Ticker：8454
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http://mops.twse.com.tw

momo.com Inc.

2016 Annual Report

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None

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I. Letter to Shareholders

momo.com Inc. (8454-TW) is a leading virtual retail operator in Taiwan, with operations including momoshop, momomall, TV shopping and catalogue businesses. momo upholds to the corporate mission of “providing various affordable and quality products as well as superior services to improve the life of people” and the four management values in “integrity, friendliness, professionalism, and innovation.” momo offers comprehensive and diverse shopping experience for consumers.

Consolidated revenue for FY2016 totaled NT$ 28.1 bn, an increase of 9.5% YoY and net profit totaled NT$ 1.2 bn. Online shopping’ revenue accounted for more than 70% of total revenue, with an impressive 19.5% YoY increase. As the competitive landscape intensifies, momo will continue to strengthen its services and look to further expand its market share in Taiwan. momo will also look to broaden its global reach and evaluate additional oversea expansion opportunities in order to generate higher shareholder value.

The key operational emphases in 2016 are described below:

1. Strengthening channel integrations:

As the global retail industry shifts towards a new era of reform, previous boundaries that divide different retail formats are become increasingly blurred and inter-channel integration becomes the new trend. In 2016, momo continued to integrate online and TV channel resources, benefitting from cross marketing opportunities from product sourcing, sales, marketing, and operation. momo also continued to leverage big data analysis and rising mobile services to improve its overall operational performance, resulting in a record high revenue after a stellar 9.5% YoY growth.

2. Broaden brand cooperation and develop unique products:

In the intensely competitive retail market, the sound management of product diversity and differentiation can identify new and untapped opportunities. momo aims to introduce major global brands and their product portfolio to Taiwan while co-develops unique and exclusive products with domestic suppliers. momo is then able to fashion new consumer trends and topics through marketing efforts by leverage social network groups and media, and ultimately, strengthen the traction of its customer base and loyalty to the platform.

3. Optimize mobile shopping experience:

As penetration rate of mobile devices continues to rise, an innovative online marketing strategy that incorporates mobile APPs becomes increasingly important. momo strives to optimize user interface by enhancing product search experience and streamlining purchase flow while incorporating audio and video capabilities into mobile APPs. Currently momo has three mobile shopping APPs and revenue generated from mobile devices already accounts for more than 45% of revenue.

4. Upgrade service mechanism:

Broadening customers' shopping experience and improving service quality is the key to maintain the long-term competitiveness of a company. Momo works in collaboration with the Industrial Technology Research Institute to launch an advanced search optimization project and A.I. Customer Service Interface, the latter is scheduled to be launched in 1Q17. Additionally, momo's "Automatic Logistics Center – North District", with a total investment of over NT$ 40 bm, is scheduled to be completed and become operational in 2017. The centralized and automated warehousing capability not only can lower operating and transportation costs but also improve the speed of delivery. The investments to improve frontend/backend services will enable the company to improve user experience for customers.

5. Overseas business:

momo not only maintains a strong foothold in Taiwan but is also looking to aggressively expand into overseas markets. In China, momo founded the Fubon Beijing Gehua Trading Co., Ltd. in May 2011 and invested in Global Home Shopping in June, 2015. Currently Global Home Shopping has access to viewers in over 130 million households in China and generates impressive profitability. In ASEAN, momo invested in TVD-momo, a joint-venture in Thailand that was established in March 2014. TVD-momo has become the second largest TV home shopping operator in Thailand. momo will continue to collaborate with Taiwanese suppliers and look for expansion opportunities in other ASEAN markets in order to duplicate the proven successful model in Taiwan.

Incessant drive for innovation is the key to maintaining the competitiveness of any business. Looking into 2017, momo will continue to develop and integrate innovative technology and business processes into our operation. momo will look to further expand its core competency to provide customers with improving services and create higher shareholder value as a leading enterprise in the industry.

Chairman Howard Lin

II. Company Profile

Date of Incorporation: 09 27, 2004

Company History

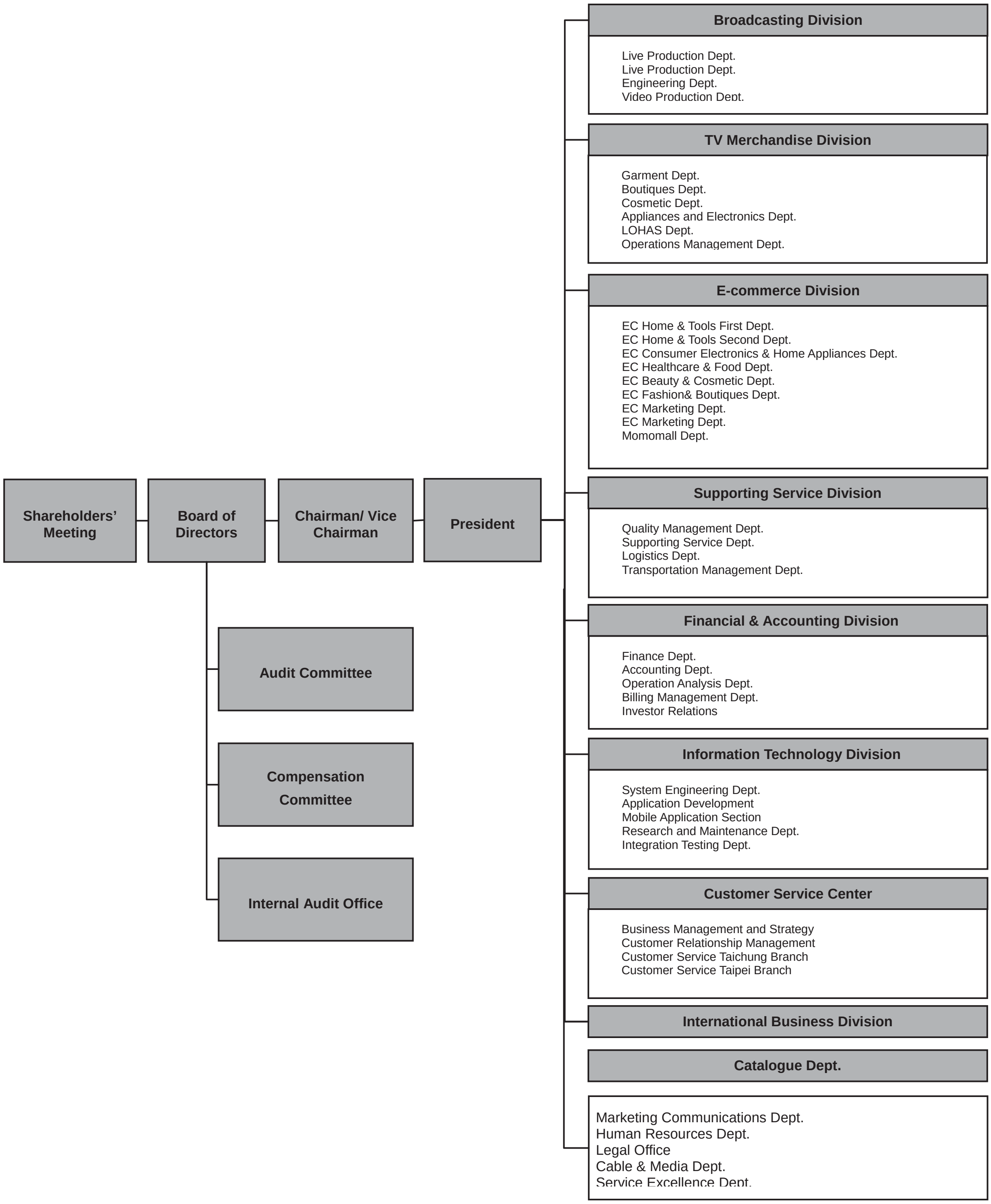
Year	Milestones
Sept. 2004	Company incorporated. Named Howard Lin as Chairman and C.F. Lin as President.
Nov. 2004	Officially named home shopping channel “Fubon momo TV”. The digital filming studios, with initial investment of ~NT$100mn were officially opened. Chairman Wan-Tsai Tsai, Founder of the Fubon Group, presided over the opening ceremony.
Dec. 2004	Set up subsidiary Fu Sheng Travel Service Co., Ltd. In order to promote travel products.
Jan. 2005	“Fubon momo TV” started broadcasting 24-hour home shopping programs to ~3.9 million households.
May 2005	Launched momoshop. First shopping catalog distributed.
Dec. 2005	Reached single-month break-even.
	Set up subsidiary Fuli Life Insurance Agent Co., Ltd. in order to promote life insurance products.
Jan. 2006	Set up subsidiary Fuli Property Insurance Agent Co., Ltd. in order to promote property insurance products.
Jan. 2008	Established the physical channel—momo opened its first drug store in Ximending (Taipei City).
July 2008	Launched momo TV2 and TV3.
	Capital increased out of earnings of NT$ 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 audit.
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.
	Launchedmomomall'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 formomomall.
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.
May 2016	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.
Jul. 2016	Groundbreaking ceremony of Momo Northern Logistics Center.
Sep. 2016	2015 Corporate Social Responsibility Report was verified by the British Standards Association.
Dec. 2016	Certified by ISO 14064 Greenhouse Gases Emissions Verification Opinion Statement
	Awarded [Taipei Excellence Working Environment Award]

III. Organization and Corporate Governance

i.Organization

Organizational Chart



Divisional Scope of Responsibilities

<table>
<tr><th colspan="2">Division</th><th>Scope of responsibilities</th></tr>
<tr><td colspan="2">Internal Audit Office</td><td>1. Execution of the internal audit of momo and the respective subsidiary companies
2. Inspection and assessment of the execution of internal control in this company and the respective subsidiary companies
3. Supervision and review of the self-inspection procedures of internal control in this company and the respective subsidiary companies</td></tr>
<tr><td colspan="2">International Business Division</td><td>1. Development and exploitation of International business
2. Provide operational’ support and joint product procurement with partnered companies
3. International commercial trading and import/export of products</td></tr>
<tr><td colspan="2">Catalogue Dept.</td><td>1. Management of listing of TV / EC products in catalogue mailings
2. Cost-control for the catalogue business
3. Management of the catalogue business’s performance and staff productivity</td></tr>
<tr><td rowspan="3">Broadcasting Division</td><td>Live Production Dept.</td><td>1. Program planning, production, and visual management of TV home shopping channels</td></tr>
<tr><td>Engineering Dept.</td><td>1. The production, engineering planning, and management of live programming
2. Planning, management, and execution of the enhancement of equipment technology and resources
3. Execution and management of program broadcast and transmission
4. Providing supports to program engineering technology and the execution of program post-production technology</td></tr>
<tr><td>Video Production Dept.</td><td>1. Production of videos for various products as resources of selling activities
2. Production of videos for “hot-selling” products and management of video library
3. Production of videos for enhancement of momo’s corporate branding
4. Production of videos for holiday sales and various promotional campaigns for each business units
5. Production of videos for special promotional campaigns in each business unit
6. Production and placement of videos in various social media</td></tr>
<tr><td rowspan="6">TV Merchandise Division</td><td>Garment Dept.</td><td rowspan="5">1. Introduction of TV channel suppliers
2. Development and product planning for various product categories
3. Product launches and sales management of TV Home Shopping channels</td></tr>
<tr><td>Boutiques Dept.</td></tr>
<tr><td>Cosmetic Dept.</td></tr>
<tr><td>Appliances and Electronics Dept.</td></tr>
<tr><td>LOHAS Dept.</td></tr>
<tr><td>Operations Management Dept.</td><td>1. Management of pre-recorded programming
2. Management of administration, marketing, and sales targets of TV home shopping channel</td></tr>
<tr><td rowspan="8">EC Division</td><td>EC Home & Tools First Dept.</td><td rowspan="6">1. Management of Internet channel suppliers and product development
2. Management of business performance and staff performance
3. Management of online products</td></tr>
<tr><td>EC Home & Tools Second Dept.</td></tr>
<tr><td>EC Consumer Electronics &Home Appliances Dept.</td></tr>
<tr><td>EC Healthcare & Food Dept.</td></tr>
<tr><td>EC Beauty & Cosmetic Dept.</td></tr>
<tr><td>EC Fashion & Boutiques Dept.</td></tr>
<tr><td>EC Marketing Dept.</td><td>1. Brand management of Internet channels
2. Operations of Internal and external promotions
3. Management of membership and customer relationship</td></tr>
<tr><td>EC Operations Dept.</td><td>1. Planning of online UI/UX and innovative mechanisms
2. Production of EDM and design of respective graphic and website visual effects
3. Planning and maintenance of backend systems
4. Management of suppliers and suppliercontracts
5. Cross-border e-commerce collaboration and expansion of new business models</td></tr>
</table>

Division		Scope of responsibilities
	Momomall Dept.	1. Supplier and product management for momomall.com 2. Management of business and staff performances 3. Supplier recruitment and assistance
Supporting Service Division	Quality Management Dept.	1. Inspection and quality assurance review of sample products 2. Process the delivery and quality assurance tracking for products in warehouse 3. Market prices survey 4. Warehousing and processing of semi finished inventory (assembly, package, rearrangement) 5. Management of fully owned inventory (vs. inventory on consignment)
	Supporting Service Dept.	1. Supplier contract and management of data (specs) for products 2. Supplier account management including penalty/fine assessment 3. Consultation and tracking of suppliers' shipment and returns 4. Manage the training programs and feedback/ complaints of suppliers
	Logistics Dept.	1. Operation of inventory warehousing, including receiving / shelving / shipping 2. Order response, tracking and control 3. Inventory management 4. Analysis and management of inventory procurement / shipment / and returns
	Transportation Management Dept.	1. Supervision of shipments from warehouse and from suppliers to customers 2. Management of logistics partners/development of special logistics projects 3. Implementation of procedure for logistics operation
Financial &Accounting Division	Finance Dept.	1. Evaluation and execution of investment 2. Financial and cash management 3. Accounts Receivable/Payment operations 4. Planning and preparation of shareholder services
	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
	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 institutional investors 2. Planning and organization of institutional investor visits and conferences 3. Analysis of relevant competitor information
Information Technology Division	System Engineering Dept.	1. Installation and construction and maintenance of communication network 2. Management of IT hardware facilities and its network equipment 3. Maintenance/trouble shoot services for personal computer and telephone 4. Management and maintenance of database systems
	Research and Maintenance Dept.	1. Data analysis and project planning and access control of the operating system database 2. Maintenance of the website's search engine and recommendation mechanism and business intelligence (BI) reporting system 3. Program QC and scheduling management
	Integration Testing Dept.	1. Tests of system program integration function 2. Test results reports and analysis 3. Management of application launches, its quality, and various iterations of version 4. Information security issues - ISMS system management
	Application Development	1. momoshop (momo shopping website), page design and

Division		Scope of responsibilities
		UI planning 2. Program development and maintenance of NS, Digiwin, SCM (supplier management system) 3. Program development and maintenance of WMS storage application system
	Mobile Application Section	1.Development for momoshop (momo's B2Cwebsite) and momomall (B2B2C) App. 2. App development for momoTV (momo shopping channels)app、SCM(supplier management system)
Customer Service Center	Business Management and Strategy Operation & Management Dept.	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 4. Management of customer complaints 5. Outbound calls
	Customer Service Taipei Branch	
Cable & Media Dept.		• Contracts for broadcasting on advertising channels of cable TVs (system operators); planning and management of signal transmission contract
Marketing Communications Dept.		1. Maintenance and brand management for media relations 2. Crisis management and handling of major customer complaints 3. Maintenance Fubon Group relations 4. Membership management and analysis/customer satisfaction survey
Human Resources Dept.		1. Utilization and integration of human resources; plans and execution of wages and benefits; educational training and employee development; labor relations and negotiations. 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.
Legal Office		1. Draft and review contracts 2. Provide legal opinion and explanation of applicable laws and regulations 3. Mitigate consumer complaints and litigation cases 4. Clarification of training regulation for employees and suppliers
Customer Service Dept.		1. Establish the company's service KPI indexes 2. Cultivate a service culture and internal training. 3. Simplify and revise internal work processes 4. Conduct periodic customer satisfaction survey 5. monitoring the procedure of level A customer complaints

ii.Board of Directors and Executive Management

Board of Directors

As of Feb. 27, 2017

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
Chairman	ROC	Wealth Media Technology Co. Ltd.	2014.2.14	3	2011.7.29	64,742,205	50.64%	63,047,205	44.38%	-	-	-	-	-	-	-	-	-
	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.	1. Chairman of the company 2. CIO, Fubon Financial Holding Co., Ltd. 3. 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. 11.Fubon Health Management Consultations LTD: Director 12. Fu Yi Health Management Consultations LTD: Director	-	-	-
Director	ROC	Wealth Media Technology Co. Ltd.	2014.2.14	3	2011.7.29	64,742,205	50.64%	63,047,205	44.38%	-	-	-	-	-	-	-	-	-
	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. 11Chairman and CEO, Kbro Co., Ltd.	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 Leh 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, Taiwan Digital Service Co., Ltd. 17. Director, TWM HOLDING CO., LTD. 18. Director, TFN HK LTD 19. Chairman and President, Fu Tian Xia Media	-	-	-

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
															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.			
Director	ROC	WealthMedia 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, Fuli 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, Fu Sheng Property Insurance Agent Co., Ltd. 5. Chairman, Fuli 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%	100,496	0.07%	-	-	1.BBA in Banking and Finance, Tamkang University 2.Chairman, Fubon Gehua (Beijing) Enterprise Ltd. 3. Chairman, Fuli Life Insurance Agent Co., Ltd.	1. Senior Vice President of this company 2.Chairman, Fuli 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.President, Haobo Information Consulting(Shenzhen) Co., Ltd. 10.Director, Honest Development Co., Ltd. 11.Director,Hongkong Yue Numerous Investment Co. Limited	-	-	-
Director	ROC	TECO CAPITAL INVESTMENT CO., LTD.	2014.2.14	3	2006.6.30	16,324,000	12.77%	15,470,000	10.89%	-	-	-	-	-	-	-	-	-

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.	1. Supervisor, 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, Atetsu International Inc. 18. Director, Shin-Etsu Handotai Taiwan Co., Ltd. 19. Director, E&E Recycling Inc. 20. Director, Inotec Taiwan Co., Ltd. 21. Director, Mos Food Industry Corp. 22. Director, Qingdao TECO Innovative Technology Co., Ltd. 23. Director, Qingdao JZ Property Management Co., Ltd. 24. Director, Nanchang TECO Electric & Machinery Co., Ltd. 25. Director, An Tai Innovative Technology (Xiamen) Co., Ltd. 26. Director, Beijing Pelican Express Co., Ltd. 27. Director, TECO-Westinghouse Motor Company (TWMC) 28. Chairman, TECO Australia Pty Limited (TAC) 29. Director, TECMA INFORMATION SYSTEMS SDN. BHD. 30. Director,TAIAN (Malaysia) Electric Sdn. Bhd 31. Chairman, TECO ELEKTRIK TURKEY A.S. 32. Director,Tecocapital Investment Co., Ltd. 33. Director,TECOCAPITAL INVESTMENT (SAMOA) Co., Ltd. 34. Director,TECOM GLOBAL TECH INVESTMENT PTE LTD.	-	-	-
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.	35. Director,TECOM GLOBAL TECH INVESTMENT (B.V.I.) LTD. 36. Chairman,An-Shin Food Services(Singapore)Pte.Ltd. 37. Chairman,MOS Burger Australia Pty 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
															38. Chairman, 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%	-	-	-	-	-	-			
Director	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 Global 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 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, Giant Manufacturing Co., Ltd. 4. Independent Director, China Chemical & Pharmaceutical 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. Professor in international business, National Taiwan University 2. Independent director, Chung Hwa Pulp Corporation 3. Independent director, DBS Bank Limited (Taiwan) 4. Independent director, Sinbon Electronics 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 4. Adjunct Professor in Soochow University	1. Adjunct Professor in College of Management, National Taiwan University 2. Independent director, Yulon Motor Co., Ltd. 3. Independent Director, Taiwan Acceptance Corporation	-	-	-

