	0.65%
Supervisors	98	98	0.01%	0.01%	-	-	-	-
Presidents and Vice Presidents	17,769	20,597	1.52%	1.82%	14,491	17,155	1.37%	1.73%

Note: The compensation for directors does not include those for adjunct president and vice president.

2. The policies, standards, and portfolios for the payment of remuneration, the procedures for determining remuneration, and the correlation with business performance.

#### (1) Board of Directors and Supervisors

Each director and supervisor is eligible to receive compensation for executing business strategy of the Company according to the company's policies and regulations. Moreover, the Company's shareholders or directors who also serve as managers or employees are recognized as full time staff and will receive salaries according to their roles and responsibilities. The amount of salary shall be determined by law or by contract.

(2) President and Vice President

The compensation for the president and vice president includes salaries, bonus compensations, and employee bonuses. The salaries and bonus compensations are determined in accordance with the employees' positions in the company, their responsibilities, and contributions to the company, in addition to references from other companies in the industry. Separately, the allocation of employee bonuses follows the Company's articles of incorporation, and is proposed by board of directors and distributed after the shareholders' meeting approves the resolution regarding the dispersion of employee bonuses.

There is a positive correlation between this company's business performance and its policies as well as procedures for determining the compensation for the directors, supervisors, president, and vice president.

### iii.Implementation of Corporate Governance

#### Board of Directors attendance

The Board of Directors convened six times in 2015

Title	Name	Attendance in Person (B)	By Proxy(A)	Attendance Rate (%) 【B/A】	Remarks
Chairman	Wealth Media Technology Co. Ltd. Representative: Howard Lin.	6	0	100%	None
Director	Wealth Media Technology Co. Ltd. Representative: C.F. Lin	6	0	100%	None
Director	Wealth Media Technology Co. Ltd. Representative: James Jeng	6	0	100%	None
Director	Wealth Media Technology Co. Ltd. Representative: James Jeng	6	0	100%	None
Director	TECO CAPITAL INVESTMENT CO., LTD. Representative: Mao-Hsiung Huang	4	2	66.67%	None
Director	WOORI HOME SHOPPING CO., LTD. Representative: KIM, IN HO	1	5	16.67%	None
Independent director	Shikuan Chen	6	0	100%	None
Independent director	Brian Y. Hsieh	6	0	100%	None
Independent director	CHEN,HONG-SO	6	0	100%	None

Other mentionable items:

- Any objections or issues raised by independent directors against resolutions passed by the Board of Directors pursuant to Article 14-3 of the Securities and Exchange Act: None
- Any conflict of interest among directors: None
- Measures taken to strengthen the functionality of the board:
  - The scheme was replaced by an audit committee on February 14, 2014.
  - The company has nine director seats (including three for independent directors). The audit committee and compensation committee were established in accordance with relevant laws and regulations to supervise the company and with the objective of strengthening the board's competency.

## Audit Committee attendance

The Audit Committee convened seven times in 2015

Title	Name	Attendance in Person (B)	By Proxy(A)	Attendance Rate (%) 【B/A】	Remarks
Independent director	Shikuan Chen	7	0	100	None
Independent director	Brian Y. Hsieh	7	0	100	None
Independent director	CHEN,HONG-SO	7	0	100	None
Other mentionable items: 1.Any objections or issues raised by the Audit Committee against resolutions, pursuant to Article 14-5 of the Securities and Exchange Act, that were approved by over two-thirds of the directors: None 2. Any conflict of interest among independent directors: None 3. Communication between independent directors and the Internal Audit Chief Officer and CPAs: Accountants are invited to the audit committee's meetings when issues concerning the company's financial statements or the auditing/certification are discussed.					



**Corporate Governance Implementation Status and Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”**

Evaluation Item	Implementation Status		Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	
1. Does the company establish and disclose the Corporate Governance Best-Practice Principles based on “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”?	V		None
2. Shareholding structure & shareholders' rights (1) Does the company establish an internal operating procedure to deal with shareholders' suggestions, doubts, disputes and litigations, and implement based on the procedure?	V		None
(2) Does the company possess the list of its major shareholders as well as the ultimate owners of those shares?	V		None
(3) Does the company establish and execute the risk management and firewall system within its conglomerate structure?	V		None
(4) Does the company establish internal rules against insiders trading with undisclosed information?	V		None

Evaluation Item	Implementation Status		Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	
3. Composition and Responsibilities of the Board of Directors (1) Does the Board develop and implement a diversified policy for the composition of its members? (2) Does the company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee? (3) Does the company establish a standard to measure the performance of the Board, and implement it annually?	V	(1) The company established three seats of independent directors on February 14, 2014.	None
	V	(2) In accordance with laws, this company has set up and implemented a compensation committee. Other functional committees will also be set up when necessary to meet operational requirements in the future.	None
	V	(3) The board of directors in this company had resolved to approve the "Guidelines for Evaluating the Board of Directors' Performance" on October 26, 2015. The board of directors' conference unit will compile the analysis and submit an evaluation report to the board of directors on an annual basis. (The 2015 performance evaluation on the board of directors was done by the board of directors' self-evaluation on January 27, 2016.)	None
	V	(4) The independence and appropriateness of certified accountants are regularly evaluated every year according to relevant laws and regulations.	None
4. Does the company establish a communication channel and build a designated section on its website for stakeholders, as well as handle all the issues they care for in terms of corporate social responsibilities?	V	The company has appointed a spokesperson and a deputy spokesperson. The company also set up a stakeholder's section on the company website to keep an open platform of communications with stakeholders, maintaining positive communications with stakeholders.	None
5. Does the company appoint a professional shareholder service agency to deal with shareholder affairs?	V	Fubon Stock Affairs Agency is commissioned by the company to handle matters related to shareholders meetings.	None
6. Information Disclosure (1) Does the company have a corporate website to disclose both financial standings and the status of corporate governance? (2) Does the company have other information disclosure channels (e.g. building an English website, appointing designated people to handle information	V	(1) The company has a website to disclose important financial and business information updated for shareholders and stakeholders' reference.	None
	V	(2) The collection of relevant information and disclosure of company's major decisions are done by specific personnel; the spokesperson system is also well-implemented.	None

Evaluation Item	Implementation Status		Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	
collection and disclosure, creating a spokesman system, webcasting investor conferences)?			
7. Is there any other important information to facilitate a better understanding of the company's corporate governance practices (e.g., including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors)?	V		<p>The Board of Directors resolved to approve the "Practical Guidelines for Company Management" on October 26, 2015. The information is also disclosed on the company website.</p> <p>Employees' rights, interests, and care, this company established rules and scheme for human resource management based on the minimum standards stipulated in relevant governmental policies, such as Labor Standards Act, Act of Gender Equality in Employment, and Sexual Harassment Prevention Act, in protecting employees' rights and interests.</p> <p>Investor relations: In addition to regularly disclosing the company's important business information, the company also continues to improve its transparency. This will allow investors to be well informed of the company's business plans and future developments.</p> <p>Supplier relations: The company maintains a long-lasting and positive collaborative relationship with the suppliers.</p> <p>In terms of stakeholders' rights: In order to protect stakeholders' rights and interests, this company has established quality and open channels for communications. The company deals with issues by holding good faith principle and responsible attitudes; it also fulfills the corporate social responsibility.</p> <p>Advanced Studies for directors: The directors in the company participate in courses related to securities laws and</p>

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
			<p>regulations in accordance with the "Guidelines for Implementing Advanced Studies for Directors and Supervisors in TSEC-listed and OTC-listed Companies." They also meet the required number of study hours.</p> <p>Execution of risk management policies and risk measurement standards: The company has established different internal regulations according to laws and conducts various risk management and assessment.</p> <p>Execution of client policies: The company is dedicated to improving quality and enhancing professional skills to provide clients with the best services and products.</p> <p>Status of liability insurance for directors: The company has established plans to purchase liability insurance for directors of the board and independent directors.</p>	
8. Has the company implemented a self-evaluation report on corporate governance or has it authorized any other professional organization to conduct such evaluation?	V		In response to the Financial Supervisory Commission's promotion of corporate governance evaluation system and self-evaluation reports, the company recommends the review of each unsatisfactory item for causes, arranging schedules for inspection, and full disclosure.	None

## Composition, Responsibilities and Operations of the Remuneration Committee

### 1. Professional Qualifications and Independence Analysis of Remuneration Committee Members

Title (Note 1)	Name	Meets One of the Following Professional Qualification Requirements, Together with at Least Five Years' Work Experience			Independence Criteria (Note 2)								Number of Other Public Companies in Which the Individual is Concurrently Serving as an Remuneration Committee Member	Remarks
		An instructor or higher position in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the Company in a public or private junior college, college or university	A judge, public prosecutor, attorney, Certified Public Accountant, or other professional or technical specialist who has passed a national examination and been awarded a certificate in a profession necessary for the business of the Company	Has work experience in the areas of commerce, law, finance, or accounting, or otherwise necessary for the business of the Company	1	2	3	4	5	6	7	8		
Independent director	Brian Y. Hsieh	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1	None
Independent director	Shikuan Chen	✓			✓	✓	✓	✓	✓	✓	✓	✓	2	None
Independent director	CHEN, HONG-SO			✓	✓	✓	✓	✓	✓	✓	✓	✓	4	None

Note 1: Please select the identification field as from one of the following titles: director of the board, independent director, or other.

Note 2: "V" denotes meeting the conditions during the tenure and a two-year duration prior to the tenure specified below:

Criterion 1: Not an employee of the Company or its affiliated companies

Criterion 2: Not a director or supervisor of the Company or its affiliated companies (unless the person is an independent director of the Company, the Company's parent company or of any subsidiary in which the Company holds, directly or indirectly, more than 50 percent of the voting shares)

Criterion 3: Not a shareholder whose total holdings, including that of his/her spouse and minor children, or shares held under others' names reach or exceed 1 percent of the total outstanding shares of the Company or rank among the top 10 individual shareholders

Criterion 4: Not a spouse or a relative within second degree of affinity, or within five degrees of consanguinity to any person specified in criteria 1 to 3

Criterion 5: Neither a director, supervisor, or employee of an entity that directly or indirectly holds more than 5% of the Company's shares, nor one of the Company's top five shareholders

Criterion 6: Not a director, supervisor, manager, or shareholder owning more than 5% of the outstanding shares of any company that has financial or business relations with the Company

Criterion 7: Not an owner, partner, director, supervisor, manager, or spouse of any of the aforementioned, of any sole proprietorship, partnership, company, or institution that provides commercial, legal, financial or accounting services or consultations to the Company or its affiliates.

Criterion 8: Not in contravention of Article 30 of the Company Act

Note 3: The identities of the members of the Compensation Committee all meet the requirements stipulated in Item 5, Article 6 of the "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter."

## 2. Compensation Committee attendance

(1) The Compensation Committee consists of three members.

(2) Tenure: Feb. 14, 2014 to Feb. 13, 2017. The Compensation Committee convened four times in 2015:

(3) The attendance record of the Compensation Committee members was as follows:

Title	Name	Attendance in Person(B)	By Proxy(A)	Attendance Rate (%) 【B/A】	Remarks
Convener	Brian Y. Hsieh	4	0	100%	-
Committee Member	Shikuan Chen	4	0	100%	-
Committee Member	CHEN,HONG-SO	4	0	100%	-

Other mentionable items:

1. If the board of directors declines to adopt or modifies a recommendation of the remuneration committee, it should specify the date of the meeting, session, content of the motion, resolution by the board of directors, and the Company's response to the remuneration committee's opinion (eg., the remuneration passed by the Board of Directors exceeds the recommendation of the remuneration committee, the circumstances and cause for the difference shall be specified): None.
2. Resolutions of the remuneration committee objected to by members or subject to a qualified opinion and recorded or declared in writing, the date of the meeting, session, content of the motion, all members' opinions and the response to members' opinion should be specified: None.

Note :

- (1) The resignation date for any members on the compensation committee before the fiscal end date shall be specified in the remarks column. The actual attendance rate (%) is calculated by the number of compensation committee meetings held during a member's employment period and the number of his/her actual attendance.
- (2) In the event of any re-elected members on the compensation committee before the fiscal end date, both the succeeding and preceding committee members shall be recorded and specified as either preceding, succeeding, or re-elected in the remarks column. The re-election date shall also be specified. The actual attendance rate (%) is calculated by the number of compensation meetings held during a member's employment period and the number of his/her actual attendance.

## Corporate Social Responsibility

Evaluation Item	Implementation Status		Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	
<p>1. Corporate Governance Implementation</p> <p>(1) Does the company declare its corporate social responsibility policy and examine the results of the implementation?</p>	V		<p>(1) In January 2016, the company devised practical guidelines for corporate social responsibility. The fulfillment of corporate social responsibility will follow the principles below: Implementing corporate governance, developing sustainable environment, protecting public interests, and strengthening the information disclosure of corporate social responsibility. The effectiveness of the implementation will be followed by relevant projects on a regular basis. For details, please visit our corporate website.</p> <p>(2) The company established a corporate social responsibility team and regularly provides educational trainings.</p> <p>(3) The Finance &amp; Accounting division was designated as the division to spearhead the company's Social Responsibility's efforts. The company set up a corporate social responsibility committee as its highest-level organization of sustainable governance. The committee has five major taskforces: the corporate governance team, customer care team, public interest team, employee care team, and environment sustainability team. These taskforces will execute their duties and report their performances to the board of directors from time to time.</p> <p>(4) The company devised a performance evaluation system, by which employees meet and communicate with their direct supervisors, where they jointly set up the employee's work objectives of the year. Personal performance evaluations will be done every year on a regular basis; the results will be used as a reference for salary adjustments and future promotions. Moreover, guidelines for ethical behaviors are also devised, which clearly request the employees to follow the corporate's ethical standards and to fulfill</p>
<p>(2) Does the company provide educational training on corporate social responsibility on a regular basis?</p> <p>(3) Does the company establish exclusively (or concurrently) dedicated first-line managers authorized by the board to be in charge of proposing the corporate social responsibility policies and reporting to the board?</p>	V		None
<p>(4) Does the company declare a reasonable salary remuneration policy, and integrate the employee performance appraisal system with its corporate social responsibility policy, as well as establish an effective reward and disciplinary system?</p>	V		None

Evaluation Item	Implementation Status		Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	
			expected responsibilities and obligations. As employees' professional behaviors are also included in the performance evaluation criteria, their behavioral performances will be rewarded and penalized accordingly.
2. Sustainable Environment Development (1) Does the company endeavor to utilize all resources more efficiently and use renewable materials which have low impact on the environment? (2) Does the company establish proper environmental management systems based on the characteristics of their industries? (3) Does the company monitor the impact of climate change on its operations and conduct greenhouse gas inspections, as well as establish company strategies for energy conservation and carbon reduction?	V		(1) The recycle and reuse of printing papers have been promoted and implemented. None
	V		(2) The regulations for internal environment, automatic safety and hygiene inspection, and non-smoking rules have been implemented. None
	V		(3) The measures of energy and electricity saving have been promoted and implemented. None
3. Preserving Public Welfare (1) Does the company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights? (2) Has the company set up an employee hotline or grievance mechanism to handle complaints with appropriate solutions?	V		(1) In accordance with current laws and regulations in Taiwan, including Labor Standards Act, Employment Service Act, and Act of Gender Equality in Employment, there is no employment discrimination against local and aboriginal employees found in this company. Moreover, work policies and performance evaluation criteria are provided to the employees within the company organizational systems, helping them gain understanding of labor regulations and basic rights. None
	V		(2) An email in-box is specially set up for employee complaints, which allows employees to convey their opinions securely and confidentially. None



Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Abstract Explanation	
(3) Does the company provide a healthy and safe working environment and organize training on health and safety for its employees on a regular basis?	V		(3) The company buildings periodically organize fire drills to ensure safety in work environment. In addition to having set up guidelines for the voluntary inspection of labor safety and hygiene, the company also has plans to regularly implement safety and health education to employees.	None
(4) Does the company setup a communication channel with employees on a regular basis, as well as reasonably inform employees of any significant changes in operations that may have an impact on them?	V		(4) This company regularly convenes manager meetings and employee meetings to promote company policies and provide business updates. Moreover, departmental meetings are regularly held in various departments to build a mechanism for communicating with employees. The company also regularly convenes employee welfare committee meetings to discuss policies for employee benefits. This helps to achieve the objective of maximizing employee welfare.	None
(5) Does the company provide its employees with career development and training sessions?	V		(5) The company has established educational training policies, which plan and execute training programs for new employees as well as on-job training programs for current employees and managerial roles. It also provides employee subsidies for external trainings to encourage employees' professional advancement and development.	None
(6) Does the company establish any consumer protection mechanisms and appealing procedures regarding research development, purchasing, producing, operating and service?	V		(6) In order to protect consumers' rights and interests, the company has devised relevant standards and regulations to securely protect customer information. Loss of sensitive information is strictly prohibited. Customer service phone lines are also set up for trained and supervised personnel to answer and reply consumers' questions.	None
(7) Does the company advertise and label its goods and services according to relevant regulations and international standards?	V		(7) The primary businesses for the company include TV shopping, Internet shopping, catalogue mail order, travel-related services, and agency for life and property insurance policies. In accordance with relevant laws and regulations, the company has obtained the permits for Radio and Television Program Supply Businesses (TV	None

Evaluation Item	Implementation Status		Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	
<p>Abstract Explanation</p> <p>program production, radio program production, radio and TV program broadcast, radio and TV advertisement), Radio and Television Program Supply Businesses (video programs), as well as the approval for drug sale business license, tobacco/alcohol importer business license, Ministry of Transportation and Communications' travel agency license (comprehensive travel agency), life insurance agent certification, property insurance agent certification, etc.</p> <p>(8) The company consistently conducts appropriate evaluations on potential suppliers before finalizing a relationship with the suppliers. This helps to create a mutual trust that facilitates a long-lasting collaborative relationship that is sustainable...</p> <p>(9) After the company has signed contracts with suppliers, any suppliers involved in violating social responsibility policies will be responsible for the consequences. However, provisions that specify the termination or annulment of contracts have not been devised.</p>	V		None
	V		Future provisions will be established according to practicality.
	V		None
4. Enhancing Information Disclosure (1) Does the company disclose relevant and reliable information regarding its corporate social responsibility on its website and the Market Observation Post System (MOPS)?	V		The company has continuously disclosed social responsibility information on its official website.
5. If the Company has established the corporate social responsibility principles based on "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies", please describe any discrepancy between the Principles and their implementation: In January 2016, this company's board of directors had resolved to approve the "Guidelines of Corporate Social Responsibility." Any operations related to corporate social responsibility shall follow the connotations and relevant regulations as stated in the practical guidelines.			
6. Other important information to facilitate better understanding of the company's corporate social responsibility practices : Environmental protection: The gradual emergence of global warming in recent years has resulted in drastic climate changes. In order to reduce the environmental impacts from climate change, this company actively manages its significant energy use, effectively executes carbon reduction, and implements electricity control. By doing so, the company not only achieves good performance in saving energy, but also reduces the cost of energy expenditure. Social affairs: As Taiwan's leading brand of virtual channels, this company actively commits to charitable activities and care for minority groups in the society. The company			

Evaluation Item	Implementation Status		Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	
<p>utilizes the advantages of its channels and core capabilities, provides an online platform to charities, assists various social welfare groups with online bazaar, and helps charities with fundraisers. In 2015, the company assisted eight charitable groups and fundraised approximately NT \$15,500,000 in total (including supplies and donations).</p> <p>In order to promote sports culture, the company has sponsored different golf competitions. During the 2015 Fubon Senior Open, the company sponsored the gifts for participating players and attending guests at the event. Moreover, the company utilized its Internet resources to assist with the promotion of the 2015 Fubon LPGA Taiwan Championship. The company collaborated with the organizer by selling tickets on the website, which allowed for convenient online purchase of tickets by golf enthusiasts. By doing so, the company also makes a contribution to promoting the sports culture.</p> <p>As this company recognizes corporates' influences on social responsibility—it does not only participate in charitable activities in the long run and offer employment opportunities to people with disabilities, but is also dedicated to its core business, giving employees a stable and quality work environment and aiming to maximize the benefits of the company's shareholders and stakeholders.</p> <p>In addition to focusing on the enhancement of consumers' shopping quality, strengthening the competitiveness in service capabilities, and development of professional talents for the future, this company also actively fulfills the corporate responsibility and implements its core values.</p> <p>7. A clear statement shall be made below if the corporate social responsibility reports were verified by external certification institutions:</p> <ol style="list-style-type: none"> <li>1. Approved by the SGS ISO/IEC27001 certification and obtained the identification marker for information security</li> <li>2. Certified by HiTrust as a global secure network, and adopted HiTrust's signature and certification services for safe electronic transactions VeriSign</li> <li>3. Received the Golden Quality Prize in 2013 Golden Internet Platform Award s in the category of online shopping mall from the Ministry of Economic Affairs' Department of Commerce</li> <li>4. The 2015 corporate social responsibility report will be verified by the third-party agency before the end of 2016.</li> </ol>			Abstract Explanation

## Ethical Corporate Management

Evaluation Item	Implementation Status		Deviations from "the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	
<p>1. Establishment of ethical corporate management policies and programs</p> <p>(1) Does the company declare its ethical corporate management policies and procedures in its guidelines and external documents, as well as the commitment from its board to implement the policies?</p> <p>(2) Does the company establish policies to prevent unethical conduct with clear statements regarding relevant procedures, guidelines of conduct, punishment for violation, rules of appeal, and the commitment to implement the policies?</p> <p>(3) Does the company establish appropriate precautions against high-potential unethical conducts or listed activities stated in Article 2, Paragraph 7 of the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies?</p>	<p>V</p> <p>V</p> <p>V</p>	<p>(1) The company has established the "Code of Ethics and Personal Conduct" to regulate its good faith policies. In order for employees, managers, and directors to acknowledge and follow these principles, the company organizes awareness programs on a regularly basis and monitors through the company's internal control system.</p> <p>(2) The company's "Code of Ethics and Personal Conduct for Management" clearly prohibits any acts of bribery, illegal political contributions, inappropriate charitable donations or sponsorships, and unreasonable gifts and treats. Any other inappropriate interest prevention programs and procedures are also regulated by the principles. These principles are advocated and explained to new employees upon their arrivals; relevant announcements and notifications are released to employees, managers, and directors periodically to enhance the concept of good faith and self-discipline.</p> <p>(3) This company constructed effective accounting and internal control systems in response to business activities that are prone to greater risks of violating the good faith principles. In order to ensure that the system design and execution remain effective, there are no external or hidden accounts. Reviews may be conducted at all times.</p>	<p>None</p> <p>None</p> <p>None</p>
<p>2. Fulfill operations integrity policy</p> <p>(1) Does the company evaluate business partners' ethical records and include ethics-related clauses in business contracts?</p> <p>(2) Does the company establish an exclusively (or concurrently) dedicated unit supervised by the Board to be</p>	<p>V</p> <p>V</p>	<p>(1) The company avoids to trade with any parties that have the records of violating the good faith principles in the past. The provision of good faith behaviors shall be clearly outlined in relevant commercial contracts.</p> <p>(2) The company's internal auditing department is responsible for investigating any cases of good faith principle violations within the</p>	<p>None</p> <p>None</p>

Evaluation Item	Implementation Status		Deviations from "the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	
in charge of corporate integrity? (3) Does the company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it?	V		company and regularly reporting them to the board of directors. (3) The company's good faith principle clearly outlines the policy for prevention of interest conflicts. The discovery of any violations shall be reported to the audit committee, managers, and internal audit supervisors.
(4) Has the company established effective systems for both accounting and internal control to facilitate ethical corporate management, and are they audited by either internal auditors or CPAs on a regular basis?	V		(4) The company's management has constructed effective accounting and internal control systems for the internal audit personnel to plan and execute reviews ranging from the highest-level risks to the lowest-level risks. The results of the reviews did not find any violations to the good faith principle.
(5) Does the company regularly hold internal and external educational trainings on operational integrity?	V		(5) The company regularly holds events to promote awareness and understanding of the company policies and the consequences of violating the policies.
3. Operation of the integrity channel (1) Does the company establish both a reward/punishment system and an integrity hotline? Can the accused be reached by an appropriate person for follow-up? (2) Does the company establish standard operating procedures for confidential reporting on investigating accusation cases? (3) Does the company provide proper whistleblower protection?	V		When the company's directors, managers, employees, and de facto controllers of the company discover any cases of good faith principle violations, they shall actively report the violations to the internal auditing department. The company shall keep the reporter's identity and report content confidential. If the reported cases are confirmed to violate the good faith principle after conscientious investigation, the company shall administer penalties based on the severity of the violations.
4. Strengthening information disclosure (1) Does the company disclose its ethical corporate management policies and the results of its implementation on the company's website and MOPS?	V		The "Practical Guidelines for Company Management" are disclosed on the company's official website. The execution status is disclosed on the annual report.
5. If the company has established the ethical corporate management policies based on the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies, please describe any discrepancy between the policies and their implementation. There have been no differences.			
6. Other important information to facilitate a better understanding of the company's ethical corporate management policies (e.g., review and amend its policies). None			

## Corporate Governance Guidelines and Regulations :

Please visit the company website (<http://www.fmt.com.tw/>) for the reference of the company's "Practical Guidelines for Company Management," "Shareholder Meeting Regulations," "Board of Directors Meeting Regulations," "Organizational Procedures for the Audit Committee," "Organizational Procedures for the Compensation Committee," "Management and Operational Procedures for Insider Trading Prevention," "Guidelines for Ethical Behaviors," "Good Faith Principles for Management," and "Practical Guidelines for Corporate Social Responsibility."

## Other Important Information Regarding Corporate Governance :

The above information is posted on MOPS: <http://mops.twse.com.tw/>

## Internal Control Systems :

1. Accountants' recommendations for internal control improvement within the last three years

Year	Accountants' Recommendations	Improvement Status
2013	No Material Weaknesses	Not applicable
2014	No Material Weaknesses	Not applicable
2015	No Material Weaknesses	Not applicable

2. The improvement status for the material weaknesses discovered by internal auditing : No Material Weaknesses
3. Internal control statement: Please refer to page 37
4. Personnel who entrust the review of internal control to accountants shall outline their rationales, accountants' review comments, the company's actions, and improvement status of the deficiency : Not applicable
- 5.

**Violation of regulations and internal policies:** None

## Major resolutions at the shareholders' meeting and board meetings

### 1.The content and execution of the 2015 shareholders' annual general meeting:

The shareholders' annual general meeting on May 6, 2015

- (1) Recognized the 2014 Business Report and financial statements proposal
- (2) Recognized the 2014 disposition of net earnings proposal

Execution: The base day of dividend distribution was determined to be June 7, 2015, and the payment date was June 24, 2015.

- (3) The proposal of cash distribution from legal surplus

Execution: The base day of dividend distribution was determined to be June 7, 2015, and the payment date was June 24, 2015.

- (4) The proposal of yearly total compensation for directors

- (5) Amended the company's "company constitution" proposal

Execution: Received the registration approval from the Ministry of Economic Affairs on May 19, 2015 and released the announcement on the company website

- (6) Amended the company's "procedures for asset acquisition or disposition" proposal

Execution: Processed in accordance with the amended procedures and released the announcement on the Market Observation Post System

### 2. The key items discussed in Board of Directors Meeting in 2015 and prior to the publication of 2015's Annual Report:

- (1) The 12th Board of Directors Meeting of the 5th term on January 27, 2015

- A. Approved the 2014 Business Final Accounts Report proposal
  - B. Approved the budget proposal for the construction of warehouse building and warehouse equipment for the logistics center
  - C. Operation of the third TV channel to resume
  - D. Proposal to hold the Annual General Shareholder's Meeting for fiscal year 2015
- (2) The 13<sup>th</sup> Board of Directors Meeting of the 5th term on March 24, 2015
- A. Approved the 2014 disposition of net earnings proposal
  - B. Approved the proposal of cash distribution from legal surplus
- (3) The 14<sup>th</sup> Board of Directors Meeting of the 5th term on April 10, 2015
- A. Approved the company's proposal to establish Honest Development Co., Ltd. to indirectly invest in 20% stock rights of Beijing Global Guoguang Media Technology Co., Ltd.
  - B. Approved the company's proposal to indirectly invest in 20% stock rights of Beijing Global Guoguang Media Technology Co., Ltd. The total amount of the investment is approximately between RMB \$140-145 million.
- (4) The 15<sup>th</sup> Board of Directors Meeting of the 5th term on April 27, 2015
- A. Approved the proposal to alter the company's auditing and certification accountants
- (5) The 16<sup>th</sup> Board of Directors Meeting of the 5th term on July 28, 2015
- A. Approved the proposal of 2014 guidelines for employees and managers' amount of bonus distribution
- (6) The 17<sup>th</sup> Board of Directors Meeting of the 5th term on October 26, 2015
- A. Approved the company's proposal to repurchase shares in the form of treasury stocks and transfer them to employees
  - B. Approved the proposal to devise the "company's plan for enhancing abilities to independently prepare financial reports"
- (7) The 18<sup>th</sup> Board of Directors meeting of the 5th term on January 26, 2016
- A. Approved the proposal of compensation distribution for employees and directors in 2015
  - B. Approved the 2015 Financial Reports
  - C. Approved the company's proposal to convene the 2016 shareholders annual general meeting

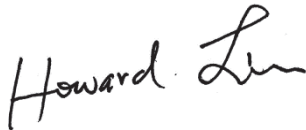
**momo.com Inc.**  
**Internal Control Statement**

Date: January 27, 2016

momo states the following with regard to its internal control system for the year 2015:

1. momo is fully aware that establishing, operating and maintaining an internal control system are the responsibilities of its Board of Directors and management. The company has established such a system to provide reasonable assurance in achieving objectives related to the effectiveness and efficiency of operations (including profits, performance and safeguarding of assets), reliability of financial reporting, and compliance with applicable laws and regulations.
2. An internal control system has inherent limitations. An effective internal control system, no matter how perfectly designed, can provide only a reasonable assurance in the accomplishment of the three goals mentioned above. Furthermore, the effectiveness of an internal control system may change along with changes in the environment or circumstances. The internal control system of the Company contains self-monitoring mechanisms and the Company takes corrective actions as soon as a deficiency is identified.
3. momo evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the "Regulations Governing the Establishment of Internal Control Systems" by public companies promulgated by the Securities and Futures Bureau, the Financial Supervisory Commission and the Executive Yuan (herein referred to as the "Regulations"). The internal control system evaluation criteria stated in the Regulations classify internal control into five key elements based on the process of management control: 1. Control environment, 2. Risk assessment, 3. Control activities, 4. Information and communications, and 5. Monitoring. Please refer to the Regulations for details on these five key elements.
4. momo has evaluated the design and operating effectiveness of its internal control system according to the aforesaid criteria
5. Based on the findings of the evaluation mentioned in the third paragraph, momo believes that as of Dec. 31, 2015, its internal control system (including its supervision of subsidiaries), which encompasses internal controls to achieve effective and efficient operations, reliable financial reporting, and compliance with applicable laws and regulations, was effectively designed and operating, and is reasonably assured of achieving the above-stated objectives.
6. This statement will form a major part of the Company's Annual Report and Prospectus and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171 and 174 of the Securities and Exchange Act.
7. This statement has been passed by the momo Board of Directors' Meeting on January 27, 2016, where all of the nine attending directors did not express any dissenting opinion and affirmed the content of the same.

momo.com Inc.



