

Stock Code: 8044



PChome Online Inc.

2019 Annual Shareholders' Meeting

Meeting Agenda

Date: June 14, 2019

Place: No. 11, Zhongshan South Road, Zhongzheng District,
Taipei City 10048, Taiwan (R.O.C.)

(Room 802, Chang Yung-Fa Foundation International Convention
Center)

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PChome Online Inc.

Procedure of 2019 Annual Shareholders' Meeting

- I. Calling the meeting to order
- II. Chairman's address
- III. Report items
- IV. Ratification items
- V. Discussion items
- VI. Special motions
- VII. Adjournment

PChome Online Inc.

Agenda of 2019 Annual Shareholders' Meeting

Time: 9:00 a.m., Friday, June 14, 2019

Place: No. 11, Zhongshan South Road, Zhongzheng District, Taipei City 10048,
Taiwan (R.O.C.)

(Room 802, Chang Yung-Fa Foundation International Convention Center)

- I. Call the meeting to order (announce the number of shares in attendance)
- II. Chairman's address
- III. Report items
 - (I) 2018 Business report
 - (II) 2018 Audit Committee's review report
 - (III) To report the 2018 distribution of employee compensation and remuneration to Directors
 - (IV) To report that the Company's deficit has reached half of its paid-in capital
- IV. Ratification items
 - (I) 2018 Business Report and Financial Statements
 - (II) 2018 Deficit Compensation
- V. Discussion items:
 - (I) Amendments to the Articles of Incorporation
 - (II) Amendments to the Procedures for Acquisition or Disposal of Assets
 - (III) Amendments to the Procedures for Lending Funds to Others
- VI. Special motions
- VII. Adjournment

I. 2018 Business report

Explanatory Notes: Please refer to Attachment I (Page 9 of this meeting agenda) for the Company's 2018 Business Report.

II. 2018 Audit Committee's Review Report

Explanatory Notes: Certified Public Accountants of KPMG Leoufong Yang and Marshal Wu audited the 2018 financial statements. The Audit Committee reviewed the business report, earnings distribution table, and aforementioned financial statements with review report issued. Please refer to Attachment II for details. (Pages 11 of this meeting agenda)

III. To report the 2018 distribution of employee compensation and remuneration to Directors

Explanatory Notes: According to the Company's Articles of Incorporation, since the Company did not generate profits in 2018, the Compensation Committee has resolved not to distribute employee compensation and remuneration to Directors.

IV. To report that the Company's deficit has reached half of its paid-in capital

Explanatory Notes:

- (I) The Company's deficit to be compensated amounted to NT\$1,202,651,123 in 2018, which has reached half of the Company's paid-in capital. Pursuant to Article 211 of the Company Act, the Company shall report this circumstance at the shareholders' meeting.
- (II) Once the 2018 deficit compensation has been resolved in this annual shareholders' meeting, the aforementioned circumstance will no longer exist.

Item 1 (Proposed by the Board of Directors)

Subject: 2018 Business Report and Financial Statements

Explanatory Notes:

- I. The 2018 parent company only and consolidated financial statements of the Company were prepared and approved by the Board of Directors' meeting held in the first quarter of 2019. They were audited by Certified Public Accountants of KPMG, Leoufong Yang and Marshal Wu, and reviewed along with the business report by the Audit Committee with review report issued.
- II. Please refer to Attachment I and III (Pages 9 and 12-28 of this meeting agenda) for the 2018 business report, independent auditors' report and aforementioned financial statements.
- III. Please ratify.

Resolution:

Item 2 (Proposed by the Board of Directors)

Subject: 2018 deficit compensation

Explanatory Notes:

- I. The opening balance of the Company's 2018 deficit compensation table is NT\$629,757,945. Adding Effects of retrospective application NT\$3,975,296, reversal of special reserve NT\$4,119,900. Lessing loss after tax of NT\$994,642,906, other comprehensive loss of NT\$305,271 changes in ownership interests in subsidiaries NT\$323,504,072 and difference between consideration and carrying amount of subsidiaries acquired or disposed NT\$517,932,113 to the balance, the Company proposes to compensate the deficit with legal reserve of NT\$408,184,102 and capital surplus NT\$790,347,121. The deficit compensation table is as follows:

PChome Online Inc.

2018 Deficit Compensation Table

Unit: NT\$

Item	Amount	Total
Beginning balance		629,757,943
Add: Effects of retrospective application	3,975,296	
Add: Reversal of special reserve	4,119,900	
		637,853,139
Less: Loss after tax for the year	(994,642,906)	
Less: Other comprehensive loss	(305,271)	
		(994,948,177)
Less: Changes in ownership interests in subsidiaries	(323,504,072)	
Less: Difference between consideration and carrying amount of subsidiaries acquired or disposed	(517,932,113)	
		(841,436,185)
Deficit compensation from legal reserve	408,184,102	
Deficit compensation from Capital Surplus	790,347,121	
		1,198,531,223
Accumulated losses for the period		.0

II. Please discuss.

Resolution:

Item 1

Subject: Amendments to the Articles of Incorporation

Explanatory Notes:

- I. In line with amendments to the Company Act and requirements from corporate governance practice, certain articles in the Articles of Incorporation are proposed to be amended.
- II. Please refer to the attachment for the comparison table of amendments to Articles of Incorporation (Pages 29 of this meeting agenda). Please discuss.

Resolution:

Item 2

Subject: Amendments to the Procedures for Acquisition or Disposal of Assets

Explanatory Notes:

- I. In line with the adoption of International Financial Reporting Standards No. 16 "Leases", and amendments to the Regulations Governing the Acquisition and Disposal of Assets by Public Companies, certain articles in the Procedures for Acquisition or Disposal of Assets are proposed to be amended.
- II. Please refer to the attachment for the comparison table of amendments to Procedures for Acquisition or Disposal of Assets (Pages 37 of this meeting agenda). Please discuss.

Resolution:

Item 3

Subject: Amendments to the Procedures for Lending Funds to Others

Explanatory Notes:

- I. In line with the adjustments on credit lines, certain articles in the Procedures for Lending Funds to Others are proposed to be amended.