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. 27, 2017

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. 27, 2017

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. (3.29%) Nan Shan Life Insurance Co., Ltd. (2.91%) Daniel Tsai (2.69%) Richard Tsai (2.64%) Nan Shan Life Insurance Co., Ltd. (2.56%)
TECO ELECTRIC & MACHINERY CO., LTD. (Note 2)	HSBC Bank (Taiwan) Limited, the custodian of public accumulation fund for employees committees external manager - Aberdeen Asset Management Company managing corporate account. (2.53%) Deutsche Bank AG, Taipei Branch,the custodian trustee of investment account of WGI Emerging Markets Fund, LLC. .(1.91 %) Citibank Taiwan, the custodian trustee of investment account of Singapore government. (1.79 %) Deutsche Bank AG, Taipei Branch is the custodian trustee of M&G Investment Fund (7) affiliates to M&G Global Emerging Markets Fund, that is deposited by the National Westminster Bank. (1.76 %) TECO CAPITAL INVESTMENT CO., LTD. (1.52 %) Standard Chartered Bank, the custodian of investment account of Vanguard FTSE emerging Markets ETF fund. (1.50 %) Kabushiki-Gaisha Yasukawa Denki(1.48 %) Citibank Taiwan, the custodian trustee of investment account of Dimension Emerging Markets Assessment Fund. (1.47 %) Bank of Taiwan, the custodian of investment account of Monlion Emerging Market Stock Limited Partnership. (1.44 %) Bank of Taiwan, the custodian of investment account of Hilkester International Investor International Value Stock Trust. (1.29%)
Lotte Shopping Co., Ltd.	Shin Dong Bin (13.46%) Shin Dong Joo (7.95%) Hotel Lotte Co., Ltd. (8.83%) Korea Fujifilm Co., Ltd. (7.86%) Lotte Confectionery Co., Ltd. (7.86%) Minority shareholders (49.23%)
Taekwang Industrial Co., Ltd.	Lee Ho Jin (15.14%) Total System & Information service Co., Ltd. (11.22%) Lee Won Jun (7.49%) Minority shareholders (65.48%)
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 6, 2016

Note 2：The information is in accordance with the company's annual shareholders meeting report dated April 30, 2016

3. Professional qualifications and independence analysis of directors

As of Feb. 27, 2017

Criteria / Name	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 Positionin a Departmentof Commerce, Law, Finance, Accounting, orOther Academic Department Related to theBusiness Needs of the Company in a Public orPrivate Junior College, College or University	A Judge, Public Prosecutor, Attorney, CertifiedPublic Accountant, or Other Professional orTechnical Specialist Who has Passed a NationalExamination and been Awarded a Certificate ina Profession Necessary for the Business of theCompany	Have Work Experience in the Areas of Commerce,Law, Finance, or Accounting, or OtherwiseNecessary 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			✓	✓	✓	✓	✓				✓	✓		-
WOORI HOME SHOPPING CO.,LTD. Representative: KIM, IN HO			✓	✓	✓	✓	✓		✓	✓	✓	✓		-
CHEN,HONG-SO			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	3
Shikuan Chen	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	3
Brian Y. Hsieh	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2

“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 theCompany, 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 underothers’ names reach or exceed 1 percent of the total outstanding shares of the Company or rank among the top 10individual shareholders

Criterion 4: Not a spouse or relative within second degree by affinity, or within five degrees by consanguinity to any personspecified 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 theCompany’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 companythat 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 soleproprietorship, partnership, company, or institution that provides commercial, legal, financial or accounting services orconsultations to the Company or its affiliates. However, members of the Compensation Committee are not covered bythis 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. 27, 2017

Title	Nationality	Name	gender	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.	M	2004.10	2,710,136	1.91%	-	-	-	-	1. PhD in Chemical Engineering, National TaiwanUniversity 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 the Company 2. CIO, Fubon Financial Holding Co., Ltd. 3. 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 11.Fubon Health Management Consultations LTD: Director 12. Fu Yi Health Management Consultations LTD: Director	-	-	-
President	ROC	C.F. Lin	M	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, Fuli Property Insurance Agent Co., Ltd.	1.Chairman, Fubon Gehua (Beijing) Enterprise Ltd. 2.Chairman, Fu Sheng Travel Service Co., Ltd. 3.Chairman, Fuli Life Insurance Agent Co., Ltd. 4. Supervisor, Fu Sheng 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, Haobo Information Consulting(Shenzhen) Co., Ltd. 12.Director, Honest Development Co., Ltd.	-	-	-

Title	Nationality	Name	gender	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
Senior Vice President	ROC	Jerry Kao	M	2008.04	155,000	0.11%	100,496	0.07%	-	-	1. BBA in Banking and Finance, Tamkang University 2. Chairman, Fubon Gehua (Beijing) Enterprise Ltd. 3. Chairman, Fuli Life Insurance Agent Co., Ltd.	1.Chairman, Fuli Property Insurance Agent 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.	-	-	-
Vice President	ROC	Vicky Tu (Note3)	F	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.	-	-	-	-
TV Merchandise Division Director	ROC	Kiki Hung	F	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	F	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.	1. Director, Fu Sheng Travel Service Co., Ltd. 2.Supervisor, Fubon Gehua (Beijing) Enterprise Ltd.	-	-	-
Information Technology Division Director	ROC	Van Yu	M	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.	-	-	-	-

Title	Nationality	Name	gender	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
Supporting Service Division Director	ROC	Leanne Wang	F	2014.10	-	-	2,000	0.001%	-	-	1. Master's degree in Traffic and Transportation, National Chiao Tung University 2. Director, DHL Supply Chain 3. DHL Supply Chain Tct Planning Dept., Director of Operation Dept., Director (Officer) of Operation Excellence Dept.	-	-	-	-
Financial & Accounting Division Director	ROC	Gina Lu	F	2014.05	59,000	0.04%	82,302	0.06%	-	-	1.Graduate Institute of Business Administration, National Taipei 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. 4. Director, TVD SHOPPING CO., LTD.	-	-	-
Internet Division Director	ROC	Hong Wei zhao (Note4)	M	2016.07	-	-	-	-	-	-	1. Graduate Institute of Business Management, Tunghai University 2. Manager, Unified and Integrated Marketing Team 3. Officer, Internet Dept. of momo.com Inc. Technology Inc., Vice Officer of Internet Catalogue Dept.	-	-	-	-
Internal Audit Office Assistant Manager	ROC	Liang Dung Nan	M	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)
Note3: Vice President, Vicky Tu, to assume office by February 2016.
Note4: Director, Hong Wei Zhao, to assume office by July 2016.

Remuneration of Directors, Supervisors, President, and Vice President

1. Remuneration of Directors

Unit: NT$ thousands

Title	Name	Remuneration: Base Compensation (A): The company	Remuneration: Base Compensation (A): Companies in the consolidated financial statements	Remuneration: Severance Pay (B): The company	Remuneration: Severance Pay (B): Companies in the consolidated financial statements	Remuneration: Bonus to Directors (C): The company	Remuneration: Bonus to Directors (C): Companies in the consolidated financial statements	Remuneration: Allowances (D): The company	Remuneration: Allowances (D): Companies in the consolidated financial statements	Ratio of Total Remuneration(A+B+C+D) to Net Income (%): The company	Ratio of Total Remuneration(A+B+C+D) to Net Income (%): Companies in the consolidated financial statements	Relevant Remuneration Received by Directors Who are Also Employees: Salary ,Bonuses, and Allowances (E): The company	Salary ,Bonuses, and Allowances (E): Companies in the consolidated financial statements	Severance Pay (F): The company	Severance Pay (F): Companies in the consolidated financial statements	Profit Sharing- Employee Bonus (G): The company: Cash	Profit Sharing- Employee Bonus (G): The company: Stock	Profit Sharing- Employee Bonus (G): Companies in the consolidated financial statements: Cash	Profit Sharing- Employee Bonus (G): Companies in the consolidated financial statements: Stock	Ratio of Total Compensation(A+B+C+D+E+F+G) to Net Income (%): The company	Ratio of Total Compensation(A+B+C+D+E+F+G) to Net Income (%): Companies in the consolidated financial statements	Compensation Paid to Directors from an Invested Company Other than the Company's Subsidiary
Chairman	Wealth Media Technology Co. Ltd. Representative: Howard Lin.	-	-	-	-	1,421	1,421	5,160	5,160	0.56%	0.56%	14,955	15,143	216	216	20	-	20	-	1.84%	1.88%	30
Director	Wealth Media Technology Co. Ltd.																					
	Representative: James Jeng																					
	Representative: C.F. Lin																					
	Representative: Jerry Kao																					
Director	TECO CAPITAL INVESTMENT CO., LTD.																					
	Representative: Mao-Hsiung Huang																					
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	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 (%)		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		Companies in the consolidated financial statements		The company	Companies in the consolidated financial statements	
							Cash	Stock	Cash	Stock			
Chairman Howard Lin； President C.F. Lin； Senior Vice President Jerry Kao； Vice President Vicky Tu	12,772	12,887	315	315	5,172	5,245	24	-	24	-	1.55%	1.58%	30

Range of Remuneration

Range of Remuneration	Name of President and Vice President	
	The company	Companies in the consolidated financial statements
Under NT$2,000,000		
NT$2,000,001~NT$5,000,000	Jerry Kao 、Vicky Tu	Jerry Kao 、Vicky Tu
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	4	4

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; Broadcasting Division Director Alex Chen (Note 1); International Business Division Director Kiki Hung; Division Director Summer Hsieh; Supporting Service Division Director Leanne Wang; Information Technology Division Director Van Yu(Note 2); Financial & Accounting Division Director Gina Lu; EC Division Director Hong Wei Zhao; Internal Audit Office Assistant Manager Liang Dung Nan	-	42	42	0.00%

Note1：Broadcasting Division Director Alex Chen resigned in November 2016

Note2：Senior Director, Yu Hong Wen remains on unpaid leave of absence.

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	2015				2016			
	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	6,463	6,463	0.61%	0.65%	6,581	6,581	0.56%	0.56%
Presidents and Vice Presidents	14,491	17,155	1.37%	1.73%	18,283	18,471	1.55%	1.58%

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 th 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 2016

Title	Name	Attendance in Person (B)	By Proxy(A)	Attendance Rate (%)【B/A】	Remarks
Chairman	Wealth Media Technology Co. Ltd. Representative: Howard Lin.	5	1	83.33%	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	5	1	83.33%	None
Director	TECO CAPITAL INVESTMENT CO., LTD. Representative: Mao-Hsiung Huang	3	3	50.00%	None
Director	WOORI HOME SHOPPING CO.,LTD. Representative: KIM, IN HO	2	4	33.33%	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:
1. Operation of the board of directors shall, if any of the following, specify date of meeting, period, contents of motions, the opinions of all independent directors and handlings concerning opinions of the independent directors:
(1) The matters listed in Article 14-3 of the Securities Exchange Act: the Company has set up an audit committee and therefore the provisions of Article 14-3 do not apply.
(2) In addition, any resolution matters of Board of Directors with records or statement in writing that independent director has a dissenting opinion or qualified opinion; None.

<table>
<tr><th>Title</th><th>Name</th><th>Attendance in Person (B)</th><th>By Proxy(A)</th><th>Attendance Rate (%)【B/A】</th><th>Remarks</th></tr>
<tr><td colspan="6">2. Recusal of directors’ from motions that may have concerns of conflict of interests
(1). The 22th Board of Directors in September 23, 2016:
contents of the resolution and implementation thereof:
Planning to purchase from Fubon Gehua (Beijing) Enterprise Ltd. the deputy control and studio equipment, except Lin Qi feng director, Gao Su yuan director to avoid on their own according to laws and regulations, the chairman has consulted all remaining directors in attendance and was unanimously approved.
3. To strengthen competency of the Board of Directors in current and recent years (e.g. to set up an Audit Committee, to enhance transparency of information, etc.) and assessment of implementation:
(1). On 14 February 2013, the Audit Committee was set up to replace supervisors.
(2) The Company has 9 directors (including 3 independent directors), and set up Audit Committee and Remuneration Committee subject to relevant laws and regulations, fulfilling supervisor’s duties, to achieve the goal of strengthening competency of the Board.
(3) In 2016, the Company commissioned the "Taiwan Corporate Governance Association" to arrange for lecturers providing Directors with coursed of A Game for Transforming Taiwan Companies and Material Principles of Honesty Management, Corporate Governance and Corporate Social Responsibility, and case study and others help Directors continuously enrich new knowledge.
(4) The Company firmly believes in being transparent with our financial results and operates with the best interests of shareholders in mind. The company consistently hosts and/or attend analyst meetings, corporate days, or non-deal roadshows..
(5) In order to insure against risks incurred by Directors and the Managers in carrying out their responsibilities, the Company shall purchase "Directors and Managers liability Insurance".</td></tr>
</table>

Audit Committee attendance

The Audit Committee convened seven times in 2016

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. Operation of the Audit Committee shall, if any of the following, specify date of meeting, period, contents of motions, resolution of Audit Committee and handling against opinions of Audit Committee.

(1) The matters listed in Article 14-5 of the Securities Exchange Act:

5th elected Board of Directors	Contents of Resolutions	Resolution of Audit Committee and handling against opinions of Audit Committee.
18th (January, 27th, 2016)	1. 2015 Annual Financial Statements	Unanimously approved with consent of all attended committee members
	2. Recommended to issue 2015 Annual Internal Control System Statement	
	3. Amendment of Internal Control System Statement and Internal Audit Enforcement Rules	
21th (April 19th, 2016)	1. Amendment of Internal Control System	
	2. 2015 Assessment of performance and independence of certified public accountant (CPA)	
	3. 2016 Appointment of certified public accountant	
22th (July 22nd, 2016)	1. 2th quarter, 2016 Financial Statements	
23th (September 23rd, 2016)	1. Recommended endorsements/guarantees for Fubon Gehua (Beijing) Enterprise Ltd.	
24th (October 27th, 2016)	1. 2017 Construction of Annual Audit Plan	

(2) Unless otherwise provided the above, no resolution was approved in 2016 without consent of Audit Committee, but approved with the consent of two-thirds or more of all Directors, there is no such case in 2016.

2. Any conflict of interest among independent directors: None

3. Communication among independent directors, internal audit officer and accountants (for example, any matters, methods and results of communication for the company's financial status and business operations)

(1) In addition to Audit Department. that shall submit audit report to each independent director for review on a monthly basis, auditing officer also shall report audit implementation to independent directors in the Audit Committee on a quarterly basis.

(2) It is required to track the improvement on deficiencies and abnormal of events reported in each audit report, and submitfollow up report to track the progress on a quarterly basis.

(3) Where the meeting held by Audit Committee of the Company, in the event of discussion related matters such as financial statements and CPAs' audit and certification, CPAs is invited to attend as required.

(4) Independent Directors and CPA shall hold regular meetings at least four times each year and CPA shall report to Independent Directors the matters concerning the Company's financial situation, financial and overall operations of domestic and overseas subsidiaries, and internal control and audit, and with which shall fully communicate any material adjustments of accounting entries , or whether amendment of laws and regulations may affect accounting/journal entry.; In the event of major unusual matters, the audit committee may convene meeting at any time.

Unless otherwise set forth above, audit officer and CPA shall directly contact with independent Directors as need and maintain a sound communication channels.

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	Abstract Illustration	
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		The company’s board of directors resolved to approve the “Practical Guidelines for Company Management” on October 26, 2015. The information is also disclosed on the company’s official website.	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		(1) The stock registrar is commissioned by the company to handle shareholder-related issues. During a shareholders meeting, participating shareholders will be given an appropriate amount of time for discussion. The company will accept and work on incontrovertible and feasible recommendations. However, controvertible suggestions will be voted upon in accordance with meeting regulations. The company’s spokesperson is in charge of handling shareholders’ recommendations and complaints.	None
(2) Does the company possess the list of its major shareholders as well as the ultimate owners of those shares?	V		(2) The company keeps a list of its major shareholders and ultimate control shareholders, and maintains a close contact with them.	None
(3) Does the company establish and execute the risk management and firewall system within its conglomerate structure?	V		(3) The company has constructed and implemented management measures for respective subsidiary companies as risk control mechanisms.	None
(4) Does the company establish internal rules against insiders trading with undisclosed information?	V		(4) The company has devised internal regulations to keep internal employees’ shareholding information transparent. The company also has regulations in place for the operations of shareholding declaration and announcement to protect investors’ rights and interests.	None

<table>
<tr><th rowspan="2">Evaluation Item</th><th colspan="3">Implementation Status</th><th rowspan="2">Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Abstract Illustration</th></tr>
<tr><td>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?
(4) Does the company regularly evaluate the independence of CPAs?</td><td>V
V
V
V</td><td></td><td>I. “Corporate Governance Best-Practice Principles” of the Company has stipulated members’ qualification of composition and selection guide, and the selection shall comply with such principles.
<table>
<tr><th>Diversified core projects / name of Directors</th><th>gender</th><th>operation and leadership</th><th>knowledge of industry</th><th>understanding of international markets</th><th>finance and accounting</th><th>legal</th></tr>
<tr><td>Lin, Fu Xing</td><td>male</td><td>V</td><td>V</td><td>V</td><td>V</td><td></td></tr>
<tr><td>Zheng ,Jun Qing</td><td>male</td><td>V</td><td>V</td><td>V</td><td>V</td><td></td></tr>
<tr><td>Lin, Qi Feng</td><td>male</td><td>V</td><td>V</td><td>V</td><td>V</td><td></td></tr>
<tr><td>Gao, Su Yuan</td><td>male</td><td>V</td><td>V</td><td>V</td><td>V</td><td></td></tr>
<tr><td>Huang, Mao Xinog</td><td>male</td><td>V</td><td>V</td><td>V</td><td>V</td><td></td></tr>
<tr><td>KIM,IN HO</td><td>male</td><td>V</td><td>V</td><td>V</td><td>V</td><td></td></tr>
<tr><td>Chen, Si Kuan</td><td>female</td><td>V</td><td>V</td><td>V</td><td>V</td><td></td></tr>
<tr><td>Xie, Yi Hong</td><td>male</td><td>V</td><td>V</td><td>V</td><td>V</td><td>V</td></tr>
<tr><td>Chen, Hong Shou</td><td>male</td><td>V</td><td>V</td><td>V</td><td>V</td><td></td></tr>
</table>
II. The Company has established Remuneration Committee and Audit Committee, and is planning to establish a variety of other functional committees as necessary as practical operation required.
III. The "Regulations of Performance Assessment of Board of Directors” had been resolved and approved by Board of Directors on October 26, 2015. On an annual basis, the meeting affairs division shall deliver reports to Board of Directors after collection and analysis. Evaluation will be conducted by external experts of independent institutes or external expert of academy team once every threes. (The Board of Directors' performance evaluation was conducted by the members of Board of Directors themselves in January, 2017)
IV. To review the independence of the CPA periodically and the items of evaluation include:</td><td>None
None
None
Other functional committees were not established.
None</td></tr>
</table>

