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momo.com Inc.

2018 Annual Report

Publication Date：2019.02.27

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I. Letter to Shareholders

momo.com Inc. (8454-TW) is a leading e-commerce operator in Taiwan. Its major business segments are momoshop, momomall, TV and catalogue. momo is devoted to providing high quality products with affordable prices and quality services to customers, furthermore to improve people's standard of living. momo is also dedicated to its four major corporate values "integrity, sincerity, professionalism, and innovation". Based on its solid business fundamental, momo is continuing to fulfill its commitment to make contribution to society and create value to both consumers and suppliers.

momo has been actively implementing its corporate mission of "everything in life, everything in momo". Under the hard work of all the employees, the combined operating income for 2018 was 42.02billion NTD, with an annual increase of 26.4%; profit after tax was 1.45 billion NTD, of which the online earning accounted for 84.2%, with the annual growth rate of 33.2%, again showing good results in financial performance. Retail is changing rapidly and momo continues to implement innovative strategies, aiming to expanding its market share in the industry.

The key growth drivers in 2018 are as follows:

1) **Brand cultivation:**
   In the era of New Retail, the boundaries between channels are becoming blurred, with brands accelerating their exposure in virtual channels, which in turn is shifting customer purchase behaviour to e-shopping. momo is actively deepening its collaboration with brands so as to enhance its product offerings and stock keeping units, as well as to obtain niche SKU and special promotion. By leveraging brand partners' resources, momo creates exclusive 'brand day' for its partners. 'Brand day' not only helps to sharpen brand image but also leads to higher sales volume, creating a win-win situation for both sides. In the meantime, through CRM system and big data technology, momo introduces online-to-offline promotion scheme to provide a one-stop-shop platform. On the other hand, brand partners can further understand consumer behaviour and preference through the data so that they can provide better products and services that meet customers' needs, thus creating value and a situation where everyone wins.

2) **Expanding SKU/lifestyle service offering:**
   momo continues to add more categories to its offerings, striving to create a lifestyle e-commerce platform. Its online bookstore moBook went online in November 2017. In 2018, momo launched more services, including used car, parking fee and online insurance (filed in 2Q18). Also, it is branching out into type II telecommunications, third-party payment, and logistic warehousing. momo's goals are to satisfy the complete range of lifestyle needs and to provide a convenient experience to consumers; thus it is actively reaching out to different categories, so that the coverage of services offered on its platform can be more comprehensive, and can provide a roadmap for expansion in the virtual channels.

3) **Accelerating logistics network:**
The coming of New Retail is accompanied by the rise of new type of delivery logistics. The official operation of momo's automated warehouse in northern Taiwan in 2017 symbolized a new milestone of its logistics development. To facilitate expansion of its warehouse capacity and optimize delivery efficiency, so that fast delivery services can cover the entire island, momo has been accelerating its logistics investment, such as short chains logistics (such as commencement of satellite warehouses in Neihu, Sanchong, Taichung, Tainan in 1Q18; development of company-operated vehicle fleet). Meanwhile, momo plans to build another automated warehouse in southern Taiwan, in attempt to build a nationalwide delivery network, for enhancing fulfilment experience that drives customer loyalty.

4) **Payment tools:**
Digital payments rise sharply in Taiwan, with various kinds of initiatives to promote a push toward cashless experience. To catch the upcoming trend, momo has begun collaborating with Apple Pay, LINE Pay, Google Pay and other payment services since 2Q17. In 2018, momo added more partners, such as JKOPAY and HAPPY GO. By leveraging resources from its digital payment partners, momo is able to provide diversified payment options to consumers, as well as to create more business opportunities in retail industry.

5) **Continuous penetration into international market:**
In 2018, momo's overseas investments include TVD SHOPPING CO., LTD (a joint venture between momo and TVD started its operation in June 2014), Global Home Shopping (a nationwide home shopping company in China which momo acquired 20% stake in June 2015), and Citruss TV based in Dubai with footprints in China, Southeast Asia, Middle East (Global Mall has 51% stake)- which are all under stable operation and development. With the gradual stabilization of the political climate in the Southeast Asia, momo keeps investigating, exploring and evaluating business opportunities in the region.

Looking forward to 2019, momo will continue to strive to achieve its corporate mission of "everything in life, everything in momo". momo will maintain its market-leading position and continuously deploy its logistics channel, cultivating its brands, expanding categories/lifestyle service offering required by consumers and optimizing its sales platform. Mgmt is believe that momo can further raise its market share in the retail market and creates long-term value to its shareholders.

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.

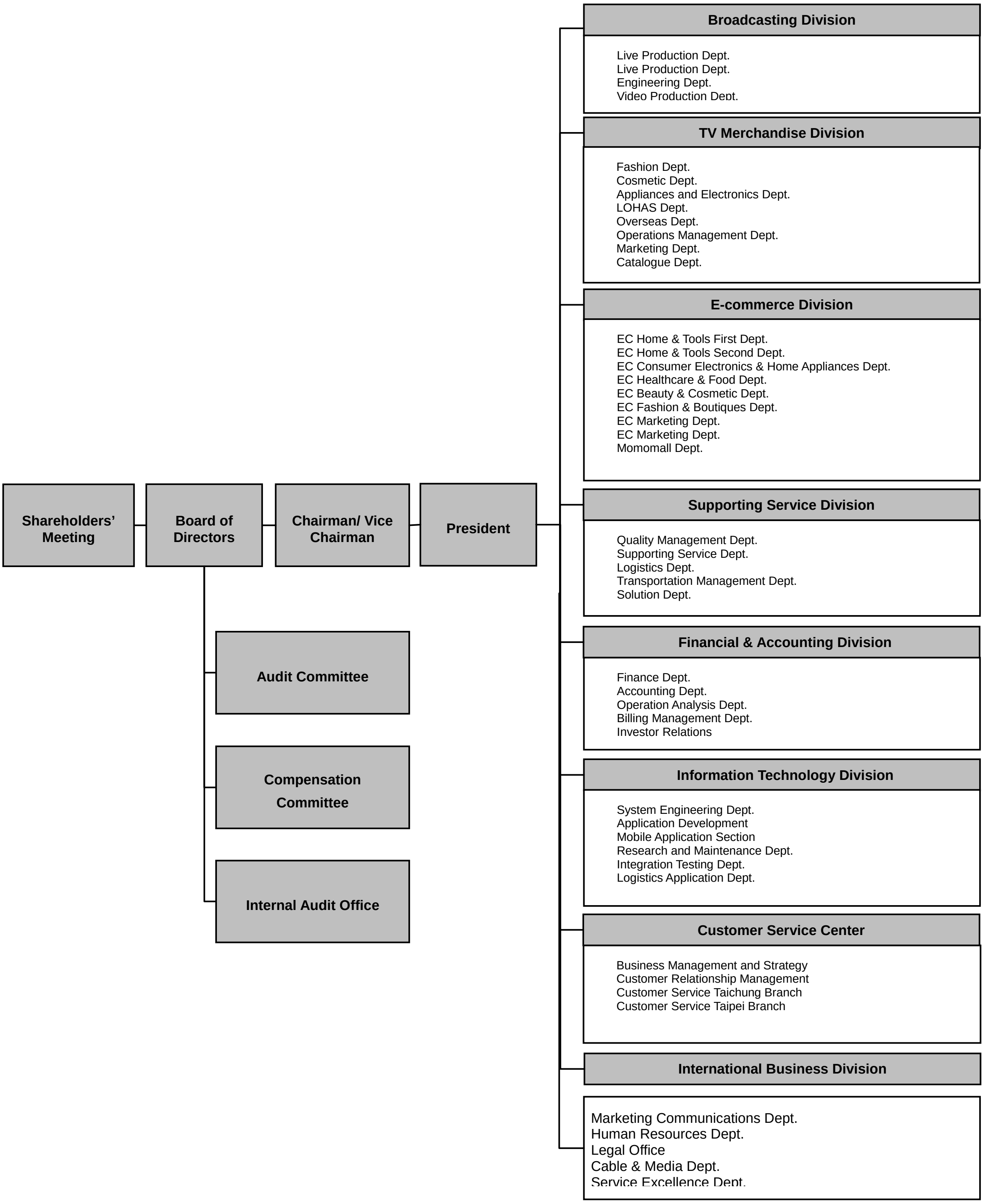
Jun. 2013	Awarded 1st Place in Digital Service Benchmark Enterprise–Media and Entertainment by Business Next.
	Winner of “Technological Innovative Awards of E-Commerce Enterprises” by MOEA.
July. 2013	Awarded “Excellent enterprise of improving E-invoice” by Ministry of Finance for the third consecutive year.
	Launchedmomomall’s official Line account.
Sept. 2013	Management of momo Department Store transferred.
Nov. 2013	Awarded “Gold Award in Online Shopping Platforms” by MOEA.
Dec. 2013	Momo TV’s digital HD filming studio officially opened.
	The Financial Supervisory Commission approved the public offering of shares of the company.
Feb. 2014	TPEx approved the company’s stock to start trading on the Emerging Market Board.
Mar. 2014	Founded a joint venture “TVD SHOPPING CO., LTD.” with TV Direct in Thailand.
Apr. 2014	4th Place in CommonWealth Magazine’s Golden Service Award–Internet Shopping Center.
May 2014	Renamed company to momo.com Inc., approved in shareholders’ meeting.
	Launched mobile app for momoshop.com.
Jun. 2014	Awarded 1st place in “Media and Entertainment Category, Digital Service Investigation” by Business Next.
	Awarded the Silver Prize in “Taiwanese Services Evaluation” by Commercial Times.
	Launched TVD SHOP home shopping in Thailand.
	Launched TVD SHOP home shopping in Thailand.
July. 2014	Launched momomall.com.
	Management of momo Drug Store transferred.
Aug. 2014	Launched official account formomomall.
Sept. 2014	10 year anniversary of momo.
Oct. 2014	5th place in CommonWealth Magazine’s Best Reputation Benchmarking Enterprise–E-commerce.
	Launched official app for momo TV Shopping.
Dec. 2014	Momo’s shares were listed on TWSE.
May. 2015	Awarded 1st place in Taiwan’s Top 2000: Service Industry Survey–E-Commerce by CommonWealth Magazine.
	Awarded 4th place in Golden Service Award–Internet Shopping Center by CommonWealth Magazine.
Jun. 2015	Acquired 20% stake in “Global Home Shopping”, a Chinese home shopping company.
	Presented with Distinguished Award in Future Commerce Award–Best Integrated Communication by Business Next.
	Awarded E-Commerce Information Security Contribution Award.
Dec. 2015	Groundbreaking ceremony of the Northern Logistics Center in Taoyuan.
May. 2016	Awarded 1st place in Taiwan’s Top 2000: Service Industry Survey–E-Commerce by CommonWealth Magazine.
	Awarded 4th place in Golden Service Award–Internet Shopping Center by CommonWealth Magazine.
Jul. 2016	Groundbreaking ceremony of Momo Northern Logistics Center.
Sep. 2016	2015 Corporate Social Responsibility Report was verified by the British Standards Association.
Dec. 2016	Passed the ISO14064 greenhouse gas certification
	Received Taipei City healthy workplace achievement award

Apr. 2017	Ranked top 5% in the 3rd corporate governance evaluation Passed the ISO14064 greenhouse gas certifcation Received Taxation Bureau's usage of electronic invoice performance manager award 4th place in the Commonwealth Magazine's gold medal service industry survey - combined shopping website category.
Jun. 2017	The 2016 corporate social responsibility report passed the British Standard Institute certification.
Jul. 2017	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.
Aug. 2017	Received certification from the Ministry of Economic affairs in the 4th Taiwan Mittelstand Award.
Oct. 2017	Official completion and opening ceremony of the momo northern region logistics center, 3rd place in Next Magazine's 2017 Service NextAward in the category of online shopping.
Nov. 2017	Lauch of MoBooks;, officially entered the book market.
Dec. 2017	First place in the outstanding workplace for cancer prevention award in Taipei City's healthy workplace cancer screening program. Awarded best workplace partner for cancer prevention in Taipei City's healthy workplace cancer screening program.
May. 2018	Ranked top 5% in the 4th Corporate Governance Evaluation. 2017 Corporate Social Responsibility Report was verified by the British Standards Association. Passed the ISO14064 organization level greenhouse gas inventory certification.
Jul. 2018	Mr. C.F. Lin, Chairman, received the Corporate Spokesperson Award of the "2018 Distinguished Public Relations Awards".
Sep. 2018	Cash capital increase of NT$85,000,000 to acquire 85% of the shares in BEBE POSHE INTERNATIONAL CO., LTD. Awarded "Excellent Breastfeeding Room Certification" by the Department of Health of Taipei City Government.
Oct. 2018	Awarded third place in the "2018 Top Service Awards - Online Shopping" of the Next Magazine.
Nov. 2018	Awarded Gold Award of the Taiwan Institute for Sustainable Energy’s "Taiwan Corporate Sustainability Awards - Corporate Sustainability Report of the Service Industry Group". Passed the 2018 ISO 27001 Information Security Management System Mark. Passed the third party verification of the BS 10012 Personal Information Management System.
Dec. 2018	Mr. Howard Lin resigned from his post as the Chairman of the momo.com Inc. and was appointed as a senior consultant. Mr. C.F. Lin took over the post as the President of the momo.com Inc. and held a concurrent post as the General Manager. EC division of momo was selected as the "2018 Taiwan MVP Managers" of Manager Today.

III. Organization and Corporate Governance

i.Organization

Organizational Chart



Divisional Scope of Responsibilities

Division		Scope of responsibilities
Internal Audit Office		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		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
Broadcasting Division	Live Production Dept.	1. Program planning, production, and visual management of TV home shopping channels
	Engineering Dept.	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.	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 branding4. 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	Fashion Dept.	1.Introduction of TV channel suppliers 2.Development and product planning for various product categories 3.Product launches and sales management of TV Home Shopping channels
	Cosmetic Dept.	
	Appliances and Electronics Dept.	
	LOHAS Dept.	
	Overseas Dept.	Introducing direct import products
	Operations Management Dept.	1. Management of pre-recorded programming 2. Management of administration, marketing, and sales targets of TV home shopping channel
	Marketing Dept.	1. Planning and implementation of TV marketing campaigns 2. Launching and sales management of the TV APP products
	Catalogue Dept.	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
EC Division	EC Household Appliances Dept.	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.	
	EC Consumer Electronics & Home Appliances Dept.	
	EC Consumer Dept.	
	EC Healthcare & Food Dept.	
	EC Beauty & Cosmetic Dept.	
	EC Fashion &	

Division		Scope of responsibilities
	Boutiques Dept.	
	Insurance Dept.	
	EC Marketing Dept.	1. Brand management of Internet channels 2. Operations of Internal and external promotions 3. Management of membership and customer relationship
	EC Operations Dept.	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 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
	Solution Dept.	1. Planning and integration of operation procedure 2. Application system integration and enhancement 3. Project management and system optimization 4. Operational accounting and analysis; strategic planning and assessment 5. New business launch
Financial &Accounting Division	Finance Dept.	1. Evaluation and execution of investment 2. Financial and cash management 3. Accounts Receivable/Payment operations
	Accounting Dept.	1. Preparation of financial statements 2. Management of financial accounts Tax filing
	Operation Analysis Dept.	1. Preparation and analysis of management accounting reports 2. Preparation of annual budget
	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	1. Data analysis and project planning and access control of the operating

Division		Scope of responsibilities
	Maintenance Dept.	system database 2. Develop and maintain internal sharing system 3. Maintenance of the website's search engine and recommendation mechanism and business intelligence (BI) reporting system 4. Access control of each division
	Integration Testing Dept.	1. Tests of system program integration function 2. Test results reports and analysis 3. System program management 4. System program stress test 5. System program performance and framework adjustment
	Application Development	1. momoshop (momo shopping website), page design and UI planning 2. Program development and maintenance of NS, Digiwin, SCM (supplier management system)
	Mobile Application Section	1.Development for momoshop (momo's B2Cwebsite) and momomall (B2B2C) App. 2. App development for momoTV (momo shopping channels)app 、SCM(supplier management system)
	Logistics Application Dept.	1. Development and maintenance of warehousing and transportation related systems 2. Development and maintenance of logistics data exchange platform 3. Maintenance of related information equipment for various logistics warehouses 4. Cooperating with the System Engineering Department to carry out Internet related maintenance and operation of various logistics warehouses
Customer Service Center	Business Management and Strategy Operation & Management Dept.	1. Educational training and monitoring of SOP 2. Supervision on program broadcast and management of product knowledge 3. Projection and scheduling of tele-traffic 4. System integration and installation planning 5. Preparation of management reports
	Customer Relationship Management	1. Contact with external parties and operations 2. Contact with suppliers 3. Outbound calls for operation support 4. Management of major customer complaints (including personal visits)
	Customer Service Taichung Branch Customer Service Taipei Branch	1. Order confirmation services 2. Transaction process inquiry services 3. Product return or exchange 4. Management of customer complaints 5. Outbound calls 6. Customer service for online momoshop
Cable & Media Dept.		Contracts for broadcasting on advertising channels of cable TVs (system operators); planning and management of signal transmission contract
Marketing Communications Dept.		1. Maintenance and brand management for media relations 2. Crisis management and handling of major customer complaints 3. Maintenance Fubon Group relations
Human Resources Dept.		1. Utilization and integration of human resources; plans and execution of wages and benefits; educational training and employee development; labor relations and negotiations. 2. Procure and manage of equipment and supplies, repair management; work safety and hygiene management, management of official company seals, management of official document and mail delivery; management of vehicles usage, maintenance of environment and other relevant operations.
Legal Office		1. Draft and review contracts 2. Provide legal opinion and explanation of applicable laws and regulations 3. Mitigate consumer complaints and litigation cases 4. Clarification of training regulation for employees and suppliers

ii.Board of Directors and Executive Management

Board of Directors

The Board of Directors consists of nine members, all of whom have a great breadth of experience. Average age of Directors is 59 years old. Including, the three independent directors(Note1) possess professional qualifications in the areas of legal, finance, business, and the necessary knowledge and skill for performing the duties. And, all Independent Directors of the Company form the Audit Committee.

As of Feb. 27, 2019

Title	Nationality/ Country of Origin	Name	Date Elected	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	% (Note2)	Title	Title			Title	Name	Relation
Chairman	ROC	WealthMedia Technology Co. Ltd. Representative	2017.5.17	3	2011.7.29	64,742,205	50.64%	63,047,205	45.01%	-	-	-	-	-	-	-	-	-
	ROC	WealthMedia Technology Co. Ltd. Representative: C.F. Lin	2017.5.17	3	2011.7.29	588,588	0.46%	624,588	0.45%	-	-	-	-	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. momo.com Inc.: President 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. Chairman,BEBE POSHE International Co., Ltd. 7.Director, Taiwan Pelican Express Co., Ltd. 8. Director,Hong Kong Fubon Multimedia Technology Co.,Limited 9. Director, Hongkong Yue Numerous Investment Co. Limited 10.Director, TVD SHOPPING CO., LTD. 11. Chairman, Haobo Information Consulting(Shenzhen) Co., Ltd. 12.Director, Beijing Global Guoguang Media Technology Co., Ltd.	-	-	-
Director	ROC	WealthMedia Technology Co. Ltd. Representative:	2017.5.17	3	2011.7.29	64,742,205	50.64%	63,047,205	45.01%	-	-	-	-	-	-	-	-	-
	ROC	Wealth Media Technology Co. Ltd. Representative: James Jeng	106.5.17	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	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.	-	-	-

Title	Nationality/ Country of Origin	Name	Date Elected	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	% (Note2)	Title	Title			Title	Name	Relation
														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.Chief Technology Officer and Chief Operating Officer of Home Business Group, Taiwan Mobile Co., Ltd. 11.Chairman and CEO, Kbro Co., Ltd.	16.Chairman, Taiwan Digital Service Co., Ltd. 17. Director, TWM HOLDING CO., LTD. 18. Director, TFN HK LTD 19. Chairman and President, Fu Tian Xia Media 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: Taishin property insurance agents Co. Ltd., 25. Chairman, Tai-fu Cloud Technology Co. Ltd..			
Director	ROC	Wealth Media Technology Co. Ltd.Representative: Chris Tsai (Note4)	2017.5.17	3	2018.12.14	-	-	-	-	-	-	-	-	1.Bachelor of Economics, Wharton School of the University of Pennsylvania 2.Fubon Financial Holding Co Ltd.: Special Assistant of Chief Investment Officer 3.JPMorgan Chase & Co. of New York: US Equity Analyst 4.JPMorgan Chase & Co. of New York: Fund Management Analyst	1.Director, Fubon Financial Holding Venture Capital Corp. 2. Fubon Sports & Entertainment Co., Ltd.: Director and President 3. Fubon Stadium Co., Ltd.: Director and President 4. Senior Manager, Fubon Life Insurance Co., Ltd. 5. Fubon Hospitality Management Co., Ltd.: Director 6. Shenzhen Tengfu Investment Co., Ltd.: Vice Chairman 7. Director, Fubon Ellipse(Belgium)S.A. 8. Director ,Bow Bells House(Jersey) Limited 9. Director ,Fubon Ellipse(Jersey)Limited 10. Director ,Carter Lane(Guernsey)Limited 11. Director, Wise Road Asset Management Ltd.	-	-	-
	ROC	Wealth Media Technology Co. Ltd.Representative: Summer Hsieh (Note5)	2017.5.17	3	2018.3.1	102,056	0.07%	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, Vic director of TV Merchandise Division, director of Web ＆ Catalogue Division, momo.com Inc.	1. Vice President, momo.com Inc 2. Director, Fu Sheng Travel Service Co., Ltd. 3. Director and President, BEBE POSHE International Co., Ltd. 4. Supervisor, Fubon Gehua (Beijing) Enterprise Ltd. 5. President, Haobo Information Consulting(Shenzhen) Co., Ltd.	-	-	-
Director	ROC	TECO CAPITAL INVESTMENT CO., LTD.	2017.5.17	3	2006.6.30	16,324,000	12.77%	15,470,000	11.05%	-	-	-	-	-	-	-	-	-

Title	Nationality/ Country of Origin	Name	Date Elected	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	% (Note2)	Title	Title			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, E&E Recycling Inc.	-	-	-
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.	18. Director, Inotec Taiwan Co., Ltd. 19. Director, Mos Food Industry Corp. 20. Director, Qingdao TECO Innovative Technology Co., Ltd. 21. Director, Nanchang TECO Electric & Machinery Co., Ltd. 22. Director, An Tai Innovative Technology (Xiamen) Co., Ltd. 23 Director, TECO-Westinghouse Motor Company (TWMC) 24. Chairman, TECO Australia Pty Limited (TAC) 25. Director, TECMA INFORMATION SYSTEMS SDN. BHD. 26. Chairman,, TECO ELEKTRIK TURKEY A.S. 27. Director, Xiamen MOS Restaurant Management Co., Ltd. 28. Chairman, Sankyo Co., Ltd. (TECO JAPAN) (TEJ): 29. Chairman, Royal Park Restaurant Co. Ltd. 30. Chairman, Maowang Technologies Co. Ltd. 31. Director, Fujio Food System Taiwan Co. Ltd. 32. Chairman, Jinlaomang Co. Ltd., 33. TECO Technology & Marketing Center Co., Ltd.: Director 34. Director, TEMICO International 35. Director, TEMICO India Private Limited 36. Shikang Development Co., Ltd.: Director	-	-	-
Director	Korea	WOORI HOMESHOPPING CO., LTD.	2017.5.17	3	2004.8.19	14,014,000	10.96%	14,014,000	10.01%	-	-	-	-	-	-	-	-	-
	Korea	WOORI HOME SHOPPING CO.,LTD Representative: OH KABRYEOL (Note 6)	2017.5.17	3	2018.3.1	-	-	-	-	-	-	-	-	Gwangju Commercial High School	Vice president of Planning Division, WOORI HOMESHOPPING CO.,LTD.	-	-	-

Title	Nationality/ Country of Origin	Name	Date Elected	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	% (Note2)	Title	Title			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. Audit Committee Convener and Remuneration Committee Member, momo.com Inc. 2. Chairman, Guoshi Partners Co., Ltd. 3. Independent Director, Yageo Corporation 4. Independent Director, Giant Manufacturing Co., Ltd. 5. Independent Director, China Chemical & Pharmaceutical Co., Ltd. 6. Remuneration Committee Member, Sercom Corporation 7. Remuneration Committee Member, GGA Corp. 8. Remuneration Committee Member, LCY Chemical Corp. 9. Remuneration Committee Member, LCY Technology Corp.	-	-	-
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. Remuneration Committee Convener and Audit Committee Member, momo.com Inc. 2.Adjunct Professor in College of Management, National Taiwan University 3. Independent Director, Yulon Motor Co., Ltd. 4. Independent Director, Taiwan Acceptance Corporation	-	-	-

Note 1: Independent Director Chen Si-Kuan had resigned on January 10, 2019, and one Independent Director will be elected at the 2019 annual shareholders' meeting.
Note 2: Shareholding ratio = number of shares ÷ actual number of issued shares (140,058,500 shares).
Note 3: The Company re-elected the new Chairman in the Board Meeting on December 13, 2018, and the term of office took effect on December 14, 2018.
Note 4: On December 14, 2018, Wealth Media Technology Co. Ltd. reassigned Mr. Chris Tsai to succeed Mr. Howard Lin as Director.
Note 5: On March 1, 2018, Wealth Media Technology Co. Ltd. reassigned Ms. Summer Hsieh to succeed Mr. Jerry Kao as Director.
Note 6: Since March 1, 2018, WOORI HOMESHOPPING CO., LTD. reassigned Mr. OH KABRYEOL to succeed Mr. KIM, IN HO as Director.

1. Major shareholders of the institutional shareholders

As of Feb. 27, 2019

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%) TECO International Investment Co., Ltd. (0.2%) An Tai International Investment Co., Ltd (0.2%)
WOORI HOMESHOPPING CO.,LTD.	Lotte Shopping Co., Ltd. (53.03%) Taekwang Industrial Co., Ltd. (27.99%) Daehan Synthetic Fiber Co., Ltd. (10.21%) TSIS Co., Ltd. (6.78%)

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

As of Feb. 27, 2019

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. (9.89%) Tai Xing Investment Co., Ltd. (5.86%) Ming Tung Industry Co., Ltd. (5.40%) Fubon Life Insurance Co., Ltd. (4.41%) Cathay Life Insurance Co. Ltd. (3.33%) Dao Ying Industry Co., Ltd. (3.32%) Richard Tsai (2.73%) Taiwan Fixed Network Venture Capital Co. Ltd. (2.56%) Chunghwa Post Co., Ltd. (2.09%)
TECO ELECTRIC & MACHINERY CO., LTD. (Note 2)	Bank of Taiwan, the custodian of investment account of Hilkester International Investor International Value Stock Trust. (4.33%) Bank of Taiwan, the custodian of investment account of Monlion Emerging Market Stock Limited Partnership. (2.35%) JPMorgan Chase & Co. Taipei Branch, custodian trustee of investment account at JPMorgan Chase Securities Limited (2.01%) Bank of Taiwan, the custodian trustee of investment account of Ed Burson Asian Stock Trust (1.78%) Standard Chartered Bank (Taiwan) Limited,the custodian trustee of investment account of WGI Emerging Markets Fund, LLC. (1.75%) Standard Chartered Bank, the custodian of investment account of Vanguard FTSE emerging Markets ETF fund. (1.58%) Bank of Taiwan, the custodian trustee of investment account of Hilkester International Investor International Value Stock Taxable Trust (1.55%) TECO CAPITAL INVESTMENT CO., LTD. (1.52 %) Fund (7) affiliates to M&G Global Emerging Markets Fund, that is deposited by the National Westminster Bank. (1.51%) Kabushiki-Gaisha Yasukawa Denki(1.48 %)
Lotte Shopping Co., Ltd.	LOTTE Corporation (38.8%) Shin Dong Bin (9.84%) Hotel Lotte Co., Ltd. (8.86%) Minority shareholders (42.5%)
Taekwang Industrial Co., Ltd.	Lee Ho Jin (15.82%) TRN Co. Ltd.(11.22%) Lee Dong Jun (7.49%) Minority shareholders (65.47%)
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%)
TSIS Co., Ltd.	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 16, 2018

Note 2：The information is in accordance with the company's annual shareholders meeting report dated April 30, 2018

3. Professional qualifications and independence analysis of directors

As of Feb. 27, 2019

Criteria / Name	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independence Criteria(Note)										Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
	An Instructor or Higher 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: C.F. Lin			✓			✓	✓	✓	✓	✓	✓	✓		-
Wealth Media Technology Co. Ltd. Representative: James Jeng			✓			✓	✓			✓	✓	✓		-
Wealth Media Technology Co. Ltd. Representative: Chris Tsai			✓			✓		✓	✓		✓	✓		-
Wealth Media Technology Co. Ltd. Representative: Summer Hsieh			✓			✓	✓	✓	✓	✓	✓	✓		-
TECO CAPITAL INVESTMENT CO., LTD. Representative: Mao-Hsiung Huang			✓	✓	✓	✓	✓			✓	✓	✓		-
WOORI HOME SHOPPING CO.,LTD. Representative: OH KABRYEOL			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		-
CHEN,HONG-SO			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	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 10individual 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, 2019

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 & President	ROC	C.F. Lin	M	2018.12	624,588	0.45%	-	-	-	-	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. Chairman and President, Fubon Gehua (Beijing) Enterprise Ltd. 2. Chairman, Fu Sheng Travel Service Co., Ltd. 3. Supervisor, Fu Sheng Property Insurance Agent Co., Ltd. 4. Chairman and President, Fuli Life Insurance Agent Co., Ltd. 5. Chairman, BEBE POSHE International Co., Ltd. 6. Director, Taiwan Pelican Express Co., Ltd. 7. Director, Hong Kong Fubon Multimedia Technology Co. Limited 8. Director, Hongkong Yue Numerous Investment Co. Limited 9. Director, TVD SHOPPING CO., LTD. 10. Chairman, Haobo Information Consulting (Shenzhen) Co., Ltd. 11. Director, Beijing Global Guoguang Media Technology Co., Ltd.	-	-	-
Vice President	ROC	Summer Hsieh	F	2018.05	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. 3. Director and President, BEBE POSHE International Co., Ltd. 4. President, Haobo Information Consulting(Shenzhen) Co., Ltd.	-	-	-
Internet Division Vice President	ROC	Jeremy Hong	M	2018.05	-	-	-	-	-	-	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.	1. Director, Fuli Property Insurance Agent Co., Ltd. 2. Director , BEBE POSHE International Co., Ltd. 3. Director, Fubon Gehua (Beijing) Enterprise Ltd. 4. Supervisor, Fu Sheng Travel Service Co., Ltd.	-	-	-
Supporting Service Division Vice President	ROC	Leanne Wang	F	2018.05	-	-	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.	1. Director, Fuli Life Insurance Agent Co., Ltd.	-	-	-
International Business Division Director	ROC	Kiki Hung	F	2015.08	63,002	0.04%	-	-	-	-	1. BBA, Tamkang University 2. 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.:	-	-	-
Financial & Accounting Senior Director	ROC	Gina Lu	F	2018.05	59,000	0.04%	82,302	0.06%	-	-	1. Master of of Business Administration, National Taipei University 2. Assistant Manager of Administration Department, Fubon Direct Marketing Consulting Co., Ltd. 3. Director of Financial & Accounting Division. of momo.com Inc.	1. Chairman and President,, Fuli Property Insurance Agent Co., Ltd. 2. Supervisor, Fubon Gehua (Beijing) Enterprise Ltd. 3. Director, BEBE POSHE International Co., Ltd. 4. Director, Fu Sheng Travel Service 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
Information Technology Division Director	ROC	Robinson Lin (Note4)	M	2017.07	3,028	0.002%					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. Senior Manager of TV Commodities Division (Director)				
Supporting Service Division Vice Director	ROC	Jason Ko	M	2018.05	40,000	0.03%	-	-	-	-	1. Bachelor, College of Business Management, National Chung Hsing University 2. Assistant Vice President, Dafucheng Securities Co., Ltd. 3. momo.com Inc.: Supporting Service Division(Vice Director)	-	-	-	-
Marketing Communications Dept. EC Consumer Dept. AVP and Manager	ROC	Terry Lee	M	2018.05	-	-	-	-	-	-	1. Bachelor, Department of Business Management, National Taipei University of Technology 2. Department of Industrial Engineering, Provincial Taipei Institute of Technology 3. Sales/Procurement, Hi-Life International Co., Ltd. 4. Product Manager, PChome Online Inc. 5. EC Sales, PRESCO 6. momo.com Inc.:E-commerce Division／EC Marketing Dept.(Manager), E-commerce Division／EC Consumer Dept.(Manager), Marketing Communications Dept.(Manager)	-	-	-	-
Internal Audit Office Manager	ROC	Liang Dung Nan	M	2017.07	-	-	-	-	-	-	1.MBA, Min Chuan University 2.Certified Internal Auditor (CIA) 3.Internal Audit Manager, Surecom Technology Corp 4.Internal Audit Office Assistant Manager, momo.com Inc.	-	-	-	-

Note1: Date assumed current position.
Note2: Shareholding ratio = number of shares ÷ actual number of issued shares (140,058,500 shares)

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		The company	Companies in the consolidated financial statements	
																Cash	Stock	Cash	Stock			
Chairman	Wealth Media Technology Co. Ltd. Representative: Howard Lin.	220,000	220,000	-	-	271,399	271,399	-	-	0.03%	0.03%	5,070,791	5,070,791	9,851,600	9,851,600	2,572	-	2,572	-	1.06%	1.07%	-
Chairman & President	Wealth Media Technology Co. Ltd. Representative: C.F. Lin.	240,000	240,000	-	-	160,373	160,373	-	-	0.03%	0.03%	6,625,045	6,625,045	108,000	108,000	6,786	-	6,786	-	0.49%	0.49%	317,277
Director	Wealth Media Technology Co. Ltd.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Representative: James Jeng	240,000	240,000	-	-	148,036	148,036	-	-	0.03%	0.03%	-	-	-	-	-	-	-	-	0.03%	0.03%	-
	Chris Tsai (Note 1)	20,000	20,000	-	-	12,336	12,336	-	-	0.00%	0.00%	-	-	-	-	-	-	-	-	0.00%	0.00%	-
	Representative: Jerry Kao(Note 2)	40,000	40,000	-	-	24,673	24,673	-	-	0.00%	0.00%	474,689	474,689	3,123,913	3,123,913	0	-	0	-	0.25%	0.25%	-
	Summer Hsieh (Note 2)	200,000	200,000	-	-	123,363	123,363	-	-	0.02%	0.02%	3,823,185	3,823,185	108,000	108,000	2,968	-	2,968	-	0.29%	0.29%	-
Director	TECO CAPITAL INVESTMENT CO., LTD.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Representative: Mao-Hsiung Huang	240,000	240,000	-	-	148,036	148,036	-	-	0.03%	0.03%	-	-	-	-	-	-	-	-	0.03%	0.03%	35,000
Director	WOORI HOME SHOPPING CO, LTD.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	KIM, IN HO	-	-	-	-	24,673	24,673	-	-	0.00%	0.00%	-	-	-	-	-	-	-	-	0.00%	0.00%	-
Director	WOORI HOME SHOPPING CO, LTD.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	OH KABRYEOL	-	-	-	-	123,363	123,363	-	-	0.01%	0.01%	-	-	-	-	-	-	-	-	0.01%	0.01%	-
Independent Director	Shikuan Chen	1,440,000	1,440,000	-	-	148,036	148,036	-	-	0.11%	0.11%	-	-	-	-	-	-	-	-	0.11%	0.11%	-
Independent Director	Brian Y. Hsieh	1,440,000	1,440,000	-	-	148,036	148,036	-	-	0.11%	0.11%	-	-	-	-	-	-	-	-	0.11%	0.11%	-
Independent Director	CHEN,HONG-SO	1,440,000	1,440,000	-	-	148,036	148,036	-	-	0.11%	0.11%	-	-	-	-	-	-	-	-	0.11%	0.11%	-

(Note 1) Howard Lin, Chairman of the Company, had resigned on December 14, 2018; Wealth Media Technology Co. Ltd. reassigned its legal representative, Mr. Chris Tsai, to succeed Mr. Howard Lin as Director; the Company re-elected the new Chairman in the Board Meeting on 12/13/2018, and the term of office took effect from

12/14/2018.

(Note 2) On March 1, 2018, Wealth Media Technology Co. Ltd. reassigned Ms. Summer Hsieh to succeed Mr. Jerry Kao as Director; since March 1, 2018, WOORI HOMESHOPPING CO., LTD. reassigned Mr. OH KABRYEOL to succeed Mr. KIM, IN HO as Director.

