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momo.com Inc.

## 2019 Annual Report

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**Spokesperson**

Name: Jeff Ku

Title: President

Tel: 886-2-2162-6688

E-mail: [jeffku@fmt.com.tw](mailto:jeffku@fmt.com.tw)

**Deputy Spokesperson**

Name: Gina Lu

Title: Financial & Accounting Division Senior Director

Tel: 886-2-2162-6688

E-mail: [GinaLu@fmt.com.tw](mailto:GinaLu@fmt.com.tw)

**Headquarters, Branches and Plant**

Headquarters

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

Tel: 886-2-2162-6688

**Stock Transfer Agent**

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

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

Tel: 886-2-2361-1300

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

**Independent Auditors**

Deloitte & Touche

Vita Kuo, CPA, and Peide Chen, CPA

Address: 20F, Taipei Nan Shan Plaza No.100, Songren Rd., Xinyi Dist., Taipei 11073, Taiwan

Tel.: 886-2-2545-9988

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

**Overseas Securities Exchange**

None

**Corporate Website**

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

Disclaimer

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

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## I. Letter to Shareholders

momo.com Inc. (8454-TW) is a leading virtual retail platform in Taiwan and operates momoshop, momomall, TV and catalog shopping channels. momo's corporate mission is to provide "affordable and quality products as well as superior services" and its management instills four key operating principles of "integrity, friendliness, professionalism, and innovation", so to pursue the vision of "everything in life, everything in momo". With its forward-looking business layout, momo promotes a rich and diverse consumer experience, continues to create the greatest value for the shareholders, and is committed to becoming a sustainable enterprise.

In 2019, with the efforts of staff of the Company, the Company's consolidated revenue rewrote the best record since the initiation of the website, reaching over 518.3 hundred million NTD, which was an annual increase of 23.4%; the net profit after tax was 13.9 hundred million NTD. Among them, the online shopping revenue accounted for 87.7%, which was an annual growth of 28.5%, creating an outstanding operating performance. Facing severe market challenges, momo used its agile operation model and forward-looking infrastructure, and integrated group resources, which enabled it to continue to grow its market share in the industry and stabilize its position as the leading e-commerce channel.

The key works of the Company in 2019 were as follows:

### 1. Enhance the richness and uniqueness of products on the website:

With the change of life style and in order to meet the pressure of time and cost of the consumers, momo has moved from implementing "one-stop shopping" that satisfies the consumers to the upgraded vision of "taking care of everything in life". This year, the reach of the strategy regarding deepening brand cooperation has been extended to a wider range. In addition to actively introducing globally well-known counter brands (such as L'Oréal Taiwan and LUXE), momo has simultaneously strengthened its seek for unique products at home and abroad (such as Beyond Meat®), thereby greatly improved the advantages of possessing both richness and uniqueness for the products on its website. Furthermore, momo also actively sought partners for cross-industry alliances regarding special category services, strengthening service integrity through professional cooperation.

### 2. Build a dense logistics network:

"short chain revolution" in logistics was a key development project in 2019. At present, momo has a total of 20 storage facilities across 8 cities in Northern, Central, and Southern Taiwan; in order to strengthen the distribution in Southern Taiwan, in the third quarter, 6.3 hundred million NTD were invested in purchasing land in Sinshih District of Tainan City to set up southern logistics center. At the same time, in order to

improve the capacity and efficiency in the last mile of delivery, the operating scale of the Company-owned fleet has also been continuously expanded. By building a dense logistics network in combination with the use of big data calculations, momo hoped to create more surprising services, allow logistics to run through commercial flow, and to give the industry a boost.

### 3. Integrate group resources and expand membership economy:

Aiming at the wave of membership economy, in order to strengthen and cultivate super fans, momo actively integrated its abundant group resources to expand the synergy of membership service operations. For example, in this year, momo has maintained close cooperation with Taiwan Mobile, from store pick-up and 3C professional services in nearly 800 myfone stores across Taiwan to providing momo phone number preferential programs, as well as connecting digital value-added services, providing momo's loyal members with MyMusic feedback service enjoyment. In the fourth quarter, momo collaborated with its group partner, Taipei Fubon Commercial Bank, by taking advantage of its professional resources in the field of financial management to create Taiwan's top one online shopping legendary card "momo and Fubon co-branded credit card", breaking new ground in membership services.

### 4. Continue to cultivate international markets:

In 2019, momo's overseas market cultivation footprint spanned China, Southeast Asia, the Middle East and other regions. Among them, for the two joint venture companies "TVD momo" in Thailand and "Fubon Gehua (Beijing) Enterprise Ltd.", in addition to continuing to develop their main businesses, in this year, their Internet channel operations have been strengthened. Meanwhile, "Beijing Global Gouguang Media Technology Co., Ltd." and its reinvested company Citruss TV, a Dubai, UAE based TV shopping company, have also maintained stable operations. Based in Taiwan and working towards international markets, momo has continuously and steadily developed its overseas territories.

### 5. Fulfill corporate social responsibilities and move towards sustainable development goals

While pursuing operating performance, momo has also been actively implementing corporate social responsibilities and has won recognition from all walks of life. In terms of corporate governance, momo has won the highest honor of "being ranked top 5% in the TWSE corporate governance evaluation" for 3 consecutive years, and its "2019 Corporate Social Responsibility Report has been verified by the British Standards Association". In terms of green sustainability, momo has been certified by the "Online Shopping Packaging Reduction Mark" awarded by the Environmental Protection Administration; it also won the honor of "Energy Saving Championship" in 2019 Taipei Energy-Saving Season's E-commerce Sector. In terms of customer

service, momo was awarded the Silver Award in the “Best Service in Taiwan 2019” and ranked third place in the online shopping sector of the “Top Service Awards 2019”.

In this year, momo also won the “Best E-commerce Partner Award” in comprehensive ranking of Kantar’s PoweRanking® 2019, as well as the honor of top spot in the comprehensive overall ranking, strategic comprehensive ranking, and comprehensive business fundamentals ranking in the “Consumer Electronics Retail Industry Model”. In the promotion of public welfare feedback, momo used its multimedia strength of virtual channels and membership appeal to develop a trustworthy “Internet public welfare platform”, which helped public welfare organizations in various fields to raise funds every year.

Looking into 2020, in response to the rapid changes in the retail market and the leap in technology, the Company will continue to keep a firm foothold in the wave of “technology e-commerce” development, and integrate the values of integrity, friendliness, professionalism, and innovation, so to accelerate the expansion of the operating scale, increase its share in the retail market, and become a more forward-looking benchmark enterprise.

Chairman

A handwritten signature in black ink, consisting of a stylized 'L' shape with a small 'u' or 'w' character to its right.

## II. Company Profile

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

### Company History

Year	Milestones
Sep. 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.
Sep. 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.

Year	Milestones
Aug. 2012	Acquired 20% stake in Taiwan Pelican Express Co., Ltd.
Dec. 2012	momoshop's single-month sales reached NT\$ 1 billion.
Jun. 2013	Awarded 1st Place in Digital Service Benchmark Enterprise–Media and Entertainment by Business Next.
	Winner of “Technological Innovative Awards of E-Commerce Enterprises” by MOEA.
July. 2013	Awarded “Excellent enterprise of improving E-invoice” by Ministry of Finance for the third consecutive year.
	Launched momomall's official Line account.
Sep. 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.
Sep. 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.



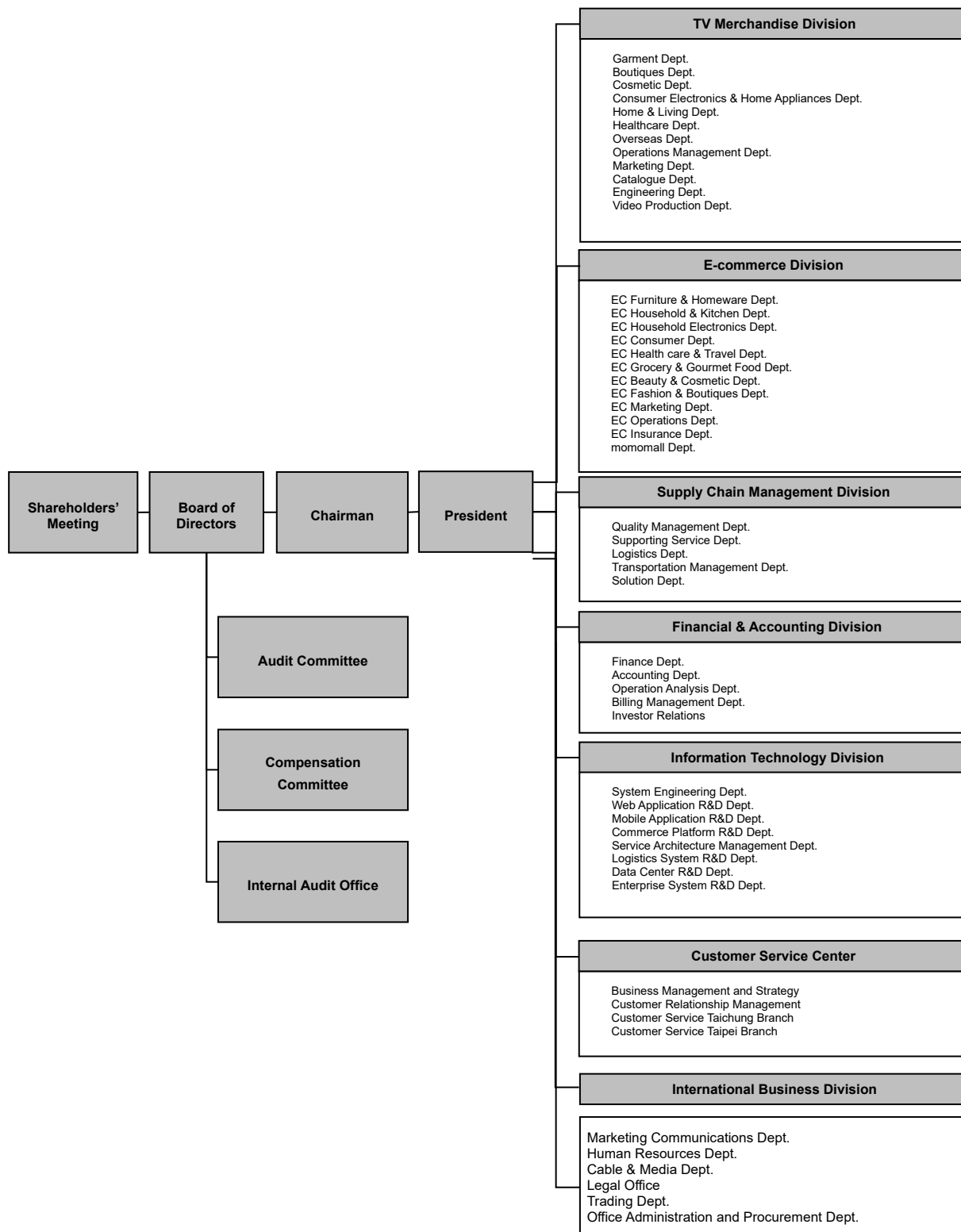
Year	Milestones
Sep. 2016	2015 Corporate Social Responsibility Report was verified by the British Standards Association.
Dec. 2016	Passed the ISO14064 greenhouse gas certification Received Taipei City healthy workplace achievement award
Apr. 2017	Ranked top 5% in the 3rd corporate governance evaluation Passed the ISO14064 greenhouse gas certification 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	Launch 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 Chairman of the momo.com Inc. and held a concurrent post as the President. EC division of momo was selected as the "2018 Taiwan MVP Managers" of Manager Today.

Year	Milestones
Apr. 2019	Passed ISO14064 organization level greenhouse gas inventory certification.
May. 2019	Ranked top 5% in the 5th Corporate Governance Evaluation. Awarded 1st place in "Taiwan's Top 2000: Service Industry Survey-E-Commerce" by CommonWealth Magazine.
Jun. 2019	Mr. Jeff Ku took over the post as the President of momo.com Inc. 2018 Corporate Social Responsibility Report was verified by the British Standards Association. Ranked top 25 in Facebook's 2018 most influential brands in the mobile generation: Taiwan.
Jul. 2019	Awarded Silver Award in the "2019 Taiwanese Services Evaluation - Large Shopping Site" by <i>Commercial Times</i> .
Sep. 2019	Passed the verification of ISO 14001:2015 Environmental Management System.
Oct. 2019	Passed 2019 ISO/IEC 27001:2013 Information Security Management System Mark. Passed third party verification of the BS 10012 Personal Information Management System. Awarded third place in the "2019 Top Service Awards - Online Shopping" of the <i>Next Magazine</i> . Awarded energy saving full champion in Taipei City Government's "2019 Energy-Saving Products Promotion - momoshop."
Nov. 2019	Awarded Silver Award of the Taiwan Institute for Sustainable Energy's "Taiwan Corporate Sustainability Awards - Corporate Sustainability Report of the Service Industry Group." Awarded British Standards Institution (BSI) Taiwan's Sustainability Excellence Award of the "2019 BSI AWARD." Awarded "4th place in the Taipei City Outstanding Healthy Workplaces" by the Department of Health of Taipei City Government. Passed the "Badge of Accredited Healthy Workplace" by the Ministry of Health and Welfare.
Dec. 2019	Awarded "CG6012(2019) Corporate Governance System Assessment Excellent Certification" by the Taiwan Corporate Governance Association.

### III. Organization and Corporate Governance

#### i. Organization

##### Organizational Chart



## Divisional Scope of Responsibilities

Division		Scope of responsibilities
Internal Audit Office		<ol style="list-style-type: none"> <li>1. Execution of the internal audit of momo and the respective subsidiary companies</li> <li>2. Inspection and assessment of the execution of internal control in this company and the respective subsidiary companies</li> <li>3. Supervision and review of the self-inspection procedures of internal control in this company and the respective subsidiary companies</li> </ol>
International Business Division		<ol style="list-style-type: none"> <li>1. Development and exploitation of International business</li> <li>2. Provide operational' support and joint product procurement with partnered companies</li> <li>3. International commercial trading and import/export of products</li> </ol>
TV Merchandise Division	Garment Dept.	<ol style="list-style-type: none"> <li>1. Introduction of TV channel suppliers</li> <li>2. Development and product planning for various product categories</li> <li>3. Product launches and sales management of TV Home Shopping channels</li> </ol>
	Boutiques Dept.	
	Cosmetic Dept.	
	Consumer Electronics & Home Appliances Dept.	
	Home & Living Dept.	
	Healthcare Dept.	
	Overseas Dept.	Introducing direct import products
	Operations Management Dept.	<ol style="list-style-type: none"> <li>1. Management of pre-recorded programming</li> <li>2. Management of administration, marketing, and sales targets of TV home shopping channel</li> </ol>
	Marketing Dept.	<ol style="list-style-type: none"> <li>1. Planning and implementation of TV marketing campaigns</li> <li>2. Launching and sales management of the TV APP products</li> </ol>
	Catalogue Dept.	<ol style="list-style-type: none"> <li>1. Management of listing of TV / EC products in catalogue mailings</li> <li>2. Cost-control for the catalogue business</li> <li>3. Management of the catalogue business's performance and staff productivity</li> </ol>
	Video Production Dept.	<ol style="list-style-type: none"> <li>1. Production of videos for various products as resources of selling activities</li> <li>2. Production of videos for "hot-selling" products and management of video library</li> <li>3. Production of videos for enhancement of momo's corporate branding</li> <li>4. Production of videos for holiday sales and various promotional campaigns for each business units</li> <li>4. Production of videos for special promotional campaigns in each business unit</li> <li>5. Production and placement of videos in various social media</li> </ol>
	Engineering Dept.	<ol style="list-style-type: none"> <li>1. The production, engineering planning, and management of live programming</li> <li>2. Planning, management, and execution of the enhancement of equipment technology and resources</li> <li>3. Execution and management of program broadcast and transmission</li> <li>4. Providing supports to program engineering technology and the execution of program post-production technology</li> </ol>

Division		Scope of responsibilities
EC Division	EC Furniture & Homeware Dept.	1. Management of Internet channel suppliers and product development 2. Management of business performance and staff performance 3. Management of online products
	EC Household & Kitchen Dept.	
	EC Household Electronics Dept.	
	EC Consumer Dept.	
	EC Health care & Travel Dept.	
	EC Grocery & Gourmet Food Dept.	
	EC Beauty & Cosmetic Dept.	
	EC Fashion & Boutiques Dept.	
	EC Insurance Dept.	1. Coordination of matters related to online insurance products 2. Online business marketing assistance 3. Preparation of unit execution plan 4. Management of website products
	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
Supply Chain Management Division	Quality Management Dept.	1. Inspection and quality assurance review of sample products 2. Incoming goods inspection, acceptance, and quality inspection 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

Division		Scope of responsibilities
Supply Chain Management Division	Logistics Dept.	<ol style="list-style-type: none"> <li>1. Operation of inventory warehousing, including receiving / shelving / shipping</li> <li>2. Order response, tracking and control</li> <li>3. Inventory management</li> <li>4. Analysis and management of inventory procurement / shipment / and returns</li> </ol>
	Transportation Management Dept.	<ol style="list-style-type: none"> <li>1. Supervision of shipments from warehouse and from suppliers to customers</li> <li>2. Management of logistics partners/development of special logistics projects</li> <li>3. Implementation of procedure for logistics operation</li> </ol>
	Solution Dept.	<ol style="list-style-type: none"> <li>1. Planning and integration of operation procedure</li> <li>2. Application system integration and enhancement</li> <li>3. Project management and system optimization</li> <li>4. Operational accounting and analysis; strategic planning and assessment</li> <li>5. New business launch</li> </ol>
Financial & Accounting Division	Finance Dept.	<ol style="list-style-type: none"> <li>1. Evaluation and execution of investment</li> <li>2. Financial and cash management</li> <li>3. Accounts Receivable/Payment operations</li> </ol>
	Accounting Dept.	<ol style="list-style-type: none"> <li>1. Preparation of financial statements</li> <li>2. Management of financial accounts Tax filing</li> </ol>
	Operation Analysis Dept.	<ol style="list-style-type: none"> <li>1. Preparation and analysis of management accounting reports</li> <li>2. Preparation of annual budget</li> </ol>
	Billing Management Dept.	<ol style="list-style-type: none"> <li>1. Management of supplier accounts</li> <li>2. Accounting services to clients</li> <li>3. Cost accounting</li> </ol>
	Investor Relations	<ol style="list-style-type: none"> <li>1. Establish and maintenance of communication protocols with domestic and foreign institutional investors</li> <li>2. Planning and organization of institutional investor visits and conferences</li> <li>3. Analysis of relevant competitor information</li> </ol>
Information Technology Division	System Engineering Dept.	<ol style="list-style-type: none"> <li>1. OA environment management</li> <li>2. Operations and management of telecommunications system</li> <li>3. Operations and management of database</li> <li>4. Operations and management of cloud services</li> </ol>
	Web Application R&D Dept.	<ol style="list-style-type: none"> <li>1. Planning and design of momoshop and momo shopping platform website functions and framework</li> <li>2. Planning and design of content management system and shared services framework</li> <li>3. Planning and design of cloud marketing campaign system framework</li> </ol>

Division		Scope of responsibilities
Information Technology Division	Mobile Application R&D Dept.	<ol style="list-style-type: none"> <li>1. Development and maintenance of the Company's externally operated apps, including ec app/tv app/mall app/scm app</li> <li>2. Development and maintenance of apps used internally by the Company, including combat information app/tms app/on-site inspection app/audit and write off app/fmtpush app</li> <li>3. Development and maintenance of app live stream system</li> </ol>
	Commerce Platform R&D Dept.	<ol style="list-style-type: none"> <li>1. Development and operations of business back end system functions and framework</li> <li>2. Development and operations of system search functions and framework</li> <li>3. Development and operations of referral marketing system functions and framework</li> <li>4. Development and operations of data analysis and intelligent system functions and framework</li> <li>5. Management and maintenance of office information system</li> </ol>
	Service Architecture Management Dept.	<ol style="list-style-type: none"> <li>1. Planning and operations of the operational system, network system, and operating host resources</li> <li>2. Program testing operations, system (software and hardware) integration testing, system performance testing, and online operations</li> <li>3. Continuous operating service indicators monitoring and IT front-line operations</li> <li>4. Obstacle reporting, tracking, and analysis</li> </ol>
	Logistics System R&D Dept.	<ol style="list-style-type: none"> <li>1. Design, development, and operations of the warehouse management system (WMS)</li> <li>2. Design, development, and operations of the logistics platform system (LGM)</li> <li>3. Design, development, and operations of the transportation management system (TMS)</li> <li>4. Design, development, and operations of the transport system (TS)</li> </ol>
	Data Center R&D Dept.	<ol style="list-style-type: none"> <li>1. Design, development, and operations of data application related systems</li> <li>2. Design, development, and operations of data services API</li> <li>3. Design, development, and operations of data platforms</li> </ol>
	Enterprise System R&D Dept.	<ol style="list-style-type: none"> <li>1. Design, development, and operations of financial and accounting related systems</li> <li>2. Design, development, and operations of customer service related systems</li> <li>3. Design, development, and operations of cash flow services</li> </ol>

Division		Scope of responsibilities
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 planning and operation 5. Preparation of management reports 6. Education, training, and planning of internal personnel
	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	1. Order confirmation services 2. Transaction process inquiry services 3. Product return or exchange
	Customer Service Taipei Branch	4. Management of customer complaints 5. Outbound calls 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
Trading Dept.		1. Self-owned product sales and agency brand introduction, mainly through momo's channels 2. Promotion of sales in other external channels and B2B channels 3. Brand marketing activities
Human Resources Dept.		1. Utilization and integration of human resources 2. Plans and execution of wages and benefits 3. Educational training and employee development 4. Labor relations and negotiations
Office Administration and Procurement Dept.		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; 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 56 years old. Including, the three independent directors 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. 20, 2020

Title	Nationality/ Country of Origin	Name	Gender	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			Note
							Shares	%	Shares	% (Note1)	Shares	%	Title	Title			Title	Name	Relation	
Chairman	ROC	Wealth Media Technology Co. Ltd.	-	2017.5.17	3	2011.7.29	64,742,205	50.64%	63,047,205	45.01%	-	-	-	-	-	-	-	-	-	-
	ROC	Wealth Media Technology Co. Ltd. Representative: C.F. Lin	Male	2017.5.17	3	2011.7.29	588,588	0.46%	624,588	0.45%	-	-	-	-	1. Master's degree 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. 6. President, momo.com Inc.	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, Hong Kong 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.	-	-	-	-
Director	ROC	Wealth Media Technology Co. Ltd.	-	2017.5.17	3	2011.7.29	64,742,205	50.64%	63,047,205	45.01%	-	-	-	-	-	-	-	-	-	-
	ROC	Wealth Media Technology Co. Ltd. Representative: Jeff Ku (Note 2)	Male	106.5.17	3	2019.6.1	1,000	0.00%	2,000	0.00%	-	-	-	-	1. MBA, University of Wollongong, Australia 2. EMBA, National Taiwan University 3. Senior Vice President and Chief Business Officer, Taiwan Mobile Co., Ltd. 4. Vice President, Taiwan High Speed Rail Corp.	1. President, momo.com Inc. 2. Director, BEBE POSHE International Co., Ltd. 3. Director, Fuli Life Insurance Agent Co., Ltd. 4. Director, Fuli Property Insurance Agent Co., Ltd. 5. Director, Fu Sheng Travel Service Co., Ltd. 6. Chairman, Fu Sheng Logistics Co., Ltd.	-	-	-	-

Title	Nationality/ Country of Origin	Name	Gender	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			Note
							Shares	%	Shares	% (Note1)	Shares	%	Title	Title			Title	Name	Relation	
Director	ROC	Wealth Media Technology Co. Ltd. Representative: Chris Tsai	Male	2017.5.17	3	2018.12.14	-	-	-	-	-	-	-	-	1. Bachelor's degree of Economics, Wharton School of the University of Pennsylvania 2. Special Assistant of Chief Investment Officer, Fubon Financial Holding Co Ltd. 3. US Equity Analyst, JPMorgan Chase & Co. of New York 4. Fund Management Analyst, JPMorgan Chase & Co. of New York	1. Director and President, Fubon Financial Holding Venture Capital Corp. 2. Director and President, Fubon Sports & Entertainment Co., Ltd. 3. Director and President, Fubon Stadium Co., Ltd. 4. Director, Fubon Insurance Co., Ltd. 5. Director, Fubon Hospitality Management Co., Ltd. 6. Director, Fubon Land Development Co., Ltd. 7. Director, Taiwan Mobile Co., Ltd. 8. Director, Taipei New Horizon Co., Ltd. 9. Vice Chairman, Shenzhen Tengfu Investment Co., Ltd. 10. Director, Fubon Ellipse (Belgium)S.A. 11. Director, Bow Bells House (Jersey) Limited 12. Director, Fubon Ellipse (Jersey) Limited 13. Director, Carter Lane (Guernsey) Limited 14. Director, Wise Road Asset Management Ltd. 15. Director, Penny Lane Investment Limited 16. Owner, Immanual Investment Co., Ltd. 17. Director, AppWorks Ventures Co., Ltd. 18. Director, Stem Cyte International, Ltd.	-	-	-	-

Title	Nationality/ Country of Origin	Name	Gender	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			Note
							Shares	%	Shares	% (Note1)	Shares	%	Title	Title			Title	Name	Relation	
Director	ROC	Wealth Media Technology Co. Ltd. Representative: Jamie Lin (Note3)	Male	2017.5.17	3	2018.4.1	-	-	-	-	-	-	-	-	1. MBA, NYU Stern School of Business 2. Bachelor's degree of Chemical Engineering and minor in Economic, National Taiwan University 3. Co-founder and Chief Product Officer, Sosauce.com 4. Associate, HSS Ventures 5. General Manager of Greater China, Intumit Inc.	1. Chairman, AppWorks Ventures Co., Ltd. 2. Chairman, AppWorks Fund I Co., Ltd. 3. Chairman, AppWorks Fund II Co., Ltd. 4. Chairman, AppWorks Fund III Co., Ltd. 5. Chairman, AppWorks Capital Co., Ltd. 6. Chairman, Chen Feng Investment Ltd. 7. Chairman, Chen Men Investment Ltd. 8. Chairman, Chen Yun Co., Ltd. 9. Director, Winbond Electronics Corp. 10. Director, 91APP, Inc. 11. Director, Intowow Innovation Limited 12. Director, EMQ Inc. 13. Director, Pickone Inc. 14. Director and President, Taiwan Mobile Co., Ltd. 15. Director and President, Taiwan Cellular Co., Ltd. 16. President, TWM Venture Co., Ltd. 17. Director and President, Wealth Media Technology Co., Ltd. 18. Director, Taipei New Horizon Co., Ltd. 19. President, Taiwan Fixed Network Co., Ltd. 20. Chairman, Taiwan Teleservices & Technologies Co., Ltd. 21. Director, TWM Holding Co., Ltd. 22. President, TCC Investment Co., Ltd. 23. Chairman, Taiwan Digital Service Co., Ltd. 24. Director, Taihsin Property Insurance Agent Co., Ltd. 25. Director and President, TFN Media Co., Ltd. 26. Chairman and President, Global Forest Media technology Co., Ltd. 27. Chairman and President, Global Wealth Media technology Co., Ltd. 28. Chairman, Win TV Broadcasting Co., Ltd. 29. President, TFN Union Investment Co., Ltd. 30. President, TCCI Investment and Development Co., Ltd. 31. Chairman, Taiwan Kuro Times Co., Ltd. 32. Chairman, Yeong Jia Leh Cable TV Co., Ltd. 33. Chairman, Phoenix Cable TV Co., Ltd. 34. Chairman, Union Cable TV Co., Ltd. 35. Chairman, Globalview CATV Co., Ltd.	-	-	-	-

Title	Nationality/ Country of Origin	Name	Gender	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			Note
							Shares	%	Shares	% (Note1)	Shares	%	Title	Title			Title	Name	Relation	
Director	ROC	TECO CAPITAL INVESTMENT Co., Ltd.	-	2017.5.17	3	2006.6.30	16,324,000	12.77%	15,050,000	10.75%	-	-	-	-	-	-	-	-	-	-
	ROC	TECO CAPITAL INVESTMENT Co., Ltd. Representative: Mao-Hsiung Huang	Male	2017.5.17	3	2009.5.20	-	-	-	-	-	-	-	-	1. MBA, Wharton School, University of Pennsylvania 2. Chairman, TECO Electric and Machinery Co., Ltd.	1. Director, TECO Electric and Machinery Co., Ltd. 2. Supervisor, Tung Pei Industrial Co., Ltd. 3. Chairman, Royal Host Taiwan, Co., Ltd. 4. Chairman, E-Joy Electronics International Co., Ltd. 5. Chairman, TECO Tour Travel Service Co., Ltd. 6. Supervisor, An-Shin Food Services Co., Ltd. 7. Vice-Chairman, TG TECO Vacuum Insulated Glass Corp. 8. Chairman, TECO International Investment Co., Ltd. 9. Chairman, TECO CAPITAL INVESTMENT Co., Ltd. 10. Chairman, Tong-An Asset Development Management Co., Ltd. 11. Director, TECNOS International Consultant Co., Ltd. 12. Chairman, An Tai International Investment Co., Ltd. 13. Chairman, Century Development Corporation 14. Chairman, Shi Hua Development Co., Ltd. 15. Director, Taiwan Pelican Express Co., Ltd. 16. Director, Taiwan High Speed Rail Corporation 17. Director, Ericsson Taiwan 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, Royal Park Restaurant Co. Ltd. 29. Chairman, Maowang Technologies Co. Ltd. 30. Director, Fujio Food System Taiwan Co. Ltd. 31. Chairman, Jinlaomang Co. Ltd., 32. Director, TECO Technology & Marketing Center Co., Ltd. 33. Director, TEMICO International 34. Director, TEMICO India Private Limited 35. Director, Shikang Development Co., Ltd.	-	-	-	-

Title	Nationality/ Country of Origin	Name	Gender	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			Note
							Shares	%	Shares	% (Note1)	Shares	%	Title	Title			Title	Name	Relation	
Director	Korea	WOORI HOMESHOPPI NG CO., LTD.	-	2017.5.17	3	2004.8.19	14,014,000	10.96%	14,014,000	10.01%	-	-	-	-	-	-	-	-	-	-
	Korea	WOORI HOMESHOPPI NG CO., LTD Representative: SHIN SEONGBIN (Note 4)	Male	2017.5.17	3	2018.4.1	-	-	-	-	-	-	-	-	Sogang University (Business School)	Vice president of Planning Division, WOORI HOMESHOPPING CO., LTD.	-	-	-	-
Independe nt Director	ROC	Hong-So, Chen	Male	2017.5.17	3	2014.2.14	-	-	-	-	-	-	-	-	1. Bachelor's degree of Department of Transportation Engineering and Management, National Chiao Tung University 2. CEO and President, BACO International., Ltd./Systex Corporation 3. President in China region/Vice President of Sales in North Asia region, Yahoo 4. Chief Operation Officer, Yahoo Kimo 5. Business Marketing Skills Support Manager and President, IBM, Microsoft, Motorola, Oracle, Novell 6. Corporate Director, E-Life Mall Corporation 7. Independent Director, Sercomm Corporation 8. Independent director, Spirox Corporation 9. Independent Director, Genetics Generation Advancement Corp. (GGA Corp.) 10. Remuneration Committee Member, LCY Chemical Corp. 11. Remuneration Committee Member, LCY Technology Corp.	1. Audit Committee Convener and Remuneration Committee Member, momo.com Inc. 2. Chairman, Guoshi Partners Co., Ltd. 3. Independent Director and Remuneration Committee Member, Yageo Corporation 4. Independent Director and Remuneration Committee Convener, Giant Manufacturing Co., Ltd. 5. Independent Director and Remuneration Committee Convener, China Chemical & Pharmaceutical Co., Ltd. 6. Remuneration Committee Member, Sercom Corporation 7. Remuneration Committee Member, GGA Corp.	-	-	-	-

Title	Nationality/ Country of Origin	Name	Gender	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			Note
							Shares	%	Shares	% (Note1)	Shares	%	Title	Title			Title	Name	Relation	
Independent Director	ROC	Brian Y. Hsieh	Male	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. Institute Professor, School of Law, 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	-	-	-	-
Independent Director	ROC	Chieh Wang (Note 5)	Male	2019.5.16	3 (Note 6)	2019.5.16	-	-	-	-	-	-	-	-	1. Bachelor's degree of Department of Finance and Taxation, National Chengchi University 2. Vice President of The Financial Department and CIO, Fubon Life Insurance Co., Ltd. 3. Vice President of The Financial Investment Department and CIO, Fubon Financial Holding Co., Ltd. 4. Chairman, Holiday Entertainment Co., Ltd. 5. Vice Chairman and CEO, Cashbox Partyworld Co., Ltd.	1. Audit Committee Member and Remuneration Committee Member, momo.com Inc. 2. Independent Director, ZhongAn Online P&C Insurance Co Ltd 3. Independent Director, China United Insurance Holding Company 4. Chairman, KuKu Marketing Production Co., Ltd. 5. Chairman, Conti Invest Co., Ltd 6. Chairman, PAI Enterprise Co., Ltd. 7. Chairman, Enjoy Records Co., Ltd. 8. Chairman, Guang International Cultural Creative Co., Ltd. 9. Chairman, Digiflow Company Limited	-	-	-	-

Note 1: Shareholding ratio = number of shares ÷ actual number of issued shares (140,058,500 shares).

Note 2: On June 1<sup>st</sup>, 2019, Wealth Media Technology Co. Ltd. reassigned Mr. Jeff Ku to succeed Ms. Summer Hsieh as Director.

Note 3: On April 1<sup>st</sup>, 2019, Wealth Media Technology Co. Ltd. reassigned Mr. Jamie Lin to succeed Mr. James Jeng as Director.

Note 4: On April 1<sup>st</sup>, 2019, WOORI HOMESHOPPING CO., LTD. reassigned Mr. SHIN SEONGBIN to succeed Mr. OH KABRYEOL as Director.

Note 5: The by-election of Independent Director was held at the annual shareholders' meeting on May 16, 2019. Mr. Chieh Wang assumed the position of Independent Director on May 16, 2019.

Note 6: The term of office of the 6th Board of Directors is 3 years (from May 17, 2017 to May 16, 2020); the term of office of Mr. Chieh Wang is from May 16, 2019, to May 16, 2020.

## 1. Major shareholders of the institutional shareholders

As of Feb. 20, 2020

Name of Institutional Shareholders	Major Shareholders
Wealth Media Technology Co., Ltd.	Taiwan Mobile Co., Ltd. (100.00%)
TECO CAPITAL 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. 20, 2020

Name of Institutional Shareholders	Major Shareholders
Taiwan Mobile Co., Ltd. (Note1)	Tai Lian Wang Investment Co., Ltd. (11.84%) Shin Kong Life Insurance Co., Ltd. (9.38%) TCC Investment Co., Ltd. (5.78%) Ming Tung Co., Ltd. (5.33%) Fubon Life Insurance Co., Ltd. (4.35%) Cathay Life Insurance Co. Ltd. (3.83%) Dao Ying Co., Ltd. (3.28%) Richard M. Tsai (2.69%) TCCI Investment and Development Co., Ltd. (2.53%) Daniel M. Tsai (1.88%)
TECO Electric & Machinery Co., Ltd. (Note 2)	Bank of Taiwan, the custodian of investment account of Hilkester International Investor International Value Stock Trust. (4.50%) Bank of Taiwan, the custodian of investment account of Monlion Emerging Market Stock Limited Partnership. (2.34%) PJ Asset Management Co., Ltd. (2.26%) Bank of Taiwan, the custodian trustee of investment account of Ed Burson Asian Stock Trust (2.25%) Standard Chartered Bank (Taiwan) Limited, the custodian trustee of investment account of WGI Emerging Markets Fund, LLC. (1.96%) Bank of Taiwan, the custodian trustee of investment account of Hilkester International Investor International Value Stock Taxable Trust (1.52%) Tung Kuang Investment Co., Ltd. (1.52%) Chunghwa Post Co., Ltd. (1.50%) Yaskawa Electric Corporation (1.48%) JPMorgan Chase Bank N.A. Taipei Branch in custody for Vanguard Total International Stock Index Fund a series of Vanguard Star Funds (1.47%)
TECO International Investment Co., Ltd.	TECO Electric & Machinery Co., Ltd. (100%)
An Tai International Investment Co., Ltd.	TECO Electric & Machinery Co., Ltd. (100%)
Lotte Shopping Co., Ltd.	LOTTE Corporation (40.0%) Shin Dong Bin (9.84%) Hotel Lotte Co., Ltd. (8.86%) Minority shareholders (41.3%)
Taekwang Industrial Co., Ltd.	Lee Ho Jin (29.40%) TRN Co. Ltd. (11.22%) Lee Dong Jun (7.49%) Iiju Academy & Culture Foundation (5%) Minority shareholders (46.89%)

Name of Institutional Shareholders	Major Shareholders
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. (46.33%) Daehan Synthetic Fiber Co., Ltd. (31.55%) Lee Hyun Joon (11.30%) Others (10.82%)

Note 1 : The information is in accordance with the company's shareholders list dated July 15, 2019.

Note 2 : The information is in accordance with the company's annual report dated April 30, 2019.

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

As of Feb. 20, 2020

Name	Criteria	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independence Criteria (Note)												Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
		An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8	9	10	11	12	
Wealth Media Technology Co. Ltd. Representative: C.F. Lin			✓				✓	✓	✓	✓		✓	✓	✓	✓		-
Wealth Media Technology Co. Ltd. Representative: Jeff Ku			✓				✓	✓	✓	✓		✓	✓	✓	✓		-
Wealth Media Technology Co. Ltd. Representative: Chris Tsai			✓				✓		✓	✓	✓	✓		✓	✓		-
Wealth Media Technology Co. Ltd. Representative: Jamie Lin			✓				✓	✓		✓	✓		✓	✓	✓		-
TECO CAPITAL INVESTMENT Co., Ltd. Representative: Mao-Hsiung Huang	✓		✓		✓		✓	✓		✓	✓		✓	✓	✓		-
WOORI HOME SHOPPING CO., LTD. Representative: SHIN SEONGBIN			✓		✓		✓	✓		✓	✓	✓	✓	✓	✓		-
Hong-So, Chen			✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	3
Brian Y. Hsieh	✓		✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2
Chieh Wang			✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2

Note : All board members met with the following conditions for the two years leading up to assuming their posts and while they held their posts.

Please place a tick mark "✓" in the box under number that represents their situation.

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

Criterion 2: Not a director or supervisor of the Company's affiliates (unless the person is an independent director of the Company, the Company's parent company or any subsidiary of the Company)

Criterion 3: Not a shareholder whose total holdings, including those 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, relative of second degree or closer, or direct blood relative of third degree or closer to the managers listed in (1) and persons listed in (2) or (3).