- II. Please refer to the attachment for the comparison table of amendments to Procedures for Lending Funds to Others (Pages 52 of this meeting agenda). Please discuss.

Resolution:

Special Motions

Adjournment

2018 Business Report

PChome Online Inc. (8044-tw) has upheld its core spirit of being "service-oriented" and its four business values of "Change, Advancement, Innovation, and Intelligence." We are committed to providing comprehensive e-commerce services, building an excellent customer experience of "Everyday Reliable," and proactively creating maximum value for the community.

The Company generated consolidated operating revenue of NT\$34,595 million in 2018, marking another record high with 17.6% growth over 2017. However, due to the continuous increase in the market share of the Personal Store business and investments in self-operated logistics, operating expenses also surged by NT\$1,377 million compared to 2017 and resulted in negative net income of NT\$995 million.

Looking back on 2018, the Company aggressively expanded its operational scale and boosted market share in Taiwan's highly competitive e-commerce market. Operational highlights during the year are summarized as follows:

- I. With strong growth momentum, the B2C online shopping business generated double-digit year-over-year growth in revenue every quarter. Furthermore, revenue of the fourth quarter exceeded the NT\$10 billion milestone, achieving an annual growth rate of nearly 25% and setting a new record for quarterly revenue. Out of this, the Double 11 Festival hit another historical high. Two days into the festival, revenue already surpassed the record set by the Double 11 Festival in 2017. While our performance continued to break records and we secured our position as Taiwan's largest B2C e-commerce company in terms of revenue, we relentlessly strengthened our core advantages and enlarged our membership ecosystem. Key achievements include the following: (1) Our Taichung warehouse, having adopted an automated guided vehicle system, commenced operations and continued to develop and introduce new smart warehouse system and equipment. Meanwhile, our self-operated delivery fleet joined the operation of the B2C online shopping business and enhanced overall delivery quality. (2) After being the only authorized direct sales platform of Xiaomi in Taiwan, the Company was once again the single e-commerce operator in Taiwan qualified as Apple's authorized T1 distributor. We formed alliances with hundreds of leading brands to engage in meaningful marketing collaboration and strategically introduced overseas products that passed our scrutiny. (3) We incorporated the top five mobile payment systems, approximately forty banks, and PChome Deposit Program to build the most comprehensive payment flow environment among peers. (4) We accelerated in optimizing the mobile shopping experience. App optimization spurred a year-over-year increase of over 50 percent in the mobile segment's sales and an impressive 200 percent growth in the number of monthly active members. (5) We issued the Citi PChome Prime cobrand card and E. Sun Pi Wallet Credit Card to fully cover reward scheme application scenarios in both the virtual and physical channels and across fields. The P coins could now be utilized across reward redemption platforms,

such as OpenPoint, Asia Miles, Happy Go, etc., and over 30,000 online or offline channels. Moreover, the monthly average consumption amount and repurchase rates of Prime members were two to three times more than the general members, and the cumulative number of high spenders with spending exceeding NT\$1 million was over one hundred in the short span of two quarters. This demonstrated that the Prime cobrand card is indeed the right strategy.

- II. As competition in the mobile e-commerce market intensified, the Company invested enormous marketing resources to support PChome Store in 2018. This allowed for continuous expansion in the scale of the Personal Store, and successfully secured its leading position in the mobile e-commerce market. Gross merchandise value in the third quarter of 2018 was close to three times that of 2017 and the loss in the fourth quarter was down to one-tenth of the amount in the first quarter. We will strive to return to profitability in 2019.
- III. Ruten Auction maintained its stable growth in 2018. It achieved a growth rate of 20.1% year-over-year in gross merchandise value (GMV) with over 248 million listings. Meanwhile, RUTOPIA, the AI laboratory established in 2017, began to implement its research and development results. It launched a series of data-application services including personalized recommendation systems, a real-time bidding advertising system, an ad agency robot, and seller analytics. It will continue to introduce AI technical services and launch cross-border collaborations in 2019.

Looking forward to 2019, the Company will continue to expand its services in various fields and remain insistent on open cooperation and enterprise innovations. Initiatives include enlarging the smart warehouse and logistic systems, expanding the scale of self-operated logistics, tapping into fresh produce services; accelerating cross-border business and cross-industry alliances, initiating O2O omnichannel deployment, and thoroughly utilizing advanced technologies such as Big Data, artificial intelligence, and the Internet of Things. We will focus on service innovations, expedite the integration of the Company's internal and external resources, expand the PChome ecosystem, realize long-term organic growth, and create a shared value chain for the community.

PChome Online Inc.

Chairman: Hung-Tze Jan

General Manager: Kevin Tsai

Chief Finance Officer: Leo Lu

PChome Online Inc.
Audit Committee's Review Report

Approval for

The Board of Directors has prepared the Company's parent company only and consolidated financial statements for 2018, which were audited by certified public accountants of KPMG, Leoufong Yang and Marshal Wu. The aforementioned financial statements, along with 2018 Business Report and Deficit Compensation proposal, have been reviewed and determined to be correct by the Audit Committee. We hereby submit this report in accordance with Article 219 of the Company Act.

To

2019 Annual Shareholders' Meeting of PChome Online Inc.

Convener of the Audit Committee

Chang-Sung Yu

Signature

M a r c h 1 8 , 2 0 1 9



安侯建業聯合會計師事務所

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Independent Auditors' Report

To the Board of Directors of PChome Online Inc.:

Opinion

We have audited the financial statements of PChome Online Inc. ("the Company"), which comprise the statement of financial position as of December 31, 2018 and 2017, and the statement of comprehensive income, changes in equity and cash flows for the year ended December 31, 2018 and 2017, and 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 the Company as at December 31, 2018 and 2017, and its financial performance and its cash flows for the year ended December 31, 2018 and 2017 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audit in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in the Republic of China. 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 the Company in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of 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 of the current period. 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.

1. Revenue recognition

Please refer to Note 4 (n) and Note 6 (r) for the "Revenue" section of the financial statements.