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
			(1)CPA's personal resumes (2)CPA has not served as director, supervisor or manager of the Companies, and there exists no material conflict of interests that may materially impact the service provided. (3) No continued CPA service for seven consecutive years. (4) The CPA's declaration of independence were provided by CPA every year.。 (5) Service quality and timeliness of auditing and tax. (6) Whether there is no lawsuit or cases corrected by competent authority. (7) Scale and reputation of the accountant firm. (8) Through accountant's discretionary questionnaire to summarize the assessment of the independence of accountants. 2016 Assessment of performance and independence of certified public accountant had been approved by Audit Committee and Board of Directors on January 24, 2017.	
4. Does the Listed company, OTC company have establish any exclusively (or concurrently) dedicated unit or person responsible for matters related to corporate governance ?(Including but not limited to providing information required for directors, supervisors to implement the business, subject to laws and regulations to conduct relevant matters of meetings of Board of Directors and shareholders' meetings, the company for the company, the company is responsible for corporate governance, registration of establishment and alteration, preparing minutes of meetings of board of directors and shareholders' meeting, etc.)	V		The finance and accounting division of the Company to be responsible for corporate governance related matters.	None

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
5.Does the company establish a communication channel and build a designated section on its website for involved parties (including but not limited to shareholders, employees, customers and suppliers), as well as handle all the issues they care for in terms of corporate social responsibilities?	V		The company has designated a spokesperson and a deputy spokesperson, and has a designated "involved parties" section on the Company's website to provide involved parties a smooth communication channel. The Company and involved parties exist sound communications thus far.	None
6..Does the company appoint a professional shareholder service agency to deal with shareholder affairs?	V		The Company designates Fubon shareholder service agency to deal with shareholder affairs.	None
7.Information Disclosure				None
(1) Does the company have a corporate website to disclose both financial standings and the status of corporate governance?	V		(1) The company has a website to disclose important financial and business information updated for shareholders and stakeholders' reference.	
(2) Does the company have other information disclosure channels (e.g. building an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, webcasting investor conferences)?	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
8.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		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. 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. Investor relations: In addition to regularly disclosing the company's important business information, the company also continues to improve itstransparency. This will allow investors to be well informed of the company's business plans and future developments. Supplier relations: The company maintains a long-lasting and positive collaborative relationship with the suppliers.	None

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
			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. Advanced Studies for directors: The directors in the company participate in courses related to securities laws and 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. 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. Execution of client policies: The company is dedicated to improving quality and enhancing professional skills to provide clients with the best services and products. Status of liability insurance for directors: The company has established plans to purchase liability insurance for directors of the board and independent directors.	

9. Please describe improvements in accordance with corporate governance assessment results issued by the Corporate Governance Center, TWSE in the most recent year, and provide priority emphasizes and action plans for items that has not yet improved..

In accordance with latest corporate governance result and corporate governance indicators issued in recent years, the company has reviewed those indicators individually and has scheduled a time table for needed improvements for items where improvements are needed. Significant portion of the times that require improvements has been addressed.

Composition, Responsibilities and Operations of the Remuneration Committee

1. Professional Qualifications and Independence Analysis of Remuneration Committee Members

Title (Note1)	Criteria / 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 positionin 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 proprietor ship, 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 two times in 2016:

(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	2	0	100%	-
Committee Member	Shikuan Chen	2	0	100%	-
Committee Member	CHEN,HONG-SO	2	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 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	Abstract Explanation	
1. Corporate Governance Implementation				
(1) Does the company declare its corporate social responsibility policy and examine the results of the implementation?	V		(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.	None
(2) Does the company provide educational training on corporate social responsibility on a regular basis?	V		(2) The Company has established a "Corporate Social Responsibility Committee", and will carry out regular trainings sessions.	None
(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?	V		(3) The Company has submitted and reported to the Board on October, 2016 and then set up the CSR committee. General Manager, Lin Qi feng, Senior Vice President, Gao Su yuan and Director of finance and accounting Dept., Lu yu Ping, to act as Chairman, Vice Chairman and Executive Director, of the committee, who are responsible for planning and implementing corporate social responsibility, and coordinating with cross-departmental related business. The Committee has five working groups: the Corporate Governance Team, the Customer Commitment Group, the Commodity Responsibility Group, the Employees and the Environmental Group and the Social Care Group, which are responsible for the implementation and promotion related works, and the Committee reports to the Board from time to time about the promotion and implementation of CSR.	None
(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	V		(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.	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	
as establish an effective reward and disciplinary system?			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 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?	V		(1) The recycle and reuse of printing papers have been promoted and implemented.	None
(2) Does the company establish proper environmental management systems based on the characteristics of their industries?	V		(2) The regulations for internal environment, automatic safety and hygiene inspection, and non-smoking rules have been implemented.	None
(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		(3) Energy-saving measures and advocacy has implemented, including ISO-14064-1 greenhouse gas (GHG) inventory and establishment of greenhouse gas emissions baseline in order to monitor corporate carbon emissions to benefit the environment.. The greenhouse gas inventory was verified by the BSI UK Standards Association in 2016.	None
3. Preserving Public Welfare				
(1) Does the company formulate appropriate management policies and proceduresaccording to relevant regulations and the International Bill of Human Rights?	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

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
(2) Has the company set up an employee hotline or grievance mechanism to handle complaints with appropriate solutions? (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?			(2) An email in-box is specially set up for employee complaints, which allows employees to convey their opinions securely and confidentially. (3) The company's own building will organize fire drills from time to time to ensure the safety of the working environment, and has established a Norm of labor safety, health independent inspection and procedure, and planning the implementation of regular safety and health education for staff. Working environment Safety measures: i. The company is in retail industry, in view of quality control unit’s work environment that may be free radiation factor potential risk of harm, for operating environment and operator, the Company exercises protection as the following: (i) The certain arease in the operating environment prohibits personnel to enter. A hazard notice at the job site will be posted after the machines and equipment has been sent to testing. (ii) Operators (regular) carry out health inspection and special health and safety inspection. If any staff with abnormal conditions and are classified as “need to watch”, he or she will be arranged for further evaluation and recommended for health education. ii. Establishment of special unit or person for the company's safety and health, environmental management: The head office has set up a safety and health committee, in which the labor representatives shall occupy more than one third of the members in accordance with the law, in order to provide coordination and communication for safety and health issues. Security staff shall have security business executives, safety and health administrators. Implementation of safety and health and environmental business, and to operate coordinating with the	

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Explanation	
		V	relevant authorities. iii. Safety and health management's areas of focus: (i) To establish labor safety and hygiene management plans, labor safety and hygiene codes, occupational hazards application and management regulations for hazardous operations in accordance with the ordinance. (ii) The mechanical devices and equipment: subject to day, week, month, quarter, six months, and annual checks and shall implement automatic inspection to ensure the safety of machinery and equipment operation. (iii) Operating environment: to provide special workplace (such as X-ray instrument), according to the implementation of operating environment testing and announce the report at the job site. (iiii) Education and training: new, on-the-job, special hazards and other personnel related matters, which shall be subject to regulations to implement education and training, and retention of information for future reference (v) Health exams: for new staff to provide physical examination before commencing of work, and on-the-job, special hazardous workers shall conduct health inspection every two years, in order to acknowledge the health of employees. (vi) Promoting awareness of health issues: To enhance the healthy vitality of employees, and to work with the regional health center, the company shall arrange relevant courses, lectures for employees to participate freely. The company was awarded government agencies' the 2014 annual Tobacco Hazard control certification and 2015 Health Verified Starting certification for two consecutive years.	None None 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	
			(vii) Public security, fire safety: set up a perfect fire system in office buildings, and made regularly declaration for inspection, to implement fire drill promotion lectures coordinating with the building management every six months.	
(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?			(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?			(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?			(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?			(7) The company is mainly engaged in TV shopping, online shopping, mail order catalogues, travel related services, life insurance agents and property insurance agents as the main business projects. The Company has obtained licenses for: radio and television programming (providing contents for TV programs, radio programs, Radio and television, radio and television commercials), radio and television program (recorded video programs), the sale of pharmaceuticals license , tobacco and alcohol import license , the	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	
(8) Does the company evaluate the records of suppliers' impact on the environment and society before taking on business partnerships?			sale of travel and tour packages license of Ministry of Transport and Communication (integrated travel Industry), life insurance agency certificate, property insurance agency certificate. The company has complied with relevant laws and regulations. (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..	None
(9) Do the contracts between the company and its major suppliers include termination clauses which come into force once the suppliers breach the corporate social responsibility policy and cause appreciable impact on the environment and society?			(9) Subject to the terms and conditions of contracts made between the Company and the Suppliers, Suppliers shall be responsible for any and all breaches or violations against the company's social responsibility policy. There is no provisions in the contract related to termination or cancellation of the responsibility in the contracts.	Future provisions will be established according to practicality.
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.	None
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: Not underestimating the potential impact from global warming, the Company thereby mitigates the environmental impact of climate change by proactively managing the use of energy to reduce carbon footprint and achieve the desire energy reduction goals while reduce energy cost. Society: As a leading brand of domestic virtual channels, the company has a responsibility to raise public awareness in support of disadvantaged groups. The company leverage its existing resources to provide a platform to help various social welfare groups to sale of goods for charity on Internet, and charity fund raising, etc,. In 2016, the Company helped 11 public interest groups to raise a total of NT $15.14 million (including public interest goods for sale and donations). In order to promote sports culture, the company has sponsored different golf competitions. During the 2016 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				

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Explanation	
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. 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. 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.				
7. A clear statement shall be made below if the corporate social responsibility reports were verified by external certification institutions: (1) SGS evaluation has obtained ISO / IEC27001 certification, and "Information Security Certification Mark " . (2) TWCA Taiwan Internet certification has attested by certification services of TWCA SSL server digital voucher. (3)The British Standard Institution (BSI) reviewed our 2016 annual CSR report and acquired its independent assurance opinion statement at the end of 2016.				

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	Abstract Illustration	
1. Establishment of ethical corporate management policies and programs				
(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?	V		(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.	None
(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?	V		(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.	None
(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?	V		(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.	None
2. Fulfill operations integrity policy				
(1) Does the company evaluate business partners' ethical records and include ethics-related clauses in business contracts?	V		(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.	None
(2) Does the company establish an exclusively (or concurrently) dedicated unit supervised by the Board to be	V		(2) The company's internal auditing department is responsible for investigating any cases of good faith principle violations within the	None

Evaluation Item	Implementation Status			Deviations from "the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
in charge of corporate integrity?			company and regularly reporting them to the board of directors.	
(3) Does the company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it?	V		(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.	None
(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.	None
(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.	None
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.	None
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 Company's "Ethical Corporate Management Best-Practice Principles" and the results of our implementation have been posted on the Company's website.	None
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
2016	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

Violation of regulations and internal policies: None

Major resolutions at the shareholders' meeting and board meetings

Major resolutions at the shareholders' meeting and board meetings as the most recent year and the date of the annual reports printed.

1. The contents and implementation of major resolutions in 2016 annual general meeting (AGM):

AGM dated April 20, 2016

(1) Approval of amendment to the Articles of Incorporation.

Implementation Status: Completed the change of business registration by March 5, 2016.

(2) Approval of the 2015 business report and financial statements.

(3) 2015 Approval of the distribution of retained earnings.

Implementation Status: It is determined that May 7, 2016 is the base date for the allotment of dividends, May 31, 2016 is the date of distribution (dividends of earnings of NT $5.72 per share; the distribution in cash from capital reserve of NT$1.28, and the total amount of distribution cash is NT $7 per share).

(4) Approval of distribution in cash from capital reserve.

Implementation Status: It is determined that May 14, 2016 is the base date for the allotment of dividends, May 31, 2016 is the date of distribution (dividends of earnings of NT $5.72 per share; the distribution in cash from capital reserve of NT $1.28, and the total amount of distribution cash is NT $7 per share).

2. Major resolutions at the shareholders' meeting and board meetings of 2016 and as of the date of the annual reports printed:

(1) January 27, 2016, the 18th meeting of the 5th elected Board of Directors.

a. Approval of 2015 employees' compensation and Directors' remuneration.

b. Approval of 2015 financial statements.

c. Approval of amendment to certain provisions of "Regulations of Buyback of Treasury Stock for Assignment to Employee".

d. Approval of the convening of 2016 AGM.

(2) March 4, 2016, the 19th meeting of the 5th elected Board of Directors.

a. 2015 Approval of the distribution of retained earnings and distribution from capital reserve in cash.

(3) March 4, 2016, the 22th meeting of the 5th elected Board of Directors.

a. Approval of procurement from Fubon Gehua (Beijing) Enterprise Ltd. (hereinafter referred to as Fubon Gehua) the deputy control and studio equipment.

(4) January 24, 2017, the 24th meeting of the 5th elected Board of Directors.

a. Approval of 2016 employees' compensation and Directors' remuneration.

b. Approval of 2016 financial statements.

c. Approval of overall re-election of the Company's directors (including independent directors).

d. Approval of lifting directors' non-competition.

e. Approval of the convening of 2016 AGM.

momo.com Inc.
Internal Control Statement

Date: January 24, 2017

momo states the following with regard to its internal control system for the year 2016:

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 24, 2017, 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
Deloitte Touche Tohmatsu	Vita Kuo	Peter Lin	2016.1.1~2016.12.31	

Fee Items / Fee Range		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		
Deloitte Touche Tohmatsu	Vita Kuo 、Peter Lin	4,970	-	-	-	1,265	1,265	January 1, 2016 ~ December 31, 2016	ISMSCertification Advisory Fee ISMS Expanding Verification AdvisoryFee and Transfer Pricing Report

(3) For CPA changes, if the audit fee in the first year is lower than that of the prior year, specify the audit feebeforeand 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: Notapplicable

v. Replacement of CPA: None

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

vii. 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	2016		As of Feb. 27, 2017	
		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.	(344,000)	-	-	-
	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	-	-	-	-
Vice President	Vicky Tu (Note1)	-	-	-	-
Broadcasting Division Director	Alex Chen(Note2)	-	-	-	-
International Business Division Director	Kiki Hung				-
Division Director	Summer Hsieh	-	-	-	-

Title	Year / Name	2016		As of Feb. 27, 2017	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Information Technology Division Director	Van Yu	-	-	-	-
Supporting Service Division Director	Leanne Wang	-	-	-	-
EC division Director	Hong Wei zhao (Note3)	-	-	-	-
Financial & Accounting Division Director	Gina Lu	-	-	-	-
Internal Audit Office Assistant Manager	Dong-Nan Liang	-	-	-	-

Note1：Vice President Vicky Tu assumed the position in February 2016.
Note2：Director, Chen Xing hua resigned by November 2016.
Note3：Director, Hong Wei zhao took office by July 2016.

2.Shares Trading with Related Parties：None

3.Stock pledged with related party: None

viii. Relatationship Among the Top Ten Shareholders

Name	Current Shareholding		Spouse's/minor'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.	15,470,000	10.89%	-	-	-	-	-	-	
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.	5,410,000	3.81%	-	-	-	-	-	-	
Chairman：Hong-Tu Tsai	-	-	-	-	-	-	-	-	

Name	Current Shareholding		Spouse's/minor'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	
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)

viiii. 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 compromised 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 otherthan cash	Remarks
Sep. 2004	10	150,000,000	1,500,000,000	45,000,000	450,000,000	Authorized capital	-	Note1
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	-	Note2
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	-	Note3
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	-	Note4
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	-	Note5
Dec. 2011	10	150,000,000	1,500,000,000	116,235,000	1,162,350,000	Exercise of Employee Stock Options: NT$8,300,000	-	Note6
July 2012	10	150,000,000	1,500,000,000	127,858,500	1,278,585,000	Capital increased out of earnings of NT$ 116,235,000	-	Note7
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	-	Note8

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. 27, 2017
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 May. 10, 2016

	Government agencies	Financial institutions	Other institutions	Individuals	Foreign institutions & individuals	Total
No. of shareholders	—	—	63	2,852	61	2,976
Total shares owned	—	—	100,566,200	13,687,849	27,804,451	142,058,500
Holding percentage (%)	—	—	70.79%	9.64%	19.57%	100%

Note：Foreign institutions or individuals without mainland Chinese investors.

Shareholding distribution

Common shares

As of May. 10, 2016

Shareholding range			No. of shareholders	Total shares owned	Holding percentage(Note)
1	～	999	910	30,167	0.02 %
1,000	～	5,000	1,749	2,831,708	1.99 %
5,001	～	10,000	104	784,875	0.55 %
10,001	～	15,000	49	616,293	0.43 %
15,001	～	20,000	23	402,500	0.28 %
20,001	～	30,000	25	659,576	0.46 %
30,001	～	50,000	35	1,424,202	1.00 %
50,001	～	100,000	36	2,418,531	1.70 %
100,001	～	200,000	14	2,049,530	1.44 %
200,001	～	400,000	8	1,964,162	1.38 %
400,001	～	600,000	6	3,107,960	2.19 %
600,001	～	800,000	2	1,330,588	0.94 %
800,001	～	1,000,000	3	2,632,188	1.85 %
1,000,001		and above	12	121,806,220	85.74 %
		Total	2,976	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 May. 10, 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.	15,470,000	10.89%
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.	5,410,000	3.81%
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

			2015	2016	As of Feb. 27 2017
Share price (NT$)	High		344.5	236.5	198.5
	Low		176.5	188	188
	Average		252.37	210.33	192
Net worth per share (NT$)	Before earnings appropriation		39.71	40.70	－
	After earnings appropriation		32.81	Note	－
Earnings per share (NT$)	Adjusted weighted average outstanding shares		141,778	140,059	140,059
	Earnings per share		7.48	8.45	－
Dividends per share (NT$)	Cash dividends		7	Note	－
	Stock dividends	Retained earnings	－	Note	－
		Capital surplus	－	－	－
	Accumulated unpaid dividends		－	－	－
PE and dividend yield	Price earnings ratio		33.74	24.89	－
	Price to cash dividend		36.05	－	－
	Cash dividend yield		2.77	－	－

Note : Figures after distribution referred to above is based on the resolutions approved during the shareholders' meetings for the fiscal year. 2016 annual earnings distribution has not yet been approved yet 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 2016'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 2016 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 2015 annual dividend distribution policy, the shareholders' dividend of the current year shall not be less than 75% 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. Employee, Directors' and Supervisors' Remuneration for approved in Board of Directors Meeting.