Criterion 5: Not a director, supervisor, or employee of a corporate shareholder that directly holds more than 5% of the total issued shares of the Company, a top-five shareholder, or authorized representative to be a director or supervisor of the Company in accordance with Article 27, Paragraph 1 or 2 of the Company Act (however, this does not apply when serving concurrently and mutually as



- independent director established by the Company and its parent company, subsidiary, or subsidiary of the same parent company in accordance with provisions hereof or local laws and regulations).
- Criterion 6: Not a director, supervisor, or employee of another company where more than half of the director positions or voting shares of that other company and the Company are controlled by the same person (however, this does not apply when serving concurrently and mutually as independent director established by the Company or its parent company, subsidiary, or subsidiary of the same parent company in accordance with provisions hereof or local laws and regulations).
- Criterion 7: Not a director (managing director), supervisor (managing supervisor) or employee of another company or institution where any of its chairmen, presidents, or other equivalent positions are served by the same person or is the spouse of the Company's chairmen, presidents, or other equivalent positions (however, this does not apply when serving concurrently and mutually as independent director established by the Company and its parent company, subsidiary, or subsidiary of the same parent company in accordance with provisions hereof or local laws and regulations).
- Criterion 8: Not a director (managing director), supervisor (managing supervisor), manager, or shareholder with 5% or more shareholding of a specific company or institution with which the Company has financial or business dealings (however, this does not apply when serving concurrently and mutually as independent director established by the Company and its parent company, subsidiary, or subsidiary of the same parent company in accordance with provisions hereof or local laws and regulations, if that specific company or institution holds no less than 20%, but no more than 50%, of the total issued shares of the Company).
- Criterion 9: Not a professional who provides auditing to the Company or its affiliates, or a professional who provides commercial, legal, financial, accounting, or related services to the Company or its affiliates with a total remuneration of less than NT\$500,000 in the past two years, nor is an owner, partner, director (managing director), supervisor (managing supervisor), or manager, or the spouse of any of the above, of a sole proprietorship, partnership, company, or organization that provides such services to the Company or its affiliates. However, this does not apply to members of the Remuneration Committee, Public Tender Offer Review Committee or Special Committee for Merger/Consolidation and Acquisition who perform their functions in accordance with laws relevant to the Securities and Exchange Act or the Business Mergers And Acquisitions Act.
- Criterion 10: Not a spouse or relative within second degree by affinity to other directors
- Criterion 11: Not in contravention of Article 30 of the Company Act
- Criterion 12: Not an institutional shareholder or its representative pursuant to Article 27 of the Company Act

## Management Team

As of Feb. 20, 2020

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			Note
					Shares	% (Note2)	Shares	%	Shares	%			Title	Name	Relation	
Chairman	ROC	C.F. Lin	Male	2018.12	624,588	0.45%	-	-	-	-	1. Master's degree 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. 6. President, momo.com Inc.	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, Hong Kong 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.	-	-	-	-
President	ROC	Jeff Ku	Male	2019.06	2,000	0.0014%	-	-	-	-	1. MBA, University of Wollongong, Australia 2. EMBA, National Taiwan University 3. Senior Vice President and Chief Business Officer, Taiwan Mobile Co., Ltd. 4. Vice President, Taiwan High Speed Rail Corp.	1. Director, BEBE POSHE International Co., Ltd. 2. Director, Fuli Life Insurance Agent Co., Ltd. 3. Director, Fuli Property Insurance Agent Co., Ltd. 4. Director, Fu Sheng Travel Service Co., Ltd. 5. Chairman, Fu Sheng Logistics Co., Ltd.	-	-	-	-
Vice President	ROC	Summer Hsieh	Female	2018.05	102,056	0.07%	-	-	-	-	1. PHD candidate of EMBA, National Taipei University 2. MA in Communication Administration, Min Chuan University 3. BBA, National Chung Cheng University 4. Merchandise Development, Eastern Home Shopping & Leisure Co., Ltd. 5. Director of E-Commerce & Catalogue Division, momo.com Inc.	1. Supervisor, Fubon Gehua (Beijing) Enterprise Ltd. 2. Director and President, BEBE POSHE International Co., Ltd. 3. President, Haobo Information Consulting (Shenzhen) 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			Note
					Shares	% (Note2)	Shares	%	Shares	%			Title	Name	Relation	
Internet Division Vice President	ROC	Jeremy Hong	Male	2018.05	-	-	-	-	-	-	1. Graduate Institute of Business Management, Tunghai University 2. Manager, Unified and Integrated Marketing Team 3. Director of E-Commerce Division, momo.com Inc.	1. Director, Fuli Property Insurance Agent Co., Ltd. 2. Director, Fubon Gehua (Beijing) Enterprise Ltd. 3. Supervisor, Fu Sheng Travel Service Co., Ltd.	-	-	-	-
Supply Chain Management Division Vice President	ROC	Leanne Wang	Female	2018.05	-	-	2,000	0.001%	-	-	1. Master's degree in Traffic and Transportation, National Chiao Tung University 2. Director (Officer) of Operation Dept., DHL Taiwan 3. Director of Supporting Service Division, momo.com Inc.	1. Director and President, Fu Sheng Logistics Co., Ltd.	-	-	-	-
International Business Division Director	ROC	Kiki Hung	Female	2015.08	63,002	0.04%	-	-	-	-	1. BBA, Tamkang University 2. Multimedia Marketing, Taiwan Securities Co., Ltd. 3. Director of TV Merchandise Division, momo.com Inc.	1. Supervisor, Fuli Life Insurance Agent Co., Ltd. 2. Supervisor, Fuli Property Insurance Agent Co., Ltd. 3. Director, Fubon Gehua (Beijing) Enterprise Ltd. 4. Supervisor, Haobo Information Consulting (Shenzhen) Co., Ltd. 5. Director, TVD SHOPPING CO., LTD.	-	-	-	-
Financial & Accounting Senior Director	ROC	Gina Lu	Female	2018.05	59,000	0.04%	82,302	0.06%	-	-	1. Master 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. 5. Supervisor, Fu Sheng Logistics Co., Ltd.	-	-	-	-
Information Technology Senior Director	ROC	Robinson Lin	Male	2019.05	1,028	0.0007%	-	-	-	-	1. Department of Business Administration, Feng Chia University 2. Engineer, Cathay Life Insurance Co. Ltd. 3. Director of Information Technology Division, momo.com Inc.	-	-	-	-	-
TV Merchandise Senior Director	ROC	Sabrina Huang	Female	2019.05	3,000	0.002%	-	-	-	-	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. Director of TV Merchandise Division, momo.com Inc.	-	-	-	-	-

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			Note
					Shares	% (Note2)	Shares	%	Shares	%			Title	Name	Relation	
Customer Service Center Director	ROC	Rebecca Wu	Female	2019.05	58,084	0.04%	-	-	-	-	1. Ming Hsin Institute of Technology and Commerce 2. Ground handling, Eva Air 3. Project Management, Taiwan Mobile Co., Ltd. 4. Assistant Manager, Taiwan Teleservices & Technologies Co., Ltd. 5. Senior Manager of Customer Service Center, momo.com Inc.	-	-	-	-	-
Supply Chain Management Director	ROC	Jason Ko	Male	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. Senior Manager of Supporting Service Division, momo.com Inc.	-	-	-	-	-
EC Division EC Consumer Dept. Manager	ROC	Terry Lee	Male	2020.01	-	-	-	-	-	-	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. Director of Marketing Communications Dept., momo.com Inc.	-	-	-	-	-
Internal Audit Office Manager	ROC	Liang Dung Nan	Male	2017.07	-	-	-	-	-	-	1. MBA, Min Chuan University 2. Certified Internal Auditor (CIA) 3. Internal Audit Manager, Surecom Technology Corp 4. Assistant Manager of Internal Audit Office, 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 (%)		Remuneration received from the parent company and all investee companies
		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: C.F. Lin.	1,200,000	1,200,000	-	-	1,190,823	1,190,823	-	-	0.17%	0.17%	16,028,260	16,028,260	180,000	180,000	18,535	-	18,535	-	1.34%	1.34%	17,067,761
Director	Wealth Media Technology Co. Ltd. Representative: Jeff Ku Summer Hsieh Jamie Lin James Jeng Chris Tsai																					
Director	TECO CAPITAL INVESTMENT Co., Ltd. Representative: Mao-Hsiung Huang																					
Director	WOORI HOME SHOPPING CO, LTD. SHIN SEONGBIN																					
Director	WOORI HOME SHOPPING CO, LTD. OH KABRYEOL																					
Independent Director	Hong-So, Chen	3,720,000	3,720,000	-	-	441,105	441,105	-	-	0.30%	0.30%	-	-	-	-	-	-	-	-	0.30%	0.30%	-
Independent Director	Brian Y. Hsieh																					
Independent Director	Chieh Wang																					

Note 1: On April 1<sup>st</sup>, 2019, Wealth Media Technology Co. Ltd. reassigned Mr. Jamie Lin to succeed Mr. James Jeng as Director.

Note 2: On June 1<sup>st</sup>, 2019, Wealth Media Technology Co. Ltd. reassigned Mr. Jeff Ku to succeed Ms. Summer Hsieh as Director.

Note 3: Since April 1<sup>st</sup>, 2019, WOORI HOMESHOPPING CO., LTD. reassigned Mr. SHIN SEONGBIN to succeed Mr. OH KABRYEOL 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 (H)	The company	Companies in the consolidated financial statements and from the parent company and all investee companies (I)
Under NT\$ 1,000,000	Wealth Media Technology Co. Ltd C.F. Lin Jeff Ku Summer Hsieh Jamie Lin James Jeng Chris Tsai TECO CAPITAL INVESTMENT Co., Ltd. Mao-Hsiung Huang WOORI HOME SHOPPING CO, LTD. SHIN SEONGBIN OH KABRYEL Chieh Wang	Wealth Media Technology Co. Ltd C.F. Lin Jeff Ku Summer Hsieh Jamie Lin James Jeng Chris Tsai TECO CAPITAL INVESTMENT Co., Ltd. Mao-Hsiung Huang WOORI HOME SHOPPING CO, LTD. SHIN SEONGBIN OH KABRYEL Chieh Wang	Wealth Media Technology Co. Ltd James Jeng Chris Tsai TECO CAPITAL INVESTMENT Co., Ltd. Mao-Hsiung Huang WOORI HOME SHOPPING CO, LTD. SHIN SEONGBIN OH KABRYEL Chieh Wang	Wealth Media Technology Co. Ltd James Jeng Chris Tsai TECO CAPITAL INVESTMENT Co., Ltd. Mao-Hsiung Huang WOORI HOME SHOPPING CO, LTD. SHIN SEONGBIN OH KABRYEL Chieh Wang
NT\$1,000,000 ~ NT\$1,999,999	Hong-So Chen Brian Y. Hsieh	Hong-So Chen Brian Y. Hsieh	Hong-So Chen Brian Y. Hsieh	Hong-So Chen Brian Y. Hsieh
NT\$2,000,000 ~ NT\$3,499,999				
NT\$3,500,000 ~ NT\$4,999,999			Summer Hsieh	Summer Hsieh
NT\$5,000,000 ~ NT\$9,999,999			C.F. Lin Jeff Ku	C.F. Lin Jeff Ku
NT\$10,000,000 ~ NT\$14,999,999				
NT\$15,000,000 ~ NT\$29,999,999			Jamie Lin	Jamie Lin
NT\$30,000,000 ~ NT\$49,999,999				
NT\$50,000,000 ~ NT\$99,999,999				
Over NT\$100,000,000				
Total	15	15	15	15

## 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 (%)		Remuneration received from all investee companies (other than subsidiaries) or the parent company
	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 C.F. Li President Jeff Ku (Note) Vice President Summer Hsieh Vice President Jeremy Hong Vice President Leanne Wang	14,464,800	14,464,800	396,000	396,000	9,047,860	9,047,860	24,275	-	24,275	-	1.72%	1.72%	507,753

Note: Mr. Jeff Ku took office as President on June 1, 2019.

## Range of Remuneration

Range of Remuneration	Name of President and Vice President	
	The company	Companies in the consolidated financial statements (E)
Under NT\$1,000,000		
NT\$1,000,000 ~ NT\$1,999,999		
NT\$2,000,000 ~ NT\$3,499,999	Leanne Wang	Leanne Wang
NT\$3,500,000 ~ NT\$4,999,999	Summer Hsieh 、 Jeremy Hong	Summer Hsieh 、 Jeremy Hong
NT\$5,000,000 ~ NT\$9,999,999	C.F. Lin 、 Jeff Ku	C.F. Lin 、 Jeff Ku
NT\$10,000,000 ~ NT\$14,999,999		
NT\$15,000,000 ~ NT\$29,999,999		
NT\$30,000,000 ~ NT\$49,999,999		
NT\$50,000,000 ~ NT\$99,999,999		
Over NT\$100,000,000		
Total	5	5

### 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, C.F. Lin President, Jeff Ku (Note) Vice President, Summer Hsieh Vice President, Jeremy Hong Vice President, Leanne Wang Senior Director, Kiki Hung Senior Director, Gina Lu Senior Director, Robinson Lin Senior Director, Sabrina Huang Director, Rebecca Wu Director, Jason Ko Director, Terry Lee Manager, Liang Dung Nan	-	40,389	40,389	0.00%

Note: Mr. Jeff Ku took office as President on June 1, 2019.

### 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 most recent two fiscal years.

NT\$ dollars, %

Title	2018				2019			
	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	7,000,360	7,000,360	0.48%	0.48%	6,551,928	6,551,928	0.47%	0.47%
Presidents and Vice Presidents	38,174,185	38,174,185	2.63%	2.64%	23,932,935	23,932,935	1.72%	1.72%

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

2. The policies, standards, and portfolios of the payment of remuneration for the Directors, 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 degree of participation in and contribution to the Company's operations and based on the normal remuneration standard of the industry; also, by taking into account the board members' attendance at board meetings, serving in functional committees such as the Remuneration Committee and Audit Committee, and the risks assumed by them as the payment standard.
- 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 remuneration of the Directors of the Company is in accordance with the Company's Articles of Incorporation and is paid subject to the Company's annual profit-earning status; as a result, it is closely related to the business performance. Also, with reference to the evaluation items of the Regulations Governing Performance Evaluation of the Board of Directors and Functional Committees, individual directors are given reasonable remuneration based on their contribution to the Company's operational performance. Furthermore, 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.).

### 3. The policies, standards, and portfolios of the payment of remuneration for the Internal Managers, the procedures for determining remuneration, and the correlation with business performance.

(1) The policies, standards, and portfolios for the payment of remuneration:

The salary structure includes mainly the monthly salary, year-end bonus, and employee compensation. Among which, the payment standard for the amount of year-end bonus and employee compensation is made considering the contribution to the Company's operations, the achievement rate and the annual performance appraisal based on the management indicators set in accordance with the employee performance management measures; such amount shall be proposed by the Remuneration Committee and be paid upon approval by the Board of Directors.

(2) The procedures of remuneration distribution:

- A. Employee compensation shall be handled in accordance with the Company's Articles of Incorporation. If the Company makes an annual profit, it shall allocate 0.1% to 1% as employee compensation (employees include internal managers), however, the Company's accumulated losses, if any, shall have been covered in advance.
- B. For year-end bonus, the distribution amount shall be determined based on the annual business performance.

(3) The correlation with operation performance and future risks:

The employee compensation of the Company (employees including internal managers) is allocated in

accordance with the Company's Articles of Incorporation and subject to the Company's profit-earning status, as a result, it is closely related to the business performance. Furthermore, the Company's Remuneration Committee, ex officio, performs inspection on the compensation on a yearly basis and regularly reviews the justifiability of the compensation and remuneration, and reports to the Board of Directors by the convener.

### iii. Implementation of Corporate Governance

#### Board of Directors attendance

The Board of Directors convened seven times(A) in 2019

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) 【B/A】	Remarks
Chairman	Wealth Media Technology Co. Ltd. Representative: C.F. Lin	7	0	100%	None
Director	Wealth Media Technology Co. Ltd. Representative: Jeff Ku (Note2)	3	0	100%	Assumed office on Jun. 1, 2019 (Shall attend 3 times)
Director	Wealth Media Technology Co. Ltd. Representative: Chris Tsai	6	1	85.71%	None
Director	Wealth Media Technology Co. Ltd. Representative: Jamie Lin (Note3)	5	1	83.33%	Assumed office on Apr. 1, 2019 (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: SHIN SEONGBIN (Note4)	4	2	66.67%	Assumed office on Apr. 1, 2019 (Shall attend 6 times)
Independent director	Hong-So, Chen	7	0	100%	None
Independent director	Brian Y. Hsieh	7	0	100%	None
Independent director	Chieh Wang (Note5)	4	0	100%	Assumed office on May 15, 2019 (Shall attend 4 times)
Director	Wealth Media Technology Co. Ltd. Representative: James Jeng (Note3)	1	0	100%	Resigned on Apr. 1, 2019 (Shall attend 1 times)
Director	Wealth Media Technology Co. Ltd. Representative: Summer Hsieh (Note2)	4	0	100%	Resigned on Jun. 1, 2019 (Shall attend 1 times)
Director	WOORI HOME SHOPPING CO., LTD. Representative: OH KABRYEOL (Note4)	0	1	0%	Resigned on Apr. 1, 2019 (Shall attend 1 times)

Note 1: For Board Meetings held in 2019, at least two Independent Directors were present every time.

Note 2: On Jun. 1, 2019 Wealth Media Technology Co. Ltd. reassigned Ms. Summer Hsieh to succeed Mr. Jeff Ku as Director.

Note 3: On Apr. 1, 2019, Wealth Media Technology Co. Ltd. reassigned Mr. James Jeng to succeed Mr. Jamie Lin as Director.

Note 4: On Apr. 1, 2019, WOORI HOMESHOPPING CO., LTD reassigned Ms. OH KABRYEOL to succeed Mr.

SHIN SEONGBIN.

Note 5: The by-election of Independent Director was held at the annual shareholders' meeting on May 16, 2019.  
Mr. Chieh Wang assumed the position of Independent Director on May 16, 2019.

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	2019.01.29	C.F. Lin Summer Hsieh	The annual bonus allocation of 2019 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. C.F. Lin appointed the director James Jeng as the chair.
		Chris Tsai	Fubon momo building office lease renewal	Recused Directors holding a concurrent post as Senior VP of the lessee of this matter	Recusal during discussion and resolution of motion.
			Acquisition or Disposal of Right of Use Asset for the Proposed Rental of Chengde Building by the Company	Recused Directors holding a concurrent post as Senior VP of the lessee of this matter	Recusal during discussion and resolution of motion.
			Lifting of Non-competition Restrictions for New Directors of the Company	Recused Directors are the parties of this non-competition matter.	Recusal during discussion and resolution of motion.
2	2019.04.03	Jamie Lin Chris Tsai SHIN SEONGBIN	Lifting of non-competition restrictions for Directors of the Company	Recused Directors are the parties of this non-competition matter.	Recusal during discussion and resolution of motion.
3	2019.04.26	C.F. Lin Chris Tsai Summer Hsieh	The 2019 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. C.F. Lin appointed the director Jamie Lin as the chair.
4		C.F. Lin Summer Hsieh	The promotion and salary adjustment for the management team in 2019.	The recused directors were part of the party involved in the review.	The recused directors were absent during discussion and resolution of motion. C.F. Lin appointed the director Jamie Lin as the chair.
5	2019.07.23	C.F. Lin	The amount for the 2018 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. C.F. Lin appointed the director Jamie Lin as the chair.
6	2019.10.29	C.F. Lin Jeff Ku	The Company's intended implementation of the Employee Stock Ownership Trust ("ESOT")	The recused directors were part of the party involved in the review.	The recused directors were absent during discussion and resolution of motion. C.F. Lin appointed the director Jamie Lin as the chair.

3. TWSE/TPEX listed companies shall disclose information such as evaluation cycle and period, evaluation scope, method and content of evaluation of the self-evaluation (or peer evaluation) of the Board of Directors:

(1) Evaluation implementation status of the Board of Directors:

Evaluation cycle	Evaluation period	Evaluation scope	Evaluation method	Evaluation content
Once per year	2019.1.1-2019.12.31	Performance evaluation of the overall board of directors, individual board members, and functional committees (audit committee and remuneration committee)	A. Internal evaluation of the Board. B. Self-evaluation by individual Board members.	A. The criteria for Board performance evaluation cover the following six aspects: (A) The degree of participation in the Company's operations. (B) Improvement in the quality of decision making by the board of directors. (C) The composition and structure of the board of directors. (D) The election of the directors and their continuing education. (E) Internal controls. (F) Participation in corporate social responsibility (CSR). B. The criteria for (self-)evaluating the performance of the board members cover the following six aspects: (A) Understanding of the Company's goals and missions. (B) Knowledge about director's duties. (C) The degree of participation in the Company's operations. (D) Internal relation building and communication. (E) Directors' professionalism and continuing education. (F) Internal controls. C. The criteria for functional committees' performance evaluation cover the following five aspects: (A) The degree of participation in the Company's operations. (B) Recognition of duties of the functional committees. (C) Improvement of the decision-making quality of the functional committees. (D) Composition and appointment of members of the functional committees. (E) Internal controls.

4. 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 2019, the total number of training hours of all Directors reached 72 hours (Schedule 1). Also, the Taiwan Corporate Governance Association is appointed to arrange lecturers to give lessons to the Directors at the Company about the Discussion on the Reward Strategies and Tools for Enterprise Employees and Impact of Global Trends on Taiwanese Enterprises and Related Analysis.
- (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) In order to urge the functional committees to perform their duties, since 2019, the Company has arranged the functional committee convener to submit work results reports to the board of directors on a regular basis.
- (7) In order to better enable the directors to understand the Company's operation overview and strategy implementation process, since September 2018, the Company has been providing relevant business performance reports to the directors for reference on a monthly basis.

(Schedule 1): 2019 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	2019.10.29	Taiwan Corporate Governance Association	Impact of Global Trends on Taiwanese Enterprises and Related Analysis	3	6.0
		2019.9.27	Taiwan Corporate Governance Association	Discussion on the Reward Strategies and Tools for Enterprise Employees	3	
Representative of the juristic-person Director	Jeff Ku	2019.11.27	Taiwan Corporate Governance Association	[Summit] The 15th International Forum on Corporate Governance - Implementation of Independent Director System and Performance of Independent Director Responsibilities	3	12.0
		2019.10.29	Taiwan Corporate Governance Association	Impact of Global Trends on Taiwanese Enterprises and Related Analysis	3	
		2019.9.27	Taiwan Corporate Governance Association	Discussion on the Reward Strategies and Tools for Enterprise Employees	3	
		2019.7.31	Securities & Futures Institute	2019 Promotion Briefing on Legal Compliance of Insider Equity Transactions of Listed Companies	3	
Representative of the juristic-person Director	Chris Tsai	2019.12.6	Taiwan Corporate Governance Association	Comprehensive Guide on Information Security of Directors and Supervisors	3	6.0
		2019.10.18	Taiwan Corporate Governance Association	Regulations and Case Study of Related Party Transactions in Financial Institutions	3	
Representative of the juristic-person Director	Jamie Lin	2019.12.6	Taiwan Corporate Governance Association	Comprehensive Guide on Information Security of Directors and Supervisors	3	6.0

Title	Name	Date of training	Organizer	Course name	Training hours	Training hours of current year
		2019.11.26	Taiwan Corporate Governance Association	Big Data Analysis and Corporate Fraud Detection and Prevention	3	
Representative of the juristic-person Director	Mao-Hsiung Huang	2019.8.14	MAPECT	Shareholder Activism and Unsolicited Takeover	3	6.0
		2019.4.17	Securities & Futures Institute	Discussion on Related Regulations and Preventive Practices of Insider Trading	3	
Representative of the juristic-person Director	SHIN SEONGBIN	2019.10.29	Taiwan Corporate Governance Association	Impact of Global Trends on Taiwanese Enterprises and Related Analysis	3	12.0
		2019.9.27	Taiwan Corporate Governance Association	Discussion on the Reward Strategies and Tools for Enterprise Employees	3	
		2019.7.30	Securities & Futures Institute	How Directors and Supervisors of TWSE/TPEX Listed Companies Perform Their Duties	3	
		2019.5.16	Securities & Futures Institute	Advanced Seminar for Directors, Supervisors (Including Independent) and Chief Governance Officer (CGO) Practice - Offenses of Breach of Trust by the Directors and Supervisors	3	
Independent director	Hong-So, Chen	2019.10.29	Taiwan Corporate Governance Association	Impact of Global Trends on Taiwanese Enterprises and Related Analysis	3	6.0
		2019.9.27	Taiwan Corporate Governance Association	Discussion on the Reward Strategies and Tools for Enterprise Employees	3	
Independent director	Brian Y. Hsieh	2019.10.29	Taiwan Corporate Governance Association	Impact of Global Trends on Taiwanese Enterprises and Related Analysis	3	6.0
		2019.1.18	Accounting Research and Development Foundation	The Impact of Company Act Amendments on the Legal Responsibility of Enterprises and Countermeasures from the Perspective of Economic Crimes	3	
Independent director	Chieh Wang	2019.10.29	Taiwan Corporate Governance Association	Impact of Global Trends on Taiwanese Enterprises and Related Analysis	3	12.0
		2019.10.22	Taiwan Corporate Governance Association	Legal Liability of Directors and Supervisors Arising in Mergers and Acquisitions	3	
		2019.9.27	Taiwan Corporate Governance Association	Discussion on the Reward Strategies and Tools for Enterprise Employees	3	
		2019.5.10	Taiwan Corporate Governance Association	Case Analysis of the Company's Major Asset Theory - What would happen if the board sold the asset without shareholders' approval?	3	

Note : 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**

### **1. Composition of the Audit Committee**

Since February 2014, in accordance with Article 14-4 of the Securities and Exchange Act, the Company has established an Audit Committee composed entirely of independent directors.

### **2. Scope of Duties of the Audit Committee**

According to Article 6 of the Audit Committee Organizational Rules of the Company, the scope of duties of the Company's Audit Committee is as follows:

- (1) Adoption of or amendment to the internal control system according to Article 14-1 of the Securities and Exchange Act.
- (2) Assessment of the effectiveness of the internal control system.
- (3) Adoption of or amendment to, pursuant to Articles 36-1 of the Securities and Exchange Act, the handling procedures for financial or operational actions of material significance, such as acquisition or disposal of assets, derivatives trading, extension of monetary loans to others, or endorsements or guarantees for others.
- (4) A matter bearing on the personal interest of a director.
- (5) A material asset or derivatives transaction.
- (6) A material monetary loan, endorsement, or provision of guarantee.
- (7) The offering, issuance, or private placement of any equity-type securities.
- (8) The hiring, discharge, or compensation of an attesting CPA.
- (9) The appointment or discharge of a financial, accounting, or internal auditing officer.
- (10) Annual and semi-annual financial reports.
- (11) Fairness and rationality of M&A plans and transactions.
- (12) Other material matters as may be required by the Company or competent authorities.

### **3. The key works in 2019 are summarized as follows:**

- (1) Amending the internal control system according to Article 14-1 of the Securities and Exchange Act. Meanwhile, amending the Measures for Risk Management to be more in line with the risks that the Company may encounter in its daily operations.
- (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) Amending the "accounting system" in accordance with IFRS 16 Leases.
- (5) All matters concerning the personal interests of Directors shall be reported to the Committee for deliberation according to the law.
- (6) Major asset or derivatives transactions.
- (7) Appointment of 2019 certified public accountant (CPA) and review of audit fee and remuneration.
- (8) Review of 2018 annual financial report and 2019 financial report from first quarter to third quarter.
- (9) Other significant issues regulated by the Company or competent authorities.
- (10) Obtaining the declaration of independence issued by the CPA firm, the completion status of the various professional service indicators in 2018, and the evaluation results of the financial and auditing supervisors as the basis for the 2018 CPA independence and performance evaluation.

**The Audit Committee convened seven times (A) in 2019**

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) 【B/A】	Remarks
Independent director	Hong-So Chen	7	0	100	None
Independent director	Brian Y. Hsieh	7	0	100	None
Independent director	Chieh Wang	4	0	100	Assumed office on May 16, 2019 (Shall attend 4 times)

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 ;

(2) Unless otherwise provided the above, no resolution was approved in 2019 without consent of Audit Committee, but approved with the consent of two-thirds or more of all Directors.

Board of Directors meeting	Meeting/ session	Contents of Resolutions	Matters listed in Article 14-5 of the Securities and Exchange Act	Resolutions not approved by the audit committee, but which had the consent of more than two-thirds of all directors
2019.1.29	11th meeting of the sixth session	1. Major asset acquisition or disposal of the Company in 4Q18.	✓	
		2. Report on the implementation status of the Company's introduction of IFRS 16 Leases.	✓	
		3. Fubon momo building office lease renewal.	✓	
		4. The Company's 2018 financial report.	✓	
		5. 2018 CPA performance and independence evaluation of the Company.	✓	
		6. Amendment to the Company's Procedures for the Acquisition or Disposal of Assets.	✓	
		7. Amendment to the "accounting system" of the Company.	✓	
		8. Lifting of non-competition restrictions for new directors of the Company.	✓	
		9. The Company's 2019 budget.	✓	
		10. Acquisition or disposal of right-of-use assets by the Company.	✓	
		11. Proposed issuance of 2018 Statement on Internal Control of the Company.	✓	
		12. Report on the internal audit progress.	✓	
		Date and resolutions of the Audit Committee meeting (January 29, 2019): Unanimously approved as proposed by all attending members upon the Chairman's inquiry.		
		The Company's handling of the opinions of the Audit Committee: Unanimously approved as proposed by all attending directors upon the Chairman's inquiry.		
2019.4.3	12th meeting of the sixth session	1. Acquisition of the Chengde Building's right of use by the Company and adjustment of asset lease period.	✓	
		2. The Company's 2018 earnings distribution and capital surplus cash dividend issuance.	✓	
		3. The Company's 2018 business report.	✓	
		4. Amendment to the Company's Articles of Incorporation.	✓	
		5. Amendment to the Company's Rules of Procedure for the Board of Directors' Meetings.	✓	
		6. Amendment to the Operational Procedures for Loaning of Funds and Making of Endorsements/Guarantees of the Company.	✓	
		7. Establishment of Standard Operating Procedures for the Handling of Directors' Requirements of the Company.	✓	
		8. Lifting of non-competition restrictions for new directors of the Company.	✓	



		Date and resolutions of the Audit Committee meeting (April 3, 2019): Unanimously approved as proposed by all attending members upon the Chairman's inquiry. The Company's handling of the opinions of the Audit Committee: Unanimously approved as proposed by all attending directors upon the Chairman's inquiry.		
2019.4.26	13th meeting of the sixth session	1. Major asset acquisition or disposal of the Company in 1Q19.	✓	
		2. The Company's 1Q19 financial statement.	✓	
		3. The appointment of the 2019 CPA of the Company.	✓	
		4. The acquisition or disposal of right-of-use asset for the proposed rental of Infomedia Inc.'s Hwa Ya factory by the Company.	✓	
		5. Amendment to the Company's Measures for Risk Management.	✓	
		6. Report on the internal audit progress.	✓	
		Date and resolutions of the Audit Committee meeting (April 26, 2019): Unanimously approved as proposed by all attending members upon the Chairman's inquiry. The Company's handling of the opinions of the Audit Committee: Unanimously approved as proposed by all attending directors upon the Chairman's inquiry.		
2019.5.16	14th meeting of the sixth session	1. The amendment to the Company's regulations on tiered authorization.	✓	
		Date and resolutions of the Audit Committee meeting (May 16, 2019): Unanimously approved as proposed by all attending members upon the Chairman's inquiry. The Company's handling of the opinions of the Audit Committee: Unanimously approved as proposed by all attending directors upon the Chairman's inquiry.		
2019.7.23	15th meeting of the sixth session	1. Major asset acquisition or disposal of the Company in 2Q19.	✓	
		2. The Company's 2Q19 financial statement.	✓	
		3. Amendment to the Company's Corporate Governance Best Practice Principles.	✓	
		4. Report on the internal audit progress.	✓	
		Date and resolutions of the Audit Committee meeting (July 23, 2019): Unanimously approved as proposed by all attending members upon the Chairman's inquiry. The Company's handling of the opinions of the Audit Committee: Unanimously approved as proposed by all attending directors upon the Chairman's inquiry.		
2019.7.31	16th meeting of the sixth session	1. Proposed land purchasing and self-construction of south logistics center.	✓	
		Date and resolutions of the Audit Committee meeting (July 31, 2019): Unanimously approved as proposed by all attending members upon the Chairman's inquiry. The Company's handling of the opinions of the Audit Committee: Unanimously approved as proposed by all attending directors upon the Chairman's inquiry.		
2019.10.29	17th meeting of the sixth session	1. Major asset acquisition or disposal of the Company in 3Q19.	✓	
		2. The Company's 3Q19 financial statement.	✓	
		3. Amendment to the Company's Regulations Governing Budget Management.	✓	
		4. The Company's 2020 Audit Committee meeting schedule.	✓	
		5. Establishment of the Company's 2020 audit plan.	✓	
		6. Report on the internal audit progress.	✓	
		Date and resolutions of the Audit Committee meeting (October 29, 2019): Unanimously approved as proposed by all attending members upon the Chairman's inquiry. The Company's handling of the opinions of the Audit Committee: Unanimously approved as proposed by all attending directors upon the Chairman's inquiry.		

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:

Date	Communication situation with the internal audit		Communication situation with the CPA	
	Communicated matters	Results of the communication	Communicated matters	Results of the communication
2019.1.29 9th meeting of the second session	1. Report on the 4Q18 internal audit progress 2. Issuing the 2018 "Internal control system declaration" of the Company	1. Noted. 2. After deliberation, submitting to the Board of Directors for resolution	1. 2018 CPA audit report 2. Key Audit Matter 3. Other communicated matters 4. Update of laws and regulations	Noted
2019.4.26 11th meeting of the second session	1. Report on the 1Q19 internal audit progress. 2. Amendment to the Company's Measures for Risk Management.	1. Noted. 2. After deliberation, submitting to the Board of Directors for resolution	1. 1Q19 CPA review report 2. Other communicated matters 3. Update of laws and regulations	Noted
2019.7.23 13th meeting of the second session	Report on the 2Q19 internal audit progress.	Noted	1. 2Q19 CPA review report 2. Update of laws and regulations	Noted
2019.10.29 15th meeting of the second session	1. Report on the 1Q19 internal audit progress. 2. Establishment of the Company's 2019 audit plan	1. Noted. 2. After deliberation, submitting to the Board of Directors for resolution.	1. 2Q19 CPA review report 2. Key Audit Matter	Noted

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		On October 26, 2015, the Board of Directors of the Company resolved to approve the Corporate Governance Best Practice Principles. Also, in order to comply with the development trend of international corporate governance and to respond to the development of social and international issues of concern in recent years, on October 31, 2017 and July 23, 2019, amendments to relevant content of the Principles were approved by the Board of Directors and disclosed on the Market Observation Post System (MOPS) and 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 Corporate Governance Best Practice Principles has a “designated chapter for the protection of shareholders' rights and interests” and was implemented; accordingly, 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	None

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons								
	Yes	No	Abstract Illustration									
(4) Does the company establish internal rules against insiders trading with undisclosed information?	V		<p>Companies". The supervision and management of subsidiaries have been implemented and appropriate risk management mechanisms and firewalls have been established.</p> <p>(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. Regular internal educational training and advocacy. Achievements of the 2019 insider trading prevention promotion:</p> <table><tr><th>Name</th><th>Date</th><th>Training hours</th><th>N0 of People</th></tr><tr><td>Insider trading prevention promotion</td><td>10/14-11/11</td><td>2,346</td><td>2,346</td></tr></table> <p>* 100% of the in-service employees completed the online course and passed the test by October 14.</p>	Name	Date	Training hours	N0 of People	Insider trading prevention promotion	10/14-11/11	2,346	2,346	None
Name	Date	Training hours	N0 of People									
Insider trading prevention promotion	10/14-11/11	2,346	2,346									
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		<p>(1) According to Article 20, Paragraph 3 of the Corporate Governance Best Practice Principles of the Company, the composition of the board of directors shall be determined by taking diversity into consideration. It is advisable that directors concurrently serving as Company's managers not exceed one-third of the total number of the board members, and that an appropriate policy on diversity based on the Company's operations, business dynamics, and development requirements be formulated and include, without being limited to, the following two general standards:</p> <p>A. Basic requirements and values: Gender, age, nationality, culture, and so on.</p>	None								

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			<p>B. Professional knowledge and skills: A professional background (e.g., law, accounting, industry, finance, marketing, or technology), professional skills, industry experience, etc. All members of the board shall have the knowledge, skills, and competencies necessary to perform their duties.</p> <p>To achieve the ideal goal of corporate governance, the board of directors shall be equipped with the following abilities:</p> <p>A. Ability to make sound business judgments.</p> <p>B. Ability to conduct accounting and financial analysis.</p> <p>C. Operation and management ability.</p> <p>D. Crisis management ability.</p> <p>E. Industry knowledge.</p> <p>F. International perspective.</p> <p>G. Leadership ability.</p> <p>H. Decision making ability.</p> <p>Please refer to Note 1 for the implementation of Board members diversification policy by individual Directors.</p>	
(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, implement it annually, report the results of the performance appraisal to the board of directors and apply the results for reference regarding individual directors' remuneration and re-appointments?		V	<p>(3) On October 29, 2019, the board of directors of the Company resolved to abolish the original Regulations Governing the Board Performance Evaluation and establish the Regulations Governing Performance Evaluation of the Board of Directors and Functional Committees. The key points are as follows:</p> <p>A. Results of internal and external performance assessments shall be completed by the end of the first quarter of the following year.</p> <p>B. Results of performance evaluation of the Board of Directors and functional committees shall be submitted to the Remuneration Committee, which shall analyze the results</p>	None

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
			<p>and provide the Board of Directors with assessment reports and specific improvement plans.</p> <p>C. The Remuneration Committee shall regularly review the regulations and indicators for performance evaluation of the Board of Directors and functional committees, and provide advice.</p> <p>D. Results of performance evaluation of the Board of Directors and functional committees shall serve as a reference for the election or nomination of directors and the determination of their respective remuneration.</p> <p>Every year, according to the Regulations Governing Performance Evaluation of the Board of Directors and Functional Committees, the Company distributes the performance self-evaluation questionnaires to all Board members and functional committee members each January. The performance evaluation methods for the Board of Directors are divided into internal evaluation of the Board and self-evaluation by individual Board members; the evaluation scope includes the performance of the overall Board of Directors, individual Board members, and functional committees.</p> <p>A. The criteria for Board performance evaluation cover the following six aspects:</p> <p>(A) Involvement in the Company's operation</p> <p>(B) Improvement in the quality of decision making by the board of directors.</p> <p>(C) The composition and structure of the board of directors.</p> <p>(D) The election of the directors and their continuing education.</p> <p>(E) Internal controls</p> <p>(F) Participation in corporate social responsibility (CSR).</p>	

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			<p>B. The criteria for (self-)evaluating the performance of the board members cover the following six aspects:</p> <p>(A) Understanding of the Company's goals and missions.</p> <p>(B) Knowledge about director's duties.</p> <p>(C) Involvement in the Company's operation</p> <p>(D) Internal relation building and communication.</p> <p>(E) Directors' professionalism and continuing education.</p> <p>(F) Internal controls</p> <p>C. The criteria for functional committees' performance evaluation cover the following five aspects:</p> <p>(A) Involvement in the Company's operation</p> <p>(B) Improvement of the decision-making quality of the functional committees</p> <p>(C) Composition and structure of the functional committees</p> <p>(D) Appointment of functional committees' members and their continuing trainings</p> <p>(E) Internal controls</p> <p>D. The 2019 performance evaluation of the board of directors and functional committees was completed in February 2020. The overall performance in all aspects is good, but the Company will still carefully review the indicators with lower scores and ask the directors for professional advice, and thus evaluate items that can be improved, which may thereby be taken as the improvement direction of directors' performance evaluation. Relevant evaluation results are expected to be submitted to the remuneration committee for analysis before the submission of evaluation reports and specific improvement plans to the board of directors. The aforementioned measures and evaluation results will also be disclosed on the official website.</p> <p>E. External evaluation of the Board of Directors performance shall be carried out at least once every three years by external independent expert organizations or a team of</p>	

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			<p>external experts and scholars.</p> <p>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.</p> <p>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.</p> <p>F. In order to strengthen corporate governance and to comply with the above-mentioned Regulations, in the Board meeting of the Company dated February 12, 2020, the amendment to the Regulations Governing the Election of Directors and Supervisors (renamed as Regulations Governing the Election of Directors) of the Company has been approved, adding that the board of directors shall consider adjusting board composition based on the results of the performance evaluation, and the results of the performance evaluation shall be applied for reference</p>	



Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
(4) Does the company regularly evaluate the independence of CPAs?	V		<p>regarding individual directors' remuneration and re-appointments; such amendment is expected to be proposed to the 2020 annual shareholders' meeting for resolution and approval.</p> <p>(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:</p> <p>A. Examination of the accountant's personal resume.</p> <p>B. Has not served on a board of directors, as a manager or is in position of major influence in a company which may generate conflicts of interest.</p> <p>C. Has not been appointed for accountant assurance service for seven years consecutively.</p> <p>D. Has obtained accountant certified declaration of independence every year.</p> <p>E. Service quality and efficiency on auditing and taxation work.</p> <p>F. If there is cases under litigation or correction from the competent authorities.</p> <p>G. The size and reputation of the accounting firm.</p> <p>H. The accountant suitability survey is used every year to summarize the result of evaluation on the independence of the accountant.</p> <p>Joint evaluation by the Company's accounting and auditing supervisors has determined the independence of the public certified accountant meets the standard; on Jan. 14, 2020, the Audit Committee and Board of Directors approved the 2019 public certified accountant performance and independence evaluation.</p>	None
4. Has the TWSE/TPEX listed company been equipped with competent and appropriate numbers of corporate governance personnel, and designated a CGO responsible for corporate governance-related affairs	V		The company's Corporate Governance Best Practice Principles clearly stated the financial and accounting division as the entity responsible for corporate governance related affairs, which is managed and supervised by the general manager. The principles	None

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
(including but not limited to providing directors and supervisors with the information required for business execution, assisting directors and supervisors with legal compliance, handling matters related to board meetings and shareholders meetings in accordance with the law, and producing meeting minutes for board of directors meetings and shareholders meetings)?			<p>were 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 &amp; Accounting Division, to hold 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.</p> <p>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 need to conduct business and meetings, in order to safeguard shareholder rights and strengthen Board functions. Its main responsibilities are as follows:</p> <ol style="list-style-type: none"> <li>(1) Draft and set up effective corporate governance related covenants to properly comply with laws and regulations and to ensure healthy internal management</li> <li>(2) Carry out work related to the shareholders' meetings</li> <li>(3) Carry out work related to the Board of Directors and Auditing Committee</li> <li>(4) The production of meeting minutes for board of directors' meetings and shareholders' meetings.</li> <li>(5) Carry out changes in Company registration</li> <li>(6) 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.</li> <li>(7) Assisting in furnishing information required for the onboarding and business execution of directors and arranging directors' continuing education.</li> <li>(8) Assisting directors with legal compliance.</li> </ol>	

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
			<p>The operations during 2019 were as follows:</p> <p>(1) Assisting directors and independent directors in carrying out their respective roles, providing essential information, and organizing further studies for the directors:</p> <p>(A) 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</p> <p>(B) Providing the directors with the necessary Company information, and maintaining a smooth channel of communication between the directors and the business management</p> <p>(C) Arranging "at-home classes" for Directors</p> <p>(2) Assist with the Board of Directors, Audit Committee, Annual Shareholder Meeting's agenda and resolution to ensure compliance with the relevant laws and regulations.</p> <p>(A) Ensure the convening of Company's Board of Directors, Audit Committee and shareholders' meeting is in accordance with the relevant laws and regulations as well as the specifications set out in the Company's Corporate governance guidelines.</p> <p>(B) Responsible for checking major announcements related to important decisions after each meeting, ensuring the content of said announcements are accurate and lawful so as to protect trading information for investors.</p> <p>(3) Draft the agenda for Board of Directors and Audit Committee meetings; notify the directors 7 days prior to meetings; convene the meetings and provide relevant information at the meetings; prior reminder of recusal if the motion leads to conflicts of interest, and complete the meeting minutes within 20 days after each meeting.</p>	