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 James Jeng Chris Tsai Jerry Kao Summer Hsieh TECO CAPITAL INVESTMENT CO., LTD. Mao-Hsiung Huang WOORI HOME SHOPPING CO, LTD. KIM, IN HO OH KABRYEL Shikuan Chen Brian Y. Hsieh CHEN,HONG-SO	Wealth Media Technology Co. Ltd Howard Lin. C.F. Lin James Jeng Chris Tsai Jerry Kao Summer Hsieh TECO CAPITAL INVESTMENT CO., LTD. Mao-Hsiung Huang WOORI HOME SHOPPING CO, LTD. KIM, IN HO OH KABRYEL Shikuan Chen Brian Y. Hsieh CHEN,HONG-SO	Wealth Media Technology Co. Ltd James Jeng Chris Tsai TECO CAPITAL INVESTMENT CO., LTD. Mao-Hsiung Huang WOORI HOME SHOPPING CO, LTD. KIM, IN HO OH KABRYEL Shikuan Chen Brian Y. Hsieh CHEN,HONG-SO	Wealth Media Technology Co. Ltd James Jeng Chris Tsai TECO CAPITAL INVESTMENT CO., LTD. Mao-Hsiung Huang WOORI HOME SHOPPING CO, LTD. KIM, IN HO OH KABRYEL Shikuan Chen Brian Y. Hsieh CHEN,HONG-SO
NT$2,000,001~NT$5,000,000			Jerry Kao Summer Hsieh	Jerry Kao Summer Hsieh
NT$5,000,001~NT$10,000,000			C.F. Lin	C.F. Lin
NT$10,000,001~NT$15,000,000				
NT$15,000,001~NT$30,000,000			Howard Lin.	Howard Lin.
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(Note.1)； Chairman &President C.F. Lin(Note.1)； Senior Vice President Jerry Kao(Note.2)； Vice President Vicky Tu (Note.3) Vice President Summer Hsieh Vice President Jeremy Hong Vice President Leanne Wang	15,974,514	15,974,514	13,471,413	13,471,413	8,710,055	8,710,055	18,203	-	18,203	-	2.63%	2.64%	

Note 1: Howard Lin, Chairman of the Company, resigned on December 14, 2018; the new Chairman, C.F. Lin, was re-elected in the Board Meeting on December 13, 2018, and the term of office took effect from December 14, 2018.
Note 2: Jerry Kao, Senior Vice President, retired on February 28, 2018.
Note 3: Vicky Tu, Vice President, resigned on August 3, 2018.

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	Vicky Tu	Vicky Tu
NT$2,000,001~NT$5,000,000	Jerry Kao 、Summer Hsieh、Jeremy Hong、Leanne Wang	Jerry Kao 、Summer Hsieh、Jeremy Hong、Leanne Wang
NT$5,000,001~NT$10,000,000	C.F. Lin	C.F. Lin
NT$10,000,001~NT$15,000,000	Howard Lin	Howard Lin
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	7	7

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(Note 1); Chairman &President C.F. Lin(Note 1); Senior Vice President Jerry Kao(Note 2); Vice President Vicky Tu(Note 3) ; Vice President Summer Hsieh; Vice President Jeremy Hong; Vice President Leanne Wang; Division Senior Director Kiki Hung; Division Senior Director Gina Lu; Division Director Robinson Lin; Division Director Sabrina Huang; Vice Director Jason Ko AVP and Manager Terry Lee Assistant Manager Liang Dung Nan	-	33,097	33,097	0.00%

Note 1: Howard Lin, Chairman of the Company, resigned on December 14, 2018; the new Chairman, C.F. Lin, was re-elected in the Board Meeting on December 13, 2018, and the term of office took effect from December 14, 2018.
Note 2: Not granted to Jerry Kao, Senior Vice President, due to his retirement on February 28, 2018.
Note 3: Not granted to Vicky Tu, Vice President, due to her resignation on August 3, 2018.

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	2017				2018			
	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	6,924,545	6,924,545	0.55%	0.55%	7,000,360	7,000,360	0.48%	0.48%
Presidents and Vice Presidents	19,413,704	19,413,704	1.53%	1.54%	38,174,185	38,174,185	2.63%	2.64%

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)The policies, standards, and portfolios for the payment of remuneration: The remuneration and compensation of the Directors (including the Independent Directors) shall be handled in accordance with the Articles of Association and the "Regulations Governing the Remuneration of Directors" approved by the Board of Directors.

a. Remuneration of the Directors: Resolved by considering their degree of participation and their contribution to the Company's operations , based on the normal remuneration standard of the industry.

b. Compensation of the Directors: A fixed ratio based on the Articles of Association, when the Company’s operation is profitable.

(2) The procedures of remuneration distribution:

a. Compensation of the Directors shall be in accordance with the Articles of Association of the Company. If the Company is profitable, no more than 0.3 percent of the profit shall be appropriated for the Directors' compensation. A sum shall be set aside in advance to pay down any outstanding cumulative losses of the Company before Director’s compensation can be appropriated according to such percentage.

b. The fixed remuneration of the Directors shall be handled in accordance with the "Regulations Governing the Remuneration of Directors" approved by the Board of Directors.

3. The correlation with operation performance and future risks:

The Directors' compensation of the Company is in accordance with the Company's Articles of Association and is paid subject to the Company's annual profit-earning status; as a result, it is closely related to the operating performance. The Company's Remuneration Committee reviews the remuneration system regularly based on the contribution of individual Directors to the Board and to the Company's operations (including the future business risks of the Company, strategic planning and corporate social responsibility, etc.).

iii. Implementation of Corporate Governance

Board of Directors attendance

The Board of Directors convened seven times in 2018

Title	Name	Attendance in Person (B)	By Proxy(A)	Attendance Rate (%)【B/A】	Remarks
Chairman	Wealth Media Technology Co. Ltd. Representative: C.F. Lin(Note2)	7	0	100%	None
Director	Wealth Media Technology Co. Ltd. Representative: James Jeng	6	1	85.71%	None
Director	Wealth Media Technology Co. Ltd. Representative: Chris Tsai (Note3)	0	0	0%	Assumed office on December 14, 2018 (Shall attend 0 times)
Director	Wealth Media Technology Co. Ltd. Representative: Summer Hsieh(Note4)	6	0	100%	Assumed office on March 1, 2018 (Shall attend 6 times)
Director	TECO CAPITAL INVESTMENT CO., LTD. Representative: Mao-Hsiung Huang	3	4	42.86%	None
Director	WOORI HOME SHOPPING CO.,LTD. Representative: OH KABRYEOL(Note5)	4	2	66.67%	Assumed office on March 1, 2018 (Shall attend 6 times)
Independent director	Brian Y. Hsieh	6	1	85.71%	None
Independent director	CHEN,HONG-SO	7	0	100%	None
Chairman	Wealth Media Technology Co. Ltd. Representative: Howard Lin. (Note 3)	6	1	85.71%	Resigned on December 14, 2018 (Shall attend 7 times)
Director	Wealth Media Technology Co. Ltd. Representative: Jerry Kao. (Note 4)	1	0	100%	Dismissed on March 1, 2018 (Shall attend once)

Title	Name	Attendance in Person (B)	By Proxy(A)	Attendance Rate (%)【B/A】	Remarks
Director	WOORI HOME SHOPPING CO.,LTD. Representative: KIM, IN HO(Note5)	1	0	100%	Dismissed on March 1, 2018 (Shall attend once)
Independent director	Shikuan Chen	7	0	100%	Resigned on January 10, 2019

Note 1: For Board Meetings held in 2018, at least two Independent Directors were present every time.
Note 2: The Company re-elected the new Chairman in the Board Meeting on December 13, 2018, and the term of office took effect on December 14, 2018.
Note 3: On December 14, 2018, Wealth Media Technology Co. Ltd. reassigned Mr. Chris Tsai to succeed Mr. Howard Lin as Director.
Note 4: On March 1, 2018, Wealth Media Technology Co. Ltd. reassigned Ms. Summer Hsieh to succeed Mr. Jerry Kao as Director.
Note 5: Since March 1, 2018, WOORI HOMESHOPPING CO., LTD. reassigned Mr. OH KABRYEOL to succeed Mr. KIM, IN HO as Director.

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.
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	2018.01.26	Howard Lin C.F. Lin Jerry Kao	The annual bonus allocation of 2018 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	2018.03.30	Summer Hsieh OH KABRYEOL	Lifting of non-competition restrictions for Directors of the Company	Recused Directors are the parties of the lifting of non-competition restrictions	Recusal during discussion and resolution of motion
3	2018.05.17	C.F. Lin Summer Hsieh	Participation of the Company in the capital increase of the subsidiary in China, Fubon Gehua (Beijing) Enterprise Ltd., by increasing its capital in subsidiary, Asian Crown, and then reinvesting in its subsidiary	Recused Directors holding concurrent posts as Directors and Supervisors of the capital increase subject of this matter	Recusal during discussion and resolution of motion
		Howard Lin C.F. Lin Summer Hsieh	The 2018 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 James Jeng as the chair
		Summer Hsieh	The promotion and salary adjustment for the management team in 2018	The recused directors were part of the party involved in the review	Recusal during discussion and resolution of motion
4	2018.07.20	Howard Lin C.F. Lin Summer Hsieh	The amount for the 2017 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
5	2018.10.29	C.F. Lin Summer Hsieh	Non-competition of the managers	Recused Directors are the parties of this non-competition matter	Recusal during discussion and resolution of motion

Title	Name	Attendance in Person (B)	By Proxy(A)	Attendance Rate (%)【B/A】	Remarks

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 2014, the Audit Committee was set up to replace supervisors.
   (2) All Independent Directors of the Company form the Audit Committee and Remuneration Committee play the supervisory role to achieve the goal of governance the competency. The Chairman of each Committee reports the operation status to the Board of Directors regularly.
   (3) In addition to pursuing trainings by themselves according to their own needs, the Company regularly arranges lecturers to provide Directors with at-home classes every year to continue to enrich their new knowledge. In 2018, the total number of training hours of all Directors reached 96 hours (Schedule 1). Also, the "Taiwan Corporate Governance Association" is appointed to arrange lect urers to give lessons to the Directors at the Company about the "Business Mergers And Acquisitions Practice and Case Studies".
   (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", and shall arrange the property insurance company to explain to all Directors in the Board Meeting the contents of the liability insurance policy and answer the their questions.
   (6) On October 29, 2018, the Board of Directors approved the amendment of the "Regulations Governing the Board Performance Evaluation". In addition to the existing performance evaluation and external evaluation of the Board of Directors, the performance evaluation method of the functional committees was added. The self-evaluation questionnaires had been distributed to all Board members and functional committees' members in January 2019. After the collecting and analysis, the unit in charge of the agenda will send the grading results to be reported in the Board Meeting. In addition, the Company had appointed Taiwan Corporate Governance Association to conduct an external evaluation of the Board of Directors in June 2018. The overall evaluation, recommendations of the Association and the measures to be adopted by the Company are proposed to be submitted to be reported in the Board Meeting on April 3, 2019.

(Schedule 1): 2018 total number of training hours of all Board members

Title	Name	Date of training	Organizer	Course name	Training hours	Training hours of current year
Representative of the juristic-person Director	C.F. Lin	2018/10/29	Taiwan Corporate Governance Association	Effectiveness Evaluation of the Board of Directors	3	6.0
		2018/09/14	Taiwan Corporate Governance Association	Business Mergers And Acquisitions Practice and Case Studies	3	
Representative of the juristic-person Director	James Jeng	2018/03/06	Taiwan Corporate Governance Association	Effectiveness Evaluation of the Board of Directors	3	9.0
		2018/03/05	Taiwan Depository & Clearing Corporation	100% Electronic Voting and Company Value Enhancement Forum	6	
Representative of the juristic-person Director	Mao-Hsiung Huang	2018/12/22	Business Council for Sustainable Development of Taiwan	Description of the Current Situation of Corporate Sustainable Development and Non-financial Information Disclosure	3	9.0
		2018/05/07	Taiwan Corporate Governance Association	Effectiveness Evaluation of the Board of Directors	3	
		2018/04/10	Securities & Futures Institute	Trends and Challenges in Information Security Governance	3	
Representative of the juristic-person Director	Chris Tsai	2018/12/29	Taiwan Corporate Governance Association	Operational Practice of Shareholders' Meetings and Board Meetings	3	12.0
		2018/12/29	Taiwan Corporate Governance Association	Latest Company Act Amendments and Director Liabilities	3	
		2018/12/28	Taiwan Corporate Governance Association	Corporate Governance and Securities Regulations	3	
		2018/12/28	Taiwan Corporate Governance Association	Crucial Civil and Criminal Responsibilities of the Directors and Supervisors and Case Studies	3	

Title	Name	Date of training	Organizer	Course name	Training hours	Training hours of current year
Representative of the juristic-person Director	Summer Hsieh	2018/10/29	Effectiveness Evaluation of the Board of Directors	Effectiveness Evaluation of the Board of Directors	3	12.0
		2018/09/14	Business Mergers And Acquisitions Practice and Case Studies	Business Mergers And Acquisitions Practice and Case Studies	3	
		2018/09/07	Taiwan Corporate Governance Association	A Conversation about the All-around Corporate Intellectual Property Protection Strategies from the Board of Directors' Level	3	
		2018/04/20	Securities & Futures Institute	2018 Insider Trading Prevention Promotion Conference	3	
Representative of the juristic-person Director	OH KABRYEOL	2018/10/30	Taiwan Corporate Governance Association	Internal Audit and Control from the Board of Directors' Point of View	3	12.0
		2018/10/29	Taiwan Corporate Governance Association	Effectiveness Evaluation of the Board of Directors	3	
		2018/09/14	Taiwan Corporate Governance Association	Business Mergers And Acquisitions Practice and Case Studies	3	
		2018/05/16	Taiwan Academy of Banking and Finance	Lecture on Corporate Governance	3	
Independent director	CHEN,HONG-SO	2018/10/29	Taiwan Corporate Governance Association	Effectiveness Evaluation of the Board of Directors	3	6.0
		2018/09/14	Taiwan Corporate Governance Association	Business Mergers And Acquisitions Practice and Case Studies	3	
Independent director	Brian Y. Hsieh	2018/10/29	Taiwan Corporate Governance Association	Effectiveness Evaluation of the Board of Directors	3	12.0
		2018/09/14	Taiwan Corporate Governance Association	Business Mergers And Acquisitions Practice and Case Studies	3	
		2018/01/18	Securities & Futures Institute	Advanced Seminar for Directors and Supervisors (including Independent) Practice - Anti-money Laundering and Legal Compliance	3	
		2018/01/15	Accounting Research and Development Foundation	Multinational Corporations' M&A, Joint Venture and Taxation Practice	3	
Representative of the juristic-person Director	Howard Lin (Note 1)	2018/11/21	Taiwan Corporate Governance Association	AI and Internet of Things' Development Trends and Operational Strategies and Risks (Part II)	3	12.0
		2018/11/21	Taiwan Corporate Governance Association	AI and Internet of Things' Development Trends and Operational Strategies and Risks (Part II)	3	
		2018/10/29	Taiwan Corporate Governance Association	Effectiveness Evaluation of the Board of Directors	3	
		2018/09/11	Taiwan Corporate Governance Association	Anti-Money Laundering and Counter Terrorism Financing of Directors and Senior Executives	3	
Independent director	Shikuan Chen (Note 2)	2018/10/29	Taiwan Corporate Governance Association	Effectiveness Evaluation of the Board of Directors	3	6.0
		2018/09/14	Taiwan Corporate Governance Association	Business Mergers And Acquisitions Practice and Case Studies	3	

Note 1：Howard Lin, Chairman, resigned on December 14, 2018

Note 2：Chen Si-Kuan, Independent Director, resigned on January 10, 2019

Note 3：The training hours, training scopes, training systems and training arrangements disclosed above are all in compliance with regulations of the "Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEx Listed Companies".

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 key works in 2018 are as follows:

(1) Amending the internal control system according to Article 14-1 of the Securities and Exchange Act. In addition, in order to review and monitor risk changes and take appropriate actions to control risk issues, the "Measures for Risk Management" has been added. Also, the "Regulations Governing the Report of Cases of Illegal and Unethical or Dishonest Actions" has been amended to encourage and protect the disclosure of corporate internal malpractices.

(2) Completing the effectiveness evaluation of internal control system

(3) Amending the "Procedures Regarding the Loaning of Funds and Making of Endorsements/Guarantees" according to Article 36-1 of the Securities and Exchange Act.

(4) All matters concerning the personal interests of Directors shall be reported to the Committee for deliberation according to the law.

(5) Major asset or derivatives transactions.

(6) Appointment of 2018 certified public accountant (CPA) and review of audit fee and remuneration.

(7) Review of 2017 annual financial report and 2018 financial report from first quarter to third quarter.

(8) Other significant issues regulated by the Company or competent authorities.

(9) Obtaining the declaration of independence issued by the CPA firm, the completion status of the various professional service indicators in 2017, and the evaluation results of the financial and auditing supervisors as the basis for the 2017 CPA independence and performance evaluation.

The Audit Committee convened seven times in 2018

Title	Name	Attendance in Person (B)	By Proxy(A)	Attendance Rate (%) 【B/A】	Remarks
Independent director	Shikuan Chen	6	0	100	Resigned on January 10, 2019
Independent director	Brian Y. Hsieh	5	1	83.33	None
Independent director	CHEN,HONG-SO	6	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
2018.01.26	4th meeting of the sixth session	1. Draft of the Company's 2017 internal control system declaration	Unanimously approved with consent of all attended committee members	None
		2. The 2017 Company financial report		
		3. The 2017 public certified accountants performance and independence evaluation		
		4. The 2018 Company budge		

Board of Directors meeting	Meeting/ session	Contents of Resolutions	Resolution of Audit Committee	Handling against opinions of Audit Committee
2018.03.30	5th meeting of the sixth session	1. Drafting the Company's 2017 distribution of the Company's earnings and capital reserve 2. Lifting of non-competition restrictions for Directors of the Company 3. Amendment to the "Operational Procedures for Loaning of Funds and Making of Endorsements/Guarantees" of the Company	Unanimously approved with consent of all attended committee members	None
2018.04.26	6th meeting of the sixth session	1. The Company's retaining of public certified accountants for 2018 2. The Company's 1Q18 financial report	Unanimously approved with consent of all attended committee members	None
2018.05.17	7th meeting of the sixth session	Participation of the Company in the capital increase of the subsidiary in China, Fubon Gehua (Beijing) Enterprise Ltd., by increasing its capital in subsidiary, Asian Crown, and then reinvesting in its subsidiary	Unanimously approved with consent of all attended committee members	None
2018.07.20	8th meeting of the sixth session	1. Amendment to the internal control system of the Company 2. The Company's 2Q18 financial report	Unanimously approved with consent of all attended committee members	None
2018.10.29	9th meeting of the sixth session	1. Amendment to the Company's "General Principles of Internal Control System", "Enforcement Rules of Internal Audit", and "Operational Procedures for Self-checking of the Internal Control System". 2. The Company's 3Q18 financial report 3. Lifting of non-competition of the managers of the Company 4. Drafting of the Company's 2019 audit plan	Unanimously approved with consent of all attended committee members	None

(2) Unless otherwise provided the above, no resolution was approved in 2017 without consent of Audit Committee, but approved with the consent of two-thirds or more of all Directors, there is no such case in2018.

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.

(5) Regular communication is as the Schedule below:

<table>
<tr><th rowspan="2">Date</th><th colspan="2">Communication situation with the internal audit</th><th colspan="2">Communication situation with the CPA</th></tr>
<tr><th>Communicated matters</th><th>Results of the communication</th><th>Communicated matters</th><th>Results of the communication</th></tr>
<tr><td>2018.01.26
4th meeting of the sixth session</td><td>1. Report on the 4Q17 internal audit progress
2. Issuing the 2017 "Internal control system declaration" of the Company</td><td>1. Noted
2. After deliberation, submitting to the Board of Directors for resolution</td><td>1. 2017 CPA audit report
2. Significant transactions
3. Other communicated matters
4. Update of laws and regulations</td><td>Noted</td></tr>
<tr><td>2018.04.26
6th meeting of the sixth session</td><td>Report on the 1Q18 internal audit progress.</td><td>Noted</td><td>1. 1Q18 CPA review report
2. Significant transactions
3. Other communicated matters</td><td>Noted</td></tr>
<tr><td>2018.07.20
8th meeting of the sixth session</td><td>1. Report on the 2Q18 internal audit progress
2. Amendment to the internal control system of the Company</td><td>1. Noted
2. After deliberation, submitting to the Board of Directors for resolution</td><td>1. 2Q18 CPA review report
2. Other communicated matters
3. Update of laws and regulations</td><td>Noted</td></tr>
<tr><td rowspan="2">2018.10.29
9th meeting of the sixth session</td><td>Report on the 3Q18 internal audit progress</td><td>Noted</td><td rowspan="2">1. 3Q18 CPA review report
2. Key audit matters
3. Other communicated matters
4. Update of laws and regulations</td><td rowspan="2">Noted</td></tr>
<tr><td>1. Establishment of the Company's 2019 audit plan
2. Amendment to the Company’s
(1) General Principles of Internal Control System
(2) Enforcement Rules of Internal Audit
(3) Operational Procedures for Self-checking of the Internal Control System
3. Addition of "Measures for Risk Management" of the Company</td><td>After deliberation, submitting to the Board of Directors for resolution</td></tr>
</table>

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 has declared the shareholding status of Directors, managers and major shareholders with more than 10% stake on a monthly basis.	None
(3) Does the company establish and execute the risk management and firewall system within its conglomerate structure?	V		(3) The internal control system of the Company has established the "Operation Procedures for Specific Company and Related Party Transactions of Group Companies" and "Regulations related to Financial and Business Matters among Affiliated Companies".	None
(4) Does the company establish internal rules against insiders trading with undisclosed information?	V		(4) The Company has established the "Management and Operational Procedures to prevent Insider Trading" to prohibit the Directors, managers and all employees of the Company, as well as anyone who becomes aware of the Company's information based on professional or control relationships from any conduct that may involve insider trading and has promoted it regularly.	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		(1) According to Article 20, Paragraph 3 of the "Practical Guidelines for Corporate Governance", diversification shall be considered regarding the composition of the Board of Directors, such as having different professional backgrounds, fields of works or genders, and having the knowledge, skills and competencies necessary to perform their duties. To achieve an ideal level of corporate governance, the Board of Directors shall be equipped with the following abilities: 1. Ability to make sound business judgments. 2. Ability to conduct accounting and financial analysis. 3. Operation and management ability. 4. Crisis management ability. 5. Industry knowledge. 6. International perspective. 7. Leadership ability. 8. Decision making ability. Please refer to Note 1 for the implementation of Board members diversification policy by individual Directors.	None
(2) Does the company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee?		V	(2) 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		(3) On October 29, 2018, the Board of Directors approved the amendment of the "Regulations Governing the Board Performance Evaluation". The performance evaluation system of the functional committees was added. The performance self-evaluation questionnaires have been distributed to all Board members and functional committees’ members in January every year. The performance evaluation methods for the Board of Directors are divided into evaluation by the unit in charge of the agenda and evaluation by 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	
			A.The meeting affairs division shall cover the following two major areas: (A) Compliance with relevant laws and regulations (B) Degree of participation with the Company's operations B.The items on which the Board of Directors members are evaluated for covers the following 9 major areas: (A) Goal and mission of the Company (B) Internal Control and Risk to the Company (C) Management of Internal Relations (D) Management of External Relations (E) Organization and Capability of the Board of Directors (F) The culture of the Board of Directors (G) The operation of the Board of Directors (H) the Board of Directors chairman/meeting chair (I) Self-evaluation of board members C.Evaluation aspects of the functional committees: (1)Involvement in the Company's operation (2)Improvement of the decision making quality of the functional committees (3)Composition and structure of the functional committees (4)Appointment of functional committees' members and their continuing trainings (5) Internal controls D.After the collecting and analysis, the unit in charge of the Board of Directors' agenda will submit the evaluation report to the Board of Directors. The Company completed the 2018 performance evaluation of the Board of Directors in January 2019, and the grading results are to be submitted to be reported in the Board Meeting on April 3, 2019. The performance was good in the grading results of all aspects. The above-mentioned Regulations and evaluation results will also be disclosed on the Company's official website. E.External evaluation of the Board of Directors performance	

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			shall be carried out at least once every three years by external independent expert organizations or a team of external experts and scholars. In June 2018, the Company appointed the Taiwan Corporate Governance Association to conduct the 2018 external effectiveness evaluation of the Board of Directors (the evaluation period was from August 2017 to July 2018). The Association conducted the evaluation and review by questionnaire and on-site visits from eight major aspects, i.e., Board composition, guidance, authorization, supervision, communication, internal control, risk management and self-discipline, respectively. The Association and the evaluation experts are independent and have no business relationship with the Company. Taiwan Corporate Governance Association had issued an evaluation report on the effectiveness of the Board of Directors on November 15, 2018 and had provided recommendations related to Board of Directors’ operation and risk control. The Company intends to take its improvement recommendations as reference for the continuous strengthening of Board of Directors’ competency, and to submit the above-mentioned recommendations and measures to be adopted by the Company to be reported in the Board Meeting on April 3, 2019.	
(4) Does the company regularly evaluate the independence of CPAs?	V		(4) 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: (A) Examination of the accountant's personal resume. (B) 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. (C) Has not been appointed for accountant assurance service	None

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			for seven years consecutively. (D) Has obtained accountant certified declaration of independence every year. (E) Dervice quality and efficiency on auditing and taxation work. (F) If there are cases under litigation or correction from the competent authorities. (G) The size and reputation of the accounting firm. (H) The accountant suitability survey is used every year to summarize the result of evaluation on the independence of the accountant. Joint evaluation by the Company's accounting and auditing supervisors has determined the independence of the public certified accountant meets the standard; on Jan. 29, 2019, the Audit Committee and Board of Directors approved the 2018 public certified accountant performance and independence evaluation.	
4.Does the Listed company, OTC company have establish any exclusively (or concurrently) dedicated unit or person responsible for matters related to corporate governance?(Including but not limited to providing information required for directors, supervisors to implement the business, subject to laws and regulations to conduct relevant matters of meetings of Board of Directors and shareholders’ meetings, the company for the company, the company is responsible for corporate governance, registration of establishment and alteration, preparing minutes of meetings of board of directors and shareholders' meeting, etc.)	V		The 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 was submitted to the Board of Directors meeting on October 31, 2017, amended and approved. The financial and accounting division shall set up subdivision responsible for corporate governance related affairs, also, after being approved by the Board Meeting on October 29, 2018, the Company appointed Senior Assistant Vice President Gina Lu, Director of Financial & Accounting Division, to hold a concurrent posts as Chief Governance Officer. She has more than 3 years of experience in financial, stock, meeting affairs and other management works in public companies. There is stock affairs section set up under the financial and accounting division, which is responsible for corporate governance matters and assists in providing Directors with the information they	None

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			need to conduct business and meetings, in order to safeguard shareholder rights and strengthen Board functions. Its main responsibilities are as follows: (1) Draft and set up effective corporate governance related covenents 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. The operations during 2018 were as follows: 1. Assisting directors and independent directors in carrying out their respective roles, providing essential information, and organizing further studies for the directors: (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 (3) Arranging "at-home classes" for Directors 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. (1) Ensure the convening of Company's Board of Directors,	

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
			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. (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. 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. 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. 5. Handling the Company's change registrations according to the laws.	
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?	V		(1) The company has a website to disclose important financial and business information updated for shareholders and stakeholders' reference.	None

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
(2) Does the company have other information disclosure channels (e.g. building an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, webcasting investor conferences)?	V		(2) 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
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 Corporate Governance" 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. Improving employee relations: In order to improve employee relations, the Company regularly holds labor-management meetings and provides a complete communication channel to immediately hear employees' voices and suggestions, as a reference for the Company's welfare adjustment and system optimization. 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. Supplier relations: The Company regards suppliers as long-term business partners, through cooperation on the subject matters and information-sharing, we establish a good interactive mode. In addition, the Company award prizes to suppliers with outstanding performance through regular supplier meetings. In terms of stakeholders' rights: In order to protect stakeholders' rights and interests, this company has established quality and	None

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
			open channels for communications. The company deals with issues by holding good faith principle and responsible attitudes; it also fulfills the corporate social responsibility. Advanced Studies for directors: The directors in the company participate in courses related to securities laws and regulations in accordance with the "Guidelines for Implementing Advanced Studies for Directors and Supervisors in TSEC-listed and OTC-listed Companies." They also meet the required number of study hours. Execution of risk management policies and risk measurement standards: The company has established different internal regulations according to laws and conducts various risk management and assessment. Execution of client policies: The company is dedicated to improving quality and enhancing professional skills to provide clients with the best services and products. Status of liability insurance for directors: The Company purchases liability insurance for Directors every year, and regularly reports the important contents of the liability insurance, i.e. the insurance amount, insurance coverage, and insurance rate in the Board Meetings. In addition, the Company arranges the property insurance company accepting the insurance to explain to all Directors in the Board Meeting the contents of the insurance policy and answer the doubts of the Directors. For personnel of the Company relevant to financial information transparency, their status of obtaining designated licenses from the competent authority are as follows: (1) Certification in Control Self-Assessment (CCSA): One person in the Financial & Accounting Division (2) Certified Internal Auditor (CIA): One person in the Internal Audit Office and one person in the Financial & Accounting Division (3) CPA of R.O.C: Two persons in the Financial & Accounting Division	

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
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. 1. 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. 2. The Company participated in the "Corporate Governance Evaluation" jointly organized by the Taiwan Stock Exchange and the Taipei Exchange, and ranked top 5% in the listed companies' group for two consecutive years.				

(Note1) The implementation of Board members diversification policy by individual Directors

The forming of the 6th Board of Directors of the Company focused on diversified professions, while taking into account the diversity of genders, nationalities and professional skills. The members are elites of financial, industrial and academic areas, including two doctors and four masters, covering business administration, computer engineering, business, communications, law and other professional fields. They are generally equipped with the knowledge, skills and competencies necessary to perform their duties. The Board members have the following abilities:

Diversified core projects / Name of Directors	gender	Nationality	Professional background (educational background)	Ability to make sound business judgments	Accounting and finance Analytical ability	Operation and management ability	Crisis management ability	Industry knowledge	An understanding of international markets	Leadership ability	Decision making ability
C.F. Lin	male	ROC	Management Science	V	V	V	V	V	V	V	V
James Jeng	male	ROC	Electrical Engineering Computer Engineering	V	V	V	V	V	V	V	V
Mao-Hsiung Huang	male	ROC	Business Administration	V	V	V	V	V	V	V	V
Chris Tsai	male	ROC	Economics	V	V	V	V	V	V	V	V
Summer Hsieh	female	ROC	Communication Management	V	V	V	V	V	V	V	V
OH KABRYEOL	male	Korea	Business	V	V	V	V	V	V	V	V
Brian Y. Hsieh	male	ROC	Law	V	V	V	V	V	V	V	V
CHEN,HONG-SO	male	ROC	Business Studies	V	V	V	V	V	V	V	V

Composition, Responsibilities and Operations of the Remuneration Committee

Since February 2014, the Company has stipulated that the Remuneration Committee shall be composed of all Independent Directors in accordance with the provisions of the Securities and Exchange Act. In order to implement the spirit of corporate governance, the Company operates under the "Remuneration Committee Charter", with the main purpose of supervising the following matters:

(1) Formulating and reviewing regularly the performance evaluation and compensation policies, systems, standards and structures of the Directors and managers.

(2) Regularly reviewing and formulating Directors' and managers' remuneration.

1. Professional Qualifications and Independence Analysis of Remuneration Committee Members

Title (Note1)	Criteria / Name	Meets One of the Following Professional Qualification Requirements, Together with at Least Five Years' Work Experience			Independence Criteria (Note 2)								Number of Other Public Companies in Which the Individual is Concurrently Serving as an Remuneration Committee Member	Remarks (Note 3)
		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	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	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 (2018) Compensation Committee has already convened meetings three times.

Board of Directors meeting	Meeting/ session	Contents of Resolutions	Resolution of the Remuneration Committee	The Company's process of the opinions of the Remuneration Committee
2018.1.26	2nd meeting of the second session	1. 2017 performance appraisal and year-end bonus of internal managers and other related parties 2. 2017 employee salary and Director remuneration distribution	All attending members had no objection and the proposal was approved as proposed	None
2018.5.17	3rd meeting of the second session	1. 2018 salary review of internal managers and other related parties 2. 2018 promotion and salary adjustment of internal managers	All attending members had no objection and the proposal was approved as proposed	None
2018.7.20	4th meeting of the second session	1. "Regulations Governing the Payment of Employee Salary in 2017" and distribution amount to the internal managers 2. Evaluation of Directors' Remuneration in 2018	All attending members had no objection and the proposal was approved as proposed	None

(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	3	0	100%	-
Committee Member	Shikuan Chen	3	0	100%	Resigned on January 10, 2019
Committee Member	CHEN,HONG-SO	3	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: Yes	No	Abstract Explanation	Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
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. Presidents, C.F. Lin and Director of finance and accounting Dept., Gina Lu, to act as 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 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	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	
			performance evaluation criteria, their behavioral performances will be rewarded and penalized accordingly.	
2. Sustainable Environment Development (1) Does the company endeavor to utilize all resources more efficiently and use renewable materials which have low impact on the environment?	V		(1)The Company continuously improves resource efficiency of various resources, including the paperless operations, encouraging and implementing copier paper recycling, establishing waste recycling management plan, reducing the use of packaging materials and implementing office lights-out during lunch breaks.	None
(2) Does the company establish proper environmental management systems based on the characteristics of their industries?	V		(2)Continuing the ISO14064-1 greenhouse gas (GHG) inventory and establishing a baseline for greenhouse gas emissions. In 2019, the ISO14001 environmental management system will be introduced to integrate environmental management, and each task force will be implementing and monitoring the results.	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)Through the operation management and system establishment, the Company improves the energy efficiency, reduces greenhouse gas emissions and reduces the impact of operation on the environment to build a smart and low-carbon society. The implementation plan includes: (A) Green energy construction (northern region logistics center in Taoyuan is built with the concept of green building design) (B) The establishment of waste recycling management plan (C) Environmental logistics (D) Green products (E) Environmental accounting (F) Inventory of organization level greenhouse gas (direct and indirect emissions). The greenhouse gas emissions in the past three years are as the Schedule below:	None

Unit: Metric ton CO2e

Year	2016	2017	2018
Direct emissions	71.38	72.63	234.99
Indirect emissions	3,251.40	3,317.15	6,092.73
Total emissions	3,322.78	3,389.79	6,327.72
Emission intensity	3.23	2.72	3.55

Note 1: Greenhouse gas emissions data had been verified by the British Standards Institution (BSI).