   January 24, 2017, approval of employees' compensation and Directors' remuneration by resolution of the Board, recommended distribution NT $ 1,420,603, of employees' remuneration and NT $1,420,603 of Directors' remuneration paid fully in cash, and submitted and reported to the 2016 AGM.

4. The actual distribution of employee, director compensation for the previous fiscal year (with an indication of the number of shares, monetary amount, and stock price, of the shares distributed), and, the treatment of the discrepancy, if any, between the actual distribution and the recognized employee or director compensation.

   (1) Resolution for Employees' compensation and Directors' remuneration was approved by the AGM on April 20th, 2016. The distribution of NT $ 1,303,028 of employees' bonus and NT $1,303,018 of Directors' remuneration was made accordingly.

   (2) The discrepancy with amount of estimated figure is NT $ 3,636 for the fiscal year these expenses are recognized, mainly due to estimated figure recognized was different with figure of resolution of the Board. The difference will be adjusted accordingly as a reduction of expense in the fiscal year 2016.

Buyback of Treasury Stock

As of Feb. 27, 2017

Batch number of treasury shares buyback	The1st 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. J503020 Television Production
B. J503010 Broadcasting Production
C. J503030 Broadcasting and Television Program Distribution
D. J503040 Broadcasting and Television Commercial
E. J503050 Video Program Distribution
F. F108031 Whole sale 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 Whole sale of Drugs and Medicines
K. F108011 Whole sale 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

	2015		2016	
	Revenue	% of total	Revenue	% of total
TV Shopping and Catalogue Shopping	8,100,149	31.59	7,351,422	26.18
Online shopping	17,224,064	67.18	20,579,572	73.29
Others	315,685	1.23	149,794	0.53
Total	25,639,898	100.00	28,080,788	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) Brand introduction has always been important work to momo, from the negotiations, sales, customer development to the incubation of the benefits working with a brand, all of which could require more than six months for each brand. However, a brand could provide quality assurance, rich marketing resources and serve as stable source of supply for products, benefiting the long term development of momo's platforms. In recent years, momo has added a slew of international brands such as Tiger Corporation, ZOJIRUSHI, 3M and will continue to engage with global brands to further broaden our product offerings.

(3) With the saturation of cable-television channels,, inevitable shortening of TV viewing time and the trend of TV digitization and higher ownership rate of mobile devices, TV shopping cannot merely focus on the cable TV platform. As a result, momo TV has launched TV App in the end of 2014, subsequently in the second quarter of 2015 made further revision on TV APP, where it is based on the original action with the view-purchase providing a more user-friendly interface, more Diversified activities and a better shopping experience, and increase adhesion to consumers and TV shopping through TV APP.

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

The operation model in Taiwanese TV shopping industry is to provide a sales platform for TV shoppers and cable television system firms leasing channels, and the model integrates supplies from cooperated firms, fine-quality programs production and personal wiring order system to form a unique and rich sales model.

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	ViVa
Parent Company/Group	Taiwan Mobile	Eastern Media International	-
Number of Home Shopping Channels	3	5	1
Number of Households	5 Million	5 Million	5 Million
Multi-Channel	EC/Catalog/Mobile Commerce	EC/Catalog/Mobile Commerce	EC/Catalog/Mobile Commerce
Strength	expanding overseas goods	-	Private Label products

b The household penetration rate of cable TV and digital TV in Taiwan 2012Q3~2016Q3

	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%
2015Q4	8,468,978	5,078,876	4,563,243	53.88%	59.97%
2016Q1	8,479,633	5,105,088	4,650,787	54.85%	60.20%
2016Q2	8,499,758	5,143,761	4,776,985	56.20%	60.52%
2016Q3	8,536,883	5,175,093	4,874,844	57.10%	60.62%
2016Q4	8,561,383	5,205,562	4,988,968	58.27%	60.80%

According to data from 3Q14 to 4Q16, Taiwan's cable TV’s penetration rate remained at around 60% of households. Compared to traditional cable, the growth rate of digital TV subscribers reached 58% of households in 4Q16.. With both traditional and digital TV nearing saturation levels should lead to a stable TV home shopping market in Taiwan.

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 attack 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.

d. Interactive virtual shopping

While the competitive landscape continues to evolve rapidly, but the consumers’ purchasing behavior continues to favor more virtual shopping, away from traditional brick and mortar stores. This is at the benefit of more mature communication technology, improving infrastructure for logistics and money flows, and long working hours that demands a more flexible choices when shopping. However, virtual shopping lacks communication of real-time interaction with consumers, and consumers need to spend more and more time collecting product information. TV home shopping offers a virtual shopping interactive tool, where host’s vivid introduction of products, expert guests’ detailed demonstration of uses, and coupled with the enhancement of the visual and audio from the TV programming can deliver the necessary production information and entertainment value in order to drive revenue growth. In addition, an advantage of TV shopping firms are equipped with an excellent team of professional customer service agents to provide consumers with good after-sales service.

(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’s e-commerce industry continues to benefit from high penetration of internet users and the improving logistics services. As a result, the four e-commerce business models of B2C, B2B2C, C2C, O2O can jointly exist and deliver growth above 17% from 2011 to 2014. The growth has since slowed, but the Institute for Information Industry estimates the market could reach NT$1,251.5bn by 2017, a growth of 11% YoY. For the B2C market is estimated to reach NT$763.0bn, or ~60% of the overall E-Commerce business. The data from Accounting and Statistics Office shows that Taiwan economic growth rate may reach 1.22% in 2016, suggesting that the e-commerce businesses may have more growth opportunities relative to other industries in Taiwan.

B2C E-commerce forecast revenue

Unit: NT$ bn

	2011	2012	2013	2014	2015	2016	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，2016/01

b. Internet population in Taiwan is popular and stable

According to a TWNIC survey, internet usage of persons 12-year or older increased from 77.7% at 2014 to 89.4% in 2016. An estimated of 18.81 mn have access to internet and the main user group is in the age group of 18 to 30 year old, where 100% of individuals have access to internet.

These days, with rising popularity of smart phones, tablets, and other mobile devices become popular, such phenomenon would facilitates diversity of behaviors as well as create additional growth opportunities mobile commerce.

c. Mobile shopping and other factors affecting e-commerce

According to TWNIC's mobile usage survey in 2016, 67.3% or an estimate of 14.16mn individuals used a mobile device to access the internet. This is an increase of 7.2% versus 2015, an indication that mobile access is continues to see a favorable trend. Of those surveyed, who used a mobile devices or wifi to access the internet, 85.6% used an APP and 30% of the individuals used APP to access the contents directly rather than though a mobile browser. In addition, the time spent online, is the highest for “1 to 2 hours”, which accounts for 14.6% of the respondents, followed by “2 to 3 hours” at 23.6% and then by “0.5 to 1 hour” at 14.6%.

In addition, there are three intermediary factors will affect the e-commerce competitive environment, namely, third-party payments, logistics and distribution integration and cross border transactions. As third-party payment platform can serve as a guarantee of money flow and reduce the financial cost (FX) for cross border transactions, thereby enhancing the attractiveness of cross border transactions. For logistics and distribution, the efficiency improvements has seen delivery guarantees from 24 hours to 12 hours, and now some platforms are offering deliver capabilities as fast as 6 hours. Online retailers/platforms have effectively shorten the amount of time needed to have products reach the consumers. The ever improving service capabilities are a key strategic advantage for online/virtual retailers when competing with traditional brick & mortar operators, and one that will continue to erode the advantages of traditional brick & mortar operators may have. Finally, in addition to consolidating the domestic market, the overseas development is a key-point that will lead to another wave of e-commerce growth for Taiwanese virtual/online retailers, although the inconsistencies of government policies structure of payment systems, logistics, integration of the ecosystem remains challenging. However, given the governments of various countries are emphasizing E-Commerce and has more of an open attitude to facilitate cross-border transactions, the growth opportunities for cross border transactions remain.

(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 viatelephone, 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 outletsto 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 asinternational 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

Although TV shopping can provide vivid introduction of products, but that is constrained by the air time, meaning number of SKUs available for sales is limited and selection of products is also limited for the consumers. Even though TV remains a powerful and effective communications tool, the traditional TV viewership and interactions with consumers are further impacted by the growth of mobile devices. As a result, TV home shopping companies strives to “go mobile” and further diversify product offerings. Companies are committed to developed shopping APP to leverage visual and audio features to be more engaged with the consumers. On the product side, TV home shopping companies in Taiwan have focused on promoting domestic brands in the past. Going forward, these companies will look to introduce foreign branded products and leverage its procurement power to secure better pricing for consumers and create differentiations relative to competitors.

(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 Walmartlab. 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 “groupbuying” campaigns.

(3) Mail order catalogues shopping

According to IBIS world report, the U.S. telecommunications sales market growth rate in 2011-2016 declined 1.3%. Competition from the E-Commerce industry leads to overall revenue declined, and business activities for these companies are concentrated in densely populated cities in order to benefit from lower logistics cost. . The market situation in Japan is similar to the United States. Mail order catalogues companies such as Ni ッ セ (Nissen), saw its revenue in 2012 decline, and the costs of logistics and packaging cost increased, thereby reducing the profitability of the mail order catalogues company. As a result, mail order companies has adopted mobile and App technologies as sales tools. For example, Japan Nissen’s online strategy is based on the wealth of the knowledge it has acquired from the catalogue business over the years and the data from its 20-34 year old female customers. The result is an increase in online sales, along with higher percentage revenue generated from mobile platforms. While the overall performance remains lackluster for the mail order catalogues market, but some mail order catalogues companies is focused on niche market of elderly, young children, cosmetics such as Sentagya natural food, TV Home Shopping gained significant growth. The estimates of United Nations Economic and Social Commission for Asia and the Pacific (UNSECAP) indicates the that the population of over 60 years old in the Asia-Pacific region will grow twofold by 2050. At that time, one out of four people in Taiwan will be over the age of 60, therefore prospect of the senior market and care provider services industry remains bright.

On the other hand, the market for baby products in Taiwan has been negatively impacted given the lower birth rates. However, the spend per child is rising, not only for high-income families, but parents in general are more willing to spend more for reputable branded growth, thereby driving the sales of mid to high priced products in this category.

4. Competitive Landscape

(1) TV shopping

momo's TV home shopping channels are an integrated TV shopping platform, and the main competitors in Taiwan are Eastern Home Shopping and ViVa. The TV home shopping business has been negatively impacted the rise of other virtual shopping platform (e-commerce and mobile business) in recent years and consumers' dependence on TV is gradually being reduced. Despite a challenging competitive landscape, momo TV launched its own TV shopping APP, benefiting from the increase of mobile transactions, in order to offset the decline in the revenue from TV home shopping.

(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 specificonline 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) Mail order catalogues shopping

Momo catalogues' positions itself as a TV shopping catalogue. It can be is considered a value-added services for its members and is attentional source of revenue for products sold on TV home shopping platforms. Main competitors are Eastern Home Shopping and Viva's catalogue business. The mail order catalogues market are dominated by the three TV shopping catalogues (momo, Eastern Home Shopping, ViVa), direct selling company (Amway / Avon / Herbalife /Nuskin, etc.), care products via direct mail sales from Japanese and the U.S. companies (DHC / ORBIS, etc.) and other mail order companies. Substitutes to momo's catalogues are the direct selling companies and mail order companies from japan and the U.S..

Research and Development

Momo has developed its own computer software in-house, with feature functions to support and/or track actives 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., kbro SMOD 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 kbro SMOD 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 a watch 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. Increasing a variety of payment options and opportunities in overseas markets.

The Company is planning to add multiple payment options such as credit card / unionpay card / Alipay, enabling Chinese consumers to use e-mail login into momo's website and complete the transaction. The purchased items can be shipped via either air / sea freight to be delivered to consumers in China. Longer term, the company will look for growth opportunities overseas.

momo will leverage the growth of the broadband TV SMOD online shopping experience

momo's E-commerce platforms have actively engaged in the promotion of cross platform development across TV, PC, mobile phone, tablets (four-screens) and cloud. This enables TV viewers to be able to shop in their living rooms while surfing on wireless digital TV, send and receive e-mail, and shop in momo platforms seamlessly. Going forward, the use of new technologies such as 3D glasses and audio devices, can further enhance TV viewers' shopping to experience in a virtual 3D department stores, making momo a multimedia home service platform .(Multimedia Home Platform)

b. Broadening product offerings to enhancing sell through

Even though momo's product offering has reached a level with decent scale, we will continue to look to increase product offerings and enhance SKUs at sub category levels by adding more brands and more items thereby increase consumers choices when shopping on our platform. Through strengthening product offerings in different categories, we can offer a more complete portfolio of brands and products to further drive our sales.

c. Providing Subscription Shopping Service to Make Purchases More Convenient

Subscription shopping service will be offered for household items to help office workers and/or housemakers 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).

d. 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.

e. 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 additional 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 reability and visual layup 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. Target customers by segment in order to drive revenue per page

The catalogue business will focus on enhancing its product offering for the elderly and children markets. For the elderly market, momo catalogue will cooperate with publications that focus on health / life nurturing-related issues, and distribute smaller pamphlet size catalogues to drive sales. In addition to selling products, such as health food, that are primarily targeting the elderly customer base, catalogue business can generate revenue from advertising of nursing and cleaning services. For the children’s market, momo catalogue can focus on providing seasonal products (back to school for example) and for in order to target the homemaker customer base, F&B categories will likely to see an increase in product offerings as well. Fashion is another major category for development. Clothing/Dresses will be presented to enhance product quality and style in order to improve customers’ affinity towards our product offerings. The target approach by customer segments and increase product offerings are keys to drive revenue per page’s productivity.

c. Integrating visual editing, sophisticated arrangement design

Improve visual stylization, created a sense of atmosphere, recommendations to effectively distinguish from other more traditional catalogues.

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-runcompany. 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. Strenthening 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

	2015		2016	
	Revenue	% of total	Revenue	% of total
Taiwan	25,352,524	98.88%	27,970,751	99.61%
China	287,374	1.12%	110,037	0.39%
Total	25,639,898	100%	28,080,788	100%

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

For online shopping, the MIC estimates the gross merchandise value for B2C is NT$529.1bn, NT$613.8bn, and NT$687.5bn for 2014, 2015, and 2016 respectively. Based on momoshop's revenue, momo's market share is 3.0%, 3.0% and 3.2% for those three years respectively.

Unit: NT$billion

	momoshop Revenue	B2C market size	%
2014	160.5	5,291	3.0%
2015	182.8	6,138	3.0%
2016	217.1	6,875	3.2%

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 television shopping channel in the United States. QVC has coverage of 96% of cable TV subscribing households, while TV shopping accounts 8% for gross retail sales in USA. In addition, Korean TV shopping accounts 12% for total gross of retail sales. The two markets are seen to be more mature TV home shopping markets.

In China, according to the Ministry of Commerce of PROC, estimating that scale of TV shopping will exceed more than RMB 46 bn in 2016, and increase of 15% YoY. The average growth rate over the past 5 years is more than 10%. In addition, the ASEAN market is also in stage of rapid growth of virtual shopping, for example of Thailand, according to Kasikorn Research Center, the scale of Thai TV shopping market is estimated to be Thai Baht $20 bn, with annual growth rate of 20%. Overall, except the United States, Japan, South Korea and other developed countries, China, Southeast Asia and other emerging countries still have great potential for growth for TV home shopping.

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 USA 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 emarketer's research report published in August 2016, the gross merchandise value of global e-commerce exceeded US$1.671 trillion in 2015 with an annual growth rate of 5.6%, and accounted about 7.4% for the overall retail channels. By 2019, the gross merchandise value of global e-commerce is expected to reach US$3.578 trillion, and account for 12.8% of overall retail sales. To further breakdown by regions, the Asia-Pacific region has become the world's largest E-commerce market, driven by the high growth of China and India, followed by the North American. In 2016, the retail market share of e-commerce platforms, Asia-Pacific region also has the highest penetration rate in the world, at 14.4% of retail sales and is expected to reach 20.4% by 2019. The global average for e-commerce penetration is 8.6% and the number is expected to reach 12.8% by 2019.

b. Domestic market

According to the research report of Institute of Information Industry published in August 2016, the gross merchandise value of E-commerce in Taiwan is estimated to be NT$ 1.1277 trillion in 2016. Of which, B2C (business-to-consumer) accounted for NT$ 687.5bn, with a growth rate of 12% YoY. The C2C market is estimated to be NT$440.3bn in 2016 with a growth of 12% YoY.

(3) Catalogue Shopping

a. Overseas market

Accordingly to a research report from IBIS world, the decline in the mail order business is 1.3% from 2011 to 2016. The decline is mainly the result of competition for E-commerce industry.

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, 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 integrations with E-commerce and catalogues

Momoshop is the second largest B2C platform in Taiwan and the momo catalogue is the largest by circulation. Through the integration of multiple sales channels, and cross platform marketing of products to our members, momo suppliers and their merchandise can leverage greater synergies provided by our platforms.

c. Leverage the scale of our members

momo.com Inc. officially launched its TV home shopping channels in January, 2005. By May of 2005, momohop.com and momo catalogue was went live. As of 2016, there are over 4.5 million members enrolled through our call centers (over 9.2 mn across multiple platforms). We have nearly 960,000 960,000 active customers in 2016. Through promotions and member management activities, TV home shopping has achieved sound results in increasing customer repurchases and activation of dormant members. The increased active member pool can also enhance the analysis result from the data base of past purchases.

(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 9.0% YoY increase in membership number, totaling 6.50 million users as of December 2016.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 2006The 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 momokids (TV) and along with momoshop.comcross 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. Mobile shopping market continues to grow rapidly

According to a report published by Criteo Marketing Company in third quarter of 2016, the gross merchandise value of mobile purchases in Southeast Asia increased by 19% YoY and accounted for 54% of online transactions. In Taiwan, mobile transactions accounted for 60% of online transactions, higher than the region's average and even higher than 30% in the U.S. The estimated growth rate of mobile commerce is expect to increase to 2018, suggesting the growth momentum of mobile commerce is strong will likely remain the key drier to the growth of e-commerce transactions in Taiwan.

b. Government to promote E-commerce

For the purpose of promoting development of e-commerce in international markets, the Government has actively promoted its "*New Internet Era, E-Commerce Development Plan*" and *"E-Commerce in Chinese and Transaction Security Promotion Program"*. The objective is to implement the push for the next generation of internet hardware adoption, accelerate layout of optical fiber and wireless broadband network in Taiwan, and promote the effective use of spectrum resources, facilitate integration of technology development and heterogeneous networks, and promote fair market pricing rates and other strategies. According to the *Taiwan Broadband Network Usage Survey* in August, 2016, the 89.4% of the population has access to internet compared to 77.7% in 2014, or approximately 18.8 mn individuals have access to the internet. 100% of the 18 to 30-year-olds have access to internet and they are the main 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

	2015				2016			
	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	4,631,276	8,100,149	-	-	4,198,600	7,351,422	-	-
Online shopping	15,325,570	17,224,064	-	-	18,086,482	20,579,572	-	-
Others	-	28,311	299,429	287,374	-	39,757	103,988	110,037
Total	19,956,846	25,352,524	299,429	287,374	22,285,082	27,970,751	103,988	110,037

iii.Human Resources

Employee statistics in the past two years up to publication date

Year		2015	2015	2017 (as of Feb 27)
Number of employees	Direct employees	1,054	1,090	1,082
	Indirect employees	441	520	525
	Total	1,495	1,610	1,607
Average age		33.96	34.28	34.40
Average years of service		4.26	4.43	4.54
Education level	Ph.D.	0.13%	0.30%	0.30%
	Master's	7.76%	9.90%	9.90%
	University	71.64%	71.10%	71.20%
	College	19.60%	17.90%	17.80%
	Others	0.87%	0.80%	0.80%

iv.Environmental Protection Expenditure

Loss or penalty due to environmental pollution in 2016 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 subsidizedprofessional off-site training courses.The Company also holds open courses from time to time for internal employee training.