Key Audit Matters Explanation:

The Company's principal sources of operating revenues are generated by using e-commerce platform. This business model is characterized through high reliance on the systems to process transaction information. Moreover, the characteristics of this business model are administrating abundant information and diversified customers. The Company's systems automatically control all the transaction process, such as consumers' orders and their related information. Therefore, the process accuracy, and completeness of consumers' orders, as well as the time accuracy of revenue recognition are the key judgmental areas for our audit in the financial statements.



How the matter was addressed in our audit:

As mentioned above, our principal audit procedures consist of comprehension and test of the application of the systems and manual control for the sales stream, including assigning the specialist to test the general IT controls (GITC) and internal control where relevant. Furthermore, we have obtained the daily report to confirm the accuracy and completeness of the transaction processing and conformity verification of the daily revenues vouchers and the daily report.

2. Valuation of inventories

Please refer to Note 4 (g) and Note 6 (e) for the “Valuation of inventories” section of the financial statements.

Key Audit Matters Explanation:

In the financial statements, the valuation of the inventories is measured at the lower of cost or net realizable value. As a result of the commodity lifecycle, as well as other impacts such as the price competition from the competitors and physical stores, the prices of the commodities may fluctuate, causing risk of the cost exceeding the net realizable value.

How the matter was addressed in our audit:

Our principal audit procedure included:

- Inspecting and analyzing the aging report of the inventory;
- Assessing the rationality of the policies of allowance for inventory valuation and obsolescence losses;
- Inspecting the post period sales situation and evaluating the net realizable value of measurement applied on aging inventory in order to verify the evaluation accuracy of the estimated inventory allowance by the Company;
- Assessing if the disclosure of the key management regarding the allowance of the inventory is appropriate.

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 Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs, IASs, interpretation as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China, 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 the Company’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 Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company’s financial reporting process.



Auditor's 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 auditor's 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 Republic of China 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 auditing standards generally accepted in the Republic of China, 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 the Company'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 Company'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 auditor's report. However, future events or conditions may cause the Company 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 appropriate audit evidence regarding the financial information of the investment in other entities accounted for using the equity method to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit.

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 of the current period 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 Liu-Fong Yang and Tsao-Jen Wu.

KPMG

Taipei, Taiwan (Republic of China)
March 18, 2019

Notes to Readers

The accompanying parent company only financial statements are intended only to present the statement of financial position, financial performance and its cash flows in accordance with the accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such parent company only financial statements are those generally accepted and applied in the Republic of China.

The independent auditors' report and the accompanying parent company only financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and parent company only financial statements, the Chinese version shall prevail.

**(English Translation of Parent Company Only Financial Statements and Report Originally Issued in Chinese)
PCHOME ONLINE INC.**

STATEMENTS OF COMPREHENSIVE INCOME

For the Years Ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

		2018		2017	
		Amount	%	Amount	%
4111	Sales revenue	\$ 32,593,508	101	27,466,872	102
4170	Less: Sales returns	479,843	1	501,019	2
	Operating revenue, net (Notes (6)(r) and (7))	32,113,665	100	26,965,853	100
5000	Total operating costs (Notes (6)(e) and (7))	28,200,966	88	23,058,437	86
	Gross profit from operations	3,912,699	12	3,907,416	14
	Operating expenses(Note (7)):				
6100	Selling expenses	3,206,869	10	2,807,531	10
6200	Administrative expenses	168,678	-	165,821	1
6300	Research and development expenses	210,498	1	143,825	1
6450	Expected credit loss(Note (6)(d))	(261)	-	-	-
	Total operating expenses	3,585,784	11	3,117,177	12
	Net operating income	326,915	1	790,239	2
	Non-operating income and expenses (Note (6)(t)):				
7010	Other income	34,256	-	50,121	-
7020	Gains and losses	721	-	(15,108)	-
7050	Finance costs	(8,409)	-	(824)	-
7060	Share of profit (loss) of associates and joint ventures accounted for using equity method, net	(1,301,275)	(4)	(661,616)	(2)
	Total non-operating income and expenses	(1,274,707)	(4)	(627,427)	(2)
	(Loss) profit before income tax	(947,792)	(3)	162,812	-
7950	Less: Tax expense (Note (6)(o))	46,851	-	126,322	-
	(Loss) profit	(994,643)	(3)	36,490	-
	Other comprehensive income (loss):				
8310	Components of other comprehensive income that will not be reclassified subsequently to profit or loss				
8311	Remeasurement from defined benefit plans(Note (6)(n))	1,088	-	4,100	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	(5,490)	-	-	-
8330	Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss	(1,494)	-	512	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss(Note (6)(o))	101	-	(697)	-
	Components of other comprehensive income that will not be reclassified to profit or loss	(5,795)	-	3,915	-
8360	Components of other comprehensive (loss) income that will be reclassified to profit or loss				
8361	Exchange differences on translation of foreign financial statements	15,644	-	(1,339)	-
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-
	Components of other comprehensive income that will be reclassified to profit or loss	15,644	-	(1,339)	-
	Other comprehensive income, net of tax	9,849	-	2,576	-
8500	Total comprehensive income	\$ (984,794)	(3)	39,066	-
	Earnings per share (Note (6)(q))				
9750	Basic earnings per share (NT dollars)	\$ (8.49)		0.31	
9850	Diluted earnings per share (NT dollars)	\$ (8.49)		0.31	

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

(English Translation of Parent Company Only Financial Statements and Report Originally Issued in Chinese)
REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH GENERALLY ACCEPTED AUDITING STANDARDS
PCHOME ONLINE INC.