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons																
	Yes	No	Abstract Illustration																	
			<p>(4)Carry out preregistration for shareholders' meeting; produce meeting notification, meeting proceeding manuals, memos etc., within the legally allowed time and when necessary, make the appropriate amendments after revising bylaws and re-election of Board of Directors members.</p> <p>(5)Handling the Company's change registrations according to the laws.</p> <p>(6)In order to implement corporate governance, the Company regularly conducts performance evaluations of the board of directors and individual directors in accordance with the Regulations Governing Performance Evaluation of the Board of Directors and Functional Committees formulated by the Company; also, external evaluations are performed by external professional independent institutions at least once every three years.</p> <p>Continuing education situation of CGO in 2019:</p> <table><tr><th>Date</th><th>Organizer</th><th>Course name</th><th>Training hours</th></tr><tr><td>2019.4.10</td><td>Taiwan Academy of Banking and Finance</td><td>Lecture on Corporate Governance - Global Political and Economic Situation and its Impact on and Risks Posed to Taiwan</td><td>3.0</td></tr><tr><td>2019.4.19</td><td>Taiwan Corporate Governance Association</td><td>FinTech and Financial Regulatory Technology (RegTech) Practice and Case Study</td><td>3.0</td></tr><tr><td>2019.5.23</td><td>Accounting Research and Development Foundation</td><td>Corporate Governance Practices in Enterprises: The Trend of “Total Value Management” and Practice Cases Analysis</td><td>3.0</td></tr></table>	Date	Organizer	Course name	Training hours	2019.4.10	Taiwan Academy of Banking and Finance	Lecture on Corporate Governance - Global Political and Economic Situation and its Impact on and Risks Posed to Taiwan	3.0	2019.4.19	Taiwan Corporate Governance Association	FinTech and Financial Regulatory Technology (RegTech) Practice and Case Study	3.0	2019.5.23	Accounting Research and Development Foundation	Corporate Governance Practices in Enterprises: The Trend of “Total Value Management” and Practice Cases Analysis	3.0	
Date	Organizer	Course name	Training hours																	
2019.4.10	Taiwan Academy of Banking and Finance	Lecture on Corporate Governance - Global Political and Economic Situation and its Impact on and Risks Posed to Taiwan	3.0																	
2019.4.19	Taiwan Corporate Governance Association	FinTech and Financial Regulatory Technology (RegTech) Practice and Case Study	3.0																	
2019.5.23	Accounting Research and Development Foundation	Corporate Governance Practices in Enterprises: The Trend of “Total Value Management” and Practice Cases Analysis	3.0																	

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons																
	Yes	No	Abstract Illustration																	
			<table><tr><th>Date</th><th>Organizer</th><th>Course name</th><th>Training hours</th></tr><tr><td>2019.6.4</td><td>Taiwan Corporate Governance Association</td><td>Analysis of Key Messages and Responsibilities of the Annual Report: from the Perspective of Directors and Supervisors</td><td>3.0</td></tr><tr><td>2019.8.21</td><td>Taiwan Corporate Governance Association</td><td>Audit Committee Operating Practices</td><td>3.0</td></tr><tr><td>2019.11.27</td><td>Taiwan Corporate Governance Association</td><td>[Summit] The 15th International Forum on Corporate Governance - Directors' Financial Reporting Obligations, Global Institutional Investors' Active Role Played in the Ecology of Corporate Governance Enhancement</td><td>6.0</td></tr></table>	Date	Organizer	Course name	Training hours	2019.6.4	Taiwan Corporate Governance Association	Analysis of Key Messages and Responsibilities of the Annual Report: from the Perspective of Directors and Supervisors	3.0	2019.8.21	Taiwan Corporate Governance Association	Audit Committee Operating Practices	3.0	2019.11.27	Taiwan Corporate Governance Association	[Summit] The 15th International Forum on Corporate Governance - Directors' Financial Reporting Obligations, Global Institutional Investors' Active Role Played in the Ecology of Corporate Governance Enhancement	6.0	
Date	Organizer	Course name	Training hours																	
2019.6.4	Taiwan Corporate Governance Association	Analysis of Key Messages and Responsibilities of the Annual Report: from the Perspective of Directors and Supervisors	3.0																	
2019.8.21	Taiwan Corporate Governance Association	Audit Committee Operating Practices	3.0																	
2019.11.27	Taiwan Corporate Governance Association	[Summit] The 15th International Forum on Corporate Governance - Directors' Financial Reporting Obligations, Global Institutional Investors' Active Role Played in the Ecology of Corporate Governance Enhancement	6.0																	
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 a spokesperson and deputy spokesperson, and also has set up a stakeholder information page on the Company's website to maintain an open communication channel with stakeholders. Furthermore, on November 26, 2019, the first physical stakeholder forum was held to communicate with stakeholders on the Company's achievements in corporate social responsibility implementation and to collect stakeholders' materiality issues of concern. The Company's communication with stakeholders is good.	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 (http://www.fmt.com.tw/) with a dedicated person in charge of maintaining and updating important financial, business information and corporate governance information at all times for the reference of shareholders and stakeholders.	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 ( <a href="http://en.fmt.com.tw/">http://en.fmt.com.tw/</a> ) has been built, and a spokesperson and deputy spokesperson system has been established to speak on behalf of the Company. A dedicated staffer is responsible for information collection and immediate disclosure of the Company, including institutional investors' conference information, and the immediate disclosure of Company's material information in Chinese and English on the MOPS of TWSE.	None
(3) Does the Company announce and report the annual financial report as early as possible within two months after the end of the fiscal year, and announce and report the first, second and third quarter financial reports and the operating status of each month as early as possible before the required deadlines?	V		(3) The Company announces and reports the annual financial report as early as possible within two months after the end of the fiscal year, and announces and reports the first, second and third quarter financial reports and the operating status of each month as early as possible before the required deadlines.	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		<p>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.</p> <p>(1) Employees' rights, interests, and care, this company established rules and scheme for human resource management based on the minimum standards stipulated in relevant governmental policies, such as Labor Standards Act, Act of Gender Equality in Employment, and Sexual Harassment Prevention Act, in protecting employees' rights and interests.</p> <p>(2) 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.</p> <p>(3) Investor relations: The Company adheres to the principles of protecting shareholders' interests and treating shareholders equally. In addition to convening shareholders meetings in</p>	None

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			<p>accordance with laws and regulations and actively participating in external institutional investors’ conferences, all major company information is published in both Chinese and English on the MOPS, and the financial information is provided in both Chinese and English on a regular basis, so as to ensure the consistency of information disclosure. In addition, in shareholders meetings, relevant documents are provided in both Chinese and English and electronic voting is adopted, so that domestic and foreign investors can obtain equal channels and participate in the Company’s major decision-making in a timely manner.</p> <p>(4) 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.</p> <p>(5) In terms of stakeholders’ rights: In order to protect stakeholders’ rights and interests, this company has established quality and open channels for communications. The company deals with issues by holding good faith principle and responsible attitudes; it also fulfills the corporate social responsibility.</p> <p>(6) Advanced Studies for directors: The directors in the company participate in courses related to securities laws and regulations in accordance with the “Guidelines for Implementing Advanced Studies for Directors and Supervisors in TSEC-listed and OTC-listed Companies.” They also meet the required number of study hours.</p> <p>(7) Execution of risk management policies and risk measurement standards: The company has established different internal regulations according to laws and conducts various risk management and assessment.</p>	

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
			<p>(8) Execution of client policies: The company is dedicated to improving quality and enhancing professional skills to provide clients with the best services and products.</p> <p>(9) 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.</p> <p>(10) For personnel of the Company relevant to financial information transparency, their status of obtaining designated licenses from the competent authority are as follows:</p> <p>A Certification in Control Self-Assessment (CCSA): One person in the Financial &amp; Accounting Division</p> <p>B Certified Internal Auditor (CIA): One person in the Internal Audit Office and one person in the Financial &amp; Accounting Division</p> <p>C CPA of R.O.C: Two persons in the Financial &amp; Accounting Division</p> <p>D Project Management Professional (PMP): One person in the Financial &amp; Accounting Division</p> <p>E Certified Valuation Analyst (CVA): One person in the Financial &amp; Accounting Division</p>	
<p>9. Please describe improvements in accordance with corporate governance assessment results issued by the Corporate Governance Center, TWSE in the most recent year, and provide priority emphasizes and action plans for items that have not yet improved.</p> <p>(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 timetable for needed improvements for items where improvements are needed. Significant portion of the times that require improvements has been addressed.</p> <p>(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.</p>				



(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 nationalities and professional skills. The members are the elites of financial, industrial, and academic areas, and the target ratio of directors having a master's degree is 50% or over. Currently, the ratio has reached 55.56%, with one doctorate and four master degree recipients among the 9 board members, whose specialties cover management science, 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	Nationa- lity	Professional background (educational background)	Diversified core projects (top 5)								
				Finance	Law	Business	Merger and Acquisition	Fin Tech	Information Technology	Risk Management	Operation Management	E-Commerce /Marketing
C.F. Lin	male	ROC	Master of Science, Baker University	V				V	V		V	V
Jeff Ku	male	ROC	EMBA, National Taiwan University			V		V	V		V	V
Chris Tsai	male	ROC	Bachelor of Economics, Wharton School of the University of Pennsylvania	V		V		V			V	V
Jamie Lin	male	ROC	MBA, NYU Stern School of Business	V		V	V		V			V
Mao-Hsiung Huang	male	ROC	MBA, Wharton School, University of Pennsylvania	V		V	V			V	V	
SHIN SEONGBIN	male	Korea	Sogang University (Business School)	V		V	V				V	V
Brian Y. Hsieh	male	ROC	J.S.D., School of Law, Stanford University		V	V	V	V		V		
Hong-So, Chen	male	ROC	Bachelor of Department of Transportation Engineering and Management, National Chiao Tung University			V	V		V		V	V
Chieh Wang	male	ROC	Bachelor of Department of Finance and Taxation, National Chengchi University	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 (Note 1)	Criteria  Name	Meets One of the Following Professional Qualification Requirements, Together with at Least Five Years' Work Experience			Independence Criteria (Note 2)										Number of Other Public Companies in Which the Individual is Concurrently Serving as an Remuneration Committee Member	Note
		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	9	10		
Independent director	Brian Y. Hsieh	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2	-
Independent director	Hong-So Chen			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	5	-
Independent director	Chieh Wang			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	-

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, relative of second degree or closer, or direct blood relative of third degree or closer to the managers listed in (1) and persons listed in (2) or (3).

Criterion 5: Not a director, supervisor, or employee of a corporate shareholder that directly holds more than 5% of the total issued shares of the Company, a top-five shareholder, or authorized representative to be a director or supervisor of the Company in accordance with Article 27, Paragraph 1 or 2 of the Company Act (however, this does not apply when serving concurrently and mutually as independent director established by the Company and its parent company, subsidiary, or subsidiary of the same parent company in accordance with provisions hereof or local laws and regulations).

Criterion 6: Not a director, supervisor, or employee of another company where more than half of the director positions or voting shares of that other company and the Company are controlled by the same person (however, this does not apply when serving concurrently and mutually as independent director established by the Company or its parent company, subsidiary, or subsidiary of the same parent company in accordance with provisions hereof or local laws and regulations).

Criterion 7: Not a director (managing director), supervisor (managing supervisor) or employee of another company or institution where any of its chairmen, presidents, or other equivalent positions are served by the same person or is the spouse of the Company's chairmen, presidents, or other equivalent positions (however, this does not apply when serving concurrently and mutually as independent director established by the Company and its parent company, subsidiary, or subsidiary of the same parent company in accordance with provisions hereof or local laws and regulations).

Criterion 8: Not a director (managing director), supervisor (managing supervisor), manager, or shareholder with 5% or more shareholding of a specific company or institution with which the Company has financial or business dealings (however, this does not apply when serving concurrently and mutually as independent director established by the Company and its parent company, subsidiary, or subsidiary of the same parent company in accordance with provisions hereof or local laws and regulations, if that specific company or institution holds no less than 20%, but no more than 50%, of the total issued shares of the Company).

Criterion 9: Not a professional who provides auditing to the Company or its affiliates, or a professional who provides commercial, legal, financial, accounting, or related services to the Company or its affiliates with a total remuneration of less than NT\$500,000 in the past two years, nor is an owner, partner, director (managing director), supervisor (managing supervisor), or manager, or the spouse of any of the above, of a sole proprietorship, partnership, company, or organization that provides such services to the Company or its affiliates. However, this does not apply to members of the Remuneration Committee, Public Tender Offer Review Committee or Special Committee for Merger/Consolidation and Acquisition who perform their functions in accordance with laws relevant to the Securities and Exchange Act or the Business Mergers and Acquisitions Act.

Criterion 10: Not in contravention of Article 30 of the Company Act

## 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 (2019) Compensation Committee has already convened meetings five 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
2019.1.29	5th meeting of the second session	1. 2018 performance appraisal and year-end bonus of internal managers and other related parties 2. 2018 employee salary and Director remuneration distribution	All attending members had no objection and the proposal was approved as proposed	None
2019.4.26	6th meeting of the second session	1. 2019 salary review of internal managers and other related parties 2. 2019 promotion and salary adjustment of internal managers	All attending members had no objection and the proposal was approved as proposed	None
2019.5.16	7th meeting of the second session	1. Appointment and compensation of internal managers	All attending members had no objection and the proposal was approved as proposed	None
2019.7.23	8th meeting of the second session	1. "Regulations Governing the Payment of Employee Salary in 2018" and distribution amount to the internal managers 2. Evaluation of Directors' Remuneration in 2019	All attending members had no objection and the proposal was approved as proposed	None
2019.10.29	9th meeting of the second session	1. The Company's intended implementation of the Employee Stock Ownership Trust ("ESOT") 2. Establishment of momo's Regulations Governing Performance Evaluation of the Board of Directors and Functional Committees	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	5	0	100%	-
Committee Member	Hong-So Chen	5	0	100%	-
Committee Member	Chieh Wang	4	0	100%	Assumed office on January, 2019

Other mentionable items:

- 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.
- 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 :

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

## Corporate Social Responsibility

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
1. Does the Company conduct risk assessments of environmental, social, and corporate governance issues related to the Company's operations in accordance with the materiality principle, and formulate relevant risk management policies or strategies?	V		<p>The Company has formulated the Measures for Risk Management to strengthen governance and establish sound risk management operations. Such Measures are used to develop strategies, identify potential issues that may affect the Company, and manage risks within the scope of the Company's risk appetite, so as to properly ensure that the Company's objectives are achieved.</p> <p>The Company's risk policy is carried out by the President by mobilizing the responsible units to implement risk management measures according to the risk types, emphasizing the comprehensive risk control of all employees, and implementing layer-by-layer prevention in normal times to effectively control risks. Relevant responsible units will be called to discuss uncertain factors that may threaten its business operations, and external consultants will be consulted as needed to assess risks and make recommendations for prevention as early as possible. The Audit Office reviews each execution unit's compliance with the approval authority and relevant management measures and procedures to ensure the risk management awareness and execution power of all employees; risk management status is collected and reported in the Board of Directors' meetings from time to time, as to enable Board members to monitor the management's understanding and response toward risks of the Company.</p>	None
2. 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		<p>The Company has submitted and reported to the Board on October 2016 and then set up the CSR committee.</p> <p>Since 2019, there have been dedicated persons under the Financial &amp; Accounting Division and independent budget has been prepared; such persons are responsible for planning and implementing corporate social responsibility and coordinating with cross-departmental related business. Presidents to act as Chairman, and Director of finance and accounting Dept., Gina Lu, to act as Executive Director, of the committee.</p> <p>The Committee has six working groups: the Corporate Governance Team,</p>	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	
			the Commodity Responsibility Group, the Customer Commitment Group, Environmental Sustainability Group, the Employees Care Group, and the Social Care Group, which are responsible for the implementation and promotion related works, and the Executive Director reports to the Board at least twice a year about the promotion and implementation of CSR.	
3. Environmental issues				
(1).Does the company establish proper environmental management systems based on the characteristics of their industries?	V		(1) ISO14064-1 greenhouse gas (GHG) inventory continues, and the verification is expected to be conducted in 2Q20. At the end of 2018, the ISO 14001 environmental management system was introduced into the headquarters building and north logistics center, and a verification certificate was obtained in September 2019; with the establishment of the Environmental Management Committee through the environmental management system, members of each group perform related environmental matters.	None
(2) Does the company endeavor to utilize all resources more efficiently and use renewable materials which have low impact on the environment?	V		(2) The Company continuously improves resource efficiency of various resources, including paperless operations, encouraging and implementing copier paper recycling, establishing waste recycling management plans, reducing the use of packaging materials, using 100% recycled paper to make packaging carton, and using 30% recycled material to make the new self-seal bags.	None
(3) Does the Company assess the potential risks and opportunities climate change brings to the Company, now and in the future, and take measures to respond to climate-related issues?	V		(3) Based on the climate risk identification table, identify and evaluate the potential risks brought by various instances of climate change in connection with the interaction between the organization's operating activities, services, and the environment, determine whether the risks are acceptable, and then decide on the corresponding measures and adopt the appropriate management style.	None
(4) Has the Company compiled statistics on greenhouse gas emissions, water consumption, and total weight of waste in the past two years, and does it formulate policies on energy conservation and carbon reduction, greenhouse gas reduction, water consumption	V		(4) A. 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

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons																																								
	Yes	No	Abstract Explanation																																									
reduction, or other waste management?			<div>Unit: Metric ton CO2e</div> <table> <tr> <td>Year</td> <td>2016</td> <td>2017</td> <td>2018</td> </tr> <tr> <td>Direct emissions</td> <td>71.38</td> <td>72.63</td> <td>234.99</td> </tr> <tr> <td>Indirect emissions</td> <td>3,251.40</td> <td>3,317.15</td> <td>6,092.73</td> </tr> <tr> <td>Total emissions</td> <td>3,322.78</td> <td>3,389.79</td> <td>6,327.72</td> </tr> <tr> <td>Emission intensity</td> <td>3.23</td> <td>2.72</td> <td>3.55</td> </tr> </table> <p>Note 1: Greenhouse gas emissions data had been verified by the British Standards Institution (BSI).</p> <p>Note 2: The emission intensity is calculated by dividing the total greenhouse gas emissions (metric ton CO2e) of the current year by the total number of persons hired by the headquarters and the actual number of stationed personnel in the north logistics center (including the personnel stationed in from the dispatch company) at the end of the current year.</p> <p>Note 3: The base year for the inventory is 2018, according to the Global Warming Potential (GWP): 4th evaluation report in 2007 by the IPCC.</p> <p>B. The water consumption is as follows:</p> <table> <tr> <td>Water usage amount</td> <td>Unit</td> <td>2017</td> <td>2018</td> <td>2019</td> </tr> <tr> <td></td> <td>Cubic meters</td> <td>20,967.00</td> <td>18,541.00</td> <td>34,370.00</td> </tr> </table> <p>C. The amounts of waste is in the following table:</p> <table> <tr> <td>The amounts of waste recycled</td> <td>Unit</td> <td>2017</td> <td>2018</td> <td>2019</td> </tr> <tr> <td></td> <td>MT</td> <td>965.6</td> <td>1,055.6</td> <td>1,293.5</td> </tr> </table>	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	Water usage amount	Unit	2017	2018	2019		Cubic meters	20,967.00	18,541.00	34,370.00	The amounts of waste recycled	Unit	2017	2018	2019		MT	965.6	1,055.6	1,293.5	
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Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
			<p>D. Through the ISO 14001 environmental management system, we actively promote various waste reduction and carbon reduction projects. We are committed to protecting the earth, cherishing resources, and setting goals to create green sustainable operations:</p> <p>(A) Full replacement of T5 tubes to LED tubes in momo building</p> <p>(B) The setup of a printer control system, which is expected to reduce paper consumption by 2% compared to 2019</p> <p>(C) From 2020, the cartons will be completely made out of 100% recycled pulp</p>	
4. Social issues				
(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 there is no employment discrimination against local and aboriginal employees. 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) Does the Company formulate and implement reasonable employee benefits measures (including compensation, leaves and other benefits), and appropriately reflect operational performance or achievement in employee compensation?	V		<p>(2)</p> <p>A. Implementing reasonable measures for employee benefits:</p> <p>The Company gives due attention to labor rights. It strictly abides by the regulations of the Labor Standards Act, Act of Gender Equality in Employment, and Occupational Safety and Health Act, as well as other laws and acts. All employees labor conditions and leave systems are in compliance with applicable laws and regulations, and employees enjoy statutory benefits and guarantees.</p> <p>In addition, outstanding and talented professionals are the foundation of momo. Our employees show considerable diversity according to different departments, such as customer service staff in the call center, distribution staff and tally staff in the logistics management division. We work to understand the market salary status on a regular</p>	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	
			<p>basis and provide basic-level employees with a starting salary standard higher than the statutory minimum wage, regardless of gender, age, race, etc.; employees are given fair and reasonable compensation based on their education and experience, work and ability performance, expertise, skills, and other conditions, establishing a work environment that puts the right person in the right place.</p> <p>In order to enhance the competitiveness of the internal salary to attract and retain outstanding talent and to stabilize the quality of life for employees and the salary of basic-level employees, in 2019, the starting salary of new telemarketing business personnel was 1.19 times higher than the statutory minimum wage, and the starting salary of other full-time employees was 1.3 times higher than the statutory minimum wage.</p> <p>B. Business performance and results are appropriately reflected in employee compensation:</p> <p>Employee salary structure includes mainly the monthly salary, year-end bonus, and employee compensation. Among which, the payment standard for the amount of year-end bonus and employee compensation is made considering the contribution to the Company's operations, the achievement rate, and the annual performance appraisal based on employee performance management measures.</p> <p>Employee compensation shall be handled in accordance with the Company's Articles of Incorporation. If the Company makes an annual profit, it shall allocate 0.1% to 1% as employee compensation, however, the Company's accumulated losses, if any, shall have been covered in advance.</p> <p>For the year-end bonus, the distribution amount shall be determined based on the annual business performance.</p>	



Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
(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		<p>(3)</p> <p>A. The establishment of the Company’s dedicated occupational safety and health management unit or personnel: momo launched the introduction of ISO 45001 occupational health and safety management system into the operations of the headquarters building and the north logistics center at the end of 2019, and expected to pass verification in 2Q20. The Company has set up an Occupational Safety and Health Committee, the members of which include occupational safety and health personnel, various department heads, registered nurses, and labor representatives; there are a total of 23 members, in which 43% are labor representatives.</p> <p>Meetings are held once a quarter to discuss, coordinate and plan together relevant regulations on safety, hygiene, and health promotion. The occupational safety and health management system covers full-time employees, contracted employees, temporary workers, and contractors to provide comprehensive care-taking and build solidarity for workplace safety.</p> <p>B. Operating environment check 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:</p> <p>(A) 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.</p> <p>(B) Work personnel shall (regularly) undergo health check-ups and special hazard health check-ups. Further evaluation and health</p>	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	
			<p>education shall be arranged for any personnel that is found to have an abnormal result and requires management.</p> <p>C. State of implementation on key health and safety management items:</p> <p>(A)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.</p> <p>(B)Various machinery and mechanical equipment: check list for items on the self-check for the periods by days, weeks, months, quarters, half-yearly, and yearly, to ensure operation safety of mechanical equipment.</p> <p>(C)Operation environment: provide special operation environment (such as for X-ray machine), implement environment inspection in accordance with regulations and publicize the report at the work site.</p> <p>(D)Education training: For personnel who are new, existing employees, and ones who perform potentially hazardous operation a shall be trained in accordance with laws and regulations, and the training information shall be archived for future reference.</p> <p>(E)Public security and fire safety: The Company office building has a 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 each six months in cooperation with building management. The total number of participants in the current year is 266.</p> <p>(F)Training of qualified first aid personnel: Initial training and second-level training courses for workplace first-aid personnel are held regularly every year, increasing the first aid and care ability of employees to reduce the severity of injuries in a timely manner; 73 people are qualified; laws and regulations require one first-aid personnel for every 50 people, and the total number of personnel</p>	

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
			<p>in the Company is 2481.</p> <p>(G)AED and CPR training: Every year, in order to strengthen employees’ first aid awareness in the workplace, training is conducted, the content of which includes AED and CPR instruction, enhancing employees’ ability of disaster response, and first aid and care. The total number of participants is 263.</p> <p>(H)Forklift operation qualification certificate: Regularly, on a monthly basis, checking whether the operating personnel of the forklifts on-site at the warehouses are qualified in accordance with the relevant regulations of the competent authority. As of the end of 2019, the number of qualified personnel is 125.</p> <p>(I)Safety and health management: Carrying out relevant self-inspections of various occupational safety and health at the logistics and warehousing sites on a regular basis every month, and conducting self-inspections on business safety specifications of the satellite warehouse goods distribution on a quarterly basis, spot checking whether the on-site personnel are operating in accordance with relevant work specifications and management rules to raise employees’ safety awareness for a more stable working environment.</p> <p>(J)Management of specially hazardous tasks: Every year, a radioactive material smear test report for quality control testing equipment is conducted, and employees are provided with equipment and places for safety protection.</p> <p>(K)Disinfection project. In the summer, because the humidity and heat are suitable for nourishing all kinds of pests and bacteria, workplace health risk management is also performed: Monthly floor cleaning and pest, bacteria, and rodent work will relatively increase the number of pest control and disinfection operations, preventing occupational disasters caused by workplace biohazard factors, providing working environment with all year round health</p>	

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons																										
	Yes	No	Abstract Explanation																											
			<p>protection, and ensuring the quality of employees’ workplace.</p> <p>D. Industrial safety inspection operation</p> <table border="1"> <tr> <th>Item</th> <th>Operation frequency</th> </tr> <tr> <td>Fire drill lectures and field evacuation drills for employees</td> <td>Every six months</td> </tr> <tr> <td>Operating environment monitoring</td> <td>Every six months</td> </tr> <tr> <td>Water testing for drinking fountains</td> <td>Quarterly</td> </tr> <tr> <td>Pest, bacteria and rodent disinfection project</td> <td>Monthly</td> </tr> <tr> <td>Occupational safety and health surveillance unit</td> <td>Monthly</td> </tr> <tr> <td>Occupational safety and health educational training</td> <td>Weekly</td> </tr> </table> <p>E. Occupational safety and health related certification</p> <table border="1"> <tr> <th>Occupational safety and health management personnel with professional certification</th> <th>Number of certificate holders</th> </tr> <tr> <td>Occupational safety management specialist</td> <td>3</td> </tr> <tr> <td>Occupational safety and health management personnel</td> <td>4</td> </tr> <tr> <td>Labor health services nursing staff</td> <td>2</td> </tr> <tr> <td>First-aid personnel</td> <td>73</td> </tr> <tr> <td>Operators of forklifts over 1 ton</td> <td>125</td> </tr> </table> <p>F. Safe and healthy work environment for employees</p> <p>(A) The types of employee occupational disasters applied for in 2019 included traffic accidents in the workplace and outside the workplace. In the event of occupational disasters, momo immediately takes necessary first aid, rescue, and other measures, furthermore, it reports to the occupational safety and health committee and confirms the improvement measures and methods to enhance protection, so as to eliminate the chance of disaster. There was a total of 53 occupational disasters in 2019.</p>	Item	Operation frequency	Fire drill lectures and field evacuation drills for employees	Every six months	Operating environment monitoring	Every six months	Water testing for drinking fountains	Quarterly	Pest, bacteria and rodent disinfection project	Monthly	Occupational safety and health surveillance unit	Monthly	Occupational safety and health educational training	Weekly	Occupational safety and health management personnel with professional certification	Number of certificate holders	Occupational safety management specialist	3	Occupational safety and health management personnel	4	Labor health services nursing staff	2	First-aid personnel	73	Operators of forklifts over 1 ton	125	
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Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
			<p>Rehabilitation assistance was provided to employees suffering from occupational injury, such as adjusting work content and location, or wound care and health education. A total of 49 colleagues returned to work, with a return rate of 92.5%.</p> <p>(B)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 2019, the Company was awarded 4th place in the “Outstanding Healthy Workplaces Contest” held by the Department of Health of the Taipei City Government.</p> <p>(C)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.</p> <p>(D)To improve the health and vitality of employees, the Company cooperated with local health centers to hold relevant courses and lectures for employees, who could participate freely. In 2019, the Neihu Headquarters and north logistics center won the “Health Promotion Award” of the Health Promotion Administration, Ministry of Health and Welfare. The average satisfaction rate of the health lectures in 2019 reached 4.8 points (out of a total of 5.0).</p> <p>(E)A total of 41 health promotion courses were held during 2019. Based on the implementation results, the courses were attended by 1,407 individuals and in the optional sports calories competition, there was an accumulated consumption of 2,288,539 kcals by the participating employees.</p>	

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
(4) Does the company provide its employees with career development and training sessions?	V		(4) The company has established educational training policies, which plan and execute training programs for new employees as well as on-job training programs for current employees and managerial roles. It also provides employee subsidies for external trainings to encourage employees’ professional advancement and development.	None
(5) Does the Company comply with relevant laws, regulations and international standards with respect to customer health and safety, customer privacy, marketing and labeling of products and services, and develop relevant consumer interests protection policies and complaint procedures?	V		(5) The Company keeps abreast of the updates to the laws and regulations governing the interests of the customers and the related dynamics and has dedicated units to carry out the promulgation and formulation of policies and corresponding measures. In addition to the aforementioned specific actions on product and service marketing labeling, the Company implements key educational training to strengthen employees’ and collaborating suppliers’ legal awareness regarding consumer protection, advertising, and right to privacy. It also has open and transparent channels and dedicated units to accept consumer complaints.	None
(6) Does the Company formulate a supplier management policy that requires suppliers to follow relevant regulations on issues such as environmental protection, occupational safety and health, or labor rights, and its implementation situation?	V		(6) Implementation situation: A. Adding safety and health provisions to transportation, manpower dispatching, construction, and other contracting agreements; in addition, when engaging in contracting projects/operations, a safety and health commitment letter will be signed, requiring compliance with relevant regulations on safety, health, and environmental protection, and necessary safety and health protection equipment and educational training will be provided to ensure safety. B. It is expressly stated in the Corporate Social Responsibility Code of Practice for suppliers that suppliers must respect labor rights and human rights; There must be no such circumstances as “discrimination,” “harsh treatment and harassment,” “involuntary labor,” “hiring child labor,” “violating working hours,” “non-compliance with the statutory minimum wage and benefits,” and “prohibiting labor participation in association.” In addition,	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	
			<p>diversified complaint channels and necessary remedial measures shall be provided to laborers.</p> <p>C. In order to ensure the sustainable development of the environment and the reuse of resources, suppliers are required to comply with relevant environmental laws and regulations and relevant international standards, and strive for the goal of environmental sustainability when carrying out business activities; when engaging in business/operational activities such as procurement, operations, and services, consideration shall be given to the impact on eco-efficiency and reducing the impact on the natural environment and mankind.</p> <p>D. In order to the supplier and the Company to uphold the same values and business goals, relevant ethical standards are established in the Code; responsible behavior and professional ethics must be strictly observed.</p>	
5. Does the Company refer to internationally accepted reporting standards or guidelines when compiling reports on the Company's non-financial information such as the corporate social responsibility reports? Have the aforementioned reports been verified or certified by a third-party verification unit?	V		<p>(1) SGS evaluation has obtained ISO / IEC27001 certification, and "Information Security Certification Mark".</p> <p>(2) Evaluated by SGS to have passed the Personal Information Management System (PIMS) (BS10012:2017) certification</p> <p>(3) The Company has been publishing the CSR report since 2016, and every year, the Company obtains the AA1000 assurance statement through the British Standards Institution (BSI), a third-party professional verification organization.</p>	None
6. 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.				
7. Other important information to facilitate better understanding of the company's corporate social responsibility practices : In response to the opportunities and challenges brought by the risks faced by various corporate operations, as well as issues of concern to stakeholders, the Company launched the CSR vision project at the end of 2019. Continuing “everything in life, everything in momo” as the development foundation, the Company is committed to building the six major values of brand, products, services, green consumption, talent, and society starting from the five major aspects of “establishing an inclusive and mutually				

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
beneficial partnership, advocating sustainable consumption, green sustainable operations, employees and friendly workplace, and seeking the common good for the society.” The Company hopes to use the power of the e-commerce platform to provide Taiwanese consumers and society with a “blueprint for sustainable living.”				
Five major aspects of blueprint for sustainable living	Performance highlights from 2019			
Mutually beneficial partnership for a better life	<u>Sustainable management and governance</u> Ranked top 5% in the Corporate Governance Assessment for Listed Companies for three consecutive years in 2019 Participated in the Corporate Governance System Assessment held by the Taiwan Corporate Governance Association and awarded the CG6012(2019) Excellent Certification in 2019. <u>Supply chain management</u> Encourage suppliers to obtain eco-friendly and quality labels and certifications. Suppliers are required to sign the "Code of Corporate Social Responsibility" and "Ethical Corporate Management Statement" online in the SCM system. As of now, more than 7,000 suppliers have completed the registration. <u>Assisting suppliers in continued self-learning through SCM Courses (E-Learning)</u> Hold supplier briefing courses, optimize SCM system operation graphic handouts, produce SCM system operation instruction videos, and compile FAQs <u>SCM-APP service mobility, UI optimization and operation upgrades</u> Fubon e-commerce loans, optimize order and warehousing functions, optimize sales analysis reports			
Sustainable green life	<u>Systematic management system</u> ISO 14001 and ISO 14064-1 management and verification in Neihu Headquarters and north logistics center <u>Supporting the online shopping packaging reduction policy of the Environmental Protection Administration</u> Awarded the Online Shopping Packaging Reduction Mark by the Environmental Protection Administration. Related actions of the Company were: In addition to making the cartons out of 100% recycled pulp, the Company reduced the printing area on the exterior of the cartons by 50%, and increased the carton specifications to 22 types. Making packaging bags in Taiwan and reducing packaging from the source by manufacturing with 30% recycled materials. <u>Establish and optimize smart logistics systems and short chain logistics strategy</u> momo image fleet (65 locomotives, 25 freight cars), expansion of the satellite warehouses in Northern, Central, and Southern Taiwan (14 warehouses completed)			
A new lifestyle of sustainable consumption	<u>Comprehensive customer services and customer experience optimization</u> Taiwan Mobile Myfone store pickup, daily life bill payment service, periodic phone purchasing system, back-end system automation, website providing fast complaint channel for express deliveries Search by image, quick product search, electronic receipt service for legal persons <u>Dedicated personnel managing the green living section</u> Over 500,000 items were sold. <u>Promoting earth-friendly diet sales (Beyond Meat)</u> to reduce the impact of agriculture and animal husbandry on the environment. <u>Preserving quality and safety and improving product quality</u> Maintaining the rate of customer complaint about major quality anomalies below 0.003%			



Evaluation Item			Implementation Status		Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
			Yes	No	
		Introducing temperature and humidity controls to reduce the rate of merchandise becoming moldy or pest-ridden. <b><u>Information security protection</u></b> The credit card transaction process complies with the PCIDSS specification to obtain Level2 compliance report and prevent issues of credit card fraud. Provide credit card 3D authentication service to strengthen the secure transaction awareness. Continue to maintain the validity of the ISO 27001 and BS10012:2017 information security international certification to uphold information security protection. Cooperate with the 165 anti-fraud of the National Police Agency of the Ministry of the Interior to update fraud information and promote anti-fraud to customers.			
	Healthy and equal life	<b><u>Professionalism training and technical training program for employees</u></b> The average number of training hours per person was 18.79 hours, which was an increase of 5% over 2018. The investment in educational training was NT\$4,196,163, an increase of 20% over 2018. <b><u>Improve employee benefits</u></b> Launched the employee shareholding trust system <b><u>Creating a safe and quality workplace</u></b> Completed the verification for ISO 45001 occupational safety and health management system Neihu Headquarters was awarded 4th place in the Taipei City “Outstanding Healthy Workplaces” in 2019 Neihu Headquarters and north logistics center obtained the Badge of Accredited Healthy Workplace of the Health Promotion Administration, Ministry of Health and Welfare in 2019			
	Mutually beneficial society for a happy life	<b><u>Assisting social vulnerable groups</u></b> In 2019, a total of 40 public interest groups were assisted, raising a total amount of NT\$60 million. Responding donations amounted to 44,745 individuals, 667,762 individuals participated in various activities, about 1,094,124 individuals of online activity traffic, and about 27,860 pieces of charity sales and donated goods. <b><u>Supporting sports in Taiwan</u></b> Sponsored sports activities totaled more than NT\$25 million <b><u>Employment opportunities for people who have disabilities</u></b> By the end of 2019, there was a total over-employment of 2 disabled employees, which was 1.07 times more than the employment ratio required by the law.			

## 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) Has the Company formulated an ethical management policy approved by the board of directors, and clearly stated the policies and practices of ethical management, and the commitment to actively implement management policies by the board of directors and senior management in the regulations, rules, and external documents?	V		(1) The company has established the “Code of Ethics and Personal Conduct” to regulate its good faith policies. 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) Has the Company established an evaluation mechanism for the risk of dishonest behaviors, regularly analyzed and evaluated business activities with a higher risk of dishonest behaviors in the business scope, and thus formulated a plan to prevent dishonest behaviors, which at least covered the preventive measures provided in Subparagraphs of Article 7, Paragraph 2 of the Ethical Corporate Management Best Practice Principles for TWSE/TPEX-Listed Companies?	V		(2) 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 always be conducted.	None
(3) Has the Company clearly set out the operating procedures, behavior guidelines, punishment and complaint system for violations in the plan to prevent dishonest behaviors, and implemented and regularly reviewed and amended the aforesaid plan?	V		(3) 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
2. Fulfill operations integrity policy				
(1) Does the company evaluate business partners’ ethical records and include ethics-related clauses in business	V		(1) The company avoids trading with any parties that have the records of violating the good faith principles in the past. The provision of good	None

Evaluation Item	Implementation Status			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
contracts?			faith behaviors shall be clearly outlined in relevant commercial contracts.	
(2) Has the Company set up a dedicated unit under the board of directors to promote ethical corporate management, and regularly (at least once a year) reported to the board of directors regarding its ethical management policy, its plan to prevent dishonest behaviors, and supervised the implementation status?	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 interest and provide appropriate communication channels, and implement it?	V		(3) The company's good faith principle clearly outlines the policy for prevention of interest conflicts. The discovery of any violations shall be reported to the audit committee, managers, and internal audit supervisors.	None
(4) Has the Company established an effective accounting system and internal control system for the implementation of ethical management, and had the internal audit unit draw up relevant audit plans based on the evaluation results of the dishonest behavior risks to check the compliance status of the plan to prevent dishonest behaviors or commission a CAP conducting an audit?	V		(4) The company's management has constructed effective accounting and internal control systems for the internal audit personnel to plan and execute reviews ranging from the highest-level risks to the lowest-level risks. The results of the reviews did not find any violations to the good faith principle.	None
(5) Does the company regularly hold internal and external educational trainings on operational integrity?	V		(5) 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 2019 implementation are as follows. All employees	None

Evaluation Item	Implementation Status				Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons												
	Yes	No	Abstract Illustration														
			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>2,302</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>3,015</td><td>60 session</td><td>100% of the reported new employees completed the orientation</td></tr></table>		Course name	Hours	Sessions	Description	Good faith principles for management, moral code of conduct, and trade secrets promotion for in-service employees	2,302	1 session	100% of the in-service employees during the span of the course completed the online course and passed the test	New recruits' orientation	3,015	60 session	100% of the reported new employees completed the orientation	
Course name	Hours	Sessions	Description														
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New recruits' orientation	3,015	60 session	100% of the reported new employees completed the orientation														
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) Has the Company established the standard operating procedures for investigations after accepting reports, the follow-up measures to be taken after the investigation is completed, and related confidentiality mechanisms? (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 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		None												

Evaluation Item	Implementation Status			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			<p>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.</p> <p>To provide employees better understanding of their rights and Company actions and policies, and in addition to trainings on code of ethical conduct, and best practice principles for new employees (attended by 2306 employees during 2019), special e-mail and contact window for employee complaints has been set up to provide a safe and completely confidential channel to convey their opinions.</p>	
5. If the company has established the ethical corporate management policies based on the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies, please describe any discrepancy between the policies and their implementation. There have been no differences.				
6. Other important information to facilitate a better understanding of the company’s ethical corporate management policies (e.g., review and amend its policies). None				

## Corporate Governance Guidelines and Regulations :

Please visit the company website (<http://www.fmt.com.tw/>) for the reference of the company's "Practical Guidelines for Company Management," "Shareholder Meeting Regulations," "Board of Directors Meeting Regulations," "Organizational Procedures for the Audit Committee," "Organizational Procedures for the Compensation Committee," "Management and Operational Procedures for Insider Trading Prevention," "Guidelines for Ethical Behaviors," "Good Faith Principles for Management," "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. The Company attaches great importance to the spirit of corporate governance and practicing of corporate social responsibility. Over the years, the Company has been committed to improving the quality and timeliness of information disclosure, and has provided diverse and transparent corporate information to all stakeholders. In order to be in line with international standards, the Company has actively applied for the certification of corporate governance system assessment, and was awarded the "standard" certification in 2017 for its first evaluation. In 2019, it was even awarded the "excellent" certification of the CG6012(2019) corporate governance system assessment, showing that the Company has been highly recognized for its achievement in continuous corporate governance improvement.