Howard Lin  
Chairman



C.F. Lin  
President

**Major Issues of Record or Written Statements Made by Any Director Dissenting to Important Resolutions Passed by the Board of Directors:** None



## Resignation or Dismissal of the Company's Key Individuals, Including the Chairman, CEO, and Heads of Accounting, Finance, Internal Audit and R&D :

None

## iv.Information Regarding the Company's Audit Fee and Independence

### Audit Fee

Accounting Firm	Name of CPA		Period Covered by CPA's Audit	Remarks
KPMG	Simon Chen	Leo Chi	2015.1.1~2015.3.31	In order to meet the professional service demands required by the management and the company's operations, the accounting firm has been change to Deloitte and Touche.
Deloitte Touche Tohmatsu	Vita Kuo	Peter Lin	2015.4.1~2015.12.31	

Fee Range		Fee Items	Audit Fee	Non-audit Fee	Total
1	Under NT\$ 2,000,000			V	
2	NT\$2,000,001 ~ NT\$4,000,000				
3	NT\$4,000,001 ~ NT\$6,000,000		V		V
4	NT\$6,000,001 ~ NT\$8,000,000				
5	NT\$8,000,001 ~ NT\$10,000,000				
6	Over NT\$100,000,000				

Unit: NT\$, '000

Name of Accounting Firm	Name of Accountant	Audit Fee	Non-audit Fee					Period Covered by CPA's Audit	Remarks
			Structure Planning	Business Registration	Human Resources	Others	Sub-total		
KPMG	Simon Chen 、Leo Chi	816	-	317	-	747	1,064	January 1, 2015 ~ March 31, 2015	Annual fee and transfer cost proposal
Deloitte Touche Tohmatsu	Vita Kuo 、Peter Lin	3,300	-	-	-	85	85	April 1, 2015 ~ December 31, 2015	ISMSCertification Advisory Fee

(3) For CPA changes, if the audit fee in the first year is lower than that of the prior year, specify the audit fee before and after the change and the reasons: Not applicable

(4) If audit fees dropped by more than 15%, specify the amount and percentage of decline and reasons: Not applicable

## v.Replacement of CPA

### 1.Regarding the former CPA

Replacement Date	April 27, 2015		
Replacement reasons and explanations			
Describe whether the Company terminated or the CPA did not accept the appointment	Parties	CPA	The Company
	Status		V
	Termination of appointment		
	No longer accepted (continued) appointment		
Other issues (except for unqualified issues) in the audit reports within the last two years	None		
Differences with the company	Yes		Accounting principles or practices
			Disclosure of Financial Statements
			Audit scope or steps
			Others
	None	V	
Remarks/specify details: None			
Other Revealed Matters	None		

### 2.Regarding the successor CPA

Name of accounting firm	Deloitte Touche Tohmatsu
Name of CPA	Vita Kuo and Peter Lin
Date of appointment	April 27, 2015
Consultation results and opinions on accounting treatments or principles with respect to specified transactions and the company's financial reports that the CPA might issue prior to the engagement.	None
Succeeding CPA's written opinion of disagreement toward the former CPA	None

### 3.The reply from the previous accountant in response to Item 3, Order 1 and 2, Section 6, Article 10 of this guideline: None

**Company Chairman, President or finance/accounting manager held positions in the Company's audit firm or its affiliates within the past year:** None

## vi.Changes in Shareholding of Directors, Supervisors, Managers and Major Shareholders

### 1.changes in shareholding for shareholders who holds more than 10% share of the company

Unit: shares

Title	Name	Year	2015		As of Feb. 21, 2016	
			Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Chairman and Director	Wealth Media Technology Co. Ltd.		-	-	-	-
	Wealth Media Technology Co. Ltd. Representative: Howard Lin.		-	-	-	-
	Wealth Media Technology Co. Ltd. Representative: C.F. Lin		-	-	-	-
	Wealth Media Technology Co. Ltd. Representative: Jerry Kao		-	-	-	-
	Wealth Media Technology Co. Ltd. Representative: James Jeng		-	-	-	-
Director	TECO CAPITAL INVESTMENT CO., LTD.		(44,000)	-	(99,000)	-
	TECO CAPITAL INVESTMENT CO., LTD. Representative: Mao-Hsiung Huang		-	-	-	-
Director	WOORI HOME SHOPPING CO., LTD.		-	-	-	-
	WOORI HOME SHOPPING CO., LTD. Representative: KIM, IN HO		-	-	-	-
Independent director	CHEN,HONG-SO		-	-	-	-
Independent director	Shikuan Chen		-	-	-	-
Independent director	Brian Y. Hsieh		-	-	-	-
Broadcasting Division Vice President	Bob Hsieh (Note1)		-	-	-	-
Vice President	Vicky Tu (Note2)		-	-	-	-
Broadcasting Division Director	Alex Chen		-	-	-	-
International Business Division Director	Kiki Hung		2,000	-	-	-
Division Director	Summer Hsieh		-	-	-	-
Information Technology Division Director	Van Yu		-	-	-	-

Title	Name	Year	2015		As of Feb. 21, 2016	
			Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Supporting Service Division Director	Leanne Wang		-	-	-	-
Financial & Accounting Division Director	Gina Lu		-	-	-	-
Internal Audit Office Assistant Manager	Dong-Nan Liang		-	-	-	-

Note1 : Vice President Bob Hsieh has resigned in August 2015

Note2 : Vice President Vicky Tu assumed the position in February 2016.

## 2.Shares Trading with Related Parties : None

## 3.Stock pledged with related party: None

## vii.Relatationship Among the Top Ten Shareholders

Name	Current Shareholding		Spouse's/m inor's Shareholding		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees		Remarks
	Shares	%(Note)	Shares	%	Shares	%	Name	Relationship	
Wealth Media Technology Co., Ltd.	63,047,205	44.38%	-	-	-	-	Fubon Life Insurance Co., Ltd.	Actual related party	
Chairman : Richard Tsai	-	-	-	-	-	-	Fubon Life Insurance Co., Ltd.	Director of the company	
Tong-An Investment Co., Ltd.	15,715,000	11.06%	-	-	-	-	-	-	
Chairman : Mao-Hsiung Huang	-	-	-	-	-	-	-	-	
WOORI HOME SHOPPING CO., LTD.	14,014,000	9.86%	-	-	-	-	LOTTE SHOPPING CO.	Actual related party	
Chairman : Shin Dong Bin	-	-	-	-	-	-	LOTTE SHOPPING CO.	Chairperson of the company	
LOTTE SHOPPING CO.	7,319,420	5.15%	-	-	-	-	WOORI HOME SHOPPING CO., LTD.	Actual related party	
Chairman : Shin Dong Bin	-	-	-	-	-	-	WOORI HOME SHOPPING CO., LTD.	Chairperson of the company	
Fubon Life Insurance Co., Ltd.	6,650,000	4.68%	-	-	-	-	Wealth Media Technology Co., Ltd.	Actual related party	
Chairman : Ben-Yuan Cheng	-	-	-	-	-	-	-	-	
Cathay Life Insurance Co., LTD.	5,040,000	3.55%	-	-	-	-	-	-	
Chairman : Hong-Tu Tsai	-	-	-	-	-	-	-	-	
Howard Lin	2,710,136	1.91%	-	-	-	-	Fubon Life Insurance Co., Ltd.	Director of the company	
TransGlobe Life Insurance Inc.	1,465,000	1.03%	-	-	-	-	-	-	
Chairman : Stiven Peng	-	-	-	-	-	-	-	-	
China Chemical and Pharmaceutical Co., Ltd.	1,298,709	0.91%	-	-	-	-	-	-	
Chairman : Xun-Sheng Wang	-	-	-	-	-	-	-	-	
ITOCHU Corporation	1,278,750	0.90%	-	-	-	-	-	-	
Chairman : Fujimasa Masahiro	-	-	-	-	-	-	-	-	

Note: Shareholding ratio = number of shares ÷ actual number of issued shares (142,058,500 shares, including already repurchased treasury shares of 2,000,000 shares)

## viii.Ownership of Shares in Affiliated Enterprises

Unit: shares/ %

Affiliated Enterprises ( Note )	Ownership by the Company		Direct or Indirect Ownership by Directors, Managers		Total Ownership	
	Shares	%	Shares	%	Shares	%
Fu Sheng Travel Service Co., Ltd.	3,000	100	-	-	3,000	100
Fuli Life Insurance Agent Co., Ltd.	500	100	-	-	500	100
Fuli Property Insurance Agent Co., Ltd.	500	100	-	-	500	100
Taiwan Pelican Express Co., Ltd.	16,893	17.7	6,674	6.99	23,567	24.69
TVD Shopping Co., Ltd.	31,150	35	-	-	31,150	35
ASIAN CROWN INTERNATIONAL CO.,LTD.	26,500	76.26	-	-	26,500	76.26
FORTUNE KINGDOM CORPORATION	33,633	100	-	-	33,633	100
Hong Kong Fubon Multimedia Technology Co., Limited	33,633	100	-	-	33,633	100
Fubon Gehua (Beijing) Enterprise Ltd.	-	69.63	-	1.71	-	71.34
Honest Development CO., Ltd.	21,778	100	-	-	21,778	100
Hongkong Yue Numerous Investment Co. Limited	16,600	100	-	-	16,600	100
Haobo Information Consulting(Shenzhen) Co., Ltd.	-	100	-	-	-	100
Beijing Global Guoguang Media Technology Co., Ltd.	-	20	-	-	-	20

Note: The list comprised of companies' earnings recognized as long-term investment under the equity method.

## IV. Financial Information

### i.Capital and shares

#### Source of capital

Unit: shares / NT\$

Date	Par value (NT\$)	Authorized capital		Paid-in capital		Remarks		
		Shares	Amount (NT\$)	Shares	Amount (NT\$)	Source of capital (NT\$)	In a form other than cash	Remarks
Sep. 2004	10	150,000,000	1,500,000,000	45,000,000	450,000,000	Authorized capital	-	Note 1
July 2008	10	150,000,000	1,500,000,000	63,000,000	630,000,000	Capital increased out of earnings of NT\$ 180,000,000	-	Note 2
Jun. 2009	10	150,000,000	1,500,000,000	81,900,000	819,000,000	Capital increased out of earnings of NT\$ 189,000,000	-	Note 3
Jun. 2010	10	150,000,000	1,500,000,000	114,660,000	1,146,600,000	Capital increased out of earnings of NT\$ 327,600,000	-	Note 4
Jan. 2011	10	150,000,000	1,500,000,000	115,405,000	1,154,050,000	Exercise of Employee Stock Options: NT\$7,450,000	-	Note 5
Dec. 2011	10	150,000,000	1,500,000,000	116,235,000	1,162,350,000	Exercise of Employee Stock Options: NT\$8,300,000	-	Note 6
July 2012	10	150,000,000	1,500,000,000	127,858,500	1,278,585,000	Capital increased out of earnings of NT\$ 116,235,000	-	Note 7
Jan. 2015	10	150,000,000	1,500,000,000	142,058,500	1,420,585,000	Capital increased by cash NT\$ 142,000,000	-	Note 8

Note 1 : Authorization No. 93221642 on Sept.27, 2004

Note 2 : Authorization No. 09701157070 on July 7, 2008

Note 3 : Authorization No. 09801119000 on Jun.12, 2009

Note 4 : Authorization No. 09901123520 on Jun.11, 2010

Note 5 : Authorization No. 10001005520 on Jan.17, 2011

Note 6 : Authorization No. 10001294200 on Dec.30, 2011

Note 7 : Authorization No. 10201211460 on July 13, 2012

Note 8 : Authorization No. 10401013220 on Jan.23, 2015

As of Feb. 21, 2016

Unit: shares'000

	Authorized capital			Remarks
	Listed shares	Unissued shares	Total	
Common stock	142,059	7,941	150,000	

Information related to shelf registration: None.

## Shareholder structure

As of Feb. 21, 2016

	Government agencies	Financial institutions	Other institutions	Individuals	Foreign institutions & individuals	Total
No. of shareholders	—	—	47	2,867	60	2,974
Total shares owned	—	—	100,184,200	13,966,776	27,907,524	142,058,500
Holding percentage (%)	—	—	70.52%	9.83%	19.65%	100%

Note : Foreign institutions or individuals without mainland Chinese investors.

## Shareholding distribution

### Common shares

As of Feb. 21, 2016

Shareholding range	No. of shareholders	Total shares owned	Holding percentage(Note)
1 ~ 999	877	32,609	0.02 %
1,000 ~ 5,000	1,784	2,910,771	2.05 %
5,001 ~ 10,000	115	875,269	0.62 %
10,001 ~ 15,000	49	623,394	0.44 %
15,001 ~ 20,000	18	320,500	0.23 %
20,001 ~ 30,000	25	642,700	0.45 %
30,001 ~ 50,000	29	1,179,166	0.83 %
50,001 ~ 100,000	31	2,200,443	1.55 %
100,001 ~ 200,000	15	2,200,530	1.55 %
200,001 ~ 400,000	7	1,793,162	1.26 %
400,001 ~ 600,000	7	3,474,960	2.45 %
600,001 ~ 800,000	1	624,588	0.44 %
800,001 ~ 1,000,000	4	3,499,188	2.46 %
1,000,001 and above	12	121,681,220	85.66 %
Total	2,974	142,058,500	100 %

Note: Shareholding ratio = number of shares ÷ actual number of issued shares (142,058,500 shares, including already repurchased treasury shares of 2,000,000 shares)

## Major shareholders

As of Feb. 21, 2016

	Total shares owned	Holding percentage (Note)
Wealth Media Technology Co., Ltd. (Taiwan Mobile Group)	63,047,205	44.38%
Tong-An Investment Co., Ltd.	15,715,000	11.06%
WOORI HOME SHOPPING CO., LTD.	14,014,000	9.86%
LOTTE SHOPPING CO.	7,319,420	5.15%
Fubon Life Insurance Co., LTD.	6,650,000	4.68%
Cathay Life Insurance Co., LTD.	5,040,000	3.55%
Howard Lin	2,710,136	1.91%
TransGlobe Life Insurance Inc.	1,465,000	1.03%
China Chemical and Pharmaceutical Co., Ltd.	1,298,709	0.91%
ITOCHU Corporation	1,278,750	0.90%

Note: Shareholding ratio = number of shares ÷ actual number of issued shares (142,058,500 shares, including already repurchased treasury shares of 2,000,000 shares)

## Share price, net worth, earnings, dividends and related information

Unit: NT\$, '000 shares

			2014	2015	As of Feb. 25, 2015
Share price (NT\$)	High		344	344.5	217
	Low		283	176.5	196
	Average		323.95	252.37	208
Net worth per share (NT\$)	Before earnings appropriation		44.43	39.71	—
	After earnings appropriation		35.95	Note	—
Earnings per share (NT\$)	Adjusted weighted average outstanding shares		128,442	141,778	140,059
	Earnings per share		9.11	7.48	—
Dividends per share (NT\$)	Cash dividends		8.48	Note	—
	Stock dividends	Retained earnings	—	Note	—
		Capital surplus	—	—	—
	Accumulated unpaid dividends		—	—	—
PE and dividend yield	Price earnings ratio		35.56	33.74	—
	Price to cash dividend		38.20	—	—
	Cash dividend yield		2.62	—	—

Note : The abovementioned information after distribution was prepared pursuant to the resolutions of the shareholders' meeting of the ensuing year. The financial information of 2014 was calculated in accordance with the International Financial Reporting Standards. The distribution of surplus earnings in 2015 has not yet been resolved by the shareholders' meeting.

## Dividend policy

### 1. Dividend policy under Articles of Incorporation (Applicable since April 20, 2014):

If there is any surplus in the annual accounts, the Company shall, after having paid for all taxes and covered its losses in the preceding years pursuant to laws and regulations, set aside ten percent of such surplus as a legal surplus. However, when the legal surplus amounts to the authorized capital, this shall not apply. The Company shall also appropriate or reclassify another sum as a special surplus in accordance with laws and regulations or in light of the business needs. If there is still a balance, the board of directors shall submit to a shareholders' meeting the surplus earning distribution proposal for resolution to appropriate at least 10% of the balance and the unallocated accumulated earnings in the previous year (to be resolved by the general shareholders' meeting on April 20, 2016).

Given the overall macro environment and the growth needs of the Company's operation, the Company may in mind, adopt the residual dividend policy for the distribution dividends with the aim to maximize shareholders' return. The Board of Directors will propose an appropriate dividend payout for approval at shareholder meetings and consider the following factors: based on the company's budget plans and estimate of future cash flow requirements while considering the company's profitability, financial stability, and dilutive impact of earnings.

Dividends may be distributed in cash and/or stock dividends. Cash dividends shall comprise at least ten percent of the total distribution, subject to the operations and growth needs of the Company, stability of the payout, , and shareholders' return.



## 2. Proposed dividend allocation for approval at the annual shareholders' meeting

Prior to the printing date of the annual report, the board of directors of the Company has not yet resolved the distribution of 2015's earnings. A meeting of the board of directors shall be held within 40 days of the 'general shareholders' meeting for the resolution of the distribution of 2015 earnings. Relevant information shall, without delay, be disclosed on the Company's website and the Market Observation Post System (MOPS).

## 3. According to the Company's 2014 annual dividend distribution policy, the shareholders' dividend of the current year shall not be less than 90% of the net profit after tax.

**Impact of stock dividend distribution on business performance and EPS :** Not applicable

### **Employees' bonus and directors' remuneration:**

1. The proportion or range of employees' bonus and directors' remuneration as prescribed by the Company's Articles of Incorporation are as follows:

The Company's annual profit, if any, shall be set aside for directors' remuneration and employees' bonus according to the following proportions:

- a Directors' remuneration should be no more than 0.3%.
- b Employees' bonus should be between 0.1 % and 1%.

However, the Company shall reserve profits to cover any cumulative losses. Subjects for the distribution of bonuses include all subordinate employees that meet stipulated criteria. (to be ratified by the 'general shareholders' meeting on April 20, 2016)

2. The basis for estimating the amount of employees' bonus and directors' remuneration for the current period, and the accounting treatment of the discrepancy, if any, between the actual amount of bonus shares distributed to employees and estimated figure thereof are as follows:

If there are major changes to the distribution amounts by resolution of the board of director's meeting after closing of a fiscal year, , the changes shall apply to adjust the expenses of the year of the proposal. If there are still pending changes to the amount on the date of resolution by the shareholders' meeting, the changes shall be processed according to the accounting estimates and booked as an adjusting entry in the year of the shareholders' resolution.

3. Information on employees' bonus and directors' remuneration proposal approved by the board of directors is as follows:

The board of directors has approved on January 27, 2016 the employees' bonus and directors' remuneration proposal for 2015. The Company planned to distribute NT \$1,303,018 to employees and NT \$1,303,018 to directors entirely in cash, which shall be proposed at the 2016 'general shareholders' meeting.

4. The actual distribution of employees' bonus and directors' remuneration for the previous fiscal year (including the number, dollar amount, and stock price of the shares distributed), and any discrepancy between the actual distribution and the recognized employees' bonus and directors' remuneration shall be stated, including the discrepancy, cause, and status of treatment.

The Company has approved the 2014 surplus earning distribution proposal on June 5, 2014 by the shareholders' meeting. The actual distribution includes NT \$1,072,828 of employees' bonus and NT \$1,072,828 of directors' and supervisors' remuneration. Both figures agree with the amounts recognized in 2014 financial report.

## Buyback of Treasury Stock

As of Feb. 25, 2016

Batch number of treasury shares buyback	The 1st batch in 2015
Purpose of buyback	Transfer ownership of shares to employees
Buyback period	October 27, 2015–December 15, 2015
Price range of shares to be repurchased	NT\$160~250 (the Company may still repurchase when the market price falls below the lower limit of the price range)
Types and quantity of repurchased shares	2,000,000 shares
Total value of repurchased shares	NT\$397,175,061
The number of shares cancelled or transferred	0 shares
Accumulated number of company shares held	2,000,000 shares
Accumulated number of company shares held as a percentage of total company shares issued (%)	1.41%

**ii. Corporate Bonds:** None

**iii. Preferred shares:** None

**iv. Global Depository Receipts:** None

**v. Employee Stock Options:** None

**vi. New Restricted Employee Shares:** None

**vii. Status of New Shares Issuance in Connection with Mergers and Acquisitions:** None

**viii. Financing Plans and Implementation:** None

## V. Operational Highlights

### i.Scope of Business

#### 1. Main areas of business operations

- A. J503021 Television Production
- B. J503011 Broadcasting Production
- C. J503031 Broadcasting and Television Program Distribution
- D. J503041 Broadcasting and Television Commercial
- E. J503051 Video Program Distribution
- F. F108031 Wholesale of Drugs, Medical Goods
- G. F208031 Retail Sale of Medical Equipment
- H. F208021 Retail Sale of Drugs and Medicines
- I. F208011 Retail Sale of Chinese Medicine
- J. F108021 Wholesale of Drugs and Medicines
- K. F108011 Wholesale of Chinese Medicine
- L. F401161 Tobacco Products Import
- M. F401171 Alcohol Drink Import
- N. ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval.

#### 2. Retail revenue breakdown

Unit: NT\$'000

	2014		2015	
	Revenue	% of total	Revenue	% of total
TV Shopping and Catalogue Shopping	8,448,390	35.35	8,100,149	31.59
Online shopping	14,979,068	62.69	17,224,064	67.18
Others	469,547	1.96	315,685	1.23
Total	23,897,005	100.00	25,639,898	100.00

#### 3. Main products

momo offers TV home shopping, online shopping, mail order service, travel services, and property and life insurance sales.

#### 4. New products development

##### (1) Developing New Product Categories

As consumers become increasingly reliant on shopping through various virtual channels, the breadth of product offering will likely to have increasing impact on the ratings of home shopping channels. In addition, diversified product types and product categories may increase the number of customers the virtual channels are able to reach. Developing new product categories will likely develop new customer base and lower the risks associated highly concentrated product categories. The new categories that we have recently developed and successfully managed include travel tickets and outdoor products.

##### (2) Introducing New Brands

Introducing new brands has been an important mission of momo.com Inc. Brand-introduction comprises negotiations, TV marketing, customer development, and product sales, which take at least six months to complete the cycle. However, momo stresses the importance to brand quality assurance, with sizable marketing resources, and stable base of suppliers. Brands that have been successfully introduced by momo in recent years include Niuer, Mr. Kevin, funcare, and Yipinfuren. momo will continue to introduce renowned domestic and foreign brands in the future.

### (3) Creating New Platforms

As cable TV ratings reach a saturation point, combined with digitalization of television programs and the increasing adoption of mobile devices, will likely decrease the overall viewing time of home shopping programs on TV. As a result, TV Home Shopping operators can no longer afford to focus only in the traditional way to deliver their programs on cable TV channels. In 2014, momo TV introduced the first TV app, with the second iteration of the app for upgrade was completed in the second quarter of 2015. The upgraded app enhanced original features of view streaming of TV programming and making the user-interface friendlier. The improved customer's shopping experiences through the improved app enables better retention of viewership and connection with our target customers.

## Industry Overview

### 1. Current market and Outlook of Related Industries

Currently, the Company operates in three segments: virtual channel-based TV shopping, online shopping and catalogue shopping (via mail orders). Revenue, for each of the three industries is expected to continue to rise in the future. The following discussion will include the development of TV shopping, online shopping, and catalogue shopping.

#### (1) TV Shopping

TV shopping-operators use the channels as a sales platform. This platform includes activities such as productions of live TV programming, cash flow management, customer services, logistics and warehousing, and TV channel rental from cable TV operators. Suppliers can leverage this platform to sell their merchandise on cable TVs via live or taped TV programming.

##### a. Taiwan's TV shopping market

Major TV home shopping operators in Taiwan's TV include Fubon's momo channel, Eastern Home Shopping & Leisure, U-Life, and ViVa. An analysis of the current market situation and competition involving the aforementioned corporations is shown as follows:

	Momo	EHS	U-Life	ViVa
Parent Company/Group	Taiwan Mobile	-	EMI	-
Number of Home Shopping Channels	3	2	3	2
Number of Households	5 Million	5 Million	5 Million	5 Million
Multi-Channel	EC/Catalog/Mobile Commerce	EC/Catalog/Mobile Commerce	EC/Catalog	EC/Catalog/Mobile Commerce
Strength	-	-	-	Private Label products

##### b The household penetration rate of cable TV and digital TV in Taiwan 2012Q3~2015Q3

	Total Number of Households	Number of Households in Cable TV	Number of Households in Digital TV	The Penetration rate in Digital TV	The Penetration rate in Cable TV
2012Q3	8,167,676	4,995,568	907,258	11.10%	61.2%
2012Q4	8,186,432	4,989,155	1,049,321	12.80%	60.9%
2013Q1	8,203,875	4,979,774	1,258,373	15.30%	60.7%
2013Q2	8,230,065	4,973,814	1,536,424	18.67%	60.4%
2013Q3	8,270,689	4,980,760	1,940,247	23.46%	60.2%
2013Q4	8,286,260	4,985,222	2,275,194	27.46%	60.2%
2014Q1	8,300,560	4,988,575	2,610,325	31.45%	60.1%
2014Q2	8,329,623	4,988,536	2,993,946	35.94%	59.9%
2014Q3	8,372,925	4,994,450	3,456,816	41.29%	59.65%
2014Q4	8,382,699	5,002,216	3,947,507	47.09%	59.67%
2015Q1	8,402,104	5,012,159	4,131,941	49.18%	59.65%
2015Q2	8,427,075	5,023,988	4,271,409	50.69%	59.62%
2015Q3	8,459,688	5,043,726	4,408,742	52.11%	59.62%

Data from 3Q12 to 2015 show a stable trend of the cable TV penetration rate at 59% – 61%. However, there has been quarter-by-quarter growth in the number of digital cable users during the same period, benefiting from active promotion by the government. An increase in adoption of digital content and the removal of the number of home shopping channels will likely spur the growth of home shopping channel sales. Current limit of home TV shopping per “Amendments to Limits on the Number of Home TV Shopping Channels used by Cable Radio and TV Operators” is 10%.

c. “The Home Economy” trends

Given the recent technological advances, the traditional brick and mortar transactions are not the only way for consumers to make purchases. As consumers’ adoptions of virtual shopping channels rise, a gradual shift towards the “Home Economy” rises. Home economy entails a simplified shopping process that removes physical retail stores from the shopping process and enables customers to place orders from the comfort of their homes from phones, mobile devices or computers over the internet. Simplified transaction process, combined with a fast delivery of products to customers, enable the customers to mimic the instant gratification they would otherwise receive at traditional brick and mortar stores. As a result, the rise of “Home Economy” has proved to be resilient during the global financial crisis. Popularity of cable TV enables the customers to flip through various channels at their leisure. Suppliers and operators can identify when the target customers will be watching, and leverage the sounds and visuals of the programming to attract the customers to make impulse purchases. In addition, TV shopping operators boast strong after-sales services capabilities, thereby ensuring a more secure buyer–seller transactions as well as assurance of product authenticity and quality.

(2) Online shopping

Customers of B2C platforms will provide personal information to B2C operators. B2C operators would then save the information for use for marketing/promotional campaigns in the future. When customers make a purchase by placing orders and entering payment information, the transaction is verified by third party financial companies before the orders are fulfilled, aided by third party logistics operators for the final delivery of the purchased merchandise.

a. Analysis of Taiwan’s Online Shopping Environment

Taiwan has a high penetration rate of internet usage amongst its population and has foster the growth and innovation of E-commerce platforms. Along with a mature and efficient third party logistics operators in the market place, B2C, B2B2C, C2C, and O2O formats coexists in the market place and continues to drive consumer adoption of E-commerce. According to the Institute for Information Industry, Taiwan’s B2C market has averaged 17% annual growth during 2010 and 2014 and expects the B2C market to reach NT\$763 billion by 2017.

According Directorate-General of Budget, Accounting and Statistics, Taiwan’s GDP grew a mere 1.06% in 2015. However, the B2C market continues to thrive despite a sluggish economy, with an estimated growth of 15.89% YoY to NT\$613.8 billion. The B2C market expects to see favorable growth trends in 2016 as growth opportunity is more favorable compared with other Taiwanese industries.

B2C E-commerce forecast revenue

Unit: NT\$billion

	2011	2012	2013	2014	2015	2016(F)	2017(F)
B2C revenue	3,225	3,820	4,511	5,291	6,138	6,875	7,630
Growth rate	24%	18%	18%	17%	16%	12%	11%

Data Source : MIC , 2015/03

b. High penetration rate for internet usage in Taiwan, a number that continues to trend higher

According to a broadband Internet usage survey administered by the Taiwan Network Information Center (TWNIC), the penetration rate for Internet usage in Taiwan increased from 75.6% to 80.3% since 2014, or approximately 18.83 million people. The one-hundred percentage of the population between the age of 18 and 30 used the Internet; this age group is the most dominant user group of the Internet.

As mobile devices such as smartphones and tablet computers becoming even more prevalent, usage rate of the internet will continue to rise and create exciting opportunities for mobile shopping-related business.