STATEMENTS OF CHANGES IN EQUITY
For the Years Ended December 31, 2018 and 2017
(Expressed in Thousands of New Taiwan Dollars)

	Share capital		Retained Earnings			Other Equity Interest	Total Equity	
	Ordinary Capital	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Retained Earnings	Exchange Differences on Translation of Foreign Statements		Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income
Balance at January 1, 2017	\$ 1,103,161	2,497,037	327,935	4,271	1,309,930	(2,781)	-	5,239,553
Profit for the year ended December 31, 2017	-	-	-	-	36,490	-	-	36,490
Other comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	3,915	(1,339)	-	2,576
Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	40,405	(1,339)	-	39,066
Appropriation and distribution of retained earnings:								
Legal reserve appropriated	-	-	76,600	-	(76,600)	-	-	-
Reversal of special reserve	-	-	-	(1,490)	1,490	-	-	-
Cash dividends of ordinary share	-	-	-	-	(547,469)	-	-	(547,469)
Stock dividends of ordinary share	68,434	-	-	-	(68,434)	-	-	-
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	(390)	-	-	-	-	-	(390)
Changes in ownership interests in subsidiaries	-	10,812	-	-	(24,576)	-	-	(13,764)
Balance at December 31, 2017	1,171,595	2,507,459	404,535	2,781	634,746	(4,120)	-	4,716,996
Effects of retrospective application	-	-	-	-	3,975	-	39,028	43,003
Equity at beginning of period after adjustments	1,171,595	2,507,459	404,535	2,781	638,721	(4,120)	39,028	4,759,999
Loss for the year ended December 31, 2018	-	-	-	-	(994,643)	-	-	(994,643)
Other comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	(305)	15,644	(5,490)	9,849
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	(994,948)	15,644	(5,490)	(984,794)
Appropriation and distribution of retained earnings:								
Legal reserve appropriated	-	-	3,649	-	(3,649)	-	-	-
Special reserve appropriated	-	-	-	1,339	(1,339)	-	-	-
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	-	-	-	(517,932)	-	-	(517,932)
Changes in ownership interests in subsidiaries	-	(36)	-	-	(323,504)	-	-	(323,540)
Balance at December 31, 2018	\$ 1,171,595	2,507,423	408,184	4,120	(1,202,651)	11,524	33,538	2,933,733

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

(English Translation of Parent Company Only Financial Statements and Report Originally Issued in Chinese)
PCHOME ONLINE INC.

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

	2018	2017
Cash flows from (used in) operating activities:		
(Loss) profit before tax	\$ (947,792)	162,812
Adjustments:		
Adjustments to reconcile profit:		
Depreciation expense	149,944	125,469
Amortization expense	24,077	21,301
Expected credit (gain) loss	(261)	299
Interest expense	8,409	824
Interest income	(15,346)	(13,195)
Dividend income	(4,025)	(3,921)
Share of loss of associates and joint ventures accounted for using equity method	1,301,275	661,616
Gain on disposal of property, plant and equipment	(540)	(1,139)
Loss on disposal of investments	-	7,257
Total adjustments to reconcile profit	1,463,533	798,511
Changes in operating assets and liabilities:		
Changes in operating assets:		
Notes receivable	1,205	(387)
Accounts receivable	(274,709)	(84,560)
Other receivable	(905,022)	(37,971)
Inventories	(290,020)	(353,951)
Other financial assets	(20,652)	39,372
Other current assets	(33,473)	(3,073)
Current asset recognized as right to recover products from customers	(1,898)	-
Total changes in operating assets	(1,524,569)	(440,570)
Changes in operating liabilities:		
Contract liabilities	70,430	-
Notes payable	(768)	(268)
Accounts payable	(70,775)	616,846
Other payable	53,180	3,258
Other current liabilities	989	125,397
Net defined benefit liabilities	(1,059)	(970)
Current refund liabilities	1,783	(29,193)
Other non-current liabilities	(2,403)	7,304
Total changes in operating liabilities, net	51,377	722,374
Total changes in operating assets and liabilities, net	(1,473,192)	281,804
Total adjustments	(9,659)	1,080,315
Cash flow (used in) generated from operations	(957,451)	1,243,127
Interest received	14,109	13,760
Dividends received	4,025	12,218
Interest paid	(7,509)	(824)
Income taxes paid	(123,500)	(166,775)
Net cash flows (used in) from operating activities	(1,070,326)	1,101,506
Cash flows used in investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	(8,772)	-
Acquisition of financial assets at cost	-	(35,664)
Proceeds from disposal of financial assets at cost	-	16,167
Acquisition of investments accounted for using equity method	(1,895,601)	(1,223,788)
Proceeds from capital reduction of investments accounted for using equity method	1,019,740	-
Acquisition of property, plant and equipment	(120,134)	(239,051)
Proceeds from disposal of property, plant and equipment	4,096	1,565
Acquisition of intangible assets	(2,965)	(21,267)
Proceeds from disposal of intangible assets	468	105
Other non-current assets	(9,297)	3,857
Net cash flows used in investing activities	(1,012,465)	(1,498,076)
Cash flows from financing activities:		
Increase in long-term loans	900,000	-
Cash dividends paid	-	(547,469)
Net cash flows (used in) from financing activities	900,000	(547,469)
Net decrease in cash and cash equivalents	(1,182,791)	(944,039)
Cash and cash equivalents at beginning of period	3,865,177	4,809,216
Cash and cash equivalents at end of period	\$ 2,682,386	3,865,177

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



安侯建業聯合會計師事務所

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Independent Auditors' Report

To the Board of Directors of PChome Online Inc.:

Opinion

We have audited the consolidated financial statements of PChome Online Inc. and subsidiaries (“the Group”), which comprise the consolidated statement of financial position as of December 31, 2018 and 2017, and the consolidated statement of comprehensive income, changes in equity and cash flows for the year ended December 31, 2018 and 2017, and 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 at December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the year ended December 31, 2018 and 2017 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards (“IFRSs”), International Accounting Standards (“IASs”), interpretation as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audit in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in the Republic of China. 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 Certified Public Accountants Code of Professional Ethics in Republic of China (“the Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. 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 of the current period. 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.

1. Revenue recognition

Please refer to Note 4 (n) and Note 6 (v) for the “Revenue” section of the consolidated financial statements.