## Internal Control Systems :

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

Year	Accountants' Recommendations	Improvement Status
2017	No Material Weaknesses	Not applicable
2018	No Material Weaknesses	Not applicable
2019	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

**In the most recent year and up to the printing date of the annual report, if the Company and its internal personnel were punished according to law, or if the Company punished its internal personnel for violating the provisions of the internal control system, and the results of such punishment may have a significant impact on shareholders' equity or securities prices, the punishment content, major defects, and improvement status shall be specified:** 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 2019 annual general meeting (AGM):

AGM dated May 16, 2019

(1) Business report and financial statement for 2018 was approved.

(2) Distribution of earnings for 2018 was approved.

State of implementation: June 9, 2019 was designated as the date of benchmark for dividend allocation, while June 28, 2019 was designated as the date of payment (share dividend of NT\$6.9216; cash distribution of NT\$2.0784 from capital reserve, totaling in earning of NT\$9.0 per share).

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

State of implementation: June 9, 2019 was designated as the date of benchmark for dividend allocation, while June 28, 2019 was designated as the date of payment (share dividend of NT\$6.9216; cash distribution of NT\$2.0784 from capital reserve, totaling in earning of NT\$9.0 per share).

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

State of implementation: Registration has been approved by the MOEA on May 28, 2019, and announcement has been made on the corporate website.

(5) Amendment to the "Regulations Governing the Acquisition and Disposal of Assets" of the Company was approved.

State of implementation: Publicly announced on MOPS and company website on May 27, 2019, and after amendment, processed in accordance with procedures.

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

State of implementation: Publicly announced on MOPS and company website on May 27, 2019, and after amendment, processed in accordance with procedures.

(7) The election of one independent director of the 6th board of directors

State of implementation: Registration has been approved by the MOEA on May 28, 2019, and announcement has been made on the corporate website.

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

State of implementation: Publicly announced on MOPS website on May 16, 2019.

2. Major resolutions at the shareholders' meeting and board meetings of 2019 and as of the date of the annual reports printed:

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

A. The 2018 financial report was approved

B. The 2018 Statement on Internal Control was approved

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

D. Employee and director remuneration allocation for 2017 was approved

E. The 2019 budget was approved

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

G. Amendment to the "accounting system" of the Company was approved

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

I. The election of one independent director of the 6th board of directors

J. Lifting of non-competition restrictions for new directors of the Company was removed

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

- (2) The 12th meeting of the sixth session of Board of Directors, April 3, 2019
- A. Distribution of the Company's earnings and capital reserve for 2018 was approved
  - B. Amendments made to the Company's Rules of Procedures for Shareholders' meetings were approved
  - C. Establishment of Standard Operating Procedures for the Handling of Directors' Requirements of the Company was approved
  - D. Amendment to the Company's "Articles of Incorporation" was approved
  - E. Amendment to the "Operational Procedures for Loaning of Funds and Making of Endorsements/Guarantees" of the Company was approved
  - F. Nomination and review of the roster of independent director candidates were approved
  - G. Lifting of non-competition restrictions for directors of the Company was removed
- (3) The 13th meeting of the sixth session of Board of Directors, April 26, 2019
- A. The acquisition or disposal of right-of-use asset for the rental of Infomedia Inc.'s Hwa Ya factory by the Company was approved
  - B. Amendment to the Company's Measures for Risk Management was approved
- (4) The 14th meeting of the sixth session of Board of Directors, May 16, 2019
- A. Record date for distribution of 2018 dividends was approved
  - B. Amendment to the Company's regulations on tiered authorization was approved
  - C. Re-appointment of President of the Company was approved
- (5) The 15th meeting of the sixth session of Board of Directors, July 23, 2019
- A. The Company's cooperation with Taipei Fubon Bank to issue the Private Label Credit Card was approved
  - B. Amendment to the Company's Corporate Governance Best Practice Principles
  - C. Replacement of the certified public accountants (CPA) attesting the 2019 financial statements of the Company was approved
- (6) The 16th meeting of the sixth session of Board of Directors, July 31, 2019
- A. The land purchasing and self-construction of south logistics center were approved
- (7) The 17th meeting of the sixth session of Board of Directors, October 29, 2019
- A. The implementation of the ESOT was approved
  - B. Establishment of the Company's Regulations Governing Performance Evaluation of the Board of Directors and Functional Committees was approved
- (8) The 18th meeting of the sixth session of Board of Directors, January 14, 2020
- A. The 2019 Statement on Internal Control was approved
  - B. Lifting of non-competition of the managers
  - C. Amendment to the Company's Regulations Governing the Remuneration of Directors was approved
  - D. The Company's reinvestment in the establishment of a subsidiary in freight forwarders was approved
  - E. The Company's 2020 budget was approved
- (9) The 19th meeting of the sixth session of Board of Directors, February 12, 2020
- A. The 2019 financial report was approved
  - B. Employee and director remuneration allocation for 2018 was approved
  - C. Amendment and renaming of the Company's Regulations Governing the Election of Directors and Supervisors were approved
  - D. Amendments made to the Company's Rules of Procedures for Shareholders' meetings were approved
  - E. Full re-election of the Company's directors (including independent directors) was approved
  - F. Convening the Company's shareholders' meeting for 2020 was approved



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


Date: January 14, 2020

momo states the following with regard to its internal control system for the year 2019:

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, 2019, 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 14, 2020, where all of the eight attending directors did not express any dissenting opinion and affirmed the content of the same.

momo.com Inc.

C.F. Lin  
Chairman



Jan 15, 2020

Jeff Ku  
President



Jan 15, 2020

**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:** Non

#### 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	2019.1.1~2019.6.30	Internal work adjustment of the accounting firm
	Vita Kuo	Peide Chen	2019.7.1~2019.12.31	

Fee Range		Fee Items	Audit Fee	Non-audit Fee	Total
1	Under NT\$ 2,000,000			V	
2	NT\$2,000,001~NT\$3,999,999				
3	NT\$4,000,001~NT\$5,999,999		V		V
4	NT\$6,000,001~NT\$7,999,999				
5	NT\$8,000,001~NT\$9,999,999				
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	5,315	-	-	-	300	300	2019.1.1~2019.6.30	1. Reason for the change: Internal work adjustment of the accounting firm 2. Transfer pricing service
	Vita Kuo 、Peide Chen							2019.7.1~2019.12.31	

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

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

## v. Replacement of CPA

### 1. Former CPA

Date of change	Approved by the board of directors on July 23, 2019		
Reason for change	For the internal work adjustments of Deloitte & Touche, the CPAs attesting the financial statements were changed from Vita Kuo, CPA and Peter Lin, CPA to Vita Kuo, CPA and Peide Chen, CPA from the third quarter of 2019.		
Specify whether services/engagement were terminated/refused	Part	CPA	Company
	Conditions		
	Termination	None	None
	Refusal of new mandate	None	None
Has any audit opinion, other than an unqualified opinion, been issued in the past two years? If yes, cite reasons.	None		
Disagreement with securities issuer	Yes		Accounting principles and practices
			Disclosure of financial statements
			Audit scope or procedures
			Other
	No	V	
	Explanation: None		
Other disclosure items (Items that shall be disclosed according to Article 10, Subparagraph 6, Items 1-4 to 1-7 of these standards)	None		

### 2. Current CPA

Name of company	Deloitte & Touche
Name of CPA	Vita Kuo 、Peide Chen
Date of engagement	Approved by the board of directors on July 23, 2019: Auditing of the financial report since 3Q19.
Results of consultations with the CPA on accounting measures and principles that might influence his/her opinion prior to his/her engagement	None
Has the incumbent CPA issued any dissenting opinion on opinions issued by the previous CPA?	None

3. The former CPA's response to the issues referred to in Article 10.6.1 and Item 3 of Article 10.6.2 of the Regulations Governing Information to be Published in Annual Reports of Public Companies: Not applicable.

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

**vii. Changes in Shareholding of Directors, Supervisors, Managers and Major Shareholders**

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

Unit: shares

Title	Name	Year	2019		As of Feb. 20, 2020	
			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		-	-	-	-
	Wealth Media Technology Co. Ltd. Representative: Jeff Ku (Assumed office on June 1, 2019)		1,000	-	-	-
	Wealth Media Technology Co. Ltd. Representative: Chris Tsai		-	-	-	-
	Wealth Media Technology Co. Ltd. Representative: Jamie Lin (Assumed office on April 1, 2019)		-	-	-	-
Director	TECO CAPITAL INVESTMENT Co., Ltd.		(420,000)	-	-	-
	TECO CAPITAL INVESTMENT Co., Ltd. Representative: Mao-Hsiung Huang		-	-	-	-
Director	WOORI HOME SHOPPING CO., LTD.		-	-	-	-
	WOORI HOME SHOPPING CO., LTD. Representative: SHIN SEONGBIN (Assumed office on April 1, 2019)		-	-	-	-
Independent director	Hong-So Chen		-	-	-	-
Independent director	Brian Y. Hsieh		-	-	-	-
Independent director	Chieh Wang (Assumed office on May 16, 2019)		-	-	-	-
President	Jeff Ku (Assumed office on June 1, 2019)		1,000	-	-	-
Vice President	Summer Hsieh		-	-	(10,000)	-
Vice President	Jeremy Hong		-	-	-	-
Vice President	Leanne Wang		-	-	-	-
International Business Division Senior Director	Kiki Hung		-	-	-	-
Financial & Accounting Division Senior Director	Gina Lu		-	-	-	-
Information Technology Division Senior Director	Robinson Lin		(2,000)	-	-	-

Title	Name	Year	2019		As of Feb. 20, 2020	
			Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
TV Merchandise Division Senior Director	Sabrina Huang		-	-	-	-
Customer Service Center Director	Rebecca Wu (Assumed office in May 2019)		-	-	-	-
Supply Chain Management Division Director	Jason Ko		-	-	-	-
EC Consumer Dept., EC Division Director	Terry Lee		-	-	-	-
Internal Audit Office Assistant Manager	Dong-Nan Liang		-	-	-	-
Director	Wealth Media Technology Co. Ltd. Representative: Summer Hsieh (Resigned on June 1, 2019)		-	-	-	-
Director	Wealth Media Technology Co. Ltd. Representative: James Jeng (Resigned on April 1, 2019)		-	-	-	-
Director	WOORI HOME SHOPPING CO., LTD. Representative: OH KABRYEOL (Resigned on April 1, 2019)		-	-	-	-

**2. Shares Trading with Related Parties:** None

**3. Stock pledged with related party:** None

## viii. Relationship of the Top 10 Shareholders

As of Jun. 5, 2019

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	45.01%	-	-	-	-	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	
TECO CAPITAL INVESTMENT Co., Ltd.	15,275,000	10.91%	-	-	-	-	-	-	
Chairman : Mao-Hsiung Huang	-	-	-	-	-	-	-	-	
WOORI HOME SHOPPING CO., LTD.	14,014,000	10.01%	-	-	-	-	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	5.23%	-	-	-	-	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	4.75%	-	-	-	-	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	
							Fubon Financial Venture Capital Investment Co. Ltd.	A twice-removed relative of the company's chairman	
SmallCap World Fund Inc.	6,458,000	4.61%	-	-	-	-	-	-	
Fubon Financial Venture Capital Investment Co. Ltd.	3,219,000	2.30%	-	-	-	-	Wealth Media Technology Co., Ltd.	Person responsible is the same individual	
							Fubon Life Insurance Co., Ltd.	A twice-removed relative of the company's chairman	
Chairman: Daniel Tsai	-	-	-	-	-	-	Wealth Media Technology Co., Ltd.	Director of said company	
							Fubon Life Insurance Co., Ltd.	A twice-removed relative of the company's chairman	
Howard Lin	2,710,136	1.94%	-	-	-	-	Fubon Life Insurance Co., Ltd	Vice chairman of said company	
Asia Discovery Emerging Companies Master Fund Pte. Ltd.	1,300,000	0.93%	-	-	-	-	-	-	
Itochu Corporation	1,278,750	0.91%	-	-	-	-	-	-	
Chairman : Masahiro Okafuji	-	-	-	-	-	-	-	-	

Note1: Shareholding ratio = number of shares ÷ actual number of issued shares (140,058,500 shares).

## ix. Ownership of Shares in Affiliated Enterprises

As of Dec. 31, 2019 : 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	6,674	6.99	23,567	24.69
TVD Shopping Co., Ltd.	24,150	35	-	-	24,150	35
Asian Crown International Co., Ltd.	9,735	81.99	-	-	9,735	81.99
Honest Development Co., Ltd	21,778	100	-	-	21,778	100

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

## IV. Financial Information

### i. Capital and Shares

#### Source of capital

As of Feb. 20, 2020 ; 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. 20, 2020

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 Jun. 5, 2019

	Government agencies	Financial institutions	Other institutions	Individuals	Foreign institutions & individuals	Total
No. of shareholders	—	—	48	134	2,252	2,434
Total shares owned	—	—	91,278,719	38,986,259	9,793,522	140,058,500
Holding percentage (%)	—	—	65.17%	27.84%	6.99%	100.00%

Note : Foreign institutions or individuals without mainland Chinese investors.

## Shareholding distribution

### Common shares

As of Jun. 5, 2019

Shareholding range	No. of shareholders	Total shares owned	Holding percentage (Note)
1 ~ 999	1,096	44,589	0.03 %
1,000 ~ 5,000	1,084	1,788,213	1.28 %
5,001 ~ 10,000	75	599,043	0.43 %
10,001 ~ 15,000	33	415,154	0.30 %
15,001 ~ 20,000	21	378,497	0.27 %
20,001 ~ 30,000	22	564,380	0.40 %
30,001 ~ 50,000	22	885,394	0.63 %
50,001 ~ 100,000	30	2,208,743	1.58 %
100,001 ~ 200,000	20	2,826,176	2.02 %
200,001 ~ 400,000	12	3,546,451	2.53 %
400,001 ~ 600,000	6	2,920,761	2.09 %
600,001 ~ 800,000	1	624,588	0.45 %
800,001 ~ 1,000,000	1	885,000	0.63 %
1,000,001 and above	11	122,371,511	87.36 %
Total	2,434	140,058,500	100.00 %

## Major shareholders

As of Jun. 5, 2019

	Total shares owned	Shareholding ratio (Note)
Wealth Media Technology Co., Ltd. (Taiwan Mobile Group)	63,047,205	45.01%
TECO CAPITAL INVESTMENT Co., Ltd.	15,275,000	10.91%
WOORI HOME SHOPPING CO., LTD.	14,014,000	10.01%
LOTTE SHOPPING CO.	7,319,420	5.23%
Fubon Life Insurance Co., LTD.	6,650,000	4.75%
SmallCap World Fund Inc.	6,458,000	4.61%
Fubon Financial Venture Capital Investment Co. Ltd	3,219,000	2.30%
Howard Lin	2,710,136	1.94%
Asia Discovery Emerging Companies Master Fund Pte. Ltd	1,300,000	0.93%
ITICHU Corporation	1,278,750	0.91%

Note1: Shareholding ratio = number of shares ÷ actual number of issued shares (140,058,500 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 (40.00%) Shin Dong Bin (9.84%) Hotel Lotte Co., Ltd. (8.86%) Minority shareholders (41.30%)
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 Life Insurance Co., Ltd. (25.00%) Fubon Securities Co., Ltd. (11.20%) Fubon Insurance Co., Ltd. (10.00%)
ITICHU Corporation	The Master Trust Bank of Japan, Ltd. (trust account) (7.42%) Japan Trustee Services Bank, Ltd. (trust account) (5.26%) CP WORLDWIDE INVESTMENT COMPANY LIMITED (4.25%) Nippon Life Insurance Company (2.28%) Japan Trustee Services Bank, Ltd. (trust account9) (2.19%) Mizuho Bank, Ltd. (2.09%) SSBTC CLIENT OMNIBUS ACCOUNT (1.90%) Japan Trustee Services Bank, Ltd. (trust account5) (1.85%) JP MORGAN CHASE BANK 385151 (1.59%) Asahi Mutual Life Insurance (1.57%)

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

Unit: NT\$, '000 shares

		2018	2019	As of Feb. 20 2020
Share price (NT\$)	High	303	296	388
	Low	168	187	287.5
	Average	220.14	259.31	310.24
Net worth per share (NT\$)	Before earnings appropriation	43.91	43.95	—
	After earnings appropriation	34.91	Note1	—
Earnings per share (NT\$)	Adjusted weighted average outstanding shares	140,059	140,059	140,059
	Earnings per share	10.35	9.95	—
Dividends per share (NT\$)	Cash dividends	9	Note1	—
	Stock dividends	Retained earnings	Note1	—
		Capital surplus	—	—
	Accumulated unpaid dividends		—	—
PE and dividend yield	Price earnings ratio	21.27	26.06	—
	Price to cash dividend	24.46	—	—
	Cash dividend yield	4.09	—	—

Note1 : Figures after distribution referred to above is based on the resolutions approved during the shareholders' meetings for the fiscal year. 2019 annual earnings distribution has not yet been approved yet by the shareholders' meeting.

Note 2: The calculation formula of this table is as follows:

- (1) Price earnings ratio = average closing price per share for the current year/earnings per share.
- (2) Price to cash dividend = average closing price per share for the current year/cash dividends per share.
- (3) Cash dividend yield = cash dividends per share/average closing price per share for the current year.

## 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 2019 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 10 years have not been lower than 80% of the year's net after-tax profit.
4. For the Company's distribution of dividend for 2018 earnings, the shareholders' dividend of the year is not lower than 86.96% 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:

(1) Directors' remuneration should be no more than 0.3%.

(2) Employees' bonus should be between 0.1 % and 1%.

However, the Company shall reserve profits to cover any cumulative losses. Employees' compensation may be distributed to, including but not limited to, employees of parents or subsidiaries of the Company meeting certain specific requirements set by the Board of Directors or its authorized persons.

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 Feb. 12, 2020, approved the remuneration for employees and directors for 2019, where a total of NT\$1,631,928 was allocated for employee remuneration and NT\$1,631,928 for director remuneration, respectively. The amount was distributed in cash and reported 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 16, 2019, where a total of NT\$1,480,360 was allocated for employee remuneration and NT\$1,480,360 was allocated for the directors, respectively. This was confirmed to be the same as listed in the 2018 financial report.

## Buyback of Treasury Stock (completed)

As of Feb. 20, 2019

Batch number of treasury shares buyback	The 1st batch in 2015
Purpose of buyback	Transfer ownership of shares to employees
Buyback period	October 27, 2015–December 15, 2015
Price range of shares to be repurchased	NT\$160~250 (the Company may still repurchase when the market price falls below the lower limit of the price range)
Types and quantity of repurchased shares	2,000,000 shares
Total value of repurchased shares	NT\$397,175,061
Ratio of the quantity bought back to the quantity planned to be bought back (%)	100%
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 Depositary 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 Wholesale of Drugs, Medical Goods
- G. F208031 Retail sale of Medical Equipment
- H. F208021 Retail sale of Drugs and Medicines
- I. F208011 Retail sale of Chinese Medicine
- J. F108021 Wholesale of Drugs and Medicines
- K. F108011 Wholesale of Chinese Medicine
- L. F401161 Tobacco Products Import
- M. F401171 Alcohol Drink Import
- N. 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

Classification \ Year	2018		2019	
	Revenue	% of total	Revenue	% of total
TV Shopping and Catalogue Shopping	6,528,702	15.54	6,199,928	11.96
Online shopping	35,388,799	84.22	45,477,058	87.74
Others	99,511	0.24	153,431	0.30
Total	42,017,012	100.00	51,830,417	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 2019, 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 been 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 2019, 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 2015Q1~2019Q3

	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%
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%

	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
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%
2018Q4	8,734,477	5,077,382	5,075,066	58.10%	58.13%
2019Q1	8,754,384	5,042,468	5,042,022	57.59%	57.60%
2019Q2	8,778,661	5,014,687	5,014,331	57.12%	57.12%
2019Q3	8,824,319	4,962,278	4,961,922	56.23%	56.23%

According to the data from 1Q15 to 3Q19, cable TV's penetration rate in Taiwan has been showing a decreasing trend quarter by quarter since 2018. As of 3Q19, the number of subscribers to cable TV has dropped below 5,000,000. The number of subscribers to digital set-top boxes has grown significantly from quarter to quarter since 2015 due to the government's policy of promoting digitalization. However, with the rise of social media live streaming and online audio and video platforms, the number of subscribers has also begun to decline after 4Q18. Although the number of cable/digital TV subscribers has declined, the lost subscribers were mainly young customers, as a result, TV shopping was only slightly affected and can still remain stable.

#### 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 statistics of the Department of Statistics of MOEA, the market size of Taiwan's electronic shopping and mail order industry in 2019 was about NT\$207.8 billion, which was a 68% increase from the NT\$123.9 billion in 2013, and currently accounts for about 5% of the overall retail industry. Compared with the overall retail industry in 2019, which was only 9% higher than that in 2013, showing the electronic shopping and mail order industry still has a 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 85.6% currently, showing a growing trend. It is estimated that the number of Internet users in Taiwan is over 20,200,000. 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.

#### C. Mobile shopping and other factors affecting e-commerce

Based on TWNIC's 2019 mobile Internet usage survey, approximately 84.6% of Taiwanese utilize mobile Internet access, with an estimated population of 17,930,000 - an increase of 7.7% 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 3-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 2014-2019 declined by 1.6%. Since various mail order companies have started developing online sales in recent years, the overall revenue has shown a slight growth trend, and business activities for these companies are concentrated in densely populated cities in order to benefit from lower logistics costs. 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 years 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. In addition to the current extension of video and audio technology to app and FB live streaming, TV shopping launched live streaming product introductions with influencers in 2019 to open up new frontiers of socialnomics. 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

The Company's R&D funds for 2019 and as of January 31, 2020 were NT\$165,624,000 and NT\$14,355,000, respectively. Each project plan was focused on providing advanced technology and enhancing customer convenience and new experiences while hoping to enhance the overall business growth of the Company. The main technologies were as follows:

Project title	Project description
Search engine optimization	Its purpose is to assist the MD, PM, and operations of the momo business unit in keying in correct classification and attribute data based on the characteristics of each product line to improve the accuracy of the search engine. The "new classification establishment system" developed in 2019 is for organizing the current front-end shelves into new categories and resetting the name of each category to create new classifications. The "new classification establishment system" allows business units to conveniently establish new classifications and ensures that the new classification established meets the needs of the business unit and the accuracy of the data through a verification mechanism. The second stage is for the business unit to enter the new attribute data into the classification which corresponds to the back end classification, to ensure the integrity of the new classification data in order to facilitate the subsequent classified shelves reconstruction project.

Project title	Project description
Image recognition system	Beginning to provide the search by image function to make it convenient for consumers to search for products; continuously optimizing the accuracy of image modules' comparison results after launch, while extending to recommend related products to increase the purchase rate. The Company expects to provide, in the short term, technology for search by image for products in the "apparel category," so that consumers can find related products of momo even faster through images. In the future, the image recognition scope will continue to be expanded to other categories and the result recommendation function will be extended. For example, when the consumer is unable to find a similar product, other products of the same brand or other keyword products may be recommended to improve the consumer's search experience.
Product boxing suggestion system	This boxing suggestion simulation analysis system uses the optimization algorithm based on simulated boxing and refers to the size of the carton and the freight cost of the carton to find the local optimum within numerous boxing combinations after the order is established. In addition, historical boxing statistics can be referenced to consider bendable boxing methods, such as pillows, liquid refill packs, and other soft materials, making it easy to select the most cost-effective boxing suggestion. In the boxing simulation process, the method of boxing diagonally is also considered to increase the boxing suggestion candidates. Afterwards, the suggestion results will be provided to the WMS warehouse management system, which provides the most cost-effective carton and packaging materials recommendations to packaging personnel on-site at the warehouse. In addition, the analysis results will also be 3D simulated and visualized to provide more accurate references for the placement and direction of each product.

In order to encourage colleagues to engage in technology innovation and to safeguard intellectual property rights, the Company continuously evaluates the possibility of applying for patents for technological creation and regularly maintains the validity of the patents it has obtained. The patent application approval status in 2019 has been reported to the 19th meeting of the 6th Board of Directors dated February 12, 2020.

Patent applications for approval in 2019:

Patent category	Certificate No.	Patent title	Patent term	Patent content (brief description)
Invention	I677794	Discount coupon management system and its method	2019.11.21 ~ 2038.11.6	A discount coupon management system. The discount coupon management system is used in the online shopping platform system. By converting the data type into NOSQL, one can manage the multiple discount coupons on the online shopping platform. The online shopping platform system is used for connection of multiple clients.
Utility model	M576280	Report generation system	2019.4.1 ~ 2028.11.22	Physical host containerization (uninterrupted service). A report generation system used to generate multiple reports according to the command generated from one report, which takes advantage of the merits of containers and adds monitoring mechanisms to achieve flexibility. The report generation system includes a distribution module, a database, and a report production management module.

Patent category	Certificate No.	Patent title	Patent term	Patent content (brief description)
Utility model	M576369	Host service monitoring system	2019.4.1 ~ 2028.11.22	Automatic detection of network line switching and host service monitoring system. The host service monitoring system is used to monitor multiple network connection devices under a network environment, and the algorithm is used in combination to calculate the network connection reliability in real time. If the multiple network connection devices include a first connection device and a plurality of second connection devices, the connection with the best reliability can be found.
Utility model	M581794	Signal broadcasting system	2019.8.1 ~ 2029.5.8	Miniature positioning marketing push system and signal broadcasting system, including signal transmitting module, server, and user devices. It is carried on the human body or vehicle by taking advantage of the portability of a single chip. Its chip signal transmitting module is used to broadcast the notification signal and event information, where the event information corresponds to the notification signal.

## 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, digital and live streaming 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 OTT platforms and social media live streaming platforms.

##### 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. The live streaming content will also continue to improve. In addition to its own production, suppliers will also be invited to continue to create more relevant live streams together to strengthen the marketing richness of the content and gain greater traffic 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 addition to existing order methods of telephone, faxes, and mail-in order. Purchase functions are set up on momoshop portal and its app to enable shoppers who are interested in the momo catalogues to obtain a copy (or recommend them to their friends) online. Regarding web page design, contrary to regular web pages, which scroll up and down, the catalogues will adopt an e-book-like, left-to-right, right-to-left format, to improve its readability and visual layout more akin to paper versions of the catalogue. With respect to purchase orders placed through faxes and mail-in orders, such services are still be offered despite the current focus of momo catalogue shopping being 24-hour telephone-based services. This is because a considerable proportion of buyers still prefer to use faxes and letters to make their purchases. By providing diverse choices (e.g., online and paper-based services) through which consumers can place their orders, the different purchase behaviors of consumers can be met.

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

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

**C. Integrating visual editing, sophisticated arrangement design**

Improve visual stylization creates a sense of atmosphere, and this is highly recommended to effectively distinguish momo catalogue from other more traditional catalogues.

**2. Long-term business development plan**

**(1) TV 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 program will be implemented to enhance the organization's efficiency.

#### C. Cross selling of hot selling items

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

#### D. Active expansion into the Southeast Asian TV shopping market

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

### (2) 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 different 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

	2018		2019	
	Revenue	% of total	Revenue	% of total
Taiwan	41,948,323	99.84%	51,729,529	99.81%
China	68,689	0.16%	100,888	0.19%
Total	42,017,012	100%	51,830,417	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 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 market size of Taiwan's electronic shopping and mail order industry grew from NT\$123.9 billion in 2013 to NT\$207.8 billion in 2019, which was an increase of approximately 68 %.

However, Taiwan's entire retail market had grown from NT\$3,520.9 billion in 2013 to NT\$3,852.3 billion in 2019, which was an increase of approximately 9%. In comparison, the future growth space of Taiwan's electronic shopping and mail order industry market is worthy of anticipation.

#### (3) Catalogue

##### A. Overseas markets

According to the IBIS world report, from 2014 to 2019, the growth rate of the US mail order market was 1.6%. Since various mail order companies have started to develop online sales in recent years, the overall revenue has shown a slight growing trend.

##### 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% YoY increase in membership number, totaling 9.17 million users as of December 2019. 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 lifetime 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 online 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 dining, or maternal and children products. In addition, the internal momoshop and TV app can be used to integrate brand image, or increase exposure and demand for online catalogues.

#### B. Diversified promotional strategy for innovation and change

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

#### C. Media marketing talent with multi-channel experience

We currently have talented media marketing personnel with experience across TV, online shopping, brick and mortar retail operation, and print catalogue professionals, and they collectively can create efficient integrated marketing campaigns.

## 4. Opportunities and challenges

### (1) Favorable factors

#### A. Mobile shopping market continues to grow rapidly

According to a report published by Criteo Marketing Company in third quarter of 2016, the gross merchandise value of mobile purchases in Southeast Asia increased by 19% YoY and accounted for 54% of online transactions. In Taiwan, mobile transactions accounted for 60% of online transactions, higher than the region's average and even higher than the U.S. The estimated growth rate of mobile commerce is expected to increase in 2020, 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 2019), Internet users worry the most about "personal information leakage", which accounts for 71.6% among various personal information risks.

##### 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

	2018				2019			
	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	3,767,651	6,528,702	-	-	3,757,087	6,199,928	-	-
Online shopping	40,488,274	35,388,799	-	-	56,610,428	45,477,058	-	-
Others	-	30,822	74,653	68,689	-	52,543	47,204	100,888
Total	44,255,925	41,948,323	74,653	68,689	60,367,515	51,729,529	47,204	100,888

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		2018	2019	2020 (as of Feb. 20)
Number of employees	Direct employees	1,247	1,336	1,312
	Indirect employees	850	1,167	1,220
	Total	2,097	2,503	2,532
Average age		34.38	34.61	34.68
Average years of service		4.33	4.14	4.20
Education level	Ph.D.	0.10%	0.04%	0.08%
	Master's	9.49%	8.55%	8.57%
	University	71.81%	71.67%	71.16%
	College	17.60%	18.70%	19.12%
	Others	1.00%	1.04%	1.07%

### iv.Environmental Protection Expenditure

The company suffered losses due to environmental pollution which including compensation and environmental protection audit results being in violation of environmental protection laws and regulations. The company should list the date of disciplinary action, disciplinary action no., laws and regulations violated, content of the laws and regulations violated, and content of the disciplinary action shall be listed. In addition, the company must write the current and future possible amount and corresponding measures. If it really cannot be reasonably estimated, the company should be explained: None

### v.Employee Relations

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

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

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

Welfare categories	Explanation
Festival bonus distribution system	<ul style="list-style-type: none"> <li>◆ Annual distribution of bonus at Dragon Boat Festival and Moon Festival.</li> <li>◆ Upon settling the end of business year, surplus earnings are distributed as year-end bonuses.</li> </ul>
Subsidies and benefits	<ul style="list-style-type: none"> <li>◆ The Company welfare committee provides subsidies for wedding/funeral/childbearing, travel, education, group activities, monthly afternoon tea and other comprehensive welfare subsidies.</li> <li>◆ Shopping discount for employees, discount for affiliated enterprise employees, discount at appointed stores, discount on employee discount, discount on various personal insurance policies, telecommunication discounts, etc.</li> </ul>

Welfare categories	Explanation
Comprehensive insurance system	<ul style="list-style-type: none"> <li>◆ 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.</li> <li>◆ Employee family members are also allowed to join group insurance at a discount, providing more comprehensive protection for employees.</li> </ul>
Employee health benefits	<ul style="list-style-type: none"> <li>◆ Hiring visually impaired masseur/masseuse to provide massage services for employees to de-stress; employee gym, etc.</li> <li>◆ Established medical service office with expert medical personnel to care for employee health at the workplace.</li> </ul>
Flexible working hours	<ul style="list-style-type: none"> <li>◆ 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.</li> </ul>

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.

Work benefits	Family care	Employee discounts	Recreation and development
<ul style="list-style-type: none"> <li>• Labor insurance, national health insurance</li> <li>• Provision of labor pension</li> <li>• Group insurance, 70% of insurance premium borne by the Company</li> <li>• Regular health examinations</li> <li>• Occupational injury and emergency assistance funds</li> <li>• Yearly bonuses for Dragon Boat Festival and Mid-Autumn Festival</li> <li>• Birthday bonus</li> <li>• Year-end bonus distributed from the year's surplus</li> <li>• Flexible clock-in/out system</li> <li>• Incentives for senior employees</li> <li>• Infirmary and professional medical staff set up on site</li> </ul>	<ul style="list-style-type: none"> <li>• Marriage gift</li> <li>• Funeral allowance</li> <li>• Maternity gift</li> <li>• Child education assistance</li> <li>• Relatives of employees may join group insurance at a discount, providing employees with comprehensive protections</li> </ul>	<ul style="list-style-type: none"> <li>• Employees and their spouses enjoy shopping discounts and affiliate employee discounts</li> <li>• Special store discounts</li> <li>• Special employee loans</li> <li>• Individual insurance benefits</li> <li>• Affiliate telecommunications discounts</li> </ul>	<ul style="list-style-type: none"> <li>• Recreation allowances</li> <li>• Community activity allowances</li> <li>• Monthly tea time, birthday parties</li> <li>• Monthly food stall event</li> <li>• Hired visually-impaired massage therapist to help employees relax</li> <li>• Set up employee gyms</li> <li>• Company expense and holiday for external training</li> </ul>

In addition to the preceding benefits, an Employee Stock Ownership Trust project was planned in Q4 2019, and will be officially launched in January 2020. The trust will solidify the core of the Company and help to retain its outstanding employees.

The system consists of senior project managers and management at the base level and above. A certain amount of the fixed monthly salary of each employee is allocated, to which is added the same amount from the Company, the purpose of which is to encourage employees to invest in momo on a regular basis each month, and become a momo shareholder! Share in the results of the Company! In its initial establishment, the trust has 776 qualified members, 601 voluntary members, and a 78% participation rate. The Company's first allocation of funds totaled NT\$1.44 million.

## 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 2019 was NT\$1,399,838	Appropriated amount of 2019 was NT\$80,220,601

## 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.

In the recent year and up to the date of publication, the losses suffered due to labor disputes (including the labor inspection results being in violation of the Labor Standards Act, in which the date of disciplinary action, disciplinary action no., laws and regulations violated, content of the laws and regulations violated, and content of the disciplinary action shall be listed), and the current and estimated possible future amount and corresponding measures shall be disclosed; if it cannot be reasonably estimated, the fact that it cannot be reasonably estimated shall be explained:

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.	2019.7.1 ~ 2019.12.22	Lease contract for warehouse (EC Guishan warehouse) ※ On December 23, 2019, this piece of real estate was sold by Infomedia Inc., so ownership was transferred to TransGlobe Life Insurance	Non-disclosure
Lease Agreement	TransGlobe Life Insurance Inc.	2019.12.23 ~ 2024.6.30	Lease contract for warehouse (EC Guishan warehouse)	Non-disclosure
Lease Agreement	China Network Systems Co., Ltd.	2019.1.1 ~ 2019.12.31	Lease of cable TV channel for launching TV shopping advertisements	Non-disclosure
Lease Agreement	Taiwan Fixed Network Co., Ltd.	2019.1.1 ~ 2019.12.31	Lease of cable TV channel for launching TV shopping advertisements	Non-disclosure
Lease Agreement	KBRO CO., Ltd.	2019.1.1 ~ 2019.12.31	Lease of cable TV channel for launching TV shopping advertisements	Non-disclosure
Lease Agreement	Chieh Kuang CO., Ltd.	2019.1.1 ~ 2019.12.31	Lease of cable TV channel for launching TV shopping advertisements	Non-disclosure
Lease Agreement	Fubon Life Insurance Co., Ltd.	2018.8.1 ~ 2023.7.31	momo office building	Non-disclosure
Sale Agreement	Yi Jinn Industrial Co., Ltd.	2019.7.31	Land purchase in Xinshi District of Tainan City	-

## 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 (2015-2019)

Unit: NT\$'000

		2015 (Note 1)	2016 (Note 1)	2017 (Note 1)	2018 (Note 1)	2019 (Note 1)
Current assets		5,447,269	5,377,560	5,331,888	5,745,492	7,062,610
Property, plant and equipment (PP&E)		2,119,308	2,885,326	4,548,616	4,465,793	4,356,415
Right-of-use assets		-	-	-	-	1,086,620
Intangible assets		10,386	16,707	57,214	97,151	109,700
Other assets		1,514,476	1,484,163	1,501,503	1,662,305	1,701,795
Total assets		9,091,439	9,763,756	11,439,221	11,970,741	14,317,140
Current liabilities	Before appropriation	3,197,086	3,718,448	5,280,337	5,543,234	7,114,974
	After appropriation	4,177,496	4,838,916	6,400,805	6,803,761	-(Note 2)
Non-current liabilities		252,828	263,965	282,137	277,004	1,046,190
Total liabilities	Before appropriation	3,449,914	3,982,413	5,562,474	5,820,238	8,161,164
	After appropriation	4,430,324	5,102,881	6,682,942	7,080,765	-(Note 2)
Paid-in capital		1,420,585	1,420,585	1,420,585	1,400,585	1,400,585
Capital surplus	Before appropriation	3,354,858	3,175,583	3,057,738	2,976,991	2,647,360
	After appropriation	3,175,583	3,057,738	3,026,155	2,685,893	-(Note 2)
Retained earnings	Before appropriation	1,414,615	1,794,692	2,061,926	1,940,821	2,280,724
	After appropriation	613,480	792,069	973,041	971,392	-(Note 2)
Other equity interest		(151,358)	(212,342)	(266,327)	(167,894)	(172,693)
Treasury shares		(397,175)	(397,175)	(397,175)	-	-
Total equity	Before appropriation	5,641,525	5,781,343	5,876,747	6,150,503	6,155,976
	After appropriation	4,661,115	4,660,875	4,756,279	4,889,976	-(Note 2)

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

Note 2 : The appropriation amount for the 2019 earnings has not to be approved at the AGM yet.

## 2. Stand-alone statements of comprehensive income (2015-2019)

Unit: NT\$'000

	2015 (Note 1)	2016 (Note 1)	2017 (Note 1)	2018 (Note 1)	2019 (Note 1)
Operating revenue	25,345,046	27,930,996	33,173,536	41,938,107	51,729,220
Gross profit	3,150,230	3,255,227	3,610,592	4,217,066	5,014,649
Operating income	1,289,018	1,293,955	1,394,563	1,423,093	1,647,699
Non-operating income and expense	13,208	125,248	127,157	54,825	65,407
Income before tax	1,302,226	1,419,203	1,521,720	1,477,918	1,713,106
Net income	1,060,781	1,183,227	1,270,082	1,449,640	1,393,781
Other comprehensive income (after tax)	(153,655)	(62,863)	(54,210)	(50,102)	(4,908)
Comprehensive income	907,126	1,120,364	1,215,872	1,399,538	1,388,873
EPS (NT\$)	7.48	8.45	9.07	10.35	9.95

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

### 3. Consolidated condensed balance sheet (2015-2019)

Unit: NT\$'000

		2015 (Note 1)	2016 (Note 1)	2017 (Note 1)	2018 (Note 1)	2019 (Note 1)
Current assets		5,940,774	5,715,073	5,683,832	6,168,249	7,547,400
Property, plant and equipment (PP&E)		2,190,151	2,921,160	4,565,326	4,477,398	4,364,869
Right-of-use assets		-	-	-	-	1,088,091
Intangible assets		19,837	24,239	63,356	128,397	126,107
Other assets		1,456,688	1,450,828	1,465,380	1,452,508	1,472,702
Total assets		9,607,450	10,111,300	11,777,894	12,226,552	14,599,169
Current liabilities	Before appropriation	3,683,020	4,066,357	5,643,907	5,772,994	7,372,246
	After appropriation	4,663,430	5,186,825	6,764,375	7,033,521	-(Note 2)
Non-current liabilities		267,878	265,341	266,474	281,454	1,050,690
Total liabilities	Before appropriation	3,950,898	4,331,698	5,910,381	6,054,448	8,422,936
	After appropriation	4,931,308	5,452,166	7,030,849	7,314,975	-(Note 2)
Equity attributable to owners of the parent company		5,641,525	5,781,343	5,876,747	6,150,503	6,155,976
Paid-in capital		1,420,585	1,420,585	1,420,585	1,400,585	1,400,585
Capital surplus	Before appropriation	3,354,858	3,175,583	3,057,738	2,976,991	2,647,360
	After appropriation	3,715,583	3,057,738	3,026,155	2,685,893	-(Note 2)
Retained earnings	Before appropriation	1,414,615	1,794,692	2,061,926	1,940,821	2,280,724
	After appropriation	613,480	792,069	973,041	971,392	-(Note 2)
Other equity interest		(151,358)	(212,342)	(266,327)	(167,894)	(172,693)
Treasury shares		(397,175)	(397,175)	(397,175)	-	-
Non-controlling interest		15,027	(1,741)	(9,234)	21,601	20,257
Total equity	Before appropriation	5,656,552	5,779,602	5,867,513	6,172,104	6,176,233
	After appropriation	4,676,142	4,659,134	4,747,045	4,911,577	-(Note 2)

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

Note 2 : The appropriation amount for the 2019 earnings has not to be approved at the AGM yet.

