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momo.com Inc.

2017 Annual Report

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Spokesperson

Name: C.F. Lin

Title: President

Tel: 886-2-2162-6688

E-mail: cflin@fmt.com.tw

Deputy Spokesperson

Name: Gina Lu

Title: Financial & Accounting Division Director

Tel: 886-2-2162-6688

E-mail: yplu@fmt.com.tw

Headquarters, Branches and Plant

Headquarters

Address: 4F 96 Zhouzi St. Neihu Dist. Taipei City 11493 Taiwan

Tel: 886-2-2162-6688

Stock Transfer Agent

Transfer Agency and Registry Department of Fubon Securities Co., Ltd.

Address: 4F 17 Xuchang St. Zhongzheng Dist. Taipei City 10047 Taiwan

Tel: 886-2-2361-1300

Website: <http://www.fubon.com>

Auditors

Deloitte Touche Tohmatsu

Address: 12F 156 Minsheng E. Rd. Songshan Dist. Taipei City 10596 Taiwan

Tel.: 886-2-2545-9988

Website: <http://www.deloitte.com.tw>

Overseas Securities Exchange

None

Corporate Website

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

Disclaimer

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

Contents

I. Letter to Shareholders	1
II. Company Profile	3
III. Organization and Corporate Governance	6
i. Organization	6
ii. Board of Directors and Executive Management	10
iii. Implementation of Corporate Governance	23
iv. Information Regarding the Company's Audit Fee and Independence	53
v. Replacement of CPA: None	54
vii. Changes in Shareholding of Directors, Supervisors, Managers and Major Shareholders	54
viii. Relationship of the Top Ten Shareholders	55
viii. Ownership of Shares in Affiliated Enterprises	57
IV. Financial Information	58
i. Capital and shares	58
ii. Corporate Bonds: None	63
iii. Preferred shares: None	63
iv. Global Depository Receipts: None	63
v. Employee Stock Options: None	63
vi. New Restricted Employee Shares: None	63
vii. Status of New Shares Issuance in Connection with Mergers and Acquisitions: None	63
viii. Financing Plans and Implementation: None	63
V. Operational Highlights	64
i. Scope of Business	64
ii. Midmarket and Sales Overview	73
iii. Human Resources	78
iv. Environmental Protection Expenditure	78
v. Employee Relations	78
vi. Major Contracts	80
VI. Financial Highlights	81
i. Condensed Balance Sheets and Statements of Comprehensive Income	81
ii. Financial Analysis	85
iii. Audit Committee Report	88
iv. The 2017 Consolidated Financial Statements	89
v. Financial Difficulties for the Company and its Affiliates	89
VII. Review and Analysis of Financial Conditions, Operating Results and Risk Management	89
i. Balance Sheet Analysis	89
ii. Statements of Comprehensive Income Analysis	90
iii. Cash Flow Analysis	91
iv. Analysis of Major Capex and its Impact on Finance and Operations	91
v. Investment Policies, Reasons for Profit/Loss, Plans for Improvement, and Future Investment Plan	92
vi. Risk Management	92
vii. Other significant items: None	96
VIII. Special Notes	97
i. Affiliates	97
ii. Private placement of company shares: None	99
iii. momo shares held / sold by subsidiaries: None	99
iv. Other supplementary information: None	99
v. Other significant events affecting shareholders' equity or stock price: None	99

I. Letter to Shareholders

momo.com Inc. (8454-TW) is a leading virtual retail platform in Taiwan and operates momoshop, momomall, TV and catalogue shopping businesses. momo's mission statement is to “provide affordable and quality products as well as superior services to improve people’s lives”. The management instills four key operating principles of “integrity, friendliness, professionalism, and innovation” in its team, striving to contribute and create value for society.

Despite overseas competitors entering the market aggressively in 2017, momo continued to produce stellar results with strong growths for both revenue and profit. Under the efforts of all the employees, consolidated revenue for 2017 increased 18.4% YoY, totaling NT\$ 33.2 billion, while net profit after tax increased 7.3% YoY to NT\$ 1.27 billion. E-Commerce revenue, accounted for approximately 80% of momo’s consolidated revenue, and saw increases of 29.1% YoY, which was significantly higher than notable industry peers. With rapidly changing competitive landscape, momo will strive to increase our own competitive edge by leveraging innovative operating model to further increase our market share, and expand into the global market, with the goal of becoming a world-class corporation.

In 2017, key emphases of the company’s operation were:

1. Strengthen collaboration with major brands:

With the coming of the “New Retail” era, the integration of the virtual and traditional brick&mortar stores is expected to be on the rise. Brand power or access to brands, has become a core competency that is highly critical in the success for a retail platform. momo is actively strengthening collaboration with major brands in order to improve the breadth of product coverage and quality; momo is also increasing the procurement of exclusive products from overseas suppliers, thereby creating differentiated product offerings to momo’s members. This will not only provide consumers with broader product selections, but also improve the average spend per customer and overall profit for the company. More brands and products will be introduced in the future to create an even more comprehensive platform under momo.

2. Develop diverse product services:

Competition in the retail industry is fierce and success can only be maintained through differentiation. momo is not only involved in the sales of general retail products, but is also devoted to the development of diverse product services. In November 2017, Mobooks, momo’s online book store officially opened for business. A used-car sales platform is set to go live during the first quarter of 2018 and an insurance policy sales platform is set to launch in 2018 as well. momo is actively extending its reach, in the hopes of evolving from a retail platform to one that offers a more convenience and diverse services to our customers.

3. Enhance logistic management efficiency


Faced with rapid changes and growths of the retail industry, an efficient logistics capability is critical to enhancing value proposition of a platform and its profitability. momo invested over NT\$ 4.1 bn in an automated NDC (Northern Distribution Center), which became operational in the fourth quarter of 2017. The centralized warehouse management and industry-leading automated facilities greatly reduce operational and transportation costs, thereby substantially improving momo's delivery speed. momo is planning to set up additional automated logistic centers in central and southern Taiwan, with the aim to continue to improve the overall efficiencies of our operations and further advance our fast delivery service.

4. Continual expansion into the international market:

momo shall rely on the competency of its management team in the continual expansions in the international market. In the China market, momo invested in a national TV shopping company in 2015, GHS Co., Ltd. In September 2017, GHS acquired Citruss TV, a Dubai, United Arab Emirates based TV shopping company in order to expand business in the Middle East, African and Southeast Asian regions. With respect to the ASEAN market, a Thai joint venture company TVD momo was set up in 2014, and TVD momo has become the second largest TV shopping company in the country. By leveraging momo's global resources, the company has strengthened its core advantages and will continue to expand into new overseas markets.

momo's vision is to become the preferred virtual shopping platform for Asian consumers and suppliers. In order to achieve this, momo will have to focus on the development of the retail market, steadily move forward and meet our promise to become an outstanding corporation trusted by our customers.

Looking forward to 2018, the company will adhere to the management's objective of "everything in life, everything in momo". momo will uphold the spirit of professionalism, innovation, and social responsibilities to further improve its performance; and adopt innovative business models and technologies that cater to consumer demands from all facets of their daily lives. momo will continue to strengthen its core competitive advantage to create long-term investment value and inject new dynamism in the industry.

Chairman 

II. Company Profile

Date of Incorporation: 09 27, 2004

Company History

Year	Milestones
Sept. 2004	Company incorporated. Named Howard Lin as Chairman and C.F. Lin as President.
Nov. 2004	Officially named home shopping channel “Fubon momo TV”. The digital filming studios, with initial investment of ~NT\$100mn were officially opened. Chairman Wan-Tsai Tsai, Founder of the Fubon Group, presided over the opening ceremony.
Dec. 2004	Set up subsidiary Fu Sheng Travel Service Co., Ltd. In order to promote travel products.
Jan. 2005	“Fubon momo TV” started broadcasting 24-hour home shopping programs to ~3.9 million households.
May 2005	Launched momoshop. First shopping catalog distributed.
Dec. 2005	Reached single-month break-even. Set up subsidiary Fuli Life Insurance Agent Co., Ltd. in order to promote life insurance products.
Jan. 2006	Set up subsidiary Fuli Property Insurance Agent Co., Ltd. in order to promote property insurance products.
Jan. 2008	Established the physical channel—momo opened its first drug store in Ximending (Taipei City).
July 2008	Launched momo TV2 and TV3. Capital increased out of earnings of NT\$ 180,000,000 to NT\$ 630,000,000.
Oct. 2008	Board of Director approved the issuance of employee stock option certificates of 2,020,000 shares.
Jun. 2009	Capital increased out of earnings of NT\$ 189,000,000 to NT\$ 819,000,000.
Nov. 2009	Momoshop became one of the top 3 shopping websites.
Dec. 2009	Passed the ISO 27001 certification audit, the first virtual retailer to pass Cybersecurity 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.
July. 2013	Winner of “Technological Innovative Awards of E-Commerce Enterprises” by MOEA. Awarded “Excellent enterprise of improving E-invoice” by Ministry of Finance for the third consecutive year. Launched momomall’s official Line account.
Sept. 2013	Management of momo Department Store transferred.
Nov. 2013	Awarded “Gold Award in Online Shopping Platforms” by MOEA.
Dec. 2013	Momo TV’s digital HD filming studio officially opened. The Financial Supervisory Commission approved the public offering of shares of the company.
Feb. 2014	TPEX approved the company’s stock to start trading on the Emerging Market Board.
Mar. 2014	Founded a joint venture “TVD SHOPPING CO., LTD.” with TV Direct in Thailand.
Apr. 2014	4th Place in CommonWealth Magazine’s Golden Service Award—Internet Shopping Center.
May 2014	Renamed company to momo.com Inc., approved in shareholders’ meeting. Launched mobile app for momoshop.com.
Jun. 2014	Awarded 1st place in “Media and Entertainment Category, Digital Service Investigation” by Business Next. Awarded the Silver Prize in “Taiwanese Services Evaluation” by Commercial Times. Launched TVD SHOP home shopping in Thailand. Launched TVD SHOP home shopping in Thailand.
July. 2014	Launched momomall.com. Management of momo Drug Store transferred.
Aug. 2014	Launched official account 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	Passed the ISO14064 greenhouse gas certification Received Taipei City healthy workplace achievement award

Apr. 2017	<p>Ranked top 5% in the 3rd corporate governance evaluation</p> <p>Passed the ISO14064 greenhouse gas certification</p> <p>Received Taxation Bureau's usage of electronic invoice performance manager award</p> <p>4th place in the Commonwealth Magazine's gold medal service industry survey - combined shopping website category.</p>
Jun. 2017	<p>The 2016 corporate social responsibility report passed the British Standard Institute certification.</p>
Jul. 2017	<p>First place in the non-brick and mortar shop retail category, in China Credit Information Service Ltd.'s 2017 Taiwan region large enterprise TOP 5000 ranking.</p>
Aug. 2017	<p>Received certification from the Ministry of Economic affairs in the 4th Taiwan Mittelstand Award.</p>
Oct. 2017	<p>Official completion and opening ceremony of the momo northern region logistics center,</p> <p>3rd place in Next Magazine's 2017 Service NextAward in the category of online shopping.</p>
Nov. 2017	<p>Launch of MoBooks;, officially entered the book market.</p>
Dec. 2017	<p>First place in the outstanding workplace for cancer prevention award in Taipei City's healthy workplace cancer screening program.</p> <p>Awarded best workplace partner for cancer prevention in Taipei City's healthy workplace cancer screening program.</p>

Divisional Scope of Responsibilities

Division		Scope of responsibilities
Internal Audit Office		<ol style="list-style-type: none"> 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
International Business Division		<ol style="list-style-type: none"> 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
Catalogue Dept.		<ol style="list-style-type: none"> 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
Broadcasting Division	Live Production Dept.	<ol style="list-style-type: none"> 1. Program planning, production, and visual management of TV home shopping channels
	Engineering Dept.	<ol style="list-style-type: none"> 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
	Video Production Dept.	<ol style="list-style-type: none"> 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
TV Merchandise Division	Garment Dept.	<ol style="list-style-type: none"> 1. Introduction of TV channel suppliers 2. Development and product planning for various product categories <p>Product launches and sales management of TV Home Shopping channels</p>
	Boutiques Dept.	
	Cosmetic Dept.	
	Appliances and Electronics Dept.	
TV Merchandise Division	LOHAS Dept.	<ol style="list-style-type: none"> 1. Management of pre-recorded programming 2. Management of administration, marketing, and sales targets of TV home shopping channel
	Operations Management Dept.	
	Overseas Dept.	
EC Division	EC Household Appliances Dept.	<ol style="list-style-type: none"> 1. Management of Internet channel suppliers and product development 2. Management of business performance and staff performance 3. Management of online products
	EC Home & Life Dept.	
	Household Electronics Dept.	
	EC Consumer Dept.	
	EC Healthcare & Food Dept.	
	EC Beauty & Cosmetic Dept.	
	EC Fashion & Boutiques Dept.	
	Insurance Dept.	
	EC Marketing Dept.	<ol style="list-style-type: none"> 1. Brand management of Internet channels 2. Operations of Internal and external promotions 3. Management of membership and customer relationship
	EC Operations Dept.	<ol style="list-style-type: none"> 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 supplier contracts

Division		Scope of responsibilities
		5. Cross-border e-commerce collaboration and expansion of new business models
	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 4. Cost analysis/strategic planning evaluation
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 of 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. Development and maintenance of data analysis and website traffic systems 2. Project analysis, planning and management. 3. Maintenance of the website's search engine and recommendation mechanism and business intelligence (BI) reporting system 4. Information security issues - management of ISMS system and control and management of administration rights for various operating systems.

Division		Scope of responsibilities
	Integration Testing Dept.	<ol style="list-style-type: none"> 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
	Application Development	<ol style="list-style-type: none"> 1. momoshop (momo shopping website), page design and 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	<ol style="list-style-type: none"> 1. Development for momoshop (momo's B2C website) 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.	<ol style="list-style-type: none"> 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	<ol style="list-style-type: none"> 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)
	Customer Service Taichung Branch	<ol style="list-style-type: none"> 1. Order confirmation services 2. Transaction process inquiry services 3. Product return or exchange
	Customer Service Taipei Branch	<ol style="list-style-type: none"> 4. Management of customer complaints 5. Outbound calls 6. Customer service for online momoshop
Cable & Media Dept.		<ul style="list-style-type: none"> • Contracts for broadcasting on advertising channels of cable TVs (system operators); planning and management of signal transmission contract
Marketing Communications Dept.		<ol style="list-style-type: none"> 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.		<ol style="list-style-type: none"> 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		<ol style="list-style-type: none"> 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

ii.Board of Directors and Executive Management

Board of Directors

As of Feb. 27, 2018

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.	2017.5.17	3	2011.7.29	64,742,205	50.64%	63,047,205	44.38%	-	-	-	-	-	-	-	-	-
	ROC	Wealth Media Technology Co. Ltd. Representative: Howard Lin.	2017.5.17	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 and Director of The Investment Division, Fubon Financial Holding Co., Ltd.	1. Chairman of the company 2. Director and Manager, 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. Director, Fubon Health Management Consultations LTD 12. Director, Fu Yi Health Management Consultations LTD 13. Director, Chung Kung University Chemical Engineering Cultural and Education Foundation 14. Director, National Cheng Kung University chemical engineering alumni association	-	-	-
Director	ROC	Wealth Media Technology Co. Ltd.	2017.5.17	3	2011.7.29	64,742,205	50.64%	63,047,205	44.38%	-	-	-	-	-	-	-	-	-
	ROC	Wealth Media Technology Co. Ltd. Representative: James Jeng	2017.5.17	3	2014.1.6	-	-	-	-	-	-	-	-	1. PhD and MS in Electrical and Computer Engineering, The State University of New York 2. Masters in Electrical and Computer Engineering, The State University of New York, USA 3. BS in Electrical Engineering, National Cheng Kung University 4. Member of Technical Staff, AT&T Bell Labs, USA 5. Executive Vice President, United Fiber Optic Communication Inc. 6. CEO, Asia Pacific Telecom Group 7. CEO, Asia Pacific Broadband and Wireless Communications Inc. 8. CEO, Asia Pacific Broadband Telecom Co., Ltd. 9. President, Asia Pacific Online 10. President, TFN Media Co., Ltd. 11. Chief Technology Officer and Chief Operating Officer of Home Business Group, Taiwan Mobile 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. 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	-	-	-

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
														12.Chairman and CEO, Kbro Co., Ltd.	19. Chairman and President, Fu Tian Xia Media 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, Taipei New Horizon Co. Ltd. 25.Director: Taishin property insurance agents Co. Ltd., 26. Chairman, Tai-fu Cloud Technology Co. Ltd..			
Director	ROC	WealthMedia Technology Co. Ltd.Representative: C.F. Lin	2017.5.17	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 Life Insurance Agent Co., Ltd.	1. Director and President of this company 2.Chairman and President, Fubon Gehua (Beijing) Enterprise Ltd. 3.Chairman, Fu Sheng Travel Service Co., Ltd. 4.Supervisor, Fu Sheng Property Insurance Agent Co., Ltd. 5.Chairman and President, 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	2017.5.17	3	2011.7.29	132,000	0.10%	155,000	0.11%	15,496	0.01%	-	-	1.BBA in Banking and Finance, Tamkang University 2.Chairman, Fubon Gehua (Beijing) Enterprise Ltd. 3. Chairman, Fuli Life Insurance Agent Co., Ltd.	1. Director andSenior Vice President of this company 2.Chairman and President, 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.	2017.5.17	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	2017.5.17	3	2009.5.20	-	-	-	-	-	-	-	-	1.MBA, Wharton School, University of Pennsylvania 2. Director,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. Supervisor, An-Shin Food Services Co., Ltd. 6. Vice-Chairman, 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, Nanchang TECO Electric & Machinery Co., Ltd. 24. Director, An Tai Innovative Technology (Xiamen) Co., Ltd. 25. Director, TECO-Westinghouse Motor Company (TWMC) 26. Chairman, TECO Australia Pty Limited (TAC) 27. Director, TECMA INFORMATION SYSTEMS SDN. BHD. 28. Director,TAIAN (Malaysia) Electric Sdn. Bhd 29. Chairman., TECO ELEKTRIK TURKEY A.S. 30. Director., Xiamen MOS Restaurant Management Co., Ltd. 31. Chairman, Sankyo Co., Ltd. (TECO JAPAN) (TEJ): 32. Chairman, Royal Park Restaurant Co. Ltd. 33. Chairman, Maowang Technologies Co. Ltd. 34. Director, Fujii Atetusi Multimedia Inc. 35. Director, Fujio Food System Taiwan Co. Ltd. 36. Chairman, Jinlaomang Co. Ltd.,	-	-	-
Director	Korea	WOORI HOMESHOPPING CO., LTD.	2017.5.17	3	2004.8.19	14,014,000	10.96%	14,014,000	9.86%	-	-	-	-	-	-	-	-	-
	Korea	WOORI HOMESHOPPING CO.,LTD Representative: KIM, IN HO	2017.5.17	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	-	-	-

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
Independent Director	ROC	CHEN,HONG-SO	2017.5.17	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, Spirox Corporation 10. 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. 5. Remuneration Committee Member, Sercom Corporation 6. Remuneration Committee Member, GGA Corp. 7. Remuneration Committee and Special Merger and Acquisition Committee Member, LCY Chemical Corp. 8. Remuneration Committee and Special Merger and Acquisition Committee Member, LCY Technology Corp.	-	-	-
Independent Director	ROC	Shikuan Chen	2017.5.17	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	2017.5.17	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: 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, 2018

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 HOMESHOPPING 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, 2018

Name of Institutional Shareholders	Major Shareholders
Taiwan Mobile Co., Ltd. (Note1)	Tai Lian Wang Investment Co., Ltd. (12.00%) Shin Kong Life Insurance Co., Ltd. (8.36%) Tai Xing Investment Co., Ltd. (5.86%) Ming Tung Industry Co., Ltd. (5.40%) Fubon Life Insurance Co., Ltd. (4.41%) Dao Ying Industry Co., Ltd. (3.32%) Richard Tsai (2.73%) Taiwan Fixed Network Venture Capital Co. Ltd. (2.56%) Cathay Life Insurance Co. Ltd. (1.93%) Daniel Tsai (1.90%)
TECO ELECTRIC & MACHINERY CO., LTD. (Note 2)	Citibank Taiwan Ltd., custodian trustee of investment account at Norges Bank (1.23%) Deutsche Bank AG, Taipei Branch, the custodian trustee of investment account of WGI Emerging Markets Fund, LLC. (1.75 %) Citibank Taiwan, the custodian trustee of investment account of Singapore government. (1.42 %) 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. (1.61 %) TECO CAPITAL INVESTMENT CO., LTD. (1.52 %) Standard Chartered Bank, the custodian of investment account of Vanguard FTSE emerging Markets ETF fund. (1.71 %) Kabushiki-Gaisha Yasukawa Denki (1.48 %) Citibank Taiwan, the custodian trustee of investment account of Dimension Emerging Markets Assessment Fund. (1.40 %) Silchester International Investors Tobacco Free International Value Equity Trust (1.52 %) Bank of Taiwan, the custodian of investment account of Hilkester International Investor International Value Stock Trust. (2.57%)
Lotte Shopping Co., Ltd.	LOTTE Corporation (25.87%) Shin Dong Bin (9.89%) Hotel Lotte Co., Ltd. (8.83%) Korea Fujifilm Co., Ltd. (7.86%) LOTTE IT TECH Co., Ltd. (4.81%) Minority shareholders (42.74%)
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 17, 2017

Note 2 : The information is in accordance with the company's annual shareholders meeting report dated April 30, 2017

3. Professional qualifications and independence analysis of directors

As of Feb. 27, 2018

Name	Criteria	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independence Criteria(Note)										Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
		An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8	9	10	
Wealth Media Technology Co. Ltd. Representative: Howard Lin.			✓	✓				✓			✓	✓	✓		-
Wealth Media Technology Co. Ltd. Representative: James Jeng			✓				✓	✓			✓	✓	✓		-
Wealth Media Technology Co. Ltd. Representative: C.F. Lin			✓				✓	✓			✓	✓	✓		-
Wealth Media Technology Co. Ltd. Representative: Jerry Kao			✓				✓	✓			✓	✓	✓		-
TECO CAPITAL INVESTMENT CO., LTD. Representative: Mao-Hsiung Huang			✓	✓	✓	✓	✓	✓			✓	✓	✓		-
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: Non-Company affiliated directors and supervisors (does not include independent directors designated by the Company, its parent company or subsidiaries in accordance with this Act or local laws and regulations).

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

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

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

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

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

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

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

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

Management Team

As of Feb. 27, 2018

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 Taiwan University 2. Director, Technical & Development Dept., Grand Pacific Petrochemical Corp. 3. President, Fubon Asset Management Co., Ltd. 4. Senior Vice President and Director of The Investment Division, Fubon Financial Holding Co., Ltd.	1. Chairman of the Company 2. Director, Manager, 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. Director, Fubon Health Management Consultations LTD 12. Director, Fu Yi Health Management Consultations LTD 13. Director, Cheng Kung University Chemical Engineering Cultural and Education foundation 14. Director, National Cheng Kung University chemical engineering Alumni Association	-	-	-
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. Director and President of this company 2. Chairman and President, Fubon Gehua (Beijing) Enterprise Ltd. 3. Chairman, Fu Sheng Travel Service Co., Ltd. 4. Chairman and President, Fuli Life Insurance Agent Co., Ltd. 5. Supervisor, Fu Sheng Property 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, Hong Kong Yue Numerous Investment Co. Limited 12. Chairman, Haobo Information Consulting (Shenzhen) Co., Ltd. 13. 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%	15,496	0.01%	-	-	1. BBA in Banking and Finance, Tamkang University 2. Chairman, Fubon Gehua (Beijing) Enterprise Ltd. 3. Chairman, Fuli Life Insurance Agent Co., Ltd.	1. Director and Senior Vice President of this company 2. Chairman and President, 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.	-	-	-
Vice President	ROC	Vicky Tu	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. 5.Director, TVD SHOPPING CO., LTD.:	-	-	-
Division Director	ROC	Summer Hsieh	F	2015.08	102,056	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 (Note3)	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	2017.07	-	-	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. 3. Director of Finance and Accounting division, momo.com Inc. 4. Director, TVD SHOPPING 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.	-	-	-
Internet Division Director	ROC	Hong WeiZhao	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.	-	-	-	-
Information Technology Division Director	ROC	Robinson Lin (Note4)	M	2017.07	4,028	0.003%					1. Department of Business Administration, Feng Chia University 2. Engineer, Cathay Life Insurance Co. Ltd. 3. Director of Application Development Division, Assistant Director of Information Technology Division, momo.com Inc.				
TV Merchandise Division Director	ROC	Sabrina Huang (Note4)	F	2017.07	2,000	0.001%					1. Master of Business Administration in Executive Management, ROYAL ROADS UNIVERSITY 2. Branch manager, Orise T-ZONE Heping branch 3. PM Product project manager, Fortress 4. Division director, home appliance division; assistant director, TV merchandise division, momo.com Inc.				
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: Van Yu resigned as of May 2017.