2. Retirement system and implementation thereof

(1) Subject to Labor Standard Act and Labor Pension Act, adhere to regulations for employee retirement to ensure rights and benefits relating to employees' retirement.

(2) Subject to Labor Standard Act, to establish the Labor Pension Fund Supervisory Committee (here-in-after referred to as the Supervisory Committee) and shall reserve amount of 2% of monthly wage and contribute it to the labor retirement reserve fund account.

(3) Subject to Subject to provisions stipulated in Labor Pension Act, and he amount of each labor pension borne by the employer shall reserve 6% of the worker's monthly wage for individual accounts of labor pension at the Bureau for employees applicable to the 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

Agreement	Counterparty	Period	Major Contents	Restrictions
Contract Agreement	President Transnet Corp.	2014.07.18-2017.12.31	Contract Agreement	President Transnet Corp.
Contract Agreement	HCT Logistics Co., LTD.	2015.11.01-2017.12.31	Contract Agreement	HCT Logistics Co., LTD.
Contract Agreement	Kerry TJ Logistics Co., LTD.	2015.08.01-2017.09.30	Contract Agreement	Kerry TJ Logistics Co., LTD.
Lease Agreement, Contract Agreement	Taiwan Pelican Express Co., LTD.	2016.09.01-2017.08.31	Lease Agreement Contract Agreement	Taiwan Pelican Express Co., LTD.
Lease Agreement, Contract Agreement	Taiwan Pelican Express Co., LTD.	2016.12.01-2017.12.31	Lease Agreement Contract Agreement	Taiwan Pelican Express Co., LTD.
Contract Agreement	Yin Tzi Business Management LTD	2017.01.01-2017.10.31	Contract Agreement	Yin Tzi Business Management LTD
Lease Agreement	China Network Systems Co., LTD.	2014.01.01-2017.12.31	Lease Agreement	China Network Systems Co., LTD.
Lease Agreement	KBRO CO., LTD.	2014.01.01-2017.12.31	Lease Agreement	KBRO CO., LTD.
Lease Agreement	Taiwan Fixed Network Co., LTD.	2014.01.01-2017.12.31	Lease Agreement	Taiwan Fixed Network Co., LTD.
Lease Agreement	Imovie International Inc.	2017.01.01-2017.12.31	Lease Agreement	Imovie International Inc.
Lease Agreement	Taiwan Digital Lighting Technologies LTD	2016.01.01-2017.12.31	Lease Agreement	Taiwan Digital Lighting Technologies LTD
Contract Agreement	Li Jin Engineering Co., LTD.	2015.10.20-2017.02.17	Contract Agreement	Li Jin Engineering Co., LTD.
Sale Agreement	Taiwan Daifuku Co., LTD. Hsinchu Branch	2015.12.29-2018.12.29	Sale Agreement	Taiwan Daifuku Co., LTD. Hsinchu Branch

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 (2013-2016) – Based on IFRS

Unit: NT$'000

		2013 (Note 1)	2014 (Note 1)	2015 (Note 1)	2016 (Note 1)
Current assets		3,823,187	6,279,128	5,447,269	5,377,560
Property, plant and equipment (PP&E)		541,415	2,130,337	2,119,308	2,885,326
Intangible assets		11,339	16,412	10,386	16,707
Other assets		843,697	1,175,302	1,514,476	1,484,163
Total assets		5,219,638	9,601,179	9,091,439	9,763,756
Current liabilities	Before appropriation	2,808,504	3,048,577	3,197,086	3,718,448
	After appropriation	3,256,009	4,253,234	4,177,496	-(Note 2)
Non-current liabilities		255,094	241,612	252,828	263,965
Total liabilities	Before appropriation	3,063,598	3,290,189	3,449,914	3,982,413
	After appropriation	3,511,103	4,494,846	4,430,324	-(Note 2)
Equity attributable to owners of the parent company		2,156,040	6,310,990	5,641,525	5,781,343
Paid-in capital		1,278,585	1,420,585	1,420,585	1,420,585
Capital surplus	Before appropriation	58,044	3,329,617	3,354,858	3,175,583
	After appropriation	58,044	3,329,617	3,175,583	-(Note 2)
Retained earnings	Before appropriation	839,428	1,560,595	1,414,615	1,794,692
	After appropriation	391,923	355,938	613,480	-(Note 2)
Other equity interest		(20,017)	193	(151,358)	(212,342)
Treasury shares		-	-	(397,175)	(397,175)
Non-controlling interest		-	-	-	-
Total equity	Before appropriation	2,156,040	6,310,990	5,641,525	5,781,343
	After appropriation	1,708,535	5,106,333	4,661,115	-(Note 2)

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

Note 2：The appropriation amount for the 2016 earnings has not to be approved at the AGM yet.

2. Stand-alone statements of comprehensive income (2013-2016) – Based on IFRS

Unit: NT$'000

	2013 (Note 1)	2014 (Note 1)	2015 (Note 1)	2016 (Note 1)
Operating revenue	20,249,120	23,442,127	25,345,046	27,930,996
Gross profit	2,545,642	3,280,074	3,150,230	3,255,227
Operating income	1,119,671	1,597,377	1,289,018	1,293,955
Non-operating income (expenses)	(105,208)	(60,807)	13,208	125,248
Pre-tax income	1,014,463	1,536,570	1,302,226	1,419,203
Income from continuing operations	811,060	1,248,371	1,060,781	1,183,227
Loss from discontinued operations, net of tax	(249,392)	(78,329)	-	-
Net income	561,668	1,170,042	1,060,781	1,183,227
Other comprehensive income (after tax)	(38,636)	18,840	(153,655)	(62,863)
Comprehensive income	523,032	1,188,882	907,126	1,120,364
Profit attributable to owners of the parent company	561,668	1,170,042	1,060,781	1,183,227
Profit attributable to non-controlling interest	-	-	-	-
Comprehensive income attributable to owners of parent company	523,032	1,188,882	907,126	1,120,364
Comprehensive income attributable to non-controlling interest	-	-	-	-
EPS (NT$)	4.39	9.11	7.48	8.45

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 (2012) – Based on ROC GAAP

Unit: NT$'000

		2012
Current assets		3,764,563
Investments		527,001
Fixed assets		319,416
Intangible assets		16,469
Other assets		138,020
Total assets		4,765,469
Current liabilities	Before appropriation	2,385,487
	After appropriation	2,886,692
Long-term liabilities		3,949
Other liabilities		228,368
Total liabilities	Before appropriation	2,617,804
	After appropriation	3,119,009
Paid-in capital		1,278,585
Capital surplus		8,594
Retained earnings	Before appropriation	882,091
	After appropriation	380,886
Translation adjustments		(21,605)
Total shareholders' equity	Before appropriation	2,147,665
	After appropriation	1,646,460

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

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

Unit: NT$'000

	2012
Operating revenue	18,709,897
Gross profit	2,689,675
Operating income	842,841
Non-operating income	29,514
Non-operating expenses	160,617
Income before tax	711,738
Income from continuing operations- after tax	558,095
Income from discontinued operations	-
Extraordinary gain or loss	-
Cumulative effect of accounting principle changes	-
Net income	558,095
EPS (NT$) (Note 2)	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 (2013-2016) – Based on IFRS

Unit: NT$'000

		2013 (Note 1)	2014 (Note 1)	2015 (Note 1)	2016 (Note 1)
Current assets		4,368,741	6,792,676	5,940,774	5,715,073
Property, plant and equipment (PP&E)		717,348	2,264,717	2,190,151	2,921,160
Intangible assets		23,100	27,815	19,837	24,239
Other assets		683,308	949,303	1,456,688	1,450,828
Total assets		5,792,497	10,034,511	9,607,450	10,111,300
Current liabilities	Before appropriation	3,345,095	3,385,989	3,683,020	4,066,357
	After appropriation	3,792,600	4,590,646	4,663,430	-(Note 2)
Non-current liabilities		274,474	253,661	267,878	265,341
Total liabilities	Before appropriation	3,619,569	3,639,650	3,950,898	4,331,698
	After appropriation	4,067,074	4,844,307	4,931,308	-(Note 2)
Equity attributable to owners of the parent company		2,156,040	6,310,990	5,641,525	5,781,343
Paid-in capital		1,278,585	1,420,585	1,420,585	1,420,585
Capital surplus	Before appropriation	58,044	3,329,617	3,354,858	3,175,583
	After appropriation	58,044	3,329,617	3,715,583	-(Note 2)
Retained earnings	Before appropriation	839,428	1,560,595	1,414,615	1,794,692
	After appropriation	391,923	355,938	613,480	-(Note 2)
Other equity interest		(20,017)	193	(151,358)	(212,342)
Treasury shares		-	-	(397,175)	(397,175)
Non-controlling interest		16,888	83,871	15,027	(1,741)
Total equity	Before appropriation	2,172,928	6,394,861	5,656,552	5,779,602
	After appropriation	1,725,423	5,190,204	4,676,142	-(Note 2)

Note 1：All financial data have been duly audited by independent auditors.
Note 2：The appropriation amount for the 2016 earnings has not to be approved at the AGM yet.

6. Consolidated statements of comprehensive income (2013-2016) – Based on IFRS

Unit: NT$'000

	2013 (Note 1)	2014 (Note 1)	2015 (Note 1)	2016 (Note 1)
Operating revenue	20,542,841	23,897,005	25,639,898	28,080,788
Gross profit	2,555,246	3,304,657	3,103,662	3,311,180
Operating income	934,782	1,427,415	1,058,769	1,270,418
Non-operating income (expenses)	45,854	82,335	177,290	140,872
Pre-tax income	980,636	1,509,750	1,236,059	1,411,290
Income from continuing operations	767,557	1,211,194	993,089	1,166,628
Loss from discontinued operations, net of tax	(249,392)	(78,329)	-	-
Net income	518,165	1,132,865	993,089	1,166,628
Other comprehensive income (after tax)	(37,789)	21,447	(154,807)	(63,032)
Comprehensive income	480,376	1,154,312	838,282	1,103,596
Profit attributable to owners of the parent company	561,668	1,170,042	1,060,781	1,183,227
Profit attributable to non-controlling interest	(43,503)	(37,177)	(67,692)	(16,599)
Comprehensive income attributable to owners of parent company	523,032	1,188,882	907,126	1,120,364
Comprehensive income attributable to non-controlling interest	(42,656)	(34,570)	(68,844)	(16,768)
EPS (NT$)	4.39	9.11	7.48	8.45

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 (2012) – Based on ROC GAAP

Unit: NT$'000

		2012
Current assets		4,280,244
Investments		359,643
Fixed assets		531,105
Intangible assets		28,953
Other assets		147,880
Total assets		5,347,825
Current liabilities	Before appropriation	2,933,046
	After appropriation	3,434,251
Long-term liabilities		3,949
Other liabilities		247,098
Total liabilities	Before appropriation	3,184,093
	After appropriation	3,685,298
Paid-in capital		1,278,585
Capital surplus		8,594
Retained earnings	Before appropriation	882,091
	After appropriation	380,886
Translation adjustments		(21,605)
Minority interest		16,067
Total shareholders' equity	Before appropriation	2,163,732
	After appropriation	1,662,527

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

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

Unit: NT$'000

	2012
Operating revenue	18,922,692
Gross profit	2,657,167
Operating income	629,480
Non-operating income	47,895
Non-operating expenses	10,071
Income before tax	667,304
Income from continuing operations- after tax	506,641
Income from discontinued operations	-
Extraordinary gain or loss	-
Cumulative effect of accounting principle changes	-
Net income	506,641
EPS (NT$) (Note 2)	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	Replacement reason
2012	KPMG	Simon Chen, Janice Lai	Unqualified opinion	-
2013	KPMG	Simon Chen, Leo Chi	Unqualified opinion	Due to restructuring at the firm
2014	KPMG	Simon Chen, Leo Chi	Unqualified opinion	-
2015	Deloitte & Touche	Vita Kuo, Peter Lin	Modified unqualified opinion	Professional services required to coordinate operation and management
2016	Deloitte & Touche	Vita Kuo, Peter Lin	Unqualified opinion	-

ii.Financial Analysis

Consolidated financial analysis (2013-2016) – Based on IFRS

		2013	2014	2015	2016
Financial structure	Liability to asset ratio (%)	62.49	36.27	41.12	42.84
	Long-term fund to PP&E ratio (%)	341.17	293.57	270.50	206.94
Solvency	Current ratio (%)	130.60	200.61	161.30	140.55
	Quick ratio (%)	118.56	195.90	156.55	131.73
	Interest coverage ratio (%)	46.91	141.96	5172.79	432.85
Operations	Accounts receivable turnover (x)	45.42	46.42	45.29	42.95
	Average collection days	8.04	7.86	8.05	8.49
	Inventory turnover (x)	29.42	64.89	116.63	87.69
	Accounts payable turnover (x)	7.74	7.93	8.08	8.25
	Average days sales	12.41	5.63	3.12	4.16
	Property, plant and equipment turnover (x)	34.08	16.14	11.51	10.99
	Total asset turnover (x)	3.85	3.04	2.61	2.85
Profitability	Return on assets (%)	9.61	14.42	10.11	11.86
	Return on equity (%)	24.00	26.44	16.48	20.40
	Pre-tax income as a % of paid-in capital	53.20	99.63	87.01	99.35
	Net income margin (%)	2.44	4.71	3.87	4.15
	EPS (NT$)	4.39	9.11	7.48	8.45
Cash flow	Cash flow ratio (%)	46.52	52.79	30.69	29.66
	Cash flow adequacy ratio (%)	148.06	102.75	92.56	90.82
	Cash reinvestment rate (%)	37.88	19.31	(1.16)	8.65
Leverage	Operating leverage	6.67	3.86	4.74	4.04
	Financial leverage	1.02	1.01	1.00	1.00

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

Note 2：The 2013-2016 financial data have been duly audited by independent auditors.

The following explains the financial ratios that fluctuated more than 20% between 2015 and 2016:

1、Ratio of long-term fund as a percentage of property, plant and equipment: construction of logistic center in 2016 increased the value of property, plant and equipment vs. 2015 and caused the ratio to decline.

2、Interest coverage ratios: Fubon Gehua (Beijing) Enterprise Ltd. took on addition bank loans in 2016 which caused interest expense to increase on a YoY basis, resulting in the lower interest coverage ratio.

3、Rate of inventory turnover, average days of sales: In order to improve our fulfilment capabilities versus the competition, inventory levels increased, thereby reducing inventory turns.

4、Return of equity: higher profitability in 2016 versus 2015, leading to higher ROE

5、Reinvestment of cash: marginally lower in 2016 given the increase in operating cash flow and lower cash dividend payout for earnings from fiscal year 2015.

Stand-alone financial analysis (2013-2016) – Based on IFRS

		2013	2014	2015	2016
Financial structure	Liability to asset ratio (%)	58.69	34.27	37.95	40.79
	Long-term fund to PP&E ratio (%)	445.34	307.59	278.13	209.52
Solvency	Current ratio (%)	136.13	205.97	170.38	144.62
	Quick ratio (%)	124.25	201.76	165.48	135.46
	Interest coverage ratio (%)	4,080.95	14,568.75	52,090.04	1,419,204.00
Operations	Accounts receivable turnover (x)	45.77	47.21	46.29	42.54
	Average collection days	7.97	7.73	7.88	8.58
	Inventory turnover (x)	29.64	65.66	118.69	88.08
	Accounts payable turnover (x)	7.86	8.02	8.16	8.28
	Average days sales	12.31	5.56	3.08	4.14
	Property, plant and equipment turnover (x)	48.74	17.68	11.93	11.16
	Total asset turnover (x)	4.24	3.19	2.71	2.96
Profitability	Return on assets (%)	11.36	15.79	11.35	12.55
	Return on equity (%)	26.22	27.64	17.75	20.72
	Pre-tax income as a % of paid-in capital	55.84	101.52	91.67	99.90
	Net income margin (%)	2.68	4.95	4.19	4.24
	EPS (NT$)	4.39	9.11	7.48	8.45
Cash flow	Cash flow ratio (%)	58.42	66.21	37.06	36.43
	Cash flow adequacy ratio (%)	161.48	113.54	103.81	99.93
	Cash reinvestment rate (%)	42.49	23.30	(0.31)	14.74
Leverage	Operating leverage	4.99	3.34	3.84	3.93
	Financial leverage	1.00	1.00	1.00	1.00

Note 1：The aforementioned table was calculated after offsetting the balance from discontinued operations.
Note 2：The 2013-2016 financial data have been duly audited by independent auditors.
The following explains the financial ratios that fluctuated more than 20% between 2015 and 2016:

1、 Ratio of long-term fund as a percentage of property, plant and equipment: construction of logistic center in 2016 increased the value of property, plant and equipment vs. 2015 and caused the ratio to decline.
2、 Interest coverage ratios: ratio increased as the result of higher pretax profit, and amortization of interest payment until May 2016.
3、 Rate of inventory turnover, average days of sales: In order to improve our fulfilment capabilities versus the competition, inventory levels increased, thereby reducing inventory turns.
4、Reinvestment of cash: marginally lower in 2016 given the increase in operating cash flow and lower cash dividend payout for earnings from fiscal year 2015.