#### 4. Consolidated statements of comprehensive income (2015-2019)

Unit: NT\$'000

	2015 (Note 1)	2016 (Note 1)	2017 (Note 1)	2018 (Note 1)	2019 (Note 1)
Operating revenue	25,639,898	28,080,788	33,238,547	42,017,012	51,830,417
Gross profit	3,103,662	3,311,180	3,647,345	4,260,240	5,084,636
Operating income	1,058,769	1,270,418	1,389,063	1,422,418	1,655,629
Non-operating income and expense	177,290	140,872	131,237	57,194	65,231
Income before tax	1,236,059	1,411,290	1,520,300	1,479,612	1,720,860
Net Income	993,089	1,166,628	1,262,632	1,444,675	1,392,701
Other comprehensive income (after tax)	(154,807)	(63,032)	(54,253)	(49,899)	(5,260)
Comprehensive income	838,282	1,103,596	1,208,379	1,394,776	1,387,441
Profit attributable to owners of the parent company	1,060,781	1,183,227	1,270,082	1,449,640	1,393,781
Profit attributable to non-controlling interest	(67,692)	(16,599)	(7,450)	(4,965)	(1,080)
Comprehensive income attributable to owners of parent company	907,126	1,120,364	1,215,872	1,399,538	1,388,873
Comprehensive income attributable to non-controlling interest	(68,844)	(16,768)	(7,493)	(4,762)	(1,432)
EPS (NT\$)	7.48	8.45	9.07	10.35	9.95

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
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	-
2019	Deloitte & Touche	Vita Kuo, Peide Chen	Unqualified opinion	In coordination with the internal work adjustment of the firm

## ii. Financial Analysis

### Consolidated financial analysis (2015-2019)

		2015	2016	2017	2018	2019
Financial structure	Liability to asset rate (%)	41.12	42.84	50.18	49.52	57.69
	Long-term fund to PP&E rate (%)	270.5	206.94	134.36	144.14	165.57
Solvency	Current rate (%)	161.3	140.55	100.71	106.85	102.38
	Quick rate (%)	156.55	131.73	81.40	75.61	68.68
	Interest coverage rate (%)	5172.79	432.85	454.41	540.02	202.77
Operations	Accounts receivable turnover (x)	45.29	42.95	39.45	39.76	48.23
	Average collection days	8.05	8.49	9.25	9.18	7.56
	Inventory turnover (x)	116.63	87.69	38.29	25.46	21.08
	Accounts payable turnover (x)	8.08	8.25	8.21	8.42	8.79
	Average days sales	3.12	4.16	9.53	14.33	17.31
	Property, plant and equipment turnover (x)	11.51	10.99	8.88	9.29	11.72
	Total asset turnover (x)	2.61	2.85	3.04	3.50	3.86
Profitability	Return on assets (%)	10.11	11.86	11.56	12.06	10.44
	Return on equity (%)	16.48	20.40	21.68	24.00	22.56
	Pre-tax income as a % of paid-in capital	87.01	99.35	107.02	105.64	122.87
	Net income margin (%)	3.87	4.15	3.80	3.44	2.69
	EPS (NT\$)	7.48	8.45	9.07	10.35	9.95
Cash flow	Cash flow rate (%)	30.69	29.66	24.95	36.13	38.47
	Cash flow adequacy rate (%)	92.56	90.82	72.28	67.59	77.11
	Cash reinvestment rate (%)	(1.16)	8.65	7.55	21.74	37.29
Leverage	Operating leverage	4.74	4.04	3.91	4.08	3.92
	Financial leverage	1.00	1.00	1.00	1.00	1.01

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

The following explains the financial ratios that fluctuated more than 20% between 2018 and 2019:

1. Interest coverage rate: IFRS 16 was applied to recognize the lease obligations in 2019, which increased the interest expense and reduced the interest coverage rate.
2. accounts receivable turnover: Revenue growth in 2019 led to an increase in the accounts receivable turnover.
3. Inventory turnover and average days sales: Due to the intense competition in the Internet channel, in 2019, 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.
4. Property, plant and equipment turnover: Revenue growth in 2019 led to an increase in the property, plant and equipment turnover.
5. Net income margin: In 2018, the recognition of capital reduction losses from foreign investments and the recognition of tax income from the acquisition of equipment investment credit approval letters resulted in a decrease in net income after taxes and a reduction in net income margin due to the relative increase in income tax expense in the current period.
6. Cash reinvestment rate: Net cash flows from operating activities increased in 2019, leading to an increase in the cash reinvestment rate.

## Stand-alone financial analysis (2015-2019) – Based on IFRS

		2015	2016	2017	2018	2019
Financial structure	Liability to asset rate (%)	37.95	40.79	48.63	48.62	57.00
	Long-term fund to PP&E rate (%)	278.13	209.52	135.40	143.93	165.32
Solvency	Current rate (%)	170.38	144.62	100.98	103.65	99.26
	Quick rate (%)	165.48	135.46	80.53	71.52	64.71
	Interest coverage rate (%)	52,090.04	1,419,204.00	1,521,721.00	-	207.70
Operatens	Accounts receivable turnover (x)	46.29	42.54	39.14	39.39	47.69
	Average collection days	7.88	8.58	9.32	9.27	7.65
	Inventory turnover (x)	118.69	88.08	38.29	25.48	21.17
	Accounts payable turnover (x)	8.16	8.28	8.24	8.44	8.80
	Average days sales	3.08	4.14	9.53	14.32	17.24
	Property, plant and equipment turnover (x)	11.93	11.16	8.92	9.30	11.73
	Total asset turnover (x)	2.71	2.96	3.13	3.58	3.94
Profitability	Return on assets (%)	11.35	12.55	11.98	12.38	10.66
	Return on equity (%)	17.75	20.72	21.79	24.11	22.65
	Pre-tax income as a % of paid-in capital	91.67	99.90	107.12	105.52	122.31
	Net income margin (%)	4.19	4.24	3.83	3.46	2.69
	EPS (NT\$)	7.48	8.45	9.07	10.35	9.95
Cash flow	Cash flow rate (%)	37.06	36.43	26.40	38.52	39.63
	Cash flow adequacy rate (%)	103.81	99.93	77.29	71.61	78.99
	Cash reinvestment rate (%)	(0.31)	14.74	7.31	22.48	35.97
Leverage	Operating leverage	3.84	3.93	3.88	4.06	3.91
	Financial leverage	1.00	1.00	1.00	1.00	1.01

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

The following explains the financial rates that fluctuated more than 20% between 2018 and 2019:

1. Interest coverage rate: IFRS 16 was applied to recognize the lease obligations in 2019, which increased the interest expense and the interest coverage rate.
2. Accounts receivable turnover: Revenue growth in 2019 led to an increase in the accounts receivable turnover.
3. Inventory turnover and average days sales: Due to the intense competition in the Internet channel, in 2019, 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.
4. Property, plant and equipment turnover: Revenue growth in 2019 led to an increase in the property, plant and equipment turnover.
5. Net income margin: In 2018, the recognition of capital reduction losses from foreign investments and the recognition of tax income from the acquisition of equipment investment credit approval letters resulted in a decrease in net income after taxes and a reduction in net income margin due to the relative increase in income tax expense in the current period.
6. Cash reinvestment rate: Net cash flows from operating activities increased in 2019, leading to an increase in the cash reinvestment rate.

Note: Formulas for the above tables:

### 1. Financial structure

(1) Liability to asset rate = Total liabilities / Total assets

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

### 2. Solvency

(1) Current rate = Current assets / Current liabilities

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

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

### 3. Operatens

- (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 rate = Cash flow from operating activities / Current liabilities
- (2) Cash flow adequacy rate = 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**  
**February 12, 2020**

The Board of Directors of momo.com Inc. has submitted the Company's 2019 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 2019 Annual General Meeting of shareholders for ratifications.

Sincerely,

The 2020 General Shareholders Meeting of momo.com Inc.

momo.com Inc.

Audit committee convener: Hong-So Chen

#### iv. The 2019 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

##### 2018 - 2019 Consolidated Balance Sheet

Unit: NT\$'000, %

	2018	2019	YoY change	
			Amount	%
Current assets	6,168,249	7,547,400	1,379,151	22.36
Property, plant and equipment	4,477,398	4,364,869	(112,529)	(2.51)
Right-of-use assets	-	1,088,091	1,088,091	100
Intangible assets	128,397	126,107	(2,290)	(1.78)
Other assets	1,452,508	1,472,702	20,194	1.39
Total assets	12,226,552	14,599,169	2,372,617	19.41
Current liabilities	5,772,994	7,372,246	1,599,252	27.70
Long-term Liabilities	281,454	1,050,690	769,236	273.31
Total liabilities	6,054,448	8,422,936	2,368,488	39.12
Paid-in capital	1,400,585	1,400,585	-	-
Capital surplus	2,976,991	2,647,360	(329,631)	(11.07)
Retained earnings	1,940,821	2,280,724	339,903	17.51
Other equity	(167,894)	(172,693)	(4,799)	2.86
Non-controlling interests	21,601	20,257	(1,344)	(6.22)
Total equity	6,172,104	6,176,233	4,129	0.07

All financial data have been duly audited by independent auditors.

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

1. Increase of current assets: Mainly due to increased inventory and revenue growth.
2. Increase of right-of-use assets: Mainly due to the application of IFRS16 to recognize the right-of-use asset in 2019.
3. Increase of current liabilities: Mainly due to the application of IFRS16 in 2019 to recognize lease obligations due within one year and revenue growth, which resulted in the increase of the purchase payables.
4. Increase of long-term liabilities: Mainly due to the application of IFRS16 to recognize the lease obligations in 2019.

## ii. Statements of Comprehensive Income Analysis

### Consolidated statements of comprehensive income analysis

#### 2018 – 2019 Consolidated Statements of Comprehensive Income

Unit: NT\$'000, %

	2018	2019	YoY change	
			Amount	%
Operating revenue	42,017,012	51,830,417	9,813,405	23.36
Operating costs	37,756,772	46,745,781	8,989,009	23.81
Gross profit	4,260,240	5,084,636	824,396	19.35
Operating expenses	2,852,538	3,458,294	605,756	21.24
Net other income and expenses	14,716	29,287	14,571	99.01
Operating income	1,422,418	1,655,629	233,211	16.40
Non-operating income and expenses	57,194	65,231	8,037	14.05
Income before tax	1,479,612	1,720,860	241,248	16.30
Tax expense	34,937	328,159	293,222	839.29
Net income	1,444,675	1,392,701	(51,974)	(3.60)
Other comprehensive income	(49,899)	(5,260)	44,639	(89.46)
Comprehensive income	1,394,776	1,387,441	(7,335)	(0.53)

All financial data have been duly audited by independent 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 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. In addition, due to the application of IFRS16, depreciation expenses have also increased.
4. Increase of other income and expenses: Compare to 2018, the increase was mainly due to the fact that momo coins became invalid and turned into other income, and the supplier waived the payment and reclassified it as other income.
5. Increase in tax expense: In 2018, there was recognition of capital reduction losses from foreign investments and recognition of tax income from the acquisition of equipment investment credit approval letters; there were no such circumstances this year, resulting in an increase in income tax expenses in 2019
6. Increase of other comprehensive income: Mainly due to the increase in 2019 compared to 2018 in the recognized and unrealized valuation gains of equity instrument investments measured at fair value through other comprehensive income.

### 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

##### 2018 – 2019 Consolidated Cash Flow Statement

Unit: NT\$'000, %

	2018	2019	YoY change	
			Amount	%
Cash inflow (outflow) from operating activities	2,085,628	2,836,386	750,758	36.00
Cash inflow (outflow) from investment activities	(683,882)	(398,567)	285,315	(41.72)
Cash inflow (outflow) from financing activities	(1,178,056)	(1,549,264)	(371,208)	31.51
Impact from changes in exchange rate	(311)	(1,162)	(851)	273.63
Net cash increase (decrease)	223,379	887,393	664,014	297.26

Analysis of the Change in Cash Flow:

1. Increase of cash inflow from operating activities: Mainly due to the revenue growth and the increased net income after taxes in 2019.
2. Decrease of cash outflow from investment activities: Mainly due to the decrease in fixed asset purchases in 2019.
3. Increase of cash outflow from financing activities: Mainly due to the increase in the distribution of cash dividends and repayment of lease principal.

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

#### Consolidated projected cash flow for 2020

##### 2020 Consolidated Projected Cash Flow Analysis

Unit: NT\$'000

Cash balance, Beginning of the year (1)	Forecast net cash inflow from operatens (2)	Forecast cash outflow from investment and financing activities (3)	Cash balance, end of the year (1) + (2) - (3)	Source of funding for negative cash balance	
				Cash inflow from investment activities	Cash inflow from financing activities
3,811,842	2,164,358	2,253,731	3,722,469	—	—

Explanations and analysis:

1. Operating revenue and profit growth trends in 2020 are expected to remain unchanged from those in 2019; however, investment activities supporting revenue growth scale have increased, therefore, the expected cash balance amounts to NT \$3,722,469.
2. It is expected that as the operating revenue increases, the cash inflow for the ensuing year will stem from operating activities.
3. 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 rate, 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\$46,166,000 in 2019, and was at NT\$49,080,000 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 2018. 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:

In the domestic market, in order to optimize the customer's shopping process and shorten the time taken from ordering to picking up, the Company intends to invest in the establishment of a wholly owned company, Fu Sheng Logistics Company, to undertake part of the Company's logistics distribution business in order to improve its grasp of logistics distribution and customer satisfaction with the shopping experience.

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, %

	2018	% of Operating revenue	2019	% of Operating revenue
Interest income	29,114	0.07%	27,009	0.05%
Interest expense	2,745	0.01%	8,529	0.02%
Exchange gain (loss)	979	0.00%	(5,887)	(0.01%)

1. Impact of interest rate fluctuations

The interest income of the Company and its subsidiary was NT \$29million in 2018 and NT \$27 million in 2019, which respectively accounted for 0.07% and 0.05% of the net operating revenue. In addition, the interest expense for 2018 and 2019 was NT \$2.7 million and NT \$8.5 million, respectively accounting for 0.01% and 0.02% 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 \$0.98 million for 2018 and NT (\$5.89) million for 2019, which respectively accounted for 0.00% and 0.01% of the net operating revenue. The Company and its subsidiary's proportion of operating revenue in Taiwan registered 99.9%. 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

Benefiting from continuous breakthroughs and innovations in technology, momo also continues to improve the software and hardware equipment and systems of its logistics and warehousing. In 2019, as the pioneer of the industry, it continued to introduce automated equipment in each of its warehouses, and used big data to develop and introduce recommendations for autonomous warehouse applications into the system. In order to provide better services to consumers, momo opened satellite warehouses in Keelung, Taoyuan, Hsinchu, Taichung, Changhua, Tainan, Kaohsiung and other places in 2019. Together with the operation of the self-operated fleet, the order shipping time in those areas has been significantly shortened. Admittedly, meeting all customers' needs in life is the core concept of momo. momo will continue to expand its self-operated fleet and move towards the subsidiary model business strategy for its future layout. It is expected that the scope of distribution services will extend across the six metropolitan areas in Taiwan and the benefits of short chain will continue to be improved, thus achieving the state of service differentiation in Taiwan's e-commerce logistics.

Taiwan's e-commerce development is mostly concentrated in its northern region. Nevertheless, momo is committed to serving consumers in the central and southern regions as well, thus breaking the pattern of valuing northern regions over southern regions and needing to delivering cargo from north to south, and enabling the southern region to have the same resources as the northern metropolitan area. Therefore, momo planned a southern storage and distribution logistics center as the key layout for logistics in the central and southern regions. The purchase of land for the project was completed in 2019, and construction is expected to start in 2020, with the official launched expected for 2022. momo believes that the southern storage and distribution logistics center will serve the purposes of carrying on its past heritage and opening up the future.

The total in investments for the preceding was approximately NT\$723 million.

Project title	Project description
Construction of warehouse automated equipment	Going beyond restrictions in warehouse floors and conveying goods to the shipping area, thus shortening shipping time, improving the distribution efficiency, and saving hauling time and movement.
Short-chain warehousing strategy	Intelligent big data selection enables consumers to enjoy faster and more convenient delivery services.
Equipment investment in self-operated transportation fleet	Effective and flexible dispatching as well as accurately grasping delivery progress, it is expected to shorten the delivery time, so that consumers can enjoy fast and high-quality home delivery services.
Land purchase for the southern storage and distribution logistics center	Key layout for logistics in the central and southern regions, which takes the improvement of shipping efficiency throughout Taiwan as its long-term goal.

In 2020, the Company cooperated with an external vendor to develop a search-by-image system. Using image recognition technology, the search-by-image function allows consumers to find similar products by uploading photos or taking photos on the spot, making product searches more convenient. In addition, the accuracy of picture module comparison results has been gradually optimized, which increases the product purchase rate, providing consumers with diverse search methods in addition to search by text.

In the first stage of search by image (introduced in 2019), the function was introduced into the momoshop app's trendy apparel section, allowing consumers to search by image in the apparel category. In the second stage, the scope of image recognition will be expanded to other categories, covering more products. We will continue to optimize the accuracy of image recognition through deep learning algorithms, meeting consumers' needs for searching for products that are difficult to describe in words, and thereby improve consumer shopping experience in product searches.

Payment Gateway increases acquiring and optimizes functions. As the credit card transaction volume gradually increases, the Payment Gateway functions have been strengthened to be in compliance with the PCIDSS (Payment Card Industry Data Security Standard) Level 1 to ensure the information security of consumers shopping by credit card.

As for the voice search project, through cooperation with external vendors, the Company introduced voice technology, including speech recognition, language understanding, and speech synthesis, so that users can use more diverse shopping methods and enjoy a more convenient shopping experience.

Users can click the microphone button in the momoshop app and speak aloud what they would like to find, including various sorting and filtering conditions. The filtered results will be automatically generated. This provides

consumers with services other than the original voice-to-text service by adding the function of language understanding, which improves the convenience of product searches. The voice search project also covers the management of word lists, the addition of new words, and the expandability of new fields; in conjunction with the increase of momo's own items or categories and the changes in consumers' descriptions, improvements can continue be made in speech recognition and understanding.

Expected investment in R&D in 2020 is NT\$202 million.

Project title	Project description
Second stage of search by image	Using the image recognition technology and the product search-by-image function to provide a search channel based on images helps consumers quickly find the same or similar products.
Payment Gateway increases acquiring and optimizes functions	The Company handles more than 6 million credit card transactions each year. In accordance with the international credit card associations' regulations, the Company needs to satisfy the PCIDSS Level 1 standard. Therefore, the Company will introduce HSM-related hardware and modify the Payment Gateway system to strengthen encryption and meet specifications.
Voice search project	The establishment of customized language models and product search language understanding modules. We used momo's current product information to build a voice search system model. In the future, consumers will be able to experience a product search method different from search by text in certain processes. Business units will also be able to use tools to list/discontinue products and perform update operations to facilitate timely updates of the speech recognition list. In addition, this system can continuously record and track the recognition results after going online, thereby continuously optimizing recognition accuracy.

## 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 operaten of the Company and its subsidiary.

## Impact of changes in brand image on the Company's risk management policies in 2019 up to publication date in 2020

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 2019 up to publication date in 2020**

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 2019 up to publication date in 2020**

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 2019 up to publication date in 2020**

### **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 2019 up to publication date in 2020**

Since 2019 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 2019 up to publication date in 2020**

Not applicable.

## **Significant lawsuits and non-litigious matters in 2019 up to publication date in 2020**

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. In 2019, the credit card transaction process obtained PCIDSS (Payment Card Industry Data Security Standard) Level 2 certification. In order to enable the Board of Directors to perform supervisory duties, 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, the website had been completely changed to https, the hypertext transfer protocol secure, to protect the privacy of transaction information. During 2019, there were 18 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.

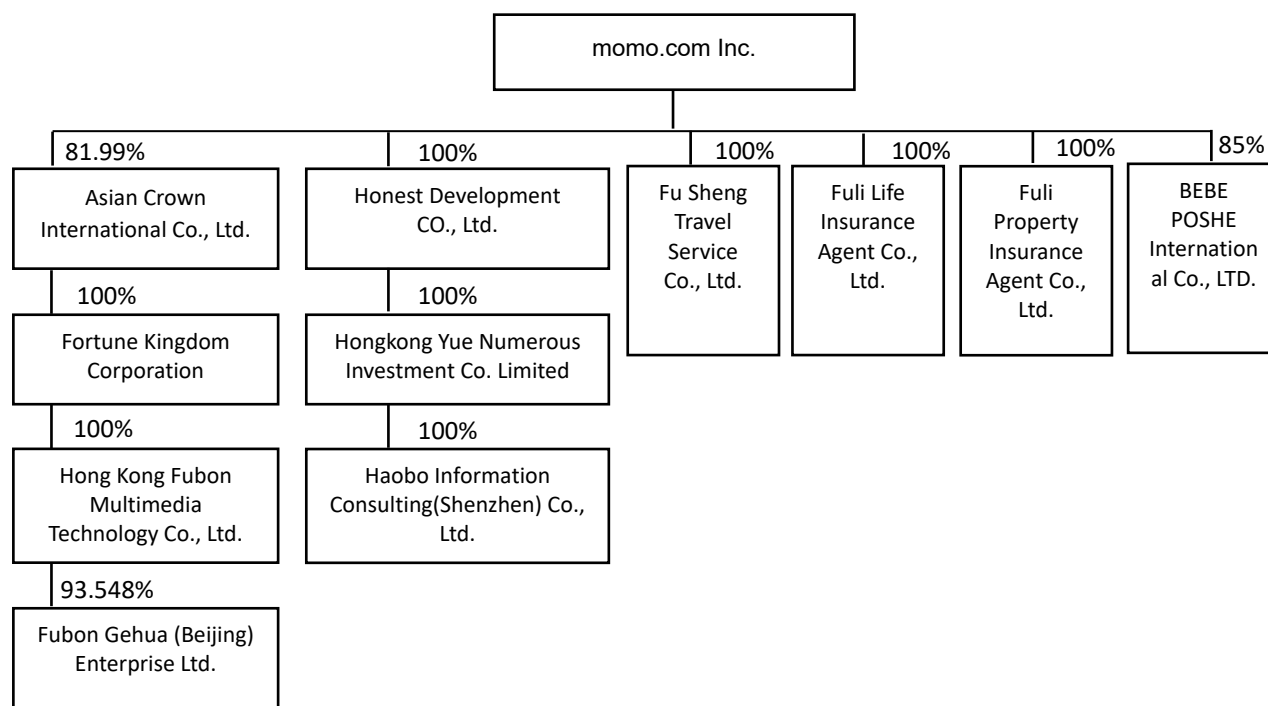
## **vii. Other Significant Items: None.**

## VIII. Special Notes

### i. Affiliates

#### Investment holding structure

As of December 31, 2019



#### Affiliates' profile

December 31, 2019 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 cosmetics
Asian Crown International Co.,Ltd.	2009.01.07	Palm Grove House, P.O. Box 438, Road Town , Tortola , British Virgin Islands	USD11,873,735	Investment
Fortune Kingdom Corporaten	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, Tsim 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, Tsim Sha Tsui, Kowloon, Hong Kong	HK16,600,000	Investment
Haobo Information Consulting(Shenzhen) Co., Ltd.	2008.11.14	26B-B1, Block A, Zhongyin Building, Caitian Road, Futian District, Shenzhen, People's Republic of China	RMB11,000,000	Investment

**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, 2019 Unit: Dollar in foreign currency; Share; %

Name	Title	name of Representative	Shareholding	
			Shares	Shares %/
			(Note 2)	
Fu Sheng Travel Service Co., Ltd.	Chairman	momo.com Inc. Representative: C.F. Lin	3,000,000	100.00%
	Director	momo.com Inc. Representative: Jeff Ku	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: Jeff Ku	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: Jeff Ku	500,000	100.00%
	Director	momo.com Inc. Representative: Jeremy Hong	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: Jeff Ku	8,500,000	85.00%
	Director	momo.com Inc. Representative: Summer Hsieh	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)		

Name	Title	name of Representative	Shareholding	
			Shares	Shares %/
			(Note 2)	
Fortune Kingdom Corporaten	Director	Asian Crown International Co., Ltd.	USD 11,594,429	100.00%
	President	(Note 1)		
Hong Kong Fubon Multimedia Technology Co., Ltd.	Director	Fortune Kingdom Corporaten	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: Nien Pei Tsai	RMB 72,499,800	93.5481%
	Director	Prosperous Group(Asia) Limited Representative : Pei Yin 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 Corporaten, 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, 2019 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	14,317,140	8,161,164	6,155,976	51,729,220	1,647,699	1,393,781	9.95
Fu Sheng Travel Service Co., Ltd.	30,000	308,520	260,694	47,826	22,843	12,177	8,509	2.84
Fuli Life Insurance Agent Co., Ltd.	5,000	9,885	1,094	8,791	1,739	(322)	(304)	(0.61)
Fuli Property Insurance Agent Co., Ltd.	5,000	11,521	1,118	10,403	4,451	1,575	1,275	2.55
BEBE POSHE International Co., LTD.	100,000	61,145	2,722	58,423	29,275	(7,792)	(7,532)	(0.75)
Asian Crown International Co., Ltd.	364,890	49,690	-	49,690	-	(62)	142	0.01
Fortune Kingdom Corporaten	356,500	45,274	-	45,274	-	-	229	0.02
Hong Kong Fubon Multimedia Technology Co., Ltd.	356,500	45,274	-	45,274	-	-	229	0.02
Fubon Gehua (Beijing) Enterprise Ltd.	333,173	57,895	18,469	39,426	101,318	1,414	376	Not applicable
Honest Development CO., Ltd.	670,448	630,252	-	630,252	-	-	9,592	0.44
Hongkong Yue Numerous Investment Co. Limited	66,035	630,252	-	630,252	-	-	9,592	0.58
Haobo Information Consulting(Shenzhen) Co., Ltd.	47,289	603,097	-	603,097	-	(150)	14,261	Not applicable
Note : Exchange rate of US\$1=NT\$30.02 and HKD\$1=NT\$3.855 and RMB1=NT\$4.299 as of December 31, 2019 Average exchange rate of US\$1=NT\$30.91 and HKD\$1=NT\$3.945 and RMB1=NT\$4.47 for 2019								

## 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 2019, 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, 2019 and 2018 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, 2019, 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

February 12, 2020

## **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, 2019 and 2018, 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, 2019 and 2018, 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 audits 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, 2019. 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, 2019 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 an 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.

#### **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, 2019 and 2018 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, 2019 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 Pei-De Chen.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

February 12, 2020

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, 2019 AND 2018**  
**(In Thousands of New Taiwan Dollars)**

ASSETS	2019		2018	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Notes 6 and 30)	\$ 3,811,842	26	\$ 2,924,449	24
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)	7,407	-	10,125	-
Accounts receivable, net (Note 9)	95,151	1	53,867	-
Accounts receivable from related parties (Note 30)	35,774	-	10,699	-
Other receivables, net (Note 9)	730,520	5	903,461	8
Other receivables from related parties (Note 30)	133,685	1	165,408	1
Inventories (Note 10)	2,405,934	16	1,627,218	13
Prepayments	62,483	1	161,642	1
Other financial assets - current (Notes 11, 30 and 31)	123,880	1	110,816	1
Other current assets	16,030	-	14,323	-
Rights to recover products - current (Note 23)	124,694	1	104,767	1
Total current assets	<u>7,547,400</u>	<u>52</u>	<u>6,168,249</u>	<u>50</u>
<b>NON-CURRENT ASSETS</b>				
Financial assets at fair value through other comprehensive income - non-current (Note 8)	49,584	-	42,580	-
Investments accounted for using equity method (Notes 5 and 13)	1,083,973	7	1,272,124	11
Property, plant and equipment (Notes 14 and 30)	4,364,869	30	4,477,398	37
Right-of-use assets (Notes 15 and 30)	1,088,091	7	-	-
Goodwill (Note 16)	13,332	-	26,664	-
Other intangible assets	112,775	1	101,733	1
Deferred tax assets (Note 25)	27,368	-	46,574	-
Prepayments for equipment (Note 32)	62,814	1	-	-
Refundable deposits (Note 30)	93,001	1	72,652	1
Other financial assets - non-current (Notes 11, 30 and 31)	<u>155,962</u>	<u>1</u>	<u>18,578</u>	<u>-</u>
Total non-current assets	<u>7,051,769</u>	<u>48</u>	<u>6,058,303</u>	<u>50</u>
<b>TOTAL</b>	<u>\$ 14,599,169</u>	<u>100</u>	<u>\$ 12,226,552</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Contract liabilities - current	\$ 42,662	-	\$ 114,417	1
Notes and accounts payable (Note 17)	5,053,906	35	4,474,923	37
Accounts payable to related parties (Note 30)	280,392	2	94,603	1
Other payables (Note 18)	702,163	5	478,025	4
Other payables to related parties (Note 30)	27,140	-	56,161	-
Current tax liabilities	204,192	2	4,915	-
Lease liabilities - current (Notes 15, 27 and 30)	347,189	2	-	-
Refundable liabilities - current (Note 23)	143,562	1	123,675	1
Other current liabilities (Note 19)	<u>571,040</u>	<u>4</u>	<u>426,275</u>	<u>4</u>
Total current liabilities	<u>7,372,246</u>	<u>51</u>	<u>5,772,994</u>	<u>48</u>
<b>NON-CURRENT LIABILITIES</b>				
Provisions - non-current	18,013	-	13,773	-
Deferred tax liabilities (Note 25)	4,756	-	5,649	-
Lease liabilities - non-current (Notes 15, 27 and 30)	749,172	5	-	-
Net defined benefit liabilities (Note 20)	1,207	-	2,473	-
Guarantee deposits (Note 21)	<u>277,542</u>	<u>2</u>	<u>259,559</u>	<u>2</u>
Total non-current liabilities	<u>1,050,690</u>	<u>7</u>	<u>281,454</u>	<u>2</u>
Total liabilities	<u>8,422,936</u>	<u>58</u>	<u>6,054,448</u>	<u>50</u>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT (Note 22)</b>				
Common stock	<u>1,400,585</u>	<u>9</u>	<u>1,400,585</u>	<u>11</u>
Capital surplus	<u>2,647,360</u>	<u>18</u>	<u>2,976,991</u>	<u>24</u>
Retained earnings				
Legal reserve	803,491	6	706,713	6
Special reserve	167,894	1	266,327	2
Unappropriated earnings	<u>1,309,339</u>	<u>9</u>	<u>967,781</u>	<u>8</u>
Total retained earnings	<u>2,280,724</u>	<u>16</u>	<u>1,940,821</u>	<u>16</u>
Other equity	<u>(172,693)</u>	<u>(1)</u>	<u>(167,894)</u>	<u>(1)</u>
Total equity attributable to owners of the Parent	<u>6,155,976</u>	<u>42</u>	<u>6,150,503</u>	<u>50</u>
<b>NON-CONTROLLING INTERESTS (Note 22)</b>	<u>20,257</u>	<u>-</u>	<u>21,601</u>	<u>-</u>
Total equity	<u>6,176,233</u>	<u>42</u>	<u>6,172,104</u>	<u>50</u>
<b>TOTAL</b>	<u>\$ 14,599,169</u>	<u>100</u>	<u>\$ 12,226,552</u>	<u>100</u>

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

**momo.com Inc. AND SUBSIDIARIES**
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018  
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)**

	<b>2019</b>		<b>2018</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
OPERATING REVENUE (Notes 23 and 30)	\$ 51,830,417	100	\$ 42,017,012	100
OPERATING COSTS (Notes 10, 20, 24 and 30)	<u>46,745,781</u>	<u>90</u>	<u>37,756,772</u>	<u>90</u>
GROSS PROFIT FROM OPERATIONS	<u>5,084,636</u>	<u>10</u>	<u>4,260,240</u>	<u>10</u>
OPERATING EXPENSES (Notes 9, 20, 24 and 30)				
Marketing expenses	1,732,222	4	1,381,006	3
Administrative expenses	1,721,204	3	1,467,031	4
Expected credit loss	<u>4,868</u>	<u>-</u>	<u>4,501</u>	<u>-</u>
Total operating expenses	<u>3,458,294</u>	<u>7</u>	<u>2,852,538</u>	<u>7</u>
NET OTHER INCOME AND EXPENSES	<u>29,287</u>	<u>-</u>	<u>14,716</u>	<u>-</u>
OPERATING INCOME	<u>1,655,629</u>	<u>3</u>	<u>1,422,418</u>	<u>3</u>
NON-OPERATING INCOME AND EXPENSES				
Other income (Note 24)	41,329	-	36,574	-
Other gains and losses, net (Notes 24 and 30)	(16,649)	-	(27,088)	-
Finance costs (Notes 24 and 30)	(8,529)	-	(2,745)	-
Share of profit of associates accounted for using equity method (Notes 5 and 13)	<u>49,080</u>	<u>-</u>	<u>50,453</u>	<u>-</u>
Total non-operating income and expenses	<u>65,231</u>	<u>-</u>	<u>57,194</u>	<u>-</u>
PROFIT BEFORE INCOME TAX	1,720,860	3	1,479,612	3
INCOME TAX EXPENSE (Note 25)	<u>328,159</u>	<u>-</u>	<u>34,937</u>	<u>-</u>
PROFIT	<u>1,392,701</u>	<u>3</u>	<u>1,444,675</u>	<u>3</u>
OTHER COMPREHENSIVE LOSS (Notes 13, 20, 22 and 25)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	(110)	-	(238)	-
Unrealized gain (loss) on financial assets at fair value through other comprehensive income - equity instruments	4,286	-	(29,384)	-

(Continued)

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

## **CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)**

	<b>2019</b>		<b>2018</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
Share of remeasurement of defined benefit plans of associates accounted for using equity method	\$ (21)	-	\$ (583)	-
Share of unrealized gain (loss) on financial assets at fair value through other comprehensive income - equity instruments of associates accounted for using equity method	8,702	-	(6,634)	-
Income tax related to items that will not be reclassified subsequently to profit or loss	22	-	300	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation	(21,932)	-	(12,676)	-
Share of other comprehensive income (loss) of associates accounted for using equity method	<u>3,793</u>	<u>-</u>	<u>(684)</u>	<u>-</u>
Other comprehensive loss, net of tax	<u>(5,260)</u>	<u>-</u>	<u>(49,899)</u>	<u>-</u>
COMPREHENSIVE INCOME	<u>\$ 1,387,441</u>	<u>3</u>	<u>\$ 1,394,776</u>	<u>3</u>
PROFIT (LOSS) ATTRIBUTABLE TO:				
Owners of the Parent	\$ 1,393,781	3	\$ 1,449,640	3
Non-controlling interests	<u>(1,080)</u>	<u>-</u>	<u>(4,965)</u>	<u>-</u>
	<u>\$ 1,392,701</u>	<u>3</u>	<u>\$ 1,444,675</u>	<u>3</u>
COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:				
Owners of the Parent	\$ 1,388,873	3	\$ 1,399,538	3
Non-controlling interests	<u>(1,432)</u>	<u>-</u>	<u>(4,762)</u>	<u>-</u>
	<u>\$ 1,387,441</u>	<u>3</u>	<u>\$ 1,394,776</u>	<u>3</u>
EARNINGS PER SHARE (Note 26)				
Basic	<u>\$ 9.95</u>		<u>\$ 10.35</u>	
Diluted	<u>\$ 9.95</u>		<u>\$ 10.35</u>	

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

(Concluded)



**momo.com Inc. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018  
(In Thousands of New Taiwan Dollars)**

	Equity Attributable to Owners of the Parent										Non-controlling Interests	Total Equity	
	Common Stock	Capital Surplus	Retained Earnings			Unappropriated Earnings	Exchange Differences on Translation	Unrealized Gain (Loss) on Financial Assets Through Other Comprehensive Income	Unrealized Gain (Loss) on Available-for- sale Financial Assets	Treasury Shares			Total
			Legal Reserve	Special Reserve									
BALANCE AT JANUARY 1, 2018	\$ 1,420,585	\$ 3,057,738	\$ 579,727	\$ 212,342	\$ 1,269,857	\$ (48,923)	\$ -	\$ (217,404)	\$ (397,175)	\$ (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)	(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)		
Changes in equity of associates accounted for using equity method	-	13,292	-	-	4,380	-	-	-	-	-	17,672		
Issue of cash dividends from capital surplus	-	(31,583)	-	-	-	-	-	-	-	-	(31,583)		
Profit (loss) for the year ended December 31, 2018	-	-	-	-	1,449,640	-	-	-	-	(4,965)	1,444,675		
Other comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	(521)	(13,563)	(36,018)	-	-	203	(49,899)		
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	1,449,119	(13,563)	(36,018)	-	-	(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)	-	-	-	-	-	-	-	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		
Effect of retrospective application and retrospective restatement	-	-	-	-	29,438	-	-	-	-	88	29,526		
BALANCE AT JANUARY 1, 2019 AS RESTATED	1,400,585	2,976,991	706,713	266,327	997,219	(62,486)	(105,408)	-	6,179,941	21,689	6,201,630		
Distribution of 2018 earnings	-	-	-	-	-	-	-	-	-	-	-		
Legal reserve	-	-	96,778	-	(96,778)	-	-	-	-	-	(969,429)		
Cash dividends	-	-	-	-	(969,429)	-	-	-	-	-	-		
Reversal of special reserve	-	-	-	(98,433)	98,433	-	-	-	-	-	-		
Changes in equity of associates accounted for using equity method	-	(38,533)	-	-	(113,778)	-	-	-	-	-	(152,311)		
Issue of cash dividends from capital surplus	-	(291,098)	-	-	-	-	-	-	-	-	(291,098)		
Profit (loss) for the year ended December 31, 2019	-	-	-	-	1,393,781	-	-	-	-	(1,080)	1,392,701		
Other comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	(109)	(17,787)	12,988	-	-	(352)	(5,260)		
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	1,393,672	(17,787)	12,988	-	-	(1,432)	1,387,441		
BALANCE AT DECEMBER 31, 2019	\$ 1,400,585	\$ 2,647,360	\$ 803,491	\$ 167,894	\$ 1,309,339	\$ (80,273)	\$ (92,420)	\$ -	\$ -	\$ 20,257	\$ 6,176,233		

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

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

## **CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)**

	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before income tax	\$ 1,720,860	\$ 1,479,612
Adjustments:		
Depreciation expenses	614,485	267,168
Amortization expenses	58,505	53,414
Expected credit losses	4,868	4,501
(Gain) loss on financial assets at fair value through profit or loss, net	(3,390)	28,067
Finance costs	8,529	2,745
Interest income	(27,009)	(29,114)
Share of profit of associates accounted for using equity method	(49,080)	(50,453)
Loss on disposal of property, plant and equipment	7	-
Impairment loss on non-financial assets	13,332	-
Loss on foreign currency exchange, net	1,871	864
Others	2,448	(589)
Changes in operating assets and liabilities		
Financial assets at fair value through profit or loss	84,864	736,265
Accounts receivable	(42,387)	(30,361)
Accounts receivable from related parties	(25,075)	(4,970)
Other receivables	169,161	(203,130)
Other receivables from related parties	31,731	36,586
Inventories	(778,716)	(589,103)
Prepayments	98,355	(126,764)
Other current assets	(1,670)	4,614
Rights to recover products	(19,927)	(8,990)
Contract liabilities	34,434	64,442
Notes and accounts payable	578,983	813,150
Accounts payable to related parties	185,789	88,087
Other payables	221,486	(157,933)
Other payables to related parties	2,888	(86,343)
Refund liabilities	19,887	6,121
Other current liabilities	38,576	(18,195)
Net defined benefit liabilities	(1,376)	(1,372)
Cash generated from operations	2,942,429	2,278,319
Interest received	45	640
Income tax paid	(106,088)	(193,331)
Net cash generated from operating activities	2,836,386	2,085,628
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of investments accounted for using equity method	-	(20,771)
Net cash flow from acquisition of subsidiaries	-	(2,925)
Repayment of capital reduction from associates	-	31,090
Acquisition of property, plant and equipment	(196,852)	(679,989)
Proceeds from disposal of property, plant and equipment	6	-
Increase in refundable deposits	(24,395)	(17,373)

(Continued)

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

## **CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)**

	2019	2018
Decrease in refundable deposits	\$ 1,607	\$ 2,496
Acquisition of intangible assets	(64,628)	(57,760)
Increase in other financial assets	(189,745)	(74,034)
Decrease in other financial assets	37,107	30,579
Increase in prepayments for equipment	(62,814)	-
Interest received	26,297	28,022
Dividends received	<u>74,850</u>	<u>76,783</u>
Net cash used in investing activities	<u>(398,567)</u>	<u>(683,882)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Decrease in short-term loans	-	(70,528)
Repayments of long-term loans	-	(2,042)
Proceeds from guarantee deposits received	53,087	49,942
Refund of guarantee deposits received	(35,104)	(34,401)
Repayment of the principal portion of lease liabilities	(298,505)	-
Cash dividends	(1,260,527)	(1,120,468)
Interest paid	(8,215)	(2,875)
Changes in non-controlling interests	<u>-</u>	<u>2,316</u>
Net cash used in financing activities	<u>(1,549,264)</u>	<u>(1,178,056)</u>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>		
	<u>(1,162)</u>	<u>(311)</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	887,393	223,379
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<u>2,924,449</u>	<u>2,701,070</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<u>\$ 3,811,842</u>	<u>\$ 2,924,449</u>

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

(Concluded)

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

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

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

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

The consolidated financial statements by the Company as of and for the year ended December 31, 2019, comprise the Company and its subsidiaries (collectively, the “Group”).

