

Leverage	Operating leverage	1.91	1.97
	Financial leverage	1.02	1.01
<p>Explanation for items in 2011 with major changes (&gt;20%) from the previous year:</p> <p>(1) Significant increases in sales and in procurement of smartphones resulted in an increase in advanced receipts from customers and accounts payable to vendors, which, coupled with higher short-term borrowings, led to a rise in the ratio of liabilities to assets.</p> <p>(2) The decrease in shareholders' equity and long-term debts and the increase in current liabilities were due to capital reduction and the reclassification of corporate bonds due within one year to corporate bonds-current portion in 2011. As a result, the long-term capital to fixed-asset ratio, current ratio, quick ratio and cash flow ratio all decreased.</p> <p>(3) As syndicated loans were due and paid in March 2011, interest expense dropped and interest coverage ratio rose.</p>			

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

In 2012, the Company will continue to leverage mobile internet products to expand its wireless market share. As global demand for smart devices expands, telecom operators are expected to aggressively devise new strategies and increase investments in value-added services to tap into this market's full growth potential. The Company will focus on developing the latest top-of-the-line mobile value-added services to satisfy customers' demand, such as mobile shopping, video/audio services and the myBook store (an e-book platform), raising the revenue from mobile value-added services and increasing average revenue per user (ARPU). To meet these targets, the Company will utilize full potential of its competitive edge in handset procurement to raise its marketing and cost-efficiency.

## Cash Flow Analysis

### Standalone cash flow analysis

1. Cash flow from investment activities: Cash outflow decreased in 2011 due to a decline in financing to related parties, despite rising investment in subsidiaries.
2. Cash flow from financing activities: Cash outflow was higher in 2011 due to repayment of bank loans and capital reduction.

### 2010 – 2011 Standalone Cash Flow Statement

Unit: NT\$'000, %

	2010	2011	YoY change	
			Amount	%
Cash inflow (outflow) from operating activities	23,318,054	22,171,276	(1,146,778)	(4.92)
Cash inflow (outflow) from investment activities	(11,109,826)	(7,899,540)	(3,210,286)	(28.90)
Cash inflow (outflow) from financing activities	(9,384,389)	(17,275,099)	7,890,710	84.08
Net cash	2,823,839	(3,003,363)	(5,827,202)	(206.36)

### Consolidated cash flow analysis

The changes in cash flow from operating activities and financing activities and acquisition of cash and cash equivalents for subsidiaries all resulted from the consolidation of momo.

## 2010 – 2011 Consolidated Cash Flow Statement

Unit: NT\$'000, %

	2010	2011	YoY change	
			Amount	%
Cash inflow (outflow) from operating activities	25,993,712	25,260,280	(733,432)	(2.82)
Cash inflow (outflow) from investment activities	(6,319,636)	(15,435,642)	9,116,006	144.25
Cash inflow (outflow) from financing activities	(16,630,430)	(11,501,769)	(5,128,661)	(30.84)
Effect of exchange rate changes	(14,014)	35,963	49,977	(356.62)
Cash and cash equivalents arising from merger	20,662	2,285,830	2,265,168	10,962.97
Net cash	3,050,294	644,662	(2,405,632)	(78.87)

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

### Standalone projected cash flow for 2012

1. Projected cash inflow from operating activities: Expected to remain stable
2. Projected cash outflow from investment activities: For capital expenditures and to raise subsidiaries' capital
3. Projected cash outflow from financing activities: For cash dividend distribution and repayment of corporate bonds

#### 2012 Standalone Cash Flow Analysis

Unit: NT\$'000

Cash balance, beginning of the year (1)	Forecast net cash inflow from operations (2)	Forecast cash outflow from investment and financing activities (3)	Cash balance, end of the year (1) + (2) - (3)	Source of funding for negative cash balance	
				Cash inflow from investment activities	Cash inflow from financing activities
877,518	20,198,791	17,554,266	3,522,043	-	-

**Source of funding for negative cash flow in 2012:** Not applicable

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

Given stable operations and cash flows, the Company was able to maintain the Company's financials stable in 2011.