Key Audit Matters Explanation:

The Group's principal sources of operating revenues are generated by using e-commerce platform. This business model is characterized through high reliance on the systems to process transaction information. Moreover, the characteristics of this business model are administrating abundant information and diversified customers. The Group's systems automatically control all the transaction process, such as consumers' orders and their related information. Therefore, the process accuracy, and completeness of consumers' orders, as well as the time accuracy of revenue recognition are the key judgmental areas for our audit in the consolidated financial statements.



How the matter was addressed in our audit:

As mentioned above, our principal audit procedures consist of comprehension and test of the application of the systems and manual control for the sales stream, including assigning the specialist to test the general IT controls (GITC) and internal control where relevant. Furthermore, we have obtained the daily report to confirm the accuracy and completeness of the transaction processing and conformity verification of the daily revenues vouchers and the daily report.

2. Valuation of inventories

Please refer to Note 4 (h) and Note 6 (e) for the “Valuation of inventories” section of the consolidated financial statements.

Key Audit Matters Explanation:

In the consolidated financial statements, the valuation of the inventories is measured at the lower of cost or net realizable value. As a result of the commodity lifecycle, as well as other impacts such as the price competition from the competitors and physical stores, the prices of the commodities may fluctuate, causing risk of the cost exceeding the net realizable value.

How the matter was addressed in our audit:

Our principal audit procedure included:

- Inspecting and analyzing the aging report of the inventory;
- Assessing the rationality of the policies of allowance for inventory valuation and obsolescence losses;
- Inspecting the post period sales situation and evaluating the net realizable value of measurement applied on aging inventory in order to verify the evaluation accuracy of the estimated inventory allowance by the Group;
- Assessing if the disclosure of the key management regarding the allowance of the inventory is appropriate.

Other Matter

PChome Online Inc. has additionally prepared its parent company only financial statements as of and for the years ended December 31, 2018 and 2017, on which we have issued an unqualified opinion.

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 Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs, IASs, interpretation as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China, 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.



Auditor's 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 auditor's 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 Republic of China 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 auditing standards generally accepted in the Republic of China, 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 auditor's 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 appropriate audit evidence regarding the financial information of the 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 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 of the current period 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 Liu-Fong Yang and Tsao-Jen Wu.

KPMG

Taipei, Taiwan (Republic of China)

March 18, 2019

Notes to Readers

The accompanying consolidated financial statements financial statements are intended only to present the consolidated financial statements statement of financial position, financial performance and its cash flows in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), interpretation as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China. The standards, procedures and practices to audit such consolidated financial statements financial statements are those generally accepted and applied in the Republic of China.

The independent auditor's report and the accompanying consolidated financial statements financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditor's report and consolidated financial statements financial statements, the Chinese version shall prevail.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)
PCHOME ONLINE INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the Years Ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

		2018		2017	
		Amount	%	Amount	%
4111	Sales revenue	\$ 35,083,149	101	29,927,596	102
4170	Less: Sales returns	488,785	1	512,419	2
	Operating revenue, net (Note (6)(v))	34,594,364	100	29,415,177	100
5000	Operating costs (Note (6)(e))	30,295,907	88	24,977,168	85
	Gross profit from operations	4,298,457	12	4,438,009	15
	Operating expenses:				
6100	Selling expenses	5,347,190	15	4,060,374	14
6200	Administrative expenses	309,419	1	305,962	1
6300	Research and development expenses	368,935	1	281,827	1
6450	Expected credit loss (gain)(Note (6)(d))	(243)	-	-	-
	Total operating expenses	6,025,301	17	4,648,163	16
	Net operating loss	(1,726,844)	(5)	(210,154)	(1)
	Non-operating income and expenses (Note (6)(x)):				
7010	Other income	34,755	-	30,601	-
7020	Other gains and losses, net	31,372	-	(37,551)	-
7050	Finance costs	(24,113)	-	(2,520)	-
7060	Share of loss of associates and joint ventures accounted for using equity method, net	(14,973)	-	(2,470)	-
	Total non-operating income and expenses	27,041	-	(11,940)	-
	Loss before income tax	(1,699,803)	(5)	(222,094)	(1)
7950	Less: Tax expense (Note (6)(r))	67,070	-	169,651	-
	Loss	(1,766,873)	(5)	(391,745)	(1)
	Other comprehensive income (loss):				
8310	Components of other comprehensive income that will not be reclassified subsequently to profit or loss (Notes (6) (q) and (r))				
8311	Remeasurement from defined benefit plans	(1,092)	-	5,130	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	(5,490)	-	-	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	631	-	(872)	-
	Components of other comprehensive income that will not be reclassified to profit or loss	(5,951)	-	4,258	-
8360	Components of other comprehensive income that will be reclassified to profit or loss (Note (6)(s))				
8361	Exchange differences on translation	12,398	-	(898)	-
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-
	Components of other comprehensive income that will be reclassified to profit or loss	12,398	-	(898)	-
	Other comprehensive income, net of tax	6,447	-	3,360	-
8500	Total comprehensive income	\$ (1,760,426)	(5)	(388,385)	(1)
	(Loss) profit, attributable to:				
8610	(Loss) profit, attributable to owners of parent	\$ (994,643)	(3)	36,490	
8620	Loss, attributable to non-controlling interests	(772,230)	(2)	(428,235)	(1)
		\$ (1,766,873)	(5)	(391,745)	(1)
	Comprehensive income attributable to:				
8710	Comprehensive income, attributable to owners of parent	\$ (984,794)	(3)	39,066	-
8720	Comprehensive income, attributable to non-controlling interests	(775,632)	(2)	(427,451)	(1)
		\$ (1,760,426)	(5)	(388,385)	(1)
	Earnings per share (Note (6)(u))				
9750	Basic earnings per share (NT dollars)	\$ (8.49)		0.31	
9850	Diluted earnings per share (NT dollars)	\$ (8.49)		0.31	

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

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)
REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH GENERALLY ACCEPTED AUDITING STANDARDS