#### c. Mobile Shopping and Other Factors Influencing E-Commerce

According to a broadband Internet usage survey prepared by the TWNIC in October 2015, the percentage of the population age 12 and above who used mobile device to access the internet or apps increased from 60.8% to 67.8% or 14.24mn individuals, during in the twelve months period before the survey. Of the respondents who used mobile devices to access the internet, those who have already migrated to 4G network accounted for the highest percentage (>50%), showing a significant growth from the previous year (10%). The percentage of the population who used mobile device to access the internet over the preceding six months reached nearly 80% (79.8%). Among respondents who used mobile devices or through WiFi to access the internet, 85.6% indicated that they also used apps, which was an increase of 11% compared to survey in 2014. The prevalence of mobile devices has prompted E-Commerce operators to develop apps for users to download. Responses to a survey conducted in 2016 indicated that 30% of respondents use app rather than browsers to access online content. In addition, 23.6% of respondents indicated that they access online content for 1 to 2 hours each session, followed by 15% for 2 to 3 hours each session, and then 0.5 to 1 hours.

The competitive e-commerce environment is influenced by three major factors, which are third party payment, integrated logistics, and cross boarder operations. Third party payment protects both buyers and sellers and lowers cross board transaction costs, thereby enabling the two parties to complete mobile-based online shopping in a secure, convenient, and swift manner despite being in two different countries. These features facilitate the development of E-commerce and cross border transactions. Separately, Taiwan's online shopping platforms have reduced the purchase–delivery period from 24 hrs to 12 hrs (some have even lowered it to 6 hrs). The significant improvement in product delivery time by can further diminished the “instant gratification” benefit for consumers buying at physical sores vs. virtual channels. In addition to solidifying domestic operations, cross border transactions is another key factor to driving Taiwan's e-commerce growth. Although key obstacles are logistics and payment verification, given that different countries have difference regulations, government support to further drive adoption of E-commerce may lead to more frequent cross border transactions.

### (3) Catalogue Shopping

Mail order catalogue business is where customers obtain product information from product catalogues prepared and sent by catalogue shopping companies. Orders are placed via telephone, fax, return order sheets, and/or the Internet. The mail order catalogue shopping companies then deliver the products to the customers via third party logistics providers, including the post office. Customers make payments via postal office wire transfers, credit cards, or cash on delivery.

#### a. Current state of the Mail Order Catalogue Shopping Industry in Taiwan

Examples of mail order catalogue shopping companies in Taiwan in the early days included the Taipei Mail Order Company, Sandory Shop, and MI SC Mail Order, whose main customers were students. The mail order catalogue shopping industry subsequently evolved to include the use of mail order catalogues to help direct selling – Avon. Other cosmetic specialists from Japan such as DHC and Orbis, and catalogues that support TV shopping such as momo catalogues and Eastern Home Shopping & Leisure catalogues also enter the business. As media exposure becomes increasingly multifaceted, companies often employ advertising strategies through multiple outlets to strengthen their connections with consumers and to meet their demands. For instance, 7-ELEVEN, a franchise with over 5,000 stores in Taiwan, publishes Easy Purchase in Advance (which features the Gourmet Food Purchase in Advance Magazine, the T-Cat Specialty Food Purchase in Advance Magazine, and the Reading Blog) to make up for the lack of merchandise put on display within smaller 7-Eleven's physical stores. Similarly, momo catalogues are published to broad product exposure to the customer base, as most often, TV home shopping channel markets only one product during each programming segment.

Catalogues enable the customers to easily browse through a vast selection of popular products that are offered on TV or through E-Commerce platforms.

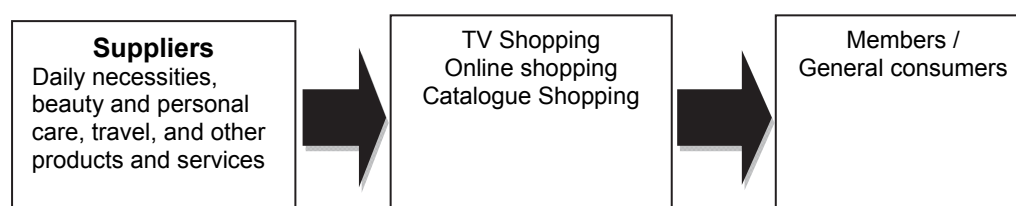
There are three prerequisites that must be met to start a mail order catalogue shopping business: preparation and printing of catalogues, acquisition of customers' information, and logistics system implementation. Preparation for catalogues require significant initial financial commitment as international paper cost has been rising and the production cost of intricately layed out and finely printed catalogues designed to stimulate consumers' desire to make purchases, are also expensive. If mail order catalogue operators distribute catalogues randomly, the response/purchase rate will likely be low. Therefore, companies with extensive records of customers, likely significant time to achieve, can then leverage its customer database to more accurately identify customers who are more likely to purchase from catalogues. With respect to logistics system implementation, mail order catalogue shopping companies must be equipped with a strong customer service system as well as a responsive supplier base. These capabilities enable them to process thousands of purchase orders with ease. To accomplish this, sufficient capital must be available to sustain an efficient and satisfactory consumer shopping experience.

#### b. Future Trends of Mail Order Catalogue Shopping

As entry barrier for the mail order catalogue shopping business is high, only major TV shopping, physical channel, and domestic and foreign-based cosmetic companies remains in Taiwan. Small mail order catalogue shopping companies make comparatively less profits. As a result, mail order catalogue shopping companies are mostly run by subsidiaries of major corporations in Taiwan. Because paper price trends can be volatile, and mail order catalogue shopping operators are more of price takers, it is more feasible to manage cost by using consumer data analyses to identify mailing list that are more likely to improve elevate response/purchase rates. To better match consumers' personal shopping experience and respond to market demands, e-catalogues have also been introduced to the market. Such a method facilitates immediate and high volume consumer information acquisition and allows mail order catalogue shopping companies to lower printing costs while effectively stimulate the purchase desire of their target customers. Although e-catalogues appear to be the development trend of the future, paper-based mail order catalogues remain an indispensable tool to communicate with customers, where companies can use different papers to accentuate product qualities as well as adapting to consumer motivation, location, preference, and media marketing strategies to boost sales.

### 2. Relationships between Suppliers, Distributors, and Retailers in the Industry

Products sold by our corporation are purchased from various suppliers who are considered to be upstream of the industrial supply chain. Our products mainly comprise of household items, cosmetics, and travel items. The company operates in three main business segments, including TV home shopping, E-commerce, and mail order catalogue shopping – these segments are viewed as the midstream of the industrial supply chain. Finally, our products are sold to retailers (i.e., the downstream of the industrial supply chain) and consumers via different segments of our businesses. A diagram of the relationships between the suppliers, distributors, and retailers of the industrial supply chain is provided as follows:



### 3. Product Development Trends

#### (1) TV Shopping

The increase in adoption of digital cables will likely increase the numbers of homes that can receive signals for home shopping channels. As broadband access matures in Taiwan, more functions will allow TV to engage with viewers. Some of these functions include video on demand, quick order on smart TV, two-way data transmission between TV and viewer (via a digital set-top box), and immediate viewer identification to provide him/her with the most suitable sales information are already available for adoption and will maximize the impact of TV as a conduit for transactions. In addition, by using apps for the TV, viewers can stream live broadcast of home shopping channel programs, relevant product information and

from a market perspective, receive push notifications of on-going discounting and daily promotional activities.

## (2) Online shopping

In recent years, online shopping suppliers are attaching greater importance to the significance of social networks as well as social network-induced purchases. Although traditional shopping networks provide a diversified selection of products to meet consumer demands, they are unable to help consumers eliminate the possibility of purchasing products that fail to meet the consumers' expectations. Therefore, other global shopping platforms recently began to focus on functions offered by social networks such as "recommendations from fellow shoppers." For example, Amazon and ebay acquired Quoru and Svvply.com respectively, whereas Walmart established its Walmart lab. These activities are attempts to utilize shoppers' comments on social networks to improve customer experience, by minimize the possibilities of product purchases that fails to meet customers' demand. Big data are frequently used to analyze the potential demands of online shoppers, thereby creating favorable buyer-seller interactions. Home Shopping Network (HSN), the first-ever TV shopping network, introduced the HSN Arcade on its website that features numerous mini-games designed for female consumers. These easy-to-master games provide the female consumers a place to entertain themselves and enable product placement opportunities for products sold by the HSN and elicits consumer behaviors to participate in "group buying" campaigns.

## (3) Catalogue Shopping

According to a report released by IBISWorld in 2015, the mail order catalogue shopping market showed an annual growth rate of -1.7% between 2010 and 2015 in the U.S. There was a similar trend in Japan, where large mail order catalogue shopping companies such as Nissen showed a drop in revenue in 2012 which, coupled with increasing logistics costs and packaging film costs, significantly reduced the profitability of mail order catalogue shopping companies. To solve this problem, mail order catalogue companies began to adopt a multimedia-based sales strategy (i.e., sales via the Internet and mobile devices). For example, Nissen indicated that it would use the experience that it had accumulated from selling fashion apparel to 20 – 34 years old females as its foundation and develop online shopping platforms to facilitate physical-virtual channel integration and effective communications with consumers. This change was subsequently reflected in Nissen's revenue, as online shopping revenue as a ratio of overall revenue increased. Furthermore, Nissen's mobile-based sales displayed favorable growths. Despite mail order catalogue shopping industry posting poor overall results, niche market mail order catalogue shopping companies such as Shizensyokuhin and Television Shopping that targeted elderly adults, children, and women (i.e., cosmetics) still exhibited significant growths. In 2012, the United Nations Economic and Social Commission for Asia and the Pacific (UNSECAP) predicted that the population age 60 and above would double in the Asia-Pacific region within the next 139 years, by which time one in four Taiwanese would be considered an elderly adult. This signifies promising business opportunities for companies providing services to the elderly population and/or its caregivers. Concerning Taiwanese children's product market, although it experiences the negative impact of low birth rate, the amount of money that parents are willing to spend for the same children's product increases. Therefore, not only do high-income families purchase reputable, medium- to high-priced products, low- to middle-income families also purchase such products, stimulating the growth of brands with products in the medium- to high-price range.

# 4. Competitive Landscape

## (1) TV Shopping

The momo shopping channel positions itself as a comprehensive TV shopping platform whose major Taiwanese competitors include Eastern Home Shopping & Leisure, U-Life, and ViVa. Although there are no other competitors that can replace the momo shopping channel, the emergence of new virtual shopping platforms (i.e., e-commerce and mobile commerce platforms) over the past two to three years has negatively impacted the TV shopping market. Faced with factors such as consumers' decreased dependence on TVs, channel-based competitions, adverse sales environment, and the rise of mobile-based shopping trends, momo TV introduced its TV shopping app to tap into the growth of mobile devices. The app showed considerable growth in revenue in 2015 despite its counterpart (i.e., momo's traditional TV channels) showing a drop in revenue during the same period Overall, momo to maintains a dominant position in the Taiwan TV shopping industry.



## (2) Online shopping

Momoshop.com positions itself as a comprehensive B2C online shopping network whose major Taiwanese competitors include Yahoo Shopping and PChome Online. Competitors that may potentially replace momoshop include C2C online auction sites, B2B2C online shopping malls, O2O platforms, online group buying networks, and category specific online shopping platforms. Momoshop.com enables online shoppers to make purchases on the comprehensive B2C online shopping platform as well as visit other business models of the online shopping platform when searching for products, comparing product prices, and completing online shopping. Although momoshop.com is a relative latecomer among major B2C platforms, it has experienced significant growth as it is able to leverage its TV shopping “know-how” that was accumulated over time.

## (3) Catalogue Shopping

Momo catalogue shopping positions itself as a TV-based catalogue shopping platform that provides value-added services and extended sales to momo’s TV and shopping network customers. Major momo catalogue shopping competitors include Eastern Home Shopping & Leisure catalogue shopping, U-Life catalogue shopping, and ViVa catalogue shopping. Since Taiwan’s mail order catalogue shopping market are dominated by TV shopping catalogues (i.e., the momo catalogue, the Eastern Home Shopping & Leisure catalogue, the U-Life catalogue, and the ViVa catalogue) other competitors include direct sales systems (e.g., Amway, AVON, Herbalife, and Nu Skin), Japanese cosmetic companies (e.g., DHC and ORBIS), and other mail order companies.

## Research and Development

Momo has developed its own computer software in-house, with feature functions to support and/or track activities such as TV productions, purchase orders, logistics, cash flows, accounting, marketing, and data analyses to be used for its TV shopping, online shopping, and mail order catalogue shopping platforms. In addition, the software is used to transmit data and manage momo’s website and web pages. However, similar to most companies in the wholesale and retail industry, the momo group companies does not engage in special projects related to the research and development of technologies and/or products.

## Long-term and Short-term Development

### 1. Short-Term Business Development Plan

#### (1) TV Shopping

##### a. Increasing breadth and depth of product offerings

To improve product quality and attract different consumer segments, increasing number of product offerings in terms of breadth and depth are important missions for TV Shopping. To increase the number of product offerings, efforts are made to enhance current suppliers’ product categories as well as finding new suppliers. To increase product depth, efforts are made to promote general merchandise as well as developing special products that complement TV shopping (and vice versa) and are markedly appealing when showcased through videos to maximize the efficiency of TV-related media resources.

##### b. Developing Mobile Apps and Digital Platforms (i.e., kbros MOD and Chunghwa Telecom MOD)

TV platform digitization and mobile commerce are two inevitable trends. In end of October 2014, momo introduced a momo shopping channel’s first app, featuring key functions that allowed users to stream live TV broadcasts, watch VODs of popular products, and purchase products on mobile platforms. momo also began using kbros MOD as its test model in February 2014, leveraging digital set top boxes to stream VODs to customers of cable TV operators. As of today, 50 products have been uploaded on the platform. Viewers can click on any one of the 50 products any time to watch a 4 – 6-min long video showcasing the said product; they can also place their orders via the said platform. By introducing relevant TV shopping media content to other digital platforms to increase ratings and the number of viewers, momo will be able to take advantage of new business opportunities.

##### c. Managing the Key Suppliers; Introducing the SCM System

By examining leading companies in the TV shopping sector in other countries, effectively managing key suppliers and the introduction of SCM systems are critical to stabilizing the supplier base. SCM system optimization was implemented in 2H15, while key supplier's performance metric, on a category basis, was also introduced.

## (2) Online shopping

### a. Providing Value-Added Services and further strengthening competitive advantage in the mobile market

Uses of mobile devices can be largely qualified into three segments, shopping, gaming, and social networking. When used for social networking and gaming which, when integrated with shopping, can facilitate virtual market developments as well as expanding types of online products offered (i.e., to expand from physical products to include also virtual products). momoshop introduces large-scale MMOG games, which are free value-added social networking games that can support multiple online players at the same time. Items used in the games are linked to physical products sold on momoshop, whereas other sales-related components such as cash flows, logistics, and member profiles are also can be integrated. The interface can be displayed in multiple languages and games can be played on PCs, mobile phones, and tablet computers to take advantage of mobile market trends. As new members register to become members of momoshop through their exposure to the MMOG games, the popularity of momo will likely be elevated in the Asia-Pacific region to raise brand awareness. Consumers' attachment to the social networking games can effectively facilitate cross-border marketing, which contributes to the sales of both physical and virtual products and increased revenue.

### b. Adding a Selection of Payment Options to Open Up Overseas Markets

Payment options such as credit cards, Union Pay, and Ali pay will be added in the near future to serve consumers from mainland China. The said consumers will be able to log in to momoshop by using their e-mail address and, upon completing their purchases, receive products shipped whether by air or by sea freight. The company plans to increase overseas investment.

Introduce SMOD, a Broadband TV-based Online Shopping Platform, to Facilitate Communications and Cloud Development

Licenses issued by the Taiwanese government for digital TV in recent years have prompted momoshop to actively develop its wireless digital TV market in an effort to facilitate the integrated development of TVs, PCs, mobile phones, and tablet computers (i.e., communications and cloud-based development). Such a development will enable TV viewers to engage in activities such as surfing the Internet, sending and receiving e-mails, shopping at momoshop, playing momowo community games, and talking on the phone by using their wireless digital TV/smart TVs. Moreover, by adding devices such as 3D glasses and stereos, viewers will be able to experience what it is like to shop in a virtual 3D mall in the comfort of their own home, making the SMOD a multimedia home platform.

### c. Strengthening Diversity of Product Line and Elevating Product Sales and Performance

Imported products have always been attractive in Taiwan's online shopping market, a phenomenon verified by the large number of personal shopper (i.e., individuals who buy on behalf of other buyers) blogs as well as professional personal shopper websites (e.g., MYDAY) that are available in the market. Momoshop will develop a cross border personal shopper platform to allow consumers to purchase foreign goods by placing purchase orders on momoshop. Such a service will satisfy consumer demands by enabling them to buy foreign products in a simple, convenient, efficient, and inexpensive manner. By strengthening the diversity of the product line and providing a more complete product inventory, product sales and performance can be elevated.

### d. Providing Subscription Shopping Service to Make Purchases More Convenient

Subscription shopping service will be offered for household items to help office workers and/or homemakers replenish their household items on a periodic basis. Momoshop can be the shoppers' own online warehouse and save them from the trouble of travelling to physicals to build unnecessary inventory, saving time and travelling costs as well as increasing residential space (as space needed to hold household items will be reduced).

e. Developing Big Data Calculations and Recommending Personalized Products to the Correct Customers

Momoshop works jointly with the Big Data Technology Center (of the Industrial Technology Research Institute) to calculate and analyze visitors' browsing and purchase history, from which instant, dynamic, and personalized product recommendations are provided. The service enables visitors to quickly locate their desired merchandise and make shopping more convenient.

f. Presenting an Online Ticket Query System and Enhancing the Completeness of Travel Products Services

The company represents "Abacus," a ticket-booking system that allows consumers to engage in one-stop shopping, search for available flight seats, and book flight tickets online. This service simplifies shopping process and improves shopping efficiency.

(3) Catalogue Shopping

a. Developing E-catalogues and Reaching More Customers

Catalogue shopping aims to increase the number of purchase orders by adding additional transaction capabilities through mobile apps, in addition to existing order methods of telephone, faxes, and mail-in order. Purchase functions are set up on momoshop portal and its app to enable shoppers who are interested in the momo catalogues to obtain a copy (or recommend them to their friends) online. Regarding web page design, contrary to regular web pages, which scroll up and down, the catalogues will adopt an e-book-like, left-to-right, right-to-left format, to improve its readability and visual layout more akin to paper versions of the catalogue. With respect to purchase orders placed through faxes and mail-in orders, such services are still be offered despite the current focus of momo catalogue shopping being 24-hr telephone-based services. This is because a considerable proportion of buyers still prefer to use faxes and letters to make their purchases. By providing diversified choices (e.g., online and paper-based services) for consumers to place orders, the different purchase behaviors of different consumers can be met.

b. Communicating with Different Groups of Customers, Engaging in In-depth Management, and Elevating Publication Performance

Efforts are made to develop the seniors' market and the children's market. To develop the seniors' market, momo catalogues will introduce health/regimen-related publications and include them as flyers to our senior readership base. As the number of readers grows, magazines for seniors will be published to further facilitate communication with senior customers. In addition cross selling for cleaning/caregiving services will be included to boost revenue. To develop the children's market, a similar method will be adopted. Differentiated products and services will be provided to subscribers tailored to the purchasing behaviors and more targeted marketing campaigns can be designed to improve the performance of catalogue shopping business.

c. Integrating Visual Editing and Engendering Sophisticated Layout Design

Designs are separated into various categories including visual stylization, atmosphere creation, outfit recommendations, and traditional catalogues. In addition, parent-child celebrities and husband-wife celebrities will be introduced and/or interviewed to facilitate in-depth customer management.

## 2. Long-term Business Development Plan

(1) TV Shopping

a. Enhancing the brand image of momo TV Shopping

General stigma of TV shopping is that it offered more generic-brand and unreliable products. Thus, a long-term objective of momoshop is to enhance the brand image by introducing more well know brands, actively participating in charitable activities, improving service functions, and improving the management of the membership base.

b. Talent Developing at mid to senior level

Employees are ones who make up the core structure of a well-run company. In addition to continuously recruiting distinguished talents, it is also critical to establish a comprehensive education and training system and to allow employees in various departments and functions to enhance their

professional competency and at the same time develop a greater sense of loyalty to the company. Professional managers are the key to the company's long-term development and a comprehensive training system will be implemented to enhance the organization's efficiency.

c. Cross selling of hot selling items

Popular offseason momo products will be introduced to overseas markets to assist suppliers in increasing the inventory turnover rate. This business model will be adopted to assess potential of a new market for TV shopping's expansion plans.

d. Entering the TV shopping markets in the Southeast Asia

The successful business model of momo TV in Taiwan will be replicated in Southeast Asia and other Asian countries where TV shopping remains an unexploited market, so as to expand the operating range of momoshop and to establish a cross border TV shopping venture in Asia.

(2) Online shopping

a. Talent development for e-commerce

Multi-talented and experienced employees, management teams, and leaders provide a competitive advantage in a fast growing and dynamic e-Commerce market. Since the establishment of momoshop, momo has been committed to cultivating local talents and developing e-commerce management teams. momo continue to do so in order to tackle challenges and in pursuit of achieving excellence in the ever-changing and competitive environment.

b. Effectively utilizing the internal multi-channel marketing resources for the consolidation

Since many of momomall's partners have physical stores, momo's future development includes not only online cross-platform information linking but also seamless online-offline integration. Besides various online marketing events, momo will continue to integrate marketing campaigns among physical shops and local specialty stores. Consumers will be solicited to participate in various campaign activities to obtain discounts for momomall or participating companies in order to integrate O2O campaigns for momomall partners.

c. Improving operations, provide differentiating services, and maintain growth momentum

A leading interactive e-commerce platform requires continuous input to improve its service quality, exercising its advantages in online shopping, and maintain appropriate level of profit margins. Teams at momoshop will continue to develop, acquire, and implement website technologies and transaction processing systems. In addition, momoshop will continue to add various value-added programs and improve the user interface, by providing a more responsive efficient, and attractive User experience to access campaigns to facilitate increasing transaction volumes.

d. Strengthening mobile and cloud services and pursuing sustainable business platform

Consumers currently have access to multiple ways to access e-commerce platforms, via desktop computers, laptops, mobile phones, tablets, and TVs. In order to improve consumers' shopping experience and tailor the experience to individual users, momoshop will continue to innovate and improve the user interface for the difference devices. The goal is to provide users with convenient and rapid access to momoshop wherever Internet service is available.

(3) Catalogue Shopping

a. Cultivating media marketing talents with multi-channel experience and strengthening integrated marketing effectiveness

Since momo catalogue shopping is a channel extension of momo TV and online sales, its merchandisers need to understand the characteristics and unique selling points of TV and online products and select the products that will catch consumers' attention, by using a single picture or message in a limited editorial space. Therefore, momo TV and online sales channels are complemented momo catalogue shopping. In the future, merchandisers will play a key role in the seamless integration of various channels to effectively consolidate marketing media for the catalogue shopping business.

b. Improving visual editing, differentiating services, and fulfilling consumers' needs.

In addition to the segment marketing of the print catalogues, the development of future e-catalogues will focus on customization. Therefore, experimental designs will be periodically devised using a variety of styles, colors, and layouts, thereby accumulating numerous templates for customizing catalogues.

## ii. Market and Sales Overview

### Market analysis

#### 1. Sales (Service) Region

Unit: NT\$'000

	2014		2015	
	Revenue	% of total	Revenue	% of total
Taiwan	23,493,560	98.31%	25,352,524	98.88%
China	403,445	1.69%	287,374	1.12%
Total	23,897,005	100%	25,639,898	100%

#### 2. Market Share (%) of Major Product Categories in the Last Two Years

As to online shopping, according to an estimate by the Market Intelligence & Consulting Institute (MIC) of the Institute for Information Industry, the B2C online shopping service generated market values of NT \$451.1 billion, NT \$529.1 billion, and NT \$613.8 billion in 2013, 2014, and 2015, respectively. Calculated based on revenue, the market shares of momoshop were 2.8%, 3.0%, and 3.0% in 2013, 2014, and 2015, respectively.

Unit: NT\$billion

	momoshop Revenue	B2C market size	%
2013	125.8	4,511	2.8%
2014	160.5	5,291	3.0%
2015	182.8	6,138	3.0%

In addition, since there are currently no official third-party data available for the TV and mail order industry, the Company's market shares is difficult to estimate. The Company plays a pivotal role in both of these sectors. Other the key competitors in the industry include, ETS (Eastern Home Shopping & Leisure Co., Ltd.), and VIVA (Shopnet Homeshopping Co., Ltd.).

#### 3. Market status

##### (1) TV Shopping

##### a. Global market

QVC is the largest TV shopping channel in the United States. It covers 96% of cable viewers in the United States. In general, TV shopping accounts for 8% and 12% of total retail sales in the United States and South Korea, respectively. Both countries can be considered to be relatively more mature market for TV shopping.

In China, according to the prediction of Qianzhan Industry Research Institute, the scale of TV shopping will surpass CN ¥80 billion in 2015. The CMIC, a global market research agency, also predicted that the size of the Chinese TV shopping market could top CN ¥500 billion in 2020, accounting for 3% of China's total consumer goods market. However, in comparison to the 12% market share in South Korea and 5% market share in the U.S., there is still significant room for growth.

##### b. Domestic market

Currently, TV shopping accounts for approximately 3% of the total domestic retail sales and has the potential for growth compared to the U.S. and South Korea. Although domestic cable television subscription is near saturation, the number of digital viewers has notably increased due to the

government's promotion for digitalization of cable content. After the digitalization of TV channels is completed in Taiwan, Smart TVs can be used by consumers as a two-way interactive platform. Additionally, social group engagement and real-time feedback from customers can be implemented to facilitate communications with members and increase the traction of the membership base. New patterns of MoD shopping will grow significantly as 4G technology matures. The mobile interface will attract younger customers and guide them back to cable or digital TV, thus sustaining the growth of the marketing channel.

## (2) Online shopping

### a. Global market

According to a research report released by eMarketer in December 2015, the total global value of B2C e-commerce market is nearly US \$1.7 trillion (NT \$55 trillion) and increases by 15.6% annually; by 2018, the market value can possibly reach US \$2.3 billion (NT \$75 trillion). By region, China's rapid economic growth has driven the Asia Pacific region to become the largest e-commerce market worldwide, followed by North America. As for the percentage of e-commerce sales to the overall retail sales, the Asia Pacific region also has the highest penetration rate at 10.2%, which is expected to increase to 20.4% by 2019. The average is 7.4% globally, which is expected to reach 12.8% by 2019.

### b. Domestic markets

According to a research report of the Institute of Information Industry released in March 2015, the e-commerce market of Taiwan is worth NT \$1.69 trillion in 2015. Among the segments of this e-commerce market, the B2C e-commerce market in 2015 is estimated to be NT \$613.8 billion with a growth of 15.89% from 2014, while the C2C market in 2015 is estimated to be NT \$393.1 billion with a growth of 11.01% from 2014.

## (3) Catalogue Shopping

### a. Overseas markets

According to a research report released by IBISWorld, the U.S. shopping catalogue market is currently valued at US \$125.0 billion, featuring a -1.7% growth rate in the past five years, with currently more than 7,000 companies in the market.

### b. Domestic markets

The market size of the mail order catalogue shopping industry in Taiwan is approximately NT \$6.5 billion, which includes TV shopping catalogues (momo, ETS, u-mall, VIVA), direct marketing (Amway, Avon, Herbalife, Nuskin), Japanese mail order beauty products (DHC, ORBIS), and other mail order shopping companies. Mail order catalogue shopping can be a complementary platform to physical and virtual channels or be used to increase product sales and exposure or to add values by increasing the traction of the member base and their satisfaction level.

## 4. Competitive advantages

### (1)TV Shopping

#### a. momo TV is a reputable and leading TV shopping brand in Taiwan

momo TV has invested more than 10 years in Taiwan and developed a quality brand image in the minds of suppliers and consumers. Thus, consumers feel more secure when shopping on momo TV, and suppliers of famous brands are more willing sell their products through the platform. As a result, there is higher product variety and differentiation on momo TV.

#### b. Channel integration for online and mail order catalogue shopping

Currently, momo is among top 5 domestic online shopping websites and momo shopping catalogue leads catalogue circulation. With improving cross selling capabilities through the different platforms, the merchandising teams believes it is able to achieve better synergy relative to competitors.

#### c. Economies scale of membership base

The first momo channel aired on January 2005. In May 2005, TV products began selling on the internet and the first mail order shopping catalogue was published. As of 2015, the number of members who joined via telephone reached 4.4 million (8.57 million for all channels combined), of

which 1.08 million remains active members.. Through marketing events and more effective marketing campaigns, actives for both active and dormant members continue to improve.. The sizable membership data can be successfully leveraged to improve desired impact for target, precision selling to our member base.

## (2) Online shopping

### a. Diverse supplier base, product development of international brands, and complete product line

momoshop.com has a healthy, long standing relationship with its suppliers. With the support its broad supplier base, the company can leverage its suppliers to introduce international brands to Taiwan through momohop.com, that currently do not have domestic presence in Taiwan, momoshop has the most complete lines of beauty supplies and nutritional supplements in Taiwan that includes generic-brands from Taiwan and foreign brand-name products from Japan, the U.S., and Europe. In addition, 100% owned Fu Sheng Travel Service, provides customers with access to a comprehensive online shopping network to purchase domestic and overseas travel products. momoshop.com is a clear leader in the online retailing space for products in the beauty supply/cosmetics, food/fresh produce, home accessories, and health/weight loss categories. The diverse product offering aims to meet the trend where consumers demand for convenience over fashionable items.

### b. Effective and diversified marketing strategy

A goal-oriented marketing strategy resulted in a 15.0% YoY increase in membership number, totaling 5.95 million users as of December 2015. In order to ensure its price competitiveness, the company established four price search and tracking mechanism and held promotional campaigns to attract customers. In addition to general price discounts and promotions, momoshop introduced the free-coupon promotion beginning in 2006. The promotions that have proved to be effective include campaigns such as Happiness Roulette, Polling Event with Free Raffle, Retailer/Product Strategic Partnership, and High-end 3C Product Promotion. In terms of advertising, momoshop.com leverages cross selling opportunities to include catalogue inserts, logistics flyers, TV spots (in between programs) and integrate these activities with momo social networks and brick & mortar supplier partners.