Note4: Robinson Lin and Sabrina Huang took up their respective positions from July 2017.

Remuneration of Directors, Supervisors, President, and Vice President

1. Remuneration of Directors

Unit: NT\$ dollars

Title	Name	Remuneration								Ratio of Total Remuneration (A+B+C+D) to Net Income (%)		Relevant Remuneration Received by Directors Who are Also Employees								Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income (%)		Compensation Paid to Directors from an Invested Company Other than the Company's Subsidiary
		Base Compensation (A)		Severance Pay (B)		Bonus to Directors (C)		Allowances (D)				Salary, Bonuses, and Allowances (E)		Severance Pay (F)		Profit Sharing- Employee Bonus (G)						
		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	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	Wealth Media Technology Co. Ltd. Representative: Howard Lin.	-	-	-	-	304,905	304,905	240,000	240,000	0.04%	0.04%	5,169,745	5,169,745	-	-	6,954	-	6,954	-	0.41%	0.41%	-
Director	Wealth Media Technology Co. Ltd.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Representative: James Jeng	-	-	-	-	152,455	152,455	240,000	240,000	0.03%	0.03%	-	-	-	-	-	-	-	-	-	-	-
	Representative: C.F. Lin	-	-	-	-	152,455	152,455	240,000	240,000	0.03%	0.03%	6,950,946	6,950,946	108,000	108,000	7,954	-	7,954	-	0.56%	0.56%	373,580
	Representative: Jerry Kao	-	-	-	-	152,455	152,455	240,000	240,000	0.03%	0.03%	3,623,038	3,623,038	108,000	108,000	4,720	-	4,720	-	0.29%	0.30%	121,992
Director	TECO CAPITAL INVESTMENT CO., LTD.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Representative: Mao-Hsiung Huang	-	-	-	-	152,455	152,455	240,000	240,000	0.03%	0.03%	-	-	-	-	-	-	-	-	-	-	116,797
Director	WOORI HOME SHOPPING CO, LTD.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	KIM, IN HO	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Independent Director	Shikuan Chen	-	-	-	-	152,455	152,455	1,400,000	1,400,000	0.12%	0.12%	-	-	-	-	-	-	-	-	-	-	-
Independent Director	Brian Y. Hsieh	-	-	-	-	152,455	152,455	1,400,000	1,400,000	0.12%	0.12%	-	-	-	-	-	-	-	-	-	-	-
Independent Director	CHEN,HONG-SO	-	-	-	-	152,455	152,455	1,400,000	1,400,000	0.12%	0.12%	-	-	-	-	-	-	-	-	-	-	-

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\$ dollars

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	13,270,641	13,270,641	324,000	324,000	5,795,002	5,795,002	24,061	0	24,061	0	1.53%	1.54%	495,572

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\$ dollars

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; Vice President Vicky Tu International Business Division Director Kiki Hung; Information Technology Division Director Van Yu (Note 2) Division Director Summer Hsieh; EC Division Director Hong Wei Zhao; Supporting Service Division Director Leanne Wang; TV Merchandise Division Director Sabrina Huang; Information Technology Division Director Robinson Lin; Financial & Accounting Division Director Gina Lu; Internal Audit Office Assistant Manager Liang Dung Nan	-	47,033	47,033	0.00%

Note1 : Van Yu resigned as of May 2017, and has not received any bonuses.

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\$ dollars, %

Title	2016				2017			
	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	6,580,603	6,580,603	0.56%	0.56%	6,924,545	6,924,545	0.55%	0.55%
Presidents and Vice Presidents	18,283,321	18,471,345	1.55%	1.58%	19,413,704	19,413,704	1.53%	1.54%

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

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

(1) Board of Directors and Supervisors

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

(2) President and Vice President

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

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

iii.Implementation of Corporate Governance

Board of Directors attendance

The Board of Directors convened seven times in 2017

Title	Name	Attendance in Person (B)	By Proxy(A)	Attendance Rate (%) 【B/A】	Remarks
Chairman	Wealth Media Technology Co. Ltd. Representative: Howard Lin.	7	0	100%	None
Director	Wealth Media Technology Co. Ltd. Representative: C.F. Lin	5	2	71.43%	None
Director	Wealth Media Technology Co. Ltd. Representative: James Jeng	7	0	100%	None
Director	Wealth Media Technology Co. Ltd. Representative: James Jeng	6	1	85.71%	None
Director	TECO CAPITAL INVESTMENT CO., LTD. Representative: Mao-Hsiung Huang	5	2	71.43%	None
Director	WOORI HOME SHOPPING CO.,LTD. Representative: KIM, IN HO	3	4	42.86%	None
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 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.					

Title	Name		Attendance in Person (B)	By Proxy(A)	Attendance Rate (%) 【B/A】	Remarks
2. Recusal of directors' from motions that may have concerns of conflict of interests						
No.	Date of meeting	Directors recused	motion details	Reason for recusal	Details during voting	
1	2017.01.24	Howard Lin. C.F. Lin Jerry Kao	The annual bonus allocation of 2017 for managers and other related parties.	The recused directors were beneficiaries of the bonus allocation	The recused directors were absent during discussion and resolution of motion. Howard Lin appointed independent director Si-Kuan Chen as the chair	
2	2017.03.30	Shikuan Chen Brian Y. Hsieh CHEN,HON G-SO	review of independent supervisor nominations	The recused directors were part of the party involved in the motion	Recusal during discussion and resolution of motion	
3	2017.07.28	Howard Lin. C.F. Lin Jerry Kao	The 2017 salary review for internal managerial staff and other related party	The recused directors were part of the party involved in the review	The recused directors were absent during discussion and resolution of motion. Howard Lin appointed independent director Si-Kuan Chen as the chair.	
4	2017.07.28	Howard Lin. C.F. Lin Jerry Kao	The promotion and salary adjustment for the management team in 2017	The recused directors were part of the party involved in the review	The recused directors were absent during discussion and resolution of motion. Howard Lin appointed independent directorSi-Kuan Chen as the chair.	
		Howard Lin. C.F. Lin Jerry Kao	The amount for the 2016 employee remuneration scheme and the management team	The recused directors were part of the party involved in the review	The recused directors were absent during discussion and resolution of motion. Howard Lin appointed independent director Si-Kuan Chen as the chair.	
		Shikuan Chen Brian Y. Hsieh CHEN,HON G-SO	The travel expense for the sixth session of independent directors	The recused directors were part of the party involved in the review	Recusal during discussion and resolution of motion	
		C.F. Lin Jerry Kao	The Company proposal to endorse and guarantee for the subsidiary Fubon Gehua (Beijing) Enterprise Ltd. (Fubon Gehua)	The recused directors were part of the party involved in the review	Recusal during discussion and resolution of motion	
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 2017, the company invited lecturers from the Taiwan Corporate Governance Association to speak to the directors on topics such as "big data and cloud - critical mission of Board of Directors in risk management when applying innovative technology", and "How Board of Directors supervision helps companies to carry out information security risk management and strengthen corporate governance", in order to provide the directors with new, up-to-date information.						
(4) Increase Information Transparency: the Company supports operational transparency and emphasis the rights of shareholders. The Company website has pages dedicated to the investors, social responsibility, and corporate governance. Up-to-date information are provided in Chinese and English, and after every Board of Directors meeting, important resolutions are immediately announced, and directors shall (ir)regularly attend investors' conferences.						
(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".						

Audit Committee attendance

The Company has established an audit committee to replace supervisors in accordance to the Securities Act as of February, 2014, which is comprised of independent directors, in order to implement the spirit of corporate governance. The committee operates in accordance with the Audit Committee Charter, with supervision of the following items as its main goal:

- (1) Appropriate representation of the Company's financial report
- (2) Appointment/dismissing public certified accountant and their independence and performance
- (3) Effective implementation of internal Company control
- (4) Company compliance with relevant laws and regulations
- (5) Management and control of existing or potential risks to the Company

The Audit Committee convened seven times in 2017

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:

Board of Directors meeting	Meeting/session	Contents of Resolutions	Resolution of Audit Committee	Handling against opinions of Audit Committee
2017.01.24	24th meeting of the fifth session	1. The 2016 Company financial report	Unanimously approved with consent of all attended committee members	None
		2.The 2017 Company budge		
		3. The 2016 public certified accountants performance and independence evaluation		
		4. Draft of the Company's 2016 internal control system declaration		
2017.02.23	25th meeting of the fifth session	The Company's proposed joint venture with Pavilion Group to establish a new company to enter Malaysia TV shopping, online shopping and catalogue shopping markets.	Unanimously approved with consent of all attended committee members	None
2017.03.30	26th meeting of the fifth session	1. Drafting the Company's 2016 distribution of the Company's earnings and capital reserve	Unanimously approved with consent of all attended committee members	None
		2. Amendment on the Company's Governing of the Acquisition and Disposal of Assets		
2017.04.20	27th meeting of the fifth session	1. The Company's 1Q17 financial report	Unanimously approved with consent of all attended committee members	None
		2.The Company's retaining of public certified accountants for 2017		
2017.07.28	2nd meeting of the sixth session	1. The Company's 2Q17 financial report	Unanimously approved with consent of all attended committee members	None
		2.The Company proposal to endorse and guarantee for the subsidiary Fubon Gehua (Beijing)Enterprise Ltd. (Fubon Gehua)		
2017.10.31	3rd meeting of the sixth session	1. The Company's 3Q17 financial report	Unanimously approved with consent of all attended committee members	None
		2. Drafting of the Company's 2018 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 2017.

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 submit follow 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

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons																																																																						
	Yes	No	Abstract Illustration																																																																							
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?	V		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. The current Board of Directors members shall draft diverse policies that shall be disclosed on the Company website and the market observation post system website. <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>	Diversified core projects name of Directors	gender	operation and leadership	knowledge of industry	understanding of international markets	finance and accounting	legal	Lin, Fu Xing	male	V	V	V	V		Zheng ,Jun Qing	male	V	V	V	V		Lin, Qi Feng	male	V	V	V	V		Gao, Su Yuan	male	V	V	V	V		Huang, Mao Xinog	male	V	V	V	V		KIM,IN HO	male	V	V	V	V		Chen, Si Kuan	female	V	V	V	V		Xie, Yi Hong	male	V	V	V	V	V	Chen, Hong Shou	male	V	V	V	V		None
Diversified core projects name of Directors	gender	operation and leadership	knowledge of industry	understanding of international markets	finance and accounting	legal																																																																				
Lin, Fu Xing	male	V	V	V	V																																																																					
Zheng ,Jun Qing	male	V	V	V	V																																																																					
Lin, Qi Feng	male	V	V	V	V																																																																					
Gao, Su Yuan	male	V	V	V	V																																																																					
Huang, Mao Xinog	male	V	V	V	V																																																																					
KIM,IN HO	male	V	V	V	V																																																																					
Chen, Si Kuan	female	V	V	V	V																																																																					
Xie, Yi Hong	male	V	V	V	V	V																																																																				
Chen, Hong Shou	male	V	V	V	V																																																																					
(2) Does the company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee?		V	II. The Company has established Remuneration Committee and Audit Committee, and is planning to establish a variety of other functional committees as necessitated by practical operation requirements.	Other functional committees have yet to be established.																																																																						
(3) Does the company establish a standard to measure the performance of the Board, and implement it annually?	V		III. The Board of Directors has passed the Company's Guidelines for Evaluating the Board of Directors' Performance as of October 26, 2015. During January of every year, self-evaluated performance survey shall be given to each Board of Directors member. The Board of Directors performance evaluation shall be divided into evaluation by the meeting affairs division and evaluation of the Board members.	None																																																																						

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			<p>1、The meeting affairs division shall cover the following two major areas:</p> <p>(1) Compliance with relevant laws and regulations</p> <p>(2) Degree of participation with the Company's operations</p> <p>2、The items on which the Board of Directors members are evaluated for covers the following 9 major areas:</p> <p>(1) Goal and mission of the Company</p> <p>(2) Internal Control and Risk to the Company</p> <p>(3) Management of Internal Relations</p> <p>(4) Management of External Relations</p> <p>(5) Organization and Capability of the Board of Directors</p> <p>(6) The culture of the Board of Directors</p> <p>(7) The operation of the Board of Directors</p> <p>(8) the Board of Directors chairman/meeting chair</p> <p>(9) Self-evaluation of board members</p> <p>3、Evaluation report is submitted to the Board of Directors after comprehensive analysis by the Board of Directors meeting affairs division. The Company has completed the 2017 Board of Directors performance evaluation, and submitted the results to the Board of Directors meeting on March 30, 2018. The results on all the aspects were of a good standard. The aforementioned evaluation methods and results shall be disclosed on the Company website.</p> <p>4、External evaluation of the Board of Directors performance shall be carried out at least once every three years by external independent expert</p>	

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
(4) Does the company regularly evaluate the independence of CPAs?	V		<p>organizations or a team of external experts and scholars.</p> <p>IV. In accordance with the Company's Corporate Governance Best Practice Principles, the annual evaluation of the independent public certified accountant and the method of evaluation is as follows:</p> <p>(1) Examination of the accountant's personal resume.</p> <p>(2) Has not serve on a board of directors, as a manager or is in position of major influence in a company which may generate conflicts of interest.</p> <p>(3) Has not been appointed for accountant assurance service for seven years consecutively.</p> <p>(4) Has obtained accountant certified declaration of independence every year.</p> <p>(5) Service quality and efficiency on auditing and taxation work.</p> <p>(6) If there are cases under litigation or correction from the competent authorities.</p> <p>(7) The size and reputation of the accounting firm.</p> <p>(8) The accountant suitability survey is used every year to summarize the result of evaluation on the independence of the accountant.</p> <p>Joint evaluation by the Company's accounting and auditing supervisors has determined the independence of the public certified accountant meets the standard; on January 26, 2018, the Audit Committee and Board of Directors approved the 2017 public certified accountant performance and independence evaluation.</p>	None
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	V		The company's Corporate Governance Best Practice Principles clearly stated the financial and accounting division as the entity responsible for corporate governance related affairs, which is managed and supervised by the general manager. The principles	None

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
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.)			<p>was submitted to the Board of Directors meeting on July 28, 2017, amended and approved. The financial and accounting division shall set up subdivision responsible for corporate governance related affairs, and assist in providing the Board of Directors with information required for operation and meetings. The main responsibilities are:</p> <ol style="list-style-type: none"> (1) Draft and set up effective corporate governance related covenants to properly comply with laws and regulations and to ensure healthy internal management (2) Carry out work related to the shareholders' meetings (3) Carry out work related to the Board of Directors and Auditing Committee (4) Carry out changes in Company registration (5) Set up and maintain information on the Company's website in both Chinese and English, disclosing information and results related to the Company's financial, operational and corporate governance affairs. (6) Carry out the annual Board of Directors performance evaluation and submit the results to the Board of Directors. <p>The operations during 2017 were as follows:</p> <ol style="list-style-type: none"> 1. Assisting directors and independent directors in carrying out their respective roles, providing essential information, and organizing further studies for the directors: <ol style="list-style-type: none"> (1) Providing regular notification to Board of Directors members on the amendment and development of the latest laws and regulations pertaining to the Company's scope of business as well as corporate governance (2) Providing the directors with the necessary Company information, and maintaining a smooth channel of communication between the directors and the business management 	

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			<p>(3) Organize courses for directors and independent directors to attend in accordance with the Company's business requirements, as well as the directors' academic and work experience/background.</p> <p>2. Assist with the Board of Directors, Audit Committee , Annual Shareholder Meeting's agenda and resolution to ensure compliance with the relevant laws and regulations.</p> <p>(1) ensure the convening of Company's Board of Directors, Audit Committee and shareholders' meeting is in accordance with the relevant laws and regulations as well as the specifications set out in the Company's Corporate governance guidelines.</p> <p>(2) responsible for checking major announcements related to important decisions after each meeting, ensuring the content of said announcements are accurate and lawful so as to protect trading information for investors.</p> <p>3. Draft the agenda for Board of Directors and Audit Committee meetings; notify the directors 7 days prior to meetings; convene the meetings and provide relevant information at the meetings; prior reminder of recusal if the motion leads to conflicts of interest, and complete the meeting minutes within 20 days after each meeting.</p> <p>4. Carry out preregistration for shareholders' meeting; produce meeting notification, meeting proceeding manuals, memos etc., within the legally allowed time and when necessary, make the appropriate amendments after revising bylaws and re-election of Board of Directors members.</p>	

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 have 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 (1) Does the company have a corporate website to disclose both financial standings and the status of corporate governance? (2) Does the company have other information disclosure channels (e.g. building an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, webcasting investor conferences)?	V V		(1) The company has a website to disclose important financial and business information updated for shareholders and stakeholders’ reference. (2) An English website has been set up, and contains the information for the personnel responsible for the collection of Company information and immediate disclosure thereof, including information for investors meetings, etc. A spokesperson has also been set up in accordance with regulations.	None 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 its transparency. This will allow investors to be well informed of the company’s business plans and future developments.	None

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			<p>Supplier relations: The company maintains a long-lasting and positive collaborative relationship with the suppliers.</p> <p>In terms of stakeholders’ rights: In order to protect stakeholders’ rights and interests, this company has established quality and open channels for communications. The company deals with issues by holding good faith principle and responsible attitudes; it also fulfills the corporate social responsibility.</p> <p>Advanced Studies for directors: The directors in the company participate in courses related to securities laws and regulations in accordance with the “Guidelines for Implementing Advanced Studies for Directors and Supervisors in TSEC-listed and OTC-listed Companies.” They also meet the required number of study hours.</p> <p>Execution of risk management policies and risk measurement standards: The company has established different internal regulations according to laws and conducts various risk management and assessment.</p> <p>Execution of client policies: The company is dedicated to improving quality and enhancing professional skills to provide clients with the best services and products.</p> <p>Status of liability insurance for directors: The company has established plans to purchase liability insurance for directors of the board and independent directors.</p>	
<p>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.</p> <p>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.</p>				

Composition, Responsibilities and Operations of the Remuneration Committee

1. Professional Qualifications and Independence Analysis of Remuneration Committee Members

Title (Note 1)	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 Remunerati on Committee Member	Remarks
		An instructor or higher position in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the Company in a public or private junior college, college or university	A judge, public prosecutor, attorney, Certified Public Accountant, or other professional or technical specialist who has passed a national examination and been awarded a certificate in a profession necessary for the business of the Company	Has work experience in the areas of commerce, law, finance, or accounting, or otherwise necessary for the business of the Company	1	2	3	4	5	6	7	8		
Independent director	Brian Y. Hsieh	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1	None
Independent director	Shikuan Chen	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	2	None
Independent director	CHEN, HONG-SO			✓	✓	✓	✓	✓	✓	✓	✓	✓	4	None

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

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

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

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

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

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

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

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

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

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

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

2. Compensation Committee attendance

(1) The Compensation Committee consists of three members.

(2) Terms of office for current members: February 14, 2014 - May 16, 2017 for members of the first session; May 17 2017 - May 16, 2020 for the second session. The most recent (2017) Compensation Committee has already convened meetings twice.

(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 Qifeng, Senior Vice President, Gao Suyuan 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 as establish an effective reward and disciplinary system?	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. 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	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	
			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) Promotion and implementation the recycling of printed paper.	None
(2) Does the company establish proper environmental management systems based on the characteristics of their industries?	V		(2) Implementation of automatic health and safety checks on company premises, and the prohibition of smoking.	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) Promotion and implementation of energy saving facilities, introduction of ISO-14064 greenhouse gas (GHG) inventory management system and establishment of the GHG emission baseline to accurate capture the Company's carbon emission volume and meet environmental protection responsibilities. The GHG inventory received the British Standard Institute certification in 2017.	None
3. Preserving Public Welfare				
(1) Does the company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?	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
(2) Has the company set up an employee hotline or grievance mechanism to handle complaints with appropriate solutions?	V		(2) An email in-box is specially set up for employee complaints, which allows employees to convey their opinions securely and confidentially.	None
(3) Does the company provide a healthy and safe working environment and organize training on health and safety for its	V		(3) The building in which the Company is based, holds fire drills from time to time to ensure safety of the work environment. The procedure	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	
employees on a regular basis?			<p>for labor health and safety self-checks and processing has been set up; regular health and safety education for the employees has been planned.</p> <p>Health and safety measures for the work environment:</p> <ol style="list-style-type: none"> 1. The Company belongs to the retail industry, where the work environment for the quality assurance division may be at risk to potential ionizing radiation. The Company has established the following protective measures for the work environment and personnel: <ol style="list-style-type: none"> (1) Within a defined range, personnel shall be prohibited from entering the work environment. Machinery and equipment inspection shall be performed in accordance with laws and regulations; reports and hazard notification shall be publicized at the work site. (2) Work personnel shall (regularly) undergo health check-ups and special hazard health check-ups. Further evaluation and health education shall be arranged for any personnel that is found to have an abnormal result and requires management. 2. Current state of setting up the health and safety, environment management division or personnel at the Company: The head office has a health and safety committee, whereover one-third of the members are labor representatives in accordance with regulations, and is involved in the negotiation and communication on health and safety issues. Health and safety personnel include supervisors and caretakers; cooperation with relevant divisions are required when carrying out health and safety or environment-related operations. 3. State of implementation on key health and safety management items: <ol style="list-style-type: none"> (1) The labor health and safety management plan, labor health and safety code of practice, application for 	

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Abstract Explanation	
			<p>occupational injury claims and management specifications related to various hazardous operations were drafted in accordance with laws and regulations.</p> <p>(2) Various machinery and mechanical equipment: check list for items on the self-check for the periods by days, weeks, months, quarters, half-yearly, and yearly, to ensure operation safety of mechanical equipment.</p> <p>(3) Operation environment: provide special operation environment (such as for X-ray machine), implement environment inspection in accordance with regulations and publicize the report at the work site.</p> <p>(4) Education training: For personnel who are new, existing employees, and ones who perform potentially hazardous operation a shall be trained in accordance with laws and regulations, and the training information shall be archived for future reference.</p> <p>(5) Health check-up: New personnel shall provide health check-up prior to starting in the new position. Current and employees who performs potentially hazardous operations shall undergo health check-ups once every two years to have better understanding of the personnel health condition. A total of 1546 employees underwent health check-ups in 2017, or 97.85% coverage.</p> <p>Implementation of health check-up for 2017 include encouraging employees to participate in cancer prevention screening. A total of 1,111 employees qualified for the screening, of which 329 completed the screening. The Company received Taipei City's best workplace partner for cancer prevention award and outstanding workplace for cancer prevention award.</p> <p>(6) Health promotion: to increase employee health and vitality, the Company has collaborated with local health</p>	