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

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

The consolidated financial statements were approved by the Company’s Board of Directors on February 12, 2020.

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

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

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

- IFRS 16 “Leases”

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessee and lessor. It supersedes IAS 17 “Leases”, IFRIC 4 “Determining whether an Arrangement contains a Lease”, and a number of related interpretations. Refer to Note 4 for information relating to the relevant accounting policies.

#### Definition of a lease

The Group reassesses whether a contract is, or contains, a lease in accordance with the definition of a lease under IFRS 16. Contracts that are reassessed as containing leases are accounted for in accordance with the transitional provisions under IFRS 16.

### The Group as lessee

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

The Group elects to apply IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized in retained earnings on January 1, 2019. Comparative information is not restated.

Lease liabilities were recognized on January 1, 2019 for leases previously classified as operating leases under IAS 17. Lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on January 1, 2019. Right-of-use assets are measured at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments. The Group applies IAS 36 to all right-of-use assets.

The Group also applies the practical expedients: The Group applies a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.

The weighted average lessee's incremental borrowing rate applied to lease liabilities recognized on January 1, 2019 is 0.89%. The difference between the lease liabilities recognized and operating lease commitments disclosed under IAS 17 on December 31, 2018 is explained as follows:

The future minimum lease payments of non-cancellable operating lease commitments on December 31, 2018	\$ 789,024
Less: Recognition exemption for short-term leases	<u>(31,043)</u>
Undiscounted amounts on January 1, 2019	<u>\$ 757,981</u>
Discounted amounts using the incremental borrowing rate on January 1, 2019	\$ 744,684
Less: Others	<u>(1,113)</u>
Lease liabilities recognized on January 1, 2019	<u>\$ 743,571</u>

### The Group as lessor

The Group does not make any adjustments for leases in which it is a lessor, and it accounts for those leases with the application of IFRS 16 starting from January 1, 2019.

The impact on assets, liabilities and equity as of January 1, 2019 from the initial application of IFRS 16 is set out as follows:

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

- b. The IFRSs endorsed by the FSC for application starting from 2020

<b>New IFRSs</b>	<b>Effective Date Announced by IASB</b>
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020 (Note 1)
Amendments to IFRS 9, IAS 39 and IFRS 7 “Interest Rate Benchmark Reform”	January 1, 2020 (Note 2)
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020 (Note 3)

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

Note 2: The Group shall apply these amendments retrospectively for annual reporting periods beginning on or after January 1, 2020.

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.

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

<b>New IFRSs</b>	<b>Effective Date Announced by IASB (Note)</b>
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 “Classification of Liabilities as Current or Non-current”	January 1, 2022

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

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

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

- a. Statement of compliance

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 an asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- 3) Level 3 inputs are unobservable inputs for an asset or liability.

- c. 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 (i.e., its subsidiaries).

Income and expenses of subsidiaries acquired or 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 interests of the Group and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Company.

See Note 12, Table 5 and Table 6 for detailed information of subsidiaries (including percentages 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 (i.e., 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 in which they arise.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when 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 translated using the exchange rate at the date of the transaction (i.e., not retranslated).

For the purposes of presenting consolidated financial statements, the functional currencies of the Company and its foreign operations (including subsidiaries and associates in other countries that use currencies which are 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).

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, investments 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 an 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 its 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 had the investee 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 using the equity method is insufficient, the shortage is debited to retained earnings.

The entire carrying amount of an 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 transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

i. Property, plant and equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost less accumulated depreciation and accumulated impairment loss.

Properties, plant and equipment in the course of construction are measured 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 their intended use.

Except for freehold land which is not depreciated, the depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effects of any changes in the estimates 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 whenever 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 the estimates 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 on 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 the Group 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 issuance 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 categories

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 assets at FVTPL

Financial assets are classified as at FVTPL when such a financial asset is mandatorily classified or 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, and any remeasurement gains or losses on such financial assets are recognized in gains or losses. 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 using 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 as 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, it 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.

b) Impairment of financial assets

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 losses (ECLs) for accounts receivable and other receivables. For all other financial instruments, the Group recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a 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 ECLs.

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

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts 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 the carrying amounts of such financial assets are not reduced.

c) Derecognition of financial assets

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

On derecognition of a financial asset 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, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

2) Equity instruments

Debt and equity instruments issued by the Group 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 Group are recognized at the proceeds received, net of direct issue costs.

The 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, issuance or cancellation of the Company's own equity instruments.

### 3) Financial liabilities

#### a) Subsequent measurement

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

#### b) Derecognition of financial liabilities

The difference between the carrying amount of a 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

The Group identifies contracts with 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 mo coins or advance receipts from prepaid bonus for customers to deduct the price when they are redeemed. Transaction price is allocated on a stand-alone selling price basis to mo coins and advance receipts from prepaid bonus. mo coins and advance receipts from prepaid bonus will be recognized as revenue when they are redeemed or expired.

##### 2) Revenue from rendering of services

The Group's revenues from rendering of services are advertising revenues and service revenues. Service revenues are that the Group procures the goods on behalf of customers as an agent. The Group recognizes service revenue in the net amount of consideration received or receivable when goods are transferred and the Group has no further obligation to customers. Advertising revenues are recognized as revenue during the contract period.

#### p. Leases

##### 2019

At the inception of a contract, the Group assesses whether the contract is, or contains, a lease.

### The Group as lessee

The Group recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the consolidated balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, or a change in future lease payments resulting from a change in an index used to determine those payments, the Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheets.

### 2018

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

### The Group as lessee

Operating lease payments are recognized as 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 liabilities are recognized as employee benefits expense in the period in which 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 retained earnings and will not be reclassified to profit or loss.

Net defined benefit liabilities represent the actual deficit in the Group's defined benefit plans. 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 on unappropriated earnings is provided for in the year the shareholders approve to retain 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 recognized only 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 assets 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 assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liabilities are settled or the assets 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 assets and liabilities 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 taxes

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, estimations and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

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

### **Critical Accounting Judgements**

a. Significant influence over associates

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

b. Lease terms - 2019

In determining a lease term, the Group considers all facts and circumstances that create an economic incentive to exercise or not to exercise an option, including any expected changes in facts and circumstances from the commencement date until the exercise date of the option. Main factors considered include contractual terms and conditions for the optional periods, significant leasehold improvements undertaken over the contract term, the importance of the underlying asset to the lessee's operations, etc. The lease term is reassessed if a significant change in circumstances that are within control of the Group occur.

## 6. CASH AND CASH EQUIVALENTS

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Cash on hand and revolving funds	\$ 16	\$ 17
Cash in banks	1,736,426	1,585,159
Time deposits	<u>2,075,400</u>	<u>1,339,273</u>
	<u>\$ 3,811,842</u>	<u>\$ 2,924,449</u>
The market rate intervals of time deposits	0.1%-1.25%	0.1%-2.7%

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

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
<u>Current</u>		
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

### Equity Instrument Investments

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
<u>Current</u>		
Foreign unlisted stock	\$ 7,407	\$ 10,125
<u>Non-current</u>		
Domestic unlisted stock	\$ 49,584	\$ 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.

As of December 31, 2019 and 2018, the financial assets were not pledged.

## 9. ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
<u>Accounts receivable</u>		
Measured at amortized cost		
Accounts receivable	\$ 97,765	\$ 55,729
Less: Allowance for impairment loss	<u>(2,614)</u>	<u>(1,862)</u>
Accounts receivable, net	<u>\$ 95,151</u>	<u>\$ 53,867</u>
<u>Other receivables</u>		
Measured at amortized cost		
Other receivables	\$ 739,682	\$ 910,630
Less: Allowance for impairment loss	<u>(9,162)</u>	<u>(7,169)</u>
Other receivables, net	<u>\$ 730,520</u>	<u>\$ 903,461</u>

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

The Group measures the loss allowance for trade receivables at an amount equal to lifetime ECLs. The expected credit losses on accounts receivable and other receivables are estimated by reference to the past default experience and collecting experience of each debtor as well as an increase in the number of delayed payments in the portfolio past the average credit period. Furthermore, the Group considers both its own trading records and observable changes in national or local economic conditions that correlate with defaults on receivables as factors affecting the expected credit losses. The Group estimates expected credit loss rate, based on different loss patterns for different customer segments, by past due status and actual situation.

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

### December 31, 2019

	<b>Not Past Due</b>	<b>1 to 120 Days</b>	<b>121 to 365 Days</b>	<b>Over 365 Days</b>	<b>Total</b>
Gross carrying amount	\$ 782,497	\$ 36,299	\$ 11,149	\$ 7,502	\$ 837,447
Loss allowance (Lifetime ECLs)	<u>(197)</u>	<u>(115)</u>	<u>(3,967)</u>	<u>(7,497)</u>	<u>(11,776)</u>
Amortized cost	<u>\$ 782,300</u>	<u>\$ 36,184</u>	<u>\$ 7,182</u>	<u>\$ 5</u>	<u>\$ 825,671</u>

### December 31, 2018

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

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

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

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Beginning balance	\$ 9,031	\$ 4,774
Add: Provision	4,868	4,501
Less: Write-off	<u>(2,123)</u>	<u>(244)</u>
Ending balance	<u>\$ 11,776</u>	<u>\$ 9,031</u>

## 10. INVENTORIES

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Merchandise	<u>\$ 2,405,934</u>	<u>\$ 1,627,218</u>

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2019 and 2018 were \$43,506,854 thousand and \$34,804,100 thousand, which included inventory write-downs of \$30,822 thousand and \$8,703 thousand, respectively.

## 11. OTHER FINANCIAL ASSETS

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
<u>Current</u>		
Pledged time deposits and restricted deposits	\$ 69,380	\$ 68,128
Time deposits with original maturities of more than 3 months	<u>54,500</u>	<u>42,688</u>
	<u>\$ 123,880</u>	<u>\$ 110,816</u>
<u>Non-current</u>		
Pledged time deposits and restricted deposits	<u>\$ 155,962</u>	<u>\$ 18,578</u>

- The ranges of interest rates for time deposits with original maturities of more than 3 months were 0.17%-2.15% and 0.17%-1.75% per annum as of December 31, 2019 and 2018, respectively.
- The Group estimates the expected credit risks of the above financial assets are not significant, and all the credit risks did not increase after initial recognition.
- Refer to Note 31 for information relating to other financial assets pledged as security.

## 12. SUBSIDIARIES

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

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

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

## 13. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

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

Investee Company	December 31			
	2019		2018	
	Amount	% of Ownership	Amount	% of Ownership
Global Home Shopping Co., Ltd. (GHS)	\$ 560,029	20.00	\$ 766,529	20.00
Taiwan Pelican Express Co., Ltd. (TPE)	404,413	17.70	385,706	17.70
TVD Shopping Co., Ltd. (TVD Shopping)	<u>119,531</u>	35.00	<u>119,889</u>	35.00
	<u>\$ 1,083,973</u>		<u>\$ 1,272,124</u>	

Refer to Table 5 "Information on Investees" and Table 6 "Information on Investments in Mainland China" for the nature of activities, principal places of business and countries 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

To engage in Thailand E-commerce market, the Group acquired 35% of TVD Shopping, which was incorporated by momo and TV Direct Public Company Limited, with the total amount of investment of THB120,750 thousand.

d. Aggregate information of associates

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

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
The Group's share of:		
Profit	\$ 49,080	\$ 50,453
Other comprehensive income (loss)	<u>12,474</u>	<u>(7,901)</u>
Total comprehensive income for the year	<u>\$ 61,554</u>	<u>\$ 42,552</u>

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

	<b>December 31</b>	
<b>Name of Associate</b>	<b>2019</b>	<b>2018</b>
TPE	<u>\$ 516,081</u>	<u>\$ 369,112</u>

All the associates are accounted for using the equity method.

## 14. PROPERTY, PLANT AND EQUIPMENT

	<b>Land</b>	<b>Buildings</b>	<b>Machinery</b>	<b>Office Equipment</b>	<b>Lease Improvement</b>	<b>Other Equipment</b>	<b>Property in Construction</b>	<b>Total</b>
<b>Cost</b>								
Balance, January 1, 2018	\$ 1,717,927	\$ 1,676,457	\$ 1,451,517	\$ 48,339	\$ 246,296	\$ 12,587	\$ 185,541	\$ 5,338,664
Additions	-	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	<u>\$ 1,717,927</u>	<u>\$ 1,768,148</u>	<u>\$ 1,455,732</u>	<u>\$ 101,574</u>	<u>\$ 262,460</u>	<u>\$ 61,927</u>	<u>\$ 15,039</u>	<u>\$ 5,382,807</u>
<b>Accumulated depreciation and impairment</b>								
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	<u>\$ -</u>	<u>\$ 85,812</u>	<u>\$ 632,401</u>	<u>\$ 45,355</u>	<u>\$ 131,787</u>	<u>\$ 10,054</u>	<u>\$ -</u>	<u>\$ 905,409</u>
Carrying amounts, December 31, 2018	<u>\$ 1,717,927</u>	<u>\$ 1,682,336</u>	<u>\$ 823,331</u>	<u>\$ 56,219</u>	<u>\$ 130,673</u>	<u>\$ 51,873</u>	<u>\$ 15,039</u>	<u>\$ 4,477,398</u>

(Continued)

	Land	Buildings	Machinery	Office Equipment	Lease Improvement	Other Equipment	Property in Construction	Total
<u>Cost</u>								
Balance, January 1, 2019	\$ 1,717,927	\$ 1,768,148	\$ 1,455,732	\$ 101,574	\$ 262,460	\$ 61,927	\$ 15,039	\$ 5,382,807
Additions	-	1,116	114,825	18,224	22,005	17,610	20,467	194,247
Disposals	-	-	(71)	(572)	-	-	-	(643)
Reclassification	-	-	6,871	-	-	-	(13,896)	(7,025)
Effect of exchange rate changes	-	-	(2,926)	(77)	(100)	(10)	-	(3,113)
Balance, December 31, 2019	<u>\$ 1,717,927</u>	<u>\$ 1,769,264</u>	<u>\$ 1,574,431</u>	<u>\$ 119,149</u>	<u>\$ 284,365</u>	<u>\$ 79,527</u>	<u>\$ 21,610</u>	<u>\$ 5,566,273</u>
<u>Accumulated depreciation and impairment</u>								
Balance, January 1, 2019	\$ -	\$ 85,812	\$ 632,401	\$ 45,355	\$ 131,787	\$ 10,054	\$ -	\$ 905,409
Depreciation	-	81,086	149,325	24,514	36,955	7,588	-	299,468
Disposals	-	-	(68)	(562)	-	-	-	(630)
Effect of exchange rate changes	-	-	(2,688)	(73)	(72)	(10)	-	(2,843)
Balance, December 31, 2019	<u>\$ -</u>	<u>\$ 166,898</u>	<u>\$ 778,970</u>	<u>\$ 69,234</u>	<u>\$ 168,670</u>	<u>\$ 17,632</u>	<u>\$ -</u>	<u>\$ 1,201,404</u>
Carrying amounts, December 31, 2019	<u>\$ 1,717,927</u>	<u>\$ 1,602,366</u>	<u>\$ 795,461</u>	<u>\$ 49,915</u>	<u>\$ 115,695</u>	<u>\$ 61,895</u>	<u>\$ 21,610</u>	<u>\$ 4,364,869</u>

(Concluded)

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

Buildings	5-50 years
Machinery	1-12 years
Office equipment	3-10 years
Lease improvement	1-10 years
Other equipment	3-15 years

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

## 15. LEASE ARRANGEMENTS

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

	December 31, 2019
<u>Carrying amounts</u>	
Buildings	\$ 1,081,176
Office equipment	4,485
Transportation equipment	<u>2,430</u>
	<u>\$ 1,088,091</u>
	<b>For the Year Ended December 31, 2019</b>
Additions to right-of-use assets	<u>\$ 656,800</u>
Depreciation charge for right-of-use assets	
Buildings	\$ 312,199
Office equipment	2,122
Transportation equipment	<u>696</u>
	<u>\$ 315,017</u>

b. Lease liabilities - 2019

**December 31,  
2019**

Carrying amounts

Current	<u>\$ 347,189</u>
Non-current	<u>\$ 749,172</u>

Range of discount rate for lease liabilities was 0.78%-5.44%.

c. Material lease-in activities and terms

The Group leases buildings for the use of offices and warehouses with lease terms of 1.5 to 5 years. The Group does not have bargain purchase options to acquire the buildings at the end of the lease terms. In addition, the Group is prohibited from subleasing or transferring all or any portion of the underlying assets without the lessor's consent.

d. Other lease information

2019

**For the Year  
Ended  
December 31,  
2019**

Expenses relating to short-term leases	<u>\$ 52,570</u>
Expenses relating to low-value asset leases	<u>\$ 1,325</u>
Expenses relating to variable lease payments not included in the measurement of lease liabilities	<u>\$ 82,560</u>
Total cash outflow for leases	<u>\$ (443,175)</u>

The Group leases certain buildings which qualify as short-term leases and certain office equipment which qualify as low-value asset leases. The Group has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

The amount of lease commitments for short-term leases for which the recognition exemption is applied (including lease commitments for short-term leases with lease terms commencing after the balance sheet dates) was \$19,411 thousand as of December 31, 2019.

2018

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

**December 31,  
2018**

Not later than 1 year	\$ 258,068
Later than 1 year and not later than 5 years	<u>530,956</u>
	<u>\$ 789,024</u>



## 16. GOODWILL

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
<u>Cost</u>		
Balance at January 1	\$ 26,664	\$ -
Additional amounts recognized from business combinations that occurred during the year	<u>-</u>	<u>26,664</u>
Balance at December 31	<u>\$ 26,664</u>	<u>\$ 26,664</u>
<u>Accumulated impairment losses</u>		
Balance at January 1	\$ -	\$ -
Impairment losses recognized	<u>13,332</u>	<u>-</u>
Balance at December 31	<u>\$ 13,332</u>	<u>\$ -</u>
Carrying amounts at December 31	<u>\$ 13,332</u>	<u>\$ 26,664</u>

The Group acquired the shares of Bebe Poshe in September 2018 and resulting in the goodwill of \$26,664 thousand relating to expected benefit from the cosmetic sales growth of E-commerce. Due to the actual sales growth after the business combination did not perform as expected. The recoverable amount of Bebe Poshe, based on the estimated cash flows for the next 5 years, and the discount rate was 8.92%. Base on assessment, the Group recognized impairment loss of \$13,332 thousand for the year ended December 31, 2019, which was in other gains and losses.

## 17. NOTES AND ACCOUNTS PAYABLE

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Notes payable	<u>\$ -</u>	<u>\$ 1,889</u>
Accounts payable Suppliers	<u>\$ 5,053,906</u>	<u>\$ 4,473,034</u>

## 18. OTHER PAYABLES

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Payable for salaries and bonus	\$ 345,645	\$ 268,548
Payable for business tax	78,914	54,122
Payable for pension	21,682	18,812
Payable for equipment and construction	6,888	11,681
Others	<u>249,034</u>	<u>124,862</u>
	<u>\$ 702,163</u>	<u>\$ 478,025</u>

## 19. OTHER CURRENT LIABILITIES

	December 31	
	2019	2018
Collection about travelling merchandise	\$ 219,744	\$ 207,288
Other financial liabilities	140,005	-
Others	<u>211,291</u>	<u>218,987</u>
	<u>\$ 571,040</u>	<u>\$ 426,275</u>

## 20. RETIREMENT BENEFIT PLANS

### a. Defined contribution plans

The Group was incorporated in Taiwan, ROC which adopted a pension plan under the Labor Pension Act (the "LPA"), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages, 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 expenses of \$81,941 thousand and \$77,090 thousand for the years ended December 31, 2019 and 2018, 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 6 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	
	2019	2018
Present value of defined benefit obligation	\$ 13,181	\$ 12,610
Fair value of plan assets	<u>(11,974)</u>	<u>(10,137)</u>
Net defined benefit liabilities	<u>\$ 1,207</u>	<u>\$ 2,473</u>

Movements in net defined benefit liabilities were as follows:

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liabilities</b>
Balance at January 1, 2018	\$ 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)
Balance at December 31, 2018	12,610	(10,137)	2,473
Net interest expense (income)	173	(149)	24
Recognized in profit or loss	173	(149)	24
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(288)	(288)
Actuarial loss - changes in demographic assumptions	4	-	4
Actuarial loss - changes in financial assumptions	830	-	830
Actuarial gain - experience adjustments	(436)	-	(436)
Recognized in other comprehensive income	398	(288)	110
Contributions from the employer	-	(1,400)	(1,400)
Balance at December 31, 2019	\$ 13,181	\$ (11,974)	\$ 1,207

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 bond 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 plans' debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated using the future salaries of plan participants. As such, an increase in the salaries 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 significant assumptions used for the purposes of the actuarial valuations were as follows:

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Discount rate(s)	1%	1.375%
Expected rate(s) of salary increase	2.5%	2.5%

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

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Discount rate(s)		
0.25% increase	\$ (560)	\$ (560)
0.25% decrease	\$ 589	\$ 590
Expected rate(s) of salary increase		
0.25% increase	\$ 573	\$ 576
0.25% decrease	\$ (548)	\$ (550)

The sensitivity analysis previously presented may not be representative of the actual changes in the present value of the defined benefit obligation as it is unlikely that the changes in assumptions will 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 defined benefit liabilities recognized in the consolidated balance sheets.

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Expected contributions to the plans for the next year	\$ 1,385	\$ 1,404
Average duration of the defined benefit obligation	17.4 years	18.3 years

## 21. GUARANTEE DEPOSITS

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Vendors	\$ 275,408	\$ 259,525
Others	<u>2,134</u>	<u>34</u>
	<u>\$ 277,542</u>	<u>\$ 259,559</u>

## 22. EQUITY

### a. Capital stock

As of December 31, 2019 and 2018, momo had authorized 150,000 thousand common shares, with 140,059 thousand shares issued and outstanding at par value \$10 per share.

### b. Capital surplus

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Additional paid-in capital	\$ 2,472,964	\$ 2,764,062
From share of changes in equities of subsidiaries	125,291	125,291
Expired employee share options	170	170
From share of changes in equities of associates	<u>48,935</u>	<u>87,468</u>
	<u>\$ 2,647,360</u>	<u>\$ 2,976,991</u>

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

### c. Retained earnings and dividends policy

momo's Articles of Incorporation provide that, in the event that momo, according to the financial report, earns profits in a fiscal year, such profits shall first be applied to pay the applicable taxes, recover losses, set aside legal reserve pursuant to laws and regulations until the accumulated legal reserves equal momo's paid-in capital, and set aside or reverse a special reserve in accordance with the law or to satisfy the business needs of momo. The remaining balance and any unappropriation earnings of the previous fiscal years shall be distributed to the shareholders with more than 10% as dividends in accordance with resolutions of the shareholders' meetings. For information about the accrual basis of the employees' compensation and remuneration of directors and the actual appropriations, please refer to employee benefits expense in Note 24(d).

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

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

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

momo distributes and reverses a 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. Distributions can be made out of any subsequent reversal of the debit to other equity items.

The appropriations of earnings for 2018 and 2017 were approved in the shareholders' meetings on May 16, 2019 and May 17, 2018, respectively, were as follows:

	<b>Appropriation of Earnings</b>	
	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Legal reserve	\$ 96,778	\$ 126,986
Special reserve	\$ (98,433)	\$ 53,985
Cash dividends	\$ 969,429	\$ 1,088,885
Cash dividends per share (NT\$)	\$ 6.9216	\$ 7.7745

The Company's shareholders resolved to issue cash dividends from capital surplus of \$291,098 thousand and \$31,583 thousand on May 16, 2019 and May 17, 2018, respectively.

d. Other equity

1) Exchange differences on translation

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Beginning balance	\$ (62,486)	\$ (48,923)
Recognized for the year		
Exchange differences arising on translation	(21,580)	(12,879)
Share from associates accounted for using equity method	3,793	(684)
Other comprehensive loss recognized for the year	(17,787)	(13,563)
Ending balance	\$ (80,273)	\$ (62,486)

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

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Beginning balance	\$ (105,408)	\$ (69,390)
Recognized for the year		
Unrealized gain (loss) - equity instruments	4,286	(29,384)
Share from associates accounted for using equity method	8,702	(6,634)
Other comprehensive income (loss) recognized for the year	12,988	(36,018)
Ending balance	\$ (92,420)	\$ (105,408)

e. Non-controlling interests

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Beginning balance	\$ 21,601	\$ (9,234)
Adjustment on initial application of IFRS 16	<u>88</u>	<u>-</u>
Beginning balance as restated	21,689	(9,234)
Share in loss for the year	(1,080)	(4,965)
Other comprehensive income (loss) during the year		
Exchange differences arising on translation	(352)	203
Acquisition of non-controlling interests in subsidiaries	-	10,295
Changes in ownership interests in subsidiaries	-	22,986
Others	<u>-</u>	<u>2,316</u>
Ending balance	<u>\$ 20,257</u>	<u>\$ 21,601</u>

f. Treasury shares

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

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

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

## 23. REVENUE

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Sales revenue	\$ 51,147,670	\$ 41,428,804
Other operating revenues	<u>682,747</u>	<u>588,208</u>
	<u>\$ 51,830,417</u>	<u>\$ 42,017,012</u>

Please refer to Note 4(o) and Note 36 for the details of revenue.

## Contract Information

The Group's customary business practice allows customers to return the goods within 10 days for a 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 recognized in the current year that was included in the contract liability balance at beginning of the year is as follows:

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Revenue from sale of goods	\$ 84,361	\$ 25,756
Others	<u>7,792</u>	<u>8,862</u>
	<u>\$ 92,153</u>	<u>\$ 34,618</u>

## 24. PROFIT BEFORE INCOME TAX

### a. Other income

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Interest income	\$ 27,009	\$ 29,114
Others	<u>14,320</u>	<u>7,460</u>
	<u>\$ 41,329</u>	<u>\$ 36,574</u>

### b. Other gains and losses

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Gain (loss) on financial assets		
Financial assets mandatorily classified as at fair value through profit or loss	\$ 3,390	\$ (28,067)
Loss on disposal of property, plant and equipment	(7)	-
Net foreign exchange gains (losses)	(5,887)	979
Impairment loss on goodwill	(13,332)	-
Others	<u>(813)</u>	<u>-</u>
	<u>\$ (16,649)</u>	<u>\$ (27,088)</u>

### c. Finance costs

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Interest on lease liabilities	\$ 8,512	\$ -
Interest on bank loans	-	2,745
Others	<u>17</u>	<u>-</u>
	<u>\$ 8,529</u>	<u>\$ 2,745</u>



d. Employee benefits expense, depreciation and amortization

Function Nature	For the Year Ended December 31, 2019			For the Year Ended December 31, 2018		
	Operating Costs	Operating Expenses	Total	Operating Costs	Operating Expenses	Total
Employee benefits expense						
Salary	\$ 667,993	\$ 998,499	\$1,666,492	\$ 550,066	\$ 880,037	\$1,430,103
Insurance expense	69,437	97,100	166,537	55,665	86,057	141,722
Post-employment benefits	33,453	48,512	81,965	27,688	49,449	77,137
Other employee benefits	43,146	60,798	103,944	34,398	55,197	89,595
Depreciation	468,592	145,893	614,485	225,728	41,440	267,168
Amortization	9,490	49,015	58,505	8,165	45,249	53,414

According to momo's Articles, if the Company earns profits in a fiscal year, such profits shall be appropriated as follows:

- 1) A maximum of 0.3% as director remuneration.
- 2) 0.1% to 1% as employee remuneration.

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

Employees' compensation may be distributed to, including but not limited to, employees of parents or subsidiaries of the Company meeting certain specific requirements set by the Board of Directors or its authorized persons.

The Company's estimated employees' compensation and remuneration to directors were made by applying the rates to the aforementioned regulation. The employees' compensation and the remuneration of directors for the years ended December 31, 2019 and 2018, which were approved by the Board of Directors on February 12, 2020 and January 29, 2019, respectively, were as follows:

	For the Year Ended December 31	
	2019	2018
	Cash	Cash
Employees' compensation	\$ 1,632	\$ 1,480
Remuneration of directors	\$ 1,632	\$ 1,480

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.

There is no difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2018 and 2017.

Information on the employees' compensation and remuneration of directors resolved by momo's Board of Directors in 2019 and 2018 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

## 25. INCOME TAX

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

Major components of income tax expense were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Current tax		
In respect of the current year	\$ 317,128	\$ 134,962
Adjustments for prior year	<u>(18)</u>	<u>(73,716)</u>
	<u>317,110</u>	<u>61,246</u>
Deferred tax		
In respect of the current year	11,049	(24,036)
Adjustments to deferred tax attributable to changes in tax rates	<u>-</u>	<u>(2,273)</u>
	<u>11,049</u>	<u>(26,309)</u>
Income tax expense recognized in profit or loss	<u>\$ 328,159</u>	<u>\$ 34,937</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Profit before tax	<u>\$ 1,720,860</u>	<u>\$ 1,479,612</u>
Income tax expense calculated at the statutory rate (20%)	\$ 344,172	\$ 295,922
Share of loss of domestic investment accounted for using the equity method	(4,172)	(1,047)
Nondeductible expenses in determining taxable income	5,965	11,615
Temporary differences	7,048	(108,009)
Deferred tax	11,049	(24,036)
Adjustments for prior years' tax	(18)	(73,716)
Unrecognized loss carryforwards/deductible temporary differences	1,300	4,569
Investment tax credit	(40,709)	(67,341)
Withholding tax of foreign dividend income	3,211	-
Adjustments to deferred tax attributable to changes in tax rates	-	(2,273)
Effect of different tax rate of group entities operating in other jurisdictions	<u>313</u>	<u>(747)</u>
Income tax expense recognized in profit or loss	<u>\$ 328,159</u>	<u>\$ 34,937</u>

For the year ended December 31, 2018, the tax benefit from adjustment for prior years' tax recognized in the current period resulted from the approval for investment tax credit of the acquisition of equipment in May 2018, which deducted of \$74,741 thousand tax payable from 2017 income tax return.

The Income Tax Act in the ROC was amended in 2018, and the corporate income tax rate was adjusted from 17% to 20%. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings was 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.

b. Income tax recognized in other comprehensive income

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
<u>Deferred tax</u>		
Remeasurement of defined benefit plans	\$ 22	\$ 47
Change in tax rate - remeasurement of defined benefit plans	<u>-</u>	<u>253</u>
Income tax recognized in other comprehensive income	<u>\$ 22</u>	<u>\$ 300</u>

c. Deferred tax assets and liabilities

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

For the year ended December 31, 2019

<b>Deferred Tax Assets</b>	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Comprehensive Income</b>	<b>Effect of IFRS 16 Application</b>	<b>Closing Balance</b>
Temporary differences					
Defined benefit obligation	\$ 495	\$ (276)	\$ 22	\$ -	\$ 241
Allowance for inventory valuation loss	7,220	3,440	-	-	10,660
Investment tax credit	18,558	(18,558)	-	-	-
Others	<u>20,301</u>	<u>3,452</u>	<u>-</u>	<u>(7,286)</u>	<u>16,467</u>
	<u>\$ 46,574</u>	<u>\$ (11,942)</u>	<u>\$ 22</u>	<u>\$ (7,286)</u>	<u>\$ 27,368</u>

<b>Deferred Tax Liabilities</b>	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Comprehensive Income</b>	<b>Closing Balance</b>
Temporary differences				
Unrealized gain on fair value through other comprehensive income financial assets	\$ 3,774	\$ -	\$ -	\$ 3,774
Others	<u>1,875</u>	<u>(893)</u>	<u>-</u>	<u>982</u>
	<u>\$ 5,649</u>	<u>\$ (893)</u>	<u>\$ -</u>	<u>\$ 4,756</u>

For the year ended December 31, 2018

<b>Deferred Tax Assets</b>	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Comprehensive Income</b>	<b>Closing Balance</b>
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	<u>13,188</u>	<u>7,113</u>	<u>-</u>	<u>20,301</u>
	<u>\$ 19,292</u>	<u>\$ 26,982</u>	<u>\$ 300</u>	<u>\$ 46,574</u>

<b>Deferred Tax Liabilities</b>	<b>Opening Balance</b>	<b>Classification</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Comprehensive Income</b>	<b>Closing Balance</b>
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	<u>1,768</u>	<u>-</u>	<u>107</u>	<u>-</u>	<u>1,875</u>
	<u>\$ 4,976</u>	<u>\$ -</u>	<u>\$ 673</u>	<u>\$ -</u>	<u>\$ 5,649</u>

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

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Loss carryforwards	<u>\$ 297,720</u>	<u>\$ 505,256</u>

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

As of December 31, 2019, the Group had not recognized the prior years' loss carryforwards as deferred tax assets. The expiry years are as follows:

<b>Remaining Creditable Amount</b>	<b>Expiry Year</b>
<u>\$ 297,720</u>	2020 to 2029

e. Income tax assessments

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

<u>Company</u>	<u>Year</u>
momo	2017
FST	2018
FLI	2017
FPI	2017
Bebe Poshe	2018

## 26. EARNINGS PER SHARE

Unit: NT\$ Per Share

	<u>For the Year Ended December 31</u>	
	<u>2019</u>	<u>2018</u>
Basic earnings per share	<u>\$ 9.95</u>	<u>\$ 10.35</u>
Diluted earnings per share	<u>\$ 9.95</u>	<u>\$ 10.35</u>

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

### Net Profit for the Year

	<u>For the Year Ended December 31</u>	
	<u>2019</u>	<u>2018</u>
Earnings used in the computation of basic and diluted earnings per share	<u>\$ 1,393,781</u>	<u>\$ 1,449,640</u>

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

	<u>For the Year Ended December 31</u>	
	<u>2019</u>	<u>2018</u>
Weighted average number of ordinary stocks used in the computation of basic earnings per share	140,059	140,059
Effect of potentially dilutive ordinary stocks:		
Employees' compensation	<u>6</u>	<u>8</u>
Weighted average number of ordinary stocks used in the computation of diluted earnings per share	<u>140,065</u>	<u>140,067</u>

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

## 27. CASH FLOW INFORMATION

Changes in liabilities arising from financing activities:

For the year ended December 31, 2019

	Opening Balance	Cash Flows	Non-cash Changes		Closing Balance
			New Leases	Others	
Lease liabilities	\$ 743,571	\$ (306,720)	\$ 651,381	\$ 8,129	\$ 1,096,361

## 28. CAPITAL MANAGEMENT

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

## 29. FINANCIAL INSTRUMENTS

### a. Fair value of financial instruments 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 measured at fair value on a recurring basis

#### 1) Fair value hierarchy

December 31, 2019

	Level 1	Level 2	Level 3	Total
Financial assets at fair value through other comprehensive income				
Investments in equity instruments				
Unlisted stock - foreign investments	\$ -	\$ 7,407	\$ -	\$ 7,407
Unlisted stock - domestic investments	-	-	49,584	49,584
	<u>\$ -</u>	<u>\$ 7,407</u>	<u>\$ 49,584</u>	<u>\$ 56,991</u>

December 31, 2018

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets at fair value through profit or loss				
Beneficiary certificates	<u>\$ 81,474</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 81,474</u>
Financial assets at fair value through other comprehensive income				
Investments in equity instruments				
Unlisted stock - foreign investments	\$ -	\$ 10,125	\$ -	\$ 10,125
Unlisted stock - domestic investments	<u>-</u>	<u>-</u>	<u>42,580</u>	<u>42,580</u>
	<u>\$ -</u>	<u>\$ 10,125</u>	<u>\$ 42,580</u>	<u>\$ 52,705</u>

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

2) Valuation techniques and assumptions used in fair value determination

- a) The fair value of financial instruments traded in active markets is based on quoted market prices (including beneficiary certificates that went public).
- b) Valuation techniques and inputs applied for Level 2 fair value measurement: The Group uses market comparison approach to evaluate fair values on observable prices of the similar financial instruments and evaluate market liquidity at the end of the year.
- c) Valuation techniques and inputs applied for Level 3 fair value measurement: The Group uses price-book ratio approach, comparing the net value per share with other public companies among the similar industries or evaluating stock price based on average price-book ratio of other competitors, to capture the present value of the expected future economic benefits to be derived from the ownership of these investees.

3) Reconciliation of Level 3 fair value measurements of financial instruments

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

	<b><u>For the Year Ended December 31</u></b>	
	<b>2019</b>	<b>2018</b>
Beginning balance	\$ 42,580	\$ 53,820
Recognized in other comprehensive income (included unrealized gain (loss) on financial assets at fair value through other comprehensive income)	<u>7,004</u>	<u>(11,240)</u>
Ending balance	<u>\$ 49,584</u>	<u>\$ 42,580</u>

c. Categories of financial instruments

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
<u>Financial assets</u>		
Financial assets at fair value through profit or loss		
Mandatorily at fair value through profit or loss	\$ -	\$ 81,474
Financial assets at fair value through other comprehensive income		
Investments in equity instruments	56,991	52,705
Financial assets at amortized cost (Note 1)	<u>5,179,815</u>	<u>4,259,930</u>
	<u>\$ 5,236,806</u>	<u>\$ 4,394,109</u>
<u>Financial liabilities</u>		
Financial liabilities at amortized cost (Note 2)	<u>\$ 6,481,148</u>	<u>\$ 5,363,271</u>

Note 1: The balances include financial assets at amortized cost, which comprise cash and cash equivalents, accounts receivable, other receivables, other financial assets and refundable deposits.

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

d. Financial risk management objectives and policies

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

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

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

2) Risk management framework

a) Decision-making mechanism:

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

b) Risk management policies:

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



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

c) Monitoring mechanism:

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

3) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty of a financial instrument fails to meet its contractual obligations, which arises principally from the Group's receivables from customers and financial instruments. The Group deals with customers with good reputation and monitors customers' credit risk and credit ratings continuously. The Group transacts with a large number of unrelated customers and, thus, credit risk is not highly concentrated. 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, 2019 and 2018, the Group had unused bank facilities of \$648,002 thousand and \$751,158 thousand, respectively.

The following table details the Group's remaining contractual maturities for its non-derivative financial liabilities with agreed upon repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

December 31, 2019

	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>	<b>1-5 Years</b>	<b>5+ Years</b>
<u>Non-derivative financial liabilities</u>					
Lease liabilities	\$ 30,463	\$ 61,295	\$ 265,336	\$ 756,765	\$ -

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

## 5) Market risk

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

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

### a) Exchange rate risk

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

For the Group's financial assets and liabilities exposed to significant exchange rate risk (including those eliminated on consolidation), please refer to Note 34.

#### Sensitivity analysis

The Group was mainly exposed to the USD, 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 financial assets, accounts payable and other payables, etc. If the NTD, when compared with the relevant foreign currencies, had appreciated or depreciated by 5% on the reporting date, profit would have increased (decreased) as follows:

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Appreciated 5%	<u>\$ (4,621)</u>	<u>\$ (3,467)</u>
Depreciated 5%	<u>\$ 4,621</u>	<u>\$ 3,467</u>

### b) Interest rate risk

The Group was exposed to interest rate risk because entities in the Group carried deposits, other financial assets and lease liabilities at both fixed and floating interest rates.

The carrying amounts of the Group's financial assets and financial liabilities with exposure to interest rates at the end of the year were as follows:

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Fair value interest rate risk		
Financial assets	\$ 2,331,864	\$ 1,445,288
Financial liabilities	1,096,361	-
Cash flow interest rate risk		
Financial assets	1,759,265	1,605,450

### 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 year. For floating rate assets and liabilities, the analysis was prepared assuming the amount of the assets and liabilities outstanding at the end of the year were 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, 2019 and 2018 would increase or decrease by \$8,796 thousand and \$8,027 thousand, respectively.

#### c) Other price risk

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

### Sensitivity analysis

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

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 years ended December 31, 2019 and 2018 would have increased or decreased by \$2,850 thousand and \$2,635 thousand, respectively, as a result of the changes in fair value of financial assets at FVTOCI.

## **30. TRANSACTIONS WITH RELATED PARTIES**

momo's parent is Wealth Media Technology Co., Ltd. (WMT), which held 45.01% of common stocks of momo as of December 31, 2019 and 2018, respectively. momo's ultimate parent and ultimate controlling party is Taiwan Mobile Co., Ltd. (TWM).