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 = COGS / Average accounts payable
(5)Average days sales = 365 / Inventory turnover
(6)PP&E turnover = Net revenue / Average net PP&E
(7)Total asset turnover = Net revenue / Average total assets
4.Profitability
(1)Return on assets = [Net income + Interest expense x (1 – Tax rate)] / Average assets
(2)Return on equity = Net income / Average equity
(3)Net income margin = Net income / Net sales
(4)EPS = (Net income – Preferred stock dividend) / Weighted average outstanding shares
5.Cash flow
(1)Cash flow ratio = Cash flow from operating activities / Current liabilities

(2)Cash flow adequacy ratio = Net cash flow from operating activities for the past 5 years / (Capital expenditures + Increases in inventory + Cash dividend) for the past 5 years (2009-2011 numbers were calculated based on ROC GAAP)

(3)Cash reinvestment rate = (Cash flow from operating activities – Cash dividends) / (Gross fixed assets + Long-term investments + Other assets + Working capital)

(Note: Use zero if working capital value is negative)

6.Leverage

(1)Operating leverage = (Net revenue – Variable operating costs and expenses) / Operating income

(2)Financial leverage = Operating income / (Operating income – Interest expense)

Consolidated financial analysis (2012) – Based on ROC GAAP

			2012
Financial structure	Liability to asset ratio (%)		59.54
	Long-term fund to fixed asset ratio (%)		408.15
Solvency	Current ratio (%)		145.93
	Quick ratio (%)		121.99
	Interest coverage ratio (%)		173.83
Operations	Accounts receivable turnover (x)		36.39
	Average collection days		10.03
	Inventory turnover (x)		25.41
	Accounts payable turnover (x)		6.81
	Average days sales		14.37
	Fixed asset turnover (x)		33.16
	Total asset turnover (x)		3.73
Profitability	Return on assets (%)		10.06
	Return on equity (%)		23.34
	% of paid-in capital	Operating income	49.23
		Pre-tax income	52.19
	Net profit margin (%)		2.68
	EPS (NT$)		4.36
Cash flow	Cash flow ratio (%)		32.61
	Cash flow adequacy ratio (%)		152.20
	Cash reinvestment rate (%)		15.14
Leverage	Operating leverage		7.16
	Financial leverage		1.01

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

			2012
Financial structure	Liability to asset ratio (%)		54.93
	Long-term fund to fixed asset ratio (%)		673.61
Solvency	Current ratio (%)		157.81
	Quick ratio (%)		131.74
	Interest coverage ratio (%)		2,507.12
Operations	Accounts receivable turnover (x)		37.30
	Average collection days		9.79
	Inventory turnover (x)		25.64
	Accounts payable turnover (x)		7.00
	Average days sales		14.23
	Fixed asset turnover (x)		54.88
	Total asset turnover (x)		4.11
Profitability	Return on assets (%)		12.28
	Return on equity (%)		26.22
	% of paid-in capital	Operating income	65.92
		Pre-tax income	55.67
	Net profit margin (%)		2.98
	EPS (NT$)		4.36
Cash flow	Cash flow ratio (%)		45.99
	Cash flow adequacy ratio (%)		168.23
	Cash reinvestment rate (%)		20.33
Leverage	Operating leverage		4.92
	Financial leverage		1.00

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 = [Net income + Interest expense * (1 – Tax rate)] / Average assets
 (2)Return on equity = Net income / Average equity
 (3)Net income margin = Net income / Net sales
 (4)EPS = (Net income – Preferred stock dividend) / Weighted average outstanding shares
5.Cash flow
 (1)Cash flow ratio = Cash flow from operating activities / Current liabilities
 (2)Cash flow adequacy ratio = Net cash flow from operating activities for the past 5 years / (Capital expenditures + Increases in inventory + Cash dividend) for the past 5 years
 (3)Cash reinvestment rate = (Cash flow from operating activities – Cash dividends) / (Gross fixed assets + Long-term investments + Other assets + Working capital)
 (Note: Use zero if working capital value is negative)
6.Leverage
 (1)Operating leverage = (Net revenue – Variable operating costs and expenses) / Operating income
 (2)Financial leverage = Operating income / (Operating income – Interest expense)

iii. Audit Committee Report

January 24, 2017

Hereby, the 2016 Annual Financial Statements submitted by the board of directors were verified and compiled into a report by accountants Li-Wen Kuo and Wen-Ching Lin at Deloitte and Touche Accounting Firm. An examination by this audit committee did not find inconsistencies in the abovementioned financial statements. In accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, the report is presented for review.

Sincerely,

The 2017 General Shareholders’ Meeting of momo.com Inc.

momo.com Inc.

Audit committee convener: Si-Kuan Chen

iv.The2016 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

2015 - 2016 Consolidated Balance Sheet

Unit: NT$'000, %

	2015	2016	YoY change	
			Amount	%
Current assets	5,940,774	5,715,073	(225,701)	(3.80)
Property, plant and equipment	2,190,151	2,921,160	731,009	33.38
Intangible assets	19,837	24,239	4,402	22.19
Other assets	1,456,688	1,450,828	(5,860)	(0.40)
Total assets	9,607,450	10,111,300	503,850	5.24
Current liabilities	3,683,020	4,066,357	383,337	10.41
Long-term Liabilities	267,878	265,341	(2,537)	(0.95)
Total liabilities	3,950,898	4,331,698	380,800	9.64
Paid-in capital	1,420,585	1,420,585	-	-
Capital surplus	3,354,858	3,175,583	(179,275)	(5.34)
Retained earnings	1,414,615	1,794,692	380,077	26.87
Other equity	(151,358)	(212,342)	(60,984)	40.29
Treasury stock	(397,175)	(397,175)	-	-
Non-controlling interests	15,027	(1,741)	(16,768)	(111.59)
Total equity	5,656,552	5,779,602	123,050	2.18

The financial statements for 2015 and 2016 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:

1. Property, plant and equipment: increase is mainly result of the construction logistic center.
2. Retained earnings: the increase is the result of higher net income and special reserves.
3. Other equity: result of translation losses from financial statements of a foreign subsidiary.
4. Non-controlling interests: result of losses of subsidiary.

ii.Statements of Comprehensive Income Analysis

Consolidated statements of comprehensive income analysis

2015 – 2016 Consolidated Statements of Comprehensive Income

Unit: NT$'000, %

	2015	2016	YoY change	
			Amount	%
Operating revenue	25,639,898	28,080,788	2,440,890	9.52
Operating costs	22,536,236	24,769,608	2,233,372	9.91
Gross profit	3,103,662	3,311,180	207,518	6.69
Operating expenses	2,043,265	2,041,246	(2,019)	(0.10)
Other operating income (expenses)	(1,628)	484	2,112	(129.73)
Operating income	1,058,769	1,270,418	211,649	19.99
Non-operating income (expenses)	177,290	140,872	(36,418)	(20.54)
Income before tax	1,236,059	1,411,290	175,231	14.18
Tax expense	242,970	244,662	1,692	0.70
Net income	993,089	1,166,628	173,539	17.47
Other comprehensive income	(154,807)	(63,032)	91,775	(59.28)
Comprehensive income	838,282	1,103,596	265,314	31.65

The financial statements for 2015 and 2016 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:

1. non-operating income and losses: lower interest income on bank deposits and lower income from sales of investments.
2. Increase of other comprehensive income: result of lower losses from available-for-sale financial assets.
3. Increase of comprehensive income: higher net income in 2016 and lower losses from 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

2015 – 2016 Consolidated Cash Flow Statement

Unit: NT$'000, %

	2015	2016	YoY change	
			Amount	%
Cash inflow (outflow) from operating activities	1,130,175	1,206,149	75,974	6.72
Cash inflow (outflow) from investment activities	1,565,304	(601,863)	(2,167,167)	(138.45)
Cash inflow (outflow) from financing activities	(1,525,290)	(987,194)	538,096	(35.28)
Impact from changes in exchange rate	(318)	186	504	(158.49)
Net cash increase (decrease)	1,169,871	(382,722)	(1,552,593)	(132.71)

Analysis of the Change in Cash Flow:

1. Net cash inflow increased from operating activities: Lower income tax paid in 2016 vs. 2015, resulting in higher operating cash flow in 2016.
2. Net cash inflow decreased from investment activities: Payments for warehouse buildings and equipment made for the construction of our logistics center in 2016; was not offset by sales financial assets.
3. Net cash inflow increased from financing activities: Cash dividend paid out in 2016 was less than that in 2015; in addition there was no buy back of treasury shares.

Plans to improve negative liquidity： Not applicable

Consolidated projected cash flow for 2017

2017 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
2,745,359	1,374,593	1,822,746	2,297,206	–	–

Explanations and analysis:
Operating revenue and profit growth trends in 2017 are expected to remain unchanged from those in 2016; therefore, the expected cash balance amounts to NT $2,297,206,000.
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 of material influence.

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:

The investment interest assessed with equity method at NT$ 62,006,000 in 2016, and was at NT$ 78,599,000 under consolidated basis. Such interest increased considerably more than previous year mainly due to stable operation in re-investment.

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 Taiwanby 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, %

	2015	% of Operating revenue	2016	% of Operating revenue
Interest income	83,675	0.33%	61,428	0.22%
Interest expense	239	0.00%	3,268	0.01%
Exchange gain (loss)	8,998	0.04%	576	0.00%

1. Impact of interest rate fluctuations

The interest income of the Company and its subsidiary was NT $83,675,000 in 2015 and NT $61,428,000 in 2016, which respectively accounted for 0.33% and 0.22% of the net operating revenue. In addition, the interest expense for 2015 and 2016 was NT $239,000 and NT $3,268,000, respectively accounting for 0.00% and 0.01% 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 $8,998,000 for 2015 and NT $576,000 for 2016, which respectively accounted for 0.04% and 0.00% of the net operating revenue. The Company and its subsidiary's proportion of operating revenue in Taiwan registered 99.61%. 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 cashflow demands. The ultimate goal is to minimize risks associated with exchange rate volatility and thereby reduce the impact of such volatility on theearnings 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

Cooperating with external contractors in 2016 for development of smart customer service system, use of online robot technology that enable consumers to talk to robot in time through dialogue window, to guide customers to quickly get relevant response to questions, to speed up response time, to contract waiting time and to improve service efficiency.

Specially, in order to provide user with better services, the Company combined with large data analysis, information of visitor behavior and otherwise developing and expanding business decision-making system, to provide more real-time and multi-dimensional analysis information, help website business to conduct business analysis and operation development for which could develop more services and commodities satisfying consumers' need.

The website recommendation system had been developed in cooperation with ITRI, and the Company will further cooperate with ITRI in combination with large-scale data distributed computing platform to develop a list of recommended products that are more in line with consumers' demand, and also to conduct intellectualized products analysis and recommended indicators performance system, to provide website business with analysis of operation and marketing.

In 2017, the Company will carry out development and application of cloud-related technology, based on company's traffic system and activities page and goods page on front-end website to use cloud-related technology for distribution and deployment, and by rapid-expansion material of cloud to accelerate overall website, providing consumers with a better shopping experience.

The projected annual cost at 2017 estimated at about NT$ 10,000,000.

Plan	Description
smart customer services system	Combination with online robot technology to guide customers to quickly get response to questions online in time, and improve customer services' quality and efficiency.
optimization of search system	Cooperating with ITRI to set up search system, help members can quickly find out suitable goods through more accurate search results and recommendations.
Page rendering caching mechanism	Utilizing cloud technology to accelerate web pages and images browsing efficiency and presentation of the page can be faster.

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 thedevelopment 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 2016 up to publication date in 2017

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 2016 up to publication date in 2017

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 2016 up to publication date in 2017

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 m2 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 $2,511,422,000, 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 87,403 m^2 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 2016 up to publication date in 2017

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 Companydoes 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 2016 up to publication date in 2017

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 2016 up to publication date in 2017

Not applicable.

Significant lawsuits and non-litigious matters in 2016 up to publication date in 2017

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.

Unit: NT$'000

Company (Defendant)	Description of event	amount of subject matter	Date of commence of action	Mainly involved parties	Status	notes
momo.com Inc.	Fair Trade Commission claim puffing against commercial of "Vertex tourmaline energy body extremely pants" on the record of momo shopping channel and momo shopping network, and sale of "Japan Vertex far infrared energy extreme plastic sweater pants" on the momo shopping network.	1,800	2016.02.23	momo.com Inc.	Disposal:1,800,000 NT(dated 2016.09.13)	none
momo.com Inc.	Plaintiff, UNICE SPA claimed against the Company for 4,570,000. NT of guarantee fund and accounts receivable.	4,570	2016.11.21	momo.com Inc.、EUNICE SPA	In trial of common pleas governed by Taiwan Taipei District Court	none

Other major risks: None.

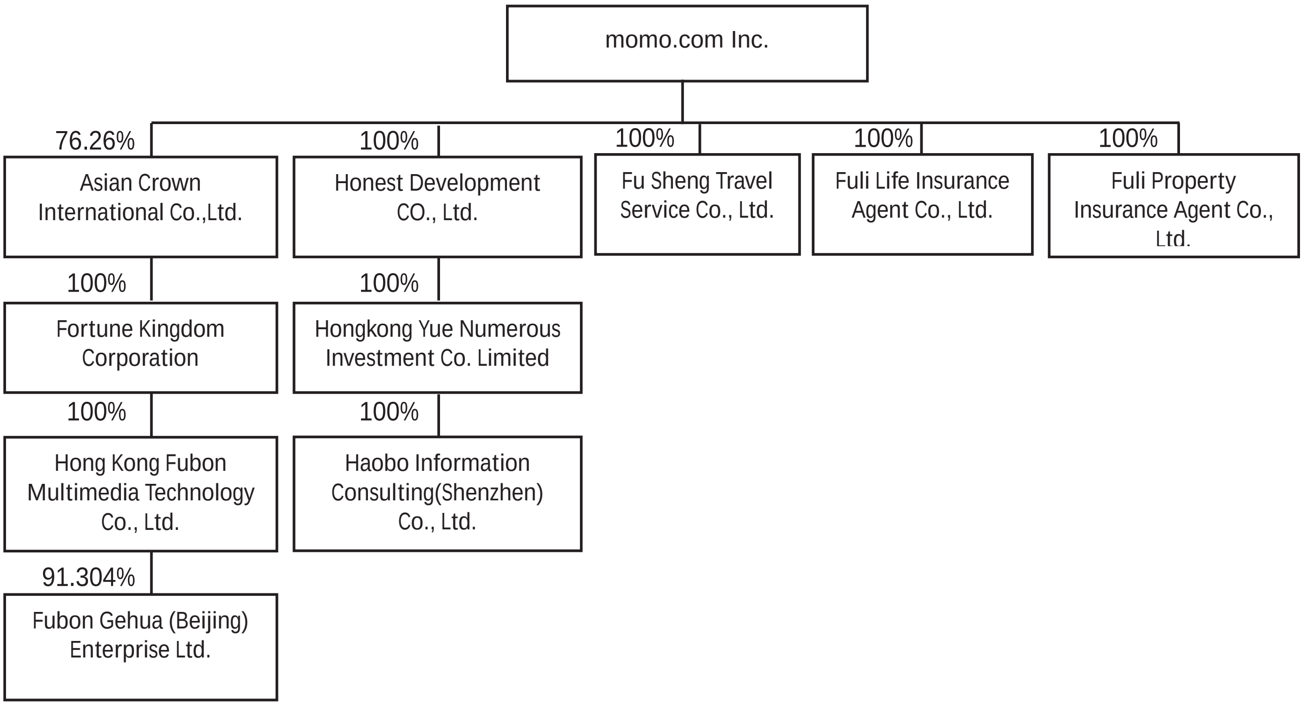
vii.Other significant items:None.

VIII. Special Notes

i. Affiliates

Investment holding structure

As of December 31, 2016



Affiliates' profile

December 31, 2016; 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.	2009.01.07	Palm Grove House,P.0. Box 438, RoadTown , Tortola , British Virgin Islands	USD34,750,000	Investment
Fortune Kingdom Corporation	2009.01.06	Equity Trust Chambers , P.O. Box 3269 , Apia, Samoa	USD33,632,777	Investment
Hong Kong Fubon Multimedia Technology Co.,Limited	2010.03.18	Unit 1405-1406, Dominion Centre 43-59 Queen's Road East, Wanchai, Hong Kong	USD33,632,777	Investment
Fubon Gehua (Beijing) Enterprise Ltd.	2010.12.08	Room 102, Building 3, No. 241, Pingfang Road Chaoyang District, Beijing China.	RMB230,000,000	Wholesale sales
Honest Development CO., Ltd.	2015.01.23	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	2015.03.12	Unit 1903, 19/F., Podium Plaza, 5 Hanoi Road, Tsirn Sha Tsui. Kowloon, Hong Kong	HK16,600,000	Investment
Haobo Information Consulting(Shenzhen) Co., Ltd.	2008.11.14	2208B., Fuchun Eastern Building, Agricultural Science Center, Futian Distrct Shenzhen Shenzhen, Guangdong Province	RMB11,000,000	Investment

Affiliates' operating highlights

December 31, 2016; 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	9,763,756	3,982,413	5,781,343	27,930,996	1,293,955	1,183,227	8.45
Fu Sheng Travel Service Co., Ltd.	30,000	311,056	265,604	45,452	35,674	24,894	18,327	6.11
Fuli Life Insurance Agent Co., Ltd.	5,000	11,457	507	10,950	3,549	2,619	2,218	4.44
Fuli Property Insurance Agent Co., Ltd.	5,000	7,661	267	7,394	533	(915)	(722)	(1.44)
Asian Crown International Co.,Ltd.	1,068,610	4,746	8,513	(3,767)	-	(58)	(49,976)	(1.44)
Fortune Kingdom Corporation	1,035,051	-	8,513	(8,513)	-	-	(49,834)	(1.48)
Hong Kong Fubon Multimedia Technology Co., Ltd.	1,035,051	381	8,894	(8,513)	-	(112)	(49,834)	(1.48)
Fubon Gehua (Beijing) Enterprise Ltd.	1,064,670	88,704	98,446	(9,742)	110,037	(50,758)	(54,447)	Not applicable
Honest Development CO., Ltd.	670,448	716,333	-	716,333	-	-	56,751	2.61
Hongkong Yue Numerous Investment Co. Limited	66,035	716,333	-	716,333	-	-	56,751	3.42
Haobo Information Consulting(Shenzhen) Co., Ltd.	50,919	736,904	20,571	716,333	-	(56)	56,751	Not applicable

Note : Exchange rate of US$1=NT$32.28and RMB1=NT$4.629 as of December 31, 2016
Average exchange rate of US$1=NT$32.2566 and RMB1=NT$4.860 for 2016

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

Very truly yours,

momo.com Inc.

By

____
HOWARD LIN
Chairman

January 24, 2017

Deloitte.

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INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
momo.com Inc.

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

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

Risk of revenue recognition

The Group's primary source of revenue is generated from virtual channels, including TV shopping channels, E-commerce portals and catalogues. Due to the nature of the Group's core sales, the Group offers a wide range of products and services to different customers; the trading quantity is rather high while each transaction is individually low in value and is highly automated through the website and related system. As a result of the Group's business model being highly relying on IT infrastructure and the fact that the Group process, store and transmit large amounts of data through digital and web-based environment, the risk derived from revenue recognition depends on whether the sales amount can be transferred in the IT system appropriately thus ensuring correct timing of revenue recognition. We obtained an understanding and tested the major automatic and manual controls of the related IT system with the assistance of our IT specialists to perform test of details as an audit procedure of sales revenue for the year ended December 31, 2016. The major audit procedures as follows:

1. Verify the details of invoices in the system to check if the sales amount of each invoice is consistent with its shipping notice and sales order.

2. Confirm the completeness and consistency of transmission through IT system by testing the information transferred from front-end system to general ledger system, and further perform tests on whether the Daily Sales Report in the system is consistent with journal entries of revenue each day.