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Abstract Explanation	
			<p>centers and held relevant classes and seminars for employees to attend. Received the 2014 health smoke prevention mark and the 2015 health certification initiation mark certification from government agencies. Continual health promotion classes and activities from 2016, and completed the healthy workplace promotion certification (effective until 2019) for the year, and received Taipei City's outstanding healthy workplace award.</p> <p>A total of 41 health promotion classes were held during 2017, attended by 1,498 individuals, and achieved 100% satisfaction in feedback surveys.</p> <p>(7) Public security and fire safety: the Company office building has comprehensive fire system, and is regularly checked and declared in accordance with laws and regulations, while fire drill and related seminars are held half-yearly in cooperation with building management.</p>	
(4) Does the company setup a communication channel with employees on a regular basis, as well as reasonably inform employees of any significant changes in operations that may have an impact on them?	V		(4) This company regularly convenes manager meetings and employee meetings to promote company policies and provide business updates. Moreover, departmental meetings are regularly held in various departments to build a mechanism for communicating with employees. The company also regularly convenes employee welfare committee meetings to discuss policies for employee benefits. This helps to achieve the objective of maximizing employee welfare.	None
(5) Does the company provide its employees with career development and training sessions?	V		(5) The company has established educational training policies, which plan and execute training programs for new employees as well as on-job training programs for current employees and managerial roles. It also provides employee subsidies for external trainings to encourage employees' professional advancement and development.	None
(6) Does the company establish any consumer protection mechanisms and appealing procedures regarding research development, purchasing, producing, operating and service?	V		(6) In order to protect consumers' rights and interests, the company has devised relevant standards and regulations to securely protect customer information. Loss of sensitive information is strictly	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	
(7) Does the company advertise and label its goods and services according to relevant regulations and international standards?	V		prohibited. Customer service phone lines are also set up for trained and supervised personnel to answer and reply consumers' questions. (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 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.	None
(8) Does the company evaluate the records of suppliers' impact on the environment and society before taking on business partnerships?	V		(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?		V	(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 :				

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
<p>The company has set up a corporate social responsibility (CSR) committee, where the President C. F. Lin, Senior vice president Jerry Kao and Financial & accounting division director Gina Lu are the committee chair, vice chair and executive secretary, respectively. The committee is responsible for the planning and implementation of CSR projects, and shall co-ordinate related cross-division affairs. The Committee has five task teams, namely corporate governance, social care, employee and environment, product responsibility, and customer commitment subcommittees, where the financial and accounting division is responsible for planning the Company's CSR projects and co-ordinate related cross-division affairs. The various subcommittees shall plan the appropriate CSR strategies and competencies under their purview, carry out various CSR related operations, and committee shall report to the Board of Director sat least once a year on the status of CSR promotion and results thereof.</p> <p>The Company's CSR committee has proposed nine major strategies: enhancing corporate governance; upholding shareholders' rights; promote and nurture talents; looking after employee welfare; raise quality of service; uphold quality and safety; continual energy saving and carbon emission reduction; establish health supply chains; and meeting corporate responsibilities. The rights of interested parties, emphasis on environmental, social and corporate governance issues shall be maintained at the same time as the pursuit for sustainable management and profitability, and these issues shall be incorporated into the Company's management policy and operational activities.</p> <p>The results of implementation in 2017 and the goals set for 2018 has been reported to the Board of Director son January 26, 2018:</p>				
Task team	CSR policy	Results of implementation in 2017		Goals set for 2018
Corporate governance team	Strengthen corporate governance	<ul style="list-style-type: none">● Nominated for Taiwan Corporate Sustainability Award (TCSA) and other related awards● Provide information on various CSR or corporate governance related awards● Participated in external evaluation related to corporate governance● Increased information transparency on the Company website● Evaluation of Board of Directors performance● Provide regular training on relevant laws and regulations		<ul style="list-style-type: none">● Evaluation of Board of Directors performance● External evaluation of Board of Directors performance (once every three years)● Placing focus on carrying out immediate confirmation and proclamation of laws and regulations primarily related to business operations● Provide regular and irregular training on laws and regulations● Integrate the risk management system for the entire Company● Establish evaluation systems for performance of functional committees● Increase the Board of Directors' degree of participation in business operations● Regular promotion and training courses on best practice principles, code of ethic conduct, and corporate confidentiality for employees

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
Task team	CSR policy	Results of implementation in 2017		Goals set for 2018
	Uphold shareholders' rights	<ul style="list-style-type: none">● Electronic voting at shareholders' meetings● Voting on each matters to be resolved at shareholders' meetings● Adoption of nomination system for all Board of Directors candidates		<ul style="list-style-type: none">● Increase the quality of disclosure on annual reports● Simultaneous public announcement of agenda handbook in Chinese and English● Increase the transparency of information on websites
Customer commitment team	Raise service quality	<ul style="list-style-type: none">● Establish the philosophy and culture of “customers first”● Application of big data and artificial intelligence to enhance customer experience and precision in providing services.● Establish more electronic service channels.● Optimization of intelligent logistic system and structure.		<ul style="list-style-type: none">● Establish the philosophy and culture of “customers first”● Application of big data and artificial intelligence to enhance customer experience and precision in providing services.● Establish more electronic service channels.● Optimization of intelligent logistic system and structure.
Employee and environment team	Sustainable energy-saving and carbon emission reduction measures	<ul style="list-style-type: none">● Establishment of paperless protocols for administrative procedures● Establishment of warehouse waste disposal management system● Promotion of greenhouse gases inventory management system (ISO14064-1)● Promotion of monthly environmental education at the head office		<ul style="list-style-type: none">● Promotion of greenhouse gases inventory management system (ISO14064-1)● Evaluation and application for green building label for the northern region logistic center● Promotion of monthly environmental education at the head office● Establishment of paperless protocols for administrative procedures (consumer, supplier and internal signing procedures)● Establishment of warehouse waste disposal management system – data collection (by category/weight)● Set up and operation of solar power generation system on the roof of the northern region logistic center

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
Task team	CSR policy	Results of implementation in 2017		Goals set for 2018
	Providing employee welfare	<ul style="list-style-type: none">Regular monthly health awareness coursesMaintain a safe work environment for employees (additional procurement of safety equipment)Establishment of employee rest areas		<ul style="list-style-type: none">Regular monthly health awareness coursesMaintain a safe work environment for employeesEstablishment of employee rest areas
	Promote human resource development	<ul style="list-style-type: none">Regular professional knowledge training, as well as skill enhancement coursesNew recruits development programs and cooperative education		<ul style="list-style-type: none">Regular professional knowledge training, as well as skill enhancement coursesNew recruits development programs and cooperative education
Product responsibility team	Maintain product quality and safety	<ul style="list-style-type: none">Products that meets legal requirements and consumer needsEstablish sections for the purchase of natural, healthy and environmentally friendly products		<ul style="list-style-type: none">Products that meets legal requirements and consumer needsEstablish sections for the purchase of natural, healthy and environmentally friendly products
	Sound supply chain system	<ul style="list-style-type: none">Publish CSR self-evaluation for suppliers		<ul style="list-style-type: none">Encourage suppliers to obtain environmentally friendly, quality related labels or certificationsSupply chain management (CSR self-evaluation for suppliers)
	Meeting corporate responsibilities	<ul style="list-style-type: none">Promotional sales on soon-to-expire products and welfare goodsCollaborate with local farming, fishing and other enterprises		<ul style="list-style-type: none">Promotional sales on soon-to-expire products and welfare goodsCollaborate with local farming, fishing and other enterprises
Social care team	Meeting corporate responsibilities	<ul style="list-style-type: none">Hold regular charity sale eventsHold monthly fund-raising events for charitiesAdvertise on social networking websites on CSR related issues		<ul style="list-style-type: none">Hold regular charity sale eventsHold monthly fund-raising events for charitiesAdvertise on social networking websites on CSR related issues
The company has long been involved in social welfare issues. We started from the core function of the industry, creating a online charity platform to assist charities with the cash flow and information flow systems and gathering of human resources, in order to obtain the funding and supplies they require, and also support these charities and their work through sponsorships and donations. Through online platform resources and the power of the Company, we have helped the disabled and disadvantaged groups improve their lives. Assistance was given to close to 20 charities during 2017, and nearly 20 million NTD was raised (including donations and sale of charity				

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
<p>affiliated products)</p> <p>To promote sports in Taiwan, the Company has been involved in and sponsored numerous Fubon and Taiwan Mobile sport events. Prize sponsorships were given to Fubon Little League Invitational, Fubon Zhangchun Gold Open, and Taiwan Mobile Ladies Open Invitational. In addition, we also used online resources and planned themed events to help promote the professional baseball team Fubon Guardians, in order to draw the attention of local and oversea baseball fans and contribute to the promotion of the sport.</p> <p>In addition to caring about society, the Company is also concerned with living in harmony with the environment. Beside the introduction of ISO14064-1, the Company is actively implementing power usage and waste disposal restrictions, climate change management and various other environmental protection policies. We also encourage suppliers to produce environmentally friendly and organic products, all the while working with logistics provider to reduce carbon emission for deliveries. We are not only committed to the creation of a green lifestyle ourselves, but also motivate the upstream and downstream supply chains to join us in this endeavor.</p> <p>Giving back to society is a major corporate responsibility. The Company has invested in social welfare, sport promotion and environmental issues for extended period of time, and also see our employees as partners in sustainable development, not only through improving and providing a safe working environment, but also provide job opportunities for the disabled, enhancing the Company's overall competitiveness and create more value for the shareholders and parties of interest.</p> <p>In the future, the Company shall continue to carry out its corporate social responsibilities, through achieving the goals of brand value, product value, service value, green consumption value, human resource value and social value, and promises to become the first choice in corporate brand for consumers and suppliers, so as to become an exceptional corporation that can continue to grow with sustainable development.</p>				
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)The British Standard Institution (BSI) reviewed our 2016 annual CSR report and acquired its independent assurance opinion statement at the end of 2017.				

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?				
(3) Does the company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it?	V		company and regularly reporting them to the board of directors. (3) The company's good faith principle clearly outlines the policy for prevention of interest conflicts. The discovery of any violations shall be reported to the audit committee, managers, and internal audit supervisors.	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?	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
(2) Does the company establish standard operating procedures for confidential reporting on investigating accusation cases?				
(3) Does the company provide proper whistleblower protection?				
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		(1) The Company website has disclosed Ethical Corporate Management Best Practice Principles, Measures for handling cases of illegal and unethical or dishonest conduct, and has disclosed the implementations thereof. (2) momo.com Inc. avoids trading with entities with records of dishonest behavior in its business activities, and clearly lays out best practice clause in related commercial contracts. The internal audit division is responsible for auditing whether there are internal breaches of good faith, and makes regular reports to the Board of Directors, while drafting policy to avoid conflicts of interest in the best practice	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	
			<p>principles. Where violations are found, they shall be reported to the Audit Committee, managers, internal audit supervisors or other relevant parties.</p> <p>To provide employees better understanding of their rights and Company actions and policies, and in addition to trainings on code of ethical conduct, and best practice principles for new employees (attended by 1661 employees during 2017), special e-mail and contact window for employee complaints has been set up to provide a safe and completely confidential channel to convey their opinions.</p>	
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
2015	No Material Weaknesses	Not applicable
2016	No Material Weaknesses	Not applicable
2017	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 52
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 2017 annual general meeting (AGM):

AGM dated May17, 2017

- (1)Amendments made to the Company's Rules of Procedures for Shareholders' meetings were approved.

State of implementation: announced on the company website on Jun 15, 2017 and after amendments, processed in accordance with procedures.

- (2) Business report and financial statement for 2016 was approved.

- (3) Distribution of earnings for 2016 was approved.

State of implementation: June 11, 2017 was designated as the date of benchmark for dividend allocation, while June 27, 2017 was designated as the date of payment (share dividend of NT\$7.1586; cash distribution of NT\$0.8414 from capital reserve, totaling in earning of NT\$8.0 per share).

- (4) Distribution of cash from the capital reserve was approved.

State of implementation: June 11, 2017 was designated as the date of benchmark for dividend allocation, while June 27, 2017 was designated as the date of payment (share dividend of NT\$7.1586; cash distribution of NT\$0.8414 from capital reserve, totaling in earning of NT\$8.0 per share).

(5) The Company's Articles of Incorporation was amended and approved.

State of implementation: changes in business registration were completed on June 2017.

(6) The Company's Procedures for Elections of Directors and Supervisors was amended and approved

State of implementation: announced on the company website on Jun 15, 2017 and after amendment, processed in accordance with procedures.

(7) The Company's Regulations Governing the Acquisition and Disposal of Assets were amended and approved.

State of implementation: Publically announced on MOPS and company website on June 1, 2017, and after amendment, processed in accordance with procedures.

(8) Completed re-election for the Company's entire Board of Directors(including Independent directors) was approved

List of directors elected: representatives of Wealth Media Technology Co. Ltd: Howard Lin, James Jeng, C-F. Lin and Jerry Kao; representative of TECO Capital Investment Co. Ltd.: Mao-Hsiung Haung; Representative of Woori Homeshopping Co. Ltd.: Kim In Ho; Independent directors: Shi-kuan Chen, Brian Y. Hsieh and Hong-so Chen.

(9) Removal of non-competition restrictions for directors approved

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

(1) The 24th meeting of the fifth session of Board of Directors, January 24, 2017

- a. employee and director remuneration allocation for 2016 was approved
- b. the 2016 financial report was approved
- c. Full re-election of the Company's directors (including independent directors) was approved
- d. non-competition restrictions of directors removed
- e. convening the Company's shareholders' meeting for 2017 was approved

(2) The 26th meeting of the fifth session of Board of Directors, March 30, 2017

- a. distribution of the Company's earnings and capital reserve for 2016 was approved
- b. the Company's Corporate Social Responsibility Best Practice Principles was amended and approved
- c. the Company's Governing the Acquisition and Disposal of Assets were amended and approved.
- d. the list of candidates for independent directors was approved.

(3) The 1st meeting of the sixth session of Board of Directors, May 17, 2017

- a. election for the Company's sixth Board of Directors chairman was approved
- b. the second Compensation Committee was set up by appointment and approved.

(4) The 4th meeting of the sixth session of Board of Directors, January 26, 2018

- a. the 2017 financial report was approved.
- b. employee and director remuneration allocation for 2017 was approved
- c. convening the Company's shareholders' meeting for 2018 was approved

momo.com Inc.
Internal Control Statement

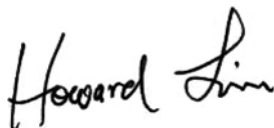
Date: January 26, 2018

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, 2017, 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 26, 2018, 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	2017.1.1~2017.12.31	

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

Unit: NT\$, '000

Name of Accounting Firm	Name of Accountant	Audit Fee	Non-audit Fee					Period Covered by CPA's Audit	Remarks
			Structure Planning	Business Registration	Human Resources	Others	Sub-total		
Deloitte Touche Tohmatsu	Vita Kuo 、 Peter Lin	5,390	-	-	-	599	599	January 1, 2017 ~ December 31, 2017	Consulting service fee and transfer pricing service

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

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

v.Replacement of CPA: 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	2017		As of Feb. 27, 2018	
			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.			-	-	-
	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 To (Note1)		-	-	-	-
International Business Division Director	Kiki Hung					-
Division Director	Summer Hsieh		2,000	-	-	-

Title	Name	Year	2017		As of Feb. 27, 2018	
			Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Information Technology Division Director	Van Yu(Note1)		-	-	-	-
Supporting Service Division Director	Leanne Wang		-	-	-	-
EC division Director	Hong WeiZhao(Note3)		-	-	-	-
Financial & Accounting Division Director	Gina Lu		-	-	-	-
Information Technology Division Director	Robinson Lin (Note2)				(1,000)	
TV Merchandise Division Director	Sabrina Huang (Note2)					
Internal Audit Office Assistant Manager	Dong-Nan Liang		-	-	-	-

Note1 : Mr. Van Yu resigned as of May 2017.

Note2 : Mr. Robinson Lin and Ms. Sabrina Huang took up their respective position as of July 2017.

2.Shares Trading with Related Parties: None

3.Stock pledged with related party: None

viii.Relationship of 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.	Is a twice-removed relative of the company's chairman	
							Fubon Financial Venture Capital Investment Co. Ltd.	Tangible party of interest	
Chairman : Daniel Tsai	-	-	-	-	-	-	Fubon Life Insurance Co., Ltd.	A twice-removed relative of the company's chairman	
							Fubon Financial Venture Capital Investment Co. Ltd.	Director of the company	

Name	Current Shareholding		Spouse's/m inor's Sharehold ing		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	
Tong-An Investment Co., Ltd. Chairman : Mao-Hsiung Huang	15,470,000 -	10.89% -	- -	- -	- -	- -	- -	- -	
WOORI HOME SHOPPING CO.,LTD. Chairman : Shin Dong Bin	14,014,000 -	9.86% -	- -	- -	- -	- -	LOTTE SHOPPING CO. LOTTE SHOPPING CO.	Person responsible is the same individual Chairperson of the company	
LOTTE SHOPPING CO. Chairman : Shin Dong Bin	7,319,420 -	5.15% -	- -	- -	- -	- -	WOORI HOME SHOPPING CO.,LTD. WOORI HOME SHOPPING CO.,LTD.	Person responsible is the same individual Chairperson of the company	
Fubon Life Insurance Co., Ltd.	6,650,000	4.68%	-	-	-	-	Wealth Media Technology Co., Ltd.	A twice- removed relative of the company's chairman	
							Fubon Financial Venture Capital Investment Co. Ltd.	Company belonging to the same group	
							Howard Lin	Vice chairman of said company	
Chairman : Richard Tsai(Note2)	-	-	-	-	-	-	Wealth Media Technology Co., Ltd.	Director of said company	
							Fubon Financial Venture Capital Investment Co. Ltd.	Director of said company	
Cathay Life Insurance Co., LTD. Chairman : Tiao-Kuei Huang(Note3)	5,449,000 -	3.84% -	- -	- -	- -	- -	- -	- -	
Howard Lin	2,710,136	1.91%	-	-	-	-	Fubon Life Insurance Co., Ltd.	Vice chairman of said company	
							Fubon Financial Venture Capital Investment Co. Ltd.	chairman of said company	
Deutsche Bank, custodial account for Small Cap World Fund Inc.	1,913,000	1.35%	-	-	-	-	-	-	
Fubon Financial Venture Capital Investment Co. Ltd. Chairman : Howard Lin	1,864,000	1.31%	-	-	-	-	Wealth Media Technology Co., Ltd.	Tangible party of interest	
							Fubon Life Insurance Co., Ltd.	Company belonging to the same group	
							Howard Lin	chairman of said company	
TransGlobe Life Insurance Inc. Chairman : Steven Peng	1,426,000 -	1.00% -	- -	- -	- -	- -	- -	- -	

Note1: Shareholding ratio = number of shares ÷ actual number of issued shares (142,058,500 shares, including already repurchased treasury shares of 2,000,000 shares)

Note2 : Mr. Richard Tsai is the person responsible at the company as of September 27, 2017.

Note3 : Mr. Tiao-Kuei Huang is the person responsible at the company as of November 27, 2017.

viii. Ownership of Shares in Affiliated Enterprises

Unit: shares/ %

Affiliated Enterprises (Note)	Ownership by the Company		Direct or Indirect Ownership by Directors, Managers		Total Ownership	
	Shares	%	Shares	%	Shares	%
Fu Sheng Travel Service Co., Ltd.	3,000	100	-	-	3,000	100
Fuli Life Insurance Agent Co., Ltd.	500	100	-	-	500	100
Fuli Property Insurance Agent Co., Ltd.	500	100	-	-	500	100
Taiwan Pelican Express Co., Ltd.	16,893	17.7	6,674	6.99	23,567	24.69
TVD Shopping Co., Ltd.	24,150	35	-	-	24,150	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	-	-	8,408	100
Fubon Gehua (Beijing) Enterprise Ltd.	-	69.63	-	1.71	-	71.34
Honest Development CO., Ltd.	21,778	100	-	-	21,778	100
Honking Yue Numerous Investment Co. Limited	16,600	100	-	-	16,600	100
Haobo Information Consulting(Shenzhen) Co., Ltd.	-	100	-	-	-	100
Beijing Global Guoguang Media Technology Co., Ltd.	-	20	-	-	-	20

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

IV. Financial Information

i. Capital and shares

Source of capital

Unit: shares / NT\$

Date	Par value (NT\$)	Authorized capital		Paid-in capital		Remarks		
		Shares	Amount (NT\$)	Shares	Amount (NT\$)	Source of capital (NT\$)	In a form other than cash	Remarks
Sep. 2004	10	150,000,000	1,500,000,000	45,000,000	450,000,000	Authorized capital	-	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, 2018

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 June.11, 2017

	Government agencies	Financial institutions	Other institutions	Individuals	Foreign institutions & individuals	Total
No. of shareholders	—	—	58	2,879	75	3,012
Total shares owned	—	—	100,153,941	12,551,657	29,352,902	142,058,500
Holding percentage (%)	—	—	70.50%	8.84%	20.66%	100%

Note : Foreign institutions or individuals without mainland Chinese investors.

Shareholding distribution

Common shares

As of June.11, 2017

Shareholding range	No. of shareholders	Total shares owned	Holding percentage(Note)
1 ~ 999	1,122	41,791	0.03 %
1,000 ~ 5,000	1,581	2,575,090	1.81 %
5,001 ~ 10,000	110	850,579	0.60 %
10,001 ~ 15,000	45	599,866	0.42 %
15,001 ~ 20,000	17	318,000	0.22 %
20,001 ~ 30,000	20	516,000	0.36 %
30,001 ~ 50,000	36	1,438,070	1.01 %
50,001 ~ 100,000	28	2,028,271	1.43 %
100,001 ~ 200,000	25	3,595,163	2.53 %
200,001 ~ 400,000	8	2,112,314	1.49 %
400,001 ~ 600,000	6	2,918,548	2.05 %
600,001 ~ 800,000	1	624,588	0.44 %
800,001 ~ 1,000,000	0	0	0.00 %
1,000,001 and above	13	124,440,220	87.60 %
Total	3,012	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 June.11, 2017

	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.	5,449,000	3.84%
Howard Lin	2,710,136	1.91%
Deutsche Bank, custodial account for Small Cap World Fund Inc.	1,913,000	1.35%
Fubon Financial Venture Capital Investment Co. Ltd.	1,864,000	1.31%
TransGlobe Life Insurance Inc.	1,426,000	1.00%

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)

The top 10 shareholders are all legal persons; the name and percentage of share held are as follow:

Name of legal person	Major shareholders of legal person
Wealth Media Technology Co. Ltd	Taiwan Mobile Co. Ltd. (100.00%)
TECO CAPITAL INVESTMENT CO., LTD.	TECO Electric and Machinery Co., Ltd.(99.60%)
WOORI HOMESHOPPING 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%)
LOTTE SHOPPING CO., LTD.	LOTTE Corporation (25.87%) Shin Dong Bin (9.89%) Hotel Lotte Co., Ltd. (8.83%) Korea Fujifilm Co., Ltd. (7.86%) LOTTE IT TECH Co., Ltd. (4.81%) Minority shareholders (42.74%)
Fubon Life Insurance Co. Ltd.	Fubon Financial Holding Co. Ltd. (100.00%)
Cathay Life Insurance Co. Ltd.	Cathay Financial Holding Co. Ltd. (100.00%)
Fubon Financial Venture Capital Investment Co. Ltd.	Fubon Financial Holding Co. Ltd. (91.67%), Fubon Securities Co. Ltd. (8.33%)
TransGlobe Life Insurance Inc.	Zhongweiyi Co. Ltd. (100.00%)

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

Unit: NT\$, '000 shares

		2016	2017	As of Feb. 27 2018
Share price (NT\$)	High	236.5	235.5	303
	Low	188.0	188.0	216
	Average	210.33	210.14	256.6
Net worth per share (NT\$)	Before earnings appropriation	40.70	41.37	—
	After earnings appropriation	32.81	Note	—
Earnings per share (NT\$)	Adjusted weighted average outstanding shares	140,059	140,059	140,059
	Earnings per share	8.45	9.07	—
Dividends per share (NT\$)	Cash dividends	8	Note	—
	Stock dividends	—	Note	—
		—	—	—
	Accumulated unpaid dividends	—	—	—
PE and dividend yield	Price earnings ratio	24.89	23.17	—
	Price to cash dividend	26.29	—	—
	Cash dividend yield	3.80	—	—

Note : Figures after distribution referred to above is based on the resolutions approved during the shareholders' meetings for the fiscal year. 2017 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 cashflow 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 2017 earnings. Relevant information shall, without delay, be disclosed on the Company's website and the Market Observation Post System (MOPS).