PCHOME ONLINE INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the Years Ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of Parent					Other Equity Interest		Total Equity Attributable to Owners of Parent	Non-Controlling Interests	Total Equity
	Share capital		Retained Earnings			Exchange Differences on Translation of Foreign Statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income			
	Ordinary Capital	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Retained Earnings					
Balance at January 1, 2017	\$ 1,103,161	2,497,037	327,935	4,271	1,309,930	(2,781)	-	5,239,553	752,960	5,992,513
Profit (loss) for the year months ended December 31, 2017	-	-	-	-	36,490	-	-	36,490	(428,235)	(391,745)
Other comprehensive loss for the year months ended December 31, 2017	-	-	-	-	3,915	(1,339)	-	2,576	784	3,360
Total comprehensive income (loss) for the year months ended December 31, 2017	-	-	-	-	40,405	(1,339)	-	39,066	(427,451)	(388,385)
Appropriation and distribution of retained earnings:										
Legal reserve appropriated	-	-	76,600	-	(76,600)	-	-	-	-	-
Special reserve reversed	-	-	-	(1,490)	1,490	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(547,469)	-	-	(547,469)	-	(547,469)
Stock dividends of ordinary share	68,434	-	-	-	(68,434)	-	-	-	-	-
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	(390)	-	-	-	-	-	(390)	390	-
Changes in ownership interests in subsidiaries	-	10,812	-	-	(24,576)	-	-	(13,764)	27,349	13,585
Changes in non-controlling interests	-	-	-	-	-	-	-	-	84,167	84,167
Balance at December 31, 2017	1,171,595	2,507,459	404,535	2,781	634,746	(4,120)	-	4,716,996	437,415	5,154,411
Effects of retrospective application	-	-	-	-	3,975	-	39,028	43,003	-	43,003
Equity at beginning of period after adjustments	1,171,595	2,507,459	404,535	2,781	638,721	(4,120)	39,028	4,759,999	437,415	5,197,414
Loss for the year months ended December 31, 2018	-	-	-	-	(994,643)	-	-	(994,643)	(772,230)	(1,766,873)
Other comprehensive income (loss) for the year months ended December 31, 2018	-	-	-	-	(305)	15,644	(5,490)	9,849	(3,402)	6,447
Total comprehensive income (loss) for the year months ended December 31, 2018	-	-	-	-	(994,948)	15,644	(5,490)	(984,794)	(775,632)	(1,760,426)
Appropriation and distribution of retained earnings:										
Legal reserve appropriated	-	-	3,649	-	(3,649)	-	-	-	-	-
Special reserve appropriated	-	-	-	1,339	(1,339)	-	-	-	-	-
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	-	-	-	(517,932)	-	-	(517,932)	517,932	-
Changes in ownership interests in subsidiaries	-	(36)	-	-	(323,504)	-	-	(323,540)	103,955	(219,585)
Changes in non-controlling interests	-	-	-	-	-	-	-	-	206,141	206,141
Balance at December 31, 2018	\$ 1,171,595	2,507,423	408,184	4,120	(1,202,651)	11,524	33,538	2,933,733	489,811	3,423,544

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

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)

PCHOME ONLINE INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

	2018	2017
Cash flows from (used in) operating activities:		
Loss before tax	\$ (1,699,803)	(222,094)
Adjustments:		
Adjustments to reconcile profit:		
Depreciation expense	184,329	157,003
Amortization expense	26,372	23,319
Expected credit (gain) loss	(243)	182
Interest expense	24,113	2,520
Interest income	(16,595)	(20,887)
Dividend income	(4,025)	(3,921)
Share-based payments of subsidiaries	13,332	13,585
Share of loss of associates and joint ventures accounted for using equity method	14,973	2,470
Gain on disposal of property, plant and equipment	(540)	(1,139)
(Gain) loss on disposal of investments	(2,583)	7,257
Total adjustments to reconcile profit	<u>239,133</u>	<u>180,389</u>
Changes in operating assets and liabilities:		
Changes in operating assets:		
Notes receivable	3,071	(539)
Accounts receivable	(196,618)	(92,065)
Other receivable	(109,571)	(335,018)
Inventories	(289,297)	(353,399)
Other current assets	(137,774)	(24,221)
Other financial assets	(241,942)	65,299
Current asset recognized as right to recover products from customers	(1,627)	-
Total changes in operating assets	<u>(973,758)</u>	<u>(739,943)</u>
Changes in operating liabilities:		
Contract liabilities	77,438	-
Notes payable	(1,092)	(328)
Accounts payable	(94,020)	575,565
Other payable	(135,631)	212,213
Other current liabilities	136,097	949,824
Net defined benefit liabilities	(1,522)	(1,437)
Current refund liabilities	1,494	-
Other non-current liabilities	(32,016)	7,512
Total changes in operating liabilities	<u>(49,252)</u>	<u>1,743,349</u>
Total changes in operating assets and liabilities	<u>(1,023,010)</u>	<u>1,003,406</u>
Total adjustments	<u>(783,877)</u>	<u>1,183,795</u>
Cash flow (used in) generated from operations	(2,483,680)	961,701
Interest received	15,394	21,530
Dividends received	4,025	3,921
Interest paid	(22,480)	(2,423)
Income taxes paid	(161,617)	(233,645)
Net cash flows (used in) from operating activities	<u>(2,648,358)</u>	<u>751,084</u>
Cash flows used in investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	(8,772)	-
Acquisition of financial assets at cost	-	(35,664)
Proceeds from disposal of financial assets at cost	-	15,664
Acquisition of property, plant and equipment	(188,107)	(289,142)
Proceeds from disposal of property, plant and equipment	45	1,440
Acquisition of intangible assets	(3,143)	(23,150)
Other non-current assets	(9,345)	1,051
Acquisition of non-controlling interests	(241,724)	-
Other investing activities	(16,432)	(68,692)
Net cash flows used in investing activities	<u>(467,478)</u>	<u>(398,493)</u>
Cash flows from financing activities:		
(Decrease) Increase in short-term loans	(50,000)	253,010
Increase in long-term debt	1,450,000	-
Cash dividends paid	-	(547,469)
Change in non-controlling interests	206,141	124,959
Net cash flows (used in) from financing activities	<u>1,606,141</u>	<u>(169,500)</u>
Effect of exchange rate changes on cash and cash equivalents	20,590	(1,004)
Net (decrease) increase in cash and cash equivalents	(1,489,105)	182,087
Cash and cash equivalents at beginning of period	8,370,267	8,188,180
Cash and cash equivalents at end of period	<u>\$ 6,881,162</u>	<u>8,370,267</u>

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

PChome Online Inc.