### c. Customer relations management with data analysis

The biggest value of momoshop.com is the membership base and the life time transaction value of the customers. Momoshop.com's Membership base is categorized into three categories. In order to better manage the interaction and communication campaigns. They are: membership recruitment, securing first purchase, and ensuring repurchase. The largest proportion of resources is invested in customer relationship management, which includes data mining for the use in targeted marketing, social media management on Line and Facebook, health and parent-related knowledge sharing, and events campaigns. In general, momoshop's customer relationship management not only involves massive and dynamic customer behavior analyses but also emphasizes on practical member interactions and exchange.

### d. Improving and pursuing innovative management of operations

Momoshop.com's management team is already focused on delivering and managing a diversified sources cash flow, improving logistics operation that features 12-hour delivery, 24-hour live telephone customer service, cross selling of momoshop.com products on live TV shopping broadcasts, establishing a product quality control (QC) center, and optimizing user interface of our portal and mobile app. In addition, the team is focused on delivery innovative plans to manage personalized product recommendation pages, personal cloud, and additional value added mobile services.

### e. Security of online transactions

Momoshop.com provides consumers a safe, secure, and trustworthy shopping platform. Any notices and terms regarding customer's privacy, rights and obligations, and transactions data must be disclosed on the website with internal information security management and transaction disputes shall be processed with utmost most urgency, pursuant to standards adopted by financial institutions.

## (3) Catalogue Shopping

### a. Complete product line and abundant media resources

Both momo TV and momoshop already have full range of product categories, in momo shopping catalogues are not confined to just fashion and cosmetic/beauty products, but also include home accessories and nutritional products. A diverse product base will the future publication of special catalogues for seniors and parenthood products, focusing on nutritional, travel, and parenting product categories. Furthermore, Fubon Group companies include related businesses such as momo kids (TV) and along with momoshop.com cross promotional activities can be leverage to promote and direct view ship of online catalogues.

b. Diversified promotional strategy for innovation and change

The strategy includes analyzing new trends in promoting mail order catalogues in the U.S., Japanese, and South Korean, examining the performance of and responses to campaigns in order to better promote domestic mail order catalogues.

c. Media marketing talent with multi-channel experience

We currently have talented media marketing personnel with experience across TV, online shopping, brick and mortar retail operation, and print catalogue professionals, collective can achieve efficiencies integrated marketing campaigns.

## 5. Opportunities and challenges

### (1) Favorable factors

a. Rapid development in mobile shopping market

According to 2Q15 State of Mobile Commerce Report released by Criteo, mobile transactions in Southeast Asia, Hong Kong, and Taiwan accounted for 27% of total online transactions. Taiwan, at 31%, is higher than the regional average as well as those of the U.S. (30%), Spain (30%), and Singapore (29%). However, the rate is slightly lower than the global average of 34%. Growth rate of mobile transactions is expected to accelerate and account for 46.6% of total transactions by 2018, indicating that mobile transactions will remain the key catalyst and play a critical role in the future growth of e-commerce in Taiwan.

b. Government proactive support of the e-commerce industry

In order to improve the e-commerce capabilities of Taiwanese companies and expand potentially to global markets, the government is actively promoting the New Internet Generation E-Commerce Development Project and the Chinese E-Commerce and Transaction Security Promotion Project. In addition, the government has supported upgrade of broadband networks, promoted the effective use of spectrum resources, and promoted reasonable service rates for internet access. As a result, the Taiwan Broadband Internet Usage Survey finds that the Internet usage rate in Taiwan grew from 75% in 2014 to 80.3%, which equals to an estimated 18.883 million people. Among them, the Internet usage rate of individuals between ages 18 and 30 reached 100.0%. These users are considered the biggest Internet user group in Taiwan.

c. Increased business opportunities for the senior and children's markets

An aging population and the increased expenditure per child in Taiwan, suggest there is a potential market for seniors and children's products in the future. Momo catalogue will integrate the Company's internal resources to target these two potential markets.

### (2) Risks factors and mitigating actions

a. Consumers' behavioral changes in contact with media

The popularity of internet and mobile devices is changing consumers' exposure to and behaviors towards the media. Although printed materials remain the mainstream reading format in Taiwan's print media market, the overlap between reading paper publications and digital media cannot be overlooked.

Potential actions:

These include diversifying catalogue content, optimizing digital interface, developing momo catalogue apps for tablets to complement digital and print platforms, and planning for e-catalogues. Furthermore, momo will utilize current digital channels, using momoshop platform resources to promote momo e-catalogues and permit online catalogue requests, thereby Adopting to consumers' changed method of



acquiring information—print first and use online catalogue as support.

b. Concern over privacy

Concerns over personal privacy also affect consumers' confidence in internet shopping. According to Taiwan Network Information Center's (TWNIC) Taiwan Broadband Internet Usage Survey (released in April 2013), personal privacy leak, among all types of security breach, was the issue of highest concern Internet users 12 years or old (a relative frequency of 90.61 counts).

Potential actions:

In protecting member privacy, momoshop fully discloses privacy related policies, such as the methods for collecting, saving, storing, protecting, and the security of customer information, validation of information security, targeted personnel that customer information are disclosed to, purpose of utilizing customer information, categorization of customer information and scope of use, modification of customer information, cookies, and deletion of customer information. These processes shall be periodically updated in accordance to relevant regulations. In respect to the control of internal information, USB disks, Bluetooth, smart phone/Blackberry mobile devices, floppy, Wi-Fi, and DVD can only be used to store and replicate data under intranet control to prevent the leakage of internal information and virus attacks as well as to protect member privacy.

### **Production Procedures of Main Products :**

Not applicable. The Company primarily engages in general wholesale and retail business, and does not produce or manufacture any products.

### **Supply Status of Main Materials :**

Not applicable. The Company primarily engages in general wholesale and retail business, and does not produce or manufacture any products.

### **Major Suppliers and Clients :**

1. Procurement

The Company provides multiple platforms where transactions occurs and purchases products for sale from multiple suppliers. Payment to any single supplier is less than 10% of the total payment.

2. Sales

The Company does not sell to any specific customers. Thus, this is not applicable as the contribution from any single customer is less than 10% of total sales.

### **Production volume in the past two years :**

Not applicable as the Company is not a manufacturer.

## Sales volume in the past two years

	2014				2015			
	Domestic Sales		Export Sales		Domestic Sales		Export Sales	
	Volume	Revenue (NT\$'000)	Volume	Revenue (NT\$'000)	Volume	Revenue (NT\$'000)	Volume	Revenue (NT\$'000)
TV Shopping and Catalogue Shopping	4,859,513	8,448,390	-	-	4,631,276	8,100,149	-	-
Online shopping	13,255,437	14,979,068	-	-	15,325,570	17,224,064	-	-
Others	-	66,102	293,662	403,445	-	28,311	299,429	287,374
Total	18,114,950	23,493,560	293,662	403,445	19,956,846	25,352,524	299,429	287,374

## iii.Human Resources

### Employee statistics in the past two years up to publication date

Year		2014	2015	2016 (as of Feb 25)
Number of employees	Direct employees	1,137	1,054	1,070
	Indirect employees	402	441	436
	Total	1,539	1,495	1,506
Average age		33.41	33.96	34.04
Average years of service		3.87	4.26	4.35
Education level	Ph.D.	0.1%	0.13%	0.20%
	Master's	6.0%	7.76%	8.03%
	University	73.2%	71.64%	71.98%
	College	19.8%	19.60%	18.92%
	Others	0.9%	0.87%	0.87%

## iv.Environmental Protection Expenditure

**Loss or penalty due to environmental pollution in 2015 up to publication date in 2016:** None

## v.Employee Relations

The following specifies the conditions of implementing welfare measures, continuing education, training programs, retirement scheme, and maintaining labor agreements and various employee rights and benefits:

### 1. Employee welfare measures, continuing education, and training programs

There are employee welfare committees among the Company and its subsidiary to periodically process various welfare measures and establish interest groups for employees' wellbeing and relief of work-related stress. Employees are also entitled to employee discounts, company mortgage discounts, and personal insurance discounts.

Employees, based on their professional needs, can apply for fully subsidized professional off-site training courses. The Company also holds open courses from time to time for internal employee training.

## 2. Retirement scheme and status of implementation

- 1) The retirement scheme of the Company is designed and implemented in accordance with the Labor Standards Act and Labor Pension Act that ensures employees are entitled to retirement benefits
- 2) In accordance with the Labor Standard Act, the company has setup a pension scheme committee to monitor the withholding and transfer of 2% of employees' basic salaries to the company's pension scheme
- 3) On behalf of employees, the company transfers 6% of employee's basic salary to each employee's designated retirement account with the Bureau of Labor Insurance, in accordance with the Labor Pension Act.

## 3. Labor agreements

The Company and its subsidiary are dedicated to strengthen healthy labor relations and encourage two-way communication for resolving issues. All labor conditions are executed pursuant to the Labor Standards Act. So far, labor relations have been peaceful; there has not been any labor disputes requiring coordination.

## 4. Maintenance measures of various employee rights and benefits

The regulations of the Company and its subsidiary adhere to the labor guidelines set forth by the government and provide complete systems clearly specifying various management standards. These include employee rights and obligations as well as welfare benefits, which are periodically reviewed and amended to maintain the rights and benefits of all employees.

List any loss sustained as a result of labor disputes within two years and up to the date of publication, disclose an estimate of losses incurred to date or likely to be incurred in the future, and indicate mitigation measures being or to be taken. If the loss cannot be reasonably estimated, please provide a statement of fact:

In the recent two years and up to the date of publication, this company has maintained peaceful labor relations and has not incurred loss due to labor disputes.

## vi. Major Contracts

Nature	Counterpart	Contract period	Description	Restriction Clauses
Contractual Agreement	Taiwan Pelican Express Co., Ltd.	2013/12/21~2016/12/31	TV shopping's product delivery	Confidential
Rental Agreement	Taiwan Pelican Express Co., Ltd.	2014/01/01~2016/08/31	TV shopping's warehousing contract	Confidential
Purchase Order	Trading counterpart is a natural person and a non-corporate relations people	2014/05/15	Taoyuan land purchase	None
Contractual Agreement	President Transnet Corp.	2014/08/01~2015/12/31	Product delivery contract TV and E-commerce	Confidential
Contractual Agreement	HCT Logistics Co., Ltd.	2015/11/01~2016/12/31	Home delivery logistics	Confidential
Rental Agreement	China Network Systems Co., Ltd.	2014/01/01~2017/12/31	Channel fee for TV shopping programs on leased cable television channels	Confidential
Rental Agreement	Shopnet Homeshopping Co., Ltd.	2014/03/20~2015/12/31	Channel fee for TV shopping programs on leased cable television channels	Confidential
Rental Agreement	kbro Co.,Ltd.	2014/01/01~2017/12/31	Channel fee for TV shopping programs on leased cable television channels	Confidential

Nature	Counterpart	Contract period	Description	Restriction Clauses
Rental Agreement	TFN Media Co., Ltd.	2014/01/01~2017/12/31	Channel fee for TV shopping programs on leased cable television channels	Confidential
Rental Agreement	Imovie International Inc.	2015/01/01~2015/12/31	Channel fee for TV shopping programs on leased cable television channels	Confidential
Rental Agreement	Taiwan Optical Platform Co., Ltd.	2015/01/01~2015/12/31	Channel fee for TV shopping programs on leased cable television channels	Confidential
Rental Agreement	Imovie International Inc.	2015/04/07~2015/12/31	Channel fee for TV shopping programs on leased cable television channels	Confidential
Rental Agreement	Imovie International Inc.	2016/01/01~2016/12/31	Channel fee for TV shopping programs on leased cable television channels	None
Contractual Agreement	Li Jin Engineering Co., Ltd.	2015/10/20~2017/02/17	Construction of logistics center	Confidential
Purchase Order	Daifuku Co., Ltd.	2015/12/29~2018/12/29	Logistics Center Equipment purchases	Confidential

## VI. Financial Highlights

### i. Condensed Balance Sheets and Statements of Comprehensive Income

#### Condensed Balance Sheets and Statements of Comprehensive Income

##### 1. Stand-alone condensed balance sheet (2013-2015) – Based on IFRS

Unit: NT\$'000

		2013 (Note 1)	2014 (Note 1)	2015 (Note 1)
Current assets		3,823,187	6,279,128	5,447,269
Property, plant and equipment (PP&E)		541,415	2,130,337	2,119,308
Intangible assets		11,339	16,412	10,386
Other assets		843,697	1,175,302	1,514,476
Total assets		5,219,638	9,601,179	9,091,439
Current liabilities	Before appropriation	2,808,504	3,048,577	3,197,086
	After appropriation	3,256,009	4,253,234	-( Note 2)
Non-current liabilities		255,094	241,612	252,828
Total liabilities	Before appropriation	3,063,598	3,290,189	3,449,914
	After appropriation	3,511,103	4,494,846	-( Note 2)
Equity attributable to owners of the parent company		2,156,040	6,310,990	5,641,525
Paid-in capital		1,278,585	1,420,585	1,420,585
Capital surplus		58,044	3,329,617	3,354,858
Retained earnings	Before appropriation	839,428	1,560,595	1,414,615
	After appropriation	391,923	355,938	-( Note 2)
Other equity interest		(20,017)	193	(151,358)
Treasury shares		-	-	(397,175)
Non-controlling interest		-	-	-
Total equity	Before appropriation	2,156,040	6,310,990	5,641,525
	After appropriation	1,708,535	5,106,333	-( Note 2)

Note 1 : All financial data have been duly audited by independent auditors.

Note 2 : The appropriation amount for the 2015 earnings has not to be approved at the AGM yet.

## 2. Stand-alone statements of comprehensive income (2013-2015) – Based on IFRS

Unit: NT\$'000

	2013 (Note 1)	2014 (Note 1)	2015 (Note 1)
Operating revenue	20,249,120	23,442,127	25,345,046
Gross profit	2,545,642	3,280,074	3,150,230
Operating income	1,119,671	1,597,377	1,289,018
Non-operating income (expenses)	(105,208)	(60,807)	13,208
Pre-tax income	1,014,463	1,536,570	1,302,226
Income from continuing operations	811,060	1,248,371	1,060,781
Loss from discontinued operations, net of tax	(249,392)	(78,329)	-
Net income	561,668	1,170,042	1,060,781
Other comprehensive income (after tax)	(38,636)	18,840	(153,655)
Comprehensive income	523,032	1,188,882	907,126
Profit attributable to owners of the parent company	561,668	1,170,042	1,060,781
Profit attributable to non-controlling interest	-	-	-
Comprehensive income attributable to owners of parent company	523,032	1,188,882	907,126
Comprehensive income attributable to non-controlling interest	-	-	-
EPS (NT\$)	4.39	9.11	7.48

Note 1 : All financial data have been duly audited by independent auditors.

Note 2 : 2013 financial statements were reclassified and adjusted to reflect the losses from discontinued operations in 2014

## 3. Stand-alone condensed balance sheet (2011-2012) – Based on ROC GAAP

Unit: NT\$'000

		2011	2012
Current assets		3,455,169	3,764,563
Investments		362,899	527,001
Fixed assets		362,419	319,416
Intangible assets		16,578	16,469
Other assets		134,067	138,020
Total assets		4,331,132	4,765,469
Current liabilities	Before appropriation	2,001,933	2,385,487
	After appropriation	2,512,612	2,886,692
Long-term liabilities		6,590	3,949
Other liabilities		213,770	228,368
Total liabilities	Before appropriation	2,222,293	2,617,804
	After appropriation	2,732,972	3,119,009
Paid-in capital		1,162,350	1,278,585
Capital surplus		8,594	8,594
Retained earnings	Before appropriation	950,910	882,091
	After appropriation	323,996	380,886
Translation adjustments		(13,015)	(21,605)
Total shareholders' equity	Before appropriation	2,108,839	2,147,665
	After appropriation	1,598,160	1,646,460

Note : All financial data have been duly audited by independent auditors.

#### 4. Stand-alone condensed income statement (2011-2012) – Based on ROC GAAP

Unit: NT\$'000

	2011	2012
Operating revenue	15,637,622	18,709,897
Gross profit	2,648,062	2,689,675
Operating income	922,044	842,841
Non-operating income	20,414	29,514
Non-operating expenses	86,418	160,617
Income before tax	856,040	711,738
Income from continuing operations- after tax	695,940	558,095
Income from discontinued operations	-	-
Extraordinary gain or loss	-	-
Cumulative effect of accounting principle changes	-	-
Net income	695,940	558,095
EPS (NT\$) (Note 2)	5.48	4.36

Note 1 : All financial data have been duly audited by independent auditors.

Note 2 : All earnings per share were adjusted retrospectively.

#### 5. Consolidated condensed balance sheet (2013-2015) – Based on IFRS

Unit: NT\$'000

		2013 (Note 1)	2014 (Note 1)	2015 (Note 1)
Current assets		4,368,741	6,792,676	5,940,774
Property, plant and equipment (PP&E)		717,348	2,264,717	2,190,151
Intangible assets		23,100	27,815	19,837
Other assets		683,308	949,303	1,456,688
Total assets		5,792,497	10,034,511	9,607,450
Current liabilities	Before appropriation	3,345,095	3,385,989	3,683,020
	After appropriation	3,792,600	4,590,646	-(Note 2)
Non-current liabilities		274,474	253,661	267,878
Total liabilities	Before appropriation	3,619,569	3,639,650	3,950,898
	After appropriation	4,067,074	4,844,307	-(Note 2)
Equity attributable to owners of the parent company		2,156,040	6,310,990	5,641,525
Paid-in capital		1,278,585	1,420,585	1,420,585
Capital surplus		58,044	3,329,617	3,354,858
Retained earnings	Before appropriation	839,428	1,560,595	1,414,615
	After appropriation	391,923	355,938	-(Note 2)
Other equity interest		(20,017)	193	(151,358)
Treasury shares		-	-	(397,175)
Non-controlling interest		16,888	83,871	15,027
Total equity	Before appropriation	2,172,928	6,394,861	5,656,552
	After appropriation	1,725,423	5,190,204	-(Note 2)

Note 1 : All financial data have been duly audited by independent auditors.

Note 2 : The appropriation amount for the 2014 earnings has not to be approved at the AGM yet.

## 6. Consolidated statements of comprehensive income (2013-2015) – Based on IFRS

Unit: NT\$'000

	2013 (Note 1)	2014 (Note 1)	2015 (Note 1)
Operating revenue	20,542,841	23,897,005	25,639,898
Gross profit	2,555,246	3,304,657	3,103,662
Operating income	934,782	1,427,415	1,058,769
Non-operating income (expenses)	45,854	82,335	177,290
Pre-tax income	980,636	1,509,750	1,236,059
Income from continuing operations	767,557	1,211,194	993,089
Loss from discontinued operations, net of tax	(249,392)	(78,329)	-
Net income	518,165	1,132,865	993,089
Other comprehensive income (after tax)	(37,789)	21,447	(154,807)
Comprehensive income	480,376	1,154,312	838,282
Profit attributable to owners of the parent company	561,668	1,170,042	1,060,781
Profit attributable to non-controlling interest	(43,503)	(37,177)	(67,692)
Comprehensive income attributable to owners of parent company	523,032	1,188,882	907,126
Comprehensive income attributable to non-controlling interest	(42,656)	(34,570)	(68,844)
EPS (NT\$)	4.39	9.11	7.48

Note 1 : All financial data have been duly audited by independent auditors.

Note 2 : 2013 financial statements were reclassified and adjusted to reflect the losses from discontinued operations in 2014

## 7. Consolidated condensed balance sheet (2011-2012) – Based on ROC GAAP

Unit: NT\$'000

		2011	2012
Current assets		4,013,935	4,280,244
Investments		-	359,643
Fixed assets		610,215	531,105
Intangible assets		24,886	28,953
Other assets		138,034	147,880
Total assets		4,787,070	5,347,825
Current liabilities	Before appropriation	2,369,895	2,933,046
	After appropriation	2,880,574	3,434,251
Long-term liabilities		6,590	3,949
Other liabilities		232,571	247,098
Total liabilities	Before appropriation	2,609,056	3,184,093
	After appropriation	3,119,735	3,685,298
Paid-in capital		1,162,350	1,278,585
Capital surplus		8,594	8,594
Retained earnings	Before appropriation	950,910	882,091
	After appropriation	323,996	380,886
Translation adjustments		(13,015)	(21,605)
Minority interest		69,175	16,067
Total shareholders' equity	Before appropriation	2,178,014	2,163,732
	After appropriation	1,667,335	1,662,527

Note: All financial data have been duly audited by independent auditors.



## 8. Consolidated condensed income statement (2011-2012) – Based on ROC GAAP

Unit: NT\$'000

	2011	2012
Operating revenue	15,729,598	18,922,692
Gross profit	2,667,573	2,657,167
Operating income	824,057	629,480
Non-operating income	21,228	47,895
Non-operating expenses	9,519	10,071
Income before tax	835,766	667,304
Income from continuing operations- after tax	670,221	506,641
Income from discontinued operations	-	-
Extraordinary gain or loss	-	-
Cumulative effect of accounting principle changes	-	-
Net income	670,221	506,641
EPS (NT\$) (Note 2)	5.48	4.36

Note 1 : All financial data have been duly audited by independent auditors.

Note 2 : All earnings per share were adjusted retrospectively.

## Independent auditors' names and their audit opinions for the past five years

Year	Accounting firm	Name of CPA	Opinion
2011	KPMG	Winnie Fang, Derek Hsu	Unqualified opinion
2012	KPMG	Simon Chen, Janice Lai	Unqualified opinion
2013	KPMG	Simon Chen, Leo Chi	Unqualified opinion
2014	KPMG	Simon Chen, Leo Chi	Unqualified opinion
2015	Deloitte & Touche	Vita Kuo, Peter Lin	Modified unqualified opinion

## ii. Financial Analysis

### Consolidated financial analysis (2013-2015) – Based on IFRS

		2013	2014	2015
Financial structure	Liability to asset ratio (%)	62.49	36.27	41.12
	Long-term fund to PP&E ratio (%)	341.17	293.57	270.50
Solvency	Current ratio (%)	130.60	200.61	161.30
	Quick ratio (%)	118.56	195.90	156.55
	Interest coverage ratio (%)	46.91	141.96	5172.79
Operations	Accounts receivable turnover (x)	45.42	46.42	45.29
	Average collection days	8.04	7.86	8.05
	Inventory turnover (x)	29.42	64.89	116.63
	Accounts payable turnover (x)	7.74	7.93	8.08
	Average days sales	12.41	5.63	3.12
	Property, plant and equipment turnover (x)	34.08	16.14	11.51
	Total asset turnover (x)	3.85	3.04	2.61
Profitability	Return on assets (%)	9.61	14.42	10.11
	Return on equity (%)	24.00	26.44	16.48
	Pre-tax income as a % of paid-in capital	53.20	99.63	87.01
	Net income margin (%)	2.44	4.71	3.87
	EPS (NT\$)	4.39	9.11	7.48
Cash flow	Cash flow ratio (%)	46.52	52.79	30.69
	Cash flow adequacy ratio (%)	148.06	102.75	92.56
	Cash reinvestment rate (%)	37.88	19.31	(1.16)
Leverage	Operating leverage	6.67	3.86	4.74
	Financial leverage	1.02	1.01	1.00

Note 1 : The aforementioned table was calculated after offsetting the balance from discontinued operations.

Note 2 : The 2013-2015 financial data have been duly audited by independent auditors.

The following explains the financial ratios that fluctuated more than 20% between 2014 and 2015:

Quick ratio: In 2015, the investment in Guoguang Global Media Holdings Ltd. reduced current assets, resulting in a decreased ratio.

Interest coverage ratio: The lease payable account was amortized over time, reducing interest expenses, causing an increase in the ratio.

Inventory turnover rate and average days in sales: In 2015, an increase in revenue resulted in a corresponding increase in operating costs. In addition, the disposition of business from physical channels in 2014 led to a significant decrease in inventory level, resulting in an increase in the rate.

Property, plant and equipment turnover rate: In 2014, land was purchased to build warehouse(s) in the construction project of a logistics center. This increased average fixed assets in 2015, leading to a decrease in the rate.

Return on assets and return on equity: In 2014, public issues were made to raise capital, causing a significant increase in total assets. In addition, operating costs for business from virtual channels increased due to fierce competition, resulting in a decrease in profit compared to that of 2014 and causing the return on assets to decrease.

Cash flow ratio: In 2015, increased operating costs reduced the profit compared to that of 2014. In addition, the disposition of business from physical channels in 2014 led to a significant decrease in inventory level, resulting in a decrease in the net cash inflow from operating activities and a decrease in the ratio.

Cash reinvestment ratio: Due to increased operating costs in 2015, profit decreased compared to that of 2014. In addition, the disposition of business from physical channels in 2014 led to a significant decrease in inventory level, resulting in a decrease in the net cash inflow from operating activities. In 2015, there was an increase in the issuance of cash dividends compared to 2014, leading to a decreased ratio.

Operating leverage: Since business from virtual channels grew in 2015, operating costs also increased, resulting in a decreased profit and an increased ratio.

## Stand-alone financial analysis (2013-2015) – Based on IFRS

		2013	2014	2015
Financial structure	Liability to asset ratio (%)	58.69	34.27	37.95
	Long-term fund to PP&E ratio (%)	445.34	307.59	278.13
Solvency	Current ratio (%)	136.13	205.97	170.38
	Quick ratio (%)	124.25	201.76	165.48
	Interest coverage ratio (%)	4,080.95	14,568.75	52,090.04
Operations	Accounts receivable turnover (x)	45.77	47.21	46.29
	Average collection days	7.97	7.73	7.88
	Inventory turnover (x)	29.64	65.66	118.69
	Accounts payable turnover (x)	7.86	8.02	8.16
	Average days sales	12.31	5.56	3.08
	Property, plant and equipment turnover (x)	48.74	17.68	11.93
	Total asset turnover (x)	4.24	3.19	2.71
Profitability	Return on assets (%)	11.36	15.79	11.35
	Return on equity (%)	26.22	27.64	17.75
	Pre-tax income as a % of paid-in capital	55.84	101.52	91.67
	Net income margin (%)	2.68	4.95	4.19
	EPS (NT\$)	4.39	9.11	7.48
Cash flow	Cash flow ratio (%)	58.42	66.21	37.06
	Cash flow adequacy ratio (%)	161.48	113.54	103.81
	Cash reinvestment rate (%)	42.49	23.30	(0.31)
Leverage	Operating leverage	4.99	3.34	3.84
	Financial leverage	1.00	1.00	1.00

Note 1 : The aforementioned table was calculated after offsetting the balance from discontinued operations.

Note 2 : The 2013-2015 financial data have been duly audited by independent auditors.

The following explains the financial ratios that fluctuated more than 20% between 2014 and 2015:

Interest coverage ratio: The lease payable account was amortized over time, reducing interest expenses, causing this ratio to increase.

Inventory turnover rate and average days in sales: In 2015, an increase in revenue resulted in a corresponding increase in operating costs. In addition, the disposition of business from physical channels in 2014 led to a significant decrease in inventory level, resulting in an increase in the rate.

Property, plant and equipment turnover rate: In 2014, land was purchased to build warehouse(s) in the construction project of a logistics center. This increased average fixed assets in 2015, leading to a decrease in the rate.

Return on assets and return on equity: In 2014, public issues were made to raise capital, causing a significant increase in total assets. In addition, operating costs for business from virtual channels increased due to fierce competition, resulting in a decrease in profit compared to that of 2014 and causing the return on assets to decrease.

Cash flow ratio: In 2015, increased operating costs reduced the profit compared to that of 2014. In addition, the disposition of business from physical channels in 2014 led to a significant decrease in inventory level, resulting in a decrease in the net cash inflow from operating activities and a decrease in the ratio.

Cash reinvestment ratio: Due to increased operating costs in 2015, profit decreased compared to that of 2014. In addition, the disposition of business from physical channels in 2014 led to a significant decrease in inventory level, resulting in a decrease in the net cash inflow from operating activities. In 2015, there was an increase in the issuance of cash dividends compared to 2014, leading to a decreased ratio.

Note: Formulas for the above tables:

### 1. Financial structure

(1) Debt to asset ratio = Total liabilities / Total assets

(2) Long-term fund to PP&E ratio = (Shareholders' equity + Long-term liabilities) / Net PP&E

### 2. Solvency

(1) Current ratio = Current assets / Current liabilities

(2) Quick ratio = (Current assets – Inventory – Prepaid expenses) / Current liabilities

(3) Interest coverage ratio = Income before interest and taxes / Interest expense

### 3. Operations

(1) Accounts receivable turnover = Net revenue / Average accounts receivable

(2) Average collection days = 365 / AR turnover

(3) Inventory turnover = COGS / Average inventory

- (4) Accounts payable turnover =  $\text{COGS} / \text{Average accounts payable}$
- (5) Average days sales =  $365 / \text{Inventory turnover}$
- (6) PP&E turnover =  $\text{Net revenue} / \text{Average net PP\&E}$
- (7) Total asset turnover =  $\text{Net revenue} / \text{Average total assets}$
- 4. Profitability
  - (1) Return on assets =  $[\text{Net income} + \text{Interest expense} \times (1 - \text{Tax rate})] / \text{Average assets}$
  - (2) Return on equity =  $\text{Net income} / \text{Average equity}$
  - (3) Net income margin =  $\text{Net income} / \text{Net sales}$
  - (4) EPS =  $(\text{Net income} - \text{Preferred stock dividend}) / \text{Weighted average outstanding shares}$
- 5. Cash flow
  - (1) Cash flow ratio =  $\text{Cash flow from operating activities} / \text{Current liabilities}$
  - (2) Cash flow adequacy ratio =  $\text{Net cash flow from operating activities for the past 5 years} / (\text{Capital expenditures} + \text{Increases in inventory} + \text{Cash dividend}) \text{ for the past 5 years (2009-2011 numbers were calculated based on ROC GAAP)}$
  - (3) Cash reinvestment rate =  $(\text{Cash flow from operating activities} - \text{Cash dividends}) / (\text{Gross fixed assets} + \text{Long-term investments} + \text{Other assets} + \text{Working capital})$   
(Note: Use zero if working capital value is negative)
- 6. Leverage
  - (1) Operating leverage =  $(\text{Net revenue} - \text{Variable operating costs and expenses}) / \text{Operating income}$
  - (2) Financial leverage =  $\text{Operating income} / (\text{Operating income} - \text{Interest expense})$

## Consolidated financial analysis (2011-2012) – Based on ROC GAAP

		2011	2012
Financial structure	Liability to asset ratio (%)	54.50	59.54
	Long-term fund to fixed asset ratio (%)	358.01	408.15
Solvency	Current ratio (%)	169.37	145.93
	Quick ratio (%)	140.53	121.99
	Interest coverage ratio (%)	520.11	173.83
Operations	Accounts receivable turnover (x)	47.36	36.39
	Average collection days	7.71	10.03
	Inventory turnover (x)	25.06	25.41
	Accounts payable turnover (x)	6.32	6.81
	Average days sales	14.56	14.37
	Fixed asset turnover (x)	31.41	33.16
	Total asset turnover (x)	3.31	3.73
Profitability	Return on assets (%)	14.13	10.06
	Return on equity (%)	29.82	23.34
	% of paid-in capital	Operating income	49.23
		Pre-tax income	52.19
	Net profit margin (%)	4.26	2.68
	EPS (NT\$)	5.48	4.36
Cash flow	Cash flow ratio (%)	36.58	32.61
	Cash flow adequacy ratio (%) (Note)	150.23	152.20
	Cash reinvestment rate (%)	(2.46)	15.14
Leverage	Operating leverage	5.14	7.16
	Financial leverage	1.00	1.01

The following explains the financial ratios that fluctuated more than 20% between 2011 and 2012:

Interest coverage ratio: In 2012, revenue and operating costs from virtual channels increased under fierce competition. As a result, the pre-tax net profit decreased compared to that of 2011. In addition, Fubon Gehua (Beijing) Enterprise Ltd., a subsidiary, obtained a bank loan in 2012, resulting in a substantial increase in interest expenses compared to that of 2011, thus resulting in a decreased ratio.