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

#### a. Related party name and categories

<u>Related Party Name</u>	<u>Related Party Categories</u>
Taiwan Mobile Co., Ltd. (TWM)	Ultimate parent entity
Wealth Media Technology Co., Ltd. (WMT)	Parent entity
Taiwan Pelican Express Co., Ltd. (TPE)	Associates
Global Home Shopping Co., Ltd. (GHS)	Associates
Beijing Global Zhiquan Trading Co., Ltd. (GHS-ZQ)	Associates
Beijing Global Jiusha Media Technology Co., Ltd. (JS)	Associates
Beijing YueShih JiuSha Media Technology Co., Ltd. (YSJS)	Associates
GHS Trading Ltd. (GTL)	Associates

(Continued)

<b>Related Party Name</b>	<b>Related Party Categories</b>
TVD Shopping Co., Ltd. (TVD Shopping)	Associates
Taipei Fubon Commercial Bank Co., Ltd. (TFCB)	Related party in substance
Fubon Life Insurance Co., Ltd. (Fubon Life)	Related party in substance
Fubon Asset Management Co., Ltd. (FAM)	Related party in substance
Fubon Bank (China) Co., Ltd. (FB China)	Related party in substance
Fubon Insurance Co., Ltd. (Fubon Ins.)	Related party in substance
Fubon Sports & Entertainment Co., Ltd. (FSE)	Related party in substance
Fubon Securities Co., Ltd. (Fubon Securities)	Related party in substance
Fubon Property Management Co., Ltd. (FPM)	Related party in substance
Fubon Gymnasium Co., Ltd. (Fubon Gymnasium)	Related party in substance
Fubon Financial Holding Co., Ltd. (FFH)	Related party in substance
Fubon Cultural & Educational Foundation (FCEF)	Related party in substance
Fubon Hospitality Management Co., Ltd. (FHM)	Related party in substance
Taiwan Fixed Network Co., Ltd. (TFN)	Same ultimate parent entity
TFN Media Co., Ltd. (TFNM)	Same ultimate parent entity
Mangrove Cable TV Co., Ltd. (MCTV)	Same ultimate parent entity
Union Cable TV Co., Ltd. (UCTV)	Same ultimate parent entity
Yeong Jia Leh Cable TV Co., Ltd. (YJCTV)	Same ultimate parent entity
Taipei New Horizon Co., Ltd. (TNH)	Same ultimate parent entity
Globalview Cable TV Co., Ltd. (GCTV)	Same ultimate parent entity
Phoenix Cable TV Co., Ltd. (PCTV)	Same ultimate parent entity
Win TV Broadcasting Co., Ltd. (WTVB)	Same ultimate parent entity
Taiwan Kuro Times Co., Ltd. (TKT)	Same ultimate parent entity
	(Concluded)

b. Operating revenues

<b>Line Items</b>	<b>Related Party Categories</b>	<b>For the Year Ended December 31</b>	
		<b>2019</b>	<b>2018</b>
Sales	Parent entity	\$ 158,773	\$ 749
	Associates	<u>55,078</u>	<u>56,182</u>
		<u>\$ 213,851</u>	<u>\$ 56,931</u>

The Group renders sales service to other related parties.

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

c. Purchases

<b>Related Party Categories</b>	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Parent entity	\$ 1,101,542	\$ 89,051
Associates	597,651	406,755
Other related parties	<u>126,942</u>	<u>119,154</u>
	<u>\$ 1,826,135</u>	<u>\$ 614,960</u>

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

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

d. Receivables from related parties

Line Items	Related Party Categories/Name	December 31	
		2019	2018
Accounts receivable	Parent entity		
	TWM	\$ 31,807	\$ 346
	Associates	3,246	9,088
	Other related parties	<u>721</u>	<u>1,265</u>
		<u>\$ 35,774</u>	<u>\$ 10,699</u>
Other receivables	Parent entity	<u>\$ 20,793</u>	<u>\$ 12,978</u>
	Associates		
	TPE	63,931	112,956
	Others	<u>62</u>	<u>-</u>
		<u>63,993</u>	<u>112,956</u>
	Other related parties	<u>48,899</u>	<u>39,474</u>
		<u>\$ 133,685</u>	<u>\$ 165,408</u>

The outstanding trade receivables from related parties are unsecured. For the years ended December 31, 2019 and 2018, no impairment losses were recognized for trade receivables from related parties.

e. Payables to related parties

Line Items	Related Party Categories	December 31	
		2019	2018
Accounts payable	Parent entity	\$ 178,275	\$ 3,009
	Associates	101,077	91,167
	Other related parties	<u>1,040</u>	<u>427</u>
		<u>\$ 280,392</u>	<u>\$ 94,603</u>
Other payables	Parent entity	\$ 9,262	\$ 9,097
	Associates	311	5
	Other related parties	<u>17,567</u>	<u>47,059</u>
		<u>\$ 27,140</u>	<u>\$ 56,161</u>

The outstanding trade payables to related parties are unsecured.

f. Bank deposits

Line Items	Related Party Categories/Name	December 31	
		2019	2018
Cash and cash equivalents	Other related parties		
	TFCB	\$ 1,069,960	\$ 294,567
	Others	<u>18,736</u>	<u>23,001</u>
		<u>\$ 1,088,696</u>	<u>\$ 317,568</u>
Other financial assets	Other related parties	<u>\$ 8,330</u>	<u>\$ 11,438</u>

g. Acquisition of property, plant and equipment

Related Party Categories	Purchase Price	
	For the Year Ended December 31 2019	2018
Other related parties	\$ 3,794	\$ 23,403

h. Lease arrangements

Acquisition of right-of-use assets

Related Party Categories	For the Year Ended December 31, 2019
Other related parties	\$ 46,453

Line Items	Related Party Categories/Name	December 31, 2019
Lease liabilities	Parent entity	\$ 6,389
	Other related parties	
	Fubon Life	459,225
		<u>\$ 465,614</u>

Related Party Categories/Name	For the Year Ended December 31, 2019
<u>Interest expense</u>	
Parent entity	\$ 74
Associates	61
Other related parties	
Fubon Life	4,428
	<u>\$ 4,563</u>

i. Disposal of financial assets

For the year ended December 31, 2019

Line Items	Related Party Categories/Name	Number of Units (In Thousand)	Underlying Assets	Purchase Price	Proceeds
Financial assets at fair value through profit or loss	Other related parties FAM	9,151	Fubon Strategic High Income Fund B	\$ 100,000	\$ 84,864

The Group recognized gain on financial assets at fair value through profit or loss of \$3,390 thousand for the year ended December 31, 2019, and the accumulated loss was \$15,136 thousand.

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	<u>\$ 100,000</u>	<u>\$ 88,184</u>

The Group recognized loss on financial assets at fair value through profit or loss of \$2,249 thousand for the year ended December 31, 2018, and the accumulated loss was \$11,816 thousand.

j. Others

1) Refundable deposits

Related Party Categories/Name	December 31	
	2019	2018
Parent entity	<u>\$ 739</u>	<u>\$ 750</u>
Associates	<u>5,678</u>	<u>5,714</u>
Other related parties		
Fubon Life	33,102	30,072
Others	<u>541</u>	<u>542</u>
	<u>33,643</u>	<u>30,614</u>
	<u>\$ 40,060</u>	<u>\$ 37,078</u>

2) Operating expenses

Related Party Categories/Name	For the Year Ended December 31	
	2019	2018
Parent entity		
TWM	<u>\$ 34,238</u>	<u>\$ 20,363</u>
Associates	<u>7,237</u>	<u>6,536</u>
Other related parties		
Fubon Life	8,354	76,687
TFCB	100,584	88,988
TFN	5,139	6,616
Fubon Ins.	5,880	20,032
FPM	13,840	13,357
Others	<u>24,895</u>	<u>26,884</u>
	<u>158,692</u>	<u>232,564</u>
	<u>\$ 200,167</u>	<u>\$ 259,463</u>

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

k. Compensation of key management personnel

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Short-term employee benefits	\$ 52,973	\$ 48,572
Post-employment benefits	<u>1,867</u>	<u>7,663</u>
	<u>\$ 54,840</u>	<u>\$ 56,235</u>

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

### 31. ASSETS PLEDGED

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

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Other financial assets - current	\$ 69,380	\$ 68,128
Other financial assets - non-current	<u>155,962</u>	<u>18,578</u>
	<u>\$ 225,342</u>	<u>\$ 86,706</u>

### 32. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Group at December 31, 2019 was as follows:

- 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 \$113,250 thousand as of December 31, 2019, and electronic tickets of \$61,401 thousand as of December 31, 2019.
- As of December 31, 2019, the Group's lease commitments, as a lessee, amounted to \$331,170 thousand after the balance sheet date.
- Due to the business development needs, in July 2019, momo's Board of Directors resolved the land procurement for the logistics warehouse. The total amount of contract was \$628,143 thousand. As of December 31, 2019, contract amounts not yet paid for the land was \$565,329 thousand.

### 33. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

In January 2020, momo's Board of Directors resolved to establish a wholly-owned subsidiary, which is mainly engaged in transportation, and the investment amount is capped at \$250,000 thousand.



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

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

December 31, 2019

	<b>Foreign Currencies</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial assets</u>			
Monetary items			
RMB	\$ 18,362	4.299 (RMB:NTD)	\$ 78,936
USD	551	30.02 (USD:NTD)	<u>16,554</u>
			<u>\$ 95,490</u>
Non-monetary items			
Financial assets at fair value through other comprehensive income			
HKD	1,921	3.855 (HKD:NTD)	\$ 7,407
Investments accounted for using the equity method			
RMB	130,270	4.299 (RMB:NTD)	560,029
THB	118,371	1.01 (THB:NTD)	<u>119,531</u>
			<u>\$ 686,967</u>
<u>Financial liabilities</u>			
Monetary items			
USD	102	30.02 (USD:NTD)	<u>\$ 3,066</u>

December 31, 2018

	<b>Foreign Currencies</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial assets</u>			
Monetary items			
RMB	\$ 6,923	4.464 (RMB:NTD)	\$ 30,903
USD	1,848	30.79 (USD:NTD)	<u>56,915</u>
			<u>\$ 87,818</u>
			(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)	<u>119,889</u>
			<u>\$ 896,543</u>
<u>Financial liabilities</u>			
Monetary items			
USD	561	30.79 (USD:NTD)	\$ 17,284
GBP	31	38.98 (GBP:NTD)	<u>1,189</u>
			<u>\$ 18,473</u>
			(Concluded)

For the years ended December 31, 2019 and 2018, realized and unrealized net foreign exchange gains (losses) were \$(5,887) thousand and \$979 thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the functional currencies of the Group's foreign entities.

### 35. SEPARATELY DISCLOSED ITEMS

#### a. Information about significant transactions and investees:

- 1) Financing provided to others. (None)
- 2) Endorsements/guarantees provided. (None)
- 3) Marketable securities held (excluding investments in subsidiaries and associates). (Table 1)
- 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 2)
- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital. (None)
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (Table 3)
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (None)
- 9) Trading in derivative instruments. (None)

10) Intercompany relationships and significant intercompany transactions. (Table 4)

11) Information on investees. (Table 5)

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 year, repatriations of investment income, and limit on the amount of investment in the mainland China area. (Table 6)
- 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, unrealized gains or losses, and other related information which is helpful to understand the impact of investment in mainland China on financial reports. (None)

### 36. 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, 2019 and 2018, the above segments did not exceed the quantitative threshold for separate reporting.

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

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

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

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

	TV and Magazine	Internet	Others	Adjustments and Eliminations	Total
For the year ended December 31, 2019					
Revenues					
Non-inter-company revenues	\$ 6,199,928	\$ 45,477,058	\$ 211,861	\$ (58,430)	\$ 51,830,417
Segment profits	\$ 635,115	\$ 1,058,042	\$ 28,192	\$ (489)	\$ 1,720,860
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

## momo.com Inc. AND SUBSIDIARIES

## MARKETABLE SECURITIES HELD

DECEMBER 31, 2019

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

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Company	Financial Statement Account	December 31, 2019				Note
				Units/Shares (Thousands)	Carrying Value	Percentage of Ownership	Fair Value	
momo	Stock							
	Media Asia Group Holdings Limited	-	Financial assets at fair value through other comprehensive income - current	43,668	\$ 7,407	2.04	\$ 7,407	
	We Can Medicines Co., Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	2,400	49,584	7.73	49,584	

## momo.com Inc. AND SUBSIDIARIES

## ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL

FOR THE YEAR ENDED DECEMBER 31, 2019

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

Buyer	Property	Event Date	Transaction Amount	Payment Status	Counterparty	Relationship	Information on Previous Title Transfer If Counterparty Is A Related Party				Pricing Reference	Purpose of Acquisition	Other Terms
							Property Owner	Relationship	Transaction Date	Amount			
momo	Land	2019.07.31	\$ 628,143	\$62,814 has been paid, the remaining payment is paid according to the contract	Yilinn Industrial Co., Ltd	-	-	-	-	\$ -	According to the professional appraisal report and market condition	Increase the logistics warehouse in response to the operational needs	-

## momo.com Inc. AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Buyer	Related Party	Relationship	Transaction Details			Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/Sale	Amount	% of Total	Payment Terms	Unit Price	Ending Balance	% of Total	
momo	TPE TWM	Equity-method investee Ultimate parent entity	Purchase	\$ 597,651	1	Based on contract terms	-	\$ (101,077)	(2)	
			Sale	158,773	-	Based on contract terms	-	31,807	25	
			Purchase	1,135,778	Note 1	Based on contract terms	-	(186,683)	Note 2	

Note 1: Including operating costs and operating expenses.

Note 2: Including accounts payable and other payables.

TABLE 4

## momo.com Inc. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS  
 FOR THE YEAR ENDED DECEMBER 31, 2019  
 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Number	Company Name	Counterparty	Relationship (Note)	Transaction Details			Percentage of Consolidated Total Operating Revenues or Total Assets
				Account	Amount	Transaction Terms	
0	momo	FST FGE	1 1	Other receivables Sales revenue	\$ 12,057 37,351	The terms of transaction are determined in accordance with mutual agreements or general business practices The terms of transaction are determined in accordance with mutual agreements or general business practices	0.08 0.07
1	Bebe Poshe	momo	2	Sales revenue	19,735	The terms of transaction are determined in accordance with mutual agreements or general business practices	0.04

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

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

## momo.com Inc. AND SUBSIDIARIES

INFORMATION ON INVESTEEES  
(EXCLUDING INFORMATION ON INVESTMENTS IN MAINLAND CHINA)  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount December 31, 2019	December 31, 2018	Balance as of December 31, 2019		Net Income (Loss) of the Investee	Investment Income (Loss)	Note
						Shares (Thousands)	% of Ownership			
momo	FST	Taiwan	Travel agent	\$ 6,000	\$ 6,000	3,000	100.00	\$ 47,826	\$ 8,509	Note 3
	FLI	Taiwan	Life insurance agent	3,000	3,000	500	100.00	8,791	(304)	
	FPI	Taiwan	Property insurance agent	3,000	3,000	500	100.00	10,403	1,275	
	Asian Crown (BVI)	British Virgin Islands	Investment	885,285	885,285	9,735	81.99	40,741	116	
	TPE	Taiwan	Logistics industry	337,860	337,860	16,893	17.70	404,413	20,858	
	TV D Shopping	Thailand	Wholesale and retail sales	121,933	121,933	24,150	35.00	119,531	12,522	
Asian Crown (BVI)	Honest Development	Samoa	Investment	(THB 120,750)	(THB 120,750)	21,778	100.00	630,252	9,592	Note 2
	Bebe Poshe	Taiwan	Wholesale of cosmetics	670,448	670,448	8,500	85.00	62,992	(7,532)	
Fortune Kingdom	Fortune Kingdom	Samoa	Investment	1,132,789	1,132,789	11,594	100.00	45,274	229	Note 2
Honest Development	HK Fubon Multimedia	Hong Kong	Investment	1,132,789	1,132,789	11,594	100.00	45,274	229	Note 2
	HK Yue Numerous	Hong Kong	Investment	670,448	670,448	16,600	100.00	630,252	9,592	Note 2

Note 1: Except for TPE and TV D 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, 2019 is THB1=NT\$1.01.

Note 4: Please refer to Table 6 for information on investments in mainland China.



## momo.com Inc. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type (Note 1)	Accumulated Outflow of Investment from Taiwan as of January 1, 2019	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2019	Net Income (Loss) of Investee	% Ownership through Direct or Indirect Investment	Investment Income (Loss)	Carrying Value as of December 31, 2019	Accumulated Inward Remittance of Earnings as of December 31, 2019	Note
					Outflow	Inflow							
FGE	Wholesaling	\$ 333,173 (RMB 77,500)	b.	\$ 804,040 (USD 14,000) (RMB 89,267)	\$ -	\$ -	\$ 804,040 (USD 14,000) (RMB 89,267)	\$ 376	76.70	\$ 289	\$ 30,240	\$ -	
Haobo	Investment	47,289 (RMB 11,000)	b.	-	-	-	-	14,261	100.00	14,261	603,097	-	
GHS	Wholesaling	214,951 (RMB 50,000)	b.	-	-	-	-	166,832	20.00	15,700	560,029	-	

Accumulated Investments in Mainland China as of December 31, 2019	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment Authorized by Investment Commission, MOEA
\$1,453,758 (USD14,000, RMB89,267 and HKD168,539)	\$1,453,758 (USD14,000, RMB89,267 and HKD168,539)	\$3,705,740

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, 2019 are USD1=NT\$30.02, RMB1=NT\$4.299, and HKD1=NT\$3.855.

**momo.com Inc.**

**Financial Statements for the  
Years Ended December 31, 2019 and 2018 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, 2019 and 2018, 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, 2019 and 2018, 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 audits 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, 2019. 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, 2019 are stated as follows:

#### Risk of Revenue Recognition

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 an understanding of the revenue recognition process and of the design and execution for relevant controls. The major audit procedures are 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.

#### **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, 2019 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 Pei-De Chen.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

February 12, 2020

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, 2019 AND 2018**  
**(In Thousands of New Taiwan Dollars)**

ASSETS	2019		2018	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Notes 6 and 28)	\$ 3,402,512	24	\$ 2,548,377	21
Financial assets at fair value through profit or loss - current (Notes 7 and 28)	-	-	81,474	1
Financial assets at fair value through other comprehensive income - current (Note 8)	7,407	-	10,125	-
Accounts receivable, net (Note 9)	84,908	1	52,638	-
Accounts receivable from related parties (Note 28)	39,960	-	21,632	-
Other receivables, net (Note 9)	729,901	5	901,559	8
Other receivables from related parties (Note 28)	145,723	1	172,644	1
Inventories (Note 10)	2,393,097	17	1,624,868	14
Prepayments	53,186	-	147,026	1
Other financial assets - current (Notes 11, 28 and 29)	69,180	-	71,128	1
Other current assets	12,042	-	9,254	-
Rights to recover products - current (Note 21)	124,694	1	104,767	1
Total current assets	7,062,610	49	5,745,492	48
<b>NON-CURRENT ASSETS</b>				
Financial assets at fair value through other comprehensive income - non-current (Note 8)	49,584	-	42,580	-
Investments accounted for using equity method (Notes 5 and 12)	1,324,949	9	1,493,130	13
Property, plant and equipment (Notes 13 and 28)	4,356,415	31	4,465,793	37
Right-of-use assets (Notes 14 and 28)	1,086,620	8	-	-
Intangible assets	109,700	1	97,151	1
Deferred tax assets (Note 23)	27,333	-	46,533	-
Prepayments for equipment (Note 30)	62,814	-	-	-
Refundable deposits (Note 28)	88,353	1	67,885	1
Other financial assets - non-current (Notes 11, 28 and 29)	148,762	1	12,177	-
Total non-current assets	7,254,530	51	6,225,249	52
<b>TOTAL</b>	<b>\$ 14,317,140</b>	<b>100</b>	<b>\$ 11,970,741</b>	<b>100</b>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Contract liabilities - current	\$ 42,639	-	\$ 114,365	1
Accounts payable (Note 15)	5,041,379	35	4,464,620	37
Accounts payable to related parties (Note 28)	283,050	2	95,199	1
Other payables (Note 16)	679,127	5	471,330	4
Other payables to related parties (Note 28)	25,670	-	54,533	-
Current tax liabilities	201,863	1	1,026	-
Lease liabilities - current (Notes 14, 25 and 28)	346,825	3	-	-
Refundable liabilities - current (Note 21)	143,562	1	123,675	1
Other current liabilities (Note 17)	350,859	3	218,486	2
Total current liabilities	7,114,974	50	5,543,234	46
<b>NON-CURRENT LIABILITIES</b>				
Provisions - non-current	18,013	-	13,773	-
Deferred tax liabilities (Note 23)	4,756	-	5,649	-
Lease liabilities - non-current (Notes 14, 25 and 28)	749,172	5	-	-
Net defined benefit liabilities (Note 18)	1,207	-	2,473	-
Guarantee deposits (Note 19)	273,042	2	255,109	2
Total non-current liabilities	1,046,190	7	277,004	2
Total liabilities	8,161,164	57	5,820,238	48
<b>EQUITY (Note 20)</b>				
Common stock	1,400,585	10	1,400,585	12
Capital surplus	2,647,360	18	2,976,991	25
Retained earnings				
Legal reserve	803,491	6	706,713	6
Special reserve	167,894	1	266,327	2
Unappropriated earnings	1,309,339	9	967,781	8
Total retained earnings	2,280,724	16	1,940,821	16
Other equity	(172,693)	(1)	(167,894)	(1)
Total equity	6,155,976	43	6,150,503	52
<b>TOTAL</b>	<b>\$ 14,317,140</b>	<b>100</b>	<b>\$ 11,970,741</b>	<b>100</b>

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

**momo.com Inc.**
**STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018  
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)**

	<b>2019</b>		<b>2018</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
OPERATING REVENUE (Notes 21 and 28)	\$ 51,729,220	100	\$ 41,938,107	100
OPERATING COSTS (Notes 10, 18, 22 and 28)	<u>46,714,571</u>	<u>91</u>	<u>37,721,041</u>	<u>90</u>
GROSS PROFIT FROM OPERATIONS	<u>5,014,649</u>	<u>9</u>	<u>4,217,066</u>	<u>10</u>
OPERATING EXPENSES (Notes 9, 18, 22 and 28)				
Marketing expenses	1,685,837	3	1,354,577	3
Administrative expenses	1,705,468	3	1,449,755	4
Expected credit loss	<u>4,870</u>	<u>-</u>	<u>4,416</u>	<u>-</u>
Total operating expenses	<u>3,396,175</u>	<u>6</u>	<u>2,808,748</u>	<u>7</u>
NET OTHER INCOME AND EXPENSES	<u>29,225</u>	<u>-</u>	<u>14,775</u>	<u>-</u>
OPERATING INCOME	<u>1,647,699</u>	<u>3</u>	<u>1,423,093</u>	<u>3</u>
NON-OPERATING INCOME AND EXPENSES				
Other income (Note 22)	39,462	-	32,767	-
Other gains and losses, net (Notes 22 and 28)	(11,933)	-	(26,678)	-
Finance costs (Notes 22 and 28)	(8,288)	-	-	-
Share of profit of subsidiaries and associates accounted for using equity method (Note 12)	<u>46,166</u>	<u>-</u>	<u>48,736</u>	<u>-</u>
Total non-operating income and expenses	<u>65,407</u>	<u>-</u>	<u>54,825</u>	<u>-</u>
PROFIT BEFORE INCOME TAX	1,713,106	3	1,477,918	3
INCOME TAX EXPENSE (Note 23)	<u>319,325</u>	<u>-</u>	<u>28,278</u>	<u>-</u>
PROFIT	<u>1,393,781</u>	<u>3</u>	<u>1,449,640</u>	<u>3</u>
OTHER COMPREHENSIVE LOSS (Notes 12, 18, 20 and 23)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	(110)	-	(238)	-
Unrealized gain (loss) on financial assets at fair value through other comprehensive income - equity instruments	4,286	-	(29,384)	-
Share of remeasurement of defined benefit plans of associates accounted for using equity method	(21)	-	(583)	-

(Continued)



**momo.com Inc.**

**STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018  
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)**

	<b>2019</b>		<b>2018</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
Share of unrealized gain (loss) on financial assets at fair value through other comprehensive income - equity instruments of associates accounted for using equity method	\$ 8,702	-	\$ (6,634)	-
Income tax related to items that will not be reclassified subsequently to profit or loss	22	-	300	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation	4,916	-	3,083	-
Share of other comprehensive loss of subsidiaries and associates accounted for using equity method	<u>(22,703)</u>	<u>-</u>	<u>(16,646)</u>	<u>-</u>
Other comprehensive loss, net of tax	<u>(4,908)</u>	<u>-</u>	<u>(50,102)</u>	<u>-</u>
COMPREHENSIVE INCOME	<u>\$ 1,388,873</u>	<u>3</u>	<u>\$ 1,399,538</u>	<u>3</u>
EARNINGS PER SHARE (Note 24)				
Basic	<u>\$ 9.95</u>		<u>\$ 10.35</u>	
Diluted	<u>\$ 9.95</u>		<u>\$ 10.35</u>	

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, 2019 AND 2018  
(In Thousands of New Taiwan Dollars)**

	Other Equity						Treasury Shares	Total Equity
	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income			Unrealized Gain (Loss) on Available-for-sale Financial Assets				
	Common Stock	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translation		
BALANCE AT JANUARY 1, 2018	\$ 1,420,585	\$ 3,057,738	\$ 579,727	\$ 212,342	\$ 1,269,857	\$ (48,923)	\$ -	\$ (397,175)
Effect of retrospective application and retrospective restatement	-	-	-	-	(148,014)	-	(69,390)	-
BALANCE AT JANUARY 1, 2018 AS RESTATED	1,420,585	3,057,738	579,727	212,342	1,121,843	(48,923)	-	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 equity of associates accounted for using 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 AT DECEMBER 31, 2018	1,400,585	2,976,991	706,713	266,327	967,781	(62,486)	(105,408)	6,150,503
Effect of retrospective application and retrospective restatement	-	-	-	-	29,438	-	-	29,438
BALANCE AT JANUARY 1, 2019 AS RESTATED	1,400,585	2,976,991	706,713	266,327	997,219	(62,486)	(105,408)	6,179,941
Distribution of 2018 earnings	-	-	96,778	-	(96,778)	-	-	-
Legal reserve	-	-	-	-	(969,429)	-	-	(969,429)
Cash dividends	-	-	-	-	98,433	-	-	-
Reversal of special reserve	-	-	-	(98,433)	-	-	-	-
Changes in equity of associates accounted for using equity method	-	(38,533)	-	-	(113,778)	-	-	(152,311)
Issue of cash dividends from capital surplus	-	(291,098)	-	-	-	-	-	(291,098)
Profit for the year ended December 31, 2019	-	-	-	-	1,393,781	-	-	1,393,781
Other comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	(109)	(17,787)	12,988	(4,908)
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	1,393,672	(17,787)	12,988	1,388,873
BALANCE AT DECEMBER 31, 2019	\$ 1,400,585	\$ 2,647,360	\$ 803,491	\$ 167,894	\$ 1,309,339	\$ (80,273)	\$ (92,420)	\$ 6,155,976

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

# **momo.com Inc.**

## **STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)**

	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before income tax	\$ 1,713,106	\$ 1,477,918
Adjustments:		
Depreciation expenses	605,704	262,315
Amortization expenses	56,896	51,836
Expected credit losses	4,870	4,416
(Gain) loss on financial assets at fair value through profit or loss, net	(3,390)	28,067
Finance costs	8,288	-
Interest income	(24,073)	(26,962)
Share of profit of subsidiaries and associates accounted for using equity method	(46,166)	(48,736)
Loss on disposal of property, plant and equipment	7	-
Impairment loss on non-financial assets	13,332	-
Loss on foreign currency exchange, net	126	71
Others	2,448	(590)
Changes in operating assets and liabilities		
Financial assets at fair value through profit or loss	84,864	736,265
Accounts receivable	(33,375)	(32,379)
Accounts receivable from related parties	(18,328)	(19,118)
Other receivables	167,791	(209,142)
Other receivables from related parties	26,916	43,891
Inventories	(768,229)	(588,909)
Prepayments	93,840	(112,420)
Other current assets	(2,788)	(257)
Rights to recover products	(19,927)	(8,990)
Contract liabilities	34,463	64,394
Accounts payable	576,759	815,963
Accounts payable to related parties	187,851	88,683
Other payables	206,288	(155,364)
Other payables to related parties	3,046	(88,202)
Refund liabilities	19,887	6,121
Other current liabilities	26,184	36,304
Net defined benefit liabilities	(1,376)	(1,372)
Cash generated from operations	2,915,014	2,323,803
Interest received	45	640
Income tax paid	(95,663)	(188,957)
Net cash generated from operating activities	<u>2,819,396</u>	<u>2,135,486</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of investments accounted for using equity method	-	(180,421)
Repayment of capital reduction from associates	-	31,090
Acquisition of property, plant and equipment	(196,715)	(679,989)
Proceeds from disposal of property, plant and equipment	6	-
Increase in refundable deposits	(24,358)	(16,655)

(Continued)

**momo.com Inc.****STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018  
(In Thousands of New Taiwan Dollars)**

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	2019	2018
Decrease in refundable deposits	\$ 1,577	\$ 2,285
Acquisition of intangible assets	(64,422)	(57,652)
Increase in other financial assets	(142,765)	(45,055)
Decrease in other financial assets	8,128	30,579
Increase in prepayments for equipment	(62,814)	-
Interest received	23,481	26,159
Dividends received	<u>37,317</u>	<u>37,415</u>
Net cash used in investing activities	<u>(420,565)</u>	<u>(852,244)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from guarantee deposits received	52,187	48,892
Refund of guarantee deposits received	(34,254)	(33,401)
Repayment of the principal portion of lease liabilities	(294,046)	-
Cash dividends	(1,260,527)	(1,120,468)
Interest paid	<u>(8,056)</u>	<u>-</u>
Net cash used in financing activities	<u>(1,544,696)</u>	<u>(1,104,977)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	854,135	178,265
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>2,548,377</u>	<u>2,370,112</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 3,402,512</u>	<u>\$ 2,548,377</u>

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

(Concluded)

## **momo.com Inc.**

### **NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

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

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

The 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 February 12, 2020.

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

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

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

- IFRS 16 “Leases”

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessee and lessor. It supersedes IAS 17 “Leases”, IFRIC 4 “Determining whether an Arrangement contains a Lease”, and a number of related interpretations. Refer to Note 4 for information relating to the relevant accounting policies.

##### Definition of a lease

The Company reassesses whether a contract is, or contains, a lease in accordance with the definition of a lease under IFRS 16. Contracts that are reassessed as containing leases are accounted for in accordance with the transitional provisions under IFRS 16.

### The Company as lessee

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

The Company elects to apply IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized in retained earnings on January 1, 2019. Comparative information is not restated.

Lease liabilities were recognized on January 1, 2019 for leases previously classified as operating leases under IAS 17. Lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on January 1, 2019. Right-of-use assets are measured at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments. The Company applies IAS 36 to all right-of-use assets.

The Company also applies the practical expedients: The Company applies a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.

The weighted average lessee's incremental borrowing rate applied to lease liabilities recognized on January 1, 2019 is 0.86%. The difference between the lease liabilities recognized and operating lease commitments disclosed under IAS 17 on December 31, 2018 is explained as follows:

The future minimum lease payments of non-cancellable operating lease commitments on December 31, 2018	\$ 782,398
Less: Recognition exemption for short-term leases	<u>(31,043)</u>
Undiscounted amounts on January 1, 2019	<u>\$ 751,355</u>
Discounted amounts using the incremental borrowing rate on January 1, 2019	\$ 738,638
Less: Others	<u>-</u>
Lease liabilities recognized on January 1, 2019	<u>\$ 738,638</u>

### The Company as lessor

The Company does not make any adjustments for leases in which it is a lessor, and it accounts for those leases with the application of IFRS 16 starting from January 1, 2019.

The impact on assets, liabilities and equity as of January 1, 2019 from the initial application of IFRS 16 is set out as follows:

	<b>As Originally Stated on January 1, 2019</b>	<b>Adjustments Arising from Initial Application</b>	<b>Restated on January 1, 2019</b>
Investments accounted for using equity method	\$ 1,493,130	\$ 291	\$ 1,493,421
Right-of-use assets	-	740,408	740,408
Deferred tax assets	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

- b. The IFRSs endorsed by the FSC for application starting from 2020

<b>New IFRSs</b>	<b>Effective Date Announced by IASB</b>
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020 (Note 1)
Amendments to IFRS 9, IAS 39 and IFRS 7 “Interest Rate Benchmark Reform”	January 1, 2020 (Note 2)
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020 (Note 3)

Note 1: 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 2: The Company shall apply these amendments retrospectively for annual reporting periods beginning on or after January 1, 2020.

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.

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

<b>New IFRSs</b>	<b>Effective Date Announced by IASB (Note)</b>
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 “Classification of Liabilities as Current or Non-current”	January 1, 2022

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

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 an asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- 3) Level 3 inputs are unobservable inputs for an asset or liability.

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 equity method, share of profit of subsidiaries and associates accounted for using equity method, share of other comprehensive loss of subsidiaries and associates accounted for using equity method 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 (i.e., 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 in which they arise.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when 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 translated using the exchange rate at the date of the transaction (i.e., not retranslated).

For the purposes of presenting financial statements, the functional currencies of the Company's foreign operations (including subsidiaries and associates in other countries that use currencies which are 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.

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, investments 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 an 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 its 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 had the investee 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 using the equity method is insufficient, the shortage is debited to retained earnings.

The entire carrying amount of an 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 of interests in the associate that are not related to the Company.

g. Property, plant and equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost less accumulated depreciation and accumulated impairment loss.

Properties, plant and equipment in the course of construction are measured 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 their intended use.

Except for freehold land which is not depreciated, the depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effects of any changes in the estimates 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 the estimates 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 on 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 issuance 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 categories

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 assets at FVTPL

Financial assets are classified as at FVTPL when such a financial asset is mandatorily classified or 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, and any remeasurement gains or losses on such financial assets are recognized in gains or losses. Fair value is determined in the manner described in Note 27.

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 using 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 as 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, it 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.

b) Impairment of financial assets

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 losses (ECLs) for accounts receivable and other receivables. For all other financial instruments, the Company recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a 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 ECLs.

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

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts 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 the carrying amounts of such financial assets are not reduced.

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.

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, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through 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.

The 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, issuance or cancellation of the Company's own equity instruments.

3) Financial liabilities

a) Subsequent measurement

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

b) Derecognition of financial liabilities

The difference between the carrying amount of a 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

The Company identifies contracts with 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 mo coins or advance receipts from prepaid bonus for customers to deduct the price when they are redeemed. Transaction price is allocated on a stand-alone selling price basis to mo coins and advance receipts from prepaid bonus. mo coins and advance receipts from prepaid bonus will be recognized as revenue when they are redeemed or expired.

2) Revenue from rendering of services

The Company's revenues from rendering of services are advertising revenues and service revenues. Service revenues are that the Company procures goods on behalf of customers as an agent. The Company recognizes service revenue in the net amount of consideration received or receivable when goods are transferred and the Company has no further obligation to customers. Advertising revenues are recognized as revenue during the contract period.

m. Leases

2019

At the inception of a contract, the Company assesses whether the contract is, or contains, a lease.

The Company as lessee

The Company recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, or a change in future lease payments resulting from a change in an index used to determine those payments, the Company remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the balance sheets.

## 2018

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

### The Company as lessee

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 liabilities are recognized as employee benefits expense in the period in which 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 retained earnings and will not be reclassified to profit or loss.

Net defined benefit liabilities represent the actual deficit in the Company's defined benefit plans. 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 on unappropriated earnings is provided for in the year the shareholders approve to retain 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 recognized only 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 assets 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 assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liabilities are settled or the assets 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 taxes

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, estimations, and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

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

### Critical Accounting Judgements

#### a. Significant influence over associates

Note 12 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. Lease terms - 2019

In determining a lease term, the Company considers all facts and circumstances that create an economic incentive to exercise or not to exercise an option, including any expected changes in facts and circumstances from the commencement date until the exercise date of the option. Main factors considered include contractual terms and conditions for the optional periods, significant leasehold improvements undertaken over the contract term, the importance of the underlying asset to the lessee's operations, etc. The lease term is reassessed if a significant change in circumstances that are within control of the Company occur.

## 6. CASH AND CASH EQUIVALENTS

	December 31	
	2019	2018
Cash in banks	\$ 1,687,512	\$ 1,523,837
Time deposits	<u>1,715,000</u>	<u>1,024,540</u>
	<u>\$ 3,402,512</u>	<u>\$ 2,548,377</u>
The market rate intervals of time deposits	0.59%-0.6%	0.59%-2.7%

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

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

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

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

### Equity Instrument Investments

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
<u>Current</u>		
Foreign unlisted stock	<u>\$ 7,407</u>	<u>\$ 10,125</u>
<u>Non-current</u>		
Domestic unlisted stock	<u>\$ 49,584</u>	<u>\$ 42,580</u>

These investments in equity instruments are not held for trading. Instead, they are held for medium to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with momo's strategy of holding these investments for long-term purposes.

As of December 31, 2019 and 2018, the financial assets were not pledged.

## 9. ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
<u>Accounts receivable</u>		
Measured at amortized cost		
Accounts receivable	\$ 87,424	\$ 54,399
Less: Allowance for impairment loss	<u>(2,516)</u>	<u>(1,761)</u>
Accounts receivable, net	<u>\$ 84,908</u>	<u>\$ 52,638</u>
<u>Other receivables</u>		
Measured at amortized cost		
Other receivables	\$ 739,063	\$ 908,728
Less: Allowance for impairment loss	<u>(9,162)</u>	<u>(7,169)</u>
Other receivables, net	<u>\$ 729,901</u>	<u>\$ 901,559</u>

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

The Company measures the loss allowance for trade receivables at an amount equal to lifetime ECLs. The expected credit losses on accounts receivable and other receivables are estimated by reference to the past default experience and collecting experience of each debtor as well as an increase in the number of delayed payments in the portfolio past the average credit period. Furthermore, the Company 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 Company 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, 2019

	<b>Not Past Due</b>	<b>1 to 120 Days</b>	<b>121 to 365 Days</b>	<b>Over 365 Days</b>	<b>Total</b>
Gross carrying amount	\$ 775,571	\$ 32,361	\$ 11,125	\$ 7,430	\$ 826,487
Loss allowance (Lifetime ECLs)	<u>(197)</u>	<u>(95)</u>	<u>(3,961)</u>	<u>(7,425)</u>	<u>(11,678)</u>
Amortized cost	<u>\$ 775,374</u>	<u>\$ 32,266</u>	<u>\$ 7,164</u>	<u>\$ 5</u>	<u>\$ 814,809</u>

December 31, 2018

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

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

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

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Beginning balance	\$ 8,930	\$ 4,758
Add: Provision	4,870	4,416
Less: Write-off	<u>(2,122)</u>	<u>(244)</u>
Ending balance	<u>\$ 11,678</u>	<u>\$ 8,930</u>

## 10. INVENTORIES

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Merchandise	<u>\$ 2,393,097</u>	<u>\$ 1,624,868</u>

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2019 and 2018 were \$43,479,260 thousand and \$34,768,596 thousand, which included inventory write-downs of \$29,924 thousand and \$8,703 thousand, respectively.

## 11. OTHER FINANCIAL ASSETS

	December 31	
	2019	2018
<u>Current</u>		
Pledged time deposits and restricted deposits	\$ 69,180	\$ 68,128
Time deposits with original maturities of more than 3 months	<u>-</u>	<u>3,000</u>
	<u>\$ 69,180</u>	<u>\$ 71,128</u>

### Non-current

Pledged time deposits and restricted deposits	<u>\$ 148,762</u>	<u>\$ 12,177</u>
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- a. The range of interest rate for time deposits with original maturities of more than 3 months was 1.065% per annum as of December 31, 2018.
- 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 29 for information relating to other financial assets pledged as security.

## 12. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	December 31	
	2019	2018
Subsidiaries	\$ 801,005	\$ 987,535
Associates	<u>523,944</u>	<u>505,595</u>
	<u>\$ 1,324,949</u>	<u>\$ 1,493,130</u>

- a. Subsidiaries

Investee Company	December 31			
	2019		2018	
	Amount	% of Ownership	Amount	% of Ownership
Fu Sheng Travel Service Co., Ltd. (FST)	\$ 47,826	100.00	\$ 48,535	100.00
Fuli Life Insurance Agent Co., Ltd. (FLI)	8,791	100.00	9,310	100.00
Fuli Property Insurance Agent Co., Ltd. (FPI)	10,403	100.00	10,969	100.00
Bebe Poshe International Co., Ltd. (Bebe Poshe)	62,992	85.00	82,726	85.00
Asian Crown International Co., Ltd. (Asian Crown (BVI))	40,741	81.99	41,494	81.99
Honest Development Co, Ltd. (Honest Development)	<u>630,252</u>	100.00	<u>794,501</u>	100.00
	<u>\$ 801,005</u>		<u>\$ 987,535</u>	

Investments in subsidiary Bebe Poshe are accounted for using the equity method. The result of future operating did not perform as expected. The recoverable amount of Bebe Poshe, based on the estimated cash flows for the next 5 years, and the discount rate was 8.92%. Base on assessment, the Company recognized impairment loss on investments in subsidiaries of \$13,332 thousand for the year ended December 31, 2019, which was in other gains and losses.

Refer to Table 4 “Information on Investees” and Table 5 “Information on Investments in Mainland China” for the details of the subsidiaries indirectly held by the Company.

b. Associates

Investee Company	December 31			
	2019		2018	
	Amount	% of Ownership	Amount	% of Ownership
Taiwan Pelican Express Co., Ltd. (TPE)	\$ 404,413	17.70	\$ 385,706	17.70
TVD Shopping Co., Ltd. (TVD Shopping)	<u>119,531</u>	35.00	<u>119,889</u>	35.00
	<u>\$ 523,944</u>		<u>\$ 505,595</u>	

Refer to Table 4 “Information on Investees” for the nature of activities, principal places of business and countries 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

To engage in Thailand E-commerce market, the Company acquired 35% of TVD Shopping, which was incorporated by momo and TV Direct Public Company Limited, with the total amount of investment of THB120,750 thousand.