Impairment of property, plant and equipment estimates

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

1. Obtain the Group's valuation report of impairment indicators regarding each cash generating unit.

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

Other Matter

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

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

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

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

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

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

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

Deloitte & Touche

Deloitte & Touche
Taipei, Taiwan
Republic of China

January 24, 2017

<u>*Notice to Readers*</u>

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

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

momo.com Inc. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2016 AND 2015
(In Thousands of New Taiwan Dollars)

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

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

momo.com Inc. AND SUBSIDIARIES

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

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

(Continued)

momo.com Inc. AND SUBSIDIARIES

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

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

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

momo.com Inc. AND SUBSIDIARIES

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

	Equity Attributable to Owners of the Company										
			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	Non-controlling Interests	Total Equity
BALANCE AT JANUARY 1, 2015	$ 1,420,585	$ 3,329,617	$ 370,788	$ 20,017	$ 1,169,790	$ 35,019	$ (34,826)	$ -	$ 6,310,990	$ 83,871	$ 6,394,861
Distribution of 2014 earnings											
Legal reserve	-	-	116,979	-	(116,979)	-	-	-	-	-	-
Cash dividends	-	-	(132,115)	-	(1,072,542)	-	-	-	(1,204,657)	-	(1,204,657)
Reversal of special reserve	-	-	-	(20,017)	20,017	-	-	-	-	-	-
Other changes in capital surplus											
Change in capital surplus from investments in associates accounted for by using equity method	-	25,241	-	-	-	-	-	-	25,241	-	25,241
Profit for the year ended December 31, 2015	-	-	-	-	1,060,781	-	-	-	1,060,781	(67,692)	993,089
Other comprehensive losses for the year ended December 31, 2015	-	-	-	-	(2,104)	(17,078)	(134,473)	-	(153,655)	(1,152)	(154,807)
Total comprehensive income (loss) for the year ended December 31, 2015	-	-	-	-	1,058,677	(17,078)	(134,473)	-	907,126	(68,844)	838,282
Buy-back of ordinary shares	-	-	-	-	-	-	-	(397,175)	(397,175)	-	(397,175)
BALANCE AT DECEMBER 31, 2015	1,420,585	3,354,858	355,652	-	1,058,963	17,941	(169,299)	(397,175)	5,641,525	15,027	5,656,552
Distribution of 2015 earnings											
Legal reserve	-	-	105,896	-	(105,896)	-	-	-	-	-	-
Special reserve	-	-	-	151,358	(151,358)	-	-	-	-	-	-
Cash dividends	-	-	-	-	(801,135)	-	-	-	(801,135)	-	(801,135)
Other changes in capital surplus											
Change in capital surplus from investments in associates accounted for by using equity method	-	-	-	-	(136)	-	-	-	(136)	-	(136)
Issue of cash dividends from capital surplus	-	(179,275)	-	-	-	-	-	-	(179,275)	-	(179,275)
Profit for the year ended December 31, 2016	-	-	-	-	1,183,227	-	-	-	1,183,227	(16,599)	1,166,628
Other comprehensive losses for the year ended December 31, 2016	-	-	-	-	(1,879)	(55,867)	(5,117)	-	(62,863)	(169)	(63,032)
Total comprehensive income (loss) for the year ended December 31, 2016	-	-	-	-	1,181,348	(55,867)	(5,117)	-	1,120,364	(16,768)	1,103,596
BALANCE AT DECEMBER 31, 2016	$ 1,420,585	$ 3,175,583	$ 461,548	$ 151,358	$ 1,181,786	$ (37,926)	$ (174,416)	$ (397,175)	$ 5,781,343	$ (1,741)	$ 5,779,602

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

momo.com Inc. AND SUBSIDIARIES

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

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

(Continued)

momo.com Inc. AND SUBSIDIARIES

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

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

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

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

1. GENERAL INFORMATION

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

The consolidated financial statements by the Company as of and for the year ended December 31, 2016, comprise the Company and its subsidiaries (collectively, the “Group”).

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

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company’s Board of Directors on January 24, 2017.

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

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

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

New, Amended or Revised Standards and Interpretations (the “New IFRSs”)	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2010-2012 Cycle	July 1, 2014 (Note 2)
Annual Improvements to IFRSs 2011-2013 Cycle	July 1, 2014
Annual Improvements to IFRSs 2012-2014 Cycle	January 1, 2016 (Note 3)
Amendments to IFRS 10, IFRS 12 and IAS 28 “Investment Entities: Applying the Consolidation Exception”	January 1, 2016
Amendment to IFRS 11 “Accounting for Acquisitions of Interests in Joint Operations”	January 1, 2016
IFRS 14 “Regulatory Deferral Accounts”	January 1, 2016
Amendment to IAS 1 “Disclosure Initiative”	January 1, 2016
Amendments to IAS 16 and IAS 38 “Clarification of Acceptable Methods of Depreciation and Amortization”	January 1, 2016

(Continued)

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

(Concluded)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1) IFRS 9 "Financial Instruments"

Recognition and measurement of financial assets

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

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

a) For debt instruments, if they are held within a business model whose objective is to collect the contractual cash flows, the financial assets are measured at amortized cost and are assessed for impairment continuously with impairment loss, if any, recognized in profit or loss. Interest revenue is recognized in profit or loss by using the effective interest method;

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

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

<u>Impairment of financial assets</u>

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.

<u>Transition</u>

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

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

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

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

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

IFRS 15 and related amendment require that when another party is involved in providing goods or services to a customer, the Group is a principal if it controls the specified good or service before that good or service is transferred to a customer. Since a specified good or service is a distinct good or service, the Group determines whether it is a principal or an agent for each specified good or service.

The Group is a principal if it obtains control of any one of the following:

a) The good or another asset that it then transfers to the customer.

b) The right to a service to be performed by other party, which gives the Group the ability to direct that party to provide the service to the customer on its behalf.

c) The good or service from the other party that it then combines with the other goods or services in providing the specified good or service to the customer.

Indicators to support the Group’s assessment of whether it controls a specified good or service include, but are not limited to, the following:

a) The Group is primarily responsible for fulfilling the promise to provide the specified good or service.

b) The Group has inventory risk before or after the specified good or service is transferred to the customer.

c) The Group has discretion in establishing the price of the specified good or service.

Under current standard, the Group determines whether it is a principal or an agent based on its exposure to the significant risks and rewards of the transaction.

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

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

3) IFRS 16 "Leases"

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

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

b. Basis of preparation

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

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

1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;

2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

3) Level 3 inputs are unobservable inputs for the asset or liability.

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

Current assets include:

1) Assets held primarily for the purpose of trading;

2) Assets expected to be realized within 12 months after the reporting period; and

3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

1) Liabilities held primarily for the purpose of trading;

2) Liabilities due to be settled within 12 months after the reporting period; and

3) Liabilities for which the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

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

d. Basis of consolidation

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

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

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

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

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

e. Foreign currencies

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

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

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

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

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

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

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

f. Inventories

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

g. Investments in associates

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

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

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

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

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

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

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

h. Property, plant and equipment

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

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

Freehold land is not depreciated.

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

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

i. Intangible assets

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

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

j. Impairment of tangible and intangible assets other than goodwill

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

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

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

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

k. Financial instruments

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

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

1) Financial assets

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

a) Measurement category

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

i. Financial assets at fair value through profit or loss

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

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

ii. Available-for-sale financial assets

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

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

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

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

iii. Loans and receivables

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

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

b) Impairment of financial assets

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

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

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

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

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

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

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

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

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

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

c) Derecognition of financial assets

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

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

2) Equity instruments

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

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

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

3) Financial liabilities

a) Subsequent measurement

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

b) Derecognition of financial liabilities

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

l. Provisions

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

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

m. Revenue recognition

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

1) Sale of goods

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

a) The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;

b) The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

c) The amount of revenue can be measured reliably;

d) It is probable that the economic benefits associated with the transaction will flow to the Group; and

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

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

2) Rendering of services and commission revenues

Service income is recognized when services are provided.

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

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

3) Dividend and interest income

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

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

n. Leasing

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

<u>The Group as lessee</u>

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

o. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

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

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

3) Termination benefits

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

p. Taxation

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

1) Current tax

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

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

2) Deferred tax

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

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

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

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

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

3) Current and deferred tax for the year

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

a. Impairment of property, plant and equipment

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

b. Significant influence over associates

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

6. CASH AND CASH EQUIVALENTS

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

7. AVAILABLE-FOR-SALE FINANCIAL ASSETS - CURRENT

	December 31	
	2016	2015
Domestic investments		
Beneficiary certificates	$ 965,833	$ 734,991
Foreign investments		
Unlisted stock	45,426	77,746
	$ 1,011,259	$ 812,737

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

For the year ended December 31, 2016, the financial assets were not pledged.

8. FINANCIAL ASSETS AT COST - NON-CURRENT

	December 31	
	2016	2015
Domestic unlisted common stock	$ 60,000	$ 60,000

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

For the years ended December 31, 2016 and 2015, there was no impairment loss recognized on the financial assets at cost.

9. ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

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

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

The aging of receivables was as follows:

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

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

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

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

10. INVENTORIES

	December 31 2016	2015
Merchandise	$ 312,270	$ 124,639

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

11. OTHER FINANCIAL ASSETS

	December 31 2016	2015
Current		
Pledged time deposits	$ 86,024	$ 22,500
Time deposits with original maturity more than 3 months	804,099	1,209,702
	$ 890,123	$ 1,232,202
Non-current		
Pledged time deposits and restricted deposits	$ 34,150	$ 34,750

Refer to Note 30 for information relating to other financial assets pledged as security.

12. SUBSIDIARIES

a. Subsidiaries included in the consolidated financial statements

Investor	Subsidiary	Main Business and Products	Percentage of Ownership December 31 2016	Percentage of Ownership December 31 2015	Note
momo	Fu Sheng Travel Service Co., Ltd. (FST)	Travel agent	100.000	100.000	-
momo	Fuli Life Insurance Agent Co., Ltd. (FLI)	Life insurance agent	100.000	100.000	-
momo	Fuli Property Insurance Agent Co., Ltd. (FPI)	Property insurance agent	100.000	100.000	-
momo	Asian Crown International Co., Ltd. (Asian Crown (BVI))	Investment	76.260	76.260	-
Asian Crown (BVI)	Fortune Kingdom Corporation (Fortune Kingdom)	Investment	100.000	100.000	-
Fortune Kingdom	Hong Kong Fubon Multimedia Technology Co., Ltd. (HK Fubon Multimedia)	Investment	100.000	100.000	-
HK Fubon Multimedia	Fubon Gehua (Beijing) Enterprise Ltd. (FGE)	Wholesaling	91.304	91.304	-
momo	Honest Development Co, Ltd. (Honest Development)	Investment	100.000	100.000	-
Honest Development	Hongkong Yue Numerous Investment Co., Ltd. (HK Yue Numerous)	Investment	100.000	100.000	-
HK Yue Numerous	Haobo Information Consulting (Shenzhen) Co., Ltd. (Haobo)	Investment	100.000	100.000	-

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

13. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

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

Investee Company	December 31 2016 Amount	2016 % of Ownership	2015 Amount	2015 % of Ownership
Beijing Global Goupuang Media Technology Co., Ltd. (GHS)	$ 736,742	20.00	$ 713,691	18.00
Taiwan Pelican Express Co., Ltd. (TPE)	402,464	17.70	415,597	17.70
TVD Shopping Co., Ltd. (TVD shopping)	147,521	35.00	161,491	35.00
	$ 1,286,727		$ 1,290,779	

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

a. GHS

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

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

In January 2016, the Group acquired 2% equity interests of GHS for $22,136 thousand (equal to RMB4,444 thousand). The shareholding in GHS increased to 20%. As of December 31, 2016, the investment has not been remitted.

b. TPE

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

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

c. TVD Shopping

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

d. Aggregate information of associates

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

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

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

	December 31	
Name of Associate	**2016**	**2015**
TPE	$ 419,791	$ 484,829

All the associates are accounted for using the equity method.

14. PROPERTY, PLANT AND EQUIPMENT

	Land	Machinery	Office Equipment	Lease Assets	Lease Improvement	Other Equipment	Property in Construction	Total
Cost								
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	$ 1,717,927	$ 796,499	$ 27,611	$ 11,424	$ 228,966	$ 3,506	$ 23,385	$ 2,809,318
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	$ -	$ 539,305	$ 19,344	$ 11,307	$ 47,528	$ 1,683	$ -	$ 619,167
Carrying amounts at December 31, 2015	$ 1,717,927	$ 257,194	$ 8,267	$ 117	$ 181,438	$ 1,823	$ 23,385	$ 2,190,151
Cost								
Balance, January 1, 2016	$ 1,717,927	$ 796,499	$ 27,611	$ 11,424	$ 228,966	$ 3,506	$ 23,385	$ 2,809,318
Additions	-	21,137	5,385	-	7,806	303	795,930	830,561
Disposals	-	(2,480)	(1,803)	-	-	(56)	-	(4,339)
Reclassification	-	-	-	-	-	-	(6,805)	(6,805)
Effect of exchange rate changes	-	(12,770)	(167)	-	-	(24)	-	(12,961)
Balance, December 31, 2016	$ 1,717,927	$ 802,386	$ 31,026	$ 11,424	$ 236,772	$ 3,729	$ 812,510	$ 3,615,774
Accumulated depreciation and impairment								
Balance, January 1, 2016	$ -	$ 539,305	$ 19,344	$ 11,307	$ 47,528	$ 1,683	$ -	$ 619,167
Depreciation	-	57,149	2,756	117	26,810	756	-	87,588
Disposals	-	(1,577)	(1,694)	-	-	(48)	-	(3,319)
Effect of exchange rate changes	-	(8,682)	(106)	-	(16)	(18)	-	(8,822)
Balance, December 31, 2016	$ -	$ 586,195	$ 20,300	$ 11,424	$ 74,322	$ 2,373	$ -	$ 694,614
Carrying amounts at December 31, 2016	$ 1,717,927	$ 216,191	$ 10,726	$ -	$ 162,450	$ 1,356	$ 812,510	$ 2,921,160

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

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

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

15. SHORT-TERM BORROWINGS

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

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

16. ACCOUNTS PAYABLE

	December 31	
	2016	2015
Suppliers	$ 2,812,412	$ 2,470,716
Others	5,906	5,924
	$ 2,818,318	$ 2,476,640

17. OTHER PAYABLES

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

18. OTHER CURRENT LIABILITIES

	December 31	
	2016	2015
Collection about travelling merchandise	$ 234,113	$ 359,395
Others	188,465	133,964
	$ 422,578	$ 493,359

19. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Group was incorporated in Taiwan, ROC which adopted a pension plan under the Labor Pension Act (the "LPA"), which is a state-managed defined contribution plan. Under the LPA, an entity has made monthly contributions equal to 6% of each employee's monthly salary to employees' accounts, and the Group's subsidiaries in other countries are members of state-managed retirement benefit plans operated by local governments. The subsidiaries are required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

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

b. Defined benefit plans

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

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

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

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

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

(Continued)

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

(Concluded)

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

1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.

2) Interest risk: A decrease in the government and corporate bonds interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.

3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

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

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

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

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

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

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

	December 31	
	2016	**2015**
The expected contributions to the plan for the next year	$ 1,470	$ 1,538
The average duration of the defined benefit obligation	19 years	19.4 years

20. GUARANTEE DEPOSITS

	December 31	
	2016	**2015**
Vendors	$ 241,373	$ 241,629
Decorations	34	34
	$ 241,407	$ 241,663

21. EQUITY

a. Capital stock

As of December 31, 2016, and 2015, momo had authorized 150,000 thousand common shares, with 142,059 thousand shares issued and outstanding at par value $10 per share.

b. Capital surplus

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

Under the Company Act, the capital surplus generated from the excess of the issuance price over the par value of capital stock may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or stock dividends up to a certain percentage of momo's paid-in capital. The capital surplus from share of changes in equities of subsidiaries, expired employee share options, and from share of changes in equities of associates may be used to offset a deficit.

c. Appropriation of earnings and dividend policy

momo's Articles of Incorporation provide that, in the event that momo, according to the financial report, earns profits in a fiscal year, such profits shall first be applied to pay the applicable taxes, recover losses, set aside legal reserve pursuant to laws and regulations until the accumulated legal reserves equal momo's paid-in capital, and set aside or reverse a special reserve in accordance with the law or to satisfy the business needs of momo. The remaining balance and any unappropriation earnings of the previous fiscal years shall be distributed to the shareholders with more than 10% as dividends in accordance with resolutions of the shareholders' meetings.

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

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

In accordance with the amendments to Company Act in May 2015, the recipients of dividends and bonuses are limited to shareholders and do not include employees. The consequential amendments to momo's Articles of Incorporation was subject to the resolution of shareholders in their meeting on April 20, 2016. For information about the accrual basis of the employees' compensation and remuneration to directors and supervisors and the actual appropriations, please refer to employee benefits expense in Note 23,d.

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

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

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

The appropriations of earnings for 2015 and 2014 have been approved in the shareholders' meetings on April 20, 2016 and on May 6, 2015, respectively, were as follows:

	Appropriation of Earnings		Dividends Per Share (NT$)	
	For the Year Ended December 31		For the Year Ended December 31	
	2015	2014	2015	2014
Legal reserve	$ 105,896	$ 116,979		
Special reserve	151,358	(20,017)		
Cash dividends	801,135	1,072,542	$ 5.72	$ 7.55

The Company's shareholders resolved in the shareholders' meeting on April 20, 2016 and May 6, 2015 to issue cash dividends from paid-in capital of $179,275 thousand and legal reserve $132,115 thousand, respectively.

d. Other equity

1) Exchange differences on translation

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

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

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

e. Non-controlling interests

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

f. Treasury shares

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

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

22. REVENUE

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

23. NET PROFIT

a. Other income

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

b. Other gains and losses

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

c. Finance costs

	For the Year Ended December 31	
	2016	2015
Interest on bank loans	$ 3,267	$ 214
Others	1	25
	$ 3,268	$ 239

d. Employee benefits expense, depreciation and amortization

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

Under the Company Act as amended in May 2015, the Company's Articles of Incorporation had been approved in the shareholders meeting in April 2016.

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

1) Remuneration to directors, not exceeding 0.3%; and
2) Employee bonuses in the sum of 0.1% to 1%.

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

Employee bonuses including the employees of momo and its subsidiaries.

The Company's estimated employees' compensation and remuneration to directors were accrued at 0.1% of the profit before income tax, employees' compensation and remuneration to directors. The estimated employees' compensation were $1,421 thousand, and remuneration to directors were $1,421 thousand for the year ended December 31, 2016, respectively.

The Company's estimated bonus to employees were $1,305 thousand, and remuneration to directors were $1,305 thousand for the year ended December 31, 2015, respectively, based on the Articles of Incorporation in effect in 2014 which stipulated bonus to employees and remuneration to directors both at 0.1% of the net profit; the amounts were recognized as operating expenses.

If there is a change in the proposed amounts after the annual consolidated financial statements were authorized for issue, the differences are recorded as a change in accounting estimate.

The employees' compensation and remuneration to directors for 2015 resolved by the Board of Directors on March 4 2016, the amounts of the bonus to employees and remuneration to directors for 2014 approved in the shareholders' meetings on May 6, 2015, respectively, and the respective amounts recognized in the consolidated financial statements, were as follows:

	For the Year Ended December 31			
	2015		2014	
	Employees' Compensation	**Remuneration of Directors**	**Bonus to Employees**	**Remuneration of Directors**
Amounts approved in the shareholders' meetings			$ 1,073	$ 1,073
Amounts resolved by the Board of Directors	$ 1,303	$ 1,303		
Amounts recognized in respective consolidated financial statements	$ 1,305	$ 1,305	$ 1,073	$ 1,073

Due to estimated differences the different amounts between resolved in Board of Directors and recognized in consolidated financial statements in 2015 were adjusted to profit and loss for the year ended December 31, 2016 and there was no difference between approved in the shareholders' meeting and recognized in consolidated financial statements in 2014.