Accounts receivable turnover and average collection days: Due to increased revenue, receivables from payment on delivery and credit cards increased correspondingly, causing a decreased ratio.

Return on assets, return on equity, percentage of operation/pre-tax income to paid-in capital, net profit margin, and earnings per share: In 2012, revenue and operating costs from virtual channels increased under fierce competition. As a result, profit decreased compared to that of 2011, resulting in a decrease in return on assets, return on equity, percentage of operation/pre-tax income to paid-in capital, net profit margin, and earnings per share compared to those in the previous year.

Cash reinvestment ratio: In 2012, the net cash inflow from operating activities increased and cash dividends decreased compared to that in 2011, leading to an increased cash reinvestment ratio.

Operating leverage: Sales from virtual channels increased in 2012, but due to fierce competition within online businesses, gross profit was lower, resulting in an approximate two percent decrease in operating income from that in 2011 and leading to an increased operating leverage in 2012 compared to that in 2011.

## Stand-alone financial analysis (2011-2012) – Based on ROC GAAP

		2011	2012
Financial structure	Liability to asset ratio (%)	51.31	54.93
	Long-term fund to fixed asset ratio (%)	583.70	673.61
Solvency	Current ratio (%)	172.59	157.81
	Quick ratio (%)	142.66	131.74
	Interest coverage ratio (%)	523.93	2,507.12
Operations	Accounts receivable turnover (x)	48.09	37.30
	Average collection days	7.59	9.79
	Inventory turnover (x)	25.07	25.64
	Accounts payable turnover (x)	6.42	7.00
	Average days sales	14.56	14.23
	Fixed asset turnover (x)	41.49	54.88
	Total asset turnover (x)	3.54	4.11
Profitability	Return on assets (%)	15.77	12.28
	Return on equity (%)	31.45	26.22
	% of paid-in capital	Operating income	65.92
		Pre-tax income	55.67
	Net profit margin (%)	4.45	2.98
Cash flow	EPS (NT\$)	5.48	4.36
	Cash flow ratio (%)	41.52	45.99
	Cash flow adequacy ratio (%)	161.85	168.23
Leverage	Cash reinvestment rate (%)	(3.82)	20.33
	Operating leverage	4.35	4.92
	Financial leverage	1.00	1.00

The following explains the financial ratios that fluctuated more than 20% between 2011 and 2012:

Interest coverage ratio: In 2012, revenue and operating costs from virtual channels increased under fierce competition. As a result, the pre-tax net profit decreased compared to that of 2011. In addition, interest expenses increased in 2011 due to obtaining a loan, causing the ratio to increase.

Accounts receivable turnover and average collection days: Due to increased revenue, receivables from payment on delivery and credit cards increased correspondingly, causing a decreased ratio.

Fixed asset turnover: The change was caused by a 19.65% increase in 2012 from 2011 in net sales revenue.

Return on assets, percentage of operation/pre-tax income to paid-in capital, net profit margin, and earnings per share: In 2012, revenue and operating costs from virtual channels increased under fierce competition. As a result, profit decreased compared to that of 2011, resulting in a decrease in return on assets, percentage of operation/pre-tax income to paid-in capital, net profit margin, and earnings per share compared to those in the previous year.

Cash reinvestment ratio: In 2012, the net cash inflow from operating activities increased and cash dividends decreased compared to that in 2011, leading to an increased cash reinvestment ratio.

Note 1 : All financial data have been duly audited by independent auditors.

Note 2 : Formulas for the above tables:

### 1. Financial structure

(1) Debt to asset ratio = Total liabilities / Total assets

(2) Long-term fund to fixed asset ratio = (Shareholders' equity + Long-term liabilities) / Net fixed assets

### 2. Solvency

(1) Current ratio = Current assets / Current liabilities

(2) Quick ratio = (Current assets – Inventory – Prepaid expenses) / Current liabilities

(3) Interest coverage ratio = Income before interest and tax / Interest expense

### 3. Operations

(1) Accounts receivable turnover = Net revenue / Average accounts receivable

(2) Average collection days = 365 / AR turnover

(3) Inventory turnover = COGS / Average inventory

(4) Accounts payable turnover = COGS / Average accounts payable

(5) Average days sales = 365 / Inventory turnover

(6) Fixed asset turnover = Net revenue / Average net fixed assets

(7) Total asset turnover = Net revenue / Average total assets

4. Profitability

- (1) Return on assets =  $[\text{Net income} + \text{Interest expense} * (1 - \text{Tax rate})] / \text{Average assets}$
- (2) Return on equity =  $\text{Net income} / \text{Average equity}$
- (3) Net income margin =  $\text{Net income} / \text{Net sales}$
- (4) EPS =  $(\text{Net income} - \text{Preferred stock dividend}) / \text{Weighted average outstanding shares}$

5. Cash flow

- (1) Cash flow ratio =  $\text{Cash flow from operating activities} / \text{Current liabilities}$
- (2) Cash flow adequacy ratio =  $\text{Net cash flow from operating activities for the past 5 years} / (\text{Capital expenditures} + \text{Increases in inventory} + \text{Cash dividend}) \text{ for the past 5 years}$
- (3) Cash reinvestment rate =  $(\text{Cash flow from operating activities} - \text{Cash dividends}) / (\text{Gross fixed assets} + \text{Long-term investments} + \text{Other assets} + \text{Working capital})$   
(Note: Use zero if working capital value is negative)

6. Leverage

- (1) Operating leverage =  $(\text{Net revenue} - \text{Variable operating costs and expenses}) / \text{Operating income}$
- (2) Financial leverage =  $\text{Operating income} / (\text{Operating income} - \text{Interest expense})$

### **iii. Audit Committee Report**

January 27, 2016

The Board of Directors of momo.com Inc. (momo) has submitted the Company's 2015 financial statements to the Audit Committee. The CPA firm, Deloitte & Touche, was retained by the Board to audit momo's financial statements and has issued an audit report relating to the financial statements. The financial statements have been reviewed and determined to be correct and accurate by the Audit Committee of momo. According to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, I hereby submit this report on behalf of all members of the committee to the 2016 Annual General Meeting for ratifications.

momo.com Inc.

Shikuan Chen



Chairman of the Audit Committee

### **iv. The 2015 Consolidated Financial Statements**

Refer to the attachment.

### **v. Financial Difficulties for the Company and its Affiliates**

None.



## VII. Review and Analysis of Financial Conditions, Operating Results and Risk Management

### i. Balance Sheet Analysis

#### Consolidated balance sheet analysis

##### 2014 - 2015 Consolidated Balance Sheet

Unit: NT\$'000, %

	2014	2015	YoY change	
			Amount	%
Current assets	6,792,676	5,940,774	(851,902)	(12.54)
Property, plant and equipment	2,264,717	2,190,151	(74,566)	(3.29)
Intangible assets	27,815	19,837	(7,978)	(28.68)
Other assets	949,303	1,456,688	507,385	53.45
Total assets	10,034,511	9,607,450	(427,061)	(4.26)
Current liabilities	3,385,989	3,683,020	297,031	8.77
Long-term Liabilities	253,661	267,878	14,217	5.60
Total liabilities	3,639,650	3,950,898	311,248	8.55
Paid-in capital	1,420,585	1,420,585	0	0.00
Capital surplus	3,329,617	3,354,858	25,241	0.76
Retained earnings	1,560,595	1,414,615	(145,980)	(9.35)
Other equity	193	(151,358)	(151,551)	(78,523.83)
Treasury stock	0	(397,175)	(397,175)	(100.00)
Non-controlling interests	83,871	15,027	(68,844)	(82.08)
Total equity	6,394,861	5,656,552	(738,309)	(11.55)
The financial statements for 2014 and 2015 were audited according to the IFRS by auditors.				
Explanation for changes that exceed 20% and reached NT \$10 million or above in the past two years:				
Other assets: changed mainly due to investment in Beijing Global Guoguang Media Technology Co., Ltd.				
Other equity: changed mainly due to increase in the loss of valuation of available-for-sale financial assets				
Treasury stock: changed due to repurchase of treasury stocks in 2015				
Non-controlling interests: changed mainly due to the loss incurred by the subsidiary				

## ii. Statements of Comprehensive Income Analysis

### Consolidated statements of comprehensive income analysis

#### 2014 – 2015 Consolidated Statements of Comprehensive Income

Unit: NT\$'000, %

	2014	2015	YoY change	
			Amount	%
Operating revenue	23,897,005	25,639,898	1,742,893	7.29
Operating costs	20,592,348	22,536,236	1,943,888	9.44
Gross profit	3,304,657	3,103,662	(200,995)	(6.08)
Operating expenses	1,879,684	2,043,265	163,581	8.70
Other operating income (expenses)	2,442	(1,628)	(4,070)	(166.67)
Operating income	1,427,415	1,058,769	(368,646)	(25.83)
Non-operating income (expenses)	82,335	177,290	94,955	115.33
Income before tax	1,509,750	1,236,059	(273,691)	(18.13)
Tax expense	298,556	242,970	(55,586)	(18.62)
Loss from discontinued operations	(78,329)	0	78,329	(100.00)
Net income	1,132,865	993,089	(139,776)	(12.34)
Other comprehensive income	21,447	(154,807)	(176,254)	(821.81)
Comprehensive income	1,154,312	838,282	(316,030)	(27.38)

The financial statements for 2014 and 2015 were audited according to the IFRS by auditors.

Explanation for changes that exceed 20% and reached NT \$10 million or above in the past two years:

Operating profit: decreased mainly due to the intense competition in stimulating the sales of virtual channel, which caused an increase in marketing expenditure as well as the associated costs and expenses

Non-operating income and expenses: increased mainly due to interest income, interest on disposal of investments, and recognized income from investment in affiliates

After-tax net loss of discontinuing operations: decreased mainly due to the disposal of the physical channel operation in 2014

Other comprehensive profit or loss: decreased mainly due to increase in the loss of valuation of available-for-sale financial assets

Total comprehensive profit or loss: decreased mainly due to increase in the loss of valuation of available-for-sale financial assets

### Revenue outlook, key assumptions, potential impact on the Company's business and corresponding proposal

The Company's sales estimates for the ensuing year are based on the Company's previous festive events, seasonal changes, predicted market environment, supply–demand conditions, and predictive data for its future business development.

### iii.Cash Flow Analysis

#### Consolidated cash flow analysis

##### 2014 – 2015 Consolidated Cash Flow Statement

Unit: NT\$'000, %

	2014	2015	YoY change	
			Amount	%
Cash inflow (outflow) from operating activities	1,787,455	1,130,175	(657,280)	(36.77)
Cash inflow (outflow) from investment activities	(5,078,139)	1,565,304	6,643,443	(130.82)
Cash inflow (outflow) from financing activities	2,925,102	(1,525,290)	(4,450,392)	(152.14)
Impact from changes in exchange rate	7,469	(318)	(7,787)	(104.26)
Net cash increase (decrease)	(358,113)	1,169,871	1,527,984	(426.68)

Analysis of the Change in Cash Flow:

Decrease in cash inflow from operating activities: mainly due to a decrease in net profit before income for 2015 and a reduction in cash flow for two periods corresponding to receivables, inventory, and payables

Increase in cash inflow from investment activities: mainly due to the disposal of financial instruments and investment in Beijing Global Guoguang Media Technology Co., Ltd. in 2015; and to the purchase of land for warehouse construction in response to the planning of logistics center, purchase of funds, and time deposits in 2014

Decrease in cash inflow from financing activities: mainly due to the repurchase of treasury stocks in 2015 and increase in the cash dividend distributed for 2015

**Plans to improve negative liquidity :** Not applicable

#### Consolidated projected cash flow for 2016

##### 2016 Consolidated Projected Cash Flow Analysis

Unit: NT\$'000

Cash balance, Beginning of the year (1)	Forecast net cash inflow from operations (2)	Forecast cash outflow from investment and financing activities (3)	Cash balance, end of the year (1) + (2) - (3)	Source of funding for negative cash balance	
				Cash inflow from investment activities	Cash inflow from financing activities
3,128,081	1,492,140	50,512	4,569,709	—	—

Explanations and analysis:

Operating revenue and profit growth trends in 2016 are expected to remain unchanged from those in 2015; therefore, the expected cash balance amounts to NT \$4,569,709,000.

It is expected that as the operating revenue increases, the cash inflow for the ensuing year will stem from operating activities.

Investment activities: mainly due to the cash payment made for the construction of the logistics center.

### iv. Analysis of Major Capex and its Impact on Finance and Operations

None

## v. Investment Policies, Reasons for Profit/Loss, Plans for Improvement, and Future Investment Plan

Investment transfer policies in the most recent fiscal year:

The Company conducts investment transfer according to the Company's business development needs and future business growth. A detailed evaluation of the following is provided as a reference to decision-making authorities for making investment decisions: organizational profile of the investment target, investment objective, market condition, business development, shareholding ratio, and other related items.

Concerning financial management policies for domestic and foreign investments, the Company adopts management regulations in relation to its internal control system as the basis for investment management. In addition, it monitors and manages investment transfer businesses in accordance with the Regulation for Monitoring and Managing Subsidiaries and the Operating Procedure for Specific Company and Stakeholder Transactions.

Reasons for profit/loss and plans for improvement:

December 31, 2015; Unit: NT\$'000

Company name	Net income (Loss)	Reasons for Profit/Loss	Plans for Improvement
Fu Sheng Travel Service Co., Ltd.	(9,252)	Poor performance in the selling of travel products	Diversify the types of products and services, and offer travel packages that provides meaningful foreign traveling experiences
Fuli Life Insurance Agent Co., Ltd.	2,367	Insurance agents demonstrated excellent product sales performance	—
Fuli Property Insurance Agent Co., Ltd.	(781)	Insurance agents demonstrated poor product sales performance	Develop insurance products suitable for online promotion and sales, provide high-quality customer service, and streamline insurance website contents to increase business scale and improve sales performance
Taiwan Pelican Express Co., Ltd.	12,608	Excellent sales performance due to logistics delivery	—
TVD Shopping Co., Ltd.	30,276	Excellent sales performance due to active pursuit of new local customer base in Thailand	—
Asian Crown International Co., Ltd.	(155,204)	Loss in recognized transferred investment in China	Active pursuit of new local customer base in China
Fortune Kingdom Corporation	(203,533)	Loss in recognized transferred investment in China	Active pursuit of new local customer base in China
Hong Kong Fubon Multimedia Technology Co., Limited	(203,533)	Loss in recognized transferred investment in China	Active pursuit of new local customer base in China
Fubon Gehua (Beijing) Enterprise Ltd.	(155,146)	Costs and expenses exceeded gross profit, not yet reaching breakeven point. In response, the direction of business operation was adjusted.	Active pursuit of new local customer base in China
Honest Development CO., Ltd.	25,162	Profit in recognized transferred investment in China	—

Company name	Net income (Loss)	Reasons for Profit/Loss	Plans for Improvement
Hongkong Yue Numerous Investment Co. Limited	25,162	Profit in recognized transferred investment in China	—
Haobo Information Consulting(Shenzhen) Co., Ltd.	25,162	Profit in recognized transferred investment in China	—
Beijing Global Guoguang Media Technology Co., Ltd.	25,263	Profit in recognized transferred investment in China	—

Investment plans for the ensuing year:

The Company will focus on the Asian market. In addition to scaling up the operations and related investments in China and Thailand, we will also seek opportunities for cooperation with additional countries in South East Asia, with the hope of replicating our successful experience Taiwan by providing the best virtual shopping experience to our customer groups.

## vi.Risk Management

### Impact of inflation, interest and exchange rate fluctuations, and preventive measures:

Unit: NT\$'000, %

	2014(Note 1)	% of Operating revenue	2015	% of Operating revenue
Interest income	58,124	0.24%	83,675	0.33%
Interest expense	10,041	0.04%	239	0.00%
Exchange gain (loss)	(1,013)	(0.00%)	8,998	0.04%

Note 1 : Including profit and loss effects of discontinued operations

#### 1. Impact of interest rate fluctuations

The interest income of the Company and its subsidiary was NT \$58,124,000 in 2014 and NT \$83,675,000 in 2015, which respectively accounted for 0.24% and 0.33% of the net operating revenue. In addition, the interest expense for 2014 and 2015 was NT \$10,041,000 and NT \$239,000, respectively accounting for 0.04% and 0.00% of the net operating revenue. Therefore, interest rate fluctuations posed no material influence on the company's operations. The Company and its subsidiary will timely adjust its use of funds as interest rate fluctuates in order to mitigate the impact that interest rate volatilities may have on the earnings of the Company and its subsidiary.

#### 2. Impact of exchange rate fluctuations

The exchange profit (loss) of the Company and its subsidiary was (NT \$1,013,000) for 2014 and NT \$8,998,000 for 2015, which respectively accounted for (0.00%) and 0.04% of the net operating revenue. The Company and its subsidiary's proportion of operating revenue in Taiwan registered 98.88%. We primarily adopt telegraphic transfer when purchasing products overseas. Although exchange gains and losses were the result of exchange rate volatility, their proportion as a percentage of net sales revenue was low. Therefore, exchange rate volatility had a limited impact on the company operation. The Company and its subsidiary will closely monitor information related to exchange rate fluctuations, stay vigilant at all times toward the trends of the exchange rates, and make appropriate adjustments according to the global economy, exchange rates, and future cash flow demands. The ultimate goal is to minimize risks associated with exchange rate volatility and thereby reduce the impact of such volatility on the earnings of the Company and its subsidiary.

### 3. Impact of inflation

The Company and its subsidiary have maintained a close, positive interactive relationship with its suppliers and customers. In addition, we pay detailed attention to market price fluctuations at all time in order to adjust purchasing and selling prices in response to price fluctuations in the market, thereby minimize the impact of product inflation.

## **Investment policy and reasons for gains & losses for high-risk/high-leverage financial products, derivatives, loans to others and guarantees of debts**

1. The Company and its subsidiary respectively focus on managing shopping platform businesses, as well as travel and insurance products. To effectively utilize our financial resources, a portion of our funds is invested in high-yield bond funds, but we refrain from engaging in other business activities involving high-risk or high-leverage investments. Nevertheless, to facilitate effective risk management and enhance the security of financial operations, the Company and its subsidiary both strictly adhere to the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies and in Regulations Governing the Acquisition and Disposal of Assets by Public Companies, in addition to formulating relevant systems for risk management and assessments.

2. Reasons for gains and losses for loans to others, endorsements/guarantees, and financial derivatives:

(1) Loans to others: The Company and its subsidiary have not made loans to others up to the publishing date of the annual report.

(2) Endorsements/guarantees: The Company and its subsidiary rigorously formulated and strictly adhere to the Procedures for Loaning of Funds and Making of Endorsements/Guarantees when making endorsements/guarantees. In addition, endorsements/guarantees are typically made to subsidiaries that directly or indirectly hold over 50% of the voting share of the Company, thus minimizing risks.

(3) Derivatives transaction: None.

3. Response measures:

In future, the Company and its subsidiary will continue to adhere to existing principles of not engaging in high-risk/high-leverage investments. In addition, we will follow company regulations and systems when handling loans to others, endorsement/guarantee policies, and derivative products.

## **Research and development plans**

To assist the Company in rendering better services to its users, the Company will develop a customer traffic analysis system that determines where website users come from (traffic acquisition), what they do on the website (behavior), and whether they reach a conversion goal predetermined by the Company (conversion). Such system also facilitates website management, analysis, and operational development.

Combining the aforementioned traffic analysis results with business performance information yields a multitude of voluminous real-time big data. Therefore, the Company will invest in the research, development, and application of techniques relating to message queue, NoSQL, and distributed database.

In 2015, the Company has devoted significant resources to establish information R&D teams, increasing the number of members from 120 to 150 by investing NT \$30,000,000 into personnel management. This year, the Company is expected to invested a total of NT \$45,000,000 into software development and associated hardware needs.

In the first quarter of 2016, the Company has cooperated with the Industrial Technology Research Institute in executing the Thousand-People–Thousand-Face momoshop Homepage Application Project, which is aimed at integrating big data and Hadoop technologies into commercial applications.

Project Name	Project Details
Customer traffic analysis system	Analysis of data from customer traffic and sales performance, along with E-commerce portals' visit behavior (in terms of acquisition traffic, behavior, conversion, etc. to improve operational analysis of our various platforms
Thousand-People–Thousand-Face Project	Cooperated with the Industrial Technology Research Institute in executing the “customized” front page as our members log on to our website. The Project is based on Big Data analysis power of Hadoop technologies.
	Improve the efficiency of display of webpages

## Regulatory changes and developments

The Company and its subsidiary ensure that their daily operations adheres to domestic laws and regulations, including Fair Trade Act, Copyright Act, Patent Act, Trademark Act, Commodity Labeling Act, Statute for Control of Cosmetic Hygiene, Act Governing Food Safety and Sanitation, Health Food Control Act, Regulations for Governing the Management of Medical Device, Telecommunications Act, Radio and Television Act, Cable Radio and Television Act, and Consumer Protection Act. They also abide by industry-related domestic and foreign laws and regulations; constantly follow the development trends of domestic and foreign policies as well as changes to laws and regulations. The Company educates its employees and suppliers regarding changes to legislations on a regular basis, actively adjusts its product categories, and reinforces its evaluation methods to effectively observe and respond to market changes. The Company designates specialized legal officers in Taiwan and overseas to monitor changes in crucial policies and laws of Taiwan and other countries. It proposes response measures in a timely manner, and complies with domestic and foreign laws and regulations to minimize related risks.

## Technology changes and development

The Company and its subsidiary manages TV, online, and catalogue shopping channels, offer travel and insurance products, and establish an integrated platform that affords shopping, travel and insurance services. In addition to providing diverse purchasing services to meet market demands, the Company ensures steady, flexible financial management at all times to address the challenges involved with technology and industry changes and maintain its competitive edge. Therefore, technology and industry changes exerted no material impact on the operation of the Company and its subsidiary.

## Impact of changes in brand image on the Company's risk management policies in 2015 up to publication date in 2016

The Company and its subsidiary uphold the principles of ethical management, professionalism, and innovation, while emphasizing the importance of satisfying market demands and strengthening internal control. The Company is committed to improve product quality and customer service. Up to the publication date of the annual report and in recent years, there were no impact of changes in brand image on the Company and its subsidiary.

## Expected benefits and risks from mergers in 2015 up to publication date in 2016

In recent years and up to the publication date of the annual report, the Company and its subsidiary are not undertaking any merger and acquisition (M&A) activities and have no plans in merging and acquiring other companies. Nevertheless, if it intends to undertake M&A activities, the Company and its subsidiary will strictly assess the impact of such plans to in the best interests of shareholders' return.

## Expected benefits and risks related to plant facility expansions in 2015 up to publication date in 2016

Presently, the Company has two types of warehouses, namely, TV shopping and online shopping warehouse, and owns a total of five warehouses, which are located in Luzhu and Zhongli District of Taoyuan, and Linkou District in

New Taipei City. The Company primarily undertakes its own storage operations, with a portion of it being managed by commissioned professional logistics operators. To achieve the future operational goal of expediting product import and export, the Company has purchased approximately 26,100 m<sup>2</sup> of land in Taoyuan in May 2014, where a logistics center will be constructed. In future, storage management tasks of existing plants will be integrated to elevate the overall operational efficiency. The total investment is NT \$2,471,140,000, as estimated by professional teams, and this construction work is anticipated to be completed in 2017.

#### 1. Expected Benefits

Expected to be completed, verified, and officially in operation in 2016, the logistics center will facilitate lowering storage costs, strengthen the ability to handle orders, and increase market shares, thereby enhancing the overall competitiveness and profitability of the Company. Based on the rental cost of a plant and the storage costs of a logistics company, Taiwan Pelican Express Co., Ltd., as well as the storage space the Company requires for 2017, more than NT \$117,000,000 will be saved on annual storage expenses following the completion of the Company's logistics center.

#### 2. Potential Risks

##### (1) Risks of warehouse establishment

The establishment of the Company's warehouse comprises two parts: automated warehousing equipment and overall architecture. According to a standard bidding procedure, the Company commissioned Daifuku to install automated warehousing equipment and JJP Architects & Planners and LiJin Engineering to undertake architectural design and construction works. These three firms have substantial experiences in successfully establishing warehouses. The Company has also established a task force to take charge of monitoring and ensuring the scheduling of the construction works. Therefore, the establishment of warehouses should pose no major risks.

##### (2) Risks of warehouse operations

Before October 2014, the Company had only 4 storage plants, which were commissioned to Taiwan Pelican Express Co., Ltd. and Kerry TK Logistics for management. However, considering the need to cultivate professionals for the Company's own logistics center and to enhance service quality, since November 2014, the Company started receiving and managing its own orders, monitoring warehouse operations, and managing product deliveries. Starting from January 2015, the Company had expanded its plant facility and increased operational abilities. To date, the Company now owns five large warehouses, occupying approximately 40,000 m<sup>2</sup> of land. Our control of warehouse operating procedures is stabilizing and we are continuously cultivating talents and further perfecting our operation capabilities. Therefore, there should be no major risks involved in the Company's warehouse operations.

#### 3. Response Measures

Because warehouse establishment is essential for future business development, the Company has undertaken prudent planning of the warehouse establishment plan by hiring professional architecture firms, construction companies, and equipment manufacturers. Regarding warehouse operations, the Company continues to recruit experts in professional management, equipment maintenance, and storage information system developer, in addition to conducting its current warehouse operations and cultivating professionals in warehouse management. Such preparation facilitates the future opening of the Company's logistics center. Additionally, the Company simultaneously maintains its partnership with warehouse logistics management companies, such as Taiwan Pelican Express Co., Ltd. and Kerry T. J. Logistics Co., Ltd. to mitigate risks posed on the Company by warehouse construction schedules and inventory transfer.

### **Risks from supplier and buyer concentration in 2015 up to publication date in 2016**

#### 1. Procurement

This corporation provides multi-transaction platforms and purchases products for sale from multiple suppliers. Thus, this is not applicable because the payment to any single supplier is less than 10% of the total payment.

#### 2. Sales

Due to the nature of the business the Company is in, the Company does not sell to any specific customers. Thus, this is not applicable as the contribution from any single customer is less than 10% of total sales.



## **Significant changes in shareholdings of directors and major shareholders in 2015 up to publication date in 2016**

Since 2015 up to the publication date of this annual report, the Company has not been made significant changes in or transferred shareholdings of directors or major shareholders who hold more than 10% of the Company's shares.

## **Changes in management controls in 2015 up to publication date in 2016**

Not applicable.

## **Significant lawsuits and non-litigious matters in 2015 up to publication date in 2016**

If there has been any substantial impact upon shareholders' equity or prices for the company's securities as a result of any litigation, non-litigious proceeding, or administrative dispute involving the company that was finalized or remained pending during the most recent two fiscal years or during the current fiscal year up to the printing date of the prospectus, the prospectus shall disclose the facts in dispute, amount in dispute, commencement date, main parties involved, and current status of the case:

There has been no substantial impact upon shareholders' equity or prices for the company's securities as a result of any litigation, non-litigious proceeding, or administrative dispute involving the company that was finalized or remained pending during the most recent two fiscal years or during the current fiscal year up to the publication date of this annual report.

Any finalized or pending litigation, non-litigious proceeding, or administrative dispute involving a company director, supervisor, general manager, de facto responsible person, or major shareholder with a stake of more than 10% during the most recent two fiscal years or during the current fiscal year up to the printing date of the prospectus that potentially exert a substantial impact upon shareholders' equity or prices for the company's securities:

The Company's director, supervisor, general manager, de facto responsible person, or major shareholder with a stake of more than 10% were not involved in any litigation, non-litigious proceeding, or administrative dispute that potentially exert a substantial impact upon shareholders' equity or prices for the company's securities.