Comparison Table of Amendments to the Articles of Incorporation

After the Amendment	Before the Amendment	Description
<p>Article 1 The Company is incorporated as a company limited by shares in accordance with the Company Act and is named PChome Online Inc. in the English language.</p>	<p>Article 1 The Company is incorporated as a company limited by shares in accordance with the Company Act and is named PChome Online Inc.</p>	<p>Article 18 Article 392-1</p>
<p>Article 6 The total amount of the Company's capital stock is NT\$2,000,000,000, which is divided into 200,000,000 shares at a par value of NT\$10 each. The Board is authorized to issue the unissued shares as common or preferred stocks by multiple installments. 20,000,000 shares of the aforementioned capital stock are retained for employees' stock options, preferred stocks with subscription rights, or corporate bonds with subscription rights. The Board is authorized to issue the unissued shares by multiple installments when needed. <u>The Company may grant employees' stock options, restricted stocks for employees, or the rights to subscribe new shares issued to employees, or distribute or transfer shares repurchased pursuant to laws to employees. The said employees shall include ones in the controlling or affiliated companies who met certain conditions.</u></p>	<p>Article 6 The total amount of the Company's capital stock is NT\$1,500,000,000, which is divided into 150,000,000 shares. The Board is authorized to issue the unissued shares by multiple installments. 12,000,000 shares of the aforementioned capital stock are retained for employees' stock options. New shares issued by the Company are exempted from printing; however, they shall be registered in the central securities depository.</p>	<p>Increase the total amount of capital stock and allow both common and preferred stocks to be issued from the unissued stocks. Article 167-1 Article 167-2 Article 267 Article 28-2 of the Securities and Exchange Act (TWSE/TPEX-listed companies or emerging stock companies) Delete the text that is repeated in Article 7.</p>
<p><u>Article 6</u> <u>The rights, obligations, and important issuance terms of the Company's preferred stocks are as follows:</u> I. <u>The Company shall apply the current year's earnings, if any, to pay for taxes as stipulated by laws and regulations, offset accumulated losses of previous years, and allocate a portion as legal reserve pursuant to laws and regulations. Next, special reserve is appropriated or</u></p>		<p>A new article. Pursuant to Article 157 of the Company Act, the rights, obligations and important issuance terms of the Company's preferred stocks are stipulated in the Articles of</p>

After the Amendment	Before the Amendment	Description
<p><u>reversed pursuant to the Articles of Incorporation. The remaining earnings, if any, are allocated as preferred stock dividends for the year.</u></p> <p>II. <u>The dividend rate of preferred stocks is capped at 8% per annum and is calculated based on the issuance price. Dividends are to be distributed in the form of cash each year. Once the Company's financial reports are ratified in the annual shareholders' meeting, the Board will set the record date for the distribution of previous year's dividends payable. Dividends in the year of issuance and redemption are calculated based on the preferred stocks' actual number of outstanding days.</u></p> <p>III. <u>The Company has discretion over the distribution of preferred stock dividends. If the Company did not generate any or sufficient profits during the year for the distribution of preferred stock dividends, it may resolve not to pay out the dividends and preferred stockholders have no rights to object. The preferred stocks issued are non-cumulative, i.e., the undistributed dividends or shortages in dividends distributed shall not be accumulated and paid in subsequent years when profits are generated.</u></p> <p>IV. <u>The preferred stocks issued are non-participating. Except for dividends specified in Subparagraph 2 of this Paragraph, preferred stockholders cannot participate in common stocks' distribution of cash or stock dividends from earnings or capital surplus.</u></p> <p>V. <u>For cash offering of new shares, the preferred stockholders have</u></p>		Incorporation.

After the Amendment	Before the Amendment	Description
<p>VI. <u>the same preemptive rights as the common stockholders. Preferred stockholders have a higher claim to the Company's residual properties than common stockholders. Different types of preferred stocks issued by the Company grant holders the same rights to claims, and preferred stockholders stay subordinate to general creditors. The amount preferred stockholders are entitled to is capped at the product of number of outstanding preferred stocks at the time of distribution and issuance price.</u></p>		
<p>VII. <u>Preferred stockholders have neither voting nor election rights. However, they may be elected as Directors or Supervisors. They have voting rights in preferred stockholders' meetings or with respect to agendas associated with the rights and obligations of preferred stockholders in shareholders' meetings.</u></p> <p>VIII. <u>Preferred stocks issued by the Company are convertible and they cannot be converted within one year from the issuance date. The Board of Directors is authorized to set the convertible period in the actual issuance terms. Based on the issuance terms, holders of convertible preferred stocks may apply to convert all or a part of preferred stocks held at the conversion ratio of one preferred stock for one common stock (The conversion ratio is 1:1). Once converted, the rights and obligations of the converted stocks are identical to that of common stocks. Dividend distribution at the conversion year shall be calculated based on</u></p>		

After the Amendment	Before the Amendment	Description
<p><u>the ratio of actual issuance days to total days of the conversion year. However, preferred stockholders who convert their stocks prior to the ex-dividend date cannot participate in the preferred stock dividends of that year and all subsequent year. Nevertheless, they may participate in the distribution of profit and capital surplus for common stocks.</u></p> <p>IX. <u>Preferred stocks have no maturity dates and preferred stockholders have no rights to request the Company to redeem those stocks. However, the Company may redeem all or a part of preferred stocks in cash, by compulsory conversion into new shares or by other means permissible by laws based on the issuance price and by relevant issuance terms at any time starting from the date after the stocks have been issued for three years. The unredeemed preferred stocks continue to have the rights and obligations stipulated in this Article until they are redeemed by the Company. If the Company's shareholders' meeting resolves to distribute dividends in the year when preferred stocks are redeemed, dividends payable up to the redemption date shall be calculated based on the preferred stocks' number of outstanding days in the redemption year.</u></p> <p>X. <u>The Board of Directors is authorized to list the preferred stocks or the common stocks converted at the TPEX depending on the Company and market conditions.</u></p> <p><u>The Board of Directors is authorized to set the name, issuance date and terms, and other relevant matters of the preferred stocks at the time of issuance</u></p>		