Note 2: The emission intensity is calculated by dividing the total

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Explanation	
			greenhouse gas emissions (metric ton CO2e) of the current year by the total number of persons hired by the headquarter at the end of the current year. Note 3: Direct emissions are the common greenhouse gas emission sources in the office areas, mainly including the electricity used by energy-consuming equipment, company cars and emergency generator oils, septic tanks and other greenhouse gas sources. Note 4: The base year for the inventory is 2015, according to the Global Warming Potential (GWP): 4th evaluation report in 2007 by the IPCC.	
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 the relevant laws and regulations of Taiwan, including the Labor Standards Act, the Employment Service Act and the Act of Gender Equality in Employment, and complying with the UN's "Universal Declaration of Human Rights", the Company has established the momo "Human Rights Policy" to protect the legal rights and interests of employees, and there is no employment discrimination against local and aboriginal employees. The Company has built an environment where human rights are fully protected, ensures non-infringement of fundamental human rights, and enables both internal and external members of the Company to be treated with fairness and dignity. Moreover, work policies and performance evaluation criteria, etc. 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) The "Regulations Governing the Employee Complaints and their Handling" has been established. Employees may fill in the "Employee Complaint Form" according to these Regulations and submit it to the Human Resources Department. Case investigation and subsequent processing will be handled by the responsible personnel; an email in-box is specially set up for employee complaints and announced on the Company's official website, which allows employees to convey their opinions securely and confidentially.	None

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Explanation	
(3) Does the company provide a healthy and safe working environment and organize training on health and safety for its employees on a regular basis?	V		(3) The building in which the Company is based, holds fire drills from time to time to ensure safety of the work environment. The procedure for labor health and safety self-checks and processing has been set up; regular health and safety education for the employees has been planned. Health and safety measures for the work environment: 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: (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: (1) The labor health and safety management plan, labor health and safety code of practice, application for occupational injury claims and management specifications related to various hazardous operations were drafted in accordance with laws and regulations.	None

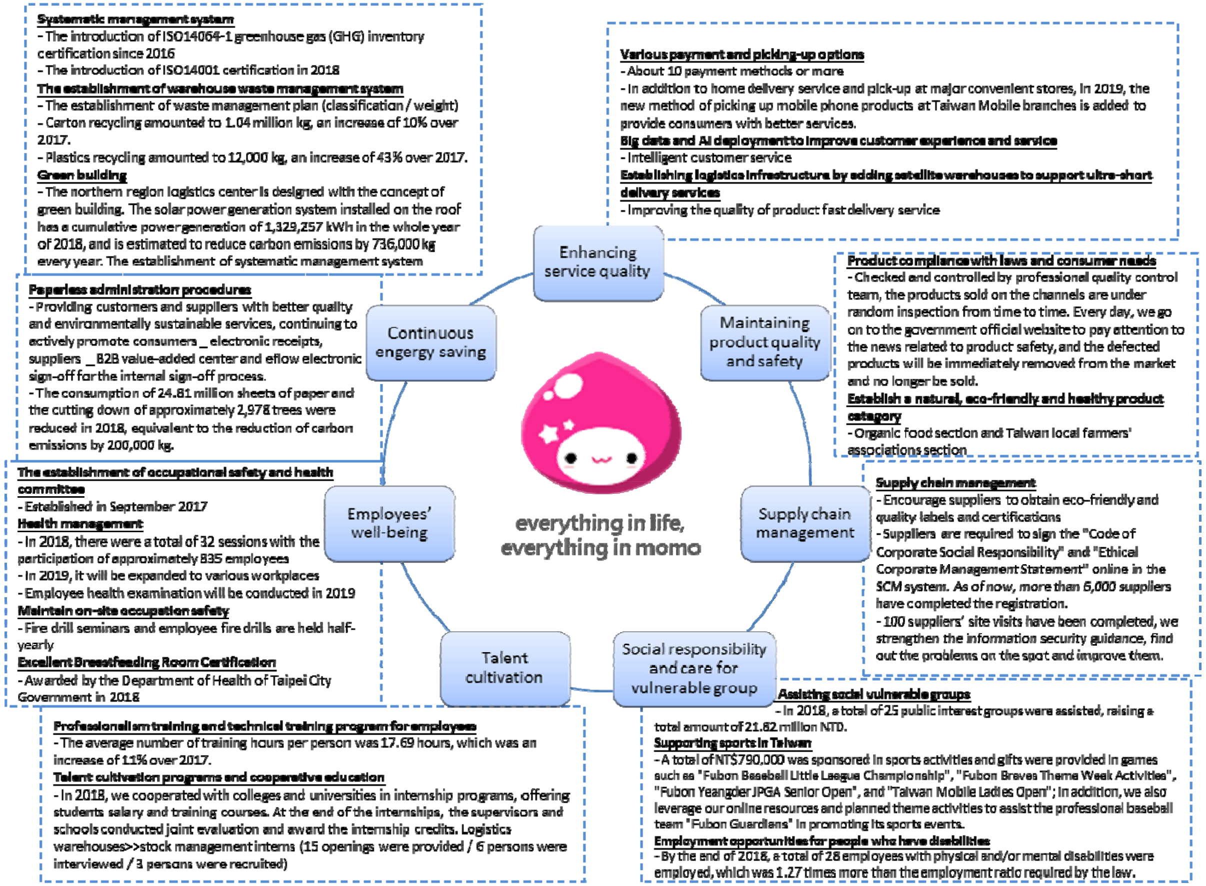
Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Explanation	
			(2) Various machinery and mechanical equipment: check list for items on the self-check for the periods by days, weeks, months, quarters, half-yearly, and yearly, to ensure operation safety of mechanical equipment. (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. (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. (5) In order to take care of each employee's personal health, the Company has established a comprehensive employee health management system, and provides pregnant employees with assistance such as maternal care and continuous breastfeeding education. In 2018, the Company was awarded the "Excellent Breastfeeding Room Certification" by the Department of Health of Taipei City Government. Providing rehabilitation assistance to any employee suffers from occupational injury, such as adjusting work content and location, or wound care and health education. It has been declared and announced that all employees are protected from wrongful physical or mental violations in the workplace that would result in physical and mental illness. Any incident of violence or sexual harassment is absolutely prohibited. Complaint channel with specially-assigned personnel is set up to provide all kinds of assistance and protect employees. Through the above-mentioned management, the health of employees is fully taken care of.	

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Explanation	
			(6) Health promotion: To increase employee health and vitality, the Company has collaborated with local health centers and held relevant classes and seminars for employees to attend. The Company received the health smoke prevention mark and the health certification initiation mark certification from government agencies for two consecutive years in 2014 and 2015, respectively. The Company has been arranging health promotion classes and activities since 2016, and completed the healthy workplace promotion certification (effective until 2019) for the year and received Taipei City's outstanding healthy workplace award. A total of 32 health promotion classes were held during 2018. Based on the implementation statistics, the classes were attended by 835 individuals and in the optional sports competitions, (1) there was an accumulated consumption of 1,386,011 kcals by the participating employees and (2) the accumulated running distance of the participating employees reached 2,116.23 km. (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 seminars and employee fire drills are held half-yearly in cooperation with building management.	
(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) The 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 communication mechanism with the employees. The Company also regularly convenes employee welfare committee meetings to discuss policies for employee benefits, so to achieve the objective of maximizing employee welfare. Labor-management meetings are held every quarter to promote labor-management communication and improve labor-management cooperation.	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	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	
			training programs for current employees and managerial roles. It also provides employee subsidies for external trainings to encourage employees’ professional advancement and development.	
(6) Does the company establish any consumer protection mechanisms and appealing procedures regarding research development, purchasing, producing, operating and service?	V		(6) In order to protect consumers’ rights and interests, the company has devised relevant standards and regulations to securely protect customer information. Loss of sensitive information is strictly prohibited. Customer service phone lines are also set up for trained and supervised personnel to answer and reply consumers’ questions.	None
(7) Does the company advertise and label its goods and services according to relevant regulations and international standards?	V		(7) The Company is mainly engaged in TV shopping, online shopping, and mail order services as the main business projects, and has obtained licenses for: the sale of pharmaceuticals license, tobacco and alcohol import license, etc. 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.				

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Abstract Explanation	

6. Other important information to facilitate better understanding of the company’s corporate social responsibility practices：



The company has set up a corporate social responsibility (CSR) committee, where the President C. F. Lin 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

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
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. 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.				
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) Evaluated by SGS to have passed the Personal Information Management System (PIMS) (BS10012:2017) certification (3)The British Standard Institution (BSI) reviewed our 2017 annual CSR report and acquired its independent assurance opinion statement at the end of 2018.				

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 in charge of corporate integrity?	V		(2) The Corporate Governance Team under the Corporate Social Responsibility Committee of the Company is the concurrent unit for the ethical corporate management promotion. It reports the implementation results to the Board of Directors on a yearly basis.	None
(3) Does the company establish policies to prevent conflicts of	V		(3) The company's good faith principle clearly outlines the policy for	None

<table>
<tr><th rowspan="2">Evaluation Item</th><th colspan="3">Implementation Status</th><th rowspan="2">Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Abstract Illustration</th></tr>
<tr><td>interest and provide appropriate communication channels, and implement it?</td><td></td><td></td><td>prevention of interest conflicts. The discovery of any violations shall be reported to the audit committee, managers, and internal audit supervisors.</td><td></td></tr>
<tr><td>(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?</td><td>V</td><td></td><td>(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.</td><td>None</td></tr>
<tr><td>(5) Does the company regularly hold internal and external educational trainings on operational integrity?</td><td>V</td><td></td><td>(5) In order to enable employees, managers and Directors to know and abide by the good faith principles for corporate, Company presents organization policies and procedures to employees on their first day at work. And, Company regularly holds online courses and tests every year to enhance the concept of good faith and self-discipline. As for business activities with higher unethical risks, the Company has established an effective accounting system and internal control system. There are no external accounts or secret accounts kept, and the systems are reviewed at all times to ensure that their design and implementation continue to be effective.
The results of the 2018 implementation are as follows. All employees are required to complete the courses and their scores must reach 80 to pass the test:
<table>
<tr><th>Course name</th><th>Hours</th><th>Sessions</th><th>Description</th></tr>
<tr><td>Good faith principles for management, moral code of conduct, and trade secrets promotion for in-service employees</td><td>1,973</td><td>1 session</td><td>100% of the in-service employees during the span of the course completed the online course and passed the test</td></tr>
<tr><td>New recruits orientation</td><td>2,250</td><td>67 sessions</td><td>100% of the reported new employees completed the orientation</td></tr>
</table></td><td>None</td></tr>
</table>

Evaluation Item	Implementation Status: Yes	Implementation Status: No	Implementation Status: Abstract Illustration	Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
3. Operation of the integrity channel (1) Does the company establish both a reward/punishment system and an integrity hotline? Can the accused be reached by an appropriate person for follow-up? (2) Does the company establish standard operating procedures for confidential reporting on investigating accusation cases? (3) Does the company provide proper whistleblower protection?	V		When the company’s directors, managers, employees, and de facto controllers of the company discover any cases of good faith principle violations, they shall actively report the violations to the internal auditing department. The company shall keep the reporter’s identity and report content confidential. If the reported cases are confirmed to violate the good faith principle after conscientious investigation, the company shall administer penalties based on the severity of the violations.	None
4. Strengthening information disclosure (1)Does the company disclose its ethical corporate management policies and the results of its implementation on the company’s website and MOPS?	V		(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 principles. Where violations are found, they shall be reported to the Audit Committee, managers, internal audit supervisors or other relevant parties. 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 1969 employees during 2018), 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.	None
5. If the company has established the ethical corporate management policies based on the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies, please describe any discrepancy between the policies and their implementation. There have been no differences.				
6. Other important information to facilitate a better understanding of the company’s ethical corporate management policies (e.g., review and amend its policies). None				

Corporate Governance Guidelines and Regulations：

Please visit the company website (http://www.fmt.com.tw/) for the reference of the company's "Practical Guidelines for Company Management," "Shareholder Meeting Regulations," "Board of Directors Meeting Regulations," "Organizational Procedures for the Audit Committee," "Organizational Procedures for the Compensation Committee," "Management and Operational Procedures for Insider Trading Prevention," "Guidelines for Ethical Behaviors," "Good Faith Principles for Management," "Practical Guidelines for Corporate Social Responsibility", "Measures for Handling Cases of Illegal and Unethical or Dishonest Conduct", "Regulations related to Financial and Business Matters among Affiliated Companies", and "Operational Procedures for Specific Company and Related Party Transactions of Group Companies"

Other Important Information Regarding Corporate Governance：

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

1. Since 2017, the Company's Directors have been elected by adopting the candidate nomination system. Matters in the shareholders' meetings have been voted one by one, and the voting rights may be exercised by electronic voting. The voting result of each matter in the shareholders' meetings will be announced on the same day to fully protect the shareholders' rights and interests.
2. In order to treat shareholders equally, since 2016, Chinese and English information will be provided simultaneously for major news, financial reports and related information of the shareholders' meetings.
3. In 2017, the Company voluntarily participated in the corporate governance system evaluation certified by the Taiwan Corporate Governance Association for the first time, and passed the "CG6011 (2017) Corporate Governance System Evaluation Standard Certification" in one attempt.

Internal Control Systems：

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

Year	Accountants' Recommendations	Improvement Status
2016	No Material Weaknesses	Not applicable
2017	No Material Weaknesses	Not applicable
2018	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 55
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 2018 annual general meeting (AGM):

AGM dated May17, 2018

(1) Business report and financial statement for 2017 was approved.

(2) Distribution of earnings for 2017 was approved.

State of implementation: June 10, 2018 was designated as the date of benchmark for dividend allocation, while June 27, 2018 was designated as the date of payment (share dividend of NT$7.7745; cash distribution of NT$0.2255 from capital reserve, totaling in earning of NT$8.0 per share).

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

State of implementation: June 10, 2018 was designated as the date of benchmark for dividend allocation, while June 27, 2018 was designated as the date of payment (share dividend of NT$7.7745; cash distribution of NT$0.2255 from capital reserve, totaling in earning of NT$8.0 per share).

(4) Amendment to the "Operational Procedures for Loaning of Funds and Making of Endorsements/Guarantees" of the Company was approved

(5) Lifting of non-competition restrictions for Directors of the Company was approved

2. The contents and implementation of major resolutions in 2018 interim shareholders' meeting:

1st interim shareholders' meeting dated September 7, 2018

(1) Amendment to the Company's "Articles of Incorporation" was approved

State of implementation: The change in registration of company had been completed on October 1, 2018.

3.Major resolutions at the shareholders' meeting and board meetings of 2018 and as of the date of the annual reports printed:

(1) 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

(2) The 5th meeting of the sixth session of Board of Directors, March 30, 2018

a. distribution of the Company's earnings and capital reserve for 2017 was approved

b.Amendment to the "Operational Procedures for Loaning of Funds and Making of Endorsements/Guarantees" of the Company was approved

(3) The 8th meeting of the sixth session of Board of Directors, July 20, 2018

a. The Company's Articles of Incorporation was amended and approved.

(4) The 9th meeting of the sixth session of Board of Directors, Oct. 29, 2018

a. The appointment of "full-time personnel of corporate governance"

b. Amendment to the Company's "Regulations Governing the Board Performance Evaluation" was approved

c. The cancellation of 2 million treasury shares was approved

d. Lifting of non-competition of the managers

(5) The 11th meeting of the sixth session of Board of Directors, January 29, 2019

a. the 2018 financial report was approved.

b. employee and director remuneration allocation for 2018 was approved

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

d. The appointment of the members of the 2nd Remuneration Committee was approved

e. Acquisition or disposal of right of use asset for the rental of Chengde Building was approved

f. Lifting of non-competition restrictions for new Directors of the Company

g. convening the Company's shareholders' meeting for 2019 was approved

momo.com Inc.
Internal Control Statement

Date: January 29, 2019

momo states the following with regard to its internal control system for the year 2018:

1. momo is fully aware that establishing, operating and maintaining an internal control system are the responsibilities of its Board of Directors and management. momo 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, 2018, 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 29, 2019, where all of the eight attending directors did not express any dissenting opinion and affirmed the content of the same.

momo.com Inc.

CF Lin Chairman	CF 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：

Title	Name	Date First Elected	Date of dismissal	Reason for resignation or dismissal
Chairman	Howard Lin.	2004.8.19	2018.12.14	Resignation

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	Vita Kuo	Peter Lin	2018.1.1~2018.12.31	

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		
4	NT$6,000,001~NT$8,000,000			V
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	Vita Kuo 、Peter Lin	5,755	-	-	-	400	400	2018.1.1~ 2018.12.31	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	Year / Name	2018		As of Feb. 27, 2019	
		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: C.F. Lin. (Assumed office on December 14, 2018)	-	-	-	-
	Wealth Media Technology Co. Ltd. Representative: James Jeng	-	-	-	-
	Wealth Media Technology Co. Ltd. Representative: Summer Hsieh (Assumed office on March 1, 2018)	-	-	-	-
	Wealth Media Technology Co. Ltd. Representative: Chris Tsai (Assumed office on December 14, 2018)	-	-	-	-
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: OH KABRYEOL (Assumed office on March 1, 2018)	-	-	-	-
Independent director	CHEN,HONG-SO	-	-	-	-
Independent director	Brian Y. Hsieh	-	-	-	-
President	C.F. Lin				
Vice President	Summer Hsieh				
Vice President	Leanne Wang	-	-	-	-
Vice President	Jeremy Hong				

Title	Year / Name	2018		As of Feb. 27, 2019	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Financial & Accounting Division Senior Director	Gina Lu	-	-	-	-
International Business Division Senior Director	Kiki Hung	-	-	-	-
Information Technology Division Director	Robinson Lin	(2,000)	-	-	-
TV Merchandise Division Director	Sabrina Huang	1,000	-	-	-
Supporting Service DivisionDirector	Jason Ko (Assumed office in May 2018)	1,000	-	-	-
Marketing Communications Dept.Director	Terry Lee (Assumed office in May 2018)	-	-	-	-
Internal Audit Office Assistant Manager	Dong-Nan Liang	-	-	-	-
Chairman	Wealth Media Technology Co. Ltd. Representative: Howard Lin. (Resigned on December 14, 2018)	-	-	-	-
Director	Wealth Media Technology Co. Ltd. Representative: Jerry Kao (Resigned on March 1, 2018)	-	-	-	-
Director	Wealth Media Technology Co. Ltd. Representative: KIM, IN HO (Resigned on March 1, 2018)	-	-	-	-
Independent director	Shikuan Chen (Resigned on January 10, 2019)				
Vice President	Vicky Tu (Resigned in August, 2018)				

2.Shares Trading with Related Parties: None

3.Stock pledged with related party: None

viii.Relationship of the Top 10 Shareholders

As of Aug. 9, 2018

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	
Tong-An Investment Co., Ltd.	15,470,000	10.89%	-	-	-	-	-	-	
Chairman：Mao-Hsiung Huang	-	-	-	-	-	-	-	-	
WOORI HOME SHOPPING CO.,LTD.	14,014,000	9.86%	-	-	-	-	LOTTE SHOPPING CO.,LTD.	Person responsible is the same individual	
Chairman：Shin Dong Bin	-	-	-	-	-	-	LOTTE SHOPPING CO.,LTD.	Chairperson of the company	
LOTTE SHOPPING CO.,LTD.	7,319,420	5.15%	-	-	-	-	WOORI HOME SHOPPING CO.,LTD.	Person responsible is the same individual	
Chairman：Shin Dong Bin	-	-	-	-	-	-	WOORI HOME SHOPPING CO.,LTD.	Chairperson of the company	
Fubon Life Insurance Co., Ltd.	6,650,000	4.68%	-	-	-	-	Wealth Media Technology Co., Ltd.	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	-	-	-	-	-	-	Wealth Media Technology Co., Ltd.	Director of said company	
SmallCap World Fund Inc.	4,244,000	2.99%	-	-	-	-	-	-	
Fubon Financial Venture Capital Investment Co. Ltd.	2,730,000	1.92%	-	-	-	-	Wealth Media Technology Co., Ltd.	Tangible party of interest	
							Fubon Life Insurance Co., Ltd.	Company belonging to the same group	
Chairman: Pao-Lin Ma	-	-	-	-	-	-	-	-	
Howard Lin	27,101,36	1.91%	-	-	-	-	Fubon Life Insurance Co., Ltd	Vice chairman of said company	
							Fubon Financial Venture Capital Investment Co. Ltd.	Director of said company	
China Chemical & Pharmaceutical Co., Ltd.	1,300,000	0.92%	-	-	-	-	-	-	
Chairman：Wang, Hsun-Sheng	-	-	-	-	-	-	-	-	
Asia Discovery Emerging Companies Master Fund Pte. Ltd.	1,300,000	0.92%	-	-	-	-	-	-	

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)

viiii.Ownership of Shares in Affiliated Enterprises

As of Dec. 31, 2018；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
BEBE POSHE International Co., Ltd.	8,500	85			8,500	85
Taiwan Pelican Express Co., Ltd.	16,893	17.7	6,474	6.78	23,367	24.48
TVD Shopping Co., Ltd.	24,150	35	-	-	24,150	35
Asian Crown International Co.,Ltd.	9,735	81.9916	-	-	9,735	81.9916
Honest Development Co., Ltd	21,778	100	-	-	21,778	100

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

IV. Financial Information

i. Capital and shares

Source of capital

As of Feb. 27, 2019；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
Jan. 2019	10	150,000,000	1,500,000,000	140,058,500	1,400,585,000	Capital decrease of NT$2,000,000 by cancellation of treasury stocks	-	Note9

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
Note 9：Authorization No. 10701163920 on Jan.19,2019

As of Feb. 27, 2019
Unit: shares’000

	Authorized capital			Remarks
	Listed shares	**Unissued shares**	**Total**	
Common stock	142,059	9,941	150,000	

Note: Based on the registration of change with the Ministry of Economic Affairs, the capital decrease change registration for the cancellation of 2,000,000 treasury shares was completed.

Information related to shelf registration: None.

Shareholder structure

As of Aug.9, 2018

	Government agencies	Financial institutions	Other institutions	Individuals	Foreign institutions & individuals	Total
No. of shareholders	—	—	52	120	2,999	3,171
Total shares owned	—	—	93,792,676	35,575,934	12,689,890	142,058,500
Holding percentage (%)	—	—	66.02%	25.04%	8.93%	100.00%

Note：Foreign institutions or individuals without mainland Chinese investors.

Shareholding distribution

Common shares

As of Aug.9, 2018

Shareholding range			No. of shareholders	Total shares owned	Holding percentage(Note)
1	～	999	1,177	44,699	0.03 ％
1,000	～	5,000	1,658	2,813,120	1.98 ％
5,001	～	10,000	125	961,397	0.68 ％
10,001	～	15,000	40	505,123	0.36 ％
15,001	～	20,000	28	482,422	0.34 ％
20,001	～	30,000	32	813,156	0.57 ％
30,001	～	50,000	27	1,120,620	0.79 ％
50,001	～	100,000	25	1,825,533	1.29 ％
100,001	～	200,000	28	3,990,035	2.81 ％
200,001	～	400,000	11	2,915,336	2.05 ％
400,001	～	600,000	5	2,561,960	1.80 ％
600,001	～	800,000	3	1,961,588	1.38 ％
800,001	～	1,000,000	0	-	- ％
1,000,001		and above	12	122,063,511	85.93 ％
		Total	3,171	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 Aug.9, 2018

	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%
SmallCap World Fund Inc.	4,244,000	2.99%
Fubon Financial Venture Capital Investment Co. Ltd	2,730,000	1.92%
Howard Lin	2,710,136	1.91%
China Chemical & Pharmaceutical Co., Ltd.	1,300,000	0.92%
Asia Discovery Emerging Companies Master Fund Pte. Ltd.	1,300,000	0.92%

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%) TECO International Investment Co., Ltd. (0.2%) An Tai International Investment Co., Ltd (0.2%)
WOORI HOMESHOPPING CO., LTD.	Lotte Shopping Co., Ltd. (53.03%) Taekwang Industrial Co., Ltd. (27.99%) Daehan Synthetic Fiber Co., Ltd. (10.21%) TSIS Co., Ltd. (6.78%)
LOTTE SHOPPING CO., LTD.	LOTTE Corporation (38.8%) Shin Dong Bin (9.84%) Hotel Lotte Co., Ltd. (8.86%) Minority shareholders (42.5%)
Fubon Life Insurance Co. Ltd.	Fubon Financial Holding Co. Ltd. (100.00%)
Fubon Financial Venture Capital Investment Co. Ltd.	Fubon Financial Holding Co. Ltd. (53.80%), Fubon Securities Co. Ltd. (25.00%) Fubon Securities Co., Ltd. (11.20%) Fubon Insurance Co., Ltd. (10.00%)
China Chemical & Pharmaceutical Co., Ltd.	Synmosa Biopharma Corporation (8.92%) Wang, Hsun-Sheng (4.93%) Wang, Hsun-Hui (4.62%) Fubon Life Insurance Co. Ltd. (4.36%) Wang Ming-Ning Memorial Foundation (3.50%) Citibank, custodian trustee of investment account at Norges Bank (2.40%) Markart Enterprise Co., Ltd. (1.79%) Chunghwa Chemical Synthesis & Biotech Co.,Ltd (1.69%) Guan Enterprise Co., Ltd. (1.35%) Citibank (Taiwan), the custodian trustee of investment account of Dimension Emerging Markets Assessment Fund (1.25%)

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

Unit: NT$, '000 shares

			2017	2018	As of Feb. 27 2019
Share price (NT$)	High		235.5	303	246.5
	Low		188.0	168	187
	Average		210.14	220.14	223.65
Net worth per share (NT$)	Before earnings appropriation		41.37	43.91	－
	After earnings appropriation		33.48	Note	－
Earnings per share (NT$)	Adjusted weighted average outstanding shares		140,059	140,059	140,059
	Earnings per share		9.07	10.35	－
Dividends per share (NT$)	Cash dividends		8	Note	－
	Stock dividends	—	－	Note	－
		—	－	－	－
	Accumulated unpaid dividends		－	－	－
PE and dividend yield	Price earnings ratio		23.17	21.27	－
	Price to cash dividend		26.27	－	－
	Cash dividend yield		3.81	－	－

Note：Figures after distribution referred to above is based on the resolutions approved during the shareholders' meetings for the fiscal year. 2018 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, 2016):

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

As of the printing date of the annual report, the Board of Directors of the Company has not yet approved the 2018 distribution of earnings. A meeting of the Board of Directors is proposed to be held within 40 days of the annual shareholders' meeting for its resolution. Relevant information will be disclosed on the Company's website and in 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 2017 earnings, the shareholders' dividend of the year is not lower than 88.22% 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 29, 2019, approved the remuneration for employees and directors for 2018, where a total of NT$1,480,360 was allocated for employee remuneration and NT$1,480,360 for director remuneration, respectively. The amount was distributed in cash andreported at the 2019 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, 2018, where a total of NT$1,524,545 was allocated for employee remuneration and NT$1,524,545 was allocated for the directors, respectively. This was confirmed to be the same as listed in the 2017 financial report.

Buyback of Treasury Stock

As of Feb. 27, 2018

Batch number of treasury shares buyback	The1st batch in 2015
Purpose of buyback	Transfer ownership of shares to employees
Buyback period	October 27, 2015–December 15, 2015
Price range of shares to be repurchased	NT$160~250 (the Company may still repurchase when the market price falls below the lower limit of the price range)
Types and quantity of repurchased shares	2,000,000 shares
Total value of repurchased shares	NT$397,175,061
The number of shares cancelled or transferred	2,000,000 shares
Accumulated number of company shares held	0 shares
Accumulated number of company shares held as a percentage of total company shares issued (%)	0%

Note: In the Board Meeting on October 29, 2018, it was resolved to cancel the treasury shares bought back in 2015, and the capital reduction record date was set to be December 15, 2018. After the approval of the Ministry of Economic Affairs on January 19, 2019, the change registration was completed.

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. I301040 The third party payment
Q. G902011 Type II Telecommunications Enterprise
R. G801010 Warehousing and Storage
S. 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

	2017		2018	
	Revenue	**% of total**	**Revenue**	**% of total**
TV Shopping and Catalogue Shopping	6,601,278	19.86	6,528,702	15.54
Online shopping	26,571,966	79.94	35,388,799	84.22
Others	65,303	0.20	99,511	0.24
Total	33,238,547	100.00	42,017,012	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 on-shopping, the product diversification will have impact on TV ratings and the customers reached. The more diversification of the product categories, the more customer bases will be reached. Therefore, new categories will likely develop new customer base and lower the risks associated with highly concentrated product categories. In 2018, we continued to develop new products, while aggressively introduced overseas products to expand the breadth of product categories and establish our platform uniqueness in order to attract a more diversified customer base.

(2) Introduction of new brands

New brand has always been important to momo. When working with a brand, from the negotiations, sales on platforms, customer development, to the incubation of benefits, all of which take more than six months at least. Brand companies' the quality assurance, rich marketing resources and stable supply chains are beneficial to the long-term development of momo. Consequently, in recent years, momo has being working more closely with brand names. Through the co-planning of marketing resources, we maximize the synergy between the channels and the brand names.

(3) Expanding new platforms

With the saturation of cable TV's audience ratings, shorter cable TV viewing time, and the trend of TV digitalization and mobile devices, TV shopping shall not only focus on the cable TV platform but also expand its territory to digital and mobile platforms. Platforms that have been launched since 2015 are as follows: TV APP, Facebook fan page, Line@ and Multimedia On Demand (MOD) of Chunghwa Telecom. In 2018, we focused on integrating the developed synergy of the above platforms, and also began to engage with the major OTT operators to expand our layout.

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 programing 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 home 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	2	4	1
Number of MOD channels	2	5	2
Number of Households	5 Million	5 Million	5 Million
Multi-Channel	EC/Catalog/Mobile Commerce	EC/Catalog/Mobile Commerce	EC Commerce

b The household penetration rate of cable TV and digital TV in Taiwan 2015Q1~2018Q3

	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
2015Q1	8,402,104	5,012,159	4,131,941	49.18%	59.65%
2015Q2	8,427,075	5,023,988	4,271,409	50.69%	59.62%
2015Q3	8,459,688	5,043,726	4,408,742	52.11%	59.62%
2015Q4	8,468,978	5,078,876	4,563,243	53.88%	59.97%
2016Q1	8,479,633	5,105,088	4,650,787	54.85%	60.20%
2016Q2	8,499,758	5,143,761	4,776,985	56.20%	60.52%
2016Q3	8,536,883	5,175,093	4,874,844	57.10%	60.62%
2016Q4	8,561,383	5,205,562	4,988,968	58.27%	60.80%
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%

	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
2017Q4	8,649,000	5,225,255	5,196,974	60.09%	60.41%
2018Q1	8,664,510	5,194,779	5,173,008	59.70%	59.95%
2018Q2	8,686,376	5,156,824	5,141,507	59.19%	59.37%
2018Q3	8,722,997	5,117,121	5,112,620	58.61%	58.66%

According to the data from 3Q15 to 3Q18, cable TV’s penetration rate in Taiwan had a slight drop in 2018. However, due to the continuing increase of total number of households, the subscribers to the cable TV remained over 5,100,000. The number of digital users, given the government’s various promotion of digitalization policy, had been steadily increasing every quarter over the past few years, and became comparable to the number of subscribers to the cable TV as of 4Q17. The popularization of both cable TV and digital TV and the mature market environment are beneficial to the long-term and stable development of TV shopping 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) E-commerce

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 higher and higher number of online users in Taiwan, coupled with continuous innovation by Taiwanese e-commerce industry and the highly developed 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 on-shopping continues to develop. According to the research by the Department of Statistics of MOEA, in 2018, the scale of Taiwan’s virtual retail market was

NT$254,700,000, with the annual growth of 7% from last year, accounting for approximately 6% of the entire retail industry. Such percentage in the entire retail industry was a growth of 3% YoY, which shows the virtual retail industry still has higher growth momentum.

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 2011 survey to approximately 79.2% currently, showing a growing trend. It is estimated that the number of Internet users in Taiwan is over 18,660,000. The popularization of smart phones, tablets and other mobile devices in recent years has not only contributed to the diversification of Internet accesses, but also created a new wave of commercial opportunities for mobile shopping. Presently, the online shopping usage rate of Internet users in Taiwan has reached 64.2%.

c. Mobile shopping and other factors affecting e-commerce

Based on TWNIC's 2018 mobile Internet usage survey, approximately 76.9% of Taiwanese utilize mobile Internet access, with an estimated population of 16,270,000 - an increase of 7.6% YoY - showing a continued upward trend for mobile Internet usage.

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 platforms can serve as a guarantee of money flow and reduce the financial cost (FX) for cross border transactions for both parties. They allow the buyers and sellers of mobile online shopping and cross border online shopping to complete the transactions more comfortably, conveniently and quickly, thereby enhancing the vigorous development of mobile shopping and cross-border transactions. The next is the logistics and distribution integration. Delivery guarantees of online shopping platforms in Taiwan has been reduced from 24 hours at first to 12 hours, and now some platforms are even offering 6 hour delivery services. Online retailers/platforms' distribution services continue to compete with time and have effectively shortened the difference between the amount of time needed to have products reach the consumers from the physical stores and from the virtual channels. The ever improving services are also a key strategic advantage of virtual channels when infiltrating physical stores, and one that will continue to erode any advantages physical stores 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 in Taiwan. Currently, due to the inconsistencies in various countries' policies and supporting systems for money flow and logistics, integration of the ecosystem remains challenging. However, as countries emphasize more and hold a more open attitude toward e-commerce, more frequent cross-border online transactions and richly cultivated cross-border operations will be realized.

(3) Catalogue

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 home shopping

Although TV shopping can provide vivid introduction of products, it is constrained by the air time, meaning number of SKUs available for sales is limited and selection of products is also limited for some consumers. Even though TV remains a powerful and effective communications tool, the traditional TV viewership and interactions with consumers have declined due to the growth of mobile devices. As a result, the main development trends of the TV shopping industry are social medialization, "go mobile" and differentiated of product offerings. Companies are committed to develop shopping APPs and video streaming with the social platforms. Combining the flow of people on the social platforms, the convenience of mobile shopping and the stickiness of audio and video media, TV shopping can be free from the space restrictions and have more in-depth contact with consumers; Product wise, TV shopping companies focused more on promoting domestic and international brands in the past. Going forward, in order to meet the consumer demand for diversified products, these companies will expand the introduction of foreign differentiated products and leverage procurement power of TV large-scale purchase to secure better pricing of the latest foreign products for the consumers.

(2) E-commerce

In recent years, online shopping are more and more attaching social networks as well as data applications. Traditional shopping networks provide a diverse selection of products to meet consumer demands. However, when facing millions of products on the websites, more often than not, online shoppers can only browse products based on brand impressions or through limited pages, and the proportion of products actually purchased is limited. Therefore, many shopping websites began to focus on functions offered by social networks such as the promotion effect of "recommendations from fellow shoppers" and opinion leaders. For example, Amazon acquired Quoru; Alibaba invested in Sina Weibo and established Weitao; and the live streaming commerce caused by the live streaming sensation in recent years. They all hope to reduce the cognitive differences of products during shopping and the purchasing risk of new adopters through managing the social networks' users' reviews and various aspects of product descriptions. At the same time, through the various behavioral data of consumers during browsing, the potential demand of the online shopping group can be further analyzed, the required products can be presented in a timely and appropriate manner when the customer needs them, and the consumers can be created as a positive feedback loop.

(3) Catalogue

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 the 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 home 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. There is no existing substitute of the same nature. However, the TV shopping market has been negatively impacted by the rise of new virtual shopping platforms (e-commerce and mobile business) in recent years and the gradual reduction of consumers' dependence on TV. Despite the competition among channels and the environmental disadvantages, momo TV still launched its own TV shopping APP in time, adapting to the rise of digital audio and video and mobile transactions. Therefore, although the revenue of traditional TV channels has declined, there is still room for growth in the OTT platform and mobile APP. Overall, it still has considerable competitive advantages.

(2) E-commerce

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

(3) Catalogue

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

Long-term and Short-term Development

1. Short-Term business development plan

(1) TV home 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 shopping and digital platforms (i.e. Chunghwa Telecom MOD, OTT platforms)

Digitization of TV platforms and mobile business has already been a trend. momo introduced momo TV APP in the end of October 2014, its main functions are watching live streaming and top selling product VODs on smart phones, and placing orders directly using mobile phones. Due to constant growth in Chunghwa Telecom MOD platform users, the market is steadily maturing. As a result, momo also launched two MOD TV shopping channels in November, 2017, to promote the media content of TV shopping to digital platforms outside traditional TV channels, in order to increase audience ratings and broaden viewership. In addition to MOD, momo TV shopping is also actively deploying the OTT platforms, and has already approached the major OTT operators to develop the layout.

c. Managing the Key Suppliers; Introducing the SCM System

By examining leaders that continue to grow in the TV shopping industry in other countries, supply chain management of key suppliers and the introduction of SCM systems are critical to stabilizing the supplier base. We continue to optimize the SCM system, while conducting annual planning and performance management for the key suppliers on a category basis.

(2) E-commerce

a. Enhancing the differences in platform services

In the future, momo will focus on service enhancement, for example: providing installation services for large home appliances, immediate online customer service, after-sales warranty and maintenance, tracking of delivery history and other services; expanding the layout of logistics services and providing a complete distribution mechanism from northern to southern Taiwan; continuing to improve various user experiences to enhance the differences in platform services.

b. Enhancing product line diversity

The variety of products on momoshop.com has already reached high diversification, but the refining and developing of various product categories will continue from now on, in order to increase the number of brands and completeness of items in all the categories. This will offer consumers more choices when shopping on momoshop.com and increase product sales efficiency through strengthening the diversification of product lines.

c. Increase content diversity on social network platforms

In the future, momo will be striving to manage its social networks and provide more articles, video and audio contents on products, lifestyles or related information. For example: recommending food and kitchenwares in "momo cafeteria" and improving live streaming contents -- marketing through the rich content to gain greater viewership and new members.

(3) Catalogue

a. Developing E-catalogues and Reaching More Customers

Catalogue shopping aims to increase the number of purchase orders by adding additional transaction capabilities through mobile apps, in additional to existing order methods of telephone, faxes, and mail-in order. Purchase functions are set up on momoshop portal and its app to enable shoppers who are interested in the momo catalogues to obtain a copy (or recommend them to their friends) online. Regarding web page design, contrary to regular web pages, which scroll up and down, the catalogues will adopt an e-book-like, left-to-right, right-to-left format, to improve its readability and visual layup more akin to paper versions of the catalogue. With respect to purchase orders placed through faxes and mail-in orders, such services are still be offered despite the current focus of momo catalogue shopping being 24-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 home 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 porgram 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) E-commerce

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

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

	2017		2018	
	Revenue	% of total	Revenue	% of total
Taiwan	33,205,467	99.90%	41,948,323	99.84%
China	33,080	0.10%	68,689	0.16%
Total	33,238,547	100%	42,017,012	100%

2. Market status

(1) TV home 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 in2016,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) E-commerce

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 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 retails 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 the statistics of the Department of Statistics of MOEA, the scale of the virtual retail market in Taiwan had grown from NT$190.7 billion in 2013 to NT$254.7 billion in 2018, which was an increase of approximately 34%; However, Taiwan's entire retail market had grown from 3,857.3 billion in 2013 to 4,276.5 billion in 2018, which was an increase of approximately 11%. The upward growth trend of the virtual retail market is clear for the following 3-5 years.