**Other major risks:** None.

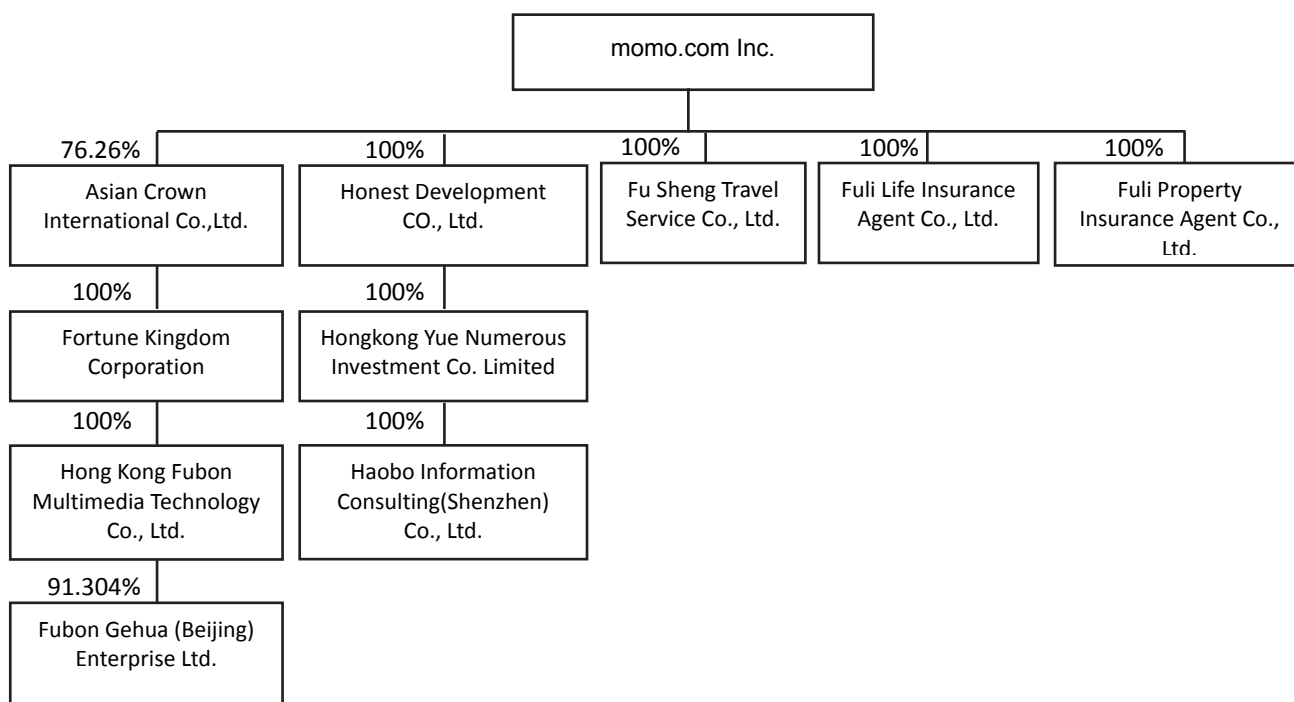
**vii.Other significant items:** None.

## VIII. Special Notes

### i.Affiliates

#### Investment holding structure

As of December 31, 2015



#### Affiliates' profile

December 31, 2015; Unit: NT\$ (unless otherwise stated)

Name	Date of incorporation	Address	Paid-in capital	Main business
Fu Sheng Travel Service Co., Ltd.	2004.12.16	7F, No 92, Zhouzi St., Neihu District, Taipei	30,000,000	Travel agent
Fuli Life Insurance Agent Co., Ltd.	2005.12.27	7F, No 98, Zhouzi St., Neihu District, Taipei	5,000,000	Life insurance agent
Fuli Property Insurance Agent Co., Ltd.	2006.01.03	7F, No 96, Zhouzi St., Neihu District, Taipei	5,000,000	Property insurance agent
Asian Crown International Co., Ltd.	98.01.07	Palm Grove House, P.O. Box 438, Road Town, Tortola, British Virgin Islands	USD34,750,000	Investment
Fortune Kingdom Corporation	98.01.06	Equity Trust Chambers, P.O. Box 3269, Apia, Samoa	USD33,632,777	Investment
Hong Kong Fubon Multimedia Technology Co., Limited	99.03.18	Unit 1405-1406, Dominion Centre 43-59 Queen's Road East, Wanchai, Hong Kong	USD33,632,777	Investment
Fubon Gehua (Beijing) Enterprise Ltd.	99.12.08	Room 101-106, Building NO.402, A10 Jiuxianqiao Rd, Chaoyang District, Beijing China.	RMB230,000,000	Wholesale sales
Honest Development CO., Ltd.	104.01.23	TMF Chambers, P.O. Box 3269, Apia, Samoa	USD21,778,413	Investment

Name	Date of incorporation	Address	Paid-in capital	Main business
Hongkong Yue Numerous Investment Co. Limited	104.03.12	RM 09, 27/F HO KING COMM CTR 2-16 FA YUEN ST MONGKOK KLN HONG KONG	HK16,600,000	Investment
Haobo Information Consulting(Shenzhen) Co., Ltd.	97.11.14	2208B., Fuchun Eastern Building, Agricultural Science Center, Futian District Shenzhen Shenzhen, Guangdong Province	RMB11,000,000	Investment

## Affiliates' operating highlights

December 31, 2015; Unit: NT\$'000

Company name	Paid-in capital	Total assets	Total liabilities	Net worth	Operating revenue	Operating income	Net income	EPS (NT\$)
momo.com Inc.	1,420,585	9,091,439	3,449,914	5,641,525	25,345,046	1,289,018	1,060,781	7.48
Fu Sheng Travel Service Co., Ltd.	30,000	441,426	414,301	27,125	28,773	(10,240)	(9,252)	(3.08)
Fuli Life Insurance Agent Co., Ltd.	5,000	11,358	495	10,863	3,763	2,771	2,367	4.73
Fuli Property Insurance Agent Co., Ltd.	5,000	8,364	248	8,116	276	(1,024)	(781)	(1.56)
Asian Crown International Co., Ltd.	1,068,610	46,719	-	46,719	-	(158)	(203,520)	(5.86)
Fortune Kingdom Corporation	1,035,051	41,831	-	41,831	-	-	(203,533)	(6.05)
Hong Kong Fubon Multimedia Technology Co., Ltd.	1,035,051	41,831	-	41,831	-	(108)	(203,533)	(6.05)
Fubon Gehua (Beijing) Enterprise Ltd.	1,144,250	161,455	116,191	45,264	287,356	(222,137)	(222,815)	Not applicable
Honest Development CO., Ltd.	670,448	713,723	-	713,723	-	-	25,162	1.16
Hongkong Yue Numerous Investment Co. Limited	70,367	713,723	-	713,723	-	-	25,162	1.52
Haobo Information Consulting(Shenzhen) Co., Ltd.	54,725	713,723	-	713,723	-	(3)	25,162	Not applicable
Note : Exchange rate of US\$1=NT\$32.86, HK\$1=NT\$4.239and RMB1=NT\$4.975 as of December 31, 2015 Average exchange rate of US\$1=NT\$31.7354, HK\$1=NT\$4.0931 and RMB1=NT\$5.034 for 2015								

**ii.Private placement of company shares:** None

**iii. momo shares held / sold by subsidiaries:** None

**iv.Other supplementary information:** None

**v.Other significant events affecting shareholders' equity or stock price:** None

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

The entities that are required to be included in the combined financial statements of momo.com Inc. as of and for the year ended December 31, 2015, under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standards No. 10 “Consolidated Financial Statements”. In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, momo.com Inc. and subsidiaries do not prepare a separate set of combined financial statements.

Very truly yours,

MOMO.COM INC.

By

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HOWARD LIN  
Chairman

January 27, 2016

## INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders  
momo.com Inc.

We have audited the accompanying consolidated balance sheet of momo.com Inc. and its subsidiaries (the "Group") as of December 31, 2015, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the year ended December 31, 2015. These consolidated financial statements are the responsibility of the Group's management. Our responsibility is to issue a report on these consolidated financial statements based on our audit. The consolidated financial statements of the Group as of December 31, 2014 and for the year then ended have been audited by other auditors who have issued an unqualified audit report dated January 27, 2015.

We conducted our audit in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Those regulations and standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above for 2015 present fairly, in all material respects, the financial position of the Group as of December 31, 2015, and the consolidated results of their operations and their cash flows for the year ended December 31, 2015, in conformity with the amended Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed by the Financial Supervisory Commission of the Republic of China with the effective dates.

The parent company only financial statements of momo.com Inc. as of and for the years ended December 31, 2015 and 2014 have been audited by us and by other auditors, who have issued a modified unqualified audit report and an unqualified audit report, respectively.

*Deloitte & Touche*

January 27, 2016

### 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 audit such consolidated financial statements are those generally applied in the Republic of China.*

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

# MOMO.COM INC. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2015 AND 2014 (In Thousands of New Taiwan Dollars)

	2015		2014	
	Amount	%	Amount	%
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Notes 4, 6 and 31)	\$ 3,128,081	33	\$ 1,958,210	20
Available-for-sale financial assets - current (Notes 4, 7 and 31)	812,737	9	2,009,447	20
Accounts receivable, net (Notes 4 and 9)	29,611	-	50,539	-
Accounts receivable from related parties (Notes 4 and 31)	15,830	-	3,333	-
Other receivables, net (Notes 4 and 9)	411,248	4	323,900	3
Other receivables from related parties (Notes 4 and 31)	132,155	2	158,388	2
Current tax assets (Note 4)	3,921	-	125	-
Inventories (Notes 4 and 10)	124,639	1	105,069	1
Prepayments	32,076	-	38,628	-
Other financial assets - current (Notes 4, 11, 31 and 32)	1,232,202	13	2,129,434	21
Other current assets	18,274	-	15,603	-
Total current assets	5,940,774	62	6,792,676	67
<b>NON-CURRENT ASSETS</b>				
Financial assets at cost - non-current (Notes 4 and 8)	60,000	1	60,000	1
Investments accounted for using equity method (Notes 4, 14 and 31)	1,290,779	13	606,229	6
Property, plant and equipment (Notes 4 and 15)	2,190,151	23	2,264,717	23
Intangible assets (Note 4)	19,837	-	27,815	-
Deferred tax assets (Notes 4 and 25)	20,973	-	20,173	-
Refundable deposits (Note 31)	50,186	1	65,208	1
Other financial assets - non-current (Notes 4, 11, 31 and 32)	34,750	-	197,693	2
Total non-current assets	3,666,676	38	3,241,835	33
<b>TOTAL</b>	<b>\$ 9,607,450</b>	<b>100</b>	<b>\$ 10,034,511</b>	<b>100</b>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term borrowings (Notes 16 and 32)	\$ 70,938	1	\$ -	-
Accounts payable (Note 17)	2,476,640	26	2,307,794	23
Accounts payable to related parties (Note 31)	45,949	-	61,979	1
Other payables (Note 18)	394,020	4	396,873	4
Other payables to related parties (Note 31)	42,315	-	45,456	-
Current tax liabilities (Note 4)	101,337	1	194,934	2
Advance receipts	58,462	1	60,962	1
Other current liabilities (Note 19)	493,359	5	317,991	3
Total current liabilities	3,683,020	38	3,385,989	34
<b>NON-CURRENT LIABILITIES</b>				
Provisions - non-current (Note 4)	13,773	-	13,340	-
Deferred tax liabilities (Notes 4 and 25)	7,430	-	-	-
Net defined benefit liabilities (Notes 4 and 20)	5,012	-	5,508	-
Guarantee deposits (Note 21)	241,663	3	234,704	2
Other non-current liabilities	-	-	109	-
Total non-current liabilities	267,878	3	253,661	2
Total liabilities	3,950,898	41	3,639,650	36
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 4 and 22)</b>				
Common stock	1,420,585	15	1,420,585	14
Capital surplus	3,354,858	35	3,329,617	33
Retained earnings				
Legal reserve	355,652	4	370,788	4
Special reserve	-	-	20,017	-
Unappropriated earnings	1,058,963	11	1,169,790	12
Total retained earnings	1,414,615	15	1,560,595	16
Other equity	(151,358)	(2)	193	-
Treasury shares	(397,175)	(4)	-	-
Total equity attributable to owners of the Company	5,641,525	59	6,310,990	63
<b>NON-CONTROLLING INTERESTS (Note 22)</b>	15,027	-	83,871	1
Total equity	5,656,552	59	6,394,861	64
<b>TOTAL</b>	<b>\$ 9,607,450</b>	<b>100</b>	<b>\$ 10,034,511</b>	<b>100</b>

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

(With Deloitte & Touche audit report dated January 27, 2016)

# MOMO.COM INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2015		2014	
	Amount	%	Amount	%
OPERATING REVENUES (Notes 4, 23 and 31)	\$ 25,639,898	100	\$ 23,897,005	100
OPERATING COSTS (Notes 10 and 31)	<u>22,536,236</u>	<u>88</u>	<u>20,592,348</u>	<u>86</u>
GROSS PROFIT FROM OPERATIONS	<u>3,103,662</u>	<u>12</u>	<u>3,304,657</u>	<u>14</u>
OPERATING EXPENSES (Notes 4, 20, 24 and 31)				
Marketing expenses	1,059,398	4	985,224	4
Administrative expenses	<u>983,867</u>	<u>4</u>	<u>894,460</u>	<u>4</u>
Total operating expenses	<u>2,043,265</u>	<u>8</u>	<u>1,879,684</u>	<u>8</u>
NET OTHER INCOME AND EXPENSES	<u>(1,628)</u>	<u>-</u>	<u>2,442</u>	<u>-</u>
OPERATING INCOME	<u>1,058,769</u>	<u>4</u>	<u>1,427,415</u>	<u>6</u>
NON-OPERATING INCOME AND EXPENSES (Notes 4 and 24)				
Other income (Note 31)	107,000	1	72,776	-
Other gains and losses, net	2,382	-	(4,567)	-
Finance costs	(239)	-	(10,041)	-
Share of profit of associates accounted for using equity method (Note 14)	<u>68,147</u>	<u>-</u>	<u>24,167</u>	<u>-</u>
Total non-operating income and expenses	<u>177,290</u>	<u>1</u>	<u>82,335</u>	<u>-</u>
PROFIT BEFORE INCOME TAX FROM CONTINUING OPERATIONS	1,236,059	5	1,509,750	6
INCOME TAX EXPENSE (Notes 4 and 25)	<u>242,970</u>	<u>1</u>	<u>298,556</u>	<u>1</u>
NET PROFIT FROM CONTINUING OPERATIONS	993,089	4	1,211,194	5
LOSS FROM DISCONTINUED OPERATIONS, NET OF INCOME TAX (Notes 4 and 12)	<u>-</u>	<u>-</u>	<u>(78,329)</u>	<u>-</u>
PROFIT	<u>993,089</u>	<u>4</u>	<u>1,132,865</u>	<u>5</u>

(Continued)



# MOMO.COM INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2015		2014	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME				
Items that may not be reclassified to profit or loss:				
Remeasurement of defined benefit plans	\$ (1,000)	-	\$ (1,651)	-
Share of other comprehensive loss of associates accounted for using the equity method	(1,274)	-	-	-
Income tax relating to items that may not be reclassified to profit or loss	170	-	281	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation	(11,110)	-	12,161	-
Unrealized loss on available-for-sale financial assets	(101,848)	(1)	(42,857)	-
Share of other comprehensive income (loss) of associates accounted for using equity method	<u>(39,745)</u>	<u>-</u>	<u>53,513</u>	<u>-</u>
Other comprehensive income (loss), net of income tax	<u>(154,807)</u>	<u>(1)</u>	<u>21,447</u>	<u>-</u>
COMPREHENSIVE INCOME	<u>\$ 838,282</u>	<u>3</u>	<u>\$ 1,154,312</u>	<u>5</u>
PROFIT ATTRIBUTABLE TO:				
Owners of the Parent	\$ 1,060,781	4	\$ 1,170,042	5
Non-controlling interests	<u>(67,692)</u>	<u>-</u>	<u>(37,117)</u>	<u>-</u>
	<u>\$ 993,089</u>	<u>4</u>	<u>\$ 1,132,925</u>	<u>5</u>
COMPREHENSIVE INCOME (LOSS)				
ATTRIBUTABLE TO:				
Owners of the Parent	\$ 907,126	3	\$ 1,188,882	5
Non-controlling interests	<u>(68,844)</u>	<u>-</u>	<u>(34,570)</u>	<u>-</u>
	<u>\$ 838,282</u>	<u>3</u>	<u>\$ 1,154,312</u>	<u>5</u>
EARNINGS PER SHARE (Note 26 )				
Basic				
Basic earnings per share from continuing operations	\$ 7.48		\$ 9.72	
Basic loss per share from discontinued operations	<u>-</u>		<u>(0.61)</u>	
Total basic earnings per share	<u>\$ 7.48</u>		<u>\$ 9.11</u>	

(Continued)

# MOMO.COM INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	<b>2015</b>		<b>2014</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
Diluted				
Diluted earnings per share from continuing operations	\$ 7.48		\$ 9.72	
Diluted loss per share from discontinued operations	-		(0.61)	
Total diluted earnings per share	<u>\$ 7.48</u>		<u>\$ 9.11</u>	

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

(With Deloitte & Touche audit report dated January 27, 2016)

(Concluded)

**MOMO.COM INC. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014  
(In Thousands of New Taiwan Dollars)**

	Equity Attributable to Owners of the Company							Non-controlling Interests	Total Equity		
	Retained Earnings					Other Equity					
	Common Stock	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translation	Unrealized Gain (Loss) on Available-for-sale Financial Assets			Treasury Shares	Total
BALANCE AT JANUARY 1, 2014	\$ 1,278,585	\$ 58,044	\$ 379,805	\$ -	\$ 459,623	\$ 25,406	\$ (45,423)	\$ -	\$ 2,156,040	\$ 16,888	\$ 2,172,928
Distribution of 2013 earnings	-	-	-	-	-	-	-	-	-	-	-
Legal reserve	-	-	45,962	-	(45,962)	-	-	-	-	-	-
Special reserve	-	-	-	20,017	(20,017)	-	-	-	-	-	-
Cash dividends	-	-	(54,979)	-	(392,526)	-	-	-	(447,505)	-	(447,505)
Other changes in capital surplus	-	-	-	-	-	-	-	-	-	-	-
Change in capital surplus from investments in associates accounted for by using equity method	-	(515)	-	-	-	-	-	-	(515)	-	(515)
Adjustments arising from changes in percentage of ownership of subsidiaries	-	148,277	-	-	-	-	-	-	148,277	101,553	249,830
Profit for the year ended December 31, 2014	-	-	-	-	1,170,042	-	-	-	1,170,042	(37,177)	1,132,865
Other comprehensive income (loss) for the year ended December 31, 2014	-	-	-	-	(1,370)	9,613	10,597	-	18,840	2,607	21,447
Total comprehensive income (loss) for the year ended December 31, 2014	-	-	-	-	1,168,672	9,613	10,597	-	1,188,882	(34,570)	1,154,312
Issue of ordinary shares for cash	142,000	3,120,971	-	-	-	-	-	-	3,262,971	-	3,262,971
Issue of ordinary shares under employee share options	-	2,840	-	-	-	-	-	-	2,840	-	2,840
BALANCE AT DECEMBER 31, 2014	1,420,585	3,329,617	370,788	20,017	1,169,790	35,019	(34,826)	-	6,310,990	83,871	6,394,861
Distribution of 2014 earnings	-	-	116,979	-	(116,979)	-	-	-	-	-	-
Legal reserve	-	-	(132,115)	-	(1,072,542)	-	-	-	(1,204,657)	-	(1,204,657)
Cash dividends	-	-	-	(20,017)	20,017	-	-	-	-	-	-
Reversal of special reserve	-	-	-	-	-	-	-	-	-	-	-
Other changes in capital surplus	-	-	-	-	-	-	-	-	-	-	-
Change in capital surplus from investments in associates accounted for by using equity method	-	25,241	-	-	-	-	-	-	25,241	-	25,241
Profit for the year ended December 31, 2015	-	-	-	-	-	-	-	-	1,060,781	(67,692)	993,089
Other comprehensive income (loss) for the year ended December 31, 2015	-	-	-	-	(2,104)	(17,078)	(134,473)	-	(153,655)	(1,152)	(154,807)
Total comprehensive income (loss) for the year ended December 31, 2015	-	-	-	-	1,058,677	(17,078)	(134,473)	-	907,126	(68,844)	838,282
Buy-back of ordinary shares	-	-	-	-	-	-	-	(397,175)	(397,175)	-	(397,175)
BALANCE AT DECEMBER 31, 2015	\$ 1,420,585	\$ 3,354,858	\$ 355,652	\$ -	\$ 1,058,963	\$ 17,941	\$ (169,299)	\$ (397,175)	\$ 5,641,525	\$ 15,027	\$ 5,656,552

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

(With Deloitte & Touche audit report dated January 27, 2016)

# MOMO.COM INC. AND SUBSIDIARIES

## STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

(In Thousands of New Taiwan Dollars)

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax from continuing operations	\$ 1,236,059	\$ 1,509,750
Loss before tax from discontinued operations	-	(94,363)
Profit before income tax	<u>1,236,059</u>	<u>1,415,387</u>
Adjustments:		
Depreciation expenses	115,051	128,957
Amortization expenses	16,943	14,913
Provision for bad debt expense	3,689	2,972
Gain on financial assets at fair value through profit or loss, net	(1,533)	-
Finance costs	239	10,041
Interest income	(83,675)	(58,124)
Compensation cost of employee share options	-	2,840
Share of profit of associates accounted for using equity method	(68,147)	(24,167)
Loss on disposal of property, plant and equipment, net	18,925	5,088
Loss on disposal of non-current assets held for sale, net	-	4,862
Gain on disposal of investments	(12,437)	-
Impairment loss on non-financial assets (from discontinued operations)	-	17,794
Gain on foreign currency exchange, net	(4,094)	-
Others	(690)	28
Changes in operating assets and liabilities		
Financial assets held for trading	1,478	-
Notes receivable	-	150
Accounts receivable	20,008	438,019
Accounts receivable from related parties	(12,497)	2,141
Other receivables	(89,974)	(319,960)
Other receivables from related parties	26,403	(104,801)
Inventories	(19,570)	190,354
Prepayments	6,552	17,093
Other current assets	(2,671)	25,224
Notes payable	-	(1,483)
Accounts payable	168,846	230,302
Accounts payable to related parties	(16,030)	(37,803)
Other payables	(9,191)	23,873
Other payables to related parties	(1,743)	38,855
Provisions	-	(6,120)
Advance receipts	(2,500)	8,685
Other current liabilities	175,368	(85,004)
Net defined benefit liabilities	<u>(1,495)</u>	<u>(634)</u>
Cash generated from operations	1,463,314	1,939,482
Interest received	423	-
Income tax paid	<u>(333,562)</u>	<u>(152,027)</u>
Net cash generated by operating activities	<u>1,130,175</u>	<u>1,787,455</u>

(Continued)

# MOMO.COM INC. AND SUBSIDIARIES

## STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

(In Thousands of New Taiwan Dollars)

	2015	2014
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of available-for-sale financial assets	\$ -	\$ (1,293,724)
Proceeds on sale of available-for-sale financial assets	1,192,504	-
Acquisition of convertible notes	(79,980)	-
Acquisition of financial assets at cost	-	(60,000)
Acquisition of associates accounted for using equity method	(670,448)	(148,118)
Proceeds from disposal of non-current assets held for sale	-	41,448
Acquisition of property, plant and equipment	(57,036)	(1,871,754)
Proceeds from disposal of property, plant and equipment	997	1,285
Increase in refundable deposits	(12,295)	(2,982)
Decrease in refundable deposits	26,533	18,095
Acquisition of intangible assets	(8,546)	(12,212)
Increase in other financial assets	(1,199,201)	(2,280,134)
Decrease in other financial assets	2,259,551	446,443
Interest received	81,818	58,174
Dividend received	<u>31,407</u>	<u>25,340</u>
Net cash generated by (used in) investing activities	<u>1,565,304</u>	<u>(5,078,139)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from short-term borrowings	70,938	146,379
Repayments of short-term borrowings	-	(255,823)
Proceeds from guarantee deposits received	37,792	39,778
Refund of guarantee deposits received	(30,733)	(57,747)
Increase in lease payables	25	99
Decrease in lease payables	(1,413)	(2,607)
Cash dividends	(1,204,657)	(447,505)
Proceeds from issue of ordinary shares	-	3,262,971
Payments for buy-back of ordinary shares	(397,175)	-
Interest paid	(67)	(10,273)
Increase in non-controlling interests	<u>-</u>	<u>249,830</u>
Net cash generated by (used in) financing activities	<u>(1,525,290)</u>	<u>2,925,102</u>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>	<u>(318)</u>	<u>7,469</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>1,169,871</b>	<b>(358,113)</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<u>1,958,210</u>	<u>2,316,323</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<u>\$ 3,128,081</u>	<u>\$ 1,958,210</u>

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

(With Deloitte & Touche audit report dated January 27, 2016)

(Concluded)

# **MOMO.COM INC. AND SUBSIDIARIES**

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

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### **1. GENERAL INFORMATION**

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

The consolidated financial statements by the Company as of and for the year ended December 31, 2015, comprise the Company and its subsidiaries (collectively, the “Group”).

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

### **2. APPROVAL OF FINANCIAL STATEMENTS**

The consolidated financial statements were approved by the Company’s Board of Directors on January 27, 2016.

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

- a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the 2013 version of the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) endorsed by the Financial Supervisory Commission (FSC)

Rule No. 1030029342 and Rule No. 1030010325 issued by the FSC on April 3, 2014, stipulated that the Group should apply the 2013 version of IFRS, IAS, IFRIC and SIC (collectively, the “IFRSs”) endorsed by the FSC and the related amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers starting January 1, 2015.

Except for the following, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the 2013 IFRSs version did not have any material impact on the Group’s accounting policies:

- 1) IFRS 12 “Disclosure of Interests in Other Entities”

IFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. For the first-time adoption of the amendments, the Group will provide a wider range of disclosure in the consolidated financial statements.

2) IFRS 13 “Fair Value Measurement”

IFRS 13 defines the meaning of fair value and sets the method of calculation and the presentation of measurement of fair value. As the adoption will be postponed until after 2015, the Group does not expect any significant impacts on the consolidated financial condition and performance.

3) Amendments to IAS 1 “Presentation of Items of Other Comprehensive Income”

The amendments to IAS 1 require items of other comprehensive income to be grouped into those items that (1) will not be reclassified subsequently to profit or loss; and (2) may be reclassified subsequently to profit or loss. Income taxes on related items of other comprehensive income are grouped on the same basis.

The Group retrospectively applied the above amendments starting in 2015. Items not expected to be reclassified to profit or loss are remeasurements of the defined benefit plans. Items expected to be reclassified to profit or loss are the exchange differences on translation, unrealized gain (loss) on available-for-sale financial assets, and share of the other comprehensive income of associates accounted for using the equity method. However, the application of the above amendments will not have any impact on the net profit, other comprehensive income (net of income tax), and total comprehensive income.

4) Revision to IAS 19 “Employee Benefits”

Revised IAS 19 requires the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminates the “corridor approach” permitted under current IAS 19 and accelerates the recognition of past service costs. The revision requires all remeasurements of the defined benefit plans to be recognized immediately through other comprehensive income in order for the net pension asset or liability to reflect the full value of the plan deficit or surplus. Remeasurement of the defined benefit plans is presented separately as other equity.

Furthermore, the interest cost and expected return on plan assets used in current IAS 19 are replaced with a “net interest” amount, which is calculated by applying the discount rate to the net defined benefit liability. In addition, the revised IAS 19 introduces certain changes in the presentation of the defined benefit cost, and also includes more extensive disclosures.

In summary, the impact on the current period of the application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the 2013 IFRSs version did not have any material impact on the Group’s accounting policies.

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

The Group has not applied the following New IFRSs issued by the IASB but not yet endorsed by the FSC. As of the date the consolidated financial statements were authorized for issue, the FSC has not announced their effective dates.

<b>New IFRSs</b>	<b>Effective Date Announced by IASB (Note 1)</b>
Annual Improvements to IFRSs 2010-2012 Cycle	July 1, 2014 (Note 2)
Annual Improvements to IFRSs 2011-2013 Cycle	July 1, 2014
Annual Improvements to IFRSs 2012-2014 Cycle	January 1, 2016 (Note 3)
IFRS 9 “Financial Instruments”	January 1, 2018

(Continued)

<b>New IFRSs</b>	<b>Effective Date Announced by IASB (Note 1)</b>
Amendments to IFRS 9 and IFRS 7 “Mandatory Effective Date of IFRS 9 and Transition Disclosures”	January 1, 2018
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
Amendments to IFRS 10, IFRS 12 and IAS 28 “Investment Entities: Applying the Consolidation Exception”	January 1, 2016
Amendment to IFRS 11 “Accounting for Acquisitions of Interests in Joint Operations”	January 1, 2016
IFRS 14 “Regulatory Deferral Accounts”	January 1, 2016
IFRS 15 “Revenue from Contracts with Customers”	January 1, 2018
IFRS 16 “Leases”	January 1, 2019
Amendment to IAS 1 “Disclosure Initiative”	January 1, 2016
Amendment to IAS 12 “Recognition of Deferred Tax Assets for Unrealized Losses”	January 1, 2017
Amendments to IAS 16 and IAS 38 “Clarification of Acceptable Methods of Depreciation and Amortization”	January 1, 2016
Amendments to IAS 16 and IAS 41 “Agriculture: Bearer Plants”	January 1, 2016
Amendment to IAS 19 “Defined Benefit Plans: Employee Contributions”	July 1, 2014
Amendment to IAS 36 “Impairment of Assets: Recoverable Amount Disclosures for Non-financial Assets”	January 1, 2014
Amendment to IAS 39 “Novation of Derivatives and Continuation of Hedge Accounting”	January 1, 2014
IFRIC 21 “Levies”	January 1, 2014

(Concluded)

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

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

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



The initial application of the above New IFRSs, whenever applied, would not have any material impact on the Group's accounting policies, except for the following:

1) IFRS 9 "Financial Instruments"

Recognition and measurement of financial assets

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

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

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

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

The impairment of financial assets

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

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

## 2) Amendment to IAS 36 “Recoverable Amount Disclosures for Non-financial Assets”

In issuing IFRS 13 “Fair Value Measurement”, the IASB made consequential amendment to the disclosure requirements in IAS 36 “Impairment of Assets”, introducing a requirement to disclose in every reporting period the recoverable amount of an asset or each cash-generating unit. The amendment clarifies that such disclosure of recoverable amounts is required only when an impairment loss has been recognized or reversed during the period. Furthermore, the Group is required to disclose the discount rate used in measurements of the recoverable amount based on fair value less costs of disposal measured using a present value technique.

