

Letter to Shareholders

Dear Shareholders:

Our thanks go out to all shareholders for your support and encouragement over the past year. Pili has sought to provide consumers with new experiences through continued innovations and breakthroughs. The management follows a steadfast business strategy that is continuously being fine-tuned to expand the influence of the “Pili” brand. This not only creates new opportunities for the Company’s development but also allows “Pili” to continue making a contribution to raising the visibility of Taiwan’s cultural & creativity brands.

I. 2014 performance report

For 2014, consolidated revenue was NT\$654,664K, up 13.87% from NT\$574,936K last year; gross profit was NT\$69,721K, down 79.79% from NT\$345,004K last year; net loss after tax was NT\$107,760K, down 163.15% from NT\$170,631K last year. Net earnings per share was NT\$0.48. The highlights of the Company’s 2014 consolidated results are outlined below:

(I) Business plan outcomes

Unit: NT\$1,000

Item	2014		2013		Difference	Percentage of Increase (Decrease)
	Amount	%	Amount	%		
Net Operating Revenue	654,664	100	574,936	100	79,728	13.87
Operating Cost	584,943	89	229,932	40	355,011	154.40
Gross Profit	69,721	11	345,004	60	(275,283)	(79.79)
Operating Expenses	180,457	28	152,482	27	27,975	18.35
Operating Profit	(110,736)	(17)	192,522	33	(303,258)	(157.52)
Non-Operating Incomes & Expenses	24,535	4	21,038	4	3,497	16.62
Net Profit Before Tax	(86,201)	(13)	213,560	37	(299,761)	(140.36)
Net Profit After Tax	(107,760)	(16)	170,631	29	(278,391)	(163.15)
Net Earnings Per Share(in dollars)	0.48		4.63			

(II) Analysis of Revenues, Expenses and Profitability

Item		2014	2013
Financial Structure	Debt-Asset Ratio (%)	15.77	17.53
	Ratio of Long-Term Capital to Property, Plant and Equipment (%)	528.57	353.41
Solvency	Current Ratio (%)	683.53	508.88
	Quick Ratio (%)	626.65	351.26
	Interest Coverage Ratio (Multiple)	(124.66)	2,094.73
Profitability	Return on Assets (%)	(7.25)	14.90
	Return on Equity (%)	(10.03)	23.18
	Ratio of Income Before Tax to Paid-In Capital (%)	(19.64)	54.76
	Profit Margin (%)	(16.46)	29.68
	Earnings per Share (NTD)	0.48	4.63

II. Summary of 2015 Business Plan

Pili partnered with the Taiwan Depository & Clearing Corporation to be the spokesperson for an electronic voting platform. A “Pili Puppet Legend Departure Lounge” was also opened at Gate 7, Terminal 2 of the Taoyuan International Airport so that transit and departing travelers can admire one of Taiwan’s home-grown art forms. The many international travelers passing through the gateway of the nation will also help with the internationalization of Pili. We are now actively seeking strategic partners, planning new product portfolios and developing more diversified channels to open up new business opportunities.

III. Future Development Strategy

Since the Company’s formal entry into the capital market at the end of last year, our focus has been on strengthening the quality of corporate governance, expanding our business and enhancing the rights and interests of shareholders. These efforts will significantly enhance our international visibility, and make it easier for us to introduce foreign talent and expertise such as professional foreign voice actors, audio-mixing techniques and animators. This will translate into even more international exposure for Pili, boost the popularity of original Eastern fantasy, and build a dream kingdom that will be the “Disney of the East.”

IV. Impact from external competition, regulatory environment, and the overall economic climate

The volatile global economic climate means even more intensive competition within the industry. The Company has been able to establish a solid and positive relationship with consumers and fans through our rich content and extensive channel services. Apart from continuing to follow market trends and consumer demand more closely, we will also continue to invest in the creation and development of new products. In the future, the Company will continue to uphold our philosophy of ethical management by implementing corporate governance best practices. We will also continue to innovate and leverage the competitive advantages of differentiation to create even more value for shareholders.

Best

regards

Pili International Multimedia Co., Ltd.

Chairman: Wen-Chang Huang