3. The Company has high dividend distribution history, and dividends earned by shareholders in the past 9 years have not been lower than 80% of the year's net after-tax profit.
4. For the Company's distribution of dividend for 2016 earnings, the shareholders' dividend of the year is not lower than 94.70% of the year's net after-tax profit.

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 directors 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 approved in Board of Directors Meeting.

The Company at the Board of Directors meeting on January 26, 2018, approved the remuneration for employees and directors for 2017, where a total of NT\$1,524,545 was allocated for employee remuneration and NT\$1,524,524 for director remuneration, respectively. The amount was distributed in cash and reported at the 2017 shareholders' meeting.

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) The distribution of the Company's remuneration for employees and directors was approved at the shareholder's meeting on May 17, 2017, where a total of NT\$1,420,603 was allocated for employee remuneration and NT\$1,420,603 was allocated for the directors, respectively. This was confirmed to be the same as listed in the 2016 financial report.

Buyback of Treasury Stock

As of Feb. 27, 2018

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

ii. Corporate Bonds: None

iii. Preferred shares: None

iv. Global Depository Receipts: None

v. Employee Stock Options: None

vi. New Restricted Employee Shares: None

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

viii. Financing Plans and Implementation: None

V. Operational Highlights

i. Scope of Business

1. Main areas of business operations

- A. 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. J506021 Satellite Broadcasting Television Program Supplier
- O. F203020 Retail Sale of Tobacco and Alcoholic Beverages
- P. 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

	2016		2017	
	Revenue	% of total	Revenue	% of total
TV Shopping and Catalogue Shopping	7,351,422	26.18	6,601,278	19.86
Online shopping	20,579,572	73.29	26,571,966	79.94
Others	149,794	0.53	65,303	0.20
Total	28,080,788	100.00	33,238,547	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 Categories of Products

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

(2) Brand introduction has always been important to momo, from the negotiations, sales, customer development to the incubation of benefits when working with a brand name, all of which could require more than six months of work for each brand. However, a brand name could provide quality assurance, rich marketing resources and serve as a stable source of supply for products, providing benefits to 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, shorter TV viewing time is inevitable. With 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 launched a TV App in 2014, and has subsequently in the second

quarter of 2015 made further revision on the TV APP, where a more user-friendly interface based on the concept of “buy as you watch” functionalities to improve shopping experience and to increase stickiness of customers and TV shopping.

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). Revenues for each of the three industries are 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 the Taiwanese TV shopping industry is to provide a sales platform via listing of high quality programming through various cable platforms. By showcasing the suppliers' products in these programs and complete the sales transactions by leverage call center capabilities of individual TV Homeshopping operators.

a. Taiwan's TV shopping market

Major TV home shopping operators in Taiwan's include Fubon's momo channels, Eastern Home Shopping & Leisure, U-Life, and ViVa. An analysis of the current market situation and competition involving the aforementioned corporations is 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 2012Q3~2017Q4

	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%

	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
2016Q4	8,561,383	5,205,562	4,988,968	58.27%	60.80%
2017Q1	8,578,609	5,224,462	5,067,618	59.07%	60.90%
2017Q2	8,601,551	5,242,571	5,144,336	59.81%	60.95%
2017Q3	8,636,922	5,248,554	5,200,162	60.21%	60.77%
2017Q4	8,649,000	5,225,255	5,196,974	60.09%	60.41%

According to data from 3Q14 to 4Q17, Taiwan's cable TV's penetration rate remains at around 60% of households. The number of digital users, given the government's various promotion, has steadily increased every quarter, and reached 60% as of 3Q17. It is now comparable to the number cable TV subscribers. With both traditional and digital TV nearing saturation levels, this should lead to a stable TV home shopping market in Taiwan.

c. "The home economy" trends

Given the recent technological advances, 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" is rising. 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 using phones, mobile devices or computers over the internet. Simplified transaction process, combined with ever faster 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 vigorously engage the customers to make impulse purchases. In addition, TV shopping operators boast of 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, the consumers' purchasing behavior continues to favor more virtual shopping, away from traditional brick and mortar stores. This is due to 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 real-time communication and 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 the products' uses and when 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 is that 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 in 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

With the highly pervasive number of online users in Taiwan, coupled with continual innovation by Taiwanese e-commerce industry and high maturation in logistics service, the four e-commerce business models - B2C, B2B2C, C2C and O2O - will continue to co-exist and develop in Taiwan, while consumers' habit in using internet shopping will continue to develop. According to research by the Institute for Information Industry, during 2000-2014, the scale of annual growth for Taiwan's B2C market was over 17%. Although the growth has slowed somewhat in recent years, the size of the

market in 2017 was 763 billion NTD, and maintained an 11% growth, accounting for approximately 60% of the entire e-commerce sector. Data from the Directorate General of Budget at the Executive Yuan showed Taiwan's economic growth rate in 2017 was only 3.1%, which reflects a relatively sluggish economy. In contrast, Taiwan's B2C market still has higher growth potential, and that there are still more opportunities in e-commerce compare to other sectors in Taiwan.

b. Internet population in Taiwan is popular and stable

According broadband internet usage survey conducted by TWNIC, Taiwanese internet usage has increased from 75.7% in the 2001 survey up to approximately 83.4% currently. It is estimated that the number of internet users in Taiwan is over 17,600,000, of which the 18-30 years old age group has 100% internet usage rate, and are the dominant age group in terms of internet usage in Taiwan.

The popularization of smart phone, tablets and other mobile devices in recent years has not only allowed methods of internet access to diversify, but also created a new wave of commercial opportunities for mobile shopping.

c. Mobile shopping and other factors affecting e-commerce

Based on TWNIC's 2017 mobile internet usage survey, approximately 75.1% of Taiwanese utilize mobile internet access, with an estimated population of 15,860,000 - an increase of 7.8% YoY - showing a continued upward trend for mobile internet usage. Amongst the individuals surveyed for mobile or wifi internet usage, 82.8% have used apps. In the age where mobile internet access is popular, various service have developed their own apps for users to download.

In addition, there are three intermediary factors that affects the e-commerce competition environment, namely, third-party payments, logistics and distribution integration, and cross border transactions. 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, improvements on efficiency has seen delivery guarantees reduced from 24 hours to 12 hours, and now some platforms are offering delivery capabilities as fast as 6 hours. Online retailers/platforms have effectively shortened the amount of time needed to have products reach the consumers. The ever improving service capabilities are also a key strategic advantage for online/virtual retailers when competing with traditional brick & mortar operators, and one that will continue to erode any advantages 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 in government policies regarding 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 open attitudes to facilitate cross-border transactions, the growth opportunities for cross border transactions still remains.

(3) Catalogue shopping

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

a. Current state of the mail order catalogue shopping industry in Taiwan

Examples of mail order catalogue shopping companies in Taiwan in the early days included the Taipei Mail Order Company, Sandory Shop, and MI SC Mail Order, whose main customers were students. The mail order catalogue shopping industry subsequently evolved to include the likes of Avon, with the use of mail order catalogues to help direct selling. 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 entered the sector. As media exposure becomes increasingly multifaceted, companies often employ advertising strategies through multiple outlets to strengthen their connections with consumers and to meet their demands. For instance, 7-ELEVEN, a franchise with over 5,000 stores in Taiwan, publishes Easy Purchase in Advance (which features the Gourmet Food Purchase in Advance Magazine, the T-Cat Specialty Food Purchase in Advance Magazine, and the Reading Blog) to make up for the lack of merchandise put on display within physically smaller 7-

Eleven stores. Similarly, momo catalogues are published to increase product exposure to the customer base, as most often, TV home shopping channel markets only one product during each programming segment.

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

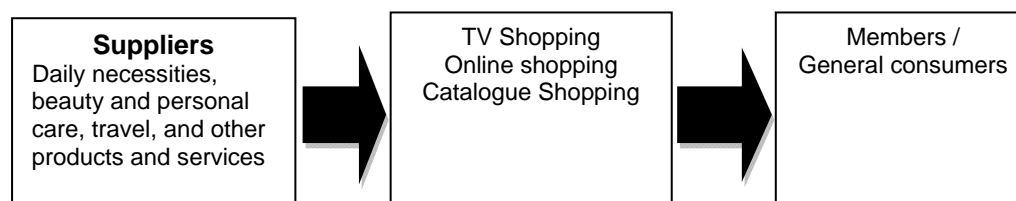
There are three prerequisites that must be met to start a mail order catalogue shopping business: preparation and printing of catalogues, acquisition of customers' information, and logistics system implementation. Preparation for catalogues require significant initial financial commitment as international paper cost has been rising and the production cost of intricately laid out and finely printed catalogues are expensive, but necessary to stimulate consumers' desire to make purchases. If mail order catalogue operators distribute catalogues randomly, the response/purchase rate will likely be low. Therefore, companies with extensive customer records, which likely takes significant amount of 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 capabilities 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 channels, as well as domestic and foreign-based cosmetic companies remain 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. As the price for paper 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, which 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 types of paper 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 the Company are purchased from various suppliers who are considered to be the 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 and consumers via different segments of our businesses. A diagram of the relationships between the suppliers, distributors, and consumers of the industry supply chain is provided as follows:



3. Product development trends

(1) TV shopping

Although TV shopping can provide vivid introduction of products, this 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 strive to “go mobile” and further diversify product offerings. Companies are committed to developed shopping apps to leverage visual and audio features in order to engage more with 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 diverse 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 own Walmartlab. These activities are attempts to utilize shoppers' comments on social networks to improve customer experience, by minimizing 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 elicit consumer behaviors to participate in “group-buying” campaigns.

(3) Mail order catalogues shopping

According to the IBIS world report, the U.S. telecommunications sales market growth rate in 2011-2016 declined by 1.3%. Competition from the e-commerce industry led to overall decline in revenue, 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 ニッセン (Nissen), saw its revenue decline in 2012, while the cost of logistics and packaging cost increased, thereby reducing the profitability of the mail order catalogues company. As a result, mail order companies have 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 in the mail order catalogues market, some mail order catalogues companies that are more focused on niche market of elderly, young children, cosmetics such as Sentagya natural food, and TV Home Shopping companies gained significant growth. The estimates of United Nations Economic and Social Commission for Asia and the Pacific (UNSECAP) indicates that the population over 60 years old in the Asia-Pacific region will grow two-fold by 2050. At that time, one out of four people in Taiwan will be over the age of 60, therefore, prospect of the elderly 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, leading to growth of reputable brands, 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 by 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 specific online shopping platforms. momoshop.com enables online shoppers to make purchases on the comprehensive B2C online shopping platform as well as visit other business models of the online shopping platform when searching for products, comparing product prices, and completing online shopping. Although momoshop.com is a relative latecomer among major B2C operators, it has experienced significant growth as it is able to leverage its TV shopping "know-how" that has been accumulated over time.

(3) Mail order catalogues shopping

momo catalogue is positioned as TV shopping catalogue, and is an added value service and extension of sales for members of the TV and internet shopping network. The main competitor is the Eastern catalogue. Currently the catalogue shopping market in Taiwan is divided between TV shopping catalogue (momo, Eastern), direct sales (Amway/Avon/Herbalife/Nu Skin, etc.), Japanese cosmetics postal and internet sales (DHC/ORBIS, etc.) and other mail order companies. In terms of momo catalogue, the main alternative for it are the direct sales companies and the Japanese systems.

Research and Development

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

Long-term and Short-term Development

1. Short-Term business development plan

(1) TV shopping

a. Increasing breadth and depth of product offerings

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

b. Developing mobile apps and digital platforms (i.e., kbro SMOD and Chunghwa Telecom MOD)

Digitization of TV platforms and mobile business is now a trend, and momo introduced momo TV app,

where the app's main function is to be able to watch live streaming and top selling product VODs on smart phones, and orders can be placed directly using mobile devices. In terms of digital platforms, Kbro SMOD as the pioneering test platform was introduced in February, 2014, when over 50 VOD products were launched. Consumers could choose and watch 4-6 minutes long videos and make purchases directly. In addition, due to constant growth in Chunghwa MOD platform users, the market is steadily maturing, thus momo also launched two MOD TV shopping channels in November, 2017, to promote the media content of TV shopping to digital platforms outside traditional cable subscriber base, in order to increase and broaden viewership.

c. Managing the Key Suppliers; Introducing the SCM System

By examining leaders in the TV shopping sector in other countries, effective management of key suppliers and the introduction of SCM systems are critical to stabilizing the supplier base. SCM system optimization was implemented in 2015, while key supplier's performance metric, on a category basis, was also introduced.

(2) Online shopping

a. Enhancing the differences in platform services

In the future, momo is focused on the enhancement of services, such as providing installation services for large home appliances, immediate online customer service, after-sales warranty and guarantees, tracking of parcel en route of delivery; for food products, provide cold storage and product pickup from supermarkets. Thus, through the expansion of service categories offered on the platform, enhance the difference in platform service.

b. Enhancing product line diversity

The variety of product on momoshop is already highly diverse, but deepening and wider coverage of various product categories will continue, in order to increase the number of brands and completeness of items in all the categories. This will provide more choices to the consumer when they are browsing on momoshop.com. Through increasing diversity of product lines, product sales efficiency will increase.

c. Increase content diversity on social network platforms

In the future, momo is striving to manage its social network groups, to provide more articles, videos or information on any products, lifestyles or related news. For example, momo cafeteria to recommend food and cooking wares, mo experts to introduce fashion trends, etc., so that the rich content can promote marketing, so obtain greater viewership and new members.

(3) Catalogue Shopping

a. Developing E-catalogues and Reaching More Customers

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

b. Target customers by segment in order to drive revenue per page

Locking in on the elderly market and in-depth market management. In terms of the elderly market, momo catalogue will collaborate with healthcare-related publications, provide direct marketing membership forms, to print publications to communicate with the elderly population in details on healthcare and related products. This will ensure stable growth of healthcare product brands and can increase revenue for service-based advertisements (cleaners/caretakers, etc.). In addition, to meet demands of homemakers, increase the number of food categories. Fashion is also another key area for development. Clothing shall be represented as in a magazine, to bring out the current trends and product quality, in order to increase the member's preference for catalogue clothing and to attract new customers. Based on different target market, provide products and services the target audience desires, and this can be achieved through in-depth communication and precision marketing strategies to increase efficiency.

c. Integrating visual editing, sophisticated arrangement design

Improve visual stylization creates a sense of atmosphere, and this is highly recommended to effectively distinguish momo catalogue 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 offers more generic brands and unreliable products. Thus, a long-term objective of momoshop is to enhance the brand image by introducing more well-known brands, actively participating in charitable activities, improving service functions, and improving the management of the membership base.

b. Talent Development at mid to senior management level

Employees are ones who make up the core structure of a well-run company. In addition to continuously recruiting distinguished talents, it is also critical to establish a comprehensive education and training programs and to allow employees in various departments and functions to enhance their professional competency, while at the same time develop a greater sense of their loyalty to the company. Professional managers are the key to the company's long-term development and a comprehensive training program 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 new markets for TV shopping's expansion plans.

d. Active expansion into the Southeast Asian TV shopping market

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 is continuing 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 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-to-offline (O2O) 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, thereby providing a more responsive, efficient, and attractive user experience to access campaigns and facilitate increasing transaction volumes.

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

Consumers currently have 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 an extension of momo TV and online sales, its vendors need to understand the characteristics and unique selling points of TV and online products, select the products that will catch consumers' attention, while using just a single picture or short message in a limited editorial space. Therefore, momo TV and online sales channels complements momo catalogue shopping. In the future, vendors will play a key role in the seamless integration of various channels to effectively consolidate marketing media for the catalogue shopping business.

b. Apart from management of the diverse printed catalogue market, electronic catalogues will also start developing into customized electronic catalogues. Thus momo will continue to design and test various styles, colors, editing processes on a regular basis in order to accumulate template and module database to act as the foundation for customized catalogue design.

ii.Midmarket and Sales Overview

Market analysis

1. Sales (Service) Region

Unit: NT\$'000

	2016		2017	
	Revenue	% of total	Revenue	% of total
Taiwan	27,970,751	99.61%	33,205,467	99.90%
China	110,037	0.39%	33,080	0.10%
Total	28,080,788	100%	33,238,547	100%

2. Market status

(1) TV Shopping

a. Global market

QVC is the largest television shopping channel in the United States and has 96% coverage in cable TV subscribing households, where TV shopping accounts for 8% of gross retail sales in USA. In Korea, TV shopping accounts 12% for total gross 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 billion in 2016, an 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 a stage of rapid growth for virtual shopping, for example, in Thailand, according to Kasikorn Research Center, the scale of Thai TV shopping market is estimated to be Thai Baht 20 billion, 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 in terms of 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 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

Driven by high growth in China and India, the Asian-Pacific region has become the world's largest e-commerce market, followed by the North American region. Research report from eMarketer in 2017 estimates that the global e-commerce retail revenue will grow from 2.29 trillion USD in 2017 to 4.48 trillion USD by the end of 2021, which is equivalent to 16.1% of total retail revenue. The percentage of e-commerce in retail industry will continue to grow, increasing its importance, thus development sector in the future remains optimistic.

b. Domestic market

According to research from the Institute of Information Industry, the overall e-commerce market has reached NT\$ 1.25 trillion, where the B2C market is approximately NT\$ 763 billion, maintaining a growth of around 11%, accounting for 60% of the overall e-commerce industry.

(3) Catalogue Shopping

a. Overseas markets

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, be used to increase product sales and exposure, or to add values by increasing the traction of the member base and their satisfaction level.

3. 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 to 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 2017, there are over 4.62 million members enrolled through our call centers and there are 820 000 active customers in a year. 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 tour packages. 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 12.5% YoY increase in membership number, totaling 7.30 million users as of December 2017. In order to ensure its price competitiveness, the company established four price search and tracking mechanism and held promotional campaigns to attract customers. In addition to general price discounts and promotions, momoshop introduced the free-coupon promotion beginning in 2006. The promotions that have proved to be effective include campaigns such as Happiness Roulette, Polling Event with Free Raffle, Retailer/Product Strategic Partnership, and High-end 3C Product Promotion. In terms of advertising, momoshop.com leverages cross selling opportunities to include catalogue inserts, logistics flyers, TV commercial 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 classified into three categories in order to better manage the interaction and communication campaigns. They are: membership recruitment, securing first purchase, and recurring repurchase. The largest proportion of resources is invested in customer relationship management, which includes data mining for use in targeted marketing, social media management on Line and Facebook, health and parenting-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 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 diversified sources of cashflow, improving logistics operation that features 12-hour delivery, live 24-hour 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 apps. In addition, the team is focused on innovative delivery 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 are disclosed on the website, while internal information security management and transaction disputes are processed with utmost urgency, pursuant to standards adopted by financial institutions.

(3) Catalogue Shopping

a. Complete product line and abundant media resources

Due to the comprehensive range of momo TV and online products, the product lines in the current momo catalogue is not limited to fashion, cosmetics, but also include home living and healthcare. It is one-stop shopping for health food, traveling and dining, or maternal and children products. In addition the internal momoshop and TV app can be used to integrate brand image, or increase exposure and demand for 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., Japan, and South Korea, as well as 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, and they collectively can create efficient integrated marketing campaigns.

4. 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 the U.S. The estimated growth rate of mobile commerce is expect to increase in 2018, suggesting the momentum for mobile commerce growth is strong and will likely remain the key factor driving 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, 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, 89.4% of the population has access to internet compared to 77.7% in 2014, or approximately 18.8 million individuals have access to the internet. 100% of the 18 to 30-year-olds group have internet access and they are the main user group in Taiwan.

c. Commercial opportunities increasing in the elderly market

Development of the elderly market is certain to be a future trend as the population continues to age in Taiwan. momo catalogue shall integrate the Company's internal resources to enter this market.

(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-based publications and digital media cannot be

overlooked.

Potential actions:

momo catalogue shall increase its content, optimize digital reading interface, consider the complementarity of paper-based and digital platforms, to optimize the setting up of digital catalogues. By making good use of the advantages of current digital channels, increase the exposure rate of momo catalogue using the momoshop network and TV app platform resources to increase online demand for the catalogue, and change the consumers' thinking of using printed media as the main way of obtaining information while the digital format is supplementary.

b. Concern over privacy

Concerns over individual 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), leak of personal information, among all types of security breach, was the issue of highest concern among Internet users who are 12 years of age or older (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 with relevant regulations. In respect to the control of internal information, USB disks, Bluetooth, smart phone/Blackberry mobile devices, floppy, Wi-Fi, and DVDs 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 privacy of members.

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

	2016				2017			
	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	4,198,600	7,351,422	-	-	4,009,781	6,601,278	-	-
Online shopping	18,086,482	20,579,572	-	-	27,615,184	26,571,966	-	-
Others	-	39,757	103,988	110,037	-	32,223	67,564	33,080
Total	22,285,082	27,970,751	103,988	110,037	31,624,965	33,205,467	67,564	33,080

iii.Human Resources

Employee statistics in the past two years up to publication date

Year		2016	2017	2018 (as of Feb 27)
Number of employees	Direct employees	1,090	1,168	1,178
	Indirect employees	520	658	666
	Total	1,610	1,826	1,844
Average age		34.28	34.19	34.28
Average years of service		4.43	4.61	4.69
Education level	Ph.D.	0.30%	0.16%	0.16%
	Master's	9.90%	9.97%	9.49%
	University	71.10%	71.80%	72.34%
	College	17.90%	17.03%	17.03%
	Others	0.80%	1.04%	0.98%

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

The Company has held regular labor-management conferences and employee meetings to provide details on Company policies and overall state of operations. Mechanism to facilitate communication with employees has also been set up to understand their needs. In addition, the employee welfare committee is responsible for planning and carrying out various welfare programs and measure during the year, and aims to obtain the best benefits for employees. Currently the various welfare and benefit systems at the Company include the following:

Welfare categories	Explanation
Festival bonus distribution system	<ul style="list-style-type: none"> ◆ Annual distribution of bonus at Dragon Boat Festival and Moon Festival. ◆ Upon settling the end of business year, surplus earnings are distributed as year-end bonuses.
Subsidies and benefits	<ul style="list-style-type: none"> ◆ The Company welfare committee provides subsidies for wedding/funeral/childbearing, travel, education, group activities, monthly afternoon tea and other comprehensive welfare subsidies. ◆ Shopping discount for employees and their spouse, discount for affiliated enterprise employees, discount at appointed stores, discount on employee discount, discount on various personal insurance policies, telecommunication discounts, etc.
Comprehensive insurance system	<ul style="list-style-type: none"> ◆ In addition to labor and health insurance required by law, group insurance which includes life insurance, major illness insurance, accidental insurance, medical insurance are also available, where the Company covers 70% of the premium. ◆ Employee family members are also allowed to join group insurance at a discount, providing more comprehensive protection for employees.
Employee health benefits	<ul style="list-style-type: none"> ◆ Hiring visually impaired masseur/masseuse to provide massage services for employees to de-stress; employee gym, etc. ◆ Established medical service office with expert medical personnel to care for employee health at the workplace.
Flexible working hours	<ul style="list-style-type: none"> ◆ Special leave and various leave systems set up in accordance with laws, while flexible working hour system is available to allow employee greater flexibility to organize the work and family life.

With regards to employee training, full subsidies for external expert training courses are available depending on needs. The Company also from time to time, hold internal training courses open to employees.