## 3) IFRS 15 “Revenue from Contracts with Customers”

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

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

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

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

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

## 4) IFRS 16 “Leases”

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

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

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

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

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

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

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

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

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

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

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

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

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

Current assets include:

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

Current liabilities include:

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

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

##### **d. Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and subsidiaries controlled by the Company.

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

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

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

See Note 13, table 6 and table 7 for the detailed information of subsidiaries (including the percentage of ownership and main business).

e. Foreign currencies

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

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

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

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

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

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

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

f. Inventories

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

g. Investments in associates

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

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

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

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

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

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

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

h. Property, plant and equipment

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

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

Freehold land is not depreciated.

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

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

i. Intangible assets

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

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

j. Impairment of tangible and intangible assets other than goodwill

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

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

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

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

k. Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset is available for immediate sale in its present condition. To meet the criteria for the sale being highly probable, the appropriate level of management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell. Recognition of depreciation of those assets would cease.

## 1. Financial instruments

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

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

### 1) Financial assets

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

#### a) Measurement category

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

##### i. Financial assets at fair value through profit or loss

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

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss.

##### ii. Available-for-sale financial assets

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

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

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

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

### iii. Loans and receivables

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

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

### b) Impairment of financial assets

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

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

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

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

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

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



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

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

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

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

c) Derecognition of financial assets

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

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

2) Equity instruments

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

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

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

3) Financial liabilities

a) Subsequent measurement

Financial liabilities are subsequently measured either at amortized cost using effective interest method or fair value through profit or loss.

b) Derecognition of financial liabilities

The Group derecognizes financial liability when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

m. Provisions

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

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

n. Revenue recognition

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

1) Sale of goods

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

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

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

2) Rendering of services and commission revenues

Service income is recognized when services are provided.

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

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

3) Dividend and interest income

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

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

o. Leasing

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

The Group as lessee

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

p. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

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

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

3) Termination benefits

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

q. Share-based payment arrangements

The fair value at the grant date of the employee share options is expensed on a straight-line basis over the vesting period, based on the Group's best estimates of the number of shares or options that are expected to ultimately vest, with a corresponding increase in capital surplus - employee share options. It is recognized as an expense in full at the grant date if vesting immediately.

At the end of each reporting period, the Group revises its estimate of the number of employee share options expected to vest. The impact of the revision of the original estimates is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the capital surplus - employee share options.

r. Taxation

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

1) Current tax

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

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

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit. If the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit, the resulting deferred tax asset or liability is not recognized.

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

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

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

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

3) Current and deferred tax for the period

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred taxes are also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

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

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

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

a. Income taxes

As of December 31, 2015 and 2014, the carrying amount of deferred tax assets was \$20,973 thousand and \$20,173 thousand, respectively. The realizability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognized in profit or loss for the period in which such a reversal takes place.

b. Fair value measurements and valuation processes

If some of the Group's assets and liabilities measured at fair value have no quoted prices in active markets, the Group determines whether to engage third party qualified valuers to determine and apply the appropriate valuation techniques for fair value measurements.

Where Level 1 inputs are not available, the Group or engaged valuers would determine appropriate inputs by referring to the analyses of the financial position and the operation results of investees, recent transaction prices, prices of same equity instruments not quoted in active markets, quoted prices of similar instruments in active markets, valuation multiples of comparable entities. If the actual changes of inputs in the future differ from expectation, fair value might vary accordingly. The Group updates inputs every quarter to confirm the appropriateness of fair value measurement.

Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities is disclosed in Note 30.

c. Impairment of investment in the associate

The Group immediately recognizes impairment loss on its net investment in the associate when there is any indication that the investment may be impaired and the carrying amount may not be recoverable. The Group's management evaluates the impairment based on the estimated future cash flow expected to be generated by the associate, including the assumptions about the growth rate of sale and capacity of production facilities estimated by the associate's management, etc. The Group also takes into consideration the market conditions and industry development to evaluate the appropriateness of assumptions.

d. Significant influence over associates

Note 14 describes that several companies are associates of the Group although the Group only owns less than 20% of the voting power in each of these companies. The Group has significant influence over these companies by virtue of the right to appoint the directors to the Board of Directors of these companies.

## 6. CASH AND CASH EQUIVALENTS

	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
Cash on hand and revolving funds	\$ 234	\$ 288
Cash in banks	532,497	706,051
Time deposits	1,996,000	952,085
Short-term notes and bills	<u>599,350</u>	<u>299,786</u>
	<u>\$ 3,128,081</u>	<u>\$ 1,958,210</u>

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

	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
Domestic investments		
Beneficiary certificates	\$ 734,991	\$ 2,009,447
Foreign investments		
Unlisted stock	<u>77,746</u>	<u>-</u>
	<u>\$ 812,737</u>	<u>\$ 2,009,447</u>

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

For the year ended December 31, 2015, the financial assets were not pledged.

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

	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
Domestic unlisted common stock	\$ <u>60,000</u>	\$ <u>60,000</u>

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

For the years ended December 31, 2015 and 2014, there was no impairment loss recognized on the financial assets at cost.

## 9. ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
<u>Accounts receivable</u>		
Accounts receivable	\$ 32,039	\$ 52,390
Less: Allowance for doubtful accounts	<u>(2,428)</u>	<u>(1,851)</u>
Accounts receivable, net	\$ <u>29,611</u>	\$ <u>50,539</u>
<u>Other receivables</u>		
Other receivables	\$ 413,640	\$ 324,560
Less: Allowance for doubtful accounts	<u>(2,392)</u>	<u>(660)</u>
Other receivables, net	\$ <u>411,248</u>	\$ <u>323,900</u>

The aging of receivables was as follows:

	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
Neither past due nor impaired	\$ 432,501	\$ 367,760
Past due but not impaired		
Past due within 180 days	8,082	5,789
Past due over 180 days	<u>276</u>	<u>890</u>
	\$ <u>440,859</u>	\$ <u>374,439</u>

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

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

	<b>For the Year Ended December 31</b>	
	<b>2015</b>	<b>2014</b>
Beginning balance	\$ 2,511	\$ 2,600
Add: Provision	3,689	2,972
Reversal	2	-
Less: Write-off	<u>(1,382)</u>	<u>(3,061)</u>
Ending balance	<u>\$ 4,820</u>	<u>\$ 2,511</u>

## 10. INVENTORIES

	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
Merchandise	<u>\$ 124,639</u>	<u>\$ 105,069</u>

The cost of goods sold included reversal of inventory write-downs of \$11,462 thousand and inventory obsolescence losses of \$6,039 thousand for the year ended December 31, 2015, and included reversal of inventory write-downs of \$33,670 thousand and inventory obsolescence losses of \$11,404 thousand for the year ended December 31, 2014.

## 11. OTHER FINANCIAL ASSETS

	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
<u>Current</u>		
Pledged time deposits	\$ 22,500	\$ -
Time deposits with original maturity more than 3 months	<u>1,209,702</u>	<u>2,129,434</u>
	<u>\$ 1,232,202</u>	<u>\$ 2,129,434</u>
<u>Non-current</u>		
Pledged time deposits and restricted deposits	\$ 34,750	\$ 33,500
Time deposits with original maturity more than 3 months	<u>-</u>	<u>164,193</u>
	<u>\$ 34,750</u>	<u>\$ 197,693</u>

Refer to Note 32 for information relating to other financial assets pledged as security.



## 12. NON-CURRENT ASSETS AND DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE

### a. Non-current assets held for sale

In March 2014, the Board of Directors of momo resolved to sell the traditional retail business to We Can Medicines Co., Ltd. At the end of March 2014, the total value of machinery and equipment, storage equipment, and telecommunication equipment held for sale was \$46,310 thousand, and a total impairment loss of \$17,794 thousand was recognized through measurement at the lower of carrying amount and fair value less costs to sell. The above equipment was disposed of in June 2014, which resulted in a loss of \$4,862 thousand and was recorded in loss from discontinued operations in the consolidated statement of comprehensive income.

### b. Disclosure of profit and loss, and cash flows from discontinued operations

Loss from discontinued operations was as follows:

	<b>For the Year Ended December 31, 2014</b>
Net loss for the period	\$ (59,524)
Loss on disposal	<u>(18,805)</u>
	<u>\$ (78,329)</u>

The details of profit (loss) from discontinued operations and the related cash flows information were as follows:

	<b>For the Year Ended December 31, 2014</b>
Profit and loss from discontinued operations:	
Operating revenue	\$ 172,273
Operating costs	<u>(138,848)</u>
Gross profit	33,425
Operating expenses	(102,382)
Other income and expenses	<u>(1,727)</u>
Loss from discontinued operations before tax	(70,684)
Non-operating income and expenses	
Loss on disposal of property, plant and equipment	(2,148)
Interest income	39
Others	1,086
Tax benefit	<u>12,183</u>
Loss from discontinued operations after tax	<u>(59,524)</u>
	(Continued)

**For the Year  
Ended  
December 31,  
2014**

Gain (loss) on disposal of the assets from discontinued operations	
Loss recognized on measurement of fair value less costs to sell of the assets from discontinued operations before tax	\$ (17,794)
Loss recognized on the disposal of the assets from discontinued operations before tax	(4,862)
Tax benefit	<u>3,851</u>
Loss recognized on measurement of fair value less costs to sell of the assets disposed of from discontinued operations after tax	<u>(18,805)</u>
Loss from discontinued operations after tax	<u>\$ (78,329)</u>
Profit from discontinued operations attributable to:	
Owners of the Parent	\$ (78,329)
Non-controlling interest	<u>-</u>
	<u>\$ (78,329)</u>
Cash flows from (used in) discontinued operations:	
Net cash from operating activities	\$ 78,566
Net cash from investing activities	59,740
Net cash from financing activities	<u>(9,684)</u>
Net increase in cash	<u>\$ 128,622</u> (Concluded)

### 13. SUBSIDIARIES

a. Subsidiaries included in the consolidated financial statements

Investor	Subsidiary	Main Business and Products	Percentage of Ownership December 31		Note
			2015	2014	
momo	Fu Sheng Travel Service Co., Ltd (FST)	Travel agent	100.000	100.000	-
momo	Fuli Life Insurance Agent Co., Ltd. (FLI)	Life insurance agent	100.000	100.000	-
momo	Fuli Property Insurance Agent Co., Ltd. (FPI)	Property insurance agent	100.000	100.000	-
momo	Asian Crown International Co., Ltd. (Asian Crown (BVI))	Investment	76.260	76.260	Note 1
Asian Crown (BVI)	Fortune Kingdom Corporation (Fortune Kingdom)	Investment	100.000	100.000	-
Fortune Kingdom	Hong Kong Fubon Multimedia Technology Co., Ltd. (HK Fubon Multimedia)	Investment	100.000	100.000	-
HK Fubon Multimedia	Fubon Gehua (Beijing) Enterprise Ltd. (FGE)	Wholesaling	91.304	91.304	Note 1
momo	Honest Development Co, Ltd. (Honest Development)	Investment	100.000	-	Note 2
Honest Development	Hongkong Yue Numerous Investment Co., Ltd. (HK Yue Numerous)	Investment	100.000	-	Note 2
HK Yue Numerous	Haobo Information Consulting (Shenzhen) Co., Ltd. (Haobo)	Investment	100.000	-	Note 2

Note 1: In July 2014, an extraordinary shareholders' meeting of FGE resolved to inject capital by cash. Due to non-proportional investment in investees' capital increase, momo's percentage of ownership in Asian Crown (BVI) decreased, and HK Fubon Multimedia's percentage of ownership in FGE increased.

Note 2: In June 2015, momo established Honest Development to purchase HK Yue Numerous and its subsidiary, Haobo, through portfolio investment, and indirectly acquired the associate, Beijing Global Guoguang Media Technology Co., Ltd. (GHS), through Haobo.

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

#### 14. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

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

Investee Company	December 31			
	2015		2014	
	Amount	% of Ownership	Amount	% of Ownership
GHS	\$ 713,691	18.00	\$ -	-
Taiwan Pelican Express Co., Ltd. (TPE)	415,597	17.70	455,426	17.70
TVD Shopping Co., Ltd. (TVD shopping)	<u>161,491</u>	35.00	<u>150,803</u>	35.00
	<u>\$ 1,290,779</u>		<u>\$ 606,229</u>	

Refer to Table 6 "Names, Locations and Related Information of Investees over Which the Company Exercised Significant Influence (Excluding Information on Investment in Mainland China" and Table 7 "Investments in Mainland China" for the nature of activities, principal place of business and country of incorporation of the associates.

##### a. GHS

In June 2015, momo's subsidiary acquired 20% equity interests of GHS for \$670,448 thousand and obtained purchase price allocation report in December 2015. The excess of the purchase price over the fair value of the acquired net assets included \$657,332 thousand and \$79,617 thousand for goodwill and customer relationship, respectively, where customer relationship is amortized over nine and a half years. The result of a preliminary analysis was a decrease of \$5,441 thousand in goodwill and an increase of \$6,618 thousand in customer relationship.

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

##### b. TPE

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

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

c. TVD Shopping

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

d. Aggregate information of associates

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

	<b>For the Year Ended December 31</b>	
	<b>2015</b>	<b>2014</b>
The Group's share of:		
Profit	\$ 68,147	\$ 24,167
Other comprehensive (loss) income	<u>(33,890)</u>	<u>53,513</u>
Total comprehensive income for the year	<u>\$ 34,257</u>	<u>\$ 77,680</u>

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

	<b>December 31</b>	
<b>Name of Associate</b>	<b>2015</b>	<b>2014</b>
TPE	<u>\$ 484,829</u>	<u>\$ 846,339</u>

All the associates are accounted for using the equity method.

## 15. PROPERTY, PLANT AND EQUIPMENT

	<b>Land</b>	<b>Machinery</b>	<b>Office Equipment</b>	<b>Lease Assets</b>	<b>Lease Improvement</b>	<b>Other Equipment</b>	<b>Property in Construction</b>	<b>Total</b>
<b>Cost</b>								
Balance, January 1, 2014	\$ -	\$ 678,925	\$ 39,471	\$ 11,424	\$ 286,204	\$ 1,677	\$ 311,296	\$ 1,328,997
Additions	1,717,927	16,781	1,927	-	12,355	-	7,469	1,756,459
Disposals	-	(46,771)	(3,991)	-	(60,916)	(43)	-	(111,721)
Reclassification	-	123,219	(12,927)	-	60,390	(85)	(314,330)	(143,733)
Effect of exchange rate changes	-	6,588	94	-	2,658	16	-	9,356
Balance, December 31, 2014	<u>\$ 1,717,927</u>	<u>\$ 778,742</u>	<u>\$ 24,574</u>	<u>\$ 11,424</u>	<u>\$ 300,691</u>	<u>\$ 1,565</u>	<u>\$ 4,435</u>	<u>\$ 2,839,358</u>
<b>Accumulated depreciation and impairment</b>								
Balance, January 1, 2014	\$ -	\$ 463,476	\$ 24,584	\$ 7,622	\$ 114,688	\$ 1,279	\$ -	\$ 611,649
Depreciation	-	83,409	2,530	2,367	40,531	120	-	128,957
Disposals	-	(46,660)	(3,116)	-	(55,529)	(43)	-	(105,348)
Reclassification	-	(29,071)	(6,172)	-	(30,277)	(73)	-	(65,593)
Effect of exchange rate changes	-	3,221	36	-	1,710	9	-	4,976
Balance, December 31, 2014	<u>\$ -</u>	<u>\$ 474,375</u>	<u>\$ 17,862</u>	<u>\$ 9,989</u>	<u>\$ 71,123</u>	<u>\$ 1,292</u>	<u>\$ -</u>	<u>\$ 574,641</u>
Carrying amounts at December 31, 2014	<u>\$ 1,717,927</u>	<u>\$ 304,367</u>	<u>\$ 6,712</u>	<u>\$ 1,435</u>	<u>\$ 229,568</u>	<u>\$ 273</u>	<u>\$ 4,435</u>	<u>\$ 2,264,717</u>
<b>Cost</b>								
Balance, January 1, 2015	\$ 1,717,927	\$ 778,742	\$ 24,574	\$ 11,424	\$ 300,691	\$ 1,565	\$ 4,435	\$ 2,839,358
Additions	-	33,584	3,422	-	4,822	2,086	19,567	63,481
Disposals	-	(11,275)	(304)	-	(75,641)	(133)	-	(87,353)
Reclassification	-	14	(14)	-	-	-	(617)	(617)
Effect of exchange rate changes	-	(4,566)	(67)	-	(906)	(12)	-	(5,551)
Balance, December 31, 2015	<u>\$ 1,717,927</u>	<u>\$ 796,499</u>	<u>\$ 27,611</u>	<u>\$ 11,424</u>	<u>\$ 228,966</u>	<u>\$ 3,506</u>	<u>\$ 23,385</u>	<u>\$ 2,809,318</u>

(Continued)

	Land	Machinery	Office Equipment	Lease Assets	Lease Improvement	Other Equipment	Property in Construction	Total
Accumulated depreciation and impairment								
Balance, January 1, 2015	\$ -	\$ 474,375	\$ 17,862	\$ 9,989	\$ 71,123	\$ 1,292	\$ -	\$ 574,641
Depreciation	-	75,061	1,745	1,318	36,440	487	-	115,051
Disposals	-	(7,621)	(232)	-	(59,489)	(89)	-	(67,431)
Effect of exchange rate changes	-	(2,510)	(31)	-	(546)	(7)	-	(3,094)
Balance, December 31, 2015	<u>\$ -</u>	<u>\$ 539,305</u>	<u>\$ 19,344</u>	<u>\$ 11,307</u>	<u>\$ 47,528</u>	<u>\$ 1,683</u>	<u>\$ -</u>	<u>\$ 619,167</u>
Carrying amounts at December 31, 2015	<u>\$ 1,717,927</u>	<u>\$ 257,194</u>	<u>\$ 8,267</u>	<u>\$ 117</u>	<u>\$ 181,438</u>	<u>\$ 1,823</u>	<u>\$ 23,385</u>	<u>\$ 2,190,151</u>

(Concluded)

For future business development, the Group acquired land located at Dayuan District, Taoyuan to build logistics center at the amount of \$1,717,927 thousand by the contract in May 2014.

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

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

## 16. SHORT-TERM BORROWINGS

	December 31, 2015
Unsecured loans	<u>\$ 70,938</u>
Annual interest rate	4.57%

For information on endorsements and guarantees, please refer to Note 33.

## 17. ACCOUNTS PAYABLE

	December 31	
	2015	2014
Suppliers	\$ 2,470,716	\$ 2,288,436
Others	<u>5,924</u>	<u>19,358</u>
	<u>\$ 2,476,640</u>	<u>\$ 2,307,794</u>

## 18. OTHER PAYABLES

	December 31	
	2015	2014
Payable for salaries and bonus	\$ 161,063	\$ 185,034
Payable for business tax	37,825	22,542
Others	<u>195,132</u>	<u>189,297</u>
	<u>\$ 394,020</u>	<u>\$ 396,873</u>

## 19. OTHER CURRENT LIABILITIES

	December 31	
	2015	2014
Collection about travelling merchandise	\$ 359,395	\$ 223,502
Others	<u>133,964</u>	<u>94,489</u>
	<u>\$ 493,359</u>	<u>\$ 317,991</u>

## 20. RETIREMENT BENEFIT PLANS

### a. Defined contribution plans

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

The employees of the Group’s subsidiaries in other countries are members of state-managed retirement benefit plans operated by local governments. The subsidiaries 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 \$48,578 thousand and \$45,837 thousand in the consolidated statements of comprehensive income for the years ended December 31, 2015 and 2014, respectively.

### b. Defined benefit plans

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

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

	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
Present value of defined benefit obligation	\$ 10,506	\$ 9,307
Fair value of plan assets	<u>(5,494)</u>	<u>(3,799)</u>
Net defined benefit liability	<u>\$ 5,012</u>	<u>\$ 5,508</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2015</b>	<b>2014</b>
Beginning balance	\$ 9,307	\$ 7,489
Interest cost	197	140
Actuarial loss - change in demographic assumptions	883	1,333
Actuarial loss (gain) - change in financial assumptions	691	(412)
Actuarial (gain) loss - experience adjustments	<u>(572)</u>	<u>757</u>
Ending balance	<u>\$ 10,506</u>	<u>\$ 9,307</u>

Movements in fair value of plan assets were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2015</b>	<b>2014</b>
Beginning balance	\$ 3,799	\$ 2,998
Interest income	98	56
Return on plan assets (excluding amounts included in net interest)	2	27
Contributions from the employer	<u>1,595</u>	<u>718</u>
Ending balance	<u>\$ 5,494</u>	<u>\$ 3,799</u>

Recognized in profit or loss were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2015</b>	<b>2014</b>
Interest cost	\$ 197	\$ 140
Interest income	<u>(98)</u>	<u>(56)</u>
	<u>\$ 99</u>	<u>\$ 84</u>

Remeasurements recognized in other comprehensive income before tax before were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2015</b>	<b>2014</b>
Return on plan assets (excluding amounts included in net interest)	\$ (2)	\$ (27)
Actuarial loss - changes in demographic assumptions	883	1,333
Actuarial loss (gain) - changes in financial assumptions	691	(412)
Actuarial (gain) loss - experience adjustments	<u>(572)</u>	<u>757</u>
Ending balance	<u>\$ 1,000</u>	<u>\$ 1,651</u>

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

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

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

	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
Discount rate(s)	1.750%	2.125%
Expected rate(s) of salary increase	2.500%	2.500%

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

	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
Discount rate(s)		
0.25% increase	\$ (492)	\$ (444)
0.25% decrease	<u>\$ 521</u>	<u>\$ 470</u>
Expected rate(s) of salary increase		
0.25% increase	<u>\$ 511</u>	<u>\$ 463</u>
0.25% decrease	<u>\$ (485)</u>	<u>\$ (439)</u>

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



	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
The expected contributions to the plan for the next year	\$ <u>1,538</u>	\$ <u>1,639</u>
The average duration of the defined benefit obligation	19.4 years	19.9 years

## 21. GUARANTEE DEPOSITS

	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
Vendors	\$ 241,629	\$ 230,732
Decorations	<u>34</u>	<u>3,972</u>
	<u>\$ 241,663</u>	<u>\$ 234,704</u>

## 22. EQUITY

### a. Capital stock

	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
Authorized shares (in thousands)	<u>150,000</u>	<u>150,000</u>
Authorized capital (in thousands)	<u>\$ 1,500,000</u>	<u>\$ 1,500,000</u>
Issued and paid shares (in thousands)	<u>142,059</u>	<u>142,059</u>
Issued capital (in thousands)	<u>\$ 1,420,585</u>	<u>\$ 1,420,585</u>

A holder of issued common shares with par value of NT\$10 per share entitled to vote and to receive dividends.

On August 19, 2014, momo's Board of Directors resolved to issue 14,200 thousand common stocks, with a par value of NT\$10 each, for consideration of NT\$230 per share, which increased the share capital issued and fully paid to \$3,266,000 thousand. On January 23, 2015, the above transaction was approved by the FSC, and the subscription base date was determined by the Board of Directors at December 17, 2014.

### b. Capital surplus

	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
May be used to offset a deficit, distributed as cash dividends, or <u>transferred to share capital (1)</u>		
Additional paid - in capital	\$ 3,132,235	\$ 3,132,235
<u>May be used to offset a deficit only</u>		
From share of changes in equities of subsidiaries (2)	148,277	148,277

(Continued)

	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
<u>May not be used for any purpose</u>		
From share of changes in equities of associates (2)	\$ 74,146	\$ 48,935
Arising from employee share options	<u>170</u>	<u>170</u>
	<u>\$ 3,354,858</u>	<u>\$ 3,329,617</u>
		(Concluded)

- 1) Such capital surplus 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 the Company's paid - in capital once a year).
- 2) Such capital surplus arises from the effect of changes in ownership interest in a subsidiary that resulted from equity transactions other than actual disposal or acquisition, or from changes in capital surplus of subsidiaries and associates accounted for by using equity method.

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. Any balance left over shall be appropriated as follows:

- 1) Remuneration to directors, 0.1% to 0.3%;
- 2) Employee bonuses in the sum of 0.1% to 1%;
- 3) The remaining balance and any unappropriated 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. Stock may be distributed as employee bonuses including the employees of momo and subsidiaries.

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

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

In accordance with the amendments to Company Act in May 2015, the recipients of dividends and bonuses are limited to shareholders and do not include employees. The consequential amendments to momo's Articles of Incorporation had been proposed by momo's Board of Directors on October 26, 2015 and subject to the resolution of the shareholders in their meeting to be held on April 20, 2016. For information about the accrual basis of the employees' compensation and remuneration to directors and supervisors and the actual appropriations, please refer to e. Employee benefits expense in Note 24.

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

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

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

The appropriations of earnings for 2014 and 2013 have been approved in the shareholders’ meetings on May 6, 2015 and May 14, 2014, respectively, and 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>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
Legal reserve	\$ 116,979	\$ 45,962		
Cash dividends	1,072,542	392,526	\$ 7.55	\$ 3.07

The Company’s shareholders also resolved in the shareholders’ meeting on May 6, 2015 and May 14, 2014 to issue cash dividends from legal reserve of \$132,115 thousand and \$54,979 thousand, respectively.

d. Other equity

1) Exchange differences on translation

	<b>For the Year Ended December 31</b>	
	<b>2015</b>	<b>2014</b>
Beginning balance	\$ 35,019	\$ 25,406
Exchange differences arising on translation	(9,958)	9,554
Share of exchange difference of associates accounted for using the equity method	<u>(7,120)</u>	<u>59</u>
Ending balance	<u>\$ 17,941</u>	<u>\$ 35,019</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2015</b>	<b>2014</b>
Beginning balance	\$ (34,826)	\$ (45,423)
Unrealized loss arising on revaluation of available-for-sale financial assets	(101,848)	(42,857)
Share of unrealized loss on revaluation of available-for-sale financial assets of associates accounted for using the equity method	<u>(32,625)</u>	<u>53,454</u>
Ending balance	<u>\$ (169,299)</u>	<u>\$ (34,826)</u>

e. Non-controlling interests

	<b>For the Year Ended December 31</b>	
	<b>2015</b>	<b>2014</b>
Beginning balance	\$ 83,871	\$ 16,888
Attributable to non-controlling interests:		
Share of loss for the year	(67,692)	(37,177)
Exchange difference arising on translation	(1,152)	2,607
Adjustment relating to changes in capital surplus of associates accounted for using the equity method	<u>-</u>	<u>101,553</u>
Ending balance	<u>\$ 15,027</u>	<u>\$ 83,871</u>

f. Treasury shares

<b>Shares Transferred to Employees</b>	<b>Total (In Thousands of Shares)</b>
Number of shares at January 1, 2015	-
Increase during the year	<u>2,000</u>
Number of shares at December 31, 2015	<u>2,000</u>

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

## 23. REVENUE

	<b>For the Year Ended December 31</b>	
	<b>2015</b>	<b>2014</b>
Sales revenue	\$ 25,334,014	\$ 23,740,895
Other operating revenues	<u>305,884</u>	<u>156,110</u>
	<u>\$ 25,639,898</u>	<u>\$ 23,897,005</u>

## 24. NET PROFIT FROM CONTINUING OPERATIONS

Net profit from continuing operations was attributable to:

	<b>For the Year Ended December 31</b>	
	<b>2015</b>	<b>2014</b>
Owners of the parent	\$ 1,060,781	\$ 1,248,371
Non-controlling interests	<u>(67,692)</u>	<u>(37,177)</u>
	<u>\$ 993,089</u>	<u>\$ 1,211,194</u>

a. Other income

	<b>For the Year Ended December 31</b>	
	<b>2015</b>	<b>2014</b>
Interest income	\$ 83,675	\$ 58,085
Others	<u>23,325</u>	<u>14,691</u>
	<u>\$ 107,000</u>	<u>\$ 72,776</u>

b. Other gains and losses

	<b>For the Year Ended December 31</b>	
	<b>2015</b>	<b>2014</b>
Gain on disposal of investments	\$ 12,437	\$ -
Loss on disposal of property, plant and equipment, net	(18,925)	(2,940)
Net foreign exchange gains (losses)	8,998	(1,013)
Net gain on financial assets at FVTPL	1,533	-
Others	<u>(1,661)</u>	<u>(614)</u>
	<u>\$ 2,382</u>	<u>\$ (4,567)</u>

c. Finance costs

	<b>For the Year Ended December 31</b>	
	<b>2015</b>	<b>2014</b>
Interest on bank loans	\$ 214	\$ 9,942
Others	<u>25</u>	<u>99</u>
	<u>\$ 239</u>	<u>\$ 10,041</u>

d. Depreciation and amortization

	<b>For the Year Ended December 31</b>	
	<b>2015</b>	<b>2014</b>
Property, plant and equipment	\$ 115,051	\$ 128,957
Intangible assets	<u>16,943</u>	<u>14,913</u>
	<u>\$ 131,994</u>	<u>\$ 143,870</u>
An analysis of depreciation by function		
Operating costs	\$ 68,907	\$ 74,838
Operating expenses	<u>46,144</u>	<u>54,119</u>
	<u>\$ 115,051</u>	<u>\$ 128,957</u>
An analysis of amortization by function		
Operating costs	\$ 1,666	\$ 1,644
Operating expenses	<u>15,277</u>	<u>13,269</u>
	<u>\$ 16,943</u>	<u>\$ 14,913</u>

e. Employee benefits expense

	<b>For the Year Ended December 31</b>	
	<b>2015</b>	<b>2014</b>
Short-term benefits		
Salary	\$ 1,022,776	\$ 1,010,528
Insurance expense	<u>110,046</u>	<u>102,244</u>
	<u>1,132,822</u>	<u>1,112,772</u>
Post-employment benefits (see Note 20)		
Defined contribution plans	48,578	45,837
Defined benefit plans	<u>99</u>	<u>84</u>
	48,677	45,921
Other employee benefits	<u>63,466</u>	<u>49,533</u>
Total employee benefits expense	<u>\$ 1,244,965</u>	<u>\$ 1,208,226</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 518,890	\$ 499,896
Operating expenses	<u>726,075</u>	<u>708,330</u>
	<u>\$ 1,244,965</u>	<u>\$ 1,208,226</u>

The Company's estimated bonus to employees and remuneration to directors and supervisors for 2014 were accrued in accordance with the current articles of incorporation. For the year ended December 31, 2014, the bonus to employees and the remuneration to directors and supervisors were \$1,073 thousand and \$1,073 thousand, respectively, representing both 0.1% of the net profit.