(3) Catalogue

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 home shopping

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

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

b. Channel integrations with E-commerce and catalogues

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

c. Leverage the scale of our members

momo.com Inc. officially launched its TV home shopping channels in January, 2005. By May of 2005, momohop.com and momo catalogue was went live. As of 2018, there are over 4.70 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) E-commerce

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 12.3% YoY increase in membership number, totaling 8.20 million users as of December 2018.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

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 dinning, 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 2019, 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 implementing the e-commerce capability and developing an international market, 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.

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

   Not applicable. 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

   Not applicable. The Company does not sell to any specific customers. 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

	2017				2018			
	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	4,009,781	6,601,278	-	-	3,767,651	6,528,702	-	-
Online shopping	27,615,184	26,571,966	-	-	40,488,274	35,388,799	-	-
Others	-	32,223	67,564	33,080	-	30,822	74,653	68,689
Total	31,624,965	33,205,467	67,564	33,080	44,255,925	41,948,323	74,653	68,689

Reasons for the differences: The market demand continues to grow, so the Group's shopping website business has also grown.

iii.Human Resources

Employee statistics in the past two years up to publication date

Year		2017	2018	2019 (as of Feb 27)
Number of employees	Direct employees	1,168	1,247	1,221
	Indirect employees	658	850	879
	Total	1,826	2,097	2,100
Average age		34.19	34.38	34.57
Average years of service		4.61	4.33	4.43
Education level	Ph.D.	0.16%	0.10%	0.10%
	Master's	9.97%	9.49%	9.14%
	University	71.80%	71.81%	71.95%
	College	17.03%	17.60%	17.76%
	Others	1.04%	1.00%	1.05%

iv.Environmental Protection Expenditure

Loss or penalty due to environmental pollution in 2017 up to publication date in 2018: 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	◆ 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	◆ 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	◆ 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	◆ 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	◆ 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 he amount of each labor pension borne by the employer shall reserve 6% of the worker's monthly wage for individual accounts of labor pension at the Bureau for employees applicable to the Act.

Pension system	Old system	New system
Appropriation method:	Establishing the Supervisory Committee of Labor Retirement Reserve and appropriating 2% of the employee's monthly salary payment to be deposited in the pension reserve account according to the Labor Standards Act.	Appropriating 6% of the labor pension for each employee to the employee's individual account of labor pension at the Bureau of Labor Insurance in compliance with the Labor Pension Act.
Appropriated amount	Appropriated amount of 2018 was NT$1,419,535	Appropriated amount of 2018 was NT$69,190,489

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.	2015.07.20-2019.12.31	Lease contract for warehouse (EC Guishan warehouse)	Non-disclosure
Lease Agreement	Taiwan Fixed Network Co., LTD.	2018.01.01-2018.12.31	Lease of cable TV channel for launching TV shopping advertisements	Non-disclosure
Lease Agreement	KBRO CO., LTD.	2018.01.01-2018.12.31	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	Fubon Life Insurance Co., Ltd.	2018.08.01-2023.07.31	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
Sale Agreement	Taiwan Daifuku Co., LTD. Hsinchu Branch	2015.12.29-2018.12.29	Equipment procurement for 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 (2014-2018) – Based on IFRS

Unit: NT$'000

		2014 (Note 1)	2015 (Note 1)	2016 (Note 1)	2017 (Note 1)	2018 (Note 1)
Current assets		6,279,128	5,447,269	5,377,560	5,331,888	5,745,492
Property, plant and equipment (PP&E)		2,130,337	2,119,308	2,885,326	4,548,616	4,465,793
Intangible assets		16,412	10,386	16,707	57,214	97,151
Other assets		1,175,302	1,514,476	1,484,163	1,501,503	1,662,305
Total assets		9,601,179	9,091,439	9,763,756	11,439,221	11,970,741
Current liabilities	Before appropriation	3,048,577	3,197,086	3,718,448	5,280,337	5,543,234
	After appropriation	4,253,234	4,177,496	4,838,916	6,400,805	-(Note 2)
Non-current liabilities		241,612	252,828	263,965	282,137	277,004
Total liabilities	Before appropriation	3,290,189	3,449,914	3,982,413	5,562,474	5,820,238
	After appropriation	4,494,846	4,430,324	5,102,881	6,682,942	-(Note 2)
Equity attributable to owners of the parent company		6,310,990	5,641,525	5,781,343	5,876,747	6,150,503
Paid-in capital		1,420,585	1,420,585	1,420,585	1,420,585	1,400,585
Capital surplus	Before appropriation	3,329,617	3,354,858	3,175,583	3,057,738	2,976,991
	After appropriation	3,329,617	3,175,583	3,057,738	3,026,155	-(Note 2)
Retained earnings	Before appropriation	1,560,595	1,414,615	1,794,692	2,061,926	1,940,821
	After appropriation	355,938	613,480	792,069	973,041	-(Note 2)
Other equity interest		193	(151,358)	(212,342)	(266,327)	(167,894)
Treasury shares		-	(397,175)	(397,175)	(397,175)	-
Non-controlling interest		-	-	-	-	-
Total equity	Before appropriation	6,310,990	5,641,525	5,781,343	5,876,747	6,150,503
	After appropriation	5,106,333	4,661,115	4,660,875	4,756,279	-(Note 2)

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

Note 2：The appropriation amount for the 2018 earnings has not to be approved at the AGM yet.

2. Stand-alone statements of comprehensive income (2014-2018) – Based on IFRS

Unit: NT$'000

	2014 (Note 1)	2015 (Note 1)	2016 (Note 1)	2017 (Note 1)	2018 (Note 1)
Operating revenue	23,442,127	25,345,046	27,930,996	33,173,536	41,938,107
Gross profit	3,280,074	3,150,230	3,255,227	3,610,592	4,217,066
Operating income	1,597,377	1,289,018	1,293,955	1,394,563	1,423,093
Non-operating income (expenses)	(60,807)	13,208	125,248	127,157	54,825
Pre-tax income	1,536,570	1,302,226	1,419,203	1,521,720	1,477,918
Income from continuing operations	1,248,371	1,060,781	1,183,227	1,270,082	1,449,640
Loss from discontinued operations, net of tax	(78,329)	-	-	-	-
Net income	1,170,042	1,060,781	1,183,227	1,270,082	1,449,640
Other comprehensive income (after tax)	18,840	(153,655)	(62,863)	(54,210)	(50,102)
Comprehensive income	1,188,882	907,126	1,120,364	1,215,872	1,399,538
Profit attributable to owners of the parent company	1,170,042	1,060,781	1,183,227	1,270,082	1,449,640
Profit attributable to non-controlling interest	-	-	-	-	-
Comprehensive income attributable to owners of parent company	1,188,882	907,126	1,120,364	1,215,872	1,399,538
Comprehensive income attributable to non-controlling interest	-	-	-	-	-
EPS (NT$)	9.11	7.48	8.45	9.07	10.35

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

3. Consolidated condensed balance sheet (2014-2018) – Based on IFRS

Unit: NT$'000

		2014 (Note 1)	2015 (Note 1)	2016 (Note 1)	2017 (Note 1)	2018 (Note 1)
Current assets		6,792,676	5,940,774	5,715,073	5,683,832	6,168,249
Property, plant and equipment (PP&E)		2,264,717	2,190,151	2,921,160	4,565,326	4,477,398
Intangible assets		27,815	19,837	24,239	63,356	128,397
Other assets		949,303	1,456,688	1,450,828	1,465,380	1,452,508
Total assets		10,034,511	9,607,450	10,111,300	11,777,894	12,226,552
Current liabilities	Before appropriation	3,385,989	3,683,020	4,066,357	5,643,907	5,772,994
	After appropriation	4,590,646	4,663,430	5,186,825	6,764,375	-(Note 2)
Non-current liabilities		253,661	267,878	265,341	266,474	281,454
Total liabilities	Before appropriation	3,639,650	3,950,898	4,331,698	5,910,381	6,054,448
	After appropriation	4,844,307	4,931,308	5,452,166	7,030,849	-(Note 2)
Equity attributable to owners of the parent company		6,310,990	5,641,525	5,781,343	5,876,747	6,150,503
Paid-in capital		1,420,585	1,420,585	1,420,585	1,420,585	1,400,585
Capital surplus	Before appropriation	3,329,617	3,354,858	3,175,583	3,057,738	2,976,991
	After appropriation	3,329,617	3,715,583	3,057,738	3,026,155	-(Note 2)
Retained earnings	Before appropriation	1,560,595	1,414,615	1,794,692	2,061,926	1,940,821
	After appropriation	355,938	613,480	792,069	973,041	-(Note 2)
Other equity interest		193	(151,358)	(212,342)	(266,327)	(167,894)
Treasury shares		-	(397,175)	(397,175)	(397,175)	-
Non-controlling interest		83,871	15,027	(1,741)	(9,234)	21,601
Total equity	Before appropriation	6,394,861	5,656,552	5,779,602	5,867,513	6,172,104
	After appropriation	5,190,204	4,676,142	4,659,134	4,747,045	-(Note 2)

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

Note 2：The appropriation amount for the 2018 earnings has not to be approved at the AGM yet.

4. Consolidated statements of comprehensive income (2014-2018) – Based on IFRS

Unit: NT$'000

	2014 (Note 1)	2015 (Note 1)	2016 (Note 1)	2017 (Note 1)	2018 (Note 1)
Operating revenue	23,897,005	25,639,898	28,080,788	33,238,547	42,017,012
Gross profit	3,304,657	3,103,662	3,311,180	3,647,345	4,260,240
Operating income	1,427,415	1,058,769	1,270,418	1,389,063	1,422,418
Non-operating income (expenses)	82,335	177,290	140,872	131,237	57,194
Pre-tax income	1,509,750	1,236,059	1,411,290	1,520,300	1,479,612
Income from continuing operations	1,211,194	993,089	1,166,628	1,262,632	1,444,675
Loss from discontinued operations, net of tax	(78,329)	-	-	-	-
Net income	1,132,865	993,089	1,166,628	1,262,632	1,444,675
Other comprehensive income (after tax)	21,447	(154,807)	(63,032)	(54,253)	(49,899)
Comprehensive income	1,154,312	838,282	1,103,596	1,208,379	1,394,776
Profit attributable to owners of the parent company	1,170,042	1,060,781	1,183,227	1,270,082	1,449,640
Profit attributable to non-controlling interest	(37,177)	(67,692)	(16,599)	(7,450)	(4,965)
Comprehensive income attributable to owners of parent company	1,188,882	907,126	1,120,364	1,215,872	1,399,538
Comprehensive income attributable to non-controlling interest	(34,570)	(68,844)	(16,768)	(7,493)	(4,762)
EPS (NT$)	9.11	7.48	8.45	9.07	10.35

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

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

Year	Accounting firm	Name of CPA	Opinion	Replacement reason
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	-
2018	Deloitte & Touche	Vita Kuo, Peter Lin	Unqualified opinion	-

ii.Financial Analysis

Consolidated financial analysis (2014-2018) – Based on IFRS

		2014	2015	2016	2017	2018
Financial structure	Liability to asset ratio (%)	36.27	41.12	42.84	50.18	49.52
	Long-term fund to PP&E ratio (%)	293.57	270.5	206.94	134.36	144.14
Solvency	Current ratio (%)	200.61	161.3	140.55	100.71	106.85
	Quick ratio (%)	195.90	156.55	131.73	81.40	75.61
	Interest coverage ratio (%)	141.96	5172.79	432.85	454.41	540.02
Operations	Accounts receivable turnover (x)	46.42	45.29	42.95	39.45	39.76
	Average collection days	7.86	8.05	8.49	9.25	9.18
	Inventory turnover (x)	64.89	116.63	87.69	38.29	25.46
	Accounts payable turnover (x)	7.93	8.08	8.25	8.21	8.42
	Average days sales	5.63	3.12	4.16	9.53	14.33
	Property, plant and equipment turnover (x)	16.14	11.51	10.99	8.88	9.29
	Total asset turnover (x)	3.04	2.61	2.85	3.04	3.50
Profitability	Return on assets (%)	14.42	10.11	11.86	11.56	12.06
	Return on equity (%)	26.44	16.48	20.40	21.68	24.00
	Pre-tax income as a % of paid-in capital	99.63	87.01	99.35	107.02	105.64
	Net income margin (%)	4.71	3.87	4.15	3.80	3.44
	EPS (NT$)	9.11	7.48	8.45	9.07	10.35
Cash flow	Cash flow ratio (%)	52.79	30.69	29.66	24.95	36.13
	Cash flow adequacy ratio (%)	102.75	92.56	90.82	72.28	67.59
	Cash reinvestment rate (%)	19.31	(1.16)	8.65	7.55	21.74
Leverage	Operating leverage	3.86	4.74	4.04	3.91	4.08
	Financial leverage	1.01	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 2014-2018 financial data have been duly audited by independent auditors.
The following explains the financial ratios that fluctuated more than 20% between 2017 and 2018:

1. Inventory turnover and average days sales: Due to the intense competition in the Internet channel, in 2018, the level of inventory had been drastically increased to achieve faster delivery time of inventory, resulting in the decrease of inventory turnover and the increase of average days sales.
2. Cash flow ratio and cash reinvestment rate: The fund beneficiary certificates disposed of in 2018 are classified as financial assets at fair value through profit and loss according to IFRS9, and their disposal affects the increase in net cash flow from operating activities, resulting in an increase in cash flow ratio and cash reinvestment rate.

Stand-alone financial analysis (2014-2018) – Based on IFRS

		2014	2015	2016	2017	2018
Financial structure	Liability to asset ratio (%)	34.27	37.95	40.79	48.63	48.62
	Long-term fund to PP&E ratio (%)	307.59	278.13	209.52	135.40	143.93
Solvency	Current ratio (%)	205.97	170.38	144.62	100.98	103.65
	Quick ratio (%)	201.76	165.48	135.46	80.53	71.52
	Interest coverage ratio (%)	14,568.75	52,090.04	1,419,204.00	1,521,721.00	-
Operations	Accounts receivable turnover (x)	47.21	46.29	42.54	39.14	39.39
	Average collection days	7.73	7.88	8.58	9.32	9.27
	Inventory turnover (x)	65.66	118.69	88.08	38.29	25.48
	Accounts payable turnover (x)	8.02	8.16	8.28	8.24	8.44
	Average days sales	5.56	3.08	4.14	9.53	14.32
	Property, plant and equipment turnover (x)	17.68	11.93	11.16	8.92	9.30
	Total asset turnover (x)	3.19	2.71	2.96	3.13	3.58
Profitability	Return on assets (%)	15.79	11.35	12.55	11.98	12.38
	Return on equity (%)	27.64	17.75	20.72	21.79	24.11
	Pre-tax income as a % of paid-in capital	101.52	91.67	99.90	107.12	105.52
	Net income margin (%)	4.95	4.19	4.24	3.83	3.46
	EPS (NT$)	9.11	7.48	8.45	9.07	10.35
Cash flow	Cash flow ratio (%)	66.21	37.06	36.43	26.40	38.52
	Cash flow adequacy ratio (%)	113.54	103.81	99.93	77.29	71.61
	Cash reinvestment rate (%)	23.30	(0.31)	14.74	7.31	22.48
Leverage	Operating leverage	3.34	3.84	3.93	3.88	4.06
	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 2014-2018 financial data have been duly audited by independent auditors.

The following explains the financial ratios that fluctuated more than 20% between 2017 and 2018:

1. Interest protection multiples: Mainly because there was no interest expense in 2018, the interest protection multiples was not applicable.
2. Inventory turnover and average days sales: Due to the intense competition in the Internet channel, in 2018, the level of inventory had been drastically increased to achieve faster delivery time of inventory, resulting in the decrease of inventory turnover and the increase of average days sales.
3. Cash flow ratio and cash reinvestment rate: The fund beneficiary certificates disposed of in 2018 are classified as financial assets at fair value through profit and loss according to IFRS9, and their disposal affects the increase in net cash flow from operating activities, resulting in an increase in cash flow ratio and cash reinvestment rate.

Note: Formulas for the above tables:

1.Financial structure
  (1)Debt to asset ratio = Total liabilities / Total assets
  (2)Long-term fund to PP&E ratio = (Shareholders' equity + Long-term liabilities) / Net PP&E
2.Solvency
  (1)Current ratio = Current assets / Current liabilities
  (2)Quick ratio = (Current assets – Inventory – Prepaid expenses) / Current liabilities
  (3)Interest coverage ratio = Income before interest and taxes / Interest expense
3.Operations
  (1)Accounts receivable turnover = Net revenue / Average accounts receivable
  (2)Average collection days = 365 / AR turnover
  (3)Inventory turnover = COGS / Average inventory
  (4)Accounts payable turnover = COGS / Average accounts payable
  (5)Average days sales = 365 / Inventory turnover
  (6)PP&E turnover = Net revenue / Average net PP&E
  (7)Total asset turnover = Net revenue / Average total assets
4.Profitability
  (1)Return on assets = [Net income + Interest expense x (1 – Tax rate)] / Average assets

(2)Return on equity = Net income / Average equity
(3)Net income margin = Net income / Net sales
(4)EPS = (Net income – Preferred stock dividend) / Weighted average outstanding shares

5.Cash flow

(1)Cash flow ratio = Cash flow from operating activities / Current liabilities
(2)Cash flow adequacy ratio = Net cash flow from operating activities for the past 5 years / (Capital expenditures + Increases in inventory + Cash dividend) for the past 5 years (2009-2011 numbers were calculated based on ROC GAAP)
(3)Cash reinvestment rate = (Cash flow from operating activities – Cash dividends) / (Gross fixed assets + Long-term investments + Other assets + Working capital)
(Note: Use zero if working capital value is negative)

6.Leverage

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

iii.

momo.com Inc.

Audit Committee's Report

January 29, 2019

The Board of Directors of momo.com Inc. has submitted the Company's 2018 business report and financial statements to the Audit Committee. The CPA firm, Deloitte & Touche, was retained by the Board to audit momo's financial statements and has issued an audit report relating to the financial statements. The business report and financial statements have been reviewed and determined to be correct and accurate by the Audit Committee of momo. According to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, we hereby submit this report to the 2018 Annual General Meeting of shareholders for ratifications.

Sincerely,

The 2019 General Shareholders Meeting of momo.com Inc.

momo.com Inc.

Audit committee convener: Hong-So Chen

iv.The2018 Consolidated Financial Statements

Refer to the attachment.

v. Certified financial statements of the Company of the most recent year

Refer to the attachment.

vi. 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

2017 - 2018 Consolidated Balance Sheet

Unit: NT$'000, %

	2017	2018	YoY change	
			Amount	%
Current assets	5,683,832	6,168,249	484,417	8.52
Property, plant and equipment	4,565,326	4,477,398	(87,928)	(1.93)
Intangible assets	63,356	128,397	65,041	102.66
Other assets	1,465,380	1,452,508	(12,872)	(0.88)
Total assets	11,777,894	12,226,552	448,658	3.81
Current liabilities	5,643,907	5,772,994	129,087	2.29
Long-term Liabilities	266,474	281,454	14,980	5.62
Total liabilities	5,910,381	6,054,448	144,067	2.44
Paid-in capital	1,420,585	1,400,585	(20,000)	(1.41)
Capital surplus	3,057,738	2,976,991	(80,747)	(2.64)
Retained earnings	2,061,926	1,940,821	(121,105)	(5.87)
Other equity	(266,327)	(167,894)	98,433	(36.96)
Treasury stock	(397,175)	-	397,175	(100.00)
Non-controlling interests	(9,234)	21,601	30,835	(333.93)
Total equity	5,867,513	6,172,104	304,591	5.19

The financial statements for 2017 and 2018 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. Increase of intangible assets: Mainly due to the acquisition of net equity premium of the subsidiaries, the generated goodwill and the addition of computer software in 2018.
2. Increase of other equity: Mainly due to the retroactive application of IFRS9 at the beginning of the year, the financial instrument unrealized losses of the fund beneficiary certificates have been reclassified from other equity to retained earnings.
3. Decrease in treasury stock: Mainly due to the cancellation of treasury shares in 2018.
4. Increase of non-controlling interests: Mainly because the Company did not perform capital increase by cash in the subsidiaries according to its shareholding ratio, and the acquisition of subsidiaries in 2018.

ii.Statements of Comprehensive Income Analysis

Consolidated statements of comprehensive income analysis

2017 – 2018 Consolidated Statements of Comprehensive Income

Unit: NT$'000, %

	2017	2018	YoY change	
			Amount	%
Operating revenue	33,238,547	42,017,012	8,778,465	26.41
Operating costs	29,591,202	37,756,772	8,165,570	27.59
Gross profit	3,647,345	4,260,240	612,895	16.80
Operating expenses	2,262,449	2,852,538	590,089	26.08
Other operating income (expenses)	4,167	14,716	10,549	253.16
Operating income	1,389,063	1,422,418	33,355	2.40
Non-operating income (expenses)	131,237	57,194	(74,043)	(56.42)
Income before tax	1,520,300	1,479,612	(40,688)	(2.68)
Tax expense	257,668	34,937	(222,731)	(86.44)
Net income	1,262,632	1,444,675	182,043	14.42
Other comprehensive income	(54,253)	(49,899)	4,354	(8.03)
Comprehensive income	1,208,379	1,394,776	186,397	15.43

The financial statements for 2017 and 2018 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. Increase of operating revenue: Mainly due to the fierce competition in the industry, which stimulated the performance growth of the Internet channel.
2. Increase of operating costs: Mainly because of the corresponding increase in product costs and other operating costs due to the performance growth.
3. Increase of operating expenses: Mainly because of the increase in the number of employees, which resulted in the increase in salary costs; and the increase in advertising fees and payment flow expenses for stimulating performance growth.
4. Increase of other operating income (expenses): Mainly due to the addition of solar energy wholesale revenue in 2018.
5. Decrease in mon-operating income (expenses): The loss of financial assets at fair value through profit and loss increased mainly due to the decrease in the interests of affiliated companies accounted for using the equity method and the application of IFRS9.
6. Decrease in tax expense: Mainly due to the obtaining of the approval letter for investment tax credit for the purchase of equipment in 2018, the tax payable in 2017 and 2018 was deducted and the related deferred tax assets were recognized.

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

2017 – 2018 Consolidated Cash Flow Statement

Unit: NT$'000, %

	2017	2018	YoY change	
			Amount	%
Cash inflow (outflow) from operating activities	1,407,993	2,085,628	677,635	48.13
Cash inflow (outflow) from investment activities	(330,976)	(683,882)	(352,906)	106.63
Cash inflow (outflow) from financing activities	(1,120,759)	(1,178,056)	(57,297)	5.11
Impact from changes in exchange rate	(547)	(311)	236	(43.14)
Net cash increase (decrease)	(44,289)	223,379	267,668	(604.37)

Analysis of the Change in Cash Flow:

1. Increase of cash inflow from operating activities: Mainly due to the increase in revenue and accounts payable in 2018 and the disposal of financial assets at fair value through profit and loss.
2. Increase of cash outflow from investment activities: Mainly due to the payment of shares for the investment in affiliated companies in 2018 and the increase in other financial assets.
3. Increase of cash outflow from financing activities: Mainly due to the repayment of borrowings by subsidiaries in 2018.

Plans to improve negative liquidity：Not applicable

Consolidated projected cash flow for 2019

2019 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
2,924,449	49,842,723	49,734,708	3,032,464	–	–

Explanations and analysis:
Operating revenue and profit growth trends in 2019 are expected to remain unchanged from those in 2018; therefore, the expected cash balance amounts to NT $3,032,464.
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 of the Company recognized with equity method was at NT$48,736,000 in 2018, and was at NT$50,453,000 under consolidated basis, which was a decrease from the previous year. The main reason was the decline in TV channel revenue of the re-investment business - Beijing Global Guoguang Media Technology Co., Ltd., which resulted in a decrease in net profit compared to 2017. Additionally, in September 2017, Beijing Global Guoguang Media Technology Co., Ltd. invested in Kaleida Holdings S.A (BVI), such invested company has not breakeven. Plans for improvement: Beijing Global Guoguang Media Technology Co., Ltd. plans to improve the net profit by transforming its positioning and carefully selecting the brands and channels.

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, %

	2017	% of Operating revenue	2018	% of Operating revenue
Interest income	54,021	0.16%	29,114	0.07%
Interest expense	3,353	0.01%	2,745	0.01%
Exchange gain (loss)	1,604	0.00%	979	0.00%

1. Impact of interest rate fluctuations

   The interest income of the Company and its subsidiary was NT $54million in 2017 and NT $29 million in 2018, which respectively accounted for 0.16% and 0.07% of the net operating revenue. In addition, the interest expense for 2017 and 2018 was NT $3.3 million and NT $2.7 million, 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 $1.6 million for 2017 and NT $0.98 million for 2018, 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 begun the using of northern region logistics center since 2017. The warehouse adopts automated logistics system, which greatly shorten shipping time. Assessing the optimal inventory level of goods and equipment required through data analysis, momo continued to introduce automatic facilities into each warehouse in 2018. Which were: (1) Northern region logistics center - extension construction of Shuttle Rack System, SRS. It is expected that after the completion of the construction, the processing efficiency of the combined products will be increased. (2) Northern region logistics center - introduction of Automatic Guide Vehicle, AGV. Using the AGV and the SRS to achieve "Goods To Person", which reduces the movement of staff and optimizes the operation. (3) Luzhu Warehouse IV - introduction of Automatic Conveyor system. The transportation equipment is operated across the factory floors, so that after the completion of the packaging operation, the products on each floor may be put on the conveyor and transported to the end of the conveyor belt, no more accumulating, waiting and subsequent transferring by taking the freight elevator to the delivery area will be needed, which saves the transportation time and movements.

For service improvement, momo actively invests in the layout of logistics of short supply chains. With the set up of multiple satellite warehouses, currently the order-to-delivery time in regions north of Taichung has been greatly reduced. In order to provide better services to consumers, in 2018, satellite warehouses were opened in metropolitan areas such as Neihu District of Taipei City, Sanchong District of New Taipei City, Xitun District of Taichung City, and Xinying District of Tainan City. Part of the warehouses also have momo motorcycle fleet for the distribution, the order shipping time in areas covered by the satellite warehouses has been significantly shortened.

With the satellite warehouse storage management system going on line, multiple satellite warehouses will be continuously added in 2019, and a transshipment hub will be established at the same time. Through the distribution from the transshipment hub to the satellite warehouses all over Taiwan, we maintain the smooth supply of satellite warehouses with the dispatch of replenishment and establishment of transshipment network. In addition, with the satellite warehouses' 2018 newly introduced KAPS Warehouse Management System (WMS), which is shared by multiple warehouses, the system function is adjusted according to the different nature of each warehouse and can be more flexibly applied to the use of warehousing.

In order to improve the distribution service capacity, we will provide more flexible logistics options: from the establishment of private motorcycle fleets, together with the operation of the private connecting truck fleets and distribution truck fleets. Through the introduced Transportation Management System (TMS), the delivery staff can use the map to perform distribution activities, which streamlines the delivery operations. In addition, we perform the overall planning and management of all types of fleets to improve overall management effectiveness.

These two plans cost NT$23,800,000 in total.

Plan	Description
KAPS warehouse management system (Satellite warehouse 3PL) project	Introduce satellite warehouse storage management system
Transport management system (TMS)	Introduce Company-owned delivery fleet 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 2018 up to publication date in 2019

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 2018 up to publication date in 2019

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 2018 up to publication date in 2019

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 2018 up to publication date in 2019

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 2018 up to publication date in 2019

Since 2018 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 2018 up to publication date in 2019

Not applicable.

Significant lawsuits and non-litigious matters in 2018 up to publication date in 2019

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

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

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

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

Other major risks:

Information security risk:

The Company has long been committed to the implementation of information security and personal information protection control. In November 2009, we passed the international verification of SGS Taiwan Limited and obtained ISO27001 information security certification. We regularly maintain and continuously obtain the certification on a yearly basis to keep the certificate valid, so to ensure the highest level of protection is achieved for the customers' information under the multi-layered information security control. In addition, in order to protect the privacy of customers, the Company's official website has a "Privacy Policy" section, it has been announced in there that the collection, processing and use of customers' information are in compliance with the "Personal Information Protection Act" and relevant laws and regulations of the Republic of China. The "Regulations Governing the Operation of Information Security Incident Notification" and "Regulations Governing the Security Maintenance Operation of Personal Information and Confidential Sensitive Data" have been established, all necessary information may only be processed and used under the expressly stated authorization specifications. In addition, since 2018, the control requirement of the "BS 10012 Personal Information Management System" have been added. In the same year, the "Information Security Management Review Committee" was renamed as the "Information Security and Personal Information Protection Management Review Committee" to review the promotion and implementation status of information security and personal information protection. We passed the information security management operation assessment and inspection of the certification unit, SGS, every year. Also, in order to enable the Board of Directors to perform supervisory duties, from 2019 on, the information security implementation and planning operation will be reported to the Board of Directors at least once a year.

The Company adopts the best technology to protect the security of customers' personal information. At present, the Secure Sockets Layer (SSL) mechanism (128bit) is used for data transmission encryption, and a firewall is installed to prevent illegal intrusion and to prevent unauthorized access of customers' personal information. In order to provide the service that is more suitable for the customer's needs, we use the technology of Cookies to receive and record the server values on the customer's browser, including IP Address and Cookies, for use in providing works related to product updates and Internet service optimization.

To improve the security of the website, in 2017, the website had been completely changed to https, the hypertext transfer protocol secure, to protect the privacy of transaction information. From 2017 to 2018, there were 7 cases of possible personal information security incidents, all of which had been verified to have no impact on customers' rights and interests.

In addition, some of the information security incidents may evolve into personal information leakage cases. Therefore, the Company has strengthened the daily monitoring and vendor management requirements by following the three major points of clarifying, preventing and auditing, for example: daily monitoring of statements, complete removal of reported manufacturers' products, information security audit and spot checks, and expressly provided prohibition of marketing activities in the contract.

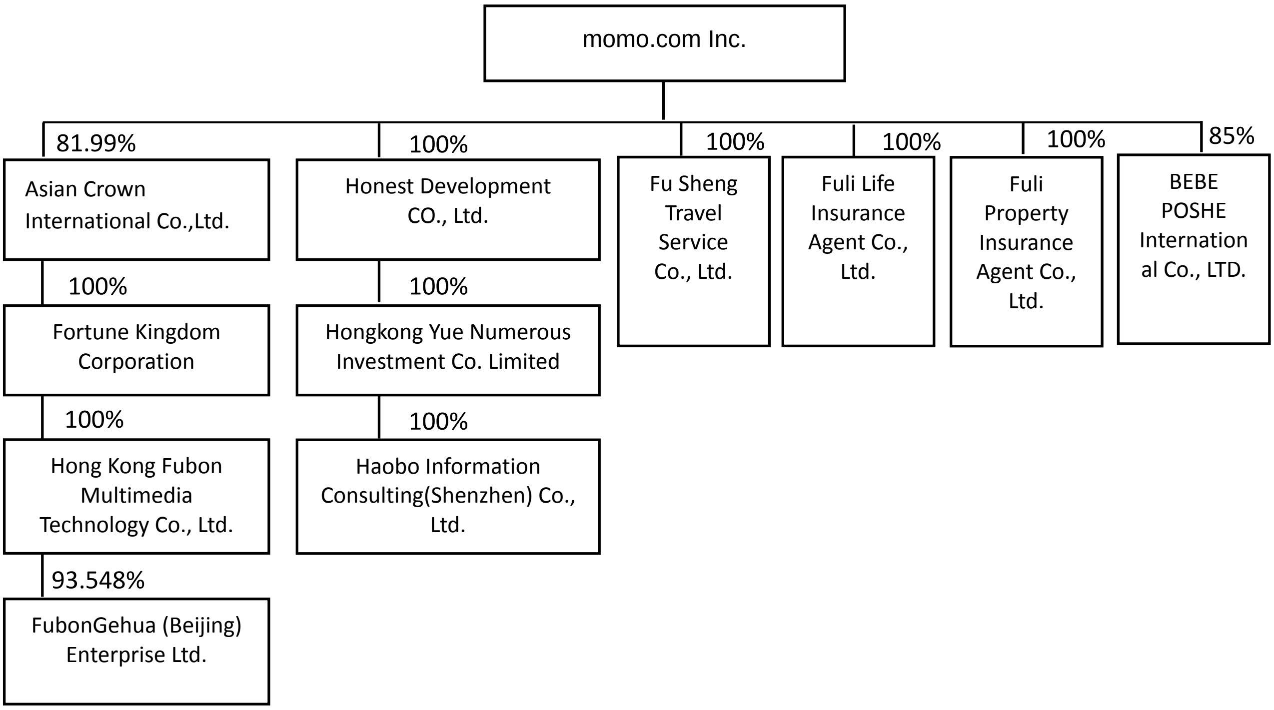
vii.Other significant items: None.

VIII. Special Notes

i. Affiliates

Investment holding structure

As of December 31, 2018



Affiliates' profile

December 31, 2018 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
BEBE POSHE International Co., LTD.	2010.01.07	4F, No 92, Zhouzi St., Neihu District, Taipei	100,000,000	Wholesale of cometics
Asian Crown International Co.,Ltd.	2009.01.07	Palm Grove House, P.0. Box 438, Road Town , Tortola , British Virgin Islands	USD11,873,735	Investment
Fortune Kingdom Corporation	2009.01.06	Equity Trust Chambers , P.O. Box 3269, Apia, Samoa	USD11,594,429	Investment
Hong Kong Fubon Multimedia Technology Co., Ltd.	2010.03.18	Unit 1904, 19/F., Podium Plaza, 5 Hanoi Road, Tsirn Sha Tsui. Kowloon, Hong Kong	USD11,594,429	Investment
Fubon Gehua (Beijing) Enterprise Ltd.	2010.12.08	China Beijing chaoyang district 241 bungalow road 3, room 102.	RMB77,500,000	Wholesale sales

Name	Date of incorporation	Address	Paid-in capital	Main business
Honest Development Co., Ltd.	2015.01.23	TMF Chambers, P.O. Box 3269, Apia, Samoa	USD21,778,413	Investment
Hongkong Yue Numerous Investment Co. Limited	2015.03.12	Unit 1904, 19/F., Podium Plaza, 5 Hanoi Road, Tsirn Sha Tsui. Kowloon, Hong Kong	HK16,600,000	Investment
Haobo Information Consulting(Shenzhen) Co., Ltd.	2008.11.14	26B-B1, Block A, Zhongyin Building, Caitian Road, Futian District, Shenzhen, People's Republic of China	RMB11,000,000	Investment

The information of the same shareholders in companies presumed to have a controlling or subordinate relation with the Company: None

Information of Director, Supervisor and President in each affiliated company

December 31, 2018 Unit: Dollar in foreign currency; Share; %

Name	Title	name of Representative	Shareholding	
			Shares (Note 2)	Shares %/
Fu Sheng Travel Service Co., Ltd.	Chairman	momo.com Inc. Representative: C.F. Lin	3,000,000	100.00%
	Director	momo.com Inc. Representative: Summer Hsieh	3,000,000	100.00%
	Director	momo.com Inc. Representative: Gina Lu	3,000,000	100.00%
	Supervisor	momo.com Inc. Representative: Jeremy Hong	3,000,000	100.00%
	President	(Note 1)		
Fuli Life Insurance Agent Co., Ltd.	Chairman	momo.com Inc. Representative: C.F. Lin	500,000	100.00%
	Director	momo.com Inc. Representative: Leanne Wang	500,000	100.00%
	Director	momo.com Inc. Representative: Julia Chou	500,000	100.00%
	Supervisor	momo.com Inc. Representative: Kiki Hung	500,000	100.00%
	President	C.F. Lin	-	-
Fuli Property Insurance Agent Co., Ltd.	Chairman	momo.com Inc. Representative: Gina Lu	500,000	100.00%
	Director	momo.com Inc. Representative: Jeremy Hong	500,000	100.00%
	Director	momo.com Inc. Representative: Hana Hsieh	500,000	100.00%
	Supervisor	momo.com Inc. Representative: Kiki Hung	500,000	100.00%
	President	Gina Lu	-	-
BEBE POSHE International Co., LTD.	Chairman	momo.com Inc. Representative: C.F. Lin	8,500,000	85.00%
	Director	Jennifer Lin	-	-
	Director	momo.com Inc. Representative: Summer Hsieh	8,500,000	85.00%
	Director	momo.com Inc. Representative: Jeremy Hong	8,500,000	85.00%
	Director	momo.com Inc. Representative: Gina Lu	8,500,000	85.00%
	Supervisor	Carey Lin	-	-
	President	Summer Hsieh	-	-
Asian Crown International Co., Ltd.	Director	momo.com Inc.	USD 9,735,459	81.9916%
	President	(Note 1)		
Fortune Kingdom Corporation	Director	Asian Crown International Co., Ltd.	USD 11,594,429	100.00%
	President	(Note 1)		

Name	Title	name of Representative	Shareholding		
			Shares (Note 2)		Shares %/
Hong Kong Fubon Multimedia Technology Co., Ltd.	Director	Fortune Kingdom Corporation	USD	11,594,429	100.00%
	Director	C.F. Lin		-	-
	President	(Note 1)			
Fubon Gehua (Beijing) Enterprise Ltd.	Chairman	Hong Kong Fubon Multimedia Technology Co., Ltd. Representative: C.F. Lin	RMB	72,499,800	93.5481%
	Director	Hong Kong Fubon Multimedia Technology Co., Ltd. Representative: Jeremy Hong	RMB	72,499,800	93.5481%
	Director	Hong Kong Fubon Multimedia Technology Co., Ltd. Representative: Kiki Hung	RMB	72,499,800	93.5481%
	Director	Hong Kong Fubon Multimedia Technology Co., Ltd. Representative: NienPei Tsai	RMB	72,499,800	93.5481%
	Director	Prosperous Group(Asia) Limited Representative： PeiYin Yu	RMB	5,000,200	6.4519%
	Supervisor	Hong Kong Fubon Multimedia Technology Co., Ltd. Representative: Summer Hsieh	RMB	72,499,800	93.5481%
	Supervisor	Hong Kong Fubon Multimedia Technology Co., Ltd. Representative: Gina Lu	RMB	72,499,800	93.5481%
	President	C.F. Lin		-	-
Honest Development Co., Ltd.	Director	momo.com Inc.	USD	21,778,413	100.00%
	President	(Note 1)			
Hongkong Yue Numerous Investment Co. Limited	Director	Honest Development Co., Ltd.	HKD	16,600,000	100.00%
	Director	C.F. Lin		-	-
	President	(Note 1)			
Haobo Information Consulting(Shenzhen) Co., Ltd.	Chairman	Hongkong Yue Numerous Investment Co. Limited Representative: C.F. Lin	RMB	11,000,000	100.00%
	Supervisor	Hongkong Yue Numerous Investment Co. Limited Representative: Kiki Hung	RMB	11,000,000	100.00%
	President	Summer Hsieh		-	-

Note 1: No President position.