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 the 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
Lease Agreement	Infomedia Inc.	2015.07.20-2018.12.31	Lease contract for warehouse (EC Guishan warehouse)	Non-disclosure
Lease Agreement	China Network Systems Co., LTD.	2014.01.01-2017.12.31	Lease of cable TV channel for launching TV shopping advertisements	Non-disclosure
Lease Agreement	Taiwan Digital Lighting Technologies LTD	2016.01.01-2017.12.31	Lease of cable TV channel for launching TV shopping advertisements	None
Lease Agreement	Imovie International Inc.	2017.01.01-2017.12.31	Lease of cable TV channel for launching TV shopping advertisements	Non-disclosure
Lease Agreement	Taiwan Fixed Network Co., LTD.	2017.01.01-2017.12.31	Lease of cable TV channel for launching TV shopping advertisements	Non-disclosure
Lease Agreement	KBRO CO., LTD.	2017.01.01-2017.12.31	Lease of cable TV channel for launching TV shopping advertisements	Non-disclosure
Lease Agreement	Fubon Life Insurance Co., Ltd.	2013.05.01-2018.07.31	momo office building	Non-disclosure
Lease Agreement	China Network Systems Co., LTD.	2018.01.01-2018.12.31	Lease of cable TV channel for launching TV shopping advertisements	Non-disclosure
Lease Agreement	Imovie International Inc.	2018.01.01-2018.12.31	Lease of cable TV channel for launching TV shopping advertisements	Non-disclosure
Sale Agreement	Shuenn Chyang Paper Container Co. Ltd.	2018.01.01-2018.12.31	Purchase contract for delivery cartons in 2018	Non-disclosure
Sale Agreement	Taiwan Daifuku Co., LTD. Hsinchu Branch	2015.12.29-2018.12.29	Equipment procurement for momo's logistics center	Non-disclosure
Contract Agreement	Li Jin Engineering Co., LTD.	2015.10.20-2017.02.17	Construction of momo's logistics center	Non-disclosure

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 (2013-2017) – Based on IFRS

Unit: NT\$'000

		2013 (Note 1)	2014 (Note 1)	2015 (Note 1)	2016 (Note 1)	2017 (Note 1)
Current assets		3,823,187	6,279,128	5,447,269	5,377,560	5,331,888
Property, plant and equipment (PP&E)		541,415	2,130,337	2,119,308	2,885,326	4,548,616
Intangible assets		11,339	16,412	10,386	16,707	57,214
Other assets		843,697	1,175,302	1,514,476	1,484,163	1,501,503
Total assets		5,219,638	9,601,179	9,091,439	9,763,756	11,439,221
Current liabilities	Before appropriation	2,808,504	3,048,577	3,197,086	3,718,448	5,280,337
	After appropriation	3,256,009	4,253,234	4,177,496	4,838,916	-(Note 2)
Non-current liabilities		255,094	241,612	252,828	263,965	282,137
Total liabilities	Before appropriation	3,063,598	3,290,189	3,449,914	3,982,413	5,562,474
	After appropriation	3,511,103	4,494,846	4,430,324	5,102,881	-(Note 2)
Equity attributable to owners of the parent company		2,156,040	6,310,990	5,641,525	5,781,343	5,876,747
Paid-in capital		1,278,585	1,420,585	1,420,585	1,420,585	1,420,585
Capital surplus	Before appropriation	58,044	3,329,617	3,354,858	3,175,583	3,057,738
	After appropriation	58,044	3,329,617	3,175,583	3,057,738	-(Note 2)
Retained earnings	Before appropriation	839,428	1,560,595	1,414,615	1,794,692	2,061,926
	After appropriation	391,923	355,938	613,480	792,069	-(Note 2)
Other equity interest		(20,017)	193	(151,358)	(212,342)	(266,327)
Treasury shares		-	-	(397,175)	(397,175)	(397,175)
Non-controlling interest		-	-	-	-	-
Total equity	Before appropriation	2,156,040	6,310,990	5,641,525	5,781,343	5,876,747
	After appropriation	1,708,535	5,106,333	4,661,115	4,660,875	-(Note 2)

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

Note 2 : The appropriation amount for the 2017 earnings has not to be approved at the AGM yet.

2. Stand-alone statements of comprehensive income (2013-2017) – Based on IFRS

Unit: NT\$'000

	2013(Note 1)	2014 (Note 1)	2015 (Note 1)	2016 (Note 1)	2017 (Note 1)
Operating revenue	20,249,120	23,442,127	25,345,046	27,930,996	33,173,536
Gross profit	2,545,642	3,280,074	3,150,230	3,255,227	3,610,592
Operating income	1,119,671	1,597,377	1,289,018	1,293,955	1,394,563
Non-operating income (expenses)	(105,208)	(60,807)	13,208	125,248	127,157
Pre-tax income	1,014,463	1,536,570	1,302,226	1,419,203	1,521,720
Income from continuing operations	811,060	1,248,371	1,060,781	1,183,227	1,270,082
Loss from discontinued operations, net of tax	(249,392)	(78,329)	-	-	-
Net income	561,668	1,170,042	1,060,781	1,183,227	1,270,082
Other comprehensive income (after tax)	(38,636)	18,840	(153,655)	(62,863)	(54,210)
Comprehensive income	523,032	1,188,882	907,126	1,120,364	1,215,872
Profit attributable to owners of the parent company	561,668	1,170,042	1,060,781	1,183,227	1,270,082
Profit attributable to non-controlling interest	-	-	-	-	-
Comprehensive income attributable to owners of parent company	523,032	1,188,882	907,126	1,120,364	1,215,872
Comprehensive income attributable to non-controlling interest	-	-	-	-	-
EPS (NT\$)	4.39	9.11	7.48	8.45	9.07

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. Consolidated condensed balance sheet (2013-2017) – Based on IFRS

Unit: NT\$'000

		2013 (Note 1)	2014(Note 1)	2015(Note 1)	2016(Note 1)	2017(Note 1)
Current assets		4,368,741	6,792,676	5,940,774	5,715,073	5,683,832
Property, plant and equipment (PP&E)		717,348	2,264,717	2,190,151	2,921,160	4,565,326
Intangible assets		23,100	27,815	19,837	24,239	63,356
Other assets		683,308	949,303	1,456,688	1,450,828	1,465,380
Total assets		5,792,497	10,034,511	9,607,450	10,111,300	11,777,894
Current liabilities	Before appropriation	3,345,095	3,385,989	3,683,020	4,066,357	5,643,907
	After appropriation	3,792,600	4,590,646	4,663,430	5,186,825	-(Note 2)
Non-current liabilities		274,474	253,661	267,878	265,341	266,474
Total liabilities	Before appropriation	3,619,569	3,639,650	3,950,898	4,331,698	5,910,381
	After appropriation	4,067,074	4,844,307	4,931,308	5,452,166	-(Note 2)
Equity attributable to owners of the parent company		2,156,040	6,310,990	5,641,525	5,781,343	5,876,747
Paid-in capital		1,278,585	1,420,585	1,420,585	1,420,585	1,420,585
Capital surplus	Before appropriation	58,044	3,329,617	3,354,858	3,175,583	3,057,738
	After appropriation	58,044	3,329,617	3,715,583	3,057,738	-(Note 2)
Retained earnings	Before appropriation	839,428	1,560,595	1,414,615	1,794,692	2,061,926
	After appropriation	391,923	355,938	613,480	792,069	-(Note 2)
Other equity interest		(20,017)	193	(151,358)	(212,342)	(266,327)
Treasury shares		-	-	(397,175)	(397,175)	(397,175)
Non-controlling interest		16,888	83,871	15,027	(1,741)	(9,234)
Total equity	Before appropriation	2,172,928	6,394,861	5,656,552	5,779,602	5,867,513
	After appropriation	1,725,423	5,190,204	4,676,142	4,659,134	-(Note 2)

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

Note 2 : The appropriation amount for the 2017 earnings has not to be approved at the AGM yet.

4. Consolidated statements of comprehensive income (2013-2017) – Based on IFRS

Unit: NT\$'000

	2013(Note 1)	2014 (Note 1)	2015 (Note 1)	2016 (Note 1)	2017 (Note 1)
Operating revenue	20,542,841	23,897,005	25,639,898	28,080,788	33,238,547
Gross profit	2,555,246	3,304,657	3,103,662	3,311,180	3,647,345
Operating income	934,782	1,427,415	1,058,769	1,270,418	1,389,063
Non-operating income (expenses)	45,854	82,335	177,290	140,872	131,237
Pre-tax income	980,636	1,509,750	1,236,059	1,411,290	1,520,300
Income from continuing operations	767,557	1,211,194	993,089	1,166,628	1,262,632
Loss from discontinued operations, net of tax	(249,392)	(78,329)	-	-	-
Net income	518,165	1,132,865	993,089	1,166,628	1,262,632
Other comprehensive income (after tax)	(37,789)	21,447	(154,807)	(63,032)	(54,253)
Comprehensive income	480,376	1,154,312	838,282	1,103,596	1,208,379
Profit attributable to owners of the parent company	561,668	1,170,042	1,060,781	1,183,227	1,270,082
Profit attributable to non-controlling interest	(43,503)	(37,177)	(67,692)	(16,599)	(7,450)
Comprehensive income attributable to owners of parent company	523,032	1,188,882	907,126	1,120,364	1,215,872
Comprehensive income attributable to non-controlling interest	(42,656)	(34,570)	(68,844)	(16,768)	(7,493)
EPS (NT\$)	4.39	9.11	7.48	8.45	9.07

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

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

Year	Accounting firm	Name of CPA	Opinion	Replacement reason
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	-
2017	Deloitte & Touche	Vita Kuo, Peter Lin	Unqualified opinion	-

ii. Financial Analysis

Consolidated financial analysis (2013-2017) – Based on IFRS

		2013	2014	2015	2016	2017
Financial structure	Liability to asset ratio (%)	62.49	36.27	41.12	42.84	50.18
	Long-term fund to PP&E ratio (%)	341.17	293.57	270.50	206.94	134.36
Solvency	Current ratio (%)	130.60	200.61	161.30	140.55	100.71
	Quick ratio (%)	118.56	195.90	156.55	131.73	81.40
	Interest coverage ratio (%)	46.91	141.96	5172.79	432.85	454.41
Operations	Accounts receivable turnover (x)	45.42	46.42	45.29	42.95	39.45
	Average collection days	8.04	7.86	8.05	8.49	9.25
	Inventory turnover (x)	29.42	64.89	116.63	87.69	38.29
	Accounts payable turnover (x)	7.74	7.93	8.08	8.25	8.21
	Average days sales	12.41	5.63	3.12	4.16	9.53
	Property, plant and equipment turnover (x)	34.08	16.14	11.51	10.99	8.88
	Total asset turnover (x)	3.85	3.04	2.61	2.85	3.04
Profitability	Return on assets (%)	9.61	14.42	10.11	11.86	11.56
	Return on equity (%)	24.00	26.44	16.48	20.40	21.68
	Pre-tax income as a % of paid-in capital	53.20	99.63	87.01	99.35	107.02
	Net income margin (%)	2.44	4.71	3.87	4.15	3.80
	EPS (NT\$)	4.39	9.11	7.48	8.45	9.07
Cash flow	Cash flow ratio (%)	46.52	52.79	30.69	29.66	24.95
	Cash flow adequacy ratio (%)	148.06	102.75	92.56	90.82	72.28
	Cash reinvestment rate (%)	37.88	19.31	(1.16)	8.65	7.55
Leverage	Operating leverage	6.67	3.86	4.74	4.04	3.91
	Financial leverage	1.02	1.01	1.00	1.00	1.00

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

Note 2 : The 2013-2017 financial data have been duly audited by independent auditors.

The following explains the financial ratios that fluctuated more than 20% between 2016 and 2017:

- 1、 Ratio of real estate, plants and equipment in long-term assets: property, plants and equipment has increased compared to 2016 primarily due to the construction of the logistics center in 2017, leading to a decrease of the ratio.
- 2、 Current and quick ratio: due to increase in purchase and construction of logistics center in 2017, accounts payable and other payables has increased compared to 2016, as a result the ratios have decreased.
- 3、 Inventory turnover and average days sales: due to competition in internet business is intensifying, to achieve faster delivery time for inventory in 2017, the level of inventory has drastically increased, as a result the ratios have decreased.
- 4、 Cash flow adequacy ratio: due to increase in stock inventory level, property, plant and equipment as well as cash dividend payment compared to 2016, as a result the ratio has decreased.

Stand-alone financial analysis (2013-2017) – Based on IFRS

		2013	2014	2015	2016	2017
Financial structure	Liability to asset ratio (%)	58.69	34.27	37.95	40.79	48.63
	Long-term fund to PP&E ratio (%)	445.34	307.59	278.13	209.52	135.40
Solvency	Current ratio (%)	136.13	205.97	170.38	144.62	100.98
	Quick ratio (%)	124.25	201.76	165.48	135.46	80.53
	Interest coverage ratio (%)	4,080.95	14,568.75	52,090.04	1,419,204.00	1,521,721.00
Operations	Accounts receivable turnover (x)	45.77	47.21	46.29	42.54	39.14
	Average collection days	7.97	7.73	7.88	8.58	9.32
	Inventory turnover (x)	29.64	65.66	118.69	88.08	38.29
	Accounts payable turnover (x)	7.86	8.02	8.16	8.28	8.24
	Average days sales	12.31	5.56	3.08	4.14	9.53
	Property, plant and equipment turnover (x)	48.74	17.68	11.93	11.16	8.92
	Total asset turnover (x)	4.24	3.19	2.71	2.96	3.13
Profitability	Return on assets (%)	11.36	15.79	11.35	12.55	11.98
	Return on equity (%)	26.22	27.64	17.75	20.72	21.79
	Pre-tax income as a % of paid-in capital	55.84	101.52	91.67	99.90	107.12
	Net income margin (%)	2.68	4.95	4.19	4.24	3.83
	EPS (NT\$)	4.39	9.11	7.48	8.45	9.07
Cash flow	Cash flow ratio (%)	58.42	66.21	37.06	36.43	26.40
	Cash flow adequacy ratio (%)	161.48	113.54	103.81	99.93	77.29
	Cash reinvestment rate (%)	42.49	23.30	(0.31)	14.74	7.31
Leverage	Operating leverage	4.99	3.34	3.84	3.93	3.88
	Financial leverage	1.00	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 2013-2017 financial data have been duly audited by independent auditors.

The following explains the financial ratios that fluctuated more than 20% between 2016 and 2017:

- 1、 Ratio of real estate, plants and equipment in long-term assets: property, plants and equipment has increased compared to 2016 primarily due to the construction of the logistics center in 2017, leading to a decrease of the ratio.
- 2、 Current and quick ratio: due to increase in purchase and construction of logistics center in 2017, accounts payable and other payables has increased compared to 2016, as a result the ratios have decreased.
- 3、 Inventory turnover and average days sales: due to competition in internet business is intensifying, to achieve faster delivery time for inventory in 2017, the level of inventory has drastically increased, as a result the ratios have decreased.
- 4、 Property, plant and equipment turnover: due to the construction of the logistics center in 2017, property, plant and equipment has increased compared to 2016, the ratios have decreased.
- 5、 Cash flow ratio: due to increase in purchase and construction of logistics center in 2017, accounts payable and other payables has increased compared to 2016, as a result the ratios have decreased.
- 6、 Cash flow adequacy ratio: due to increase in the inventory level, property, plant and equipment as well as cash dividend payment compared to 2016, as a result the ratio has decreased.
- 7、 Cash reinvestment ratio: due to increase in property, plant and equipment as well as cash dividend payment compared to 2016, as a result the ratio has decreased.

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

iii. Audit Committee Report

January 26, 2018

Hereby, the 2017 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 2018 General Shareholders' Meeting of momo.com Inc.
momo.com Inc.

Audit committee convener: Si-Kuan Chen

iv.The2017 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

2016 - 2017 Consolidated Balance Sheet

Unit: NT\$'000, %

	2016	2017	YoY change	
			Amount	%
Current assets	5,715,073	5,683,832	(31,241)	(0.55)
Property, plant and equipment	2,921,160	4,565,326	1,644,166	56.28
Intangible assets	24,239	63,356	39,117	161.38
Other assets	1,450,828	1,465,380	14,552	1.00
Total assets	10,111,300	11,777,894	1,666,594	16.48
Current liabilities	4,066,357	5,643,907	1,577,550	38.80
Long-term Liabilities	265,341	266,474	1,133	0.43
Total liabilities	4,331,698	5,910,381	1,578,683	36.44
Paid-in capital	1,420,585	1,420,585	-	-
Capital surplus	3,175,583	3,057,738	(117,845)	(3.71)
Retained earnings	1,794,692	2,061,926	267,234	14.89
Other equity	(212,342)	(266,327)	(53,985)	25.42
Treasury stock	(397,175)	(397,175)	-	-
Non-controlling interests	(1,741)	(9,234)	(7,493)	430.38
Total equity	5,779,602	5,867,513	87,911	1.52

The financial statements for 2016 and 2017 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: real estate, plants and equipment have increased primarily as the result of the construction of the logistics center.
2. Intangible assets: increased primarily the result of additions of computer software in 2017.
3. Current liabilities: accounts payable and other payable have increased as a result of the cost for import increasing and the construction of the logistic center.
4. Other equities: primarily increased as a result of unrealized loss of financial assets available for sale.

ii.Statements of Comprehensive Income Analysis

Consolidated statements of comprehensive income analysis

2016 – 2017 Consolidated Statements of Comprehensive Income

Unit: NT\$'000, %

	2016	2017	YoY change	
			Amount	%
Operating revenue	28,080,788	33,238,547	5,157,759	18.37
Operating costs	24,769,608	29,591,202	4,821,594	19.47
Gross profit	3,311,180	3,647,345	336,165	10.15
Operating expenses	2,041,246	2,262,449	221,203	10.84
Other operating income (expenses)	484	4,167	3,683	760.95
Operating income	1,270,418	1,389,063	118,645	9.34
Non-operating income (expenses)	140,872	131,237	(9,635)	(6.84)
Income before tax	1,411,290	1,520,300	109,010	7.72
Tax expense	244,662	257,668	13,006	5.32
Net income	1,166,628	1,262,632	96,004	8.23
Other comprehensive income	(63,032)	(54,253)	8,779	(13.93)
Comprehensive income	1,103,596	1,208,379	104,783	9.49
The financial statements for 2016 and 2017 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:				
None				

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

2016 – 2017 Consolidated Cash Flow Statement

Unit: NT\$'000, %

	2015	2016	YoY change	
			Amount	%
Cash inflow (outflow) from operating activities	1,206,149	1,407,993	201,844	16.73
Cash inflow (outflow) from investment activities	(601,863)	(330,976)	270,887	(45.01)
Cash inflow (outflow) from financing activities	(987,194)	(1,120,759)	(133,565)	13.53
Impact from changes in exchange rate	186	(547)	(733)	(394.09)
Net cash increase (decrease)	(382,722)	(44,289)	338,433	(88.43)

Analysis of the Change in Cash Flow:

1. Increased net cash inflow in business activities: primarily the result of an increase in earning and amounts payable in 2017, leading to an increase in business activity flow compared to the previous year.
2. Decreased net cash outflow in investment activities: primarily the result of the disposal of available-for-sale financial assets and reduction of other financial assets in 2017.
3. Increased net cash inflow for fundraising activities: primarily the result of an increase in cash dividend paid out in 2017 compared to 2016.

Plans to improve negative liquidity : Not applicable

Consolidated projected cash flow for 2018

2018 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
2,701,010	39,385,988	39,163,716	2,923,342	—	—

Explanations and analysis:

Operating revenue and profit growth trends in 2018 are expected to remain unchanged from those in 2017; therefore, the expected cash balance amounts to NT \$2,923,342,000.

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

Investment activities: primarily the cash outflow was the result of the payments for warehouse storage equipment.

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\$ 78,421,000 in 2017, and was at NT\$ 82,281,000 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 Taiwan by providing the best virtual shopping experience to our customer groups.

vi.Risk Management

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

Unit: NT\$'000, %				
	2016	% of Operating revenue	2017	% of Operating revenue
Interest income	61,428	0.22%	54,021	0.16%
Interest expense	3,268	0.01%	3,353	0.01%
Exchange gain (loss)	576	0.00%	1,604	0.00%

1. Impact of interest rate fluctuations

The interest income of the Company and its subsidiary was NT \$61,428,000 in 2016 and NT \$54,021,000 in 2017, which respectively accounted for 0.22% and 0.16% of the net operating revenue. In addition, the interest expense for 2016 and 2017 was NT \$3,268,000 and NT \$3,353,000, respectively accounting for 0.01% 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 \$576,000 for 2016 and NT \$1,604,000 for 2017, which respectively accounted for 0.00% and 0.00% of the net operating revenue. The Company and its subsidiary's proportion of operating revenue in Taiwan registered 99.90%. We primarily adopt telegraphic transfer when purchasing products overseas. Although exchange gains and losses were the result of exchange rate volatility, their proportion as a percentage of net sales revenue was low. Therefore, exchange rate volatility had a limited impact on the company operation. The Company and its subsidiary will closely monitor information related to exchange rate fluctuations, stay vigilant at all times toward the trends of the exchange rates, and make appropriate adjustments according to the global economy, exchange rates, and future cash flow demands. The ultimate goal is to minimize risks associated with exchange rate volatility and thereby reduce the impact of such volatility on the earnings of the Company and its subsidiary.

3. Impact of inflation

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

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

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

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

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

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

(3) Derivatives transaction: None.

3. Response measures:

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

Research and development plans

momo has began using the northern region logistics center, and automated logistics technology has been introduced at the center, which greatly reduces the overall shipping time. The volume of shipping can reach 144,000 items per day, with an estimated annual shipping volume of 50 million items. Currently the order-to-delivery time in regions north of Taichung has been greatly reduced, with more and more areas and more and more products can be delivered within 12-hours. To provide better service to the consumers, momo plans to set up and use multiple satellite warehouses in metropolitan regions in order to significantly shorten the shipping time for orders in the areas covered by the satellite warehouse.

When planning storage system for satellite warehouses, there need to be consideration of introducing new satellite warehouses in the future. The storage system originally used by the northern region logistics center was suitable for a large, single location warehouse, coupled with automatic facilities to produce higher service efficiency. After evaluation, a new storage system was set up, which is suitable for sharing between multiple warehouses, and system functions can be adjusted in accordance with the different nature of the various warehouses.

At the same time, to enhance the delivery service, more diverse and flexible logistics choices shall be provided. Plans for setting up a motorcycle fleet for quick delivery are in the works, thus a transport management system need to be introduced in order to control and manage the fleet.

The combined cost of these two project is NT\$ 24.3 million.

Plan	Description
Transport management system (TMS)	Introduce Company-owned motorcycle fleet management system
KAPS warehouse management system (Satellite warehouse 3PL) project	Introduce satellite warehouse storage management system

Regulatory changes and developments

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

Technology changes and development

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

Impact of changes in brand image on the Company's risk management policies in 2017 up to publication date in 2018

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 2017 up to publication date in 2018

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 2017 up to publication date in 2018

The category of the Company and its subsidiary's business belongs to the retail and service industry, thus explanation under this heading is not applicable.

Risks from supplier and buyer concentration in 2017 up to publication date in 2018

1. Procurement

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

2. Sales

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

Significant changes in shareholdings of directors and major shareholders in 2017 up to publication date in 2018

Since 2017 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 2017 up to publication date in 2018

Not applicable.

Significant lawsuits and non-litigious matters in 2017 up to publication date in 2018

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.	The Fair Trade Commission investigated the advertisement for top selling US Hot Snow infrared slimming pants (3716952) on the momo shopping channel, where there are claims of false advertising with misleading content.	100	2016.03.15	momo.com Inc.	<u>Disposal:</u> 150,000NT(date d 2017.01.04)	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	Settlement: (1) momo.com Inc. agreed to return NT\$1,000,000 of guarantee fund to the plaintiff (2) After the payment was settled, what remained of the guarantee fund of NT\$100,000 from EUNICE SPA was returned by momo.com Inc. (date of settlement: 2017/10/26)	none
,000momo.com Inc.	The Fair Trade Commission communicated an investigation of the momoshoip.com, where the market price and promotional price of the Kymco GP125 scooter is different to those on the official Kymco website, causing false advertising by misleading content.	150	2017.07.28	momo.com Inc.	<u>Disposal:</u> 150,000NT(date d 2017.12.05)	none

Other major risks: None.