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	
	2019	2018
momo’s share of:		
Profit	\$ 33,380	\$ 13,227
Other comprehensive income (loss)	<u>8,669</u>	<u>(7,223)</u>
Total comprehensive income for the year	<u>\$ 42,049</u>	<u>\$ 6,004</u>

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

Name of Associate	December 31	
	2019	2018
TPE	<u>\$ 516,081</u>	<u>\$ 369,112</u>

All the associates are accounted for using the equity method.

### 13. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Machinery	Office Equipment	Lease Improvement	Other Equipment	Property in Construction	Total
<u>Cost</u>								
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	<u>\$ 1,717,927</u>	<u>\$ 1,768,148</u>	<u>\$ 1,315,322</u>	<u>\$ 99,491</u>	<u>\$ 259,756</u>	<u>\$ 61,640</u>	<u>\$ 15,039</u>	<u>\$ 5,237,323</u>
<u>Accumulated depreciation and impairment</u>								
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	<u>\$ -</u>	<u>\$ 85,812</u>	<u>\$ 502,146</u>	<u>\$ 43,390</u>	<u>\$ 130,399</u>	<u>\$ 9,783</u>	<u>\$ -</u>	<u>\$ 771,530</u>
Carrying amounts, December 31, 2018	<u>\$ 1,717,927</u>	<u>\$ 1,682,336</u>	<u>\$ 813,176</u>	<u>\$ 56,101</u>	<u>\$ 129,357</u>	<u>\$ 51,857</u>	<u>\$ 15,039</u>	<u>\$ 4,465,793</u>
<u>Cost</u>								
Balance, January 1, 2019	\$ 1,717,927	\$ 1,768,148	\$ 1,315,322	\$ 99,491	\$ 259,756	\$ 61,640	\$ 15,039	\$ 5,237,323
Additions	-	1,116	114,687	18,224	22,005	17,610	19,325	192,967
Disposals	-	-	(71)	(572)	-	-	-	(643)
Reclassification	-	-	6,871	-	-	-	(13,896)	(7,025)
Balance, December 31, 2019	<u>\$ 1,717,927</u>	<u>\$ 1,769,264</u>	<u>\$ 1,436,809</u>	<u>\$ 117,143</u>	<u>\$ 281,761</u>	<u>\$ 79,250</u>	<u>\$ 20,468</u>	<u>\$ 5,422,622</u>
<u>Accumulated depreciation and impairment</u>								
Balance, January 1, 2019	\$ -	\$ 85,812	\$ 502,146	\$ 43,390	\$ 130,399	\$ 9,783	\$ -	\$ 771,530
Depreciation	-	81,086	145,725	24,494	36,414	7,588	-	295,307
Disposals	-	-	(68)	(562)	-	-	-	(630)
Balance, December 31, 2019	<u>\$ -</u>	<u>\$ 166,898</u>	<u>\$ 647,803</u>	<u>\$ 67,322</u>	<u>\$ 166,813</u>	<u>\$ 17,371</u>	<u>\$ -</u>	<u>\$ 1,066,207</u>
Carrying amounts, December 31, 2019	<u>\$ 1,717,927</u>	<u>\$ 1,602,366</u>	<u>\$ 789,006</u>	<u>\$ 49,821</u>	<u>\$ 114,948</u>	<u>\$ 61,879</u>	<u>\$ 20,468</u>	<u>\$ 4,356,415</u>

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

Buildings	5-50 years
Machinery	1-12 years
Office equipment	3-10 years
Lease improvement	1-10 years
Other equipment	3-15 years

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

## 14. LEASE ARRANGEMENTS

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

	<b>December 31, 2019</b>
<u>Carrying amounts</u>	
Buildings	\$ 1,079,714
Office equipment	4,476
Transportation equipment	<u>2,430</u>
	<u>\$ 1,086,620</u>
	<b>For the Year Ended December 31, 2019</b>
Additions to right-of-use assets	<u>\$ 656,800</u>
Depreciation charge for right-of-use assets	
Buildings	\$ 307,640
Office equipment	2,061
Transportation equipment	<u>696</u>
	<u>\$ 310,397</u>

### b. Lease liabilities - 2019

	<b>December 31, 2019</b>
<u>Carrying amounts</u>	
Current	<u>\$ 346,825</u>
Non-current	<u>\$ 749,172</u>

Range of discount rate for lease liabilities was 0.78%-0.86%.

### c. Material lease-in activities and terms

The Company leases buildings for the use of offices and warehouses with lease terms of 1.5 to 5 years. The Company does not have bargain purchase options to acquire the buildings at the end of the lease terms. In addition, the Company is prohibited from subleasing or transferring all or any portion of the underlying assets without the lessor's consent.



d. Other lease information

2019

**For the Year  
Ended  
December 31,  
2019**

Expenses relating to short-term leases	\$ 52,518
Expenses relating to low-value asset leases	\$ 1,206
Expenses relating to variable lease payments not included in the measurement of lease liabilities	\$ 82,204
Total cash outflow for leases	\$ (438,030)

The Company leases certain buildings which qualify as short-term leases and certain office equipment which qualify as low-value asset leases. The Company has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

The amount of lease commitments for short-term leases for which the recognition exemption is applied (including lease commitments for short-term leases with lease terms commencing after the balance sheet dates) was \$19,411 thousand as of December 31, 2019.

2018

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

	<b>December 31, 2018</b>
Not later than 1 year	\$ 253,099
Later than 1 year and not later than 5 years	<u>529,299</u>
	<u>\$ 782,398</u>

**15. ACCOUNTS PAYABLE**

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Suppliers	<u>\$ 5,041,379</u>	<u>\$ 4,464,620</u>

**16. OTHER PAYABLES**

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Payable for salaries and bonus	\$ 343,747	\$ 267,034
Payable for business tax	78,770	54,122
Payable for pension	21,575	18,711
Payable for equipment and construction	5,688	11,681
Others	<u>229,347</u>	<u>119,782</u>
	<u>\$ 679,127</u>	<u>\$ 471,330</u>

## 17. OTHER CURRENT LIABILITIES

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Other financial liabilities	\$ 140,005	\$ -
Others	<u>210,854</u>	<u>218,486</u>
	<u>\$ 350,859</u>	<u>\$ 218,486</u>

## 18. 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 expenses of \$80,820 thousand and \$76,065 thousand for the years ended December 31, 2019 and 2018, 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 6 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:

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Present value of defined benefit obligation	\$ 13,181	\$ 12,610
Fair value of plan assets	<u>(11,974)</u>	<u>(10,137)</u>
Net defined benefit liabilities	<u>\$ 1,207</u>	<u>\$ 2,473</u>

Movements in net defined benefit liabilities were as follows:

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liabilities</b>
Balance at January 1, 2018	<u>\$ 12,003</u>	<u>\$ (8,396)</u>	<u>\$ 3,607</u>
Net interest expense (income)	<u>195</u>	<u>(148)</u>	<u>47</u>
Recognized in profit or loss	<u>195</u>	<u>(148)</u>	<u>47</u>
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	<u>(148)</u>	<u>-</u>	<u>(148)</u>
Recognized in other comprehensive income	<u>412</u>	<u>(174)</u>	<u>238</u>
Contributions from the employer	<u>-</u>	<u>(1,419)</u>	<u>(1,419)</u>
Balance at December 31, 2018	<u>12,610</u>	<u>(10,137)</u>	<u>2,473</u>
Net interest expense (income)	<u>173</u>	<u>(149)</u>	<u>24</u>
Recognized in profit or loss	<u>173</u>	<u>(149)</u>	<u>24</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(288)	(288)
Actuarial loss - changes in demographic assumptions	4	-	4
Actuarial loss - changes in financial assumptions	830	-	830
Actuarial gain - experience adjustments	<u>(436)</u>	<u>-</u>	<u>(436)</u>
Recognized in other comprehensive income	<u>398</u>	<u>(288)</u>	<u>110</u>
Contributions from the employer	<u>-</u>	<u>(1,400)</u>	<u>(1,400)</u>
Balance at December 31, 2019	<u>\$ 13,181</u>	<u>\$ (11,974)</u>	<u>\$ 1,207</u>

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 bond 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 plans' debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated using the future salaries of plan participants. As such, an increase in the salaries 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 significant assumptions used for the purposes of the actuarial valuations were as follows:

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Discount rate(s)	1%	1.375%
Expected rate(s) of salary increase	2.5%	2.5%

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

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Discount rate(s)		
0.25% increase	\$ (560)	\$ (560)
0.25% decrease	\$ 589	\$ 590
Expected rate(s) of salary increase		
0.25% increase	\$ 573	\$ 576
0.25% decrease	\$ (548)	\$ (550)

The sensitivity analysis previously presented may not be representative of the actual changes in the present value of the defined benefit obligation as it is unlikely that the changes in assumptions will 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 defined benefit liabilities recognized in the balance sheets.

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Expected contributions to the plans for the next year	\$ 1,385	\$ 1,404
Average duration of the defined benefit obligation	17.4 years	18.3 years

## 19. GUARANTEE DEPOSITS

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Vendors	\$ 270,908	\$ 255,075
Others	<u>2,134</u>	<u>34</u>
	<u>\$ 273,042</u>	<u>\$ 255,109</u>

## 20. EQUITY

### a. Capital stock

As of December 31, 2019 and 2018, momo had authorized 150,000 thousand common shares, with 140,059 thousand shares issued and outstanding at par value \$10 per share.

### b. Capital surplus

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Additional paid-in capital	\$ 2,472,964	\$ 2,764,062
From share of changes in equities of subsidiaries	125,291	125,291
Expired employee share options	170	170
From share of changes in equities of associates	<u>48,935</u>	<u>87,468</u>
	<u>\$ 2,647,360</u>	<u>\$ 2,976,991</u>

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

### c. Retained earnings and dividends policy

momo's Articles of Incorporation provide that, in the event that momo, according to the financial report, earns profits in a fiscal year, such profits shall first be applied to pay the applicable taxes, recover losses, set aside legal reserve pursuant to laws and regulations until the accumulated legal reserves equal momo's paid-in capital, and set aside or reverse a special reserve in accordance with the law or to satisfy the business needs of momo. The remaining balance and any unappropriation earnings of the previous fiscal years shall be distributed to the shareholders with more than 10% as dividends in accordance with resolutions of the shareholders' meetings. For information about the accrual basis of the employees' compensation and remuneration of directors and the actual appropriations, please refer to employee benefits expense in Note 22(d).

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

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

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

momo distributes and reverses a 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. Distributions can be made out of any subsequent reversal of the debit to other equity items.

The appropriations of earnings for 2018 and 2017 were approved in the shareholders' meetings on May 16, 2019 and May 17, 2018, respectively, were as follows:

	<b>Appropriation of Earnings</b>	
	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Legal reserve	\$ 96,778	\$ 126,986
Special reserve	\$ (98,433)	\$ 53,985
Cash dividends	\$ 969,429	\$ 1,088,885
Cash dividends per share (NT\$)	\$ 6.9216	\$ 7.7745

The Company's shareholders resolved to issue cash dividends from capital surplus of \$291,098 thousand and \$31,583 thousand on May 16, 2019 and May 17, 2018, respectively.

d. Other equity

1) Exchange differences on translation

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Beginning balance	\$ (62,486)	\$ (48,923)
Recognized for the year		
Exchange differences arising on translation	4,916	3,083
Share from subsidiaries and associates accounted for using equity method	(22,703)	(16,646)
Other comprehensive loss recognized for the year	(17,787)	(13,563)
Ending balance	\$ (80,273)	\$ (62,486)

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

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Beginning balance	\$ (105,408)	\$ (69,390)
Recognized for the year		
Unrealized gain (loss) - equity instruments	4,286	(29,384)
Share from associates accounted for using equity method	8,702	(6,634)
Other comprehensive income (loss) recognized for the year	12,988	(36,018)
Ending balance	\$ (92,420)	\$ (105,408)

e. Treasury shares

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

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

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

## 21. REVENUE

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Sales revenue	\$ 51,074,409	\$ 41,378,566
Other operating revenues	<u>654,811</u>	<u>559,541</u>
	<u><u>\$ 51,729,220</u></u>	<u><u>\$ 41,938,107</u></u>

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 for a 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 recognized in the current year that was included in the contract liability balance at beginning of the year is as follows:

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Revenue from sale of goods	\$ 84,361	\$ 25,756
Others	<u>7,740</u>	<u>8,858</u>
	<u><u>\$ 92,101</u></u>	<u><u>\$ 34,614</u></u>

## 22. PROFIT BEFORE INCOME TAX

### a. Other income

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Interest income	\$ 24,073	\$ 26,962
Rent income	2,147	1,666
Others	<u>13,242</u>	<u>4,139</u>
	<u>\$ 39,462</u>	<u>\$ 32,767</u>

### b. Other gains and losses

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Gain (loss) on financial assets		
Financial assets mandatorily classified as at fair value through profit or loss	\$ 3,390	\$ (28,067)
Impairment loss on investments accounted for using equity method	(13,332)	-
Net foreign exchange gains (losses)	(1,984)	1,389
Loss on disposal of property, plant and equipment	<u>(7)</u>	<u>-</u>
	<u>\$ (11,933)</u>	<u>\$ (26,678)</u>

### c. Finance costs

	<b>For the Year Ended December 31, 2019</b>
Interest on lease liabilities	\$ 8,271
Others	<u>17</u>
	<u>\$ 8,288</u>

### d. Employee benefits expense, depreciation and amortization

<div>Function</div> <div>Nature</div>	<b>For the Year Ended December 31, 2019</b>			<b>For the Year Ended December 31, 2018</b>		
	<b>Operating Costs</b>	<b>Operating Expenses</b>	<b>Total</b>	<b>Operating Costs</b>	<b>Operating Expenses</b>	<b>Total</b>
Employee benefits expense						
Salary	\$ 665,805	\$ 979,318	\$1,645,123	\$ 550,066	\$ 862,220	\$1,412,286
Insurance expense	69,164	96,016	165,180	55,665	85,087	140,752
Post-employment benefits	33,340	47,504	80,844	27,688	48,424	76,112
Compensation of directors	-	6,552	6,552	-	7,000	7,000
Other employee benefits	43,035	58,664	101,699	34,398	54,390	88,788
Depreciation	468,592	137,112	605,704	225,728	36,587	262,315
Amortization	9,490	47,406	56,896	8,165	43,671	51,836



As of December 31, 2019 and 2018, the Company had the average number of employees 2,235 and 1,933, respectively, and there were the average number of non-employee directors 7 and 6 for each year. The calculation basis was consistent with employee benefits expenses.

The Company's average employee benefits expenses for the years ended December 31, 2019 and 2018 were \$894 thousand and \$892 thousand, respectively; average employee salary were \$738 thousand and \$733 thousand, respectively, and the change in the average employee salary was 0.7%.

According to momo's Articles, if the Company earns profits in a fiscal year, such profits shall be appropriated as follows:

- 1) A maximum of 0.3% as director remuneration
- 2) 0.1% to 1% as employee remuneration

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

Employees' compensation may be distributed to, including but not limited to, employees of parents or subsidiaries of the Company meeting certain specific requirements set by the Board of Directors or its authorized persons.

The Company's estimated employees' compensation and remuneration of directors were made by applying the rates to the aforementioned regulation. The employees' compensation and the remuneration of directors for the years ended December 31, 2019 and 2018, which were approved by the Board of Directors on February 12, 2020 and January 29, 2019, respectively, were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
	<b>Cash</b>	<b>Cash</b>
Employees' compensation	<u>\$ 1,632</u>	<u>\$ 1,480</u>
Remuneration of directors	<u>\$ 1,632</u>	<u>\$ 1,480</u>

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.

There is no difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the financial statements for the years ended December 31, 2018 and 2017.

Information on the employees' compensation and remuneration of directors resolved by momo's Board of Directors in 2019 and 2018 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

## 23. INCOME TAX

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

Major components of income tax expense were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Current tax		
In respect of the current year	\$ 308,282	\$ 128,270
Adjustments for prior year	<u>-</u>	<u>(73,716)</u>
	<u>308,282</u>	<u>54,554</u>
Deferred tax		
In respect of the current year	11,043	(24,004)
Adjustments to deferred tax attributable to changes in tax rates	<u>-</u>	<u>(2,272)</u>
	<u>11,043</u>	<u>(26,276)</u>
Income tax expense recognized in profit or loss	<u>\$ 319,325</u>	<u>\$ 28,278</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Profit before tax	<u>\$ 1,713,106</u>	<u>\$ 1,477,918</u>
Income tax expense calculated at the statutory rate (20%)	\$ 342,621	\$ 295,584
Share of loss of domestic investment accounted for using the equity method	(4,787)	(3,098)
Nondeductible expenses in determining taxable income	2,916	8,772
Temporary differences	8,241	(105,647)
Deferred tax	11,043	(24,004)
Adjustments for prior years' tax	-	(73,716)
Investment tax credit	(40,709)	(67,341)
Adjustments to deferred tax attributable to changes in tax rates	<u>-</u>	<u>(2,272)</u>
Income tax expense recognized in profit or loss	<u>\$ 319,325</u>	<u>\$ 28,278</u>

For the year ended December 31, 2018, the tax benefit from adjustment for prior years' tax recognized in the current period resulted from the approval for investment tax credit of the acquisition of equipment in May 2018, which deducted of \$74,741 thousand tax payable from 2017 income tax return.

The Income Tax Act in the ROC was amended in 2018, and the corporate income tax rate was adjusted from 17% to 20%. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings was reduced from 10% to 5%.

### b. Income tax recognized in other comprehensive income

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
<u>Deferred tax</u>		
Remeasurement of defined benefit plans	\$ 22	\$ 47
Change in tax rate - remeasurement of defined benefit plans	<u>-</u>	<u>253</u>
Income tax recognized in other comprehensive income	<u>\$ 22</u>	<u>\$ 300</u>

c. Deferred tax assets and liabilities

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

For the year ended December 31, 2019

<b>Deferred Tax Assets</b>	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Comprehen- sive Income</b>	<b>Effect of IFRS 16 Application</b>	<b>Closing Balance</b>
Temporary differences					
Defined benefit obligation	\$ 495	\$ (276)	\$ 22	\$ -	\$ 241
Allowance for inventory valuation loss	7,220	3,440	-	-	10,660
Investment tax credit	18,558	(18,558)	-	-	-
Others	<u>20,260</u>	<u>3,458</u>	<u>-</u>	<u>(7,286)</u>	<u>16,432</u>
	<u>\$ 46,533</u>	<u>\$ (11,936)</u>	<u>\$ 22</u>	<u>\$ (7,286)</u>	<u>\$ 27,333</u>

<b>Deferred Tax Liabilities</b>	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Comprehen- sive Income</b>	<b>Closing Balance</b>
Temporary differences				
Unrealized gain on fair value through other comprehensive income financial assets	\$ 3,774	\$ -	\$ -	\$ 3,774
Others	<u>1,875</u>	<u>(893)</u>	<u>-</u>	<u>982</u>
	<u>\$ 5,649</u>	<u>\$ (893)</u>	<u>\$ -</u>	<u>\$ 4,756</u>

For the year ended December 31, 2018

<b>Deferred Tax Assets</b>	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Comprehen- sive Income</b>	<b>Closing Balance</b>
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	<u>13,180</u>	<u>7,080</u>	<u>-</u>	<u>20,260</u>
	<u>\$ 19,284</u>	<u>\$ 26,949</u>	<u>\$ 300</u>	<u>\$ 46,533</u>

Deferred Tax Liabilities	Opening Balance	Classification	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)	\$ -	\$ -	\$ -
Unrealized gain on fair value through other comprehensive income financial assets	-	3,208	566	-	3,774
Others	<u>1,768</u>	<u>-</u>	<u>107</u>	<u>-</u>	<u>1,875</u>
	<u>\$ 4,976</u>	<u>\$ -</u>	<u>\$ 673</u>	<u>\$ -</u>	<u>\$ 5,649</u>

d. Income tax assessments

The tax authorities have examined income tax returns of the Company through 2017.

## 24. EARNINGS PER SHARE

Unit: NT\$ Per Share

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Basic earnings per share	<u>\$ 9.95</u>	<u>\$ 10.35</u>
Diluted earnings per share	<u>\$ 9.95</u>	<u>\$ 10.35</u>

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

### Net Profit for the Year

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Earnings used in the computation of basic and diluted earnings per share	<u>\$ 1,393,781</u>	<u>\$ 1,449,640</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Weighted average number of ordinary stocks used in the computation of basic earnings per share	140,059	140,059
Effect of potentially dilutive ordinary stocks:		
Employees' compensation	<u>6</u>	<u>8</u>
Weighted average number of ordinary stocks used in the computation of diluted earnings per share	<u>140,065</u>	<u>140,067</u>

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.

## 25. CASH FLOW INFORMATION

Changes in liabilities arising from financing activities:

For the year ended December 31, 2019

	Opening Balance	Cash Flows	Non-cash Changes		Closing Balance
			New Leases	Others	
Lease liabilities	\$ 738,638	\$ (302,102)	\$ 651,381	\$ 8,080	\$ 1,095,997

## 26. 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.

## 27. FINANCIAL INSTRUMENTS

### a. Fair value of financial instruments 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 measured at fair value on a recurring basis

#### 1) Fair value hierarchy

December 31, 2019

	Level 1	Level 2	Level 3	Total
Financial assets at fair value through other comprehensive income				
Investments in equity instruments				
Unlisted stock - foreign investments	\$ -	\$ 7,407	\$ -	\$ 7,407
Unlisted stock - domestic investments	-	-	49,584	49,584
	<u>\$ -</u>	<u>\$ 7,407</u>	<u>\$ 49,584</u>	<u>\$ 56,991</u>

December 31, 2018

	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Beneficiary certificates	<u>\$ 81,474</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 81,474</u>
Financial assets at fair value through other comprehensive income				
Investments in equity instruments				
Unlisted stock - foreign investments	\$ -	\$ 10,125	\$ -	\$ 10,125
Unlisted stock - domestic investments	<u>-</u>	<u>-</u>	<u>42,580</u>	<u>42,580</u>
	<u>\$ -</u>	<u>\$ 10,125</u>	<u>\$ 42,580</u>	<u>\$ 52,705</u>

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

2) Valuation techniques and assumptions used in fair value determination

- a) The fair value of financial instruments traded in active markets is based on quoted market prices (including beneficiary certificates that went public).
- b) Valuation techniques and inputs applied for Level 2 fair value measurement: 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 year.
- c) 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.

3) Reconciliation of Level 3 fair value measurements of financial instruments

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

	<u>For the Year Ended December 31</u>	
	<u>2019</u>	<u>2018</u>
Beginning balance	\$ 42,580	\$ 53,820
Recognized in other comprehensive income (included unrealized gain (loss) on financial assets at fair value through other comprehensive income)	<u>7,004</u>	<u>(11,240)</u>
Ending balance	<u>\$ 49,584</u>	<u>\$ 42,580</u>

c. Categories of financial instruments

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
<u>Financial assets</u>		
Financial assets at fair value through profit or loss		
Mandatorily at fair value through profit or loss	\$ -	\$ 81,474
Financial assets at fair value through other comprehensive income		
Investments in equity instruments	56,991	52,705
Financial assets at amortized cost (Note 1)	<u>4,709,299</u>	<u>3,848,040</u>
	<u>\$ 4,766,290</u>	<u>\$ 3,982,219</u>

Financial liabilities

Financial liabilities at amortized cost (Note 2)	<u>\$ 6,442,273</u>	<u>\$ 5,340,791</u>
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Note 1: The balances include financial assets at amortized cost, which comprise cash and cash equivalents, accounts receivable, other receivables, other financial assets and refundable deposits.

Note 2: The balances include financial liabilities at amortized cost, which comprise accounts payable, other payables, other financial liabilities 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 transacts with a large number of unrelated customers and, thus, credit risk is not highly concentrated. 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, 2019 and 2018, momo had unused bank facilities of \$648,002 thousand and \$751,158 thousand, respectively.

The following table details the Company's remaining contractual maturities for its non-derivative financial liabilities with agreed upon repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows.

December 31, 2019

	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>	<b>1-5 Years</b>	<b>5+ Years</b>
<u>Non-derivative financial liabilities</u>					
Lease liabilities	<u>\$ 30,458</u>	<u>\$ 60,910</u>	<u>\$ 265,336</u>	<u>\$ 756,765</u>	<u>\$ -</u>

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 32.

#### Sensitivity analysis

momo was mainly exposed to the USD, 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, accounts payable and other payables, etc. If the NTD, when compared with the relevant foreign currencies, had appreciated or depreciated by 5% on the reporting date, profit would have increased (decreased) as follows:

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Appreciated 5%	\$ (817)	\$ (2,319)
Depreciated 5%	\$ 817	\$ 2,319

### b) Interest rate risk

momo was exposed to interest rate risk because entities in momo carried deposits, other financial assets and lease liabilities at both fixed and floating interest rates.

The carrying amounts of momo's financial assets and financial liabilities with exposure to interest rates at the end of the year were as follows:

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Fair value interest rate risk		
Financial assets	\$ 1,923,765	\$ 1,098,668
Financial liabilities	1,095,997	-
Cash flow interest rate risk		
Financial assets	1,696,366	1,530,170

### 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 year. For floating rate assets and liabilities, the analysis was prepared assuming the amount of the assets and liabilities outstanding at the end of the year were 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, 2019 and 2018 would increase or decrease by \$8,482 thousand and \$7,651 thousand, respectively.

#### c) Other price risk

momo was exposed to equity 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 year.

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 years ended December 31, 2019 and 2018 would have increased or decreased by \$2,850 thousand and \$2,635 thousand, respectively, as a result of the changes in fair value of financial assets at FVTOCI.

## **28. 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, 2019 and 2018, respectively. momo's ultimate parent and ultimate controlling party is Taiwan Mobile Co., Ltd. (TWM).

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

#### a. Related party name and categories

<u>Related Party Name</u>	<u>Related Party Categories</u>
Taiwan Mobile Co., Ltd. (TWM)	Ultimate parent entity
Wealth Media Technology Co., Ltd. (WMT)	Parent entity
Taiwan Pelican Express Co., Ltd. (TPE)	Associates
GHS Trading Ltd. (GTL)	Associates
TVD Shopping Co., Ltd. (TVD Shopping)	Associates
Fu Sheng Travel Service Co., Ltd. (FST)	Subsidiaries
Bebe Poshe International Co., Ltd. (Bebe Poshe)	Subsidiaries
Fubon Gehua (Beijing) Enterprise Ltd. (FGE)	Subsidiaries
Taipei Fubon Commercial Bank Co., Ltd. (TFCB)	Related party in substance
Fubon Life Insurance Co., Ltd. (Fubon Life)	Related party in substance

(Continued)

<b>Related Party Name</b>	<b>Related Party Categories</b>
Fubon Asset Management Co., Ltd. (FAM)	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
Fubon Hospitality Management Co., Ltd. (FHM)	Related party in substance
Taiwan Fixed Network Co., Ltd. (TFN)	Same ultimate parent entity
TFN Media Co., Ltd. (TFNM)	Same ultimate parent entity
Mangrove Cable TV Co., Ltd. (MCTV)	Same ultimate parent entity
Union Cable TV Co., Ltd. (UCTV)	Same ultimate parent entity
Yeong Jia Leh Cable TV Co., Ltd. (YJCTV)	Same ultimate parent entity
Taipei New Horizon Co., Ltd. (TNH)	Same ultimate parent entity
Globalview Cable TV Co., Ltd. (GCTV)	Same ultimate parent entity
Phoenix Cable TV Co., Ltd. (PCTV)	Same ultimate parent entity
Win TV Broadcasting Co., Ltd. (WTVB)	Same ultimate parent entity
Taiwan Kuro Times Co., Ltd. (TKT)	Same ultimate parent entity
	(Concluded)

b. Operating revenues

<b>Line Items</b>	<b>Related Party Categories</b>	<b>For the Year Ended December 31</b>	
		<b>2019</b>	<b>2018</b>
Sales	Parent entity	\$ 158,773	\$ 749
	Subsidiaries	38,264	19,513
	Associates	<u>4,135</u>	<u>5,755</u>
		<u>\$ 201,172</u>	<u>\$ 26,017</u>

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

<b>Related Party Categories</b>	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Parent entity	\$ 1,101,542	\$ 89,051
Subsidiaries	19,738	5,722
Associates	597,651	406,755
Other related parties	<u>126,942</u>	<u>119,154</u>
	<u>\$ 1,845,873</u>	<u>\$ 620,682</u>

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

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

d. Receivables from related parties

Line Items	Related Party Categories/Name	December 31	
		2019	2018
Accounts receivable	Parent entity		
	TWM	\$ 31,807	\$ 346
	Subsidiaries		
	FGE	7,175	18,323
	Others	-	39
		<u>7,175</u>	<u>18,362</u>
	Associates	<u>610</u>	<u>2,059</u>
	Other related parties	<u>368</u>	<u>865</u>
		<u>\$ 39,960</u>	<u>\$ 21,632</u>
Other receivables	Parent entity	\$ 20,793	\$ 12,978
	Subsidiaries	<u>12,058</u>	<u>7,256</u>
	Associates		
	TPE	63,931	112,956
	Others	62	-
		<u>63,993</u>	<u>112,956</u>
	Other related parties	<u>48,879</u>	<u>39,454</u>
		<u>\$ 145,723</u>	<u>\$ 172,644</u>

The outstanding trade receivables from related parties are unsecured. For the years ended December 31, 2019 and 2018, no impairment losses were recognized for trade receivables from related parties.

e. Payables to related parties

Line Items	Related Party Categories	December 31	
		2019	2018
Accounts payable	Parent entity	\$ 178,275	\$ 3,009
	Subsidiaries	2,658	596
	Associates	101,077	91,167
	Other related parties	<u>1,040</u>	<u>427</u>
		<u>\$ 283,050</u>	<u>\$ 95,199</u>
Other payables	Parent entity	\$ 9,262	\$ 9,097
	Subsidiaries	335	164
	Associates	311	5
	Other related parties	<u>15,762</u>	<u>45,267</u>
		<u>\$ 25,670</u>	<u>\$ 54,533</u>

The outstanding trade payables to related parties are unsecured.

f. Bank deposits

Line Items	Related Party Categories/Name	December 31	
		2019	2018
Cash and cash equivalents	Other related parties TFCB	\$ <u>1,007,645</u>	\$ <u>244,840</u>
Other financial assets	Other related parties	\$ <u>928</u>	\$ <u>3,928</u>

g. Acquisition of property, plant and equipment

Related Party Categories	Purchase Price	
	For the Year Ended December 31, 2019	2018
Other related parties	\$ <u>3,794</u>	\$ <u>23,403</u>

h. Lease arrangements

Acquisition of right-of-use assets

Related Party Categories	For the Year Ended December 31, 2019
Other related parties	\$ <u>46,453</u>

Line Items	Related Party Categories/Name	December 31, 2019
Lease liabilities	Parent entity	\$ 6,389
	Other related parties	
	Fubon Life	<u>459,225</u>
		\$ <u>465,614</u>

Related Party Categories/Name	For the Year Ended December 31, 2019
<u>Interest expense</u>	
Parent entity	\$ 74
Associates	61
Other related parties	
Fubon Life	<u>4,428</u>
	\$ <u>4,563</u>

i. Disposal of financial assets

For the year ended December 31, 2019

Line Items	Related Party Categories/Name	Number of Units (In Thousand)	Underlying Assets	Purchase Price	Proceeds
Financial assets at fair value through profit or loss	Other related parties FAM	9,151	Fubon Strategic High Income Fund B	<u>\$ 100,000</u>	<u>\$ 84,864</u>

momo recognized gain on financial assets at fair value through profit or loss of \$3,390 thousand for the year ended December 31, 2019, and the accumulated loss was \$15,136 thousand.

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	<u>\$ 100,000</u>	<u>\$ 88,184</u>

momo recognized loss on financial assets at fair value through profit or loss of \$2,249 thousand for the year ended December 31, 2018, and the accumulated loss was \$11,816 thousand.

j. Others

1) Refundable deposits

Related Party Categories/Name	December 31	
	2019	2018
Parent entity	<u>\$ 739</u>	<u>\$ 750</u>
Associates	<u>4,740</u>	<u>4,740</u>
Other related parties		
Fubon Life	33,102	30,072
Others	<u>541</u>	<u>542</u>
	<u>33,643</u>	<u>30,614</u>
	<u>\$ 39,122</u>	<u>\$ 36,104</u>

2) Operating expenses

Related Party Categories/Name	For the Year Ended December 31	
	2019	2018
Parent entity		
TWM	\$ 34,236	\$ 20,339
Subsidiaries	420	319
Associates	5,579	5,037
Other related parties		
Fubon Life	8,354	76,687
TFCB	99,589	88,012
TFN	5,107	6,605
Fubon Ins.	5,850	19,998
FPM	13,840	13,357
Others	24,888	26,877
	<u>157,628</u>	<u>231,536</u>
	<u>\$ 197,863</u>	<u>\$ 257,231</u>

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

k. Compensation of key management personnel

	For the Year Ended December 31	
	2019	2018
Short-term employee benefits	\$ 49,245	\$ 47,375
Post-employment benefits	<u>1,733</u>	<u>7,663</u>
	<u>\$ 50,978</u>	<u>\$ 55,038</u>

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

## 29. ASSETS PLEDGED

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

	December 31	
	2019	2018
Other financial assets - current	\$ 69,180	\$ 68,128
Other financial assets - non-current	<u>148,762</u>	<u>12,177</u>
	<u>\$ 217,942</u>	<u>\$ 80,305</u>

### 30. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of momo at December 31, 2019 was as follows:

- a. In accordance with the Ministry of Economic Affairs' policy, momo entered into a contract with First Commercial Bank Co., Ltd., which provided performance guarantee for advance receipts from prepaid bonus of \$113,250 thousand as of December 31, 2019, and electronic tickets of \$61,401 thousand as of December 31, 2019.
- b. As of December 31, 2019, the Company's lease commitments, as a lessee, amounted to \$331,170 thousand after the balance sheet date.
- c. Due to the business development needs, in July 2019, momo's Board of Directors resolved the land procurement for the logistics warehouse. The total amount of contract was \$628,143 thousand. As of December 31, 2019, contract amounts not yet paid for the land was \$565,329 thousand.

### 31. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

In January 2020, momo's Board of Directors resolved to establish a wholly-owned subsidiary, which is mainly engaged in transportation, and the investment amount is capped at \$250,000 thousand.

### 32. 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, 2019

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
RMB	\$ 3,679	4.299 (RMB:NTD)	\$ 15,818
USD	119	30.02 (USD:NTD)	<u>3,578</u>
			<u>\$ 19,396</u>
Non-monetary items			
Financial assets at fair value through other comprehensive income			
HKD	1,921	3.855 (HKD:NTD)	\$ 7,407
Investments accounted for using equity method			
THB	118,371	1.01 (THB:NTD)	<u>119,531</u>
			<u>\$ 126,938</u>
<u>Financial liabilities</u>			
Monetary items			
USD	102	30.02 (USD:NTD)	<u>\$ 3,066</u>



December 31, 2018

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
RMB	\$ 4,745	4.464 (RMB:NTD)	\$ 21,183
USD	1,418	30.79 (USD:NTD)	<u>43,667</u>
			<u>\$ 64,850</u>
Non-monetary items			
Financial assets at fair value through other comprehensive income			
HKD	2,576	3.93 (HKD:NTD)	\$ 10,125
Investments accounted for using equity method			
THB	125,776	0.953 (THB:NTD)	<u>119,889</u>
			<u>\$ 130,014</u>
<u>Financial liabilities</u>			
Monetary items			
GBP	31	38.98 (GBP:NTD)	\$ 1,189
USD	561	30.79 (USD:NTD)	<u>17,284</u>
			<u>\$ 18,473</u>

For the years ended December 31, 2019 and 2018, realized and unrealized net foreign exchange gains (losses) were \$(1,984) thousand and \$1,389 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.

### 33. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

- 1) Financing provided to others. (None)
- 2) Endorsements/guarantees provided. (None)
- 3) Marketable securities held (excluding investments in subsidiaries and associates). (Table 1)
- 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 2)
- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital. (None)

- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (Table 3)
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (None)
- 9) Trading in derivative instruments. (None)
- 10) Information on investees. (Table 4)
- 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 year, repatriations of investment income, and limit on the amount of investment in the mainland China area. (Table 5)
  - 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, unrealized gains or losses, and other related information which is helpful to understand the impact of investment in mainland China on financial reports. (None)

## momo.com Inc.

## MARKETABLE SECURITIES HELD

DECEMBER 31, 2019

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

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Company	Financial Statement Account	December 31, 2019				Note
				Units/Shares (Thousands)	Carrying Value	Percentage of Ownership	Fair Value	
momo	Stock							
	Media Asia Group Holdings Limited	-	Financial assets at fair value through other comprehensive income - current	43,668	\$ 7,407	2.04	\$ 7,407	
	We Can Medicines Co., Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	2,400	49,584	7.73	49,584	

## momo.com Inc.

ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Buyer	Property	Event Date	Transaction Amount	Payment Status	Counterparty	Relationship	Information on Previous Title Transfer If Counterparty Is A Related Party				Pricing Reference	Purpose of Acquisition	Other Terms
							Property Owner	Relationship	Transaction Date	Amount			
momo	Land	2019.07.31	\$ 628,143	\$62,814 has been paid, the remaining payment is paid according to the contract	Yi Jinn Industrial Co., Ltd	-	-	-	-	\$ -	According to the professional appraisal report and market condition	Increase the logistics warehouse in response to the operational needs	-

## momo.com Inc.

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Buyer	Related Party	Relationship	Transaction Details			Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/Sale	Amount	% of Total	Payment Terms	Unit Price	Ending Balance	% of Total	
momo	TPE TWM	Equity-method investee Ultimate parent entity	Purchase	\$ 597,651	1	Based on contract terms	-	\$ (101,077)	(2)	
			Sale	158,773	-	Based on contract terms	-	31,807	25	
			Purchase	1,135,778	Note 1	Based on contract terms	-	(186,683)	Note 2	

Note 1: Including operating costs and operating expenses.

Note 2: Including accounts payable and other payables.

## momo.com Inc.

INFORMATION ON INVESTEEES  
(EXCLUDING INFORMATION ON INVESTMENT IN MAINLAND CHINA)  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount December 31, 2019	December 31, 2018	Balance as of December 31, 2019		Net Income (Loss) of the Investee	Investment Income (Loss)	Note
						Shares (Thousands)	% of Ownership			
momo	FST	Taiwan	Travel agent	\$ 6,000	\$ 6,000	3,000	100.00	\$ 47,826	\$ 8,509	Note 3
	FLI	Taiwan	Life insurance agent	3,000	3,000	500	100.00	8,791	(304)	
	FPI	Taiwan	Property insurance agent	3,000	3,000	500	100.00	10,403	1,275	
	Asian Crown (BVI)	British Virgin Islands	Investment	885,285	885,285	9,735	81.99	40,741	116	
	TPE	Taiwan	Logistics industry	337,860	337,860	16,893	17.70	404,413	20,858	
	TV D Shopping	Thailand	Wholesale and retail sales	121,933	121,933	24,150	35.00	119,531	12,522	
Asian Crown (BVI)	Honest Development	Samoa	Investment	(THB 120,750)	(THB 120,750)	21,778	100.00	630,252	9,592	Note 2
	Bebe Poshe	Taiwan	Wholesale of cosmetics	670,448	670,448	8,500	85.00	62,992	(6,402)	
Fortune Kingdom	Fortune Kingdom	Samoa	Investment	1,132,789	1,132,789	11,594	100.00	45,274	229	Note 2
Honest Development	HK Fubon Multimedia	Hong Kong	Investment	1,132,789	1,132,789	11,594	100.00	45,274	229	Note 2
	HK Yue Numerous	Hong Kong	Investment	670,448	670,448	16,600	100.00	630,252	9,592	Note 2

Note 1: Except for TPE and TV D 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, 2019 is THB1=NT\$1.01.

Note 4: Please refer to Table 5 for information on investments in mainland China.

TABLE 5

## momo.com Inc.

INFORMATION ON INVESTMENTS IN MAINLAND CHINA  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type (Note 1)	Accumulated Outflow of Investment from Taiwan as of January 1, 2019	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2019	Net Income (Loss) of Investee	% Ownership through Direct or Indirect Investment	Investment Income (Loss)	Carrying Value as of December 31, 2019	Accumulated Inward Remittance of Earnings as of December 31, 2019	Note
					Outflow	Inflow							
FGE	Wholesaling	\$ 333,173 (RMB 77,500)	b.	\$ 804,040 (USD 14,000) (RMB 89,267)	\$ -	\$ -	\$ 804,040 (USD 14,000) (RMB 89,267)	\$ 376	76.70	\$ 289	\$ 30,240	\$ -	
Haobo	Investment	47,289 (RMB 11,000)	b.	-	-	-	-	14,261	100.00	14,261	603,097	-	
GHS	Wholesaling	214,951 (RMB 50,000)	b.	-	-	-	-	166,832	20.00	15,700	560,029	-	

Accumulated Investments in Mainland China as of December 31, 2019	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment Authorized by Investment Commission, MOEA
\$1,453,758 (USD14,000, RMB89,267 and HKD168,539)	\$1,453,758 (USD14,000, RMB89,267 and HKD168,539)	\$3,705,740

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, 2019 are USD1=NT\$30.02, RMB1=NT\$4.299 and HKD1=NT\$3.855.