Note 2: Except for the information of Asian Crown International Co.,Ltd., Fortune Kingdom Corporation, Hong Kong Fubon Multimedia Technology Co., Ltd., Fubon Gehua (Beijing) Enterprise Ltd., Honest Development Co., Ltd., Hongkong Yue Numerous Investment Co., Ltd., and Haobo Information Consulting(Shenzhen) Co., Ltd., which are indicated by the amount of contribution (dollars), the remaining information are indicated by the number of shares.

Affiliates' operating highlights

December 31, 2018 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.	1,400,585	11,970,741	5,820,238	6,150,503	41,938,107	1,423,093	1,449,640	10.35
Fu Sheng Travel Service Co., Ltd.	30,000	274,043	225,508	48,535	24,359	14,705	10,243	3.41
Fuli Life Insurance Agent Co., Ltd.	5,000	9,746	436	9,310	1,828	288	238	0.48
Fuli Property Insurance Agent Co., Ltd.	5,000	11,789	820	10,969	4,933	2,548	2,045	4.09
BEBE POSHE International Co., LTD.	100,000	69,611	3,656	65,955	4,829	(15,286)	(21,969)	(4.54)
Asian Crown International Co., Ltd.	364,890	50,609	-	50,609	-	(58)	(14,417)	(0.88)
Fortune Kingdom Corporation	356,500	46,105	-	46,105	-	-	(14,566)	(0.92)
Hong Kong Fubon Multimedia Technology Co., Ltd.	356,500	46,161	56	46,105	-	(147)	(14,566)	(1.00)
Fubon Gehua (Beijing) Enterprise Ltd.	345,960	70,395	30,211	40,184	71,651	(13,514)	(16,135)	Not applicable
Honest Development CO., Ltd.	670,448	794,501	-	794,501	-	-	36,435	1.67
Hongkong Yue Numerous Investment Co. Limited	66,035	794,501	-	794,501	-	-	36,435	2.19
Haobo Information Consulting(Shenzhen) Co., Ltd.	49,104	794,501	-	794,501	-	(144)	36,435	Not applicable

Note : Exchange rate of US$1=NT$30.79 and HKD$1=NT$3.93 and RMB1=NT$4.464 as of December 31, 2018
Average exchange rate of US$1=NT$30.151 and HKD$1=NT$3.847 and RMB1=NT$4.556 for 2018

Consolidated financial statements of affiliated companies

According to the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises", in 2018, the companies required to be included in the consolidated financial statements of affiliates by the Company are all the same as companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in Financial Accounting Criteria Gazette No. 10, and the relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the aforementioned consolidated financial statements of parent and subsidiary companies, as a result, a separate consolidated financial statements of affiliates is not prepared.

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, 2018 and 2017 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, 2018, under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standards No. 10 "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, momo.com Inc. and subsidiaries do not prepare a separate set of combined financial statements.

Very truly yours,

momo.com Inc.

By

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C.F. LIN
Chairman

January 29, 2019

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, 2018 and 2017, and the consolidated statements of comprehensive income, changes in equity and 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, 2018 and 2017, 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 ROC, 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, 2018. 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, 2018 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.

By conducting compliance tests, we obtained and understanding of the revenue recognition process and of the design and execution for relevant controls. 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 $4,477,398 thousand, accounted for 37 % of the consolidated assets as of December 31, 2018. 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, 2018. By conducting compliance tests, we obtained and understanding of the estimation for assets impairment and of the design and execution for relevant controls. 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 the appropriateness of the assumptions and sensitivity analyses, including the classification of cash-generating units, forecasts of cash flows, and discount rates, used by the management to assess asset impairment.

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, 2018 and 2017 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 auditors' 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 the consolidated financial statements for the year ended December 31, 2018 and are therefore the key audit matters. We describe these matters in our auditors' 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 29, 2019

Notice to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the 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, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	2018		2017	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 6 and 32)	$ 2,924,449	24	$ 2,701,070	23
Financial assets at fair value through profit or loss - current (Notes 7 and 32)	81,474	1	-	-
Financial assets at fair value through other comprehensive income - current (Note 8)	10,125	-	-	-
Available-for-sale financial assets - current (Notes 9 and 32)	-	-	874,075	7
Accounts receivable, net (Note 11)	53,867	-	24,480	-
Accounts receivable from related parties (Note 32)	10,699	-	5,729	-
Other receivables, net (Note 11)	903,461	8	703,009	6
Other receivables from related parties (Note 32)	165,408	1	233,098	2
Inventories (Note 12)	1,627,218	13	1,036,560	9
Prepayments	161,642	1	34,022	-
Other financial assets - current (Notes 13, 32 and 33)	110,816	1	52,943	1
Other current assets (Note 17)	14,323	-	18,846	-
Rights to recover products - current (Note 17)	104,767	1	-	-
Total current assets	6,168,249	50	5,683,832	48
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Note 8)	42,580	-	-	-
Financial assets at cost - non-current (Note 10)	-	-	53,820	-
Investments accounted for using equity method (Notes 5 and 15)	1,272,124	11	1,300,576	11
Property, plant and equipment (Notes 5, 16 and 32)	4,477,398	37	4,565,326	39
Goodwill (Note 28)	26,664	-	-	-
Other intangible assets	101,733	1	63,356	1
Deferred tax asset (Note 26)	46,574	-	19,292	-
Refundable deposits (Note 32)	72,652	1	57,539	1
Other financial assets - non-current (Notes 13, 32 and 33)	18,578	-	34,153	-
Total non-current assets	6,058,303	50	6,094,062	52
TOTAL	$ 12,226,552	100	$ 11,777,894	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term loans (Notes 18 and 34)	$ -	-	$ 62,318	1
Contract liability - current (Note 20)	114,417	1	-	-
Notes and accounts payable (Note 19)	4,474,923	37	3,688,973	31
Accounts payable to related parties (Note 32)	94,603	1	6,516	-
Other payables (Note 20)	478,025	4	1,112,225	9
Other payables to related parties (Note 32)	56,161	-	142,504	1
Current tax liabilities	4,915	-	136,947	1
Advance receipts (Note 20)	-	-	63,050	1
Refundable liability - current (Note 20)	123,675	1	-	-
Other current liabilities (Note 20)	426,275	4	431,374	4
Total current liabilities	5,772,994	48	5,643,907	48
NON-CURRENT LIABILITIES				
Provisions - non-current	13,773	-	13,773	-
Deferred tax liabilities (Note 26)	5,649	-	4,976	-
Net defined benefit liabilities (Note 21)	2,473	-	3,607	-
Guarantee deposits (Note 22)	259,559	2	244,118	2
Total non-current liabilities	281,454	2	266,474	2
Total liabilities	6,054,448	50	5,910,381	50
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT (Note 23)				
Common stock	1,400,585	11	1,420,585	12
Capital surplus	2,976,991	24	3,057,738	26
Retained earnings				
Legal reserve	706,713	6	579,727	5
Special reserve	266,327	2	212,342	2
Unappropriated earnings	967,781	8	1,269,857	11
Total retained earnings	1,940,821	16	2,061,926	18
Other equity	(167,894)	(1)	(266,327)	(2)
Treasury shares	-	-	(397,175)	(4)
Total equity attributable to owners of the Parent	6,150,503	50	5,876,747	50
NON-CONTROLLING INTERESTS (Note 23)	21,601	-	(9,234)	-
Total equity	6,172,104	50	5,867,513	50
TOTAL	$ 12,226,552	100	$ 11,777,894	100

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

momo.com Inc. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017	
	Amount	**%**	**Amount**	**%**
OPERATING REVENUES (Notes 24 and 32)	$ 42,017,012	100	$ 33,238,547	100
OPERATING COSTS (Notes 12, 21, 25 and 32)	37,756,772	90	29,591,202	89
GROSS PROFIT FROM OPERATIONS	4,260,240	10	3,647,345	11
OPERATING EXPENSES (Notes 11, 21, 25 and 32)				
Marketing expenses	1,381,006	3	1,050,021	3
Administrative expenses	1,467,031	4	1,212,428	4
Expected credit losses	4,501	-	-	-
Total operating expenses	2,852,538	7	2,262,449	7
NET OTHER INCOME AND EXPENSES	14,716	-	4,167	-
OPERATING INCOME	1,422,418	3	1,389,063	4
NON-OPERATING INCOME AND EXPENSES				
Other income (Note 25)	36,574	-	56,697	-
Other gains and losses, net (Notes 25 and 32)	(27,088)	-	(4,388)	-
Finance costs (Note 25)	(2,745)	-	(3,353)	-
Share of profit of associates accounted for using equity method (Notes 5 and 15)	50,453	-	82,281	1
Total non-operating income and expenses	57,194	-	131,237	1
PROFIT BEFORE INCOME TAX	1,479,612	3	1,520,300	5
INCOME TAX EXPENSE (Note 26)	34,937	-	257,668	1
PROFIT	1,444,675	3	1,262,632	4
OTHER COMPREHENSIVE INCOME (Notes 15, 21, 23 and 26)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	(238)	-	344	-
Unrealized loss on financial assets at fair value through other comprehensive income - equity instruments	(29,384)	-	-	-

(Continued)

momo.com Inc. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017	
	Amount	**%**	**Amount**	**%**
Share of remeasurement of defined benefit plans of associates accounted for using equity method	$ (583)	-	$ (510)	-
Share of unrealized loss on financial assets at fair value through other comprehensive income - equity instruments of associates accounted for using equity method	(6,634)	-	-	-
Income tax related to items that will not be reclassified subsequently to profit or loss	300	-	(59)	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation	(12,676)	-	(9,635)	-
Unrealized loss on available-for-sale financial assets	-	-	(37,184)	-
Share of other comprehensive loss of associates accounted for using equity method	(684)	-	(7,209)	-
Other comprehensive losses, net of tax	(49,899)	-	(54,253)	-
COMPREHENSIVE INCOME	$ 1,394,776	3	$ 1,208,379	4
PROFIT ATTRIBUTABLE TO:				
Owners of the Parent	$ 1,449,640	3	$ 1,270,082	4
Non-controlling interests	(4,965)	-	(7,450)	-
	$ 1,444,675	3	$ 1,262,632	4
COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:				
Owners of the Parent	$ 1,399,538	3	$ 1,215,872	4
Non-controlling interests	(4,762)	-	(7,493)	-
	$ 1,394,776	3	$ 1,208,379	4
EARNINGS PER SHARE (Note 27)				
Basic	$ 10.35		$ 9.07	
Diluted	$ 10.35		$ 9.07	

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, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Parent											
			Retained Earnings			Other Equity						
	Common Stock	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translation	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Treasury Shares	Total	Non-controlling Interests	Total Equity
BALANCE AT JANUARY 1, 2017	$ 1,420,585	$ 3,175,583	$ 461,548	$ 151,358	$ 1,181,786	$ (37,926)	$ -	$ (174,416)	$ (397,175)	$ 5,781,343	$ (1,741)	$ 5,779,602
Distribution of 2016 earnings												
Legal reserve	-	-	118,179	-	(118,179)	-	-	-	-	-	-	-
Special reserve	-	-	-	60,984	(60,984)	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(1,002,623)	-	-	-	-	(1,002,623)	-	(1,002,623)
Issue of cash dividends from capital surplus	-	(117,845)	-	-	-	-	-	-	-	(117,845)	-	(117,845)
Profit for the year ended December 31, 2017	-	-	-	-	1,270,082	-	-	-	-	1,270,082	(7,450)	1,262,632
Other comprehensive loss for the year ended December 31, 2017	-	-	-	-	(225)	(10,997)	-	(42,988)	-	(54,210)	(43)	(54,253)
Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	1,269,857	(10,997)	-	(42,988)	-	1,215,872	(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)	5,876,747	(9,234)	5,867,513
Effect of retrospective application and retrospective restatement	-	-	-	-	(148,014)	-	(69,390)	217,404	-	-	-	-
BALANCE AT JANUARY 1, 2018 AS RESTATED	1,420,585	3,057,738	579,727	212,342	1,121,843	(48,923)	(69,390)	-	(397,175)	5,876,747	(9,234)	5,867,513
Distribution of 2017 earnings												
Legal reserve	-	-	126,986	-	(126,986)	-	-	-	-	-	-	-
Special reserve	-	-	-	53,985	(53,985)	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(1,088,885)	-	-	-	-	(1,088,885)	-	(1,088,885)
Changes in capital surplus from investments in associates accounted for using the equity method	-	13,292	-	-	4,380	-	-	-	-	17,672	-	17,672
Issue of cash dividends from capital surplus	-	(31,583)	-	-	-	-	-	-	-	(31,583)	-	(31,583)
Profit for the year ended December 31, 2018	-	-	-	-	1,449,640	-	-	-	-	1,449,640	(4,965)	1,444,675
Other comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	(521)	(13,563)	(36,018)	-	-	(50,102)	203	(49,899)
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	1,449,119	(13,563)	(36,018)	-	-	1,399,538	(4,762)	1,394,776
Retirement of treasury stock	(20,000)	(39,470)	-	-	(337,705)	-	-	-	397,175	-	-	-
Changes in ownership interests in subsidiaries	-	(22,986)	-	-	-	-	-	-	-	(22,986)	25,302	2,316
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	10,295	10,295
BALANCE AT DECEMBER 31, 2018	$ 1,400,585	$ 2,976,991	$ 706,713	$ 266,327	$ 967,781	$ (62,486)	$ (105,408)	$ -	$ -	$ 6,150,503	$ 21,601	$ 6,172,104

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

momo.com Inc. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	$ 1,479,612	$ 1,520,300
Adjustments:		
Depreciation expenses	267,168	106,100
Amortization expenses	53,414	20,289
Expected credit losses	4,501	-
Provision for bad debt expense	-	1,398
Loss on financial assets at fair value through profit or loss, net	28,067	-
Finance costs	2,745	3,353
Interest income	(29,114)	(54,021)
Share of profit of associates accounted for using equity method	(50,453)	(82,281)
Gain on disposal of property, plant and equipment, net	-	(2,568)
Gain on disposal of investments	-	(692)
Impairment loss on financial assets	-	6,180
Loss (gain) on foreign currency exchange, net	864	(511)
Others	(589)	(590)
Changes in operating assets and liabilities		
Financial assets at fair value through profit or loss	736,265	-
Accounts receivable	(30,361)	19,408
Accounts receivable from related parties	(4,970)	(781)
Other receivables	(203,130)	(209,658)
Other receivables from related parties	36,586	(36,676)
Inventories	(589,103)	(724,290)
Prepayments	(126,764)	(7,317)
Other current assets	4,614	(2,900)
Rights to recover products	(8,990)	-
Contract liability	64,442	-
Notes and accounts payable	813,150	870,655
Accounts payable to related parties	88,087	1,349
Other payables	(157,933)	149,109
Other payables to related parties	(86,343)	61,999
Refund liability	6,121	-
Advance receipts	-	3,342
Other current liabilities	(18,195)	8,796
Net defined benefit liabilities	(1,372)	(1,356)
Cash generated from operations	2,278,319	1,648,637
Interest received	640	504
Interest paid	-	(1)
Income tax paid	(193,331)	(241,147)
Net cash generated from operating activities	2,085,628	1,407,993

(Continued)

momo.com Inc. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	2018	2017
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of available-for-sale financial assets	$ -	$ (220,000)
Proceeds from disposal of available-for-sale financial assets	-	320,692
Acquisition of investments accounted for using equity method	(20,771)	-
Net cash flow from acquisition of subsidiaries	(2,925)	-
Repayment of capital reduction from associates	31,090	-
Acquisition of property, plant and equipment	(679,989)	(1,306,338)
Proceeds from disposal of property, plant and equipment	-	2,568
Increase in refundable deposits	(17,373)	(4,237)
Decrease in refundable deposits	2,496	278
Acquisition of intangible assets	(57,760)	(34,787)
Increase in other financial assets	(74,034)	(34,283)
Decrease in other financial assets	30,579	871,971
Interest received	28,022	53,624
Dividend received	76,783	19,536
Net cash used in investing activities	(683,882)	(330,976)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term loans	-	251
Decrease in short-term loans	(70,528)	-
Repayments of long-term loans	(2,042)	-
Proceeds from guarantee deposits received	49,942	46,722
Refunds of guarantee deposits received	(34,401)	(44,011)
Cash dividends	(1,120,468)	(1,120,468)
Interest paid	(2,875)	(3,253)
Changes in non-controlling interests	2,316	-
Net cash used in financing activities	(1,178,056)	(1,120,759)
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(311)	(547)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	223,379	(44,289)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	2,701,070	2,745,359
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 2,924,449	$ 2,701,070

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

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, 2018, 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 29, 2019.

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

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

   On the basis of the facts and circumstances that existed as at January 1, 2018, the Group has performed an assessment of the existing issues and has restated prior reporting periods. However, according to the adjustment of general principles within the Group and the practices of the industry, the Group chose to reselect not to restate prior reporting periods.

   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:

   1) IFRS 9 "Financial Instruments" and related amendment

      IFRS 9 supersedes IAS 39 "Financial Instruments: Recognition and Measurement", with consequential amendments to IFRS 7 "Financial Instruments: Disclosures" and other standards. IFRS 9 sets out the requirements for classification, measurement and impairment of financial assets and hedge accounting. Refer to Note 4 for information relating to the relevant accounting policies.

Classification, measurement and impairment of financial assets

The following table shows the original measurement categories and carrying amount under IAS 39 and the new measurement categories and carrying amount under IFRS 9 for each class of the Group's financial assets and financial liabilities as at January 1, 2018.

	Measurement Category		Carrying Amount		
Financial Assets	**IAS 39**	**IFRS 9**	**IAS 39**	**IFRS 9**	**Remark**
Cash and cash equivalents	Loans and receivables	Amortized cost	$ 2,701,070	$ 2,701,070	-
Foreign investments - unlisted stock	Available-for-sale	Fair value through other comprehensive income (i.e. FVTOCI) - equity instrument	28,269	28,269	a)
Domestic unlisted common stock	Financial assets at cost	FVTOCI - equity instrument	53,820	53,820	a)
Domestic investments - beneficiary certificates	Available-for-sale	Mandatorily at fair value through profit or loss (i.e. FVTPL)	845,806	845,806	b)
Other financial assets	Loans and receivables	Amortized cost	87,096	87,096	-
Accounts receivable and other receivables (including related parties)	Loans and receivables	Amortized cost	966,316	966,316	c)
Refundable deposits	Loans and receivables	Amortized cost	57,539	57,539	-

Financial Assets	**IAS 39 Carrying Amount as of January 1, 2018**	**Reclassifi-cations**	**IFRS 9 Carrying Amount as of January 1, 2018**	**Retained Earnings Effect on January 1, 2018**	**Other Equity Effect on January 1, 2018**	**Remark**
FVTPL	$ -	$ -	$ -	$ -	$ -	
Add: Reclassification from available-for-sale (IAS 39)						
Required reclassification	-	845,806	845,806	(154,194)	154,194	b)
	-	845,806	845,806	(154,194)	154,194	
FVTOCI						
Equity instruments	-	-	-	-	-	
Add: Reclassification from available-for-sale (IAS 39)	-	28,269	28,269	-	-	a)
Add: Reclassification from financial assets at cost (IAS 39)	-	53,820	53,820	6,180	(6,180)	a)
	-	82,089	82,089	6,180	(6,180)	
	$ -	$ 927,895	$ 927,895	$ (148,014)	$ 148,014	

a) Investments in foreign unlisted stock previously classified as available-for-sale under IAS 39 have been designated as at FVTOCI under IFRS 9, because these investments are not held for trading. As a result, the related other equity - unrealized loss on available-for-sale financial assets of $70,582 thousand was reclassified to other equity - unrealized loss on financial assets at FVTOCI.

   Investments in domestic unlisted common stock previously measured at cost under IAS 39 have been designated as at FVTOCI under IFRS 9 and were remeasured at fair value.

   The Group recognized under IAS 39 impairment loss on certain investments in domestic unlisted common stock previously measured at cost and the loss was accumulated in retained earnings. Since those investments were designated as at FVTOCI under IFRS 9 and no impairment assessment is required, an adjustment was made that resulted in a decrease of $6,180 thousand in other equity - unrealized loss on financial assets at FVTOCI and an increase of $6,180 thousand in retained earnings on January 1, 2018.

b) Domestic investments in beneficiary certificates previously classified as available-for-sale under IAS 39 were classified mandatorily as at FVTPL under IFRS 9, because the contractual cash flows are not solely payments of principal and interest on the principal outstanding and they are not equity instruments. The retrospective adjustment resulted in an increase of $154,194 thousand in other equity - unrealized loss on available-for-sale financial assets and a decrease of $154,194 thousand in retained earnings on January 1, 2018.

c) Accounts receivable and other receivables (including related parties) that were previously classified as loans and receivables under IAS 39 were classified as measured at amortized cost with an assessment of expected credit losses under IFRS 9.

2) IFRS 15 "Revenue from Contracts with Customers" and related amendment

IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers, and supersedes IAS 18 "Revenue", IAS 11 "Construction Contracts" and a number of revenue-related interpretations. Refer to Note 4 for related accounting policies.

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.

Prior to the application of IFRS 15, the Group determined whether it was a principal or an agent based on its exposure to the significant risks and rewards of the goods or services.

Incremental costs of obtaining a contract is recognized as an asset to the extent the Group expects to recover those costs. Such asset is amortized on a basis that is consistent with the transfer to the customer of the goods or services to which the asset relates.

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

For the sale with a right of return, the Group recognizes a refund liability and a right to recover a product when recognizing revenue. Prior to the application of IFRS 15, return provisions were recognized when recognizing revenue.

The Group elected only to retrospectively apply IFRS 15 to contracts that were not complete on January 1, 2018. The cumulative effect on January 1, 2018 is as below:

Impact on assets and liabilities for current period

	As Originally Stated	Adjustments Arising from Initial Application	Restated
Rights to recover products-current	$ -	$ 95,777	$ 95,777
Total effect on assets	11,777,894	95,777	11,873,671
Contract liability - current	-	49,975	49,975
Notes and accounts payable	3,688,973	(28,097)	3,660,876
Other payables	1,112,225	6,320	1,118,545
Advance receipts	63,050	(49,975)	13,075
Refundable liability-current	-	117,554	117,554
Total effect on liabilities	5,910,381	95,777	6,006,158

The financial information if the Group continued using IAS 18 as of December 31, 2018 is as below:

	December 31, 2018 (IFRS 15)	Adjustments Arising from IFRS 15 Application	December 31, 2018 (IAS 18)
Rights to recover products-current	$ 104,767	$ (104,767)	$ -
Total effect on assets	12,226,552	(104,767)	12,121,785
Contract liability - current	114,417	(114,417)	-
Notes and accounts payable	4,474,923	18,908	4,493,831
Advance receipts	-	114,417	114,417
Refundable liability-current	123,675	(123,675)	-
Total effect on liabilities	6,054,448	(104,767)	5,949,581

b. Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed by the FSC for application starting from 2019

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)
IFRS 16 “Leases”	January 1, 2019
Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”	January 1, 2019 (Note 3)
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: The Group shall apply these amendments to plan amendments, curtailments or settlements occurring on or after January 1, 2019.

IFRS 16 “Leases”

IFRS 16 sets out the accounting standards for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessor. It supersedes IAS 17 “Leases”, IFRIC 4 “Determining whether an Arrangement contains a Lease”, and related interpretations.

Definition of a lease

Upon initial application of IFRS 16, the Group will reassess whether a contract is, or contains, a lease in accordance with the definition of a lease under IFRS 16. Contracts that are reassessed as containing a lease will be accounted for in accordance with the transitional provisions under IFRS 16.

The Group as lessee

Upon initial application of IFRS 16, the Group will recognize right-of-use assets and lease liabilities for all leases on the consolidated balance sheets except for those whose payments under low-value and short-term leases will be recognized as expenses on a straight-line basis. On the consolidated statements of comprehensive income, the Group will present the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the effective interest method. On the consolidated statements of cash flows, cash payments for the principal portion of lease liabilities and the interest portion will be classified within financing activities. Currently, payments under operating lease contracts are recognized as expenses on a straight-line basis. The difference between the actual payments and the expenses, as adjusted for lease incentives, is recognized as accrued expenses or prepayments. Cash flows for operating leases are classified within operating activities on the consolidated statements of cash flows.

The Group anticipates applying IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized on January 1, 2019. Comparative information will not be restated.

Lease liabilities will be recognized on January 1, 2019 for leases currently classified as operating leases with the application of IAS 17. Lease liabilities will be measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate on January 1, 2019. Right-of-use assets will be measured at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments. The Group will apply IAS 36 to all right-of-use assets.

The Group expects to apply the practical expedients: The Group will apply a single discount rate to measure lease liabilities.

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

Impact on assets, liabilities and equity for current period

	Carrying Amount as of December 31, 2018	Adjustments Arising from Initial Application	Adjusted Carrying Amount as of January 1, 2019
Prepayments	$ 161,642	$ (804)	$ 160,838
Right-of-use assets	-	746,549	746,549
Deferred tax asset	46,574	(7,286)	39,288
Refundable deposits	72,652	(1,795)	70,857
Total effect on assets	12,226,552	736,664	12,963,216
Other payables	478,025	(4,524)	473,501
Other payables to related parties	56,161	(31,909)	24,252
Lease liabilities - current	-	220,150	220,150
Lease liabilities - non-current	-	523,421	523,421
Total effect on liabilities	6,054,448	707,138	6,761,586
Unappropriated earnings	967,781	29,438	997,219
Non-controlling interests	21,601	88	21,689
Total effect on equity	6,172,104	29,526	6,201,630

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)
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020 (Note 2)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020 (Note 3)

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

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 the entities controlled by the Company (its subsidiaries).

Income and expenses of subsidiaries acquired of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition.

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 14, Table 7 and Table 8 for detailed information of subsidiaries (including the percentage of ownership and main business).

e. Business combinations

Acquisitions of businesses are accounted for using the acquisition method. Acquisition-related costs are generally recognized in profit or loss as they are incurred.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interests in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. Other types of non-controlling interests are measured at fair value.

f. 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.

g. 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.

h. Investments in associates

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

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

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

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

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

The entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is not allocated to any asset, including goodwill, that 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.

i. 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 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.

j. Goodwill

Goodwill arising from the acquisition of a business is measured at cost as established at the date of acquisition of the business less accumulated impairment loss.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units or groups of cash-generating units (referred to as "cash-generating units") that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently when there is an indication that the unit may be impaired, by comparing its carrying amount, including the attributed goodwill, with its recoverable amount. However, if the goodwill allocated to a cash-generating unit was acquired in a business combination during the current annual period, that unit shall be tested for impairment before the end of the current annual period.

If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then pro rata to the other assets of the unit based on the carrying amount of each asset in the unit. Any impairment loss is recognized directly in profit or loss. Any impairment loss recognized for goodwill is not reversed in subsequent periods.

k. 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.

l. 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.

m. 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 FVTPL) 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 FVTPL 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

<u>2018</u>

Financial assets are classified into the following categories: Financial assets at FVTPL, financial assets at amortized cost, and investments in equity instruments at FVTOCI.

i. Financial asset at FVTPL

Financial asset is classified as at FVTPL when the financial asset is mandatorily classified or it is designated as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI.

Financial assets at FVTPL are subsequently measured 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 31.

ii. Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

i) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, accounts receivable, other receivables, other financial assets and refundable deposits, are measured at amortized cost, which equals to gross carrying amount determined by the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset.

Cash equivalents include 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.

iii. Investments in equity instruments at FVTOCI

On initial recognition, the Group may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, instead, they will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Group’s right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

<u>2017</u>

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 31.

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

<u>2018</u>

The Group recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including accounts receivable and other receivables).

The Group always recognizes lifetime Expected Credit Loss (i.e. ECL) for accounts receivable and other receivables. For all other financial instruments, the Group recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Expected credit losses reflect the weighted average of credit losses with the respective risks of a default occurring as the weights. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and does not reduce the carrying amount of the financial asset.

2017

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.

Before 2018, 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. From 2018, on derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in an equity instrument at FVTOCI in its entirety, the cumulative gain or loss is transferred directly to retained earnings, without reclassifying to 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.

n. 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.

o. Revenue recognition

<u>2018</u>

The Group identifies the contract with the customers, allocates the transaction price to the performance obligations, and recognizes revenue when performance obligations are satisfied.

1) Revenue from sale of goods

The Group's primary source of revenue is generated from virtual channels, including TV shopping channels, E-commerce portals and catalogues. Sales of goods are recognized as revenue after the goods are shipped, and the transaction price received is recognized as a contract liability before the goods are delivered to the customer.

Under customer loyalty program, the Group offers vouchers which can be used in future purchases by the customer. The voucher provides a material right to the customer. Transaction price allocated to the voucher is recognized as contract liability when collected and will be recognized as revenue when the voucher is redeemed.

2) Revenue from rendering of services

The Group is an agent and its performance obligation is to procure the good on behalf of the customer. The Group recognizes revenue in the net amount of consideration received or receivable when the good is transferred to the customer and the Group has no further obligation to the customer.

<u>2017</u>

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.

p. 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.

q. 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.

r. Taxation

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

1) Current tax

According to the Income Tax Law, an additional tax 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 and unused tax credits for purchases of machinery and equipment 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. Significant influence over associates

Note 15 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.

b. 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.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2018	2017
Cash on hand and revolving funds	$ 17	$ 14
Cash in banks	1,585,159	527,821
Time deposits	1,339,273	2,013,350
Short-term notes and bills	-	159,885
	$ 2,924,449	$ 2,701,070
The market rate intervals of time deposits	0.1%-2.7%	0.1%-0.6%

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS - CURRENT - 2018

	December 31, 2018
Current	
Domestic beneficiary certificates	$ 81,474

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

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - 2018

Equity Instrument Investments

	December 31, 2018
Current	
Foreign unlisted stock	$ 10,125
Non-current	
Domestic unlisted stock	$ 42,580

These investments in equity instruments are not held for trading. Instead, they are held for medium to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes. These investments in equity instruments were classified as available-for-sale under IAS 39. Refer to Note 3, Note 4, Note 9 and Note 10 for information relating to their reclassification and comparative information for 2017.

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

9. AVAILABLE-FOR-SALE FINANCIAL ASSETS - CURRENT - 2017

	December 31, 2017
Domestic investments	
Beneficiary certificates	$ 845,806
Foreign investments	
Unlisted stock	28,269
	$ 874,075

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

10. FINANCIAL ASSETS AT COST - NON-CURRENT - 2017

	December 31, 2017
Domestic unlisted common stock	$ 53,820

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.

11. ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

	December 31	
	2018	2017
Accounts receivable		
Measured at amortized cost		
Accounts receivable	$ 55,729	$ 25,088
Less: Allowance for impairment loss	(1,862)	(608)
Accounts receivable, net	$ 53,867	$ 24,480
Other receivables		
Measured at amortized cost		
Other receivables	$ 910,630	$ 707,175
Less: Allowance for impairment loss	(7,169)	(4,166)
Other receivables, net	$ 903,461	$ 703,009

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

For the year ended December 31, 2018

The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all accounts receivable and other receivables. The expected credit losses on accounts receivable and other receivables are estimated by reference to past default experience and collecting experience of each debtor as well as an increase in the number of delayed payments in the portfolio past the average credit period. Furthermore, the Group considers both its own trading records and observable changes in national or local economic conditions that correlate with defaults on receivables as factors affecting the expected credit losses. The Group estimates expected credit loss rate, based on different loss patterns for different customer segments, by past due status and actual situation.

The following table details the loss allowance of accounts receivable and other receivables.

December 31, 2018

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

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

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

	For the Year Ended December 31, 2018
Balance at January 1, 2018 per IAS 39	$ 4,774
Adjustment on initial application of IFRS 9	-
Balance at January 1, 2018 per IFRS 9	4,774
Add: Provision	4,501
Less: Write-off	(244)
Balance at December 31, 2018	$ 9,031

For the year ended December 31, 2017

The Group's credit policy in 2017 was the same as the aforementioned credit policy in 2018.

The aging of receivables was as follows:

	December 31, 2017
Neither past due nor impaired	$ 693,539
Past due but not impaired	
Past due within 180 days	32,811
Past due over 180 days	1,139
	$ 727,489

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
Beginning balance	$ 3,916
Add: Provision	1,398
Reversal	300
Less: Write-off	(840)
Ending balance	$ 4,774

12. INVENTORIES

	December 31	
	2018	2017
Merchandise	$ 1,627,218	$ 1,036,560

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2018 and 2017 were $34,804,100 thousand and $26,775,393 thousand, which included inventory write-downs of $8,703 thousand and $23,637 thousand, respectively.

13. OTHER FINANCIAL ASSETS

	December 31	
	2018	2017
Current		
Pledged time deposits	$ 68,128	$ 35,076
Time deposits with original maturity more than 3 months	42,688	17,867
	$ 110,816	$ 52,943
Non-current		
Pledged time deposits and restricted deposits	$ 18,578	$ 34,153

a. The market interest rates of the time deposit with original maturity more than 3 months were 0.17%-1.75% and 0.15%-1.065% per annum, as of December 31, 2018 and 2017, respectively.

b. The Group estimates the expected credit risks of the above financial assets are not significant, and all the credit risks did not increase after initial recognition.

c. Refer to Note 33 for information relating to other financial assets pledged as security.

14. SUBSIDIARIES

a. Subsidiaries included in the consolidated financial statements

Investor	Subsidiary	Main Business and Products	Percentage of Ownership December 31 2018	2017	Note
momo	Fu Sheng Travel Service Co., Ltd. (FST)	Travel agent	100.000	100.000	-
momo	Fuli Life Insurance Agent Co., Ltd. (FLI)	Life insurance agent	100.000	100.000	-
momo	Fuli Property Insurance Agent Co., Ltd. (FPI)	Property insurance agent	100.000	100.000	-
momo	Bebe Poshe International Co., Ltd. (Bebe Poshe)	Wholesale of cosmetics	85.000	-	Note 1
momo	Asian Crown International Co., Ltd. (Asian Crown (BVI))	Investment	81.990	76.260	Note 2
Asian Crown (BVI)	Fortune Kingdom Corporation (Fortune Kingdom)	Investment	100.000	100.000	Note 2
Fortune Kingdom	Hong Kong Fubon Multimedia Technology Co., Ltd. (HK Fubon Multimedia)	Investment	100.000	100.000	Note 2
HK Fubon Multimedia	Fubon Gehua (Beijing) Enterprise Ltd. (FGE)	Wholesaling	93.548	91.304	Note 3
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	-

Note 1: In July 2018, the board of directors approved to acquire 85% equity interests in Bebe Poshe, resulting in a capital increase for Bebe Poshe of 85,000 thousands. momo acquired control of Bebe Poshe on September 6, 2018 and incorporated the Company into the consolidated financial statements.