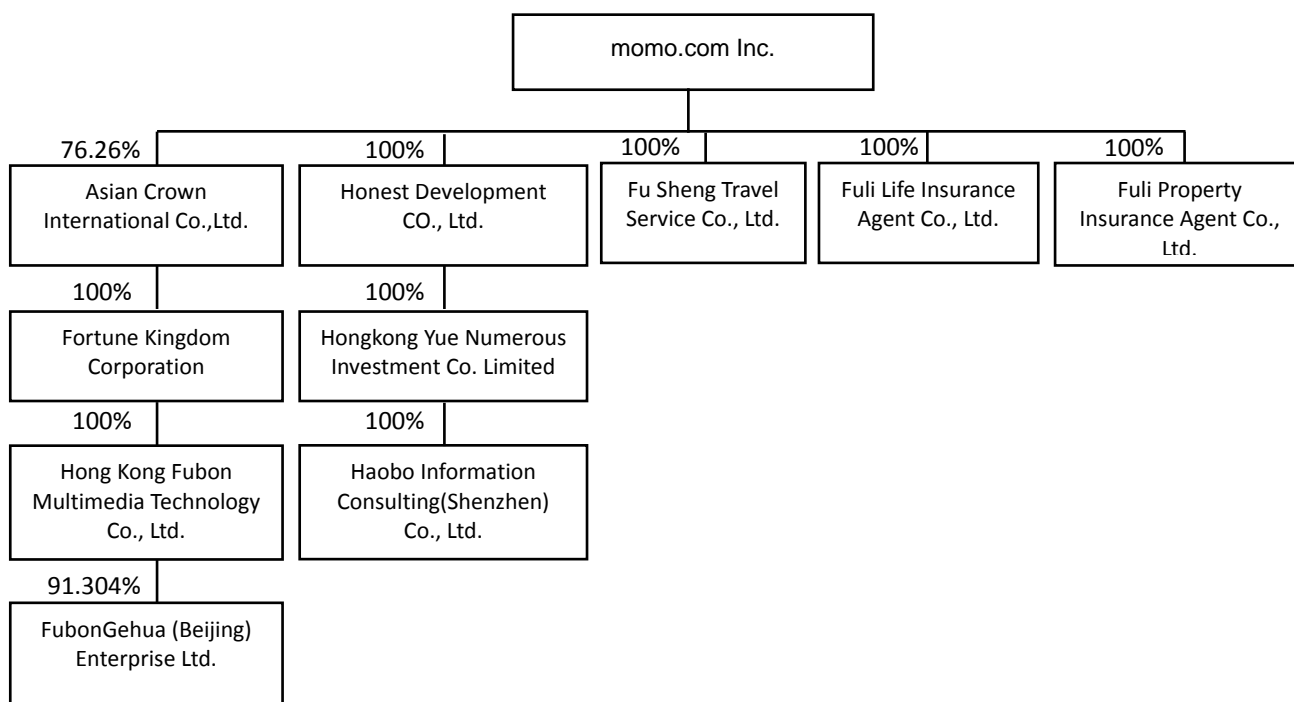
vii.Other significant items: None.

VIII. Special Notes

i. Affiliates

Investment holding structure

As of December 31, 2017



Affiliates' profile

December 31, 2017 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.O. Box 438, Road Town, 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.	RMB57,500,000	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, Tsim Sha Tsui. Kowloon, Hong Kong	HK16,600,000	Investment
Haobo Information Consulting(Shenzhen) Co., Ltd.	2008.11.14	26B-B1, Block A, Zhongyin Building, Caitian Road, Futian District, Shenzhen, People's Republic of China	RMB11,000,000	Investment

Affiliates' operating highlights

December 31, 2017 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	11,439,221	5,562,474	5,876,747	33,173,536	1,394,563	1,270,082	9.07
Fu Sheng Travel Service Co., Ltd.	30,000	332,446	285,084	47,362	25,364	13,477	10,077	3.36
Fuli Life Insurance Agent Co., Ltd.	5,000	10,443	307	10,136	2,374	1,415	1,182	2.36
Fuli Property Insurance Agent Co., Ltd.	5,000	9,857	692	9,165	4,194	2,495	1,771	3.54
Asian Crown International Co., Ltd.	1,068,610	4,354	30,794	(26,440)	-	(58)	(22,543)	(0.65)
Fortune Kingdom Corporation	1,035,051	-	30,794	(30,794)	-	-	(22,152)	(0.66)
Hong Kong Fubon Multimedia Technology Co., Ltd.	1,035,051	253	31,047	(30,794)	-	(110)	(22,152)	(0.66)
Fubon Gehua (Beijing) Enterprise Ltd.	262,200	45,892	79,896	(34,004)	35,507	(23,364)	(24,121)	Not applicable
Honest Development CO., Ltd.	670,448	761,814	-	761,814	-	-	57,713	2.65
Hongkong Yue Numerous Investment Co. Limited	66,035	761,814	-	761,814	-	-	57,713	3.48
Haobo Information Consulting(Shenzhen) Co., Ltd.	50,160	782,078	20,264	761,814	-	(5)	57,713	Not applicable
Note : Exchange rate of US\$1=NT\$29.77and RMB1=NT\$4.560 as of December 31, 2017 Average exchange rate of US\$1=NT\$30.437 and RMB1=NT\$4.506 for 2017								

- 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**

momo.com Inc. and Subsidiaries

**Consolidated Financial Statements for the
Years Ended December 31, 2017 and 2016 and
Independent Auditors' Report**

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, 2017, 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 26, 2018

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
momo.com Inc.

Opinion

We have audited the accompanying consolidated financial statements of momo.com Inc. and its subsidiaries (the Group), which comprise the consolidated balance sheets as of December 31, 2017 and 2016, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and the 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, 2017 and 2016, 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 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 Norm of Professional Ethics for Certified Public Accountant of the Republic of China, 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, 2017. 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, 2017 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, 2017. 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 \$4,565,326 thousand, accounted for 39 % of the consolidated assets as of December 31, 2017. 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, 2017. 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, 2017 and 2016 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 the audit committee) are responsible for overseeing the Group's financial reporting process.

Auditors' 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 auditors' 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 and appropriate audit evidence regarding the financial information of 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 a statement 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 2017 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
Taipei, Taiwan
Republic of China

January 26, 2018

Notice to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in 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, 2017 AND 2016
(In Thousands of New Taiwan Dollars)**

ASSETS	2017		2016	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 6 and 29)	\$ 2,701,070	23	\$ 2,745,359	27
Available-for-sale financial assets - current (Notes 7 and 29)	874,075	7	1,011,259	10
Accounts receivable, net (Note 9)	24,480	-	44,969	1
Accounts receivable from related parties (Note 29)	5,729	-	4,947	-
Other receivables, net (Note 9)	703,009	6	494,611	5
Other receivables from related parties (Note 29)	233,098	2	165,402	2
Inventories (Note 10)	1,036,560	9	312,270	3
Prepayments	34,022	-	26,705	-
Other financial assets - current (Notes 11, 29 and 30)	52,943	1	890,123	9
Other current assets	18,846	-	19,428	-
Total current assets	<u>5,683,832</u>	<u>48</u>	<u>5,715,073</u>	<u>57</u>
NON-CURRENT ASSETS				
Financial assets at cost - non-current (Note 8)	53,820	-	60,000	1
Investments accounted for using equity method (Notes 5 and 13)	1,300,576	11	1,286,727	12
Property, plant and equipment (Notes 5, 14 and 29)	4,565,326	39	2,921,160	29
Intangible assets	63,356	1	24,239	-
Deferred tax assets (Note 24)	19,292	-	17,243	-
Refundable deposits (Note 29)	57,539	1	52,708	1
Other financial assets - non-current (Notes 11 and 30)	34,153	-	34,150	-
Total non-current assets	<u>6,094,062</u>	<u>52</u>	<u>4,396,227</u>	<u>43</u>
TOTAL	<u>\$ 11,777,894</u>	<u>100</u>	<u>\$ 10,111,300</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Notes 15, 29, 30 and 31)	\$ 62,318	1	\$ 63,005	1
Accounts payable (Note 16)	3,688,973	31	2,818,318	27
Accounts payable to related parties (Note 29)	6,516	-	5,167	-
Other payables (Note 17)	1,112,225	9	493,943	5
Other payables to related parties (Note 29)	142,504	1	80,527	1
Current tax liabilities	136,947	1	123,111	1
Advance receipts	63,050	1	59,708	1
Other current liabilities (Note 18)	431,374	4	422,578	4
Total current liabilities	<u>5,643,907</u>	<u>48</u>	<u>4,066,357</u>	<u>40</u>
NON-CURRENT LIABILITIES				
Provisions - non-current	13,773	-	13,773	-
Deferred tax liabilities (Note 24)	4,976	-	4,854	-
Net defined benefit liabilities (Note 19)	3,607	-	5,307	-
Guarantee deposits (Note 20)	244,118	2	241,407	3
Total non-current liabilities	<u>266,474</u>	<u>2</u>	<u>265,341</u>	<u>3</u>
Total liabilities	<u>5,910,381</u>	<u>50</u>	<u>4,331,698</u>	<u>43</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT (Note 21)				
Common stock	1,420,585	12	1,420,585	14
Capital surplus	3,057,738	26	3,175,583	31
Retained earnings				
Legal reserve	579,727	5	461,548	5
Special reserve	212,342	2	151,358	1
Unappropriated earnings	1,269,857	11	1,181,786	12
Total retained earnings	2,061,926	18	1,794,692	18
Other equity	(266,327)	(2)	(212,342)	(2)
Treasury shares	(397,175)	(4)	(397,175)	(4)
Total equity attributable to owners of the Parent	<u>5,876,747</u>	<u>50</u>	<u>5,781,343</u>	<u>57</u>
NON-CONTROLLING INTERESTS (Note 21)	<u>(9,234)</u>	<u>-</u>	<u>(1,741)</u>	<u>-</u>
Total equity	<u>5,867,513</u>	<u>50</u>	<u>5,779,602</u>	<u>57</u>
TOTAL	<u>\$ 11,777,894</u>	<u>100</u>	<u>\$ 10,111,300</u>	<u>100</u>

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, 2017 AND 2016 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2017		2016	
	Amount	%	Amount	%
OPERATING REVENUES (Notes 22 and 29)	\$ 33,238,547	100	\$ 28,080,788	100
OPERATING COSTS (Notes 10, 23 and 29)	<u>29,591,202</u>	<u>89</u>	<u>24,769,608</u>	<u>88</u>
GROSS PROFIT FROM OPERATIONS	<u>3,647,345</u>	<u>11</u>	<u>3,311,180</u>	<u>12</u>
OPERATING EXPENSES (Notes 19, 23 and 29)				
Marketing expenses	1,050,021	3	967,513	3
Administrative expenses	<u>1,212,428</u>	<u>4</u>	<u>1,073,733</u>	<u>4</u>
Total operating expenses	<u>2,262,449</u>	<u>7</u>	<u>2,041,246</u>	<u>7</u>
NET OTHER INCOME AND EXPENSES	<u>4,167</u>	<u>-</u>	<u>484</u>	<u>-</u>
OPERATING INCOME	<u>1,389,063</u>	<u>4</u>	<u>1,270,418</u>	<u>5</u>
NON-OPERATING INCOME AND EXPENSES				
Other income (Note 23)	56,697	-	66,016	-
Other gains and losses, net (Notes 23 and 29)	(4,388)	-	(475)	-
Finance costs (Note 23)	(3,353)	-	(3,268)	-
Share of profit of associates accounted for using equity method (Notes 5 and 13)	<u>82,281</u>	<u>1</u>	<u>78,599</u>	<u>-</u>
Total non-operating income and expenses	<u>131,237</u>	<u>1</u>	<u>140,872</u>	<u>-</u>
PROFIT BEFORE INCOME TAX	1,520,300	5	1,411,290	5
INCOME TAX EXPENSE (Note 24)	<u>257,668</u>	<u>1</u>	<u>244,662</u>	<u>1</u>
PROFIT	<u>1,262,632</u>	<u>4</u>	<u>1,166,628</u>	<u>4</u>
OTHER COMPREHENSIVE INCOME (Notes 19 and 24)				
Items that may not be reclassified to profit or loss:				
Remeasurement of defined benefit plans	344	-	(1,695)	-
Share of other comprehensive loss of associates accounted for using equity method	(510)	-	(472)	-
Income tax relating to items that may not be reclassified to profit or loss	(59)	-	288	-

(Continued)

momo.com Inc. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2017		2016	
	Amount	%	Amount	%
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation	\$ (9,635)	-	\$ (55,863)	-
Unrealized loss on available-for-sale financial assets	(37,184)	-	(1,478)	-
Share of other comprehensive loss of associates accounted for using equity method	<u>(7,209)</u>	<u>-</u>	<u>(3,812)</u>	<u>-</u>
Other comprehensive losses, net of tax	<u>(54,253)</u>	<u>-</u>	<u>(63,032)</u>	<u>-</u>
COMPREHENSIVE INCOME	<u>\$ 1,208,379</u>	<u>4</u>	<u>\$ 1,103,596</u>	<u>4</u>
PROFIT ATTRIBUTABLE TO:				
Owners of the Parent	\$ 1,270,082	4	\$ 1,183,227	4
Non-controlling interests	<u>(7,450)</u>	<u>-</u>	<u>(16,599)</u>	<u>-</u>
	<u>\$ 1,262,632</u>	<u>4</u>	<u>\$ 1,166,628</u>	<u>4</u>
COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:				
Owners of the Parent	\$ 1,215,872	4	\$ 1,120,364	4
Non-controlling interests	<u>(7,493)</u>	<u>-</u>	<u>(16,768)</u>	<u>-</u>
	<u>\$ 1,208,379</u>	<u>4</u>	<u>\$ 1,103,596</u>	<u>4</u>
EARNINGS PER SHARE (Note 25)				
Basic	<u>\$ 9.07</u>		<u>\$ 8.45</u>	
Diluted	<u>\$ 9.07</u>		<u>\$ 8.45</u>	

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

(Concluded)

momo.com Inc. AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars)**

	Equity Attributable to Owners of the Company								Non-controlling Interests	Total Equity
	Common Stock	Capital Surplus	Retained Earnings			Other Equity				
			Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translation	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Treasury Shares		
BALANCE AT JANUARY 1, 2016	\$ 1,420,585	\$ 3,354,858	\$ 355,652	\$ -	\$ 1,058,963	\$ 17,941	\$ (169,299)	\$ (397,175)	\$ 15,027	\$ 5,656,552
Distribution of 2015 earnings	-	-	105,896	-	(105,896)	-	-	-	-	-
Legal reserve	-	-	-	151,358	(151,358)	-	-	-	-	-
Special reserve	-	-	-	-	(801,135)	-	-	-	-	(801,135)
Cash dividends	-	-	-	-	-	-	-	-	-	-
Change in capital surplus from investments in associates accounted for by using equity method	-	-	-	-	(136)	-	-	-	-	(136)
Issue of cash dividends from capital surplus	-	(179,275)	-	-	-	-	-	-	-	(179,275)
Profit for the year ended December 31, 2016	-	-	-	-	1,183,227	-	-	-	(16,599)	1,166,628
Other comprehensive losses for the year ended December 31, 2016	-	-	-	-	(1,879)	(55,867)	(5,117)	-	(169)	(63,032)
Total comprehensive income (loss) for the year ended December 31, 2016	-	-	-	-	1,181,348	(55,867)	(5,117)	-	(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)	(1,741)	5,779,602
Distribution of 2016 earnings	-	-	118,179	-	(118,179)	-	-	-	-	-
Legal reserve	-	-	-	60,984	(60,984)	-	-	-	-	-
Special reserve	-	-	-	-	(1,002,623)	-	-	-	-	(1,002,623)
Cash dividends	-	-	-	-	-	-	-	-	-	-
Issue of cash dividends from capital surplus	-	(117,845)	-	-	-	-	-	-	-	(117,845)
Profit for the year ended December 31, 2017	-	-	-	-	1,270,082	-	-	-	(7,450)	1,262,632
Other comprehensive losses for the year ended December 31, 2017	-	-	-	-	(225)	(10,997)	(42,988)	-	(43)	(54,253)
Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	1,269,857	(10,997)	(42,988)	-	(7,493)	1,208,379
BALANCE AT DECEMBER 31, 2017	\$ 1,420,585	\$ 3,057,738	\$ 579,727	\$ 212,342	\$ 1,269,857	\$ (48,923)	\$ (217,404)	\$ (397,175)	\$ (9,234)	\$ 5,867,513

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, 2017 AND 2016 (In Thousands of New Taiwan Dollars)

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	\$ 1,520,300	\$ 1,411,290
Adjustments:		
Depreciation expenses	106,100	87,588
Amortization expenses	20,289	12,705
Provision for bad debt expense	1,398	2,594
Finance costs	3,353	3,268
Interest income	(54,021)	(61,428)
Share of profit of associates accounted for using equity method	(82,281)	(78,599)
(Gain) loss on disposal of property, plant and equipment, net	(2,568)	545
Gain on disposal of investments	(692)	-
Impairment loss on financial assets	6,180	-
(Gain) loss on foreign currency exchange, net	(511)	554
Others	(590)	(590)
Changes in operating assets and liabilities		
Accounts receivable	19,408	(17,161)
Accounts receivable from related parties	(781)	10,883
Other receivables	(209,658)	(84,171)
Other receivables from related parties	(36,676)	(33,303)
Inventories	(724,290)	(187,631)
Prepayments	(7,317)	5,371
Other current assets	(2,900)	2,329
Accounts payable	870,655	341,678
Accounts payable to related parties	1,349	(40,782)
Other payables	149,109	84,167
Other payables to related parties	61,999	38,309
Advance receipts	3,342	1,246
Other current liabilities	8,796	(70,781)
Net defined benefit liabilities	(1,356)	(1,400)
Cash generated from operations	1,648,637	1,426,681
Interest received	504	476
Interest paid	(1)	-
Income tax paid	(241,147)	(221,008)
Net cash generated from operating activities	<u>1,407,993</u>	<u>1,206,149</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of available-for-sale financial assets	(220,000)	(200,000)
Proceeds from disposal of available-for-sale financial assets	320,692	-
Acquisition of property, plant and equipment	(1,306,338)	(836,115)
Proceeds from disposal of property, plant and equipment	2,568	475
Increase in refundable deposits	(4,237)	(16,298)
Decrease in refundable deposits	278	12,706
Acquisition of intangible assets	(34,787)	(11,520)
Increase in other financial assets	(34,283)	(1,306,524)
		(Continued)

momo.com Inc. AND SUBSIDIARIES**CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars)**

	2017	2016
Decrease in other financial assets	\$ 871,971	\$ 1,648,650
Interest received	53,624	61,111
Dividend received	<u>19,536</u>	<u>45,652</u>
Net cash used in investing activities	<u>(330,976)</u>	<u>(601,863)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	251	-
Repayments of short-term borrowings	-	(3,000)
Proceeds from guarantee deposits received	46,722	38,545
Refund of guarantee deposits received	(44,011)	(38,800)
Increase in lease payables	-	1
Decrease in lease payables	-	(120)
Cash dividends	(1,120,468)	(980,410)
Interest paid	<u>(3,253)</u>	<u>(3,410)</u>
Net cash used in financing activities	<u>(1,120,759)</u>	<u>(987,194)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>(547)</u>	<u>186</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(44,289)	(382,722)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>2,745,359</u>	<u>3,128,081</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 2,701,070</u>	<u>\$ 2,745,359</u>

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

(Concluded)

momo.com Inc. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 (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, 2017, 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 26, 2018.

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

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

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

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 and issued into effect by the FSC. In addition, as a result of the post implementation review of IFRSs in Taiwan, the amendments also include an emphasis on certain recognition and measurement considerations and add requirements for disclosures of related party transactions.

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 of the Group, 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 transactions. If the transaction amount or balance with a specific related party is 10% or more of the Group’s respective total transaction amount or balance, such transactions 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 conditions after a business combination and the expected benefits at the acquisition date.

When the amendments are applied retrospectively from January 1, 2017, the disclosures of related party transactions is enhanced. Refer to Note 29 for related disclosures.

- b. The Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs endorsed by the FSC for application starting from 2018

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
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
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” and related amendments

Classification, measurement and impairment 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 any impairment loss 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 collecting contractual cash flows and selling 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 gains or losses shall be recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses. When the debt instruments are derecognized or reclassified, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.

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

The Group analyzed the facts and circumstances of its financial assets that exist at December 31, 2017 and performed the assessment of the impact of IFRS 9 on the classification and measurement of financial assets. Under IFRS 9:

- a) Unlisted shares classified as available-for-sale will be designated as at fair value through other comprehensive income and the fair value gains or losses accumulated in other equity will be transferred directly to retained earnings instead of being reclassified to profit or loss on disposal. Besides this, unlisted shares measured at cost will be measured at fair value instead;
- b) Mutual funds classified as available-for-sale will be classified as at fair value through profit or loss because the contractual cash flows are not solely payments of principal and interest on the principal outstanding and they are not equity instruments;
- c) Debt investments classified as other financial assets and measured at amortized cost will be classified as measured at amortized cost under IFRS 9 because on initial recognition, the contractual cash flows that are solely payments of principal and interest on the principal outstanding and these investments are held within a business model whose objective is to collect the contractual cash flows.

IFRS 9 requires impairment loss on financial assets to be recognized by using the “Expected Credit Losses Model.” The loss allowance is required for financial assets measured at amortized cost and 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.

The Group has performed a preliminary assessment that the Group will apply the simplified approach to recognize lifetime expected credit losses for trade receivables. In relation to other financial assets and the financial guarantee contracts, the Group will assess whether there has been a significant increase in the credit risk to determine whether to recognize 12-month or lifetime expected credit losses. In general, the Group anticipates that the application of the expected credit loss model of IFRS 9 will result in earlier recognition of credit losses for financial assets.

The Group elects to restate prior reporting periods when applying the requirements for the classification, measurement and impairment of financial assets under IFRS 9 and will provide the disclosures related to the classification and the adjustment information upon initial application of IFRS 9.

The anticipated impact of retrospective application of the requirements for the classification, measurement and impairment of financial assets is set out below:

	Carrying Amount	Adjustments Arising from Initial Application	Adjusted Carrying Amount
<u>Impact on assets, liabilities and equity</u>			
<u>December 31, 2017</u>			
Financial assets at fair value through profit or loss - current	\$ -	\$ 845,806	\$ 845,806
Financial assets at fair value through other comprehensive income - current	-	28,269	28,269
Available-for-sale financial assets - current	874,075	(874,075)	-
Financial assets at fair value through other comprehensive income - non-current	-	53,820	53,820
Financial assets measured at cost - non-current	53,820	(53,820)	-
Total effect on assets	11,777,894	-	11,777,894
Unappropriated earnings	1,269,857	(148,014)	1,121,843
Other equity	(266,327)	148,014	(118,313)
Total effect on equity	5,867,513	-	5,867,513
<u>January 1, 2017</u>			
Financial assets at fair value through profit or loss - current	\$ -	\$ 965,833	\$ 965,833
Financial assets at fair value through other comprehensive income - current	-	45,526	45,526
Available-for-sale financial assets - current	1,011,259	(1,011,259)	-
Financial assets at fair value through other comprehensive income - non-current	-	60,000	60,000
Financial assets measured at cost - non-current	60,000	(60,000)	-
Total effect on assets	10,111,300	-	10,111,300
Unappropriated earnings	1,181,786	(134,167)	1,047,619
Other equity	(212,342)	134,167	(78,175)
Total effect on equity	5,779,602	-	5,779,602

(Continued)

	Carrying Amount	Adjustments Arising from Initial Application	Adjusted Carrying Amount
<u>Impact on total comprehensive income for the year ended December 31, 2017</u>			
Non-operating income and expenses	\$ 131,237	\$ (13,847)	\$ 117,390
Total effect on net profit for the year	<u>1,262,632</u>	<u>(13,847)</u>	<u>1,248,785</u>
Items that may be reclassified subsequently to profit or loss:			
Unrealized gain (loss) on available-for-sale financial assets	<u>(37,184)</u>	<u>37,184</u>	<u>-</u>
Unrealized gain (loss) on financial assets at fair value through other comprehensive income - equity instruments	<u>-</u>	<u>(23,337)</u>	<u>(23,337)</u>
Total effect on other comprehensive income for the year, net of income tax	<u>(54,253)</u>	<u>13,847</u>	<u>(40,406)</u>
Total effect on total comprehensive income for the year	<u>1,208,379</u>	<u>-</u>	<u>1,208,379</u>
Impact on net profit attributable to:			
Owners of the Parent	\$ 1,270,082	\$ (13,847)	\$ 1,256,235
Non-controlling interests	<u>(7,450)</u>	<u>-</u>	<u>(7,450)</u>
	<u>\$ 1,262,632</u>	<u>\$ 13,847</u>	<u>\$ 1,248,785</u>
Impact on total comprehensive income attributable to:			
Owners of the Parent	\$ 1,215,872	\$ -	\$ 1,215,872
Non-controlling interests	<u>(7,493)</u>	<u>-</u>	<u>(7,493)</u>
	<u>\$ 1,208,379</u>	<u>\$ -</u>	<u>\$ 1,208,379</u>
			(Concluded)

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

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.

