

Letter to Shareholders

Dear Shareholders:

Thanks to our shareholders' full support over the past year, the Company was able to adopt a steadfast management approach and continue converting the brand power of "Pili" into revenue growth. In 2016, the Group's consolidated gross profits amounted to NT\$389,345K, up 6.80% on the same period from last year. The Company owes its continued success to the commitment of all employees as well as the support of our shareholders.

I. 2016 performance report

For 2016, consolidated revenue was NT\$700,390K, up 8.77% from NT\$643,915K last year; gross profit was NT\$389,345K, up 6.80% from NT\$364,550K last year; net profit after tax was NT\$160,861K, up 27.54% from the NT\$126,121K last year. Net earnings per share was NT\$3.66. The highlights of the Company's 2016 consolidated results are outlined below:

(I) Business plan outcomes

Unit: NT\$1,000

Item	2016		2015		Difference	Percentage of Increase (Decrease)
	Amount	%	Amount	%		
Net Operating Revenue	700,390	100	643,915	100	56,475	8.77
Operating Cost	311,045	44	279,365	43	31,680	11.34
Gross Profit	389,345	56	364,550	57	24,795	6.80
Operating Expenses	245,129	35	247,702	39	(2,573)	(1.04)
Operating Profit	144,216	21	116,848	18	27,368	23.42
Non-Operating Incomes & Expenses	58,415	8	27,822	5	30,593	109.96
Net Profit Before Tax	202,631	29	144,670	23	57,961	40.06
Net Profit After Tax	160,861	23	126,121	20	34,740	27.54
Net Earnings Per Share (in dollars)	3.66		3.40			

(II) Analysis of Revenues, Expenses and Profitability

Item		2016	2015
Financial Structure	Debt-Asset Ratio (%)	22.75	34.34
	Ratio of Long-Term Capital to Property, Plant and Equipment (%)	754.04	680.62

Solvency	Current Ratio (%)	832.66	1,307.93
	Quick Ratio (%)	761.41	1,200.38
	Interest Coverage Ratio (Multiple)	24.67	25.22
Profitability	Return on Assets (%)	7.46	6.59
	Return on Equity (%)	10.38	9.12
	Ratio of Income Before Tax to Paid-In Capital (%)	42.32	32.97
	Profit Margin (%)	22.97	19.59
	Earnings per Share (NTD)	3.66	3.40

II. Summary of 2017 Business Plan

Pili International Multimedia was the first cultural & creativity enterprise to go public. Since our formal entry into the capital market, we have continued to strengthen the quality of corporate governance, expand our business and enhance the rights and interests of shareholders. Unconventional marketing techniques were also aggressively used to boost the international visibility of Pili to facilitate the introduction of international talent and expertise (such as professional foreign voice actors, audio-mixing techniques, and animators). In 2016, the original fantasy martial arts puppet show “Thunderbolt Fantasy” we created with a Japanese partner was aired. Pili was responsible for the filming and production while character design was by Urobuchi Gen. Figurine maker “GOODSMILE COMPANY” was also retained as the puppet design consultant. The new immediately achieved significant exposure upon release in Japan, Taiwan, China and even Western markets. For Pili, this will translate into even more international exposure. This year, Pili continued to build on our previous success to maximize the value of the “Pili Puppet Legend” and “Thunderbolt Fantasy” IP. Every effort is being made to increase the market value of our IP, boost the popularity of original Eastern fantasy, and build a dream kingdom that will be the “Disney of the East.”

III. Future Development Strategy

Apart from the continued consolidation and development of the Taiwanese market, Pili is also focusing on new markets in Japan and China. In the Japanese market, the popularity of “Thunderbolt Fantasy” is being actively harnessed for the production of the sequel. The new production will hopefully make another strong impression on global animation markets such as Japan. For the China market, Dapili (Shanghai) Cultural & Creativity Enterprise was established in 2016. A partnership has been formed with Chinese studio “H&R Century” to launch live-action Pili puppet shows

that will inject new value into the Pili IP. A premium video channel has also been officially launched in China this year. Bilingual pay-per-view service for Pili shows have now been launched in partnership with “Douyu”, “bilibili” and “Youkou”. This new development will be critical to the popularization of Pili Puppet Legend in the Chinese video market. In the future, Pili will concentrate our efforts on the development of new IP, the re-producing of existing IP, as well as expansion in the Japanese and Chinese markets. We hope these will become new milestones in the history of multimedia and culture by creating new models for foreign income and maximize the value of Pili’s unique cultural creativity.

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

The Company has established a solid and positive relationship with consumers and fans through our rich content and extensive channel services. The volatile global economic climate means even more intensive competition within the industry. In response, we will not only continue to follow market trends and consumer demand even more closely but also continue to invest in the creation and development of new products. 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