Note 2: In May 2018, the board of directors approved a capital increase of RMB20,000 thousands in Asia Crown (BVI) in order to ultimately invest in FGE. As a result, momo’s shareholding in Asia Crown (BVI) increased from 76.26% to 81.99%.

Note 3: In May 2018, FGE held an interim shareholders meeting to propose an increase in capital by RMB20,000 thousand which was fully subscribed by HK Fubon Multimedia. Thus, HK Fubon Multimedia ‘s shareholding in FGE increased from 91.304% to 93.548%.

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

15. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

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

Investee Company	December 31 2018 Amount	% of Ownership	2017 Amount	% of Ownership
Global Home Shopping Co., Ltd. (GHS)	$ 766,529	20.00	$ 781,922	20.00
Taiwan Pelican Express Co., Ltd. (TPE)	385,706	17.70	401,192	17.70
TVD Shopping Co., Ltd. (TVD shopping)	119,889	35.00	117,462	35.00
	$ 1,272,124		$ 1,300,576	

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 and consequently the shareholding in GHS increased to 20% again.

b. TPE

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

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

c. TVD Shopping

In April 2014, the Company acquired 35% of TVD Shopping, which was set up by TV Direct Public Company Limited, with the total amount of investment of THB155,750 thousand. The Group engaged in E-commerce and TV Shopping in Thailand. In order to adjust the capital structure, financial indicators and operating indicators, TVD Shopping held the interim shareholders meeting on November 23, 2017 to propose the capital reduction of THB35,000 thousand. The Group has received the returns of the capital $31,090 thousand in January 2018.

d. 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	
	2018	**2017**
The Group’s share of:		
Profit	$ 50,453	$ 82,281
Other comprehensive loss	(7,901)	(7,719)
Total comprehensive income for the year	$ 42,552	$ 74,562

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

	December 31	
Name of Associate	**2018**	**2017**
TPE	$ 369,112	$ 489,052

All the associates are accounted for using the equity method.

16. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Machinery	Office Equipment	Lease Assets	Lease Improvement	Other Equipment	Property in Construction	Total
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	$ 1,717,927	$ 1,676,457	$ 1,451,517	$ 48,339	$ -	$ 246,296	$ 12,587	$ 185,541	$ 5,338,664
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	$ -	$ 6,219	$ 636,067	$ 25,802	$ -	$ 101,098	$ 4,152	$ -	$ 773,338
Carrying amounts, December 31, 2017	$ 1,717,927	$ 1,670,238	$ 815,450	$ 22,537	$ -	$ 145,198	$ 8,435	$ 185,541	$ 4,565,326
Cost									
Balance, January 1, 2018	$ 1,717,927	$ 1,676,457	$ 1,451,517	$ 48,339	$ -	$ 246,296	$ 12,587	$ 185,541	$ 5,338,664
Additions	-	13,479	103,125	29,114	-	16,222	2,518	45,575	210,033
Disposals	-	-	(132,934)	(461)	-	-	(142)	-	(133,537)
Reclassification	-	78,212	35,726	24,626	-	-	46,971	(216,077)	(30,542)
Effect of exchange rate changes	-	-	(1,702)	(44)	-	(58)	(7)	-	(1,811)
Balance, December 31, 2018	$ 1,717,927	$ 1,768,148	$ 1,455,732	$ 101,574	$ -	$ 262,460	$ 61,927	$ 15,039	$ 5,382,807
Accumulated depreciation and impairment									
Balance, January 1, 2018	$ -	$ 6,219	$ 636,067	$ 25,802	$ -	$ 101,098	$ 4,152	$ -	$ 773,338
Depreciation	-	79,593	130,750	20,056	-	30,718	6,051	-	267,168
Disposals	-	-	(132,934)	(461)	-	-	(142)	-	(133,537)
Effect of exchange rate changes	-	-	(1,482)	(42)	-	(29)	(7)	-	(1,560)
Balance, December 31, 2018	$ -	$ 85,812	$ 632,401	$ 45,355	$ -	$ 131,787	$ 10,054	$ -	$ 905,409
Carrying amounts, December 31, 2018	$ 1,717,927	$ 1,682,336	$ 823,331	$ 56,219	$ -	$ 130,673	$ 51,873	$ 15,039	$ 4,477,398

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, 2018, the property, plant and equipment were not pledged as collateral.

17. OTHER ASSETS

	December 31	
	2018	2017
Current		
Rights to recover products (Note 24)	$104,767	$ -
Others	14,323	18,846
	$119,090	$ 18,846

18. SHORT-TERM LOANS

	December 31, 2017
Unsecured bank loans	$ 62,318
Annual interest rate	5.44%

Refer to Note 31(d) for information relating on financial risk and Note 34 for information on endorsements and guarantees.

19. NOTES AND ACCOUNTS PAYABLE

	December 31	
	2018	2017
Notes payable	$ 1,889	$ -
Accounts payable		
Suppliers	$ 4,473,034	$ 3,682,653
Others	-	6,320
	$ 4,473,034	$ 3,688,973

20. OTHER LIABILITIES

	December 31	
	2018	2017
Current		
Other payables		
Payable for salaries and bonus	$ 268,548	$ 206,456
Payable for business tax	54,122	47,650
Payable for equipment and construction	11,681	477,607
Payable for investment	-	20,265
Others	143,674	360,247
	$ 478,025	$ 1,112,225

(Continued)

	December 31	
	2018	2017
Others		
Contract liabilities	$ 114,417	$ -
Advance receipts	-	63,050
Refundable liability (Note 24)	123,675	-
Collection about travelling merchandise	207,288	261,772
Others	218,987	169,602
	$ 664,367	$ 494,424

(Concluded)

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

21. 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 $77,090 thousand and $66,113 thousand in the consolidated statements of comprehensive income for the years ended December 31, 2018 and 2017, 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	
	2018	2017
Present value of defined benefit obligation	$ 12,610	$ 12,003
Fair value of plan assets	(10,137)	(8,396)
Net defined benefit liability	$ 2,473	$ 3,607

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, 2017	$ 12,221	$ (6,914)	$ 5,307
Net interest expense (income)	152	(96)	56
Recognized in profit or loss	152	(96)	56
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	(866)	-	(866)
Recognized in other comprehensive income	(370)	26	(344)
Contributions from the employer	-	(1,412)	(1,412)
Benefits paid	-	-	-
Balance at December 31, 2017	12,003	(8,396)	3,607
Net interest expense (income)	195	(148)	47
Recognized in profit or loss	195	(148)	47
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(174)	(174)
Actuarial loss - changes in financial assumptions	560	-	560
Actuarial gain - experience adjustments	(148)	-	(148)
Recognized in other comprehensive income	412	(174)	238
Contributions from the employer	-	(1,419)	(1,419)
Benefits paid	-	-	-
Balance at December 31, 2018	$ 12,610	$ (10,137)	$ 2,473

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 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	
	2018	**2017**
Discount rate(s)	1.375%	1.625%
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	
	2018	**2017**
Discount rate(s)		
0.25% increase	$ (560)	$ (543)
0.25% decrease	$ 590	$ 573
Expected rate(s) of salary increase		
0.25% increase	$ 576	$ 561
0.25% decrease	$ (550)	$ (534)

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	
	2018	**2017**
The expected contributions to the plan for the next year	$ 1,404	$ 1,416
The average duration of the defined benefit obligation	18.3 years	18.7 years

22. GUARANTEE DEPOSITS

	December 31	
	2018	2017
Vendors	$ 259,525	$ 244,084
Decorations	34	34
	$ 259,559	$ 244,118

23. EQUITY

a. Capital stock

As of December 31, 2018 and 2017, momo had authorized 150,000 thousand common shares, with 140,059 and 142,059 thousand shares issued and outstanding at par value $10 per share.
momo's capital stock changes due to retirement of treasury stock.

b. Capital surplus

	December 31	
	2018	2017
Additional paid-in capital	$ 2,764,062	$ 2,835,115
From share of changes in equities of subsidiaries	125,291	148,277
Expired employee share options	170	170
From share of changes in equities of associates	87,468	74,176
	$ 2,976,991	$ 3,057,738

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

c. Appropriation of earnings and dividend policy

momo's Articles of Incorporation provide that, in the event that momo, according to the financial report, earns profits in a fiscal year, such profits shall first be applied to pay the applicable taxes, recover losses, set aside legal reserve pursuant to laws and regulations until the accumulated legal reserves equal momo's paid-in capital, and set aside or reverse a special reserve in accordance with the law or to satisfy the business needs of momo. The remaining balance and any unappropriation earnings of the previous fiscal years shall be distributed to the shareholders with more than 10% as dividends in accordance with resolutions of the shareholders' meetings. For information about the accrual basis of the employees' compensation and remuneration to directors and the actual appropriations, please refer to employee benefits expense in Note 25(d).

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

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

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.

The appropriations of earnings for 2017 and 2016 were approved in the shareholders’ meetings on May 17, 2018 and May 17, 2017, respectively, were as follows:

	Appropriation of Earnings		**Dividends Per Share (NT$)**	
	For the Year Ended December 31		**For the Year Ended December 31**	
	2017	**2016**	**2017**	**2016**
Legal reserve	$ 126,986	$ 118,179		
Special reserve	53,985	60,984		
Cash dividends	1,088,885	1,002,623	$ 7.7745	$ 7.1586

The Company’s shareholders resolved to issue cash dividends from capital surplus of $31,583 thousand and $117,845 thousand on May 17, 2018 and May 17, 2017, respectively.

d. Other equity

1) Exchange differences on translation

	For the Year Ended December 31	
	2018	**2017**
Beginning balance	$ (48,923)	$ (37,926)
In respect of the current period		
Exchange differences arising on translation	(12,879)	(9,592)
Share of exchange differences of associates accounted for using the equity method	(684)	(1,405)
	(13,563)	(10,997)
Ending balance	$ (62,486)	$ (48,923)

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

	For the Year Ended December 31, 2017
Beginning balance	$ (174,416)
In respect of the current period	
Unrealized loss	(37,184)
Associates accounted for using equity method	(5,804)
	(42,988)
Ending balance	$ (217,404)
Balance at January 1, 2018 per IAS 39	$ (217,404)
Adjustment on initial application of IFRS 9	217,404
Balance at January 1, 2018 per IFRS 9	$ -

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

	For the Year Ended December 31, 2018
Beginning balance per IAS 39	$ -
Adjustment on initial application of IFRS 9	(69,390)
Beginning balance per IFRS 9	(69,390)
In respect of the current period	
Unrealized gain (loss) - equity instruments	(29,384)
Associates accounted for using equity method	(6,634)
	(36,018)
Ending balance	$ (105,408)

e. Non-controlling interests

	For the Year Ended December 31	
	2018	2017
Beginning balance	$ (9,234)	$ (1,741)
Attributable to non-controlling interests:		
Share of loss for the year	(4,965)	(7,450)
Exchange differences arising on translation	203	(43)
Acquisition of non-controlling interests in subsidiaries (Note 28)	10,295	-
Changes in ownership interests in subsidiaries	22,986	-
Others	2,316	-
Ending balance	$ 21,601	$ (9,234)

f. Treasury shares

Shares Transferred to Employees	Total (In Thousands of Shares) For the Year Ended December 31 2018	2017
Number of shares on January 1	2,000	2,000
Changes during the year	(2,000)	-
Number of shares on December 31	-	2,000

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

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

24. REVENUE

	For the Year Ended December 31 2018	2017
Sales revenue	$ 41,428,804	$ 32,845,435
Other operating revenues	588,208	393,112
	$ 42,017,012	$ 33,238,547

Please refer to Note 4(o) and Note 37 for the details of revenue.

Contract Information

The Group's customary business practice allows customers to return the goods within 10 days with full refund. The rate of return is estimated on a portfolio level using the expected value method, taking into account the Group's accumulated historical experience. The refund liability and the related right to recover products from customers are recorded accordingly.

Revenue of the reporting period recognized from the beginning contract liability is as follows:

	For the Year Ended December 31, 2018
Revenue from sale of good	$ 25,756
Others	8,862
	$ 34,618

25. PROFIT BEFORE INCOME TAX

a. Other income

	For the Year Ended December 31	
	2018	2017
Interest income	$ 29,114	$ 54,021
Others	7,460	2,676
	$ 36,574	$ 56,697

b. Other gains and losses

	For the Year Ended December 31	
	2018	2017
Gain on disposal of investments		
Available-for-sale financial assets	$ -	$ 692
Loss on financial assets		
Financial assets at fair value through profit or loss	(28,067)	-
Impairment losses of financial assets at cost	-	(6,180)
Gain on disposal of property, plant and equipment, net	-	2,568
Net foreign exchange gains	979	1,604
Others	-	(3,072)
	$ (27,088)	$ (4,388)

c. Finance costs

	For the Year Ended December 31	
	2018	2017
Interest on bank loans	$ 2,745	$ 3,352
Others	-	1
	$ 2,745	$ 3,353

d. Employee benefits expense, depreciation and amortization

Function / Nature	For the Year Ended December 31, 2018			For the Year Ended December 31, 2017		
	Operating Costs	Operating Expenses	Total	Operating Costs	Operating Expenses	Total
Employee benefits expense						
Salary	$ 550,066	$ 880,037	$1,430,103	$ 438,655	$ 728,510	$1,167,165
Insurance expense	55,665	86,057	141,722	46,166	73,266	119,432
Post-employment benefits	27,688	49,449	77,137	22,780	43,389	66,169
Other employee benefits	34,398	55,197	89,595	29,096	46,557	75,653
Depreciation	225,728	41,440	267,168	66,156	39,944	106,100
Amortization	8,165	45,249	53,414	1,807	18,482	20,289

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 compensation in the sum of 0.1% to 1%.

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

Employee bonuses including the employees of momo and its subsidiaries.

The Company's estimated employees' compensation and remuneration to directors were made by applying the rates to the aforementioned regulation. For the years ended December 31, 2018 and 2017, the estimated employees' compensation and remuneration of directors were as follows:

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

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 2017 and 2016 having been resolved by the Board of Directors on January 26, 2018 and January 24, 2017, respectively, and the respective amounts recognized in the consolidated financial statements, were as follows:

	For the Year Ended December 31			
	2017		**2016**	
	Employees' Compensation	**Remuneration of Directors**	**Employees' Compensation**	**Remuneration of Directors**
Amounts approved in the board of directors' meeting	$ 1,525	$ 1,525	$ 1,421	$ 1,421

There was no difference between resolved by the Board of Directors and recognized in consolidated financial statements in 2017 and 2016.

Information on the employees' compensation and remuneration of directors resolved by momo's Board of Directors in 2018 and 2017 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

26. INCOME TAX

a. Income tax recognized in profit or loss

The major components of tax expense were as follows:

	For the Year Ended December 31	
	2018	**2017**
Current tax		
In respect of the current period	$ 134,962	$ 261,100
Adjustments for prior periods	(73,716)	(1,446)
	61,246	259,654
Deferred tax		
In respect of the current period	(24,036)	(1,986)
Adjustments to deferred tax attributable to changes in tax rate	(2,273)	-
	(26,309)	(1,986)
Income tax expense recognized in profit or loss	$ 34,937	$ 257,668

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

	For the Year Ended December 31	
	2018	**2017**
Profit before tax	$ 1,479,612	$ 1,520,300
Income tax expense calculated at the statutory rate (20% and 17% for the years ended 2018 and 2017, respectively)	$ 295,922	$ 258,451
Share of loss of domestic investment accounted for using the equity method	(1,047)	(2,178)
Nondeductible expenses in determining taxable income	11,615	6,944
Temporary differences	(108,009)	(7,470)
Deferred tax	(24,036)	(1,986)
Adjustments for prior years' tax	(73,716)	(1,446)
Unrecognized loss carryforwards	4,569	6,160
Investment tax credit	(67,341)	-
Adjustments to deferred tax attributable to changes in tax rate	(2,273)	-
Others	-	1,188
Effect of different tax rate of group entities operating in other jurisdictions	(747)	(1,995)
Income tax expense recognized in profit or loss	$ 34,937	$ 257,668

The tax benefit recognized in the current period resulted from the approval for investment tax credit of the acquisition of equipment in May 2018, deducted of 74,741 thousand tax payable from 2017 income tax return.

In 2017, the applicable corporate income tax rate used by the group entities in the ROC is 17%. However, the Income Tax Act in the ROC was amended in 2018, and the corporate income tax rate was adjusted from 17% to 20%, effective in 2018. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings will be reduced from 10% to 5%. The applicable tax rate used by subsidiaries in China is 25%. Tax rates used by other group entities operating in other jurisdictions are based on the tax laws in those jurisdictions.

As the status of the 2019 appropriation of earnings is uncertain, the potential income tax consequences of the 2018 unappropriated earnings are not reliably determinable.

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2018	**2017**
Deferred tax		
Tax change - remeasurement of defined benefit plans	$ 253	$ -
Actuarial loss (gain) - defined benefit plans	47	(59)
Income tax recognized in other comprehensive income	$ 300	$ (59)

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, 2018

Deferred Tax Assets	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehen-sive Income	Closing Balance
Temporary differences				
Defined benefit obligation	$ 613	$ (418)	$ 300	$ 495
Allowance for inventory valuation loss	5,491	1,729	-	7,220
Investment tax credit	-	18,558	-	18,558
Others	13,188	7,113	-	20,301
	$ 19,292	$ 26,982	$ 300	$ 46,574

Deferred Tax Liabilities	Opening Balance	Classification	Recognized in Profit or Loss	Recognized in Other Comprehen-sive Income	Closing Balance
Temporary differences					
Unrealized gain on available-for-sale financial assets	$ 3,208	$ (3,208)	$ -	$ -	$ -
Unrealized gain on fair value through other comprehensive income financial assets	-	3,208	566	$ -	$ 3,774
Others	1,768	-	107	-	1,875
	$ 4,976	$ -	$ 673	$ -	$ 5,649

For the year ended December 31, 2017

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

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	1,646	122	-	1,768
	$ 4,854	$ 122	$ -	$ 4,976

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

	December 31	
	2018	2017
Loss carryforwards	$ 505,256	$ 673,077

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, 2018, 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
$ 505,256	2019 to 2028

e. Income tax assessments

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

Company	Year
momo	2016
FST	2016
FLI	2016
FPI	2016
Bebe Poshe	2017

27. EARNINGS PER SHARE

Unit: NT$ Per Share

	For the Year Ended December 31	
	2018	**2017**
Basic earnings per share	$ 10.35	$ 9.07
Diluted earnings per share	$ 10.35	$ 9.07

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

	For the Year Ended December 31	
	2018	**2017**
Earnings used in the computation of basic and diluted earnings per share	$ 1,449,640	$ 1,270,082

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

	For the Year Ended December 31	
	2018	**2017**
Weighted average number of common stocks in computation of basic earnings per share	140,059	140,059
Effect of potentially dilutive common stocks:		
Employees' compensation	8	8
Weighted average number of common stocks used in the computation of diluted earnings per share	140,067	140,067

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.

28. BUSINESS COMBINATIONS- SUBSIDIARIES ACQUIRED

In July 2018, the Board of Directors approved to acquire 85% equity interests in Bebe Poshe, resulting in a capital increase for Bebe Poshe of 85,000 thousands, and recognized goodwill of $26,664 thousand as a result of the control premium included in the cost of the combination. The non-controlling interest (15% ownership interest in Bebe Poshe) was measured by the acquiree's identifiable net assets of the non-controlling interest at the acquisition date and amounted to $10,295 thousand.

29. 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	
	2018	2017
Not later than 1 year	$ 258,068	$ 164,982
Later than 1 year and not later than 5 years	530,956	107,793
	$ 789,024	$ 272,775

30. 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.

31. 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, 2018

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

December 31, 2017

	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
Beneficiary certificates	$ 845,806	$ -	$ -	$ 845,806
Equity instrument investments				
Unlisted stock - foreign investments	-	28,269	-	28,269
	$ 845,806	$ 28,269	$ -	$ 874,075

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

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 period.

3) Valuation techniques and inputs applied for Level 3 fair value measurement: The Group uses price-book ratio approach, comparing the net value per share with other public companies among the similar industries or evaluating stock price based on average price-book ratio of other competitors, to capture the present value of the expected future economic benefits to be derived from the ownership of these investees.

Reconciliation of Level 3 fair value measurements of financial instruments

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

	For the Year Ended December 31, 2018
Beginning balance	$ 53,820
Recognized in other comprehensive income (unrealized loss on financial assets at fair value through other comprehensive income)	(11,240)
Ending balance	$ 42,580

c. Categories of financial instruments

	December 31	
	2018	**2017**
Financial assets		
Financial assets at fair value through profit or loss		
Mandatorily at fair value through profit or loss	$ 81,474	$ -
Financial assets at fair value through other comprehensive income		
Equity instruments	52,705	-
Available-for-sale financial assets	-	874,075
Financial assets at cost	-	53,820
Financial assets at amortized cost (Note 1)	4,259,930	-
Loans and receivables (Note 1)	-	3,812,021
	$ 4,394,109	$ 4,739,916
Financial liabilities		
Financial liabilities at amortized cost (Note 2)	$ 5,363,271	$ 5,256,654

Note 1: The balances include loans and receivables, which comprise cash and cash equivalents, accounts receivable, other receivables, other financial assets and refundable deposits. The balances were reclassified to financial assets at amortized cost upon the application of IFRS 9 starting from 2018.

Note 2: The balances include financial liabilities at amortized cost, which comprise short-term loans, notes and accounts payable, other payables and guarantee deposits.

d. Financial risk management objectives and policies

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

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

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

2) Risk management framework

a) Decision-making mechanism:

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

b) Risk management policies:

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

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

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

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

c) Monitoring mechanism:

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

3) Credit risk

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

4) Liquidity risk

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

The Group manages and maintains sufficient capital to ensure the requirements of paying estimated operating expenditures, including financial obligations on each contract. The Group also monitors its bank credit facilities to ensure that the provisions of loan contracts are all complied with properly. As of December 31, 2018 and 2017, the Group had unused bank facilities of $751,158 thousand and $754,060 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**
Non-derivative financial liabilities					
Unsecured loans	$ -	$ -	$ 65,057	$ -	$ -

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 35.

Sensitivity analysis

The Group was mainly exposed to the USD, JPY, THB, GBP and RMB.

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

	For the Year Ended December 31	
	2018	**2017**
Appreciated 5%	$ (3,467)	$ (1,453)
Depreciated 5%	$ 3,467	$ 1,453

b) Interest rate risk

The Group was exposed to interest rate risk because entities in the Group carried deposits and loans 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	
	2018	**2017**
Fair value interest rate risk		
Financial assets	$ 1,445,288	$ 2,224,878
Cash flow interest rate risk		
Financial assets	1,605,450	562,646
Financial liabilities	-	62,318

Sensitivity analysis

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

If interest rates had been 50 basis points higher or lower and all other variables were held constant, the Group's profit for the years ended December 31, 2018 and 2017 would increase or decrease by $8,027 thousand and $2,502 thousand, respectively.

c) Other price risk

The Group was exposed to other price risk through its investments in equity instruments and beneficiary certificates. The Group supervises the equity price risk actively and manages the risk based on fair value.

Sensitivity analysis

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

If equity prices had been 5% higher or lower, the profit for the year ended December 31, 2018 would have increased or decreased by $4,074 thousand, as a result of the changes in fair value of financial assets at FVTPL, and the post-tax other comprehensive income for the year ended December 31, 2018 would have increased or decreased by $2,635 thousand, as a result of the changes in fair value of financial assets at FVTOCI.

If equity prices had been 5% higher or lower, the other comprehensive income for the year ended December 31, 2017 would have increased or decreased by $43,704 thousand, as a result of the changes in fair value of available-for-sale financial assets.

32. TRANSACTIONS WITH RELATED PARTIES

momo's parent is Wealth Media Technology Co., Ltd. (WMT), which held 45.01% of common stocks of momo as of December 31, 2018 and 2017, respectively. momo's ultimate parent and ultimate controlling party is Taiwan Mobile Co., Ltd. (TWM).

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

a. The name and categories of related parties

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

b. Operating revenues

		For the Year Ended December 31	
Line Items	**Related Party Categories**	**2018**	**2017**
Sales	Parent entity	$ 749	$ 160
	Associates	56,182	28,547
		$ 56,931	$ 28,707

The Group renders sales service to other related parties.

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

c. Purchases

Related Party Categories	For the Year Ended December 31 2018	2017
Parent entity	$ 89,051	$ 119,273
Associates	406,755	401,912
Other related parties	119,154	143,596
	$ 614,960	$ 664,781

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

Line Items	Related Party Categories/Name	December 31 2018	2017
Accounts receivable	Parent entity	$ 346	$ -
	Associates	9,088	3,036
	Other related parties	1,265	2,693
		$ 10,699	$ 5,729
Other receivables	Parent entity	$ 12,978	$ 7,439
	Associates		
	TPE	112,956	123,502
	Others	-	37
		112,956	123,539
	Other related parties	39,474	71,187
		$ 165,408	$ 202,165

The outstanding trade receivables from related parties are unsecured. For the years ended December 31, 2018 and 2017, no impairment losses was recognized for trade receivables from related parties.

e. Payables to related parties

Line Items	Related Party Categories	December 31 2018	2017
Accounts payable	Parent entity	$ 3,009	$ 5,714
	Associates	91,167	501
	Other related parties	427	301
		$ 94,603	$ 6,516
Other payables	Parent entity	$ 9,097	$ 5,710
	Associates	5	95,554
	Other related parties	47,059	41,240
		$ 56,161	$ 142,504

The outstanding trade payables from related parties are unsecured.

f. Bank deposits

Line Items	Related Party Categories/Name	December 31 2018	December 31 2017
Cash and cash equivalents	Other related parties		
	TFCB	$ 294,567	$ 274,056
	Others	23,001	8,529
		$ 317,568	$ 282,585
Other financial assets	Other related parties		
	TFCB	$ 11,438	$ 13,371

g. Acquisition of property, plant and equipment

Related Party Categories	Purchase Price For the Year Ended December 31 2018	Purchase Price For the Year Ended December 31 2017
Other related parties	$ 23,403	$ 17,041

h. Acquisition of financial assets

For the year ended December 31, 2017

Line Items	Related Party Categories/Name	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	$ 120,000

i. Disposal of financial assets

For the year ended December 31, 2018

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

The Group recognized loss on financial assets at fair value through profit or loss of $2,249 thousand for the current reporting period, and the accumulated loss was $11,816 thousand.

For the year ended December 31, 2017

Line Items	Related Party Categories/Name	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	$ 120,012	$ 12

j. Others

1) Guarantee deposits

Related Party Categories/Name	December 31 2018	2017
Parent entity	$ 750	$ -
Associates	5,714	995
Other related parties		
FLI	30,072	27,219
Others	542	519
	30,614	27,738
	$ 37,078	$ 28,733

2) Operating expenses

Related Party Categories/Name	For the Year Ended December 31 2018	2017
Parent entity		
TWM	$ 20,363	$ 18,620
Associates	6,536	6,320
Other related parties		
FLI	76,687	73,969
TFCB	88,988	106,721
TFN	6,616	6,137
Fubon Ins.	20,032	13,374
FPM	13,357	12,224
Others	26,884	16,536
	232,564	228,961
	$ 259,463	$ 253,901

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

k. Key management compensation

	For the Year Ended December 31 2018	2017
Short-term employee benefits	$ 48,572	$ 48,048
Post-employment benefits	7,663	8,341
Termination benefits	-	1,112
	$ 56,235	$ 57,501

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

33. ASSETS PLEDGED

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

	December 31	
	2018	**2017**
Other financial assets - current	$ 68,128	$ 35,076
Other financial assets - non-current	18,578	34,153
	$ 86,706	$ 69,229

34. 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, 2018 and 2017 were as follows:

a. As of December 31, 2018 and 2017, the amounts of endorsements and guarantees for FGE were RMB 0 thousand and 15,000 thousand.

b. In accordance with the Ministry of Economic Affairs' policy, momo entered into a contract with First Commercial Bank Co., Ltd., which provided performance guarantee for advance receipts from prepaid bonus of $77,398 thousand and $23,397 thousand, as of December 31, 2018 and 2017, respectively; and electronic tickets of $37,066 thousand and $13,649 thousand as of December 31, 2018 and 2017, respectively.

35. 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, 2018

	Foreign Currencies	**Exchange Rate**	**Carrying Amount**
Financial assets			
Monetary items			
RMB	$ 6,923	4.464 (RMB:NTD)	$ 30,903
USD	1,848	30.79 (USD:NTD)	56,915
			$ 87,818

(Continued)

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

(Concluded)

December 31, 2017

	Foreign Currencies	Exchange Rate	Carrying Amount
Financial assets			
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)	30,933
			$ 56,256
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)	117,462
			$ 927,653
Financial liabilities			
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)	1,757
			$ 27,191

For the years ended December 31, 2018 and 2017, realized and unrealized net foreign exchange gains were $979 thousand and $1,604 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.

36. 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)

37. SEGMENT INFORMATION

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

Other segments include FST - travel agent, FLI - life insurance agent, FPI - property insurance agent, Bebe Poshe - wholesale of cosmetics, Asian Crown (BVI) - investment, and Honest Development - investment; for the years ended December 31, 2018 and 2017, 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, 2018					
Revenues					
Non-inter-company revenues	$ 6,528,702	$ 35,388,799	$ 125,081	$ (25,570)	$ 42,017,012
Segment profits	$ 609,168	$ 838,952	$ 31,478	$ 14	$ 1,479,612
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
Segment profits	$ 353,815	$ 1,105,312	$ 61,121	$ 52	$ 1,520,300

TABLE 1

momo.com Inc. AND SUBSIDIARIES

ENDORSEMENT/GUARANTEE PROVIDED TO OTHER PARTIES
FOR THE YEAR ENDED DECEMBER 31, 2018
(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	$ 829,548	$ 66,960	$ -	$ -	$ -	-	$ 6,150,503	Y	N	Y	

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

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

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

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

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

TABLE 2

momo.com Inc. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
DECEMBER 31, 2018
(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, 2018				Note
				Units/Shares (Thousands)	Carrying Value	Percentage of Ownership	Fair Value	
momo	Beneficiary certificates							
	Fubon Strategic High Income Fund B	Related party in substance	Financial assets at fair value through profit or loss - current	9,151	$ 81,474	-	$ 81,474	
	Stock							
	Media Asia Group Holdings Limited	-	Financial assets at fair value through other comprehensive income - current	43,668	10,125	2.04	10,125	
	We Can Medicines Co., Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	2,400	42,580	7.73	42,580	

TABLE 3

momo.com Inc. AND SUBSIDIARIES

ACQUISITION OF INDIVIDUAL REAL ESTATE PROPERTIES AT COST OF AT LEAST NT$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2018
(Amount in Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Type of Property	Transaction Date	Transaction Amount	Payment Term	Counter-party	Nature of Relationship	Prior Transaction of Related Counter-party				Price Reference	Purpose of Acquisition	Other Terms
							Owner	Relationship	Transfer Date	Amount			
momo	Warehousing logistics	2015.11.09	$ 1,728,552 (Note)	The payment has been fully paid (including the payment of $193,435 thousand for the current reporting period)	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 $3,143 thousand for the current reporting period, the total transaction amount increased to $1,728,552 thousand.

TABLE 4

momo.com Inc. AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES OF AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2018
(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	$ 406,755	1	Based on contract terms	-	-	$ (91,167)	(2)	

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, 2018
(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	Equity-method investee	Accounts receivables	$ 2,059	4.91	$ -	-	$ -	$ -
	TPE	Equity-method investee	Other receivables	112,956		-	-	112,956	-

TABLE 6

momo.com Inc. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2018
(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	FGE	1	Accounts receivables	$ 18,323	The terms of transaction are determined in accordance with mutual agreements or general business practices	0.15
0	momo	FGE	1	Sales revenue	19,513	The terms of transaction are determined in accordance with mutual agreements or general business practices	0.05

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

TABLE 7

momo.com Inc. AND SUBSIDIARIES

NAMES, LOCATIONS AND RELATED INFORMATION OF INVESTEES OVER WHICH THE COMPANY EXERCISED SIGNIFICANT INFLUENCE (EXCLUDING INFORMATION ON INVESTMENT IN MAINLAND CHINA)
FOR THE YEAR ENDED DECEMBER 31, 2018
(Amount in Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor	Investee	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2018			Net Income (Loss) of the Investee	Investment Income (Loss)	Note
				December 31, 2018	December 31, 2017	Shares (Thousands)	Percentage of Ownership	Carrying Value			
momo	FST	Taiwan	Travel agent	$ 6,000	$ 6,000	3,000	100.00	$ 48,535	$ 10,243	$ 10,243	
	FLI	Taiwan	Life insurance agent	3,000	3,000	500	100.00	9,310	238	238	
	FPI	Taiwan	Property insurance agent	3,000	3,000	500	100.00	10,969	2,045	2,045	
	Asian Crown (BVI)	British Virgin Islands	Investment	885,285	789,864	9,735	81.99	41,494	(14,417)	(11,178)	Note 5
	TPE	Taiwan	Logistics industry	337,860	337,860	16,893	17.70	385,706	69,392	5,237	
	TVD Shopping	Thailand	Wholesale and retail sales	115,099 (THB 120,750)	115,099 (THB 120,750)	24,150	35.00	119,889	26,220	7,990	Note 3
	Honest Development	Samoa	Investment	670,448	670,448	21,778	100.00	794,501	36,435	36,435	
	Bebe Poshe	Taiwan	wholesale of cosmetics	85,000	-	8,500	85.00	82,726	(21,969)	(2,274)	Note 6
Asian Crown (BVI)	Fortune Kingdom	Samoa	Investment	1,132,789	1,035,051	11,594	100.00	46,105	(14,566)	Note 2	Note 5
Fortune Kingdom	HK Fubon Multimedia	Hong Kong	Investment	1,132,789	1,035,051	11,594	100.00	46,105	(14,566)	Note 2	Note 5
Honest Development	HK Yue Numerous	Hong Kong	Investment	670,448	670,448	16,600	100.00	794,501	36,435	Note 2	

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

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

Note 3: The exchange rate on December 31, 2018 is THB1=NT$0.9532.

Note 4: Please refer to Table 8 for information on investment in mainland China.

Note 5: In May 2018, the board of directors approved a capital increase of RMB20,000 thousands in Asian Crown (BVI) in order to ultimately invest in FGE. As a result, momo's shareholding in Asian Crown (BVI) increased from 76.26% to 81.99%.

Note 6: In July 2018, the board of directors approved to acquire 85% equity interests in Bebe Poshe, resulting in a capital increase for Bebe Poshe of 85,000 thousands. momo acquired control of Bebe Poshe on September 6, 2018 and incorporated the Company into the consolidated financial statements.

momo.com Inc. AND SUBSIDIARIES

INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2018
(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, 2018	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2018	Net (Loss) Income of Investee	% Ownership through Direct or Indirect Investment	Investment Income (Loss)	Carrying Value as of December 31, 2018	Accumulated Inward Remittance of Earnings as of December 31, 2018	Note
					Outflow	Inflow							
FGE	Wholesaling	$ 345,960 (RMB 77,500)	b.	$ 742,384 (USD 14,000) (RMB 69,741)	$ 87,164 (RMB 19,526)	$ -	$ 829,548 (USD 14,000) (RMB 89,267)	$ (16,135)	76.70	$ (11,480)	$ 30,821	$ -	Note 3
Haobo	Investment	49,104 (RMB 11,000)	b.	-	-	-	-	36,435	100.00	36,435	794,501	-	
GHS	Wholesaling	223,200 (RMB 50,000)	b.	-	-	-	-	277,940	20.00	37,226	766,529	-	

Accumulated Investment in Mainland China as of December 31, 2018	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment Authorized by Investment Commission, MOEA
$1,491,906 (USD14,000, RMB89,267 and HKD168,539)	$1,491,906 (USD14,000, RMB89,267 and HKD168,539)	$3,703,262

Note 1: The investment types are as follows:

a. Direct investment in mainland China.

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

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

c. Others.

Note 2: The exchange rates on December 31, 2018 are USD1=NT$30.79, RMB1=NT$4.464,and HKD1=NT$3.93.