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 other goods or services in providing a specified good or service to the customer.

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

- a) The Group is primarily responsible for fulfilling the promise to provide the specified good or service.
- b) The Group has inventory risk before or after the specified good or service is transferred to the customer.
- c) The Group has discretion in establishing the price of the specified good or service.

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 goods or services.

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.

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

For the sale with a right of return, the Group will recognize a refund liability (other liability) and a right to recover a product (other asset) when recognizing revenue. Currently, return provisions are recognized when recognizing revenue.

When retrospectively applying IFRS 15 and restating comparative information in 2017, the Group will apply the following practical expedients:

- a) The Group will not restate contracts that begin and end within the same annual reporting period.
- b) The Group will not restate completed contracts on or before December 31, 2016.

In addition, the Group will elect only to disclose the effect in 2017 of the initial application of IFRS 15.

The anticipated effect of retrospectively applying IFRS 15 is detailed below:

	Carrying Amount	Adjustments Arising from Initial Application	Adjusted Carrying Amount
<u>Impact on assets and liabilities</u>			
<u>December 31, 2017</u>			
Rights to recover products	\$ -	\$ 95,777	\$ 95,777
Total effect on assets	<u>11,777,894</u>	<u>95,777</u>	<u>11,873,671</u>
Contract liability - current	-	49,975	49,975
Accounts payable	<u>3,688,973</u>	<u>(28,097)</u>	<u>3,660,876</u>
Other payables	<u>1,112,225</u>	<u>6,320</u>	<u>1,118,545</u>
Advance Payment	<u>63,050</u>	<u>(49,975)</u>	<u>13,075</u>
Refund liability	-	<u>117,554</u>	<u>117,554</u>
Total effect on liabilities	<u>5,910,381</u>	<u>95,777</u>	<u>6,006,158</u>
<u>January 1, 2017</u>			
Rights to recover products	\$ -	\$ 69,074	\$ 69,074
Total effect on assets	<u>10,111,300</u>	<u>69,074</u>	<u>10,180,374</u>
Contract liability - current	-	48,670	48,670
Accounts payable	<u>2,818,318</u>	<u>(21,693)</u>	<u>2,796,625</u>
Other payables	<u>493,943</u>	<u>5,906</u>	<u>499,849</u>
Advance Payment	<u>59,708</u>	<u>(48,670)</u>	<u>11,038</u>
Refund liability	-	<u>84,861</u>	<u>84,861</u>
Total effect on liabilities	<u>4,331,698</u>	<u>69,074</u>	<u>4,400,772</u>

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

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

New IFRSs	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2015-2017 Cycle	January 1, 2019
Amendments to IFRS 9 "Prepayment Features with Negative Compensation"	January 1, 2019 (Note 2)
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 16 "Leases"	January 1, 2019 (Note 3)
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 28 "Long-term Interests in Associates and Joint Ventures"	January 1, 2019
IFRIC 23 "Uncertainty over Income Tax Treatments"	January 1, 2019

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

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

Note 3: On December 19, 2017, the FSC announced that IFRS 16 will take effect starting from January 1, 2019.

IFRS 16 “Leases”

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

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 and issued into effect by the FSC.

b. Basis of preparation

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

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

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

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

c. 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 7 and Table 8 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.

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 forms part of 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 that interests in the associate 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.

The 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 for 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 presented in a separate line item as financial assets carried at cost. If, in a subsequent period, the fair value of the financial assets can be reliably measured, the financial assets are remeasured at fair value. The difference between carrying amount and fair value is recognized in other comprehensive income on financial assets. Any impairment losses are recognized in profit and loss.

iii. Loans and receivables

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

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

b) Impairment of financial assets

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

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

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

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

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

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

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

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

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

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

c) Derecognition of financial assets

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

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 is recognized in profit or loss.

1. 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.

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

2) Rendering of services and commission revenues

Service income is recognized when services are provided.

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

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

3) Dividend and interest income

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

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

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.

The Group as lessee

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 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	
	2017	2016
Cash on hand and revolving funds	\$ 14	\$ 50
Cash in banks	527,821	271,016
Time deposits	2,013,350	1,924,950
Short-term notes and bills	<u>159,885</u>	<u>549,343</u>
	<u>\$ 2,701,070</u>	<u>\$ 2,745,359</u>
The market rate intervals of time deposits	0.1%-0.6%	0.1%-0.6%

7. AVAILABLE-FOR-SALE FINANCIAL ASSETS - CURRENT

	December 31	
	2017	2016
Domestic investments		
Beneficiary certificates	\$ 845,806	\$ 965,833
Foreign investments		
Unlisted stock	<u>28,269</u>	<u>45,426</u>
	<u>\$ 874,075</u>	<u>\$ 1,011,259</u>

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

8. FINANCIAL ASSETS AT COST - NON-CURRENT

	December 31	
	2017	2016
Domestic unlisted common stock	<u>\$ 53,820</u>	<u>\$ 60,000</u>

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

9. ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

	December 31	
	2017	2016
<u>Accounts receivable</u>		
Accounts receivable	\$ 25,088	\$ 45,930
Less: Allowance for doubtful accounts	<u>(608)</u>	<u>(961)</u>
Accounts receivable, net	<u>\$ 24,480</u>	<u>\$ 44,969</u>
<u>Other receivables</u>		
Other receivables	\$ 707,175	\$ 497,566
Less: Allowance for doubtful accounts	<u>(4,166)</u>	<u>(2,955)</u>
Other receivables, net	<u>\$ 703,009</u>	<u>\$ 494,611</u>

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	
	2017	2016
Neither past due nor impaired	\$ 693,539	\$ 514,832
Past due but not impaired		
Past due within 180 days	32,811	22,675
Past due over 180 days	<u>1,139</u>	<u>2,073</u>
	<u>\$ 727,489</u>	<u>\$ 539,580</u>

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

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

	For the Year Ended December 31	
	2017	2016
Beginning balance	\$ 3,916	\$ 4,820
Add: Provision	1,398	2,594
Reversal	300	-
Less: Write-off	(840)	(3,412)
Effect of exchange rate changes	<u>-</u>	<u>(86)</u>
Ending balance	<u>\$ 4,774</u>	<u>\$ 3,916</u>

10. INVENTORIES

	December 31	
	2017	2016
Merchandise	<u>\$ 1,036,560</u>	<u>\$ 312,270</u>

The cost of inventories recognized as cost of goods sold were \$26,775,393 thousand and \$22,057,745 thousand for the years ended December 31, 2017 and 2016, respectively. The cost of goods sold included inventory write-downs of \$23,637 thousand for the year ended December 31, 2017 and included the reversal of inventory write-downs of \$31,497 thousand and inventory obsolescence losses of \$10,623 thousand for the year ended December 31, 2016.

11. OTHER FINANCIAL ASSETS

	December 31	
	2017	2016
<u>Current</u>		
Pledged time deposits	\$ 35,076	\$ 86,024
Time deposits with original maturity more than 3 months	<u>17,867</u>	<u>804,099</u>
	<u>\$ 52,943</u>	<u>\$ 890,123</u>
<u>Non-current</u>		
Pledged time deposits and restricted deposits	<u>\$ 34,153</u>	<u>\$ 34,150</u>

- a. The market interest rates of the time deposit with original maturity more than 3 months were 0.15%-1.065% and 0.17%-1.65% per annum, as of December 31, 2017 and 2016, respectively.
- b. 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		Note
			2017	2016	
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 THE EQUITY METHOD

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

Investee Company	December 31			
	2017		2016	
	Amount	% of Ownership	Amount	% of Ownership
Global Home Shopping Co., Ltd. (GHS) (Previously known as Beijing Global Gouguang Media Technology Co., Ltd.)	\$ 781,922	20.00	\$ 736,742	20.00
Taiwan Pelican Express Co., Ltd. (TPE)	401,192	17.70	402,464	17.70
TVD Shopping Co., Ltd. (TVD shopping)	<u>117,462</u>	35.00	<u>147,521</u>	35.00
	<u>\$ 1,300,576</u>		<u>\$ 1,286,727</u>	

Refer to Table 7 "Names, Locations and Related Information of Investees over Which the Company Exercised Significant Influence (Excluding Information on Investment in Mainland China" and Table 8 "Investments in Mainland China" for the nature of activities, principal place of business and country of incorporation of the associates.

a. GHS

In June 2015, momo's subsidiary acquired 20% equity interests of GHS.

Due to non-participation in GHS's capital increase in October 2015, momo subsidiary's shareholding in GHS decreased to 18%, while in January 2016, the Group acquired 2% equity interests of GHS for \$22,136 thousand (equal to RMB4,444 thousand), the shareholding in GHS increased to 20% again. As of December 31, 2017, 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. In order to adjust the capital structure, financial indicators and operating indicators, TVD Shopping hold the interim shareholders meeting on November 23, 2017 to propose the capital reduction of \$32,274 thousand (equal to THB35,000 thousand). The Group has received the returns of the capital in January 2018.

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	
	2017	2016
The Group's share of:		
Profit	\$ 82,281	\$ 78,599
Other comprehensive loss	<u>(7,719)</u>	<u>(4,284)</u>
Total comprehensive income for the year	<u>\$ 74,562</u>	<u>\$ 74,315</u>

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

	December 31	
Name of Associate	2017	2016
TPE	<u>\$ 489,052</u>	<u>\$ 419,791</u>

All the associates are accounted for using the equity method.

14. PROPERTY, PLANT AND EQUIPMENT

	Land	Building	Machinery	Office Equipment	Lease Assets	Lease Improvement	Other Equipment	Property in Construction	Total
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	<u>\$ 1,717,927</u>	<u>\$ -</u>	<u>\$ 802,386</u>	<u>\$ 31,026</u>	<u>\$ 11,424</u>	<u>\$ 236,772</u>	<u>\$ 3,729</u>	<u>\$ 812,510</u>	<u>\$ 3,615,774</u>
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	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 586,195</u>	<u>\$ 20,300</u>	<u>\$ 11,424</u>	<u>\$ 74,322</u>	<u>\$ 2,373</u>	<u>\$ -</u>	<u>\$ 694,614</u>
Carrying amounts at December 31, 2016	<u>\$ 1,717,927</u>	<u>\$ -</u>	<u>\$ 216,191</u>	<u>\$ 10,726</u>	<u>\$ -</u>	<u>\$ 162,450</u>	<u>\$ 1,356</u>	<u>\$ 812,510</u>	<u>\$ 2,921,160</u>
Cost									
Balance, January 1, 2017	\$ 1,717,927	\$ -	\$ 802,386	\$ 31,026	\$ 11,424	\$ 236,772	\$ 3,729	\$ 812,510	\$ 3,615,774
Additions	-	183,360	406,621	17,999	-	9,566	8,861	1,148,412	1,774,819
Disposals	-	-	(13,581)	(653)	(11,424)	-	-	-	(25,658)
Reclassification	-	1,493,097	258,116	-	-	-	-	(1,775,381)	(24,168)
Effect of exchange rate changes	-	-	(2,025)	(33)	-	(42)	(3)	-	(2,103)
Balance, December 31, 2017	<u>\$ 1,717,927</u>	<u>\$ 1,676,457</u>	<u>\$ 1,451,517</u>	<u>\$ 48,339</u>	<u>\$ -</u>	<u>\$ 246,296</u>	<u>\$ 12,587</u>	<u>\$ 185,541</u>	<u>\$ 5,338,664</u>
Accumulated depreciation and impairment									
Balance, January 1, 2017	\$ -	\$ -	\$ 586,195	\$ 20,300	\$ 11,424	\$ 74,322	\$ 2,373	\$ -	\$ 694,614
Depreciation	-	6,219	65,152	6,173	-	26,775	1,781	-	106,100
Disposals	-	-	(13,581)	(653)	(11,424)	-	-	-	(25,658)
Effect of exchange rate changes	-	-	(1,699)	(18)	-	1	(2)	-	(1,718)
Balance, December 31, 2017	<u>\$ -</u>	<u>\$ 6,219</u>	<u>\$ 636,067</u>	<u>\$ 25,802</u>	<u>\$ -</u>	<u>\$ 101,098</u>	<u>\$ 4,152</u>	<u>\$ -</u>	<u>\$ 773,338</u>
Carrying amounts at December 31, 2017	<u>\$ 1,717,927</u>	<u>\$ 1,670,238</u>	<u>\$ 815,450</u>	<u>\$ 22,537</u>	<u>\$ -</u>	<u>\$ 145,198</u>	<u>\$ 8,435</u>	<u>\$ 185,541</u>	<u>\$ 4,565,326</u>

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

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

As of December 31, 2017, the property, plant and equipment were not pledged as collateral.

15. SHORT-TERM BORROWINGS

	December 31	
	2017	2016
Unsecured bank loans from related parties	\$ -	\$ 63,005
Unsecured bank loans from non-related parties	<u>\$ 62,318</u>	<u>\$ -</u>
Annual interest rate	5.44%	5.22%

Refer to Note 28(d), for information relating on financial risk, Note 30 for information on assets pledged relating on secured bank loans and Note 31 for information on endorsements and guarantees.

16. ACCOUNTS PAYABLE

	December 31	
	2017	2016
Suppliers	\$ 3,682,653	\$ 2,812,412
Others	<u>6,320</u>	<u>5,906</u>
	<u>\$ 3,688,973</u>	<u>\$ 2,818,318</u>

17. OTHER PAYABLES

	December 31	
	2017	2016
Payable for equipment and construction	\$ 477,607	\$ 8,555
Payable for salaries and bonus	206,456	174,903
Payable for business tax	47,650	46,097
Payable for investment	20,265	20,571
Others	<u>360,247</u>	<u>243,817</u>
	<u>\$ 1,112,225</u>	<u>\$ 493,943</u>

18. OTHER CURRENT LIABILITIES

	December 31	
	2017	2016
Collection about travelling merchandise	\$ 261,772	\$ 234,113
Others	<u>169,602</u>	<u>188,465</u>
	<u>\$ 431,374</u>	<u>\$ 422,578</u>

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 \$66,113 thousand and \$59,868 thousand in the consolidated statements of comprehensive income for the years ended December 31, 2017 and 2016, 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	
	2017	2016
Present value of defined benefit obligation	\$ 12,003	\$ 12,221
Fair value of plan assets	<u>(8,396)</u>	<u>(6,914)</u>
Net defined benefit liability	<u>\$ 3,607</u>	<u>\$ 5,307</u>

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, 2016	<u>\$ 10,506</u>	<u>\$ (5,494)</u>	<u>\$ 5,012</u>
Net interest expense (income)	<u>184</u>	<u>(110)</u>	<u>74</u>
Recognized in profit or loss	<u>184</u>	<u>(110)</u>	<u>74</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	66	66
Actuarial loss - changes in demographic assumptions	661	-	661
Actuarial loss - changes in financial assumptions	1,068	-	1,068
Actuarial gain - experience adjustments	<u>(100)</u>	<u>-</u>	<u>(100)</u>
Recognized in other comprehensive income	<u>1,629</u>	<u>66</u>	<u>1,695</u>
Contributions from the employer	-	(1,474)	(1,474)
Benefits paid	<u>(98)</u>	<u>98</u>	<u>-</u>
Balance at December 31, 2016	<u>12,221</u>	<u>(6,914)</u>	<u>5,307</u>
Net interest expense (income)	<u>152</u>	<u>(96)</u>	<u>56</u>
Recognized in profit or loss	<u>152</u>	<u>(96)</u>	<u>56</u>

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	\$ -	\$ 26	\$ 26
Actuarial loss - changes in demographic assumptions	1,301	-	1,301
Actuarial gain - changes in financial assumptions	(805)	-	(805)
Actuarial gain - experience adjustments	<u>(866)</u>	<u>-</u>	<u>(866)</u>
Recognized in other comprehensive income	<u>(370)</u>	<u>26</u>	<u>(344)</u>
Contributions from the employer	-	(1,412)	(1,412)
Benefits paid	<u>-</u>	<u>-</u>	<u>-</u>
Balance at December 31, 2017	<u>\$ 12,003</u>	<u>\$ (8,396)</u>	<u>\$ 3,607</u> (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	
	2017	2016
Discount rate(s)	1.625%	1.25%
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	
	2017	2016
Discount rate(s)		
0.25% increase	\$ <u>(543)</u>	\$ <u>(562)</u>
0.25% decrease	\$ <u>573</u>	\$ <u>594</u>
Expected rate(s) of salary increase		
0.25% increase	\$ <u>561</u>	\$ <u>580</u>
0.25% decrease	\$ <u>(534)</u>	\$ <u>(552)</u>

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

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	
	2017	2016
The expected contributions to the plan for the next year	\$ <u>1,416</u>	\$ <u>1,470</u>
The average duration of the defined benefit obligation	18.7 years	19 years

20. GUARANTEE DEPOSITS

	December 31	
	2017	2016
Vendors	\$ 244,084	\$ 241,373
Decorations	<u>34</u>	<u>34</u>
	\$ <u>244,118</u>	\$ <u>241,407</u>

21. EQUITY

a. Capital stock

As of December 31, 2017 and 2016, 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	
	2017	2016
Additional paid-in capital	\$ 2,835,115	\$ 2,952,960
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	<u>74,176</u>	<u>74,176</u>
	<u>\$ 3,057,738</u>	<u>\$ 3,175,583</u>

Under the Company Act, the capital surplus generated from the excess of the issuance price over the par value of capital stock may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or stock dividends up to a certain percentage of momo's paid-in capital. 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 "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs" issued by the FSC.

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

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 2016 and 2015 have been approved in the shareholders' meetings on May 17, 2017 and April 20, 2016, respectively, were as follows:

	Appropriation of Earnings		Dividends Per Share (NT\$)	
	For the Year Ended December 31		For the Year Ended December 31	
	2016	2015	2016	2015
Legal reserve	\$ 118,179	\$ 105,896		
Special reserve	60,984	151,358		
Cash dividends	1,002,623	801,135	\$ 7.1586	\$ 5.72

The Company's shareholders resolved in the shareholders' meeting on May 17, 2017 and April 20, 2016 to issue cash dividends from paid-in capital of \$117,845 thousand and \$179,275 thousand, respectively.

d. Other equity

1) Exchange differences on translation

	For the Year Ended December 31	
	2017	2016
Beginning balance	\$ (37,926)	\$ 17,941
Exchange differences arising on translation	(9,592)	(55,694)
Share of exchange differences of associates accounted for using the equity method	<u>(1,405)</u>	<u>(173)</u>
Ending balance	<u>\$ (48,923)</u>	<u>\$ (37,926)</u>

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

	For the Year Ended December 31	
	2017	2016
Beginning balance	\$ (174,416)	\$ (169,299)
Unrealized loss arising on revaluation of available-for-sale financial assets	(37,184)	(1,478)
Share of unrealized loss on revaluation of available-for-sale financial assets of associates accounted for using the equity method	<u>(5,804)</u>	<u>(3,639)</u>
Ending balance	<u>\$ (217,404)</u>	<u>\$ (174,416)</u>

e. Non-controlling interests

	For the Year Ended December 31	
	2017	2016
Beginning balance	\$ (1,741)	\$ 15,027
Attributable to non-controlling interests:		
Share of loss for the year	(7,450)	(16,599)
Exchange difference arising on translation	<u>(43)</u>	<u>(169)</u>
Ending balance	<u>\$ (9,234)</u>	<u>\$ (1,741)</u>

f. Treasury shares

Shares Transferred to Employees	Total (In Thousands of Shares) For the Year Ended December 31	
	2017	2016
Number of shares on January 1	2,000	2,000
Changes during the year	<u>-</u>	<u>-</u>
Number of shares on December 31	<u>2,000</u>	<u>2,000</u>

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

22. REVENUE

	For the Year Ended December 31	
	2017	2016
Sales revenue	\$ 32,845,435	\$ 27,680,020
Other operating revenues	<u>393,112</u>	<u>400,768</u>
	<u>\$ 33,238,547</u>	<u>\$ 28,080,788</u>

23. PROFIT BEFORE INCOME TAX

a. Other income

	For the Year Ended December 31	
	2017	2016
Interest income	\$ 54,021	\$ 61,428
Others	<u>2,676</u>	<u>4,588</u>
	<u>\$ 56,697</u>	<u>\$ 66,016</u>

b. Other gains and losses

	For the Year Ended December 31	
	2017	2016
Gain (loss) on disposal of property, plant and equipment, net	\$ 2,568	\$ (545)
Net foreign exchange gains	1,604	576
Gain on disposal of available-for-sale financial assets	692	-
Impairment losses of financial assets at cost	(6,180)	-
Others	<u>(3,072)</u>	<u>(506)</u>
	<u>\$ (4,388)</u>	<u>\$ (475)</u>

c. Finance costs

	For the Year Ended December 31	
	2017	2016
Interest on bank loans	\$ 3,352	\$ 3,267
Others	<u>1</u>	<u>1</u>
	<u>\$ 3,353</u>	<u>\$ 3,268</u>

d. Employee benefits expense, depreciation and amortization

Function Nature	For the Year Ended December 31, 2017			For the Year Ended December 31, 2016		
	Operating Costs	Operating Expenses	Total	Operating Costs	Operating Expenses	Total
Employee benefits expense						
Salary	\$438,655	\$728,510	\$1,167,165	\$411,216	\$643,456	\$1,054,672
Insurance expense	46,166	73,266	119,432	43,573	61,500	105,073
Post-employment benefits	22,780	43,389	66,169	22,224	37,718	59,942
Other employee benefits	29,096	46,557	75,653	26,914	41,215	68,129
Depreciation	66,156	39,944	106,100	40,742	46,846	87,588
Amortization	1,807	18,482	20,289	816	11,889	12,705

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 of directors were accrued at 0.1% of the profit before income tax. For the years ended December 31, 2017 and 2016, the estimated employees' compensation and remuneration of directors were as follows:

	2017	2016
Employees' compensation	\$ <u>1,525</u>	\$ <u>1,421</u>
Remuneration of directors	\$ <u>1,525</u>	\$ <u>1,421</u>

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

The appropriations of employees' compensation and remuneration of directors for 2016 and 2015 having been resolved by the Board of Directors on January 24 2017, and March 4, 2016, respectively, and the respective amounts recognized in the consolidated financial statements, were as follows:

	For the Year Ended December 31			
	2016		2015	
	Employees' Compensation	Remuneration of Directors	Employees' Compensation	Remuneration of Directors
Amounts approved in the board of directors' meeting	<u>\$ 1,421</u>	<u>\$ 1,421</u>	<u>\$ 1,303</u>	<u>\$ 1,303</u>
Amounts recognized in the annual financial statements	<u>\$ 1,421</u>	<u>\$ 1,421</u>	<u>\$ 1,305</u>	<u>\$ 1,305</u>

There was no difference between approved in the shareholders' meeting and recognized in consolidated financial statements in 2016. While 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.