Under the Company Act as amended in May 2015, the Company's Articles of Incorporation had been proposed by the Board of Directors in October 2015. The Company's estimated employees' compensation and remuneration to directors and supervisors were accrued by 0.1% of the profit before income tax. For the year ended December 31, 2015, estimated employees' compensation and remuneration to directors and supervisors were \$1,305 thousand and \$1,305 thousand, respectively.

Material differences between such estimated amounts and the amounts proposed by the Board of Directors on or before the date the annual consolidated financial statements were authorized for issue are adjusted in the year the bonus and remuneration were recognized. 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 bonus to employees and remuneration to directors and supervisors for 2014 and 2013 which have been approved in the shareholders' meetings on May 6, 2015 and May 14, 2014, respectively, were as follows:

	<b>For the Year Ended December 31</b>			
	<b>2014</b>		<b>2013</b>	
	<b>Cash Dividends</b>	<b>Share Dividends</b>	<b>Cash Dividends</b>	<b>Share Dividends</b>
Bonus to employees	\$ 1,073	\$ -	\$ 393	\$ -
Remuneration of directors and supervisors	1,073	-	393	-

There was no difference between the amounts of the bonus to employees and the remuneration to directors and supervisors approved in the shareholders' meetings on May 6, 2015 and May 14, 2014 and the amounts recognized in the consolidated financial statements for the years ended December 31, 2014 and 2013, respectively.

Information on the bonus to employees, directors and supervisors proposed by momo's Board of Directors is available on the Market Observation Post System website of the Taiwan Stock Exchange.

## 25. INCOME TAXES RELATING TO CONTINUING OPERATIONS

### a. Income tax recognized in profit or loss

The major components of tax expense were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2015</b>	<b>2014</b>
Current tax		
Current period	\$ 239,232	\$ 292,054
Adjustments for prior years	<u>(3,062)</u>	<u>733</u>
	<u>236,170</u>	<u>292,787</u>
Deferred tax		
In respect of the current year	<u>6,800</u>	<u>5,769</u>
Income tax expense recognized in profit or loss	<u>\$ 242,970</u>	<u>\$ 298,556</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2015</b>	<b>2014</b>
Profit before tax from continuing operations	<u>\$ 1,236,059</u>	<u>\$ 1,509,750</u>
Income tax expense calculated at the statutory rate (17%)	\$ 210,130	\$ 256,658
Share of loss of domestic investment accounted for using the equity method	(2,143)	(3,205)
Nondeductible expenses in determining taxable income	5,453	8,170
Tax-exempt income	(43)	-
Temporary differences	(12,225)	(6,392)
Deferred tax	6,800	5,769
Adjustments for prior years' tax	(3,062)	733
Unrecognized loss carryforwards	55,712	54,193
Loss carryforwards	160	-
Effect of different tax rate of group entities operating in other jurisdictions	<u>(17,812)</u>	<u>(17,370)</u>
Income tax expense recognized in profit or loss	<u>\$ 242,970</u>	<u>\$ 298,556</u>

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

As the status of 2016 appropriations of earnings is uncertain, the potential income tax consequences of 2015 unappropriated earnings are not reliably determinable.

b. Income tax recognized in other comprehensive income

**For the Year Ended December 31**  
**2015                      2014**

Deferred tax

Remeasurement of defined benefit plans	\$ <u>170</u>	\$ <u>281</u>
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c. Deferred tax assets and liabilities

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

For the year ended December 31, 2015

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

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

For the year ended December 31, 2014

Deferred Tax Assets	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Temporary differences				
Defined benefit obligation	\$ 754	\$ -	\$ 281	\$ 1,035
Allowance for inventory valuation loss	15,954	(6,094)	-	9,860
Others	<u>8,954</u>	<u>324</u>	<u>-</u>	<u>9,278</u>
	<u>\$ 25,662</u>	<u>\$ (5,770)</u>	<u>\$ 281</u>	<u>\$ 20,173</u>



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

	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
Loss carryforwards	<u>\$ 1,049,203</u>	<u>\$ 862,726</u>

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

As of December 31, 2015, the Group has not recognized the prior years' loss carry-forwards as deferred tax assets. The expiry years are as follows:

<b>Remaining Creditable Amount</b>	<b>Expiry Year</b>
\$ 118,483	2016
263,040	2017
241,652	2018
205,824	2019
<u>220,204</u>	2020
<u>\$ 1,049,203</u>	

- e. Integrated income tax information was as follows:

	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
Unappropriated earnings		
Generated on and after January 1, 1998	<u>\$ 1,058,963</u>	<u>\$ 1,169,790</u>
Imputation credits account (ICA)	<u>\$ 317,703</u>	<u>\$ 243,127</u>

	<b>For the Year Ended December 31</b>	
	<b>2015</b>	<b>2014</b>
	<b>(Expected)</b>	<b>(Actual)</b>
Creditable ratio for distribution of earnings	20.48%	21.83%

- f. Income tax assessments

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

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

## 26. EARNINGS PER SHARE

Unit: NT\$ Per Share

	<b>For the Year Ended December 31</b>	
	<b>2015</b>	<b>2014</b>
Basic earnings per share		
From continuing operations	\$ 7.48	\$ 9.72
From discontinued operations	<u>-</u>	<u>(0.61)</u>
Total basic earnings per share	<u>\$ 7.48</u>	<u>\$ 9.11</u>
Diluted earnings per share		
From continuing operations	\$ 7.48	\$ 9.72
From discontinued operations	<u>-</u>	<u>(0.61)</u>
Total diluted earnings per share	<u>\$ 7.48</u>	<u>\$ 9.11</u>

### Net Profit for the Year

	<b>For the Year Ended December 31</b>	
	<b>2015</b>	<b>2014</b>
Earnings used in the computation of basic earnings per share	\$ 1,060,781	\$ 1,248,371
Less: Profit for the period from discontinued operations used in the computation of basic earnings per share from discontinued operations	<u>-</u>	<u>(78,329)</u>
Net profit for the year	<u>\$ 1,060,781</u>	<u>\$ 1,170,042</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2015</b>	<b>2014</b>
Weighted average number of common stocks in computation of basic earnings per share	141,778	128,442
Effect of potentially dilutive common stocks:		
Bonus issue to employees	<u>8</u>	<u>14</u>
Weighted average number of common stocks used in the computation of diluted earnings per share	<u>141,786</u>	<u>128,456</u>

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

## 27. SHARE-BASED PAYMENT ARRANGEMENTS

### Common Stocks Reserved for Employees to Purchase

On August 19, 2014, momo's Board of Directors resolved to issue 14,200 thousand common stocks, with a par value of NT\$10 each, for consideration of NT\$230 per share and 1,420 thousand common stocks have been reserved for purchase by employees of momo.

Information on employee share options was as follows:

	<b>For the Year Ended December 31, 2014</b>
	<b>Number of Options (In Thousands)</b>
Balance at January 1	-
Options granted	1,420
Options exercised	<u>(1,420)</u>
Balance at December 31	<u><u>-</u></u>

The options were exercised immediately on grant day, December 19, 2014.

Compensation cost recognized was \$2,840 thousand, which increased the share capital issued and fully paid, for the year ended December 19, 2014.

## 28. OPERATING LEASE ARRANGEMENTS

### The Group as Lessee

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

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

	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
Not later than 1 year	\$ 178,576	\$ 145,734
Later than 1 year and not later than 5 years	<u>307,657</u>	<u>371,459</u>
	<u><u>\$ 486,233</u></u>	<u><u>\$ 517,193</u></u>

## 29. 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.

### 30. FINANCIAL INSTRUMENTS

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

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

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

#### Fair value hierarchy

#### December 31, 2015

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

#### December 31, 2014

	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
Beneficiary certificates	\$ 2,009,447	\$ -	\$ -	\$ 2,009,447

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

#### Valuation techniques and assumptions used in fair value determination

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

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

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

c. Categories of financial instruments

	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
<u>Financial assets</u>		
Available-for-sale financial assets	\$ 812,737	\$ 2,009,447
Financial assets at cost	<u>60,000</u>	<u>60,000</u>
Loans and receivables:		
Cash and cash equivalents	3,128,081	1,958,210
Accounts receivables (including related parties)	45,441	53,872
Other receivables (including related parties)	543,403	482,288
Other financial assets (including current and non-current portions)	1,266,952	2,327,127
Refundable deposits	<u>50,186</u>	<u>65,208</u>
	<u>5,034,063</u>	<u>4,886,705</u>
	<u>\$ 5,906,800</u>	<u>\$ 6,956,152</u>
<u>Financial liabilities</u>		
Short-term borrowings	\$ 70,938	\$ -
Accounts payables (including related parties)	2,522,589	2,369,773
Other payables (including related parties)	436,335	442,329
Guarantee deposits	<u>241,663</u>	<u>234,704</u>
	<u>\$ 3,271,525</u>	<u>\$ 3,046,806</u>

d. Financial risk management objectives and policies

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

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

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

2) Risk management framework

a) Decision-making mechanism:

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

b) Risk management policies:

- i. Promote a risk-management-based business model.
- ii. Establish a risk management mechanism that can effectively recognize, evaluate, supervise and control risk.

iii. Create a company-wide risk management structure that can limit risk to an acceptable level.

iv. Introduce best risk management practices and continue to seek improvements.

c) Monitoring mechanism:

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

3) Credit risk

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

4) Liquidity risk

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

The Group ensures sufficient cash for the requirements of paying estimated operating expenditures, including financial obligations. The Group also monitors its bank credit facilities to ensure that the provisions of loan contracts are all complied with properly. As of December 31, 2015 and 2014, the Group had unused bank facilities of \$829,884 thousand and \$1,523,644 thousand, respectively.

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

December 31, 2015

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

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

## 5) Market risk

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

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

### a) Exchange rate risk

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

For the Group's financial assets and liabilities exposed to significant exchange rate risk (including those eliminated on consolidation), please refer to Note 34.

#### Sensitivity analysis

The Group was mainly exposed to the USD and RMB.

The Group's exchange rate risk comes mainly from conversion gains and losses of accounts denominated in foreign currencies such as cash and cash equivalents, accounts receivable, other receivables, and accounts payable, etc. If the NTD, when compared with the relevant foreign currencies, had appreciated or depreciated 5% at the reporting date, profit would have increased or decreased by \$1,563 thousand and by \$1,958 thousand for the years ended December 31, 2015 and 2014, respectively.

### b) Interest rate risk

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

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

	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
Fair value interest rate risk		
Financial assets	\$ 3,794,002	\$ 3,492,170
Cash flow interest rate risk		
Financial assets	600,061	792,017
Financial liabilities	70,938	-

### Sensitivity analysis

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

If interest rates had been 50 basis points higher or lower and all other variables were held constant, the Group's profit for the years ended December 31, 2015 and 2014 would decrease or increase by \$2,646 thousand and \$3,960 thousand, respectively.

#### c) Other price risk

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

### Sensitivity analysis

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

If equity prices had been 5% higher or lower, the other comprehensive income for the years ended December 31, 2015 and 2014 would increase or decrease by \$40,637 thousand and \$100,472 thousand, respectively, as a result of the changes in fair value of available-for-sale financial assets.

## **31. TRANSACTIONS WITH RELATED PARTIES**

momo's parent is Wealth Media Technology Co., Ltd. (WMT), which held 45.01% and 44.38% of common stocks of momo as of December 31, 2015 and 2014, respectively. momo's ultimate parent and ultimate controlling party is Taiwan Mobile Co., Ltd. ("TWM").

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

#### a. Operating revenues

Line Items	Related Party Categories	<b>For the Year Ended December 31</b>	
		<b>2015</b>	<b>2014</b>
Sales	Parent entity	\$ 638	\$ 1,649
	Associates	31,094	2,672
	Other related parties	<u>3,303</u>	<u>11,550</u>
		<u>\$ 35,035</u>	<u>\$ 15,871</u>

The Group renders sales service to other related parties.

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



b. Purchases

Related Party Categories	For the Year Ended December 31	
	2015	2014
Parent entity	\$ 135,473	\$ 134,418
Associates	441,957	453,727
Other related parties	137,377	130,353
Less: Purchases from discontinued operations	<u>-</u>	<u>(6,370)</u>
	<u>\$ 714,807</u>	<u>\$ 712,128</u>

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

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

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

Line Items	Related Party Categories	December 31	
		2015	2014
Accounts receivable	Associates	\$ 14,759	\$ 360
	Other related parties	<u>1,071</u>	<u>2,973</u>
		<u>\$ 15,830</u>	<u>\$ 3,333</u>
Other receivables	Parent entity	\$ 3,797	\$ -
	Associates	88,661	109,211
	Other related parties	<u>39,697</u>	<u>49,177</u>
		<u>\$ 132,155</u>	<u>\$ 158,388</u>

The outstanding receivables from related parties are unsecured. For the years ended December 31, 2015 and 2014, no impairment loss was recognized on receivables from related parties.

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

Line Items	Related Party Categories	December 31	
		2015	2014
Accounts payable	Parent entity	\$ 7,219	\$ 16,396
	Associates	38,485	45,178
	Other related parties	<u>245</u>	<u>405</u>
		<u>\$ 45,949</u>	<u>\$ 61,979</u>
Other payables	Parent entity	\$ 2,163	\$ 168
	Other related parties	<u>40,152</u>	<u>45,288</u>
		<u>\$ 42,315</u>	<u>\$ 45,456</u>

The outstanding payables to related parties are unsecured.

e. Bank deposits

Line Items	Related Party Categories	December 31	
		2015	2014
Cash and cash equivalents	Other related parties	\$ 330,639	\$ 400,468
Other financial assets	Other related parties	\$ 18,202	\$ 825,127

f. Acquisition of financial assets

For the year ended December 31, 2014

Line Items	Related Parties Categories	Number of Units (In Thousand)	Underlying Assets	Cost
Available-for-sale financial assets	Other related parties	12,970	Fubon Chi-Hsiang Money Market Fund	\$ 200,000
Available-for-sale financial assets	Other related parties	3,886	Fubon China High Yield Bond Fund-B (CNY)	193,724
				<u>\$ 393,724</u>

g. Disposal of financial assets

For the year ended December 31, 2015

Line Items	Related Parties Categories	Number of Units (In Thousand)	Underlying Assets	Proceeds	Gain (Loss) on Disposal
Available-for-sale financial assets	Other related parties	12,970	Fubon Chi-Hsiang Money Market Fund	\$ 200,506	\$ 506
Available-for-sale financial assets	Other related parties	3,886	Fubon China High Yield Bond Fund-B (CNY)	189,843	(3,881)
				<u>\$ 390,349</u>	<u>\$ (3,375)</u>

h. Acquisition of investments

In April 2014, the Group acquired 35% of TVD Shopping, and the investment amount was \$148,118 thousand.

i. Others

1) Guarantee deposits

Related Parties Categories	December 31	
	2015	2014
Other related parties	\$ 27,738	\$ 27,738

2) Operating expenses

Related Parties Categories	For the Year Ended December 31	
	2015	2014
Other related parties	\$ 219,267	\$ 233,400
Less: Operating expenses from discontinued operations	<u>-</u>	<u>(2,172)</u>
	<u>\$ 219,267</u>	<u>\$ 231,228</u>

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

3) Non-operating income

Related Parties Categories	For the Year Ended December 31	
	2015	2014
Associates	\$ 1,843	\$ 13,102
Other related parties	<u>22,740</u>	<u>10,461</u>
	<u>\$ 24,583</u>	<u>\$ 23,563</u>

j. Key management compensation

	For the Year Ended December 31	
	2015	2014
Short-term employee benefits	\$ 45,061	\$ 42,197
Post-employment benefits	913	1,032
Termination benefits	<u>648</u>	<u>-</u>
	<u>\$ 46,622</u>	<u>\$ 43,229</u>

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

## 32. ASSETS PLEDGED

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

	December 31	
	2015	2014
Other financial assets - current	\$ 22,500	\$ -
Other financial assets - non-current	<u>34,750</u>	<u>33,500</u>
	<u>\$ 57,250</u>	<u>\$ 33,500</u>

### 33. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Group as of December 31, 2015 and 2014 were as follows:

- a. As of December 31, 2015 and 2014, the amounts of endorsements and guarantees for FGE were \$16,000 thousand.
- b. In accordance with the Ministry of Economic Affairs' policy, momo entered into a contract with First Commercial Bank Co., Ltd., which provided performance guarantee for advance receipts from prepaid bonus of \$20,228 thousand and \$16,854 thousand, respectively; and electronic tickets of \$374 thousand and \$0 as of December 31, 2015 and 2014, respectively.
- c. Due to the business development needs, in January 2014, momo's Board of Directors resolved the warehousing logistics construction and the equipment procurement; the total amounts of the contracts were \$1,655,238 thousand and \$482,000 thousand, separately. As of December 31, 2015, contract amounts not yet paid for the warehousing logistics construction and equipment were \$1,655,238 thousand and \$482,000 thousand, separately.

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

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

December 31, 2015

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
RMB	\$ 1,755	4.975 (RMB:NTD)	\$ 8,731
USD	716	32.86 (USD:NTD)	<u>23,542</u>
			<u>\$ 32,273</u>
Non-monetary items			
Available-for-sale financial assets			
HKD	18,341	4.239 (HKD:NTD)	\$ 77,746
Investments accounted for using equity method			
RMB	143,455	4.975 (RMB:NTD)	713,691
THB	176,166	0.9167 (THB:NTD)	<u>161,491</u>
			<u>\$ 952,928</u>
<u>Financial liabilities</u>			
Monetary items			
USD	31	32.86 (USD:NTD)	<u>\$ 1,018</u>

December 31, 2014

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
RMB	\$ 320	5.095 (RMB:NTD)	\$ 1,631
USD	1,184	31.71 (USD:NTD)	<u>37,537</u>
			<u>\$ 39,168</u>
Non-monetary items			
Available-for-sale financial assets			
RMB	38,031	5.095 (RMB:NTD)	\$ 193,869
Investments accounted for using equity method			
THB	155,756	0.9682 (THB:NTD)	<u>150,803</u>
			<u>\$ 344,672</u>

For the years ended December 31, 2015 and 2014, realized and unrealized net foreign exchange gains (losses) were \$8,998 thousand and \$(1,013) 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.

### 35. SEPARATELY DISCLOSED ITEMS

#### a. Information about significant transactions and investees:

- 1) Financing provided to others. (None)
- 2) Endorsements/guarantees provided. (Table 1)
- 3) Marketable securities held (excluding investment in subsidiaries, associates and joint ventures). (Table 2)
- 4) Marketable securities acquired and disposed at costs or prices at least NT\$300 million or 20% of the paid-in capital. (Table 3)
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital. (None)
- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital. (None)
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (Table 4)
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (None)
- 9) Trading in derivative instruments. (None)

10) Intercompany relationships and significant intercompany transactions. (Table 5)

11) Information on investees. (Table 6)

b. Information on investments in mainland China

- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area. (Table 7)
- 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: None
  - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.
  - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.
  - c) The amount of property transactions and the amount of the resultant gains or losses.
  - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.
  - e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds.
  - f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services.

### 36. SEGMENT INFORMATION

The Group has two reporting segments: Physical department and virtual department. Physical department conducts selling of physical goods via retail and department stores, while virtual department conducts selling via the internet, television broadcasts, merchandise catalogs, etc. Starting from the year 2015, the Group has reorganized the reporting segments as television and magazine department and internet department. The physical department has been fully discontinued and liquidated, and will no longer be reported, please refer to Note 12.

Other segments include FST - travel agent, FLI - life insurance agent, FPI - property insurance agent, Asian Crown (BVI) - investment, and Honest Development - investment for the years ended December 31, 2015 and 2014.

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>
For the year ended December 31, 2015 (after adjusted)					
Revenues					
Non-inter-company revenues	\$ 8,125,475	\$ 17,224,072	\$ 315,667	\$ (25,316)	\$ 25,639,898
Depreciation and amortization expenses	\$ 48,318	\$ 40,339	\$ 43,337	\$ -	\$ 131,994
Segment profits	\$ 617,794	\$ 781,667	\$ (163,402)	\$ -	\$ 1,236,059
	<b>Physical Segment (Discontinued)</b>	<b>Virtual</b>	<b>Others</b>	<b>Adjustments and Eliminations</b>	<b>Total</b>
For the year ended December 31, 2015 (before adjusted)					
Revenues					
Non-inter-company revenues	\$ -	\$ 25,349,547	\$ 315,667	\$ (25,316)	\$ 25,639,898
Depreciation and amortization expenses	\$ -	\$ 88,657	\$ 43,337	\$ -	\$ 131,994
Segment profits	\$ -	\$ 1,399,461	\$ (163,402)	\$ -	\$ 1,236,059
For the year ended December 31, 2014					
Revenues					
Non-inter-company revenues	\$ -	\$ 23,437,300	\$ 469,547	\$ (9,842)	\$ 23,897,005
Depreciation and amortization expenses	\$ -	\$ 87,388	\$ 47,605	\$ -	\$ 134,993
Segment profits	\$ -	\$ 1,703,286	\$ (193,536)	\$ -	\$ 1,509,750

a. Geographical information

The Group's revenues are mostly from domestic business.

b. Information about major customers

The Group does not have revenue from a single customer that exceeds 10% of the consolidated operating revenues.

TABLE 1

## MOMO.COM INC. AND SUBSIDIARIES

## ENDORSEMENT/GUARANTEE PROVIDED TO OTHER PARTIES

FOR THE YEAR ENDED DECEMBER 31, 2015

(Amount in Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Company Providing Endorsements/ Guarantees	Receiving Party		Limits on Endorsements/ Guarantees Amount Provided to Each Entity	Maximum Balance for the Period	Ending Balance	Drawdown Amounts	Amount of Endorsements/ Guarantees Collateralized by Property	Ratio of Accumulated Endorsements/ Guarantees to Net Worth of the Guarantor	Maximum Endorsements/ Guarantees Amount Allowable	Guarantee Provided by Parent Company	Guarantee Provided by a Subsidiary	Guarantee Provided to Subsidiaries in Mainland China	Note
		Name	Nature of Relationship											
0	momo	FGE	Note 1	\$ 807,001	\$ 525,760	\$ 149,250	\$ 149,250	\$ -	2.65	\$ 5,641,525	Y	N	Y	

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

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

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

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



TABLE 2

## MOMO.COM INC. AND SUBSIDIARIES

## MARKETABLE SECURITIES HELD

DECEMBER 31, 2015

(Amount in Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	December 31, 2015			Note
				Units/Shares (Thousands)	Carrying Value	Percentage of Ownership	Fair Value
momo	Beneficiary certificates	Related party in substance	Available-for-sale financial assets - current	18,302	\$ 172,033	-	\$ 172,033
	Fubon Strategic High Income Fund B			10,225	62,270	-	62,270
	Fuh Hwa Emerging Market High Yield Bond Fund B			23,351	163,680	-	163,680
	PineBridge Global Multi - Strategy High Yield Bond Fund-B			19,028	154,113	-	154,113
	EaSpring Investments Global High Yield Bond Fund B			18,916	182,895	-	182,895
	JPMorgan (Taiwan) Asia High Yield Total Return Bond Fund - Monthly Distribution Share Class						
Stock	Media Asia Group Holdings Limited	-	Financial assets at cost - non-current	43,668	77,746	2.04	77,746
	We Can Medicines Co., Ltd.	-		2,400	60,000	7.73	-

TABLE 3

## MOMO.COM INC. AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST \$300 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 2015  
(Amount in Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counterparty	Nature of Relationship	Beginning Balance		Acquisition		Disposal			Ending Balance	
					Units/Shares (Thousands)	Amount	Units/Shares (Thousands)	Amount	Units/Shares (Thousands)	Amount	Carrying Value	Gain (Loss) on Disposal	Units/Shares (Thousands)
momo	Stock Honest Development	Investments accounted for using equity method	Capital increase	Subsidiary	-	\$ -	21,778	\$ 670,448	-	\$ -	-	21,778	\$ 713,722 (Note 1)
Honest Development	Stock HK Yue Numerous	"	Young Label Holdings Limited	-	-	-	16,600	670,448 (Note 2)	-	-	-	16,600	713,722 (Note 1)
momo	Beneficiary certificates Allianz Global Investors Taiwan Money Market Fund Eastspring Inv Well Pool Money Market	Available-for-sale financial assets - current	-	-	32,520	400,007	-	-	401,122	400,000	1,122	-	-
		"	-	-	29,933	400,006	-	-	401,032	400,000	1,032	-	-

Note 1: The ending balance includes investment income \$25,162 thousand, change in capital surplus from investments in associates accounted for by using equity method \$25,241 thousand, and exchange differences on translation \$(7,129) thousand.

Note 2: Through acquiring 100% equity of HK Yue Numerous, acquired 100% equity of Haobo and 20% equity of GHS.

TABLE 4

## MOMO.COM INC. AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 2015  
(Amount in Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Related Party	Nature of Relationship	Transaction Details			Transactions with Terms Different from Others			Notes/Accounts Payable or Receivable		Note
			Purchase/Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
momo	TPE TWM	Equity-method investee Ultimate parent	Purchase	\$ 423,907	2	Based on contract terms	-	-	\$ (37,142)	(1)	
			Purchase	135,473	1	Based on contract terms	-	-	(7,219)	-	

TABLE 5

## MOMO.COM INC. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS  
FOR THE YEAR ENDED DECEMBER 31, 2015  
(Amount in Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Number	Company Name	Counterparty	Nature of Relationship (Note)	Transaction Details			Percentage of Consolidated Total Operating Revenues or Total Assets
				Account	Amount	Transaction Terms	
0	momo	FST	1	Accounts receivable, net	\$ 29,834	The terms of transaction are determined in accordance with mutual agreements or general business practices	0.31
		"	1	Operating revenues	24,987	"	0.10

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

TABLE 6

## MOMO.COM INC. AND SUBSIDIARIES

NAMES, LOCATIONS AND RELATED INFORMATION OF INVESTEE OVER WHICH THE COMPANY EXERCISED SIGNIFICANT INFLUENCE  
(EXCLUDING INFORMATION ON INVESTMENT IN MAINLAND CHINA)  
FOR THE YEAR ENDED DECEMBER 31, 2015  
(Amount in Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor	Investee	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2015		Net Income (Loss) of the Investee	Investment Income (Loss)	Note
				December 31, 2015	December 31, 2014	Shares (Thousands)	Percentage of Ownership			
momo	FST	Taiwan	Travel agent	\$ 6,000	\$ 6,000	3,000	100.00	\$ 27,125	\$ (9,252)	
	FLI	Taiwan	Life insurance agent	3,000	3,000	500	100.00	10,863	2,367	
	FPI	Taiwan	Property insurance agent	3,000	3,000	500	100.00	8,116	(781)	
	Asian Crown (BVI)	British Virgin Islands	Investment	789,864	789,864	26,500	76.26	35,628	(203,520)	
	TPE	Taiwan	Logistics industry	337,860	337,860	16,893	17.70	415,597	123,465	
Asian Crown (BVI)	TVD Shopping	Thailand	Wholesale and retail sales	142,776	142,776	31,150	35.00	161,491	82,381	Note 3
	Honest Development	Samoa	Investment	(THB 155,750)	(THB 155,750)	21,778	100.00	713,722	25,162	
	Fortune Kingdom	Samoa	Investment	670,448	-	33,633	100.00	41,831	(203,533)	Note 2
	HK Fubon Multimedia	Hong Kong	Investment	1,035,051	1,035,051	33,633	100.00	41,831	(203,533)	Note 2
	HK Yue Numerous	Hong Kong	Investment	1,035,051	1,035,051	16,600	100.00	713,722	25,162	Note 2

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

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

Note 3: The exchange rate on December 31, 2015 is THB1=NT\$0.9167.

Note 4: Through acquiring 100% equity of HK Yue Numerous, acquired 100% equity of Haobo and 20% equity of GHS.

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

TABLE 7

## MOMO.COM INC. AND SUBSIDIARIES

## INVESTMENTS IN MAINLAND CHINA

## FOR THE YEAR ENDED DECEMBER 31, 2015

(Amount in Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type (Note 1)	Accumulated Outflow of Investment from Taiwan as of January 1, 2015	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2015	Net (Loss) Income of Investee	% Ownership through Direct or Indirect Investment	Investment Income (Loss)	Carrying Value as of December 31, 2015	Accumulated Inward Remittances of Earnings as of December 31, 2015	Note
					Outflow	Inflow							
FGE	Wholesaling	\$ 1,144,250 (RMB 230,000)	b.	\$ 807,001 (US\$ 14,000) (RMB 69,741)	\$ -	\$ -	\$ 807,001 (US\$ 14,000) (RMB 69,741)	\$ (222,815)	69.63	\$ (155,146)	\$ 31,517	\$ -	
Haobo	Investment	54,725 (RMB 11,000)	b.	-	Note 3	-	Note 3	25,162	100.00	25,162	713,722	-	
GHS	Wholesaling	65,033 (RMB 13,072)	b.	-	Note 3	-	Note 3	310,641	18.00	25,263	713,691	-	

Accumulated Investment in Mainland China as of December 31, 2015	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment Authorized by Investment Commission, MOEA
\$1,521,438 (US\$14,000, RMB69,741 and HK\$168,539)	\$1,605,337 (US\$15,000, RMB80,000 and HK\$168,539)	\$3,393,931

Note 1: The investment types are as follows:

- Direct investment in mainland China.
- Indirect investment in mainland China through a subsidiary in a third place.
  - FGE is HK Fubon Multimedia's subsidiary.
  - Haobo is HK Yue Numerous's subsidiary.
  - GHS is Haobo's associate.

c. Others.

Note 2: The exchange rates on December 31, 2015 are US\$1=NT\$32.86, RMB1=NT\$4.975 and HK\$1=NT\$4.239.

Note 3: Through Honest Development acquired HK Yue Numerous, its subsidiary, Haobo, and the associate, GHS for \$670,448 thousand.