Note 3: In May 2018, FGE held an interim shareholders meeting to propose an increase in capital by RMB20,000 thousand which was fully subscribed by HK Fubon Multimedia. Thus, HK Fubon Multimedia 's shareholding in FGE increased from 91.304% to 93.548%.

momo.com Inc.

Financial Statements for the
Years Ended December 31, 2018 and 2017 and
Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
momo.com Inc.

Opinion

We have audited the accompanying financial statements of momo.com Inc. ("momo"), which comprise the balance sheets as of December 31, 2018 and 2017, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of momo as of December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

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 Republic of China (ROC). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of momo in accordance with The Norm of Professional Ethics for Certified Public Accountant of the ROC, 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 financial statements for the year ended December 31, 2018. These matters were addressed in the context of our audit of the 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 financial statements for the year ended December 31, 2018 are stated as follows:

<u>Risk of Revenue Recognition</u>

momo's primary source of revenue is generated from virtual channels, including TV shopping channels, E-commerce portals and catalogues. Due to the nature of momo's core sales, momo 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 momo's business model being highly relying on IT infrastructure and the fact that momo 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.

By conducting compliance tests, we obtained and understanding of the revenue recognition process and of the design and execution for relevant controls. 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, momo's capital expenditures have increased as well. The carrying value of property, plant and equipment was $4,465,793 thousand, accounted for 37 % of the assets as of December 31, 2018. 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. momo 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 financial statements for the year ended December 31, 2018. By conducting compliance tests, we obtained and understanding of the estimation for assets impairment and of the design and execution for relevant controls. Additionally, we performed the audit procedures as follows:

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

2. Evaluate the appropriateness of the assumptions and sensitivity analyses, including the classification of cash-generating units, forecasts of cash flows, and discount rates, used by the management to assess asset impairment.

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

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

In preparing the financial statements, management is responsible for assessing momo'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 momo 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 momo's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 momo'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 momo'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 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 auditors' report. However, future events or conditions may cause momo to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the 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 momo to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of momo 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 the financial statements for the year ended December 31, 2018 and are therefore the key audit matters. We describe these matters in our auditors' 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 29, 2019

Notice to Readers

The accompanying financial statements are intended only to present the 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 financial statements are those generally applied in the ROC.

For the convenience of readers, the independent auditors' report and the accompanying 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 financial statements shall prevail.

momo.com Inc.

BALANCE SHEETS
DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars, Except Par Value)

	2018		2017	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 6 and 30)	$ 2,548,377	21	$ 2,370,112	21
Financial assets at fair value through profit or loss - current (Notes 7 and 30)	81,474	1	-	-
Financial assets at fair value through other comprehensive income - current (Note 8)	10,125	-	-	-
Available-for-sale financial assets - current (Notes 9 and 30)	-	-	874,075	8
Accounts receivable (Note 11)	52,638	-	21,527	-
Accounts receivable from related parties (Note 30)	21,632	-	2,514	-
Other receivables, net (Note 11)	901,559	8	695,379	6
Other receivables from related parties (Note 30)	172,644	1	247,643	3
Inventories (Note 12)	1,624,868	14	1,035,959	9
Prepayments	147,026	1	34,606	-
Other financial assets - current (Notes 13, 30 and 31)	71,128	1	41,076	-
Other current assets (Note 16)	9,254	-	8,997	-
Rights to recover products - current (Note 16)	104,767	1	-	-
Total current assets	5,745,492	48	5,331,888	47
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Note 8)	42,580	-	-	-
Financial assets at cost - non-current (Note 10)	-	-	53,820	-
Investments accounted for using equity method (Notes 5 and 14)	1,493,130	13	1,347,131	12
Property, plant and equipment (Notes 5, 15 and 30)	4,465,793	37	4,548,616	40
Other intangible assets	97,151	1	57,214	1
Deferred tax asset (Note 24)	46,533	-	19,284	-
Refundable deposits (Note 30)	67,885	1	53,515	-
Other financial assets - non-current (Notes 13, 30 and 31)	12,177	-	27,753	-
Total non-current assets	6,225,249	52	6,107,333	53
TOTAL	$ 11,970,741	100	$ 11,439,221	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Contract liability - current (Note 18)	$ 114,365	1	$ -	-
Accounts payable (Note 17)	4,464,620	37	3,676,589	32
Accounts payable to related parties (Note 30)	95,199	1	6,516	-
Other payables (Note 18)	471,330	4	1,086,915	10
Other payables to related parties (Note 30)	54,533	-	142,735	1
Current tax liabilities	1,026	-	135,429	1
Advanced receipts (Note 18)	-	-	63,046	1
Refundable liability - current(Note 18)	123,675	1	-	-
Other current liabilities (Note 18)	218,486	2	169,107	1
Total current liabilities	5,543,234	46	5,280,337	46
NON-CURRENT LIABILITIES				
Provisions - non-current	13,773	-	13,773	-
Deferred tax liabilities (Note 24)	5,649	-	4,976	-
Net defined benefit liabilities (Note 19)	2,473	-	3,607	-
Guarantee deposits (Note 20)	255,109	2	239,618	3
Investments accounted for using equity method in debt balance (Note 14)	-	-	20,163	-
Total non-current liabilities	277,004	2	282,137	3
Total liabilities	5,820,238	48	5,562,474	49
EQUITY (Note 21)				
Common stock	1,400,585	12	1,420,585	12
Capital surplus	2,976,991	25	3,057,738	26
Retained earnings				
Legal reserve	706,713	6	579,727	5
Special reserve	266,327	2	212,342	2
Unappropriated retained earnings	967,781	8	1,269,857	11
Total retained earnings	1,940,821	16	2,061,926	18
Other equity	(167,894)	(1)	(266,327)	(2)
Treasury shares	-	-	(397,175)	(3)
Total equity	6,150,503	52	5,876,747	51
TOTAL	$ 11,970,741	100	$ 11,439,221	100

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

momo.com Inc.

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017	
	Amount	**%**	**Amount**	**%**
OPERATING REVENUES (Notes 22 and 30)	$ 41,938,107	100	$ 33,173,536	100
OPERATING COSTS (Notes 12 ,19, 23 and 30)	37,721,041	90	29,562,944	89
GROSS PROFIT FORM OPERATIONS	4,217,066	10	3,610,592	11
OPERATING EXPENSES				
Marketing expenses	1,354,577	3	1,029,679	3
Administrative expenses	1,449,755	4	1,190,513	3
Expected credit losses	4,416	-	-	-
Total operating expenses	2,808,748	7	2,220,192	6
NET OTHER INCOME AND EXPENSES	14,775	-	4,163	-
OPERATING INCOME	1,423,093	3	1,394,563	5
NON-OPERATING INCOME AND EXPENSES				
other income (Note 23)	32,767	-	55,537	-
other gains and losses, net (Notes 23 and 30)	(26,678)	-	(6,800)	-
Finance costs	-	-	(1)	-
Share of profit of subsidiaries and associates accounted for using equity method (Notes 5 and 14)	48,736	-	78,421	-
Total non-operating income and expenses	54,825	-	127,157	-
PROFIT BEFORE INCOME TAX	1,477,918	3	1,521,720	5
INCOME TAX EXPENSE (Note 24)	28,278	-	251,638	1
NET INCOME	1,449,640	3	1,270,082	4
OTHER COMPREHENSIVE INCOME (Notes 14, 19, 21 and 24)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	(238)	-	344	-
Unrealized loss on financial assets at fair value through other comprehensive income - equity instruments	(29,384)	-	-	-

(Continued)

momo.com Inc.

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017	
	Amount	**%**	**Amount**	**%**
Share of remeasurement of defined benefit plans of associates accounted for using equity method	$ (583)	-	$ (510)	-
Share of unrealized loss on financial assets at fair value through other comprehensive income - equity instruments of associates accounted for using equity method	(6,634)	-	-	-
Income tax related to items that will not be reclassified subsequently to profit or loss	300	-	(59)	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation	3,083	-	1,345	-
Unrealized loss on available-for-sale financial assets	-	-	(37,184)	-
Share of other comprehensive loss of subsidiaries and associates accounted for using equity method	(16,646)	-	(18,146)	-
other comprehensive losses, net of tax	(50,102)	-	(54,210)	-
COMPREHENSIVE INCOME	$ 1,399,538	3	$ 1,215,872	4
EARNINGS PER SHARE (Note 25)				
Basic	$ 10.35		$ 9.07	
Diluted	$ 10.35		$ 9.07	

The accompanying notes are an integral part of the financial statements. (Concluded) momo.com Inc.

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

			Retained Earnings			Other Equity				
	Common Stock	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translation	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Treasury Shares	Total Equity
BALANCE, JANUARY 1, 2017	$ 1,420,585	$ 3,175,583	$ 461,548	$ 151,358	$ 1,181,786	$ (37,926)	$ -	$ (174,416)	$ (397,175)	$ 5,781,343
Distribution of 2016 earnings										
Legal reserve	-	-	118,179	-	(118,179)	-	-	-	-	-
Special reserve	-	-	-	60,984	(60,984)	-	-	-	-	-
Cash dividends	-	-	-	-	(1,002,623)	-	-	-	-	(1,002,623)
Issue of cash dividends from capital surplus	-	(117,845)	-	-	-	-	-	-	-	(117,845)
Profit for the year ended December 31,2017	-	-	-	-	1,270,082	-	-	-	-	1,270,082
Other comprehensive loss for the year ended December 31,2017	-	-	-	-	(225)	(10,997)	-	(42,988)	-	(54,210)
Total comprehensive income (loss) for the year ended December 31,2017	-	-	-	-	1,269,857	(10,997)	-	(42,988)	-	1,215,872
BALANCE, DECEMBER 31, 2017	1,420,585	3,057,738	579,727	212,342	1,269,857	(48,923)	-	(217,404)	(397,175)	5,876,747
Effect of retrospective application and retrospective restatement	-	-	-	-	(148,014)	-	(69,390)	217,404	-	-
BALANCE AT JANUARY 1, 2018 AS RESTATED	1,420,585	3,057,738	579,727	212,342	1,121,843	(48,923)	(69,390)	-	(397,175)	5,876,747
Distribution of 2017 earnings										
Legal reserve	-	-	126,986	-	(126,986)	-	-	-	-	-
Special reserve	-	-	-	53,985	(53,985)	-	-	-	-	-
Cash dividends	-	-	-	-	(1,088,885)	-	-	-	-	(1,088,885)
Changes in capital surplus from investments in associates accounted for using the equity method	-	13,292	-	-	4,380	-	-	-	-	17,672
Issue of cash dividends from capital surplus	-	(31,583)	-	-	-	-	-	-	-	(31,583)
Profit for the year ended December 31, 2018	-	-	-	-	1,449,640	-	-	-	-	1,449,640
Other comprehensive loss for the year ended December 31, 2018	-	-	-	-	(521)	(13,563)	(36,018)	-	-	(50,102)
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	1,449,119	(13,563)	(36,018)	-	-	1,399,538
Retirement of treasury stock	(20,000)	(39,470)	-	-	(337,705)	-	-	-	397,175	-
Changes in ownership interests in subsidiaries	-	(22,986)	-	-	-	-	-	-	-	(22,986)
BALANCE, DECEMBER 31, 2018	$ 1,400,585	$ 2,976,991	$ 706,713	$ 266,327	$ 967,781	$ (62,486)	$ (105,408)	$ -	$ -	$ 6,150,503

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

momo.com Inc.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	$ 1,477,918	$ 1,521,720
Adjustments:		
Depreciation expenses	262,315	96,628
Amortization expenses	51,836	18,657
Expected credit losses	4,416	-
Provision for bad debt expense	-	1,394
Loss on financial assets at fair value through profit or loss, net	28,067	-
Finance costs	-	1
Interest income	(26,962)	(52,276)
Share of profit of subsidiaries and associates accounted for using equity method	(48,736)	(78,421)
Gain on disposal of investments	-	(692)
Impairment loss on financial assets	-	6,180
Loss (gain) on foreign currency exchange, net	71	(572)
Others	(590)	(590)
Changes in operating asset at fair value through profit or loss		
Financial assets at fair valuse through profit or loss	736,265	-
Accounts receivable	(32,379)	18,787
Accounts receivable from related parties	(19,118)	1,003
Other receivables	(209,142)	(203,069)
Other receivables from related parties	43,891	(35,017)
Inventories	(588,909)	(724,299)
Prepayments	(112,420)	(12,285)
Other current assets	(257)	(2,457)
Rights to recover products	(8,990)	-
Contract liability	64,394	-
Accounts payable	815,963	869,369
Accounts payable to related parties	88,683	1,349
Other payables	(155,364)	155,434
Other payables to related parties	(88,202)	62,651
Refund liability	6,121	-
Advance receipts	-	3,340
Other current liabilities	36,304	(18,925)
Net defined benefit liabilities	(1,372)	(1,356)
Cash generated from operations	2,323,803	1,626,554
Interest received	640	504
Interest paid	-	(1)
Income tax paid	(188,957)	(233,124)
Net cash generated from operating activities	2,135,486	1,393,933

(Continued)

momo.com Inc.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	2018	2017
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of available-for-sale financial assets	$ -	$ (220,000)
Proceeds from disposal of available-for-sale financial assets	-	320,692
Acquisition of investments accounted for using equity method	(180,421)	-
Repayment of capital reduction from associates	31,090	-
Acquisition of property, plant and equipment	(679,989)	(1,315,352)
Increase in refundable deposits	(16,655)	(4,143)
Decrease in refundable deposits	2,285	-
Acquisition of intangible assets	(57,652)	(34,678)
Increase in other financial assets	(45,055)	(30,055)
Decrease in other financial assets	30,579	871,971
Interest received	26,159	51,896
Dividend received	37,415	29,699
Net cash used in investing activities	(852,244)	(329,970)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from guarantee deposits received	48,892	44,871
Refunds of guarantee deposits received	(33,401)	(42,411)
Cash dividends	(1,120,468)	(1,120,468)
Net cash used in financing activities	(1,104,977)	(1,118,008)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	178,265	(54,045)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	2,370,112	2,424,157
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 2,548,377	$ 2,370,112

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

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

2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Company's Board of Directors on January 29, 2019.

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

a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the "IFRSs") endorsed and issued into effect by the Financial Supervisory Commission (FSC)

   On the basis of the facts and circumstances that existed as at January 1, 2018, the Company has performed an assessment of the existing issues and has restated prior reporting periods. However, according to the adjustment of general principles within the Company and the practices of the industry, the Company chose to reselect not to restate prior reporting periods.

   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 momo's accounting policies:

   1) IFRS 9 "Financial Instruments" and related amendment

      IFRS 9 supersedes IAS 39 "Financial Instruments: Recognition and Measurement", with consequential amendments to IFRS 7 "Financial Instruments: Disclosures" and other standards. IFRS 9 sets out the requirements for classification, measurement and impairment of financial assets and hedge accounting. Refer to Note 4 for information relating to the relevant accounting policies.

Classification, measurement and impairment of financial assets

The following table shows the original measurement categories and carrying amount under IAS 39 and the new measurement categories and carrying amount under IFRS 9 for each class of the Company's financial assets and financial liabilities as at January 1, 2018.

	Measurement Category		Carrying Amount		
Financial Assets	**IAS 39**	**IFRS 9**	**IAS 39**	**IFRS 9**	**Remark**
Cash and cash equivalents	Loans and receivables	Amortized cost	$ 2,370,112	$ 2,370,112	-
Foreign investments - unlisted stock	Available-for-sale	Fair value through other comprehensive income (i.e. FVTOCI) - equity instrument	28,269	28,269	a)
Domestic unlisted common stock	Financial assets at cost	FVTOCI - equity instrument	53,820	53,820	a)
Domestic investments - beneficiary certificates	Available-for-sale	Mandatorily at fair value through profit or loss (i.e. FVTPL)	845,806	845,806	b)
Other financial assets	Loans and receivables	Amortized cost	68,829	68,829	-
Accounts receivable and other receivables (including related parties)	Loans and receivables	Amortized cost	967,063	967,063	c)
Refundable deposits	Loans and receivables	Amortized cost	53,515	53,515	-

Financial Assets	**IAS 39 Carrying Amount as of January 1, 2018**	**Reclassifi-cations**	**IFRS 9 Carrying Amount as of January 1, 2018**	**Retained Earnings Effect on January 1, 2018**	**Other Equity Effect on January 1, 2018**	**Remark**
FVTPL	$ -	$ -	$ -	$ -	$ -	
Add: Reclassification from available-for-sale (IAS 39)						
Required reclassification	-	845,806	845,806	(154,194)	154,194	b)
	-	845,806	845,806	(154,194)	154,194	
FVTOCI						
Equity instruments	-	-	-	-	-	
Add: Reclassification from available-for-sale (IAS 39)	-	28,269	28,269	-	-	a)
Add: Reclassification from financial assets at cost (IAS 39)	-	53,820	53,820	6,180	(6,180)	a)
	-	82,089	82,089	6,180	(6,180)	
	$ -	$ 927,895	$ 927,895	$ (148,014)	$ 148,014	

a) Investments in foreign unlisted stock previously classified as available-for-sale under IAS 39 have been designated as at FVTOCI under IFRS 9, because these investments are not held for trading. As a result, the related other equity - unrealized loss on available-for-sale financial assets of $70,582 thousand was reclassified to other equity - unrealized loss on financial assets at FVTOCI.

Investments in domestic unlisted common stock previously measured at cost under IAS 39 have been designated as at FVTOCI under IFRS 9 and were remeasured at fair value.

The Company recognized under IAS 39 impairment loss on certain investments in domestic unlisted common stock previously measured at cost and the loss was accumulated in retained earnings. Since those investments were designated as at FVTOCI under IFRS 9 and no impairment assessment is required, an adjustment was made that resulted in a decrease of $6,180 thousand in other equity - unrealized loss on financial assets at FVTOCI and an increase of $6,180 thousand in retained earnings on January 1, 2018.

b) Domestic investments in beneficiary certificates previously classified as available-for-sale under IAS 39 were classified mandatorily as at FVTPL under IFRS 9, because the contractual cash flows are not solely payments of principal and interest on the principal outstanding and they are not equity instruments. The retrospective adjustment resulted in an increase of $154,194 thousand in other equity - unrealized loss on available-for-sale financial assets and a decrease of $154,194 thousand in retained earnings on January 1, 2018.

c) Accounts receivable and other receivables (including related parties) that were previously classified as loans and receivables under IAS 39 were classified as measured at amortized cost with an assessment of expected credit losses under IFRS 9.

2) IFRS 15 "Revenue from Contracts with Customers" and related amendment

IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers, and supersedes IAS 18 "Revenue", IAS 11 "Construction Contracts" and a number of revenue-related interpretations. Refer to Note 4 for related accounting policies.

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

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

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

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

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

Prior to the application of IFRS 15, the Company determined whether it was a principal or an agent based on its exposure to the significant risks and rewards of the goods or services.

Incremental costs of obtaining a contract is recognized as an asset to the extent the Company expects to recover those costs. Such asset is amortized on a basis that is consistent with the transfer to the customer of the goods or services to which the asset relates.

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

For the sale with a right of return, the Company recognizes a refund liability and a right to recover a product when recognizing revenue. Prior to the application of IFRS 15, return provisions were recognized when recognizing revenue.

The Company elected only to retrospectively apply IFRS 15 to contracts that were not complete on January 1, 2018. The cumulative effect on January 1, 2018 is as below:

Impact on assets and liabilities for current period

	As Originally Stated	**Adjustments Arising from Initial Application**	**Restated**
Rights to recover products - current	$ -	$ 95,777	$ 95,777
Total effect on assets	11,439,221	95,777	11,534,998
Contract liability - current	-	49,971	49,971
Accounts payable	3,676,589	(27,932)	3,648,657
Other payables	1,086,915	6,155	1,093,070
Advance receipts	63,046	(49,971)	13,075
Refundable liability - current	-	117,554	117,554
Total effect on liabilities	5,562,474	95,777	5,658,251

The financial information if the Company continued using IAS 18 as of December 31, 2018 is as below:

	December 31, 2018 (IFRS 15)	**Adjustments Arising from IFRS 15 Application**	**December 31, 2018 (IAS 18)**
Rights to recover products - current	$ 104,767	$ (104,767)	$ -
Total effect on assets	11,970,741	(104,767)	11,865,974
Contract liability - current	114,365	(114,365)	-
Accounts payable	4,464,620	18,908	4,483,528
Advance receipts	-	114,365	114,365
Refundable liability - current	123,675	(123,675)	-
Total effect on liabilities	5,820,238	(104,767)	5,715,471

b. Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed by the FSC for application starting from 2019

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)
IFRS 16 “Leases”	January 1, 2019
Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”	January 1, 2019 (Note 3)
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: The Company shall apply these amendments to plan amendments, curtailments or settlements occurring on or after January 1, 2019.

IFRS 16 “Leases”

IFRS 16 sets out the accounting standards for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessor. It supersedes IAS 17 “Leases”, IFRIC 4 “Determining whether an Arrangement contains a Lease”, and related interpretations.

Definition of a lease

Upon initial application of IFRS 16, the Company will reassess whether a contract is, or contains, a lease in accordance with the definition of a lease under IFRS 16. Contracts that are reassessed as containing a lease will be accounted for in accordance with the transitional provisions under IFRS 16.

The Company as lessee

Upon initial application of IFRS 16, the Company will recognize right-of-use assets and lease liabilities for all leases on the balance sheets except for those whose payments under low-value and short-term leases will be recognized as expenses on a straight-line basis. On the statements of comprehensive income, the Company will present the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the effective interest method. On the statements of cash flows, cash payments for the principal portion of lease liabilities and the interest portion will be classified within financing activities. Currently, payments under operating lease contracts are recognized as expenses on a straight-line basis. The difference between the actual payments and the expenses, as adjusted for lease incentives, is recognized as accrued expenses. Cash flows for operating leases are classified within operating activities on the statements of cash flows.

The Company anticipates applying IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized on January 1, 2019. Comparative information will not be restated.

Lease liabilities will be recognized on January 1, 2019 for leases currently classified as operating leases with the application of IAS 17. Lease liabilities will be measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate on January 1, 2019. Right-of-use assets will be measured at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments. The Company will apply IAS 36 to all right-of-use assets.

The Company expects to apply the practical expedients: The Company will apply a single discount rate to measure lease liabilities.

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

Impact on assets, liabilities and equity for current period

	Carrying Amount as of December 31, 2018	Adjustments Arising from Initial Application	Adjusted Carrying Amount as of January 1, 2019
Investments accounted for using equity method	$ 1,493,130	$ 291	$ 1,493,421
Right-of-use assets	-	740,408	740,408
Deferred tax asset	46,533	(7,286)	39,247
Refundable deposits	67,885	(1,770)	66,115
Total effect on assets	11,970,741	731,643	12,702,384
Other payables	471,330	(4,524)	466,806
Other payables to related parties	54,533	(31,909)	22,624
Lease liabilities - current	-	216,779	216,779
Lease liabilities - non-current	-	521,859	521,859
Total effect on liabilities	5,820,238	702,205	6,522,443
Unappropriated earnings	967,781	29,438	997,219
Total effect on equity	6,150,503	29,438	6,179,941

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

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

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

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

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

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

As of the date the financial statements were authorized for issue, the Company is continuously assessing the possible impact that the application of other standards and interpretations will have on the Company'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 financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

b. Basis of preparation

The 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.

When preparing these parent company only financial statements, the Company used the equity method to account for its investments in subsidiaries and associates. In order for the amounts of the net profit for the year, other comprehensive income for the year and total equity in the parent company only financial statements to be the same with the amounts attributable to the owners of the Company in its consolidated financial statements, adjustments arising from the differences in accounting treatments between the parent company only basis and the consolidated basis were made to investments accounted for using the equity method, the share of profit or loss of subsidiaries and associates, the share of other comprehensive income of subsidiaries and associates and the related equity items, as appropriate, in these parent company only financial statements.

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 Company 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. Foreign currencies

In preparing the Company's financial statements, transactions in currencies other than the Company'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 financial statements, the functional currencies of the Company and momo 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.

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.

e. 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.

f. Investments accounted for using equity method

The Company uses the equity method to account for its investments in subsidiaries and associates.

1) Investment in subsidiaries

A subsidiary is an entity that controlled by the Company.

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

Changes in the Company's ownership interest in a subsidiary that do not result in the Company losing control of the subsidiary are equity transactions. The Company recognizes directly in equity any difference between the carrying amount of the investment and the fair value of the consideration paid or received.

When the Company's share of losses of a subsidiary exceeds its interest in that subsidiary (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Company's net investment in the subsidiary), the Company continues recognizing its share of further losses.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets and liabilities of a subsidiary 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 Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognized immediately in profit or loss.

The Company assesses its investment for any impairment by comparing the carrying amount with the estimated recoverable amount as assessed based on the investee's financial statements as a whole. Impairment loss is recognized when the carrying amount exceeds the recoverable amount. If the recoverable amount of the investment subsequently increases, the Company recognizes a reversal of the impairment loss; the adjusted post-reversal carrying amount should not exceed the carrying amount that would have been recognized (net of amortization or depreciation) had no impairment loss been recognized in prior years. An impairment loss recognized on goodwill cannot be reversed in a subsequent period.

Profits or losses resulting from downstream transactions are eliminated in full only in the parent company's financial statements. Profits and losses resulting from upstream transactions and transactions between subsidiaries are recognized only in the parent company's financial statements only to the extent of interests in the subsidiaries that are not related to the Company.

2) Investments in associates

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

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

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

The entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is not allocated to any asset, including goodwill, that 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 the Company transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Company's financial statements only to the extent that interests in the associate are not related to the Company.

g. 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 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.

h. 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.

i. Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Company 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 Company 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.

j. Financial instruments

Financial assets and financial liabilities are recognized when the company 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 FVTPL) 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 FVTPL 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

<u>2018</u>

Financial assets are classified into the following categories: Financial assets at FVTPL, financial assets at amortized cost, and investments in equity instruments at FVTOCI.

i. Financial asset at FVTPL

Financial asset is classified as at FVTPL when the financial asset is mandatorily classified or it is designated as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI.

Financial assets at FVTPL are subsequently measured 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 29.

ii. Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

i) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, accounts receivable, other receivables, other financial assets and refundable deposits, are measured at amortized cost, which equals to gross carrying amount determined by the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset.

Cash equivalents include 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.

iii. Investments in equity instruments at FVTOCI

On initial recognition, the Company may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, instead, they will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Company's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

2017

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 29.

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 Company'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

<u>2018</u>

The Company recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including accounts receivable and other receivables).

The Company always recognizes lifetime Expected Credit Loss (i.e. ECL) for accounts receivable and other receivables. For all other financial instruments, the Company recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Expected credit losses reflect the weighted average of credit losses with the respective risks of a default occurring as the weights. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The Company recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and does not reduce the carrying amount of the financial asset.

2017

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 Company'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 Company 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.

Before 2018, 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. From 2018, on derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in an equity instrument at FVTOCI in its entirety, the cumulative gain or loss is transferred directly to retained earnings, without reclassifying to profit or loss.

2) Equity instruments

Debt and equity instruments issued by the company 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 the company 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.

k. 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 Company 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.

l. Revenue recognition

2018

The Company identifies the contract with the customers, allocates the transaction price to the performance obligations, and recognizes revenue when performance obligations are satisfied.

1) Revenue from sale of goods

The Company's primary source of revenue is generated from virtual channels, including TV shopping channels, E-commerce portals and catalogues. Sales of goods are recognized as revenue after the goods are shipped, and the transaction price received is recognized as a contract liability before the goods are delivered to the customer.

Under customer loyalty program, the Company offers vouchers which can be used in future purchases by the customer. The voucher provides a material right to the customer. Transaction price allocated to the voucher is recognized as contract liability when collected and will be recognized as revenue when the voucher is redeemed.

2) Revenue from rendering of services

The Company is an agent and its performance obligation is to procure the good on behalf of the customer. The Company recognizes revenue in the net amount of consideration received or receivable when the good is transferred to the customer and the Company has no further obligation to the customer.

2017

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 Company has transferred to the buyer the significant risks and rewards of ownership of the goods;

b) The Company 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 Company; 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 Company'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 Company'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 Company 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 Company.

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 Company 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 Company 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.

m. Leasing

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

<u>The Company as lessee</u>

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

n. 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 Company'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 Company can no longer withdraw the offer of the termination benefit and when the Company recognizes any related restructuring costs.

o. 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 and unused tax credits for purchases of machinery and equipment 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 Company 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 Company 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 Company'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. Significant influence over associates

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

b. 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.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2018	**2017**
Cash in banks	$ 1,523,837	$ 461,077
Time deposits	1,024,540	1,749,150
Short-term notes and bills	-	159,885
	$ 2,548,377	$ 2,370,112
The market rate intervals of time deposits	0.59%-2.7%	0.1%-0.6%

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS - CURRENT - 2018

	December 31, 2018
Current	
Domestic beneficiary certificates	$ 81,474

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

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - 2018

Equity Instrument Investments

	December 31, 2018
Current	
Foreign unlisted stock	$ 10,125
Non-current	
Domestic unlisted stock	$ 42,580

These investments in equity instruments are not held for trading. Instead, they are held for medium to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with momo's strategy of holding these investments for long-term purposes. These investments in equity instruments were classified as available-for-sale under IAS 39. Refer to Note 3, Note 4, Note 9 and Note 10 for information relating to their reclassification and comparative information for 2017.

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

9. AVAILABLE-FOR-SALE FINANCIAL ASSETS - CURRENT - 2017

	December 31, 2017
Domestic investments	
Beneficiary certificates	$ 845,806
Foreign investments	
Unlisted stock	28,269
	$ 874,075

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

10. FINANCIAL ASSETS AT COST - NON-CURRENT - 2017

	December 31, 2017
Domestic unlisted common stock	$ 53,820

As a result of the declining operation performance of the domestic unlisted equity investment held by momo, 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.

11. ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

	December 31	
	2018	**2017**
Accounts receivable		
Measured at amortized cost		
Accounts receivable	$ 54,399	$ 22,119
Less: Allowance for impairment loss	(1,761)	(592)
Accounts receivable, net	$ 52,638	$ 21,527
Other receivables		
Measured at amortized cost		
Other receivables	$ 908,728	$ 699,545
Less: Allowance for impairment loss	(7,169)	(4,166)
Other receivables, net	$ 901,559	$ 695,379

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

For the year ended December 31, 2018

momo applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all accounts receivable and other receivables. The expected credit losses on accounts receivable and other receivables are estimated by reference to past default experience and collecting experience of each debtor as well as an increase in the number of delayed payments in the portfolio past the average credit period. Furthermore, momo considers both its own trading records and observable changes in national or local economic conditions that correlate with defaults on receivables as factors affecting the expected credit losses. momo estimates expected credit loss rate, based on different loss patterns for different customer segments, by past due status and actual situation.

The following table details the loss allowance of accounts receivable and other receivables.

December 31, 2018

	Not Past Due	**1 to 120 Days**	**121 to 365 Days**	**Over 365 Days**	**Total**
Gross carrying amount	$ 928,226	$ 21,589	$ 7,697	$ 5,615	$ 963,127
Loss allowance (Lifetime ECL)	(13)	(963)	(2,339)	(5,615)	(8,930)
Amortized cost	$ 928,213	$ 20,626	$ 5,358	$ -	$ 954,197

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

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

	For the Year Ended December 31, 2018
Balance at January 1, 2018 per IAS 39	$ 4,758
Adjustment on initial application of IFRS 9	-
Balance at January 1, 2018 per IFRS 9	4,758
Add: Provision	4,416
Less: Write-off	(244)
Balance at December 31, 2018	$ 8,930

For the year ended December 31, 2017

momo's credit policy in 2017 was the same as the aforementioned credit policy in 2018.

The aging of receivables was as follows:

	December 31, 2017
Neither past due nor impaired	$ 683,199
Past due but not impaired	
Past due within 180 days	32,574
Past due over 180 days	1,133
	$ 716,906

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
Beginning balance	$ 3,904
Add: Provision	1,394
Reversal	300
Less: Write-off	(840)
Ending balance	$ 4,758

12. INVENTORIES

	December 31	
	2018	2017
Merchandise	$ 1,624,868	$ 1,035,959

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2018 and 2017 were $34,768,596 thousand and $26,747,560 thousand, which included inventory write-downs of $8,703 thousand and $23,637 thousand, respectively.

13. OTHER FINANCIAL ASSETS

	December 31	
	2018	**2017**
Current		
Pledged time deposits	$ 68,128	$ 35,076
Time deposits with original maturity more than 3 months	3,000	6,000
	$ 71,128	$ 41,076
Non-current		
Pledged time deposits and restricted deposits	$ 12,177	$ 27,753

a. The market interest rates of the time deposit with original maturity more than 3 months were 1.065% and 0.15%-1.065% per annum, as of December 31, 2018 and 2017, respectively.

b. momo estimates the expected credit risks of the above financial assets are not significant, and all the credit risks did not increase after initial recognition.

c. Refer to Note 31 for information relating to other financial assets pledged as security.

14. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	December 31	
	2018	**2017**
Subsidiaries	$ 987,535	$ 828,477
Associates	505,595	518,654
	$ 1,493,130	$ 1,347,131

a. Subsidiaries

	December 31					
	2018			2017		
Investee Company	**Amount**		**% of Ownership**	**Amount**		**% of Ownership**
Fu Sheng Travel Service Co., Ltd. (FST)	$ 48,535		100.00	$ 47,362		100.00
Fuli Life Insurance Agent Co., Ltd. (FLI)	9,310		100.00	10,136		100.00
Fuli Property Insurance Agent Co., Ltd. (FPI)	10,969		100.00	9,165		100.00
Bebe Poshe International Co., Ltd. (Bebe Poshe)	82,726	(1)	85.00	-		-
Asian Crown International Co., Ltd. (Asian Crown (BVI))	41,494	(2)	81.99	-	(3)	76.26
Honest Development Co, Ltd. (Honest Development)	794,501		100.00	761,814		100.00
	$ 987,535			$ 828,477		

Note 1: In July 2018, the board of directors approved to acquire 85% equity interests in Bebe Poshe, resulting in a capital increase for Bebe Poshe of 85,000 thousands. momo acquired control of Bebe Poshe on September 6, 2018 and incorporated Bebe Poshe as a subsidiary.

Note 2: In May 2018, the board of directors approved a capital increase of RMB20,000 thousands in Asia Crown (BVI) in order to ultimately invest in Fubon Gehua (Beijing) Enterprise Ltd. As a result, momo's shareholding in Asia Crown (BVI) increased from 76.26% to 81.99%.

Note 3: As of December 31, 2017, momo's cumulative loss from the investment of Asian Crown (BVI) had already exceeded the book value of the investment. The credit balance of the carrying value of $20,163 thousand is due to momo's intention to keep supporting the investee.

Refer to Table 6 "Names, Locations and Related Information of Investees over Which the Company Exercised Significant Influence (Excluding Information on Investment in Mainland China)" and Table 7 "Investments in Mainland China" for the details of the Company indirectly held the receipt of investments in subsidiaries.

b. Associates

	December 31			
	2018		2017	
Investee Company	**Amount**	**% of Ownership**	**Amount**	**% of Ownership**
Taiwan Pelican Express Co., Ltd. (TPE)	$ 385,706	17.70	$ 401,192	17.70
TVD Shopping Co., Ltd. (TVD shopping)	119,889	35.00	117,462	35.00
	$ 505,595		$ 518,654	

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

1). TPE

In August 2012, momo 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.

2) TVD Shopping

In April 2014, the Company acquired 35% of TVD Shopping, which was set up by TV Direct Public Company Limited, with the total amount of investment of THB155,750 thousand. momo engaged in E-commerce and TV Shopping in Thailand. In order to adjust the capital structure, financial indicators and operating indicators, TVD Shopping held the interim shareholders meeting on November 23, 2017 to propose the capital reduction of THB35,000 thousand. momo has received the returns of the capital $31,090 thousand in January 2018.

3) Aggregate information of associates

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

	For the Year Ended December 31	
	2018	2017
momo's share of:		
Profit	$ 13,227	$ 24,869
Other comprehensive loss	(7,223)	(6,326)
Total comprehensive income for the year	$ 6,004	$ 18,543

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

	December 31	
Name of Associate	2018	2017
TPE	$ 369,112	$ 489,052

All the associates are accounted for using the equity method.

15. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Machinery	Office Equipment	Lease Assets	Lease Improvement	Other Equipment	Property in Construction	Total
Cost									
Balance, January 1, 2017	$ 1,717,927	$ -	$ 632,183	$ 28,751	$ 11,424	$ 233,968	$ 3,432	$ 829,308	$ 3,456,993
Additions	-	183,360	415,888	17,999	-	9,566	8,861	1,148,159	1,783,833
Disposals	-	-	(13,581)	(538)	(11,424)	-	-	-	(25,543)
Reclassification	-	1,493,097	274,915	-	-	-	-	(1,791,927)	(23,915)
Balance, December 31, 2017	$ 1,717,927	$ 1,676,457	$ 1,309,405	$ 46,212	$ -	$ 243,534	$ 12,293	$ 185,540	$ 5,191,368
Accumulated depreciation and impairment									
Balance, January 1, 2017	$ -	$ -	$ 465,413	$ 18,704	$ 11,424	$ 74,004	$ 2,122	$ -	$ 571,667
Depreciation	-	6,219	56,574	5,854	-	26,229	1,752	-	96,628
Disposals	-	-	(13,581)	(538)	(11,424)	-	-	-	(25,543)
Balance, December 31, 2017	$ -	$ 6,219	$ 508,406	$ 24,020	$ -	$ 100,233	$ 3,874	$ -	$ 642,752
Carrying amounts, December 31, 2017	$ 1,717,927	$ 1,670,238	$ 800,999	$ 22,192	$ -	$ 143,301	$ 8,419	$ 185,540	$ 4,548,616
Cost									
Balance, January 1, 2018	$ 1,717,927	$ 1,676,457	$ 1,309,405	$ 46,212	$ -	$ 243,534	$ 12,293	$ 185,540	$ 5,191,368
Additions	-	13,479	103,125	29,114	-	16,222	2,518	45,575	210,033
Disposals	-	-	(132,934)	(461)	-	-	(142)	-	(133,537)
Reclassification	-	78,212	35,726	24,626	-	-	46,971	(216,076)	(30,541)
Balance, December 31, 2018	$ 1,717,927	$ 1,768,148	$ 1,315,322	$ 99,491	$ -	$ 259,756	$ 61,640	$ 15,039	$ 5,237,323
Accumulated depreciation and impairment									
Balance, January 1, 2018	$ -	$ 6,219	$ 508,406	$ 24,020	$ -	$ 100,233	$ 3,874	$ -	$ 642,752
Depreciation	-	79,593	126,674	19,831	-	30,166	6,051	-	262,315
Disposals	-	-	(132,934)	(461)	-	-	(142)	-	(133,537)
Balance, December 31, 2018	$ -	$ 85,812	$ 502,146	$ 43,390	$ -	$ 130,399	$ 9,783	$ -	$ 771,530
Carrying amounts, December 31, 2018	$ 1,717,927	$ 1,682,336	$ 813,176	$ 56,101	$ -	$ 129,357	$ 51,857	$ 15,039	$ 4,465,793

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, 2018, the property, plant and equipment were not pledged as collateral.

16. OTHER ASSETS

	December 31	
	2018	**2017**
Current		
Rights to recover products (Note 22)	$ 104,767	$ -
Others	9,254	8,997
	$ 114,021	$ 8,997

17. ACCOUNTS PAYABLE

	December 31	
	2018	**2017**
Suppliers	$ 4,464,620	$ 3,670,434
Others	-	6,155
	$ 4,464,620	$ 3,676,589

18. OTHER LIABILITIES

	December 31	
	2018	**2017**
Current		
Other payables		
Payable for equipment and construction	$ 11,681	$ 477,607
Payable for salaries and bonus	267,034	205,738
Payable for business tax	54,122	47,101
Others	138,493	356,469
	$ 471,330	$ 1,086,915

(Continued)

	December 31	
	2018	2017
Others		
Contract liabilities	$ 114,365	$ -
Advance receipts	-	63,046
Refundable liability (Note 22)	123,675	-
Others	218,486	169,107
	$ 456,526	$ 232,153

(Concluded)

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

19. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

momo 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.

Accordingly, momo recognized expense of $76,065 thousand and $65,237 thousand in the statements of comprehensive income for the years ended December 31, 2018 and 2017, 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, momo 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, momo 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"); momo has no right to influence the investment policy and strategy.

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

	December 31	
	2018	2017
Present value of defined benefit obligation	$ 12,610	$ 12,003
Fair value of plan assets	(10,137)	(8,396)
Net defined benefit liability	$ 2,473	$ 3,607

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, 2017	$ 12,221	$ (6,914)	$ 5,307
Net interest expense (income)	152	(96)	56
Recognized in profit or loss	152	(96)	56
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	(866)	-	(866)
Recognized in other comprehensive income	(370)	26	(344)
Contributions from the employer	-	(1,412)	(1,412)
Benefits paid	-	-	-
Balance at December 31, 2017	12,003	(8,396)	3,607
Net interest expense (income)	195	(148)	47
Recognized in profit or loss	195	(148)	47
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(174)	(174)
Actuarial loss - changes in financial assumptions	560	-	560
Actuarial gain - experience adjustments	(148)	-	(148)
Recognized in other comprehensive income	412	(174)	238
Contributions from the employer	-	(1,419)	(1,419)
Benefits paid	-	-	-
Balance at December 31, 2018	$ 12,610	$ (10,137)	$ 2,473

Through the defined benefit plans under the Labor Standards Law, the Company 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 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	
	2018	**2017**
Discount rate(s)	1.375%	1.625%
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	
	2018	**2017**
Discount rate(s)		
0.25% increase	$ (560)	$ (543)
0.25% decrease	$ 590	$ 573
Expected rate(s) of salary increase		
0.25% increase	$ 576	$ 561
0.25% decrease	$ (550)	$ (534)

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 balance sheets.

	December 31	
	2018	**2017**
The expected contributions to the plan for the next year	$ 1,404	$ 1,416
The average duration of the defined benefit obligation	18.3 years	18.7 years

20. GUARANTEE DEPOSITS

	December 31	
	2018	**2017**
Vendors	$ 255,075	$ 239,584
Decorations	34	34
	$ 255,109	$ 239,618

21. EQUITY

a. Capital stock

As of December 31, 2018 and 2017, momo had authorized 150,000 thousand common shares, with 140,059 and 142,059 thousand shares issued and outstanding at par value $10 per share.
momo's capital stock changes due to retirement of treasury stock.

b. Capital surplus

	December 31	
	2018	2017
Additional paid-in capital	$ 2,764,062	$ 2,835,115
From share of changes in equities of subsidiaries	125,291	148,277
Expired employee share options	170	170
From share of changes in equities of associates	87,468	74,176
	$ 2,976,991	$ 3,057,738

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

c. Appropriation of earnings and dividend policy

momo's Articles of Incorporation provide that, in the event that momo, according to the financial report, earns profits in a fiscal year, such profits shall first be applied to pay the applicable taxes, recover losses, set aside legal reserve pursuant to laws and regulations until the accumulated legal reserves equal momo's paid-in capital, and set aside or reverse a special reserve in accordance with the law or to satisfy the business needs of momo. The remaining balance and any unappropriation earnings of the previous fiscal years shall be distributed to the shareholders with more than 10% as dividends in accordance with resolutions of the shareholders' meetings. For information about the accrual basis of the employees' compensation and remuneration to directors and the actual appropriations, please refer to employee benefits expense in Note 23(c).

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.

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.

The appropriations of earnings for 2017 and 2016 were approved in the shareholders' meetings on May 17, 2018 and May 17, 2017, respectively, were as follows:

	Appropriation of Earnings		Dividends Per Share (NT$)	
	For the Year Ended December 31		For the Year Ended December 31	
	2017	2016	2017	2016
Legal reserve	$ 126,986	$ 118,179		
Special reserve	53,985	60,984		
Cash dividends	1,088,885	1,002,623	$ 7.7745	$ 7.1586

The Company's shareholders resolved to issue cash dividends from capital surplus of $31,583 thousand and $117,845 thousand on May 17, 2018 and May 17, 2017, respectively.

d. Other equity

1) Exchange differences on translation

	For the Year Ended December 31	
	2018	2017
Beginning balance	$ (48,923)	$ (37,926)
In respect of the current period		
Exchange differences arising on translation	3,083	1,345
Share of exchange differences of subsidiaries and associates accounted for using the equity method	(16,646)	(12,342)
	(13,563)	(10,997)
Ending balance	$ (62,486)	$ (48,923)

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

	For the Year Ended December 31, 2017
Beginning balance	$ (174,416)
In respect of the current period	
Unrealized loss	(37,184)
Associates accounted for using equity method	(5,804)
	(42,988)
Ending balance	$ (217,404)
Balance at January 1, 2018 per IAS 39	$ (217,404)
Adjustment on initial application of IFRS 9	217,404
Balance at January 1, 2018 per IFRS 9	$ -

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

	For the Year Ended December 31, 2018
Beginning balance per IAS 39	$ -
Adjustment on initial application of IFRS 9	(69,390)
Beginning balance per IFRS 9	(69,390)
In respect of the current period	
Unrealized gain (loss) - equity instruments	(29,384)
Associates accounted for using equity method	(6,634)
	(36,018)
Ending balance	$ (105,408)

e. Treasury shares

	Total (In Thousands of Shares)	
	For the Year Ended December 31	
Shares Transferred to Employees	**2018**	**2017**
Number of shares on January 1	2,000	2,000
Changes during the year	(2,000)	-
Number of shares on December 31	-	2,000

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

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

22. REVENUE

	For the Year Ended December 31	
	2018	**2017**
Sales revenue	$ 41,378,566	$ 32,793,465
Other operating revenues	559,541	380,071
	$ 41,938,107	$ 33,173,536

Please refer to Note 4(l) for the details of revenue.

Contract Information

momo's customary business practice allows customers to return the goods within 10 days with full refund. The rate of return is estimated on a portfolio level using the expected value method, taking into account momo's accumulated historical experience. The refund liability and the related right to recover products from customers are recorded accordingly.

Revenue of the reporting period recognized from the beginning contract liability is as follows:

	For the Year Ended December 31, 2018
Revenue from sale of good	$ 25,756
Others	8,858
	$ 34,614

23. PROFIT BEFORE INCOME TAX

a. Other income

	For the Year Ended December 31	
	2018	2017
Interest income	$ 26,962	$ 52,276
Rent income	1,666	651
Others	4,139	2,610
	$ 32,767	$ 55,537

b. Other gains and losses

	For the Year Ended December 31	
	2018	2017
Net foreign exchange gains	$ 1,389	$ 1,688
Gain on disposal of investments		
Available-for-sale financial assets	-	692
Loss on financial assets		
Financial assets at fair value through profit or loss	(28,067)	-
Impairment losses of financial assets at cost	-	(6,180)
Others	-	(3,000)
	$ (26,678)	$ (6,800)

c. Employee benefits expense, depreciation and amortization

Function / Nature	For the Year Ended December 31, 2018			For the Year Ended December 31, 2017		
	Operating Costs	Operating Expenses	Total	Operating Costs	Operating Expenses	Total
Employee benefits expense						
Salary	$ 550,066	$ 862,220	$1,412,286	$ 438,655	$ 713,637	$1,152,292
Insurance expense	55,665	85,087	140,752	46,166	72,605	118,771
Post-employment benefits	27,688	48,424	76,112	22,780	42,513	65,293
Compensation of directors	-	7,000	7,000	-	6,925	6,925
Other employee benefits	34,398	54,390	88,788	29,096	45,947	75,043
Depreciation	225,728	36,587	262,315	66,156	30,472	96,628
Amortization	8,165	43,671	51,836	1,807	16,850	18,657

As of December 31, 2018 and 2017, the Company had 2,079 and 1,820 employees, respectively, and there were 7 and 6 non-employee directors for each year.

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 compensation in the sum of 0.1% to 1%.

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

Employee bonuses including the employees of momo and its subsidiaries.

The Company's estimated employees' compensation and remuneration to directors were made by applying the rates to the aforementioned regulation. For the years ended December 31, 2018 and 2017, the estimated employees' compensation and remuneration of directors were as follows:

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

If there is a change in the proposed amounts after the annual 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 2017 and 2016 having been resolved by the Board of Directors on January 26, 2018 and January 24, 2017, respectively, and the respective amounts recognized in the financial statements, were as follows:

	For the Year Ended December 31			
	2017		**2016**	
	Employees' Compensation	**Remuneration of Directors**	**Employees' Compensation**	**Remuneration of Directors**
Amounts approved in the board of directors' meeting	$ 1,525	$ 1,525	$ 1,421	$ 1,421

There was no difference between resolved by the Board of Directors and recognized in financial statements in 2017 and 2016.

Information on the employees' compensation and remuneration of directors resolved by momo's Board of Directors in 2018 and 2017 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

24. INCOME TAX

a. Income tax recognized in profit or loss

The major components of tax expense were as follows:

	For the Year Ended December 31	
	2018	**2017**
Current tax		
In respect of the current period	$ 128,270	$ 255,385
Adjustments for prior periods	(73,716)	(1,453)
	54,554	253,932
Deferred tax		
In respect of the current period	(24,004)	(2,294)
Adjustments to deferred tax attributable to changes in tax rate	(2,272)	-
	(26,276)	(2,294)
Income tax expense recognized in profit or loss	$ 28,278	$ 251,638

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

	For the Year Ended December 31	
	2018	**2017**
Profit before tax	$ 1,477,918	$ 1,521,720
Income tax expense calculated at the statutory rate (20% and 17% for the years ended 2018 and 2017, respectively)	$ 295,584	$ 258,693
Share of loss of domestic investment accounted for using the equity method	(3,098)	(4,393)
Nondeductible expenses in determining taxable income	8,772	4,492
Temporary differences	(105,647)	(4,595)
Deferred tax	(24,004)	(2,294)
Adjustments for prior years' tax	(73,716)	(1,453)
Investment tax credit	(67,341)	-
Adjustments to deferred tax attributable to changes in tax rate	(2,272)	-
Others	-	1,188
Income tax expense recognized in profit or loss	$ 28,278	$ 251,638

The tax benefit recognized in the current period resulted from the approval for investment tax credit of the acquisition of equipment in May 2018, deducted of 74,741 thousand tax payable from 2017 income tax return.

In 2017, the applicable corporate income tax rate used by the Company is 17%. However, the Income Tax Act in the ROC was amended in 2018, and the corporate income tax rate was adjusted from 17% to 20%, effective in 2018. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings will be reduced from 10% to 5%.

As the status of the 2019 appropriation of earnings is uncertain, the potential income tax consequences of the 2018 unappropriated earnings are not reliably determinable.

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2018	**2017**
Deferred tax		
Tax change - remeasurement of defined benefit plans	$ 253	$ -
Actuarial loss (gain) - defined benefit plans	47	(59)
Income tax recognized in other comprehensive income	$ 300	$ (59)

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, 2018

Deferred Tax Assets	**Opening Balance**	**Recognized in Profit or Loss**	**Recognized in Other Comprehen-sive Income**	**Closing Balance**
Temporary differences				
Defined benefit obligation	$ 613	$ (418)	$ 300	$ 495
Allowance for inventory valuation loss	5,491	1,729	-	7,220
Investment tax credit	-	18,558	-	18,558
Others	13,180	7,080	-	20,260
	$ 19,284	$ 26,949	$ 300	$ 46,533

Deferred Tax Liabilities	**Opening Balance**	**Classification**	**Recognized in Profit or Loss**	**Recognized in Other Comprehen-sive Income**	**Closing Balance**
Temporary differences					
Unrealized gain on available-for-sale financial assets	$ 3,208	$ (3,208)	$ -	$ -	$ -
Unrealized gain on fair value through other comprehensive income financial assets	-	3,208	566	$ -	$ 3,774
Others	1,768	-	107	-	1,875
	$ 4,976	$ -	$ 673	$ -	$ 5,649

For the year ended December 31, 2017

Deferred Tax Assets	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehen-sive Income	Closing Balance
Temporary differences				
Defined benefit obligation	$ 902	$ (230)	$ (59)	$ 613
Allowance for inventory valuation loss	2,941	2,550	-	5,491
Others	13,084	96	-	13,180
	$ 16,927	$ 2,416	$ (59)	$ 19,284

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	1,646	122	-	1,768
	$ 4,854	$ 122	$ -	$ 4,976

d. Income tax assessments

The tax authorities have examined income tax returns of the Company through 2016.

25. EARNINGS PER SHARE

Unit: NT$ Per Share

	For the Year Ended December 31	
	2018	2017
Basic earnings per share	$ 10.35	$ 9.07
Diluted earnings per share	$ 10.35	$ 9.07

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

	For the Year Ended December 31	
	2018	2017
Earnings used in the computation of basic and diluted earnings per share	$ 1,449,640	$ 1,270,082

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

	For the Year Ended December 31	
	2018	**2017**
Weighted average number of common stocks in computation of basic earnings per share	140,059	140,059
Effect of potentially dilutive common stocks:		
Employees' compensation	8	8
Weighted average number of common stocks used in the computation of diluted earnings per share	140,067	140,067

Since momo offered to settle compensation of employees in cash or shares, momo 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. BUSINESS COMBINATIONS- SUBSIDIARIES ACQUIRED

In July 2018, the Board of Directors approved to acquire 85% equity interests in Bebe Poshe, resulting in a capital increase for Bebe Poshe of 85,000 thousands. Detail of acquiring Bebe Poshe. Please refer to the consolidated financial statements for the years ended December 31, 2018 Note 28.

27. OPERATING LEASE ARRANGEMENTS

The Company 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	
	2018	**2017**
Not later than 1 year	$ 253,099	$ 160,126
Later than 1 year and not later than 5 years	529,299	101,025
	$ 782,398	$ 261,151

28. CAPITAL MANAGEMENT

momo 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, momo may adopt various financing approaches to balance its capital structure in order to meet the demands for capital expenditures, working capital, settlements of liabilities, and dividend payments in normal course of business for the future.

29. FINANCIAL INSTRUMENTS

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

Management of momo believes the carrying amounts of financial assets and financial liabilities recognized in the 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, 2018

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

December 31, 2017

	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
Beneficiary certificates	$ 845,806	$ -	$ -	$ 845,806
Equity instrument investments				
Unlisted stock - foreign investments	-	28,269	-	28,269
	$ 845,806	$ 28,269	$ -	$ 874,075

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

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: momo uses market comparison approach to evaluate fair values on observable prices of the similar financial instruments and evaluate market liquidity at the end of the period.

3) Valuation techniques and inputs applied for Level 3 fair value measurement: momo uses price-book ratio approach, comparing the net value per share with other public companies among the similar industries or evaluating stock price based on average price-book ratio of other competitors, to capture the present value of the expected future economic benefits to be derived from the ownership of these investees.

Reconciliation of Level 3 fair value measurements of financial instruments

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

	For the Year Ended December 31, 2018
Beginning balance	$ 53,820
Recognized in other comprehensive income (unrealized loss on financial assets at fair value through other comprehensive income)	(11,240)
Ending balance	$ 42,580

c. Categories of financial instruments

	December 31	
	2018	2017
Financial assets		
Financial assets at fair value through profit or loss		
Mandatorily at fair value through profit or loss	$ 81,474	$ -
Financial assets at fair value through other comprehensive income		
Equity instruments	52,705	-
Available-for-sale financial assets	-	874,075
Financial assets at cost	-	53,820
Financial assets at amortized cost (Note 1)	3,848,040	-
Loans and receivables (Note 1)	-	3,459,519
	$ 3,982,219	$ 4,387,414
Financial liabilities		
Financial liabilities at amortized cost (Note 2)	$ 5,340,791	$ 5,152,373

Note 1: The balances include loans and receivables, which comprise cash and cash equivalents, accounts receivable, other receivables, other financial assets and refundable deposits. The balances were reclassified to financial assets at amortized cost upon the application of IFRS 9 starting from 2018.

Note 2: The balances include financial liabilities at amortized cost, which comprise accounts payable, other payables and guarantee deposits.

d. Financial risk management objectives and policies

1) momo 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 momo’s risk exposure and momo’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 momo’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 momo 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 momo if a customer or counterparty of a financial instrument fails to meet its contractual obligations, which arises principally from momo’s receivables from customers and financial instruments. momo deals with customers with good reputation and monitors customers’ credit risk and credit ratings continuously. momo did transactions with a large number of unrelated customers and, thus, no concentration of credit risk was observed. momo’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 momo fails to meet the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. momo’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 momo’s reputation.

momo manages and maintains sufficient capital to ensure the requirements of paying estimated operating expenditures, including financial obligations on each contract. momo also monitors its bank credit facilities to ensure that the provisions of loan contracts are all complied with properly. As of December 31, 2018 and 2017, momo had unused bank facilities of $751,158 thousand and $747,977 thousand, respectively.

momo’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 momo’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.

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

a) Exchange rate risk

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

For momo’s financial assets and liabilities exposed to significant exchange rate risk, please refer to Note 33.

Sensitivity analysis

momo was mainly exposed to the USD, JPY, THB, GBP and RMB.

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

	For the Year Ended December 31	
	2018	**2017**
Appreciated 5%	$ (2,319)	$ (2,227)
Depreciated 5%	$ 2,319	$ 2,227

b) Interest rate risk

momo was exposed to interest rate risk because entities in momo carried deposits and another financial asset at both fixed and floating interest rates.

The carrying amount of momo's financial assets with exposure to interest rates at the end of the reporting period were as follows:

	December 31	
	2018	**2017**
Fair value interest rate risk		
Financial assets	$ 1,098,668	$ 1,966,610
Cash flow interest rate risk		
Financial assets	1,530,170	472,064

Sensitivity analysis

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

If interest rates had been 50 basis points higher or lower and all other variables were held constant, momo's profit for the years ended December 31, 2018 and 2017 would increase or decrease by $7,651 thousand and $2,360 thousand, respectively.

c) Other price risk

momo was exposed to other price risk through its investments in equity instruments and beneficiary certificates. momo supervises the equity price risk actively and manages the risk based on fair value.

Sensitivity analysis

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

If equity prices had been 5% higher or lower, the profit for the year ended December 31, 2018 would have increased or decreased by $4,074 thousand, as a result of the changes in fair value of financial assets at FVTPL, and the post-tax other comprehensive income for the year ended December 31, 2018 would have increased or decreased by $2,635 thousand, as a result of the changes in fair value of financial assets at FVTOCI.

If equity prices had been 5% higher or lower, the other comprehensive income for the year ended December 31, 2017 would have increased or decreased by $43,704 thousand, as a result of the changes in fair value of available-for-sale financial assets.

30. TRANSACTIONS WITH RELATED PARTIES

momo's parent is Wealth Media Technology Co., Ltd. (WMT), which held 45.01% of common stocks of momo as of December 31, 2018 and 2017, respectively. momo's ultimate parent and ultimate controlling party is Taiwan Mobile Co., Ltd. (TWM).

Besides as disclosed elsewhere in the other notes, details of transactions between momo and other related parties are disclosed below.

a. The name and categories of related parties

Name	Related Party Categories
Taiwan Mobile Co., Ltd. (TWM)	Ultimate parent entity
Wealth Media Technology Co., Ltd. (WMT)	Parent entity
Taiwan Pelican Express Co., Ltd. (TPE)	Associates
TVD Shopping Co., Ltd. (TVD Shopping)	Associates
Fu Sheng Travel Service Co., Ltd. (FST)	Subsidiaries
Fubon Gehua (Beijing) Enterprise Ltd. (FGE)	Subsidiaries
Bebe Poshe International Co., Ltd. (Bebe Poshe)	Subsidiaries
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 Financial Holding Co., Ltd. (FFH)	Related party in substance
Fubon Cultural & Educational Foundation (FCEF)	Related party in substance
Fubon Insurance Co., Ltd. (Fubon Ins.)	Related party in substance
Fubon Sports & Entertainment Co., Ltd. (FSE)	Related party in substance
Fubon Securities Co., Ltd. (Fubon Securities)	Related party in substance
Fubon Property Management Co., Ltd. (FPM)	Related party in substance
Fubon Gymnasium Co., Ltd. (Fubon Gymnasium)	Related party in substance
Taiwan Fixed Network Co., Ltd. (TFN)	Same ultimate parent entity
TFN Media Co., Ltd. (TFNM)	Same ultimate parent entity
Mangrove Cable TV Co., Ltd. (MCTV)	Same ultimate parent entity
Union Cable TV Co., Ltd. (UCTV)	Same ultimate parent entity
Yeong Jia Leh Cable TV Co., Ltd. (YJCTV)	Same ultimate parent entity
Taipei New Horizon Co., Ltd. (TNH)	Same ultimate parent entity
Globalview Cable TV Co., Ltd. (GCTV)	Same ultimate parent entity
Phoenix Cable TV Co., Ltd. (PCTV)	Same ultimate parent entity
Win TV Broadcasting Co., Ltd. (WTVB)	Same ultimate parent entity
Taiwan Kuro Times Co., Ltd. (TKT)	Same ultimate parent entity

b. Operating revenues

Line Items	Related Party Categories	For the Year Ended December 31 2018	2017
Sales	Parent entity	$ 749	$ 160
	Subsidiaries	19,513	1
	Associates	5,755	3,322
		$ 26,017	$ 3,483

momo renders sales service to other related parties.

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

c. Purchases

Related Party Categories	For the Year Ended December 31 2018	2017
Parent entity	$ 89,051	$ 119,273
Subsidiaries	5,722	2,479
Associates	406,755	401,635
Other related parties	119,154	143,596
	$ 620,682	$ 666,983

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

Line Items	Related Party Categories/Name	December 31 2018	2017
Accounts receivable	Parent entity	$ 346	$ -
	Subsidiaries		
	FGE	18,323	-
	Others	39	1
		18,362	1
	Associates	2,059	280
	Other related parties	865	2,233
		$ 21,632	$ 2,514
Other receivables	Parent entity	$ 12,978	$ 7,439
	Subsidiaries	7,256	16,372
	Associates		
	TPE	112,956	123,502
	Others	-	37
		112,956	123,539
	Other related parties	39,454	69,360
		$ 172,644	$ 216,710

The outstanding trade receivables from related parties are unsecured. For the years ended December 31, 2018 and 2017, no impairment losses was recognized for trade receivables from related parties.

e. Payables to related parties

Line Items	Related Party Categories	December 31 2018	2017
Accounts payable	Parent entity	$ 3,009	$ 5,714
	Subsidiaries	596	-
	Associates	91,167	501
	Other related parties	427	301
		$ 95,199	$ 6,516

(Continued)

Line Items	Related Party Categories	December 31 2018	2017
Other payables	Parent entity	$ 9,097	$ 5,710
	Subsidiaries	164	278
	Associates	5	95,554
	Other related parties	45,267	41,193
		$ 54,533	$ 142,735

(Concluded)

The outstanding trade payables from related parties are unsecured.

f. Bank deposits

Line Items	Related Party Categories/Name	December 31 2018	2017
Cash and cash equivalents	Other related parties		
	TFCB	$ 224,840	$ 219,857
Other financial assets	Other related parties	$ 3,928	$ 6,003

g. Acquisition of property, plant and equipment

Related Party Categories	Purchase Price For the Year Ended December 31 2018	2017
Subsidiaries	$ -	$ 11,918
Other related parties	23,403	17,041
	$ 23,403	$ 28,959

h. Acquisition of financial assets

For the year ended December 31, 2017

Line Items	Related Party Categories/Name	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	$ 120,000

i. Disposal of financial assets

For the year ended December 31, 2018

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

momo recognized loss on financial assets at fair value through profit or loss of $2,249 thousand for the current reporting period, and the accumulated loss was $11,816 thousand.

For the year ended December 31, 2017

Line Items	Related Party Categories/Name	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	$ 120,012	$ 12

j. Others

1) Guarantee deposits

Related Party Categories/Name	December 31 2018	2017
Parent entity	$ 750	$ -
Associates	4,740	-
Other related parties		
FLI	30,072	27,219
Others	542	519
	30,614	27,738
	$ 36,104	$ 27,738

2) Operating expenses

Related Party Categories/Name	For the Year Ended December 31 2018	2017
Parent entity		
TWM	$ 20,339	$ 18,620
Subsidiaries	319	-
Associates	5,037	5,659
Other related parties		
FLI	76,687	73,969
TFCB	88,012	105,225
TFN	6,605	6,133
Fubon Ins.	19,998	13,374
FPM	13,357	12,224
Others	26,877	16,536
	231,536	227,461
	$ 257,231	$ 251,740

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

k. Key management compensation

	For the Year Ended December 31	
	2018	2017
Short-term employee benefits	$ 47,375	$ 46,639
Post-employment benefits	7,663	8,341
Termination benefits	-	1,112
	$ 55,038	$ 56,092

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

31. ASSETS PLEDGED

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

	December 31	
	2018	2017
Other financial assets - current	$ 68,128	$ 35,076
Other financial assets - non-current	12,177	27,753
	$ 80,305	$ 62,829

32. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of momo as of December 31, 2018 and 2017 were as follows:

a. As of December 31, 2018 and 2017, the amounts of endorsements and guarantees for FGE were RMB 0 thousand and 15,000 thousand.

b. In accordance with the Ministry of Economic Affairs’ policy, momo entered into a contract with First Commercial Bank Co., Ltd., which provided performance guarantee for advance receipts from prepaid bonus of $77,398 thousand and $23,397 thousand, as of December 31, 2018 and 2017, respectively; and electronic tickets of $37,066 thousand and $13,649 thousand as of December 31, 2018 and 2017, respectively.

33. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information was aggregated by the foreign currencies other than functional currency of momo. 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, 2018

	Foreign Currencies	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
RMB	$ 4,745	4.464 (RMB:NTD)	$ 21,183
USD	1,418	30.79 (USD:NTD)	43,667
			$ 64,850
Non-monetary items			
Financial assets at fair value through other comprehensive income			
HKD	2,576	3.93 (HKD:NTD)	$ 10,125
Investments accounted for using equity method			
THB	125,776	0.953 (THB:NTD)	119,889
			$ 130,014
Financial liabilities			
Monetary items			
GBP	31	38.98 (GBP:NTD)	$ 1,189
USD	561	30.79 (USD:NTD)	17,284
			$ 18,473

December 31, 2017

	Foreign Currencies	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
RMB	$ 4,445	4.56 (RMB:NTD)	$ 20,267
USD	9	29.77 (USD:NTD)	260
THB	33,711	0.918 (THB:NTD)	30,933
			$ 51,460

(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			
THB	128,011	0.918 (THB:NTD)	117,462
			$ 145,731
Financial liabilities			
Monetary items			
USD	174	29.77 (USD:NTD)	$ 5,169
JPY	6,650	0.264 (JPY:NTD)	1,757
			$ 6,926

(Concluded)

For the years ended December 31, 2018 and 2017, realized and unrealized net foreign exchange gains were $1,389 thousand and $1,688 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 momo's foreign entities.

34. 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) Information on investees. (Table 6)

b. Information on investments in mainland China:

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

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

TABLE 1

momo.com Inc.

ENDORSEMENT/GUARANTEE PROVIDED TO OTHER PARTIES
FOR THE YEAR ENDED DECEMBER 31, 2018
(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	$ 829,548	$ 66,960	$ -	$ -	$ -	-	$ 6,150,503	Y	N	Y	

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

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

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

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

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

TABLE 2

momo.com Inc.

MARKETABLE SECURITIES HELD
DECEMBER 31, 2018
(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, 2018				Note
				Units/Shares (Thousands)	Carrying Value	Percentage of Ownership	Fair Value	
momo	Beneficiary certificates							
	Fubon Strategic High Income Fund B	Related party in substance	Financial assets at fair value through profit or loss - current	9,151	$ 81,474	-	$ 81,474	
	Stock							
	Media Asia Group Holdings Limited	-	Financial assets at fair value through other comprehensive income - current	43,668	10,125	2.04	10,125	
	We Can Medicines Co., Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	2,400	42,580	7.73	42,580	

momo.com Inc.

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, 2018
(Amount in Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Type of Property	Transaction Date	Transaction Amount	Payment Term	Counter-party	Nature of Relationship	Prior Transaction of Related Counter-party				Price Reference	Purpose of Acquisition	Other Terms
							Owner	Relationship	Transfer Date	Amount			
momo	Warehousing logistics	2015.11.09	$ 1,728,552 (Note)	The payment has been fully paid (including the payment of $193,435 thousand for the current reporting period)	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 $3,143 thousand for the current reporting period, the total transaction amount increased to $1,728,552 thousand.

TABLE 4

momo.com Inc.

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, 2018
(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	$ 406,755	1	Based on contract terms	-	-	$ (91,167)	(2)	

TABLE 5

momo.com Inc.

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST $100 MILLION OR 20% of THE-PAID-IN CAPITAL
DECEMBER 31, 2018
(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	Equity-method investee	Accounts receivables	$ 2,059	4.91	$ -	-	$ -	$ -
	TPE	Equity-method investee	Other receivables	112,956		-	-	112,956	-

momo.com Inc.

NAMES, LOCATIONS AND RELATED INFORMATION OF INVESTEES OVER WHICH THE COMPANY EXERCISED SIGNIFICANT INFLUENCE (EXCLUDING INFORMATION ON INVESTMENT IN MAINLAND CHINA)
FOR THE YEAR ENDED DECEMBER 31, 2018
(Amount in Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor	Investee	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2018			Net Income (Loss) of the Investee	Investment Income (Loss)	Note
				December 31, 2018	December 31, 2017	Shares (Thousands)	Percentage of Ownership	Carrying Value			
momo	FST	Taiwan	Travel agent	$ 6,000	$ 6,000	3,000	100.00	$ 48,535	$ 10,243	$ 10,243	
	FLI	Taiwan	Life insurance agent	3,000	3,000	500	100.00	9,310	238	238	
	FPI	Taiwan	Property insurance agent	3,000	3,000	500	100.00	10,969	2,045	2,045	
	Asian Crown (BVI)	British Virgin Islands	Investment	885,285	789,864	9,735	81.99	41,494	(14,417)	(11,178)	Note 5
	TPE	Taiwan	Logistics industry	337,860	337,860	16,893	17.70	385,706	69,392	5,237	
	TVD Shopping	Thailand	Wholesale and retail sales	115,099 (THB 120,750)	115,099 (THB 120,750)	24,150	35.00	119,889	26,220	7,990	Note 3
	Honest Development	Samoa	Investment	670,448	670,448	21,778	100.00	794,501	36,435	36,435	
	Bebe Poshe	Taiwan	wholesale of cosmetics	85,000	-	8,500	85.00	82,726	(21,969)	(2,274)	Note 6
Asian Crown (BVI)	Fortune Kingdom	Samoa	Investment	1,132,789	1,035,051	11,594	100.00	46,105	(14,566)	Note 2	Note 5
Fortune Kingdom	HK Fubon Multimedia	Hong Kong	Investment	1,132,789	1,035,051	11,594	100.00	46,105	(14,566)	Note 2	Note 5
Honest Development	HK Yue Numerous	Hong Kong	Investment	670,448	670,448	16,600	100.00	794,501	36,435	Note 2	

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

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

Note 3: The exchange rate on December 31, 2018 is THB1=NT$0.9532.

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

Note 5: In May 2018, the board of directors approved a capital increase of RMB20,000 thousands in Asian Crown (BVI) in order to ultimately invest in FGE. As a result, momo's shareholding in Asian Crown (BVI) increased from 76.26% to 81.99%.

Note 6: In July 2018, the board of directors approved to acquire 85% equity interests in Bebe Poshe, resulting in a capital increase for Bebe Poshe of 85,000 thousands. momo acquired control of Bebe Poshe on September 6, 2018 and incorporated Bebe Poshe as a subsidiary.

TABLE 7

momo.com Inc.

INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2018
(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, 2018	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2018	Net (Loss) Income of Investee	% Ownership through Direct or Indirect Investment	Investment Income (Loss)	Carrying Value as of December 31, 2018	Accumulated Inward Remittance of Earnings as of December 31, 2018	Note
					Outflow	Inflow							
FGE	Wholesaling	$ 345,960 (RMB 77,500)	b.	$ 742,384 (USD 14,000) (RMB 69,741)	$ 87,164 (RMB 19,526)	$ -	$ 829,548 (USD 14,000) (RMB 89,267)	$ (16,135)	76.70	$ (11,480)	$ 30,821	$ -	Note 3
Haobo	Investment	49,104 (RMB 11,000)	b.	-	-	-	-	36,435	100.00	36,435	794,501	-	
GHS	Wholesaling	223,200 (RMB 50,000)	b.	-	-	-	-	277,940	20.00	37,226	766,529	-	

Accumulated Investment in Mainland China as of December 31, 2018	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment Authorized by Investment Commission, MOEA
$1,491,906 (USD14,000, RMB89,267 and HKD168,539)	$1,491,906 (USD14,000, RMB89,267 and HKD168,539)	$3,703,262

Note 1: The investment types are as follows:

a. Direct investment in mainland China.

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

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

c. Others.

Note 2: The exchange rates on December 31, 2018 are USD1=NT$30.79, RMB1=NT$4.464 and HKD1=NT$3.93.

Note 3: In May 2018, FGE held an interim shareholders meeting to propose an increase in capital by RMB20,000 thousand which was fully subscribed by HK Fubon Multimedia. Thus, HK Fubon Multimedia 's shareholding in FGE increased from 91.304% to 93.548%.