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 of directors resolved by momo's Board of Directors in 2017 and 2016 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

24. INCOME TAXES

a. Income tax recognized in profit or loss

The major components of tax expense were as follows:

	For the Year Ended December 31	
	2017	2016
Current tax		
In respect of the current year	\$ 261,100	\$ 243,830
Adjustments for prior years	<u>(1,446)</u>	<u>(610)</u>
	<u>259,654</u>	<u>243,220</u>
Deferred tax		
In respect of the current year	<u>(1,986)</u>	<u>1,442</u>
Income tax expense recognized in profit or loss	<u>\$ 257,668</u>	<u>\$ 244,662</u>

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

	For the Year Ended December 31	
	2017	2016
Profit before tax	\$ <u>1,520,300</u>	\$ <u>1,411,290</u>
Income tax expense calculated at the statutory rate (17%)	\$ 258,451	\$ 239,919
Share of loss of domestic investment accounted for using the equity method	(2,178)	(188)
Nondeductible expenses in determining taxable income	6,944	6,208
Temporary differences	(7,470)	(11,451)
Deferred tax	(1,986)	1,442
Income tax on unappropriated earnings	-	29
Adjustments for prior years' tax	(1,446)	(610)
Unrecognized loss carryforwards	6,160	13,642
Loss carryforwards	-	148
Others	1,188	-
Effect of different tax rate of group entities operating in other jurisdictions	<u>(1,995)</u>	<u>(4,477)</u>
Income tax expense recognized in profit or loss	\$ <u>257,668</u>	\$ <u>244,662</u>

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

In January 2018, it was announced that the Income Tax Law in the ROC was amended and, starting from 2018, the corporate income tax rate will be adjusted from 17% to 20%. In addition, the tax rate applicable to 2018 unappropriated earnings will be reduced from 10% to 5%.

As the status of 2018 appropriations of earnings is uncertain, the potential income tax consequences of 2017 unappropriated earnings are not reliably determinable.

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2017	2016
<u>Deferred tax</u>		
Remeasurement of defined benefit plans	\$ <u>(59)</u>	\$ <u>288</u>

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, 2017

Deferred Tax Assets	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Temporary differences				
Defined benefit obligation	\$ 902	\$ (230)	\$ (59)	\$ 613
Allowance for inventory valuation loss	2,941	2,550	-	5,491
Others	<u>13,400</u>	<u>(212)</u>	<u>-</u>	<u>13,188</u>
	<u>\$ 17,243</u>	<u>\$ 2,108</u>	<u>\$ (59)</u>	<u>\$ 19,292</u>

Deferred Tax Liabilities	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Temporary differences				
Unrealized gain on available-for-sale financial assets	\$ 3,208	\$ -	\$ -	\$ 3,208
Others	<u>1,646</u>	<u>122</u>	<u>-</u>	<u>1,768</u>
	<u>\$ 4,854</u>	<u>\$ 122</u>	<u>\$ -</u>	<u>\$ 4,976</u>

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	<u>11,982</u>	<u>1,418</u>	<u>-</u>	<u>13,400</u>
	<u>\$ 20,973</u>	<u>\$ (4,018)</u>	<u>\$ 288</u>	<u>\$ 17,243</u>

Deferred Tax Liabilities	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Temporary differences				
Unrealized gain on available-for-sale financial assets	\$ 3,208	\$ -	\$ -	\$ 3,208
Others	<u>4,222</u>	<u>(2,576)</u>	<u>-</u>	<u>1,646</u>
	<u>\$ 7,430</u>	<u>\$ (2,576)</u>	<u>\$ -</u>	<u>\$ 4,854</u>

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

	December 31	
	2017	2016
Loss carryforwards	<u>\$ 673,077</u>	<u>\$ 905,258</u>

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

As of December 31, 2017, 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
\$ 672,733	2018 to 2022
<u>344</u>	2025 to 2027
<u>\$ 673,077</u>	

- e. Integrated income tax information was as follows:

	December 31	
	2017	2016
Unappropriated earnings		
Generated on and after January 1, 1998	<u>\$ 1,269,857</u>	<u>\$ 1,181,786</u>
Imputation credits account (ICA)	<u>\$ 324,325</u>	<u>\$ 323,566</u>
	For the Year Ended December 31	
	2017	2016
	(Expected)	(Actual)
Creditable ratio for distribution of earnings	20.48%	20.48%

f. Income tax assessments

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

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

25. EARNINGS PER SHARE

Unit: NT\$ Per Share

	<u>For the Year Ended December 31</u>	
	<u>2017</u>	<u>2016</u>
Basic earnings per share	\$ <u>9.07</u>	\$ <u>8.45</u>
Diluted earnings per share	\$ <u>9.07</u>	\$ <u>8.45</u>

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

Net Profit for the Year

	<u>For the Year Ended December 31</u>	
	<u>2017</u>	<u>2016</u>
Earnings used in the computation of basic earnings per share and diluted earnings per share	\$ <u>1,270,082</u>	\$ <u>1,183,227</u>

Weighted Average Number of Ordinary Shares Outstanding (In Thousand Shares)

	<u>For the Year Ended December 31</u>	
	<u>2017</u>	<u>2016</u>
Weighted average number of ordinary shares in computation of basic earnings per share	140,059	140,059
Effect of potentially dilutive ordinary shares:		
Employees' compensation	<u>8</u>	<u>8</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>140,067</u>	<u>140,067</u>

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

26. OPERATING LEASE ARRANGEMENTS

The Group as Lessee

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

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

	December 31	
	2017	2016
Not later than 1 year	\$ 164,982	\$ 204,205
Later than 1 year and not later than 5 years	<u>107,793</u>	<u>186,548</u>
	<u>\$ 272,775</u>	<u>\$ 390,753</u>

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, 2017

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

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	<u>-</u>	<u>45,426</u>	<u>-</u>	<u>45,426</u>
	<u>\$ 965,833</u>	<u>\$ 45,426</u>	<u>\$ -</u>	<u>\$ 1,011,259</u>

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:

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

c. Categories of financial instruments

	<u>December 31</u>	
	<u>2017</u>	<u>2016</u>
<u>Financial assets</u>		
Available-for-sale financial assets	\$ 874,075	\$ 1,011,259
Financial assets at cost	<u>53,820</u>	<u>60,000</u>
Loans and receivables:		
Cash and cash equivalents	2,701,070	2,745,359
Accounts receivables (including related parties)	30,209	49,916
Other receivables (including related parties)	936,107	660,013
Other financial assets (including current and non-current portions)	87,096	924,273
Refundable deposits	<u>57,539</u>	<u>52,708</u>
	<u>3,812,021</u>	<u>4,432,269</u>
	<u>\$ 4,739,916</u>	<u>\$ 5,503,528</u>

(Continued)

	December 31	
	2017	2016
<u>Financial liabilities</u>		
Short-term borrowings	\$ 62,318	\$ 63,005
Accounts payables (including related parties)	3,695,489	2,823,485
Other payables (including related parties)	1,254,729	574,470
Guarantee deposits	<u>244,118</u>	<u>241,407</u>
	<u>\$ 5,256,654</u>	<u>\$ 3,702,367</u>
		(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, 2017 and 2016, the Group had unused bank facilities of \$754,060 thousand and \$824,094 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, 2017

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

December 31, 2016

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

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, JPY, THB 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, 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	
	2017	2016
Appreciated 5%	\$ (1,453)	\$ 497
Depreciated 5%	\$ 1,453	\$ (497)

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	
	2017	2016
Fair value interest rate risk		
Financial assets	\$ 2,224,878	\$ 3,333,116
Cash flow interest rate risk		
Financial assets	562,646	335,659
Financial liabilities	62,318	63,005

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, 2017 and 2016 would decrease or increase by \$2,502 thousand and \$1,363 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, 2017 and 2016 would increase or decrease by \$43,704 thousand and \$50,563 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, 2017 and 2016. momo's ultimate parent and ultimate controlling party is Taiwan Mobile Co., Ltd. (TWM).

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

a. The name and categories of related parties

<u>Name</u>	<u>Related Party Categories</u>
Taiwan Mobile Co., Ltd. (TWM)	Parent entity
Taiwan Pelican Express Co., Ltd. (TPE)	Associates
Beijing Pelican Express Co., Ltd.	Associates
Global Home Shopping Co., Ltd. (GHS) (previously known as Beijing Global Gouguang Media Technology Co., Ltd.)	Associates
Beijing Global Jiusha Media Technology Co., Ltd. (JS)	Associates
Beijing YueShih JiuSha Media Technology Co., Ltd. (YSJS)	Associates
Beijing Global Zhiquan Trading Co., Ltd. (GHS-ZQ)	Associates
TVD Shopping Co., Ltd. (TVD Shopping)	Associates

(Continued)

<u>Name</u>	<u>Related Party Categories</u>
Taipei Fubon Commercial Bank Co., Ltd. (TFCB)	Related party in substance
Fubon Life Insurance Co., Ltd. (FLI)	Related party in substance
Fubon Asset Management Co., Ltd. (FAM)	Related party in substance
Fubon Bank (China) Co., Ltd. (FB China)	Related party in substance
Fubon Insurance Co., Ltd. (Fubon Ins)	Related party in substance
Fubon Sports & Entertainment Co., Ltd. (FSE)	Related party in substance
Fu-Sheng Life Insurance Agency Co., Ltd. (Fu Sheng Life Insurance Agency)	Related party in substance
Fubon Securities Co., Ltd. (Fubon Securities)	Related party in substance
Fubon Futures Co., Ltd. (Fubon Futures)	Related party in substance
Fubon Property Management Co., Ltd. (FPM)	Related party in substance
Taiwan Fixed Network Co., Ltd. (TFN)	Same parent entity
TFN Media Co., Ltd. (TFNM)	Same parent entity
Mangrove Cable TV Co., Ltd. (MCTV)	Same parent entity
Union Cable TV Co., Ltd. (UCTV)	Same parent entity
Yeong Jia Leh Cable TV Co., Ltd. (YJCTV)	Same parent entity
Globalview Cable TV Co., Ltd. (GCTV)	Same parent entity
Phoenix Cable TV Co., Ltd. (PCTV)	Same parent entity
Win TV Broadcasting Co., Ltd. (WTVB)	Same parent entity
	(Concluded)

b. Operating revenues

<u>Line Items</u>	<u>Related Party Categories</u>	<u>For the Year Ended December 31</u>	
		<u>2017</u>	<u>2016</u>
Sales	Parent entity	\$ 160	\$ 434
	Associates	<u>28,547</u>	<u>73,981</u>
		<u>\$ 28,707</u>	<u>\$ 74,415</u>

The Group renders sales service to other related parties.

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

c. Purchases

<u>Related Party Categories</u>	<u>For the Year Ended December 31</u>	
	<u>2017</u>	<u>2016</u>
Parent entity	\$ 119,273	\$ 112,182
Associates	401,912	375,678
Other related parties	<u>143,596</u>	<u>140,154</u>
	<u>\$ 664,781</u>	<u>\$ 628,014</u>

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

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

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

Line Items	Related Party Categories	December 31	
		2017	2016
Accounts receivable	Parent entity	\$ -	\$ 237
	Associates	3,036	1,250
	Other related parties	<u>2,693</u>	<u>3,460</u>
		<u>\$ 5,729</u>	<u>\$ 4,947</u>
Other receivables	Parent entity	<u>\$ 7,439</u>	<u>\$ 6,380</u>
	Associates		
	TPE	123,502	94,873
	Others	<u>37</u>	<u>-</u>
		<u>123,539</u>	<u>94,873</u>
	Other related parties		
	TFCB	70,972	63,898
	Others	<u>215</u>	<u>251</u>
		<u>71,187</u>	<u>64,149</u>
		<u>\$ 202,165</u>	<u>\$ 165,402</u>

The outstanding trade receivables from related parties are unsecured. For the years ended December 31, 2017 and 2016, no impairment loss was recognized for trade receivables from related parties.

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

Line Items	Related Party Categories	December 31	
		2017	2016
Accounts payable	Parent entity	\$ 5,714	\$ 4,657
	Associates	501	398
	Other related parties	<u>301</u>	<u>112</u>
		<u>\$ 6,516</u>	<u>\$ 5,167</u>
Other payables	Parent entity	\$ 5,710	\$ 7,661
	Associates	95,554	34,402
	Other related parties	<u>41,240</u>	<u>38,464</u>
		<u>\$ 142,504</u>	<u>\$ 80,527</u>

The outstanding trade payables from related parties are unsecured.

f. Bank deposits

Line Items	Related Party Categories	December 31	
		2017	2016
Cash and cash equivalents	Other related parties		
	TFCB	\$ 274,056	\$ 144,300
	Others	<u>8,529</u>	<u>13,576</u>
		<u>\$ 282,585</u>	<u>\$ 157,876</u>
Other financial assets	Other related parties		
	TFCB	<u>\$ 13,371</u>	<u>\$ 19,599</u>

g. Acquisition of Property, plant and equipment

Related Party Categories	December 31	
	2017	2016
Other related parties	<u>\$ 17,041</u>	<u>\$ 568</u>

h. Acquisition of financial assets

For the year ended December 31, 2017

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

i. Disposal of financial assets

For the year ended December 31, 2017

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 FAM	7,719	Fubon Chi-Hsiang Money Market Fund	<u>\$ 120,012</u>	<u>\$ 12</u>

j. Loans from related parties

Related Party Categories	December 31	
	2017	2016
Other related parties		
FB China	<u>\$ -</u>	<u>\$ 63,005</u>

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

k. Others

1) Guarantee deposits

Related Parties Categories	December 31	
	2017	2016
Associates	\$ 995	\$ -
Other related parties		
FLI	27,219	27,219
Others	519	519
	<u>27,738</u>	<u>27,738</u>
	<u>\$ 28,733</u>	<u>\$ 27,738</u>

2) Operating expenses

Related Parties Categories	For the Year Ended December 31	
	2017	2016
Parent entity	\$ 18,620	\$ 31,643
Associates	6,320	9,472
Other related parties		
FLI	73,969	73,292
TFCB	106,721	108,325
Fubon Ins	13,374	10,092
TFN	6,137	7,539
FPM	12,224	11,690
Others	16,536	534
	<u>228,961</u>	<u>211,472</u>
	<u>\$ 253,901</u>	<u>\$ 252,587</u>

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

l. Key management compensation

	For the Year Ended December 31	
	2017	2016
Short-term employee benefits	\$ 48,048	\$ 48,448
Post-employment benefits	8,341	6,498
Termination benefits	1,112	-
	<u>\$ 57,501</u>	<u>\$ 54,946</u>

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	
	2017	2016
Other financial assets - current	\$ 35,076	\$ 86,024
Other financial assets - non-current	<u>34,153</u>	<u>34,150</u>
	<u>\$ 69,229</u>	<u>\$ 120,174</u>

31. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Group as of December 31, 2017 and 2016 were as follows:

- As of December 31, 2017 and 2016, the amounts of endorsements and guarantees for FGE were RMB15,000 thousand and RMB30,000 thousand, respectively.
- In accordance with the Ministry of Economic Affairs' policy, momo entered into a contract with First Commercial Bank Co., Ltd., which provided performance guarantee for advance receipts from prepaid bonus of \$23,397 thousand and \$17,733 thousand, respectively; and electronic tickets of \$13,649 thousand and \$5,890 thousand as of December 31, 2017 and 2016, respectively.
- 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, 2017, contract amounts not yet paid for the warehousing logistics construction and equipment were \$6,932 thousand and \$34,440 thousand, separately.

32. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

December 31, 2017

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

(Continued)

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

December 31, 2016

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
RMB	\$ 2,217	4.629 (RMB:NTD)	\$ 10,262
USD	199	32.28 (USD:NTD)	<u>6,421</u>
			<u>\$ 16,683</u>
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)	<u>147,521</u>
			<u>\$ 929,689</u>
<u>Financial liabilities</u>			
Monetary items			
RMB	4,444	4.629 (RMB:NTD)	\$ 20,571
USD	188	32.28 (USD:NTD)	<u>6,053</u>
			<u>\$ 26,624</u>

For the years ended December 31, 2017 and 2016, realized and unrealized net foreign exchange gains were \$1,604 thousand and \$576 thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the functional currencies of the group's foreign entities.

33. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

- 1) Financing provided to others. (None)
- 2) Endorsements/guarantees provided. (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. (Table 5)
- 9) Trading in derivative instruments. (None)
- 10) Intercompany relationships and significant intercompany transactions. (Table 6)
- 11) Information on investees. (Table 7)

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 8)
- 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, 2017 and 2016, 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, 2017					
Revenues					
Non-inter-company revenues	\$ 6,601,278	\$ 26,571,967	\$ 67,730	\$ (2,428)	\$ 33,238,547
Depreciation and amortization	\$ 63,581	\$ 51,704	\$ 11,104	\$ -	\$ 126,389
Segment profits	\$ 353,815	\$ 1,105,312	\$ 61,121	\$ 52	\$ 1,520,300
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

TABLE 1

momo.com Inc. AND SUBSIDIARIES

**ENDORSEMENT/GUARANTEE PROVIDED TO OTHER PARTIES
FOR THE YEAR ENDED DECEMBER 31, 2017
(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	\$ 734,799	\$ 205,200	\$ 68,400	\$ 68,400	\$ -	1.16%	\$ 5,876,747	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.

momocom Inc. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

DECEMBER 31, 2017

(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, 2017			Note
				Units/Shares (Thousands)	Carrying Value	Percentage of Ownership	
momocom	Beneficiary certificates	Related party in substance	Available-for-sale financial assets - current	18,302	\$ 180,867	-	\$ 180,867
	Fubon Strategic High Income Fund B			10,225	64,213	-	
	Fuh Hwa Emerging Market High Yield Bond Fund B			23,351	167,475	-	
	PineBridge Global Multi - Strategy High Yield Bond Fund-B			19,028	161,121	-	
	Eastspring Investments Global High Yield Bond Fund B			18,916	173,630	-	
	JPMorgan (Taiwan) Asia High Yield Total Return Bond Fund - Monthly Distribution Share Class			10,000	98,500	-	
	Eastspring Investments India Bond Fund B						
	Stock			43,668	28,269	2.04	
	Media Asia Group Holdings Limited			2,400	53,820	7.73	
	We Can Medicines Co., Ltd.		Financial assets at cost - non-current				-

momo.com Inc. AND SUBSIDIARIES

ACQUISITION OF INDIVIDUAL REAL ESTATE PROPERTIES AT COST OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2017
(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			
momo	Warehousing logistics	2015.11.09	\$ 1,725,409 (Note)	\$1,535,117 has been paid (including the payment of \$862,422 thousand for the current reporting period), 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	-

Note: Due to the supplementary contract of \$70,171 thousand for the current reporting period, the total transaction amount increased to \$1,725,409 thousand.

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, 2017
(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	\$ 401,635	1	Based on contract terms	-	-	\$ (96,055)	(2)	Note
momo	TWM	Ultimate parent	Purchase	119,273	-	Based on contract terms	-	-	(11,424)	-	Note

Note: Including accounts payable and other payables.

TABLE 5

momo.com Inc. AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Action Taken		
momo	TPE TPE	Equity-method investee "	Accounts receivables Other receivables	19.19%	\$ - -	- -	\$ 60 106,427	\$ - -

TABLE 6

momo.com Inc. AND SUBSIDIARIES

**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2017
(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	\$ 16,372	The terms of transaction are determined in accordance with mutual agreements or general business practices	0.14
0	momo	FGE	2	Property, plant and equipment	11,918	The terms of transaction are determined in accordance with mutual agreements or general business practices	0.10

Note: No.1 represents the transactions from parent company to subsidiary.
No.2 represents the transactions from subsidiary to parent company.

momocom Inc. AND SUBSIDIARIES

**NAMES, LOCATIONS AND RELATED INFORMATION OF INVESTEE OVER WHICH THE COMPANY EXERCISED SIGNIFICANT INFLUENCE
(EXCLUDING INFORMATION ON INVESTMENT IN MAINLAND CHINA)
FOR THE YEAR ENDED DECEMBER 31, 2017**

(Amount in Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor	Investee	Location	Main Businesses and Products	Investment Amount		Shares (Thousands)	Balance as of December 31, 2017		Net Income (Loss) of the Investee	Investment Income (Loss)	Note
				December 31, 2017	December 31, 2016		Percentage of Ownership	Carrying Value			
momocom	EFT	Taiwan	Travel agent	\$ 6,000	\$ 6,000	3,000	100.00	\$ 47,362	\$ 10,077	\$ 10,077	
	FLI	Taiwan	Life insurance agent	3,000	3,000	500	100.00	10,136	1,182	1,182	
	FPI	Taiwan	Property insurance agent	3,000	3,000	500	100.00	9,165	1,771	1,771	
	Asian Crown (BVI)	British Virgin Islands	Investment	789,864	789,864	26,500	76.26	(20,163)	(22,543)	(17,191)	Note 3
	TPE	Taiwan	Logistics industry	337,860	337,860	16,893	17.70	401,192	118,411	12,809	
	TVD Shopping	Thailand	Wholesale and retail sales	110,800 (THB 120,750)	142,916 (THB 155,750)	24,150	35.00	117,462	35,387	12,060	Notes 4 and 5
Asian Crown (BVI)	Honest Development	Samoa	Investment	670,448	670,448	21,778	100.00	761,814	57,713	57,713	
	Fortune Kingdom	Samoa	Investment	1,035,051	1,035,051	33,633	100.00	(30,794)	(22,152)	Note 2	Note 3
Fortune Kingdom	HK Fubon Multimedia	Hong Kong	Investment	1,035,051	1,035,051	33,633	100.00	(30,794)	(22,152)	Note 2	Note 3
Honest Development	HK Yue Numerous	Hong Kong	Investment	670,448	670,448	16,600	100.00	761,814	57,713	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 credit balance of the carrying value of the investment is due to the Company's intention to keep supporting the investee.

Note 4: The exchange rates on December 31, 2017 is THB 1=NT\$0.9176.

Note 5: TVD Shopping hold the interim shareholders meeting on November 23, 2017 to propose the capital reduction of \$32,274 thousand (equal to THB35,000 thousand). The Group has received the returns of the capital in January 2018.

Note 6: Please refer to Table 8 for information on investment in Mainland China.

momo.com Inc. AND SUBSIDIARIES

INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2017
(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, 2017	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2017	Net (Loss) Income of Investee	% Ownership through Direct or Indirect Investment	Investment Income (Loss)	Carrying Value as of December 31, 2017	Accumulated Inward Remittance of Earnings as of December 31, 2017	Note
					Outflow	Inflow							
FGE	Wholesaling	\$ 262,200 (RMB 57,500)	b.	\$ 734,799 (US\$ 14,000) (RMB 69,741)	\$ -	\$ -	\$ 734,799 (US\$ 14,000) (RMB 69,741)	\$ (24,121)	69.63	\$ (16,795)	\$ (23,677)	\$ -	Note 3
Haobo	Investment	50,160 (RMB 11,000)	b.	-	-	-	-	57,713	100.00	57,713	761,814	-	
GHS	Wholesaling	228,000 (RMB 50,000)	b.	-	Note 4	-	-	288,075	20.00	57,412	781,922	-	

Accumulated Investment in Mainland China as of December 31, 2017	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment Authorized by Investment Commission, MOEA
\$1,376,595 (US\$14,000, RMB69,741 and HK\$168,539)	\$1,376,595 (US\$14,000, RMB69,741 and HK\$168,539)	\$3,520,508

Note 1: The investment types are as follows:

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

Note 2: The exchange rates on December 31, 2017 are US\$1=NT\$29.77, RMB1=NT\$4.56 and HK\$1=NT\$3.808.

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, 2017, the investment has not been remitted.