The employees' compensation and remuneration of directors in 2015 were reported in the shareholders' meeting on April 20, 2016 after the Company's Articles of Incorporation have been amended and resolved.

Information on the employees' compensation and remuneration to directors for 2015 resolved by the momo's Board of Directors in 2016 and bonus to employees and remuneration to directors for 2014 approved by the shareholders' meeting in 2015 is available on the Market Observation Post System Website of the Taiwan Stock Exchange.

24. INCOME TAXES

a. Major components of tax expense recognized in profit or loss

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

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

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

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

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

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2016	2015
Deferred tax		
Remeasurement of defined benefit plans	$ 288	$ 170

c. Deferred tax assets and liabilities

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

For the year ended December 31, 2016

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

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	4,222	(2,576)	-	1,646
	$ 7,430	$ (2,576)	$ -	$ 4,854

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	9,278	2,704	-	11,982
	$ 20,173	$ 630	$ 170	$ 20,973

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	-	4,222	-	4,222
	$ -	$ 7,430	$ -	$ 7,430

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

	December 31	
	2016	2015
Loss carryforwards	$ 905,258	$ 1,049,203

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

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

Remaining Creditable Amount	Expiry Year
$ 905,042	2017 to 2021
216	2022 to 2026
$ 905,258	

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

Unused Amount	Expiry Year
$ 938	2025
858	2026
$ 1,796	

f. Integrated income tax information was as follows:

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

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

g. Income tax assessments

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

Company	Year
momo	2013
FST	2014
FLI	2014
FPI	2014

25. EARNINGS PER SHARE

Unit: NT$ Per Share

	For the Year Ended December 31	
	2016	2015
Basic earnings per share	$ 8.45	$ 7.48
Diluted earnings per share	$ 8.45	$ 7.48

Net Profit for the Year

	For the Year Ended December 31	
	2016	2015
Net profit for the year	$ 1,183,227	$ 1,060,781

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

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

Since the Group offered to settle compensation of employees in cash or shares, the Group assumed the entire amount of the compensation will be settled in shares and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

26. OPERATING LEASE ARRANGEMENTS

The Group as Lessee

Operating leases relate to leases of office with lease terms between 1 and 5 years.

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

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

27. CAPITAL MANAGEMENT

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

28. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments that are not measured at fair value

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

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

Fair value hierarchy

December 31, 2016

	Level 1	**Level 2**	**Level 3**	**Total**
Available-for-sale financial assets				
Beneficiary certificates	$ 965,833	$ -	$ -	$ 965,833
Unlisted stock - foreign investments	-	45,426	-	45,426
	$ 965,833	$ 45,426	$ -	$ 1,011,259

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	-	77,746	-	77,746
	$ 734,991	$ 77,746	$ -	$ 812,737

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

Valuation techniques and assumptions used in fair value determination

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

2) Valuation techniques and inputs applied for Level 2 fair value measurement: The Group uses market comparison approach to evaluate fair values on observable prices of the similar financial instruments and evaluate market liquidity at the end of the year.

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

Financial Instruments	Valuation Techniques and Inputs
Unlisted stock - foreign investments	The Group uses market comparison approach to evaluate fair values of foreign unlisted stocks based on price fluctuation and risk-free rate.

c. Categories of financial instruments

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

(Continued)

	December 31	
	2016	2015
Financial liabilities		
Short-term borrowings	$ 63,005	$ 70,938
Accounts payables (including related parties)	2,823,485	2,522,589
Other payables (including related parties)	574,470	436,335
Guarantee deposits	241,407	241,663
	$ 3,702,367	$ 3,271,525

(Concluded)

d. Financial risk management objectives and policies

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

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

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

2) Risk management framework

a) Decision-making mechanism:

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

b) Risk management policies:

i. Promote a risk-management-based business model.

ii. Establish a risk management mechanism that can effectively recognize, evaluate, supervise and control risk.

iii. Create a company-wide risk management structure that can limit risk to an acceptable level.

iv. Introduce best risk management practices and continue to seek improvements.

c) Monitoring mechanism:

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

3) Credit risk

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

4) Liquidity risk

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

The Group ensures sufficient cash for the requirements of paying estimated operating expenditures, including financial obligations. The Group also monitors its bank credit facilities to ensure that the provisions of loan contracts are all complied with properly. As of December 31, 2016 and 2015, the Group had unused bank facilities of $824,094 thousand and $829,884 thousand, respectively.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables had been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay. The tables included both interest and principal cash flows. Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed repayment dates.

December 31, 2016

	On Demand or Less than 1 Month	**1-3 Months**	**3 Months to 1 Year**	**1-5 Years**	**5+ Years**
Non-derivative financial liabilities					
Unsecured loans	$ -	$ 64,202	$ -	$ -	$ -

December 31, 2015

	On Demand or Less than 1 Month	**1-3 Months**	**3 Months to 1 Year**	**1-5 Years**	**5+ Years**
Non-derivative financial liabilities					
Unsecured loans	$ -	$ -	$ 74,178	$ -	$ -

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

5) Market risk

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

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

a) Exchange rate risk

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

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

Sensitivity analysis

The Group was mainly exposed to the USD and RMB.

The Group's exchange rate risk comes mainly from conversion gains and losses of accounts denominated in foreign currencies such as cash and cash equivalents, accounts receivable, other receivables, other financial assets, accounts payable and other payables, etc. If the NTD, when compared with the relevant foreign currencies, had appreciated or depreciated by 5% on the reporting date, profit would have increased (decreased) as follows:

	December 31	
	2016	2015
Appreciated 5%	$ 497	$ (1,563)
Depreciated 5%	$ (497)	$ 1,563

b) Interest rate risk

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

The carrying amount of the Group's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows.

	December 31	
	2016	2015
Fair value interest rate risk		
Financial assets	$ 3,333,116	$ 3,794,002
Cash flow interest rate risk		
Financial assets	335,659	600,061
Financial liabilities	63,005	70,938

Sensitivity analysis

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

If interest rates had been 50 basis points higher or lower and all other variables were held constant, the Group's profit for the years ended December 31, 2016 and 2015 would decrease or increase by $1,363 thousand and $2,646 thousand, respectively.

c) Other price risk

The Group was exposed to other price risk through its investments in available-for-sale financial assets. The Group supervises the equity price risk actively and manages the risk based on fair value.

Sensitivity analysis

The sensitivity analyses below were determined based on the exposure to equity price risks at the end of the reporting period.

If equity prices had been 5% higher or lower, the other comprehensive income for the years ended December 31, 2016 and 2015 would increase or decrease by $50,563 thousand and $40,637 thousand, respectively, as a result of the changes in fair value of available-for-sale financial assets.

29. TRANSACTIONS WITH RELATED PARTIES

momo's parent is Wealth Media Technology Co., Ltd. (WMT), which held both 45.01% of common stocks of momo as of December 31, 2016 and 2015. momo's ultimate parent and ultimate controlling party is Taiwan Mobile Co., Ltd. (TWM).

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

a. Operating revenues

		For the Year Ended December 31	
Line Items	**Related Party Categories**	**2016**	**2015**
Sales	Parent entity	$ 434	$ 638
	Associates	73,981	31,094
		$ 74,415	$ 31,732

The Group renders sales service to other related parties.

The transaction terms with related parties were not significantly different from those with third parties.

b. Purchases

Related Party Categories	For the Year Ended December 31 2016	2015
Parent entity	$ 112,182	$ 135,473
Associates	375,678	441,957
Other related parties	140,154	137,377
	$ 628,014	$ 714,807

The entities mentioned above provide logistics, play video program and other services.

The transaction terms with related parties were not significantly different from those with third parties.

c. Receivables from related parties (excluding loans to related parties)

Line Items	Related Party Categories	December 31 2016	2015
Accounts receivable	Parent entity	$ 237	$ -
	Associates	1,250	14,759
	Other related parties	3,460	1,071
		$ 4,947	$ 15,830
Other receivables	Parent entity	$ 6,380	$ 3,797
	Associates	94,873	88,661
	Other related parties	64,149	39,697
		$ 165,402	$ 132,155

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

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

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

The outstanding trade payables from related parties are unsecured.

e. Bank deposits

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

f. Property, plant and equipment acquired

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

g. Disposal of financial assets

For the year ended December 31, 2015

Line Items	Related Parties Categories	Number of Units (In Thousand)	Underlying Assets	Proceeds	Gain (Loss) on Disposal
Available-for-sale financial assets	Other related parties	12,970	Fubon Chi-Hsiang Money Market Fund	$ 200,506	$ 506
Available-for-sale financial assets	Other related parties	3,886	Fubon China High Yield Bond Fund-B (CNY)	189,843	(3,881)
				$ 390,349	$ (3,375)

h. Loans from related parties

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

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

i. Others

1) Guarantee deposits

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

2) Operating expenses

Related Parties Categories	For the Year Ended December 31 2016	For the Year Ended December 31 2015
Parent entity	$ 31,563	$ 6,829
Other related parties	210,256	219,267
	$ 241,819	$ 226,096

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

3) Non-operating income

Related Parties Categories	For the Year Ended December 31 2016	2015
Other related parties	$ 8,671	$ 21,468

j. Key management compensation

	For the Year Ended December 31 2016	2015
Short-term employee benefits	$ 48,448	$ 45,061
Post-employment benefits	6,498	913
Termination benefits	-	648
	$ 54,946	$ 46,622

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

30. ASSETS PLEDGED

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

	December 31 2016	2015
Other financial assets - current	$ 86,024	$ 22,500
Other financial assets - non-current	34,150	34,750
	$ 120,174	$ 57,250

31. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Group as of December 31, 2016 and 2015 were as follows:

a. As of December 31, 2016 and 2015, the amounts of endorsements and guarantees for FGE were RMB30,000 thousand and US$16,000 thousand, respectively.

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 $17,733 thousand and $20,228 thousand, respectively; and electronic tickets of $5,890 thousand and $374 as of December 31, 2016 and 2015, respectively.

c. Due to the business development needs, in January 2015, momo's Board of Directors resolved the warehousing logistics construction and the equipment procurement. As of December 31, 2016, contract amounts not yet paid for the warehousing logistics construction and equipment were $982,543 thousand and $397,600 thousand, separately.

32. OTHERS

a. Significant assets and liabilities denominated in foreign currencies

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

December 31, 2016

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

December 31, 2015

	Foreign Currencies	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
RMB	$ 1,755	4.975 (RMB:NTD)	$ 8,731
USD	716	32.86 (USD:NTD)	23,542
			$ 32,273

(Continued)

	Foreign Currencies	Exchange Rate	Carrying Amount
Non-monetary items			
Available-for-sale financial assets			
HKD	$ 18,341	4.239 (HKD:NTD)	$ 77,746
Investments accounted for using equity method			
RMB	143,455	4.975 (RMB:NTD)	713,691
THB	176,166	0.9167 (THB:NTD)	161,491
			$ 952,928
Financial liabilities			
Monetary items			
USD	31	32.86 (USD:NTD)	$ 1,018

(Concluded)

For the years ended December 31, 2016 and 2015, realized and unrealized net foreign exchange gains were $576 thousand and $8,998 thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the functional currencies of the group's foreign entities.

b. In accordance with the amendments to Satellite Broadcasting Act in January 2016, Paragraph 2 of Article 64 describes that broadcasting provider without using satellite business (including TV shopping) shall complete and submit an application from to the regulatory agency in six months from date of amendment of the Act. On July 6, 2016, the Company submitted the application from to the regulatory agency for approval. However, the Article 64 of Satellite Broadcasting Act was amended again on November 9, 2016 to extend the grace period from six months to two years. In order to acquire more information for later preparation of refined application, the Company made the withdrawal of the application in November 2016. As of the reporting date of the consolidated financial statements, the Company had not yet submitted the reapplication.

33. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

1) Financing provided to others. (None)

2) Endorsements/guarantees provided. (Table 1)

3) Marketable securities held (excluding investment in subsidiaries and associates). (Table 2)

4) Marketable securities acquired and disposed at costs or prices at least NT$300 million or 20% of the paid-in capital. (None)

5) Acquisition of individual real estate at costs of at least NT$300 million or 20% of the paid-in capital. (Table 3)

6) Disposal of individual real estate at prices of at least NT$300 million or 20% of the paid-in capital. (None)

7) Total purchases from or sales to related parties amounting to at least NT$100 million or 20% of the paid-in capital. (Table 4)

8) Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital. (None)

9) Trading in derivative instruments. (None)

10) Intercompany relationships and significant intercompany transactions. (Table 5)

11) Information on investees. (Table 6)

b. Information on investments in mainland China:

1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area. (Table 7)

2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, unrealized gains or losses, and other related information which is helpful to understand the impact of investment in Mainland China on financial reports. (Table 1)

34. SEGMENT INFORMATION

The Group has two reporting segments: Television and magazine department and internet department. Other segments include FST - travel agent, FLI - life insurance agent, FPI - property insurance agent, Asian Crown (BVI) - investment, and Honest Development – investment; for the years ended December 31, 2016 and 2015, the above segments did not exceed the quantitative threshold for separate reporting.

The Group’s reporting segments provide different goods and services and require different techniques and strategies; thus, they were reported separately.

The Group has not apportioned income tax expense (benefit) on non-regular gains and losses to reporting segments. The reported amounts are the same with those used in making operating decision.

The segments’ assets and liabilities are not provided to key management as reference in making decision; thus, the segments’ assets and liabilities were not disclosed in the consolidated financial statements.

The Group’s reporting segments information and adjustments are as follows:

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

(Continued)

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

(Concluded)

TABLE 1

momo.com Inc. AND SUBSIDIARIES

ENDORSEMENT/GUARANTEE PROVIDED TO OTHER PARTIES
FOR THE YEAR ENDED DECEMBER 31, 2016
(Amount in Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Company Providing Endorsements/ Guarantees	Receiving Party		Limits on Endorsements/ Guarantees Amount Provided to Each Entity	Maximum Balance for the Period	Ending Balance	Drawdown Amounts	Amount of Endorsements/ Guarantees Collateralized by Property	Ratio of Accumulated Endorsements/ Guarantees to Net Worth of the Guarantor	Maximum Endorsements/ Guarantees Amount Allowable	Guarantee Provided by Parent Company	Guarantee Provided by a Subsidiary	Guarantee Provided to Subsidiaries in Mainland China	Note
		Name	Nature of Relationship											
0	momo	FGE	Note 1	$ 774,751	$ 277,740	$ 138,870	$ 138,870	$ 84,000	2.40%	$ 5,781,343	Y	N	Y	

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

a. More than 50% directly or indirectly owned by the Company.

Note 2: The endorsements/guarantees amount shall be limited as below:

a. The amount to any individual entity shall not exceed the investment amount in it.
b. The total amount shall not exceed the net worth of the Company.

Note 3: The maximum guarantee/endorsement balance for the period, and the ending balance represent quotas, not actual drawdown.

TABLE 2

momo.com Inc. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
DECEMBER 31, 2016
(Amount in Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	December 31, 2016				Note
				Units/Shares (Thousands)	Carrying Value	Percentage of Ownership	Fair Value	
momo	Beneficiary certificates							
	Fubon Strategic High Income Fund B	Related party in substance	Available-for-sale financial assets - current	18,302	$ 184,323	-	$ 184,323	
	Fuh Hwa Emerging Market High Yield Bond Fund B	-	〃	10,225	65,235	-	65,235	
	PineBridge Global Multi - Strategy High Yield Bond Fund-B	-	〃	23,351	171,752	-	171,752	
	Eastspring Investments Global High Yield Bond Fund B	-	〃	19,028	165,081	-	165,081	
	JPMorgan (Taiwan) Asia High Yield Total Return Bond Fund - Monthly Distribution Share Class	-	〃	18,916	178,991	-	178,991	
	Eastspring Investments Well Pool Money Market Fund	-	〃	14,879	200,451	-	200,451	
	Stock							
	Media Asia Group Holdings Limited	-	〃	43,668	45,426	2.04	45,426	
	We Can Medicines Co., Ltd.	-	Financial assets at cost - non-current	2,400	60,000	7.73	-	

TABLE 3

momo.com Inc. AND SUBSIDIARIES

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

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

TABLE 4

momo.com Inc. AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES OF AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2016
(Amount in Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Related Party	Nature of Relationship	Transaction Details				Transactions with Terms Different from Others		Notes/Accounts Payable or Receivable		Note
			Purchase/Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
momo	TPE	Equity-method investee	Purchase	$ 374,719	2	Based on contract terms	-	-	$ (34,800)	(1)	Note 1
momo	TWM	Ultimate parent	Purchase	112,182	1	Based on contract terms	-	-	(12,318)	-	Note 1

Note 1: Including accounts payable and other payables.

TABLE 5

momo.com Inc. AND SUBSIDIARIES

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

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

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

TABLE 6

momo.com Inc. AND SUBSIDIARIES

NAMES, LOCATIONS AND RELATED INFORMATION OF INVESTEES OVER WHICH THE COMPANY EXERCISED SIGNIFICANT INFLUENCE
(EXCLUDING INFORMATION ON INVESTMENT IN MAINLAND CHINA)
FOR THE YEAR ENDED DECEMBER 31, 2016
(Amount in Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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

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

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

Note 3: The exchange rate on December 31, 2016 is THB1=NT$0.9050.

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

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

TABLE 7

momo.com Inc. AND SUBSIDIARIES

INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2016
(Amount in Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type (Note 1)	Accumulated Outflow of Investment from Taiwan as of January 1, 2016	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2016	Net (Loss) Income of Investee	% Ownership through Direct or Indirect Investment	Investment Income (Loss)	Carrying Value as of December 31, 2016	Accumulated Inward Remittance of Earnings as of December 31, 2016	Note
					Outflow	Inflow							
FGE	Wholesaling	$ 1,064,670 (RMB 230,000)	b.	$ 774,751 (US$ 14,000) (RMB 69,741)	$ -	$ -	$ 774,751 (US$ 14,000) (RMB 69,741)	$ (54,447)	69.63	$ (37,911)	$ (6,783)	$ -	Note 3
Haobo	Investment	50,919 (RMB 11,000)	b.	-	-	-	-	56,751	100.00	56,751	716,333	-	
GHS	Wholesaling	60,510 (RMB 13,072)	b.	-	Note 4	-	-	327,551	20.00	55,055	736,742	-	

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

Note 1: The investment types are as follows:

a. Direct investment in mainland China.

b. Indirect investment in mainland China through a subsidiary in a third place.

1) FGE is HK Fubon Multimedia’s subsidiary.
2) Haobo is HK Yue Numerous’s subsidiary.
3) GHS is Haobo’s associate.

c. Others.

Note 2: The exchange rates on December 31, 2016 are US$1=NT$32.28, RMB1=NT$4.629 and HK$1=NT$4.161.

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

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