After the Amendment	Before the Amendment	Description
<u>based on the market conditions and investors' subscription interests, in accordance with the Company's Articles of Incorporation and applicable laws and regulations.</u>		
<p>Article 7 The shares of the Company shall be issued after signed or sealed by Directors representing the Company and certified in accordance with applicable laws and regulations.</p>	<p>Article 7 The shares of the Company shall be name-bearing certificates. They are issued after signed or sealed by three Directors or more and certified in accordance with applicable laws and regulations.</p>	<p>In accordance with Article 162 of the Company Act</p>
<p>Article 7-1 Share certificates issued by the Company are exempted from printing; however, they shall be registered in the central securities depository.</p>	<p>Article 7-1 The name-bearing share certificates issued by the Company are exempted from printing; however, they shall be registered in the central securities depository.</p>	<p>In accordance with Article 161-2 of the Company Act</p>
<p>Article 9 The shareholders' meetings of the Company are classified into two types. The general meeting shall be annually convened by the Board within six months from the end of each fiscal year in accordance with the relevant laws and regulations. The extraordinary meeting shall be convened in accordance with the relevant laws and regulations, whenever is necessary. The preferred stockholders' meeting shall be convened in accordance with the relevant laws and regulations, whenever is necessary.</p>	<p>Article 9 The shareholders' meetings of the Company are classified into two types. The general meeting shall be annually convened by the Board within six months from the end of each fiscal year in accordance with the relevant laws and regulations. The extraordinary meeting shall be convened in accordance with the relevant laws and regulations, whenever is necessary.</p>	<p>To add the provision where the Company may convene a preferred stockholders' meeting in accordance with relevant laws and regulations, whenever is necessary.</p>
<p>Article 20 The Company shall apply current year's earnings, if any, to pay for taxes as stipulated by laws and regulations, offset accumulated losses of previous years, and allocate 10% as legal reserve unless the balance of legal reserve has equaled the paid-up capital of the Company. Special reserve is then appropriated or reversed pursuant to relevant laws and regulations. Next, the remaining earnings, if any, would be allocated as preferred stock dividends for the year. Any remaining balance would then be combined with accumulated</p>	<p>Article 20 The Company shall apply current year's earnings, if any, to pay for taxes as stipulated by laws and regulations, offset accumulated losses of previous years, and allocate 10% as legal reserve unless the balance of legal reserve has equaled the paid-up capital of the Company. Special reserve is then appropriated or reversed pursuant to relevant laws and regulations. Any remaining balance would then be combined with accumulated unappropriated earnings. The Board shall draft an earnings distribution</p>	<p>To add the order of distribution for preferred stock dividends.</p>

After the Amendment	Before the Amendment	Description
<p>unappropriated earnings. The Board shall draft an earnings distribution proposal and submit it to the shareholders' meeting for resolution. The Company adopts the residual dividend policy as its dividend policy. The Company would calculate future capital requirements based on the capital budget for future periods and apply retained earnings to satisfy the capital requirement. Earnings remained would be distributed in the form of stocks and cash dividends. However, the stock dividends distributed shall not exceed 80% of the dividends for the year. The amount and the types and ratio of dividends under earnings appropriation shall be approved by the Board before submitted to the shareholders' meeting for resolution.</p>	<p>proposal and submit it to the shareholders' meeting for resolution. The Company adopts the residual dividend policy as its dividend policy. The Company would calculate future capital requirements based on the capital budget for future periods and apply retained earnings to satisfy the capital requirement. Earnings remained would be distributed in the form of stocks and cash dividends. However, the stock dividends distributed shall not exceed 80% of the dividends for the year. The amount and the types and ratio of dividends under earnings appropriation shall be approved by the Board before submitted to the shareholders' meeting for resolution.</p>	
<p>Article 27 The Company's Board of Directors shall prepare (1) business report, (2) financial statements, and (3) profit distribution or deficit compensation proposal after the end of each fiscal year and forward them to the general meeting of shareholders for approval. <u>If the aforementioned earnings are to be distributed in the form of new shares, the Company shall comply with Article 240 of the Company Act. If they are to be distributed in the form of cash, the distribution is authorized to be approved by a resolution adopted by the majority of attending Directors which represents more than two-thirds of all Directors. In addition, the distribution proposal shall be submitted to the shareholders' meeting.</u></p>	<p>Article 27 The Company's Board of Directors shall prepare (1) business report, (2) financial statements, and (3) profit distribution or deficit compensation proposal after the end of each fiscal year and forward them to the general meeting of shareholders for approval.</p>	<p>Article 228-1 and Article 240</p>
<p>Article 28 When the Company makes a profit for the year, the compensation to employees shall be between 1% and 15% of the balance and the remuneration to the Directors shall not be higher than 1.5% of the balance.</p>	<p>Article 28 When the Company makes a profit for the year, the compensation to employees shall be between 1% and 15% of the balance and the remuneration to the Directors shall not be higher than 1.5% of the</p>	<p>Article 235-1</p>

After the Amendment	Before the Amendment	Description
<p>However, if the Company has an accumulated deficit, the profit shall cover the deficit before it can be distributed. Parties eligible to receive the said compensation in the form of stock or cash shall include employees in the controlling or affiliated companies who met certain conditions.</p>	<p>balance. However, if the Company has an accumulated deficit, the profit shall cover the deficit before it can be distributed. Parties eligible to receive the said compensation in the form of stock or cash shall include employees in affiliated companies who met certain conditions.</p>	
<p>Article 28-1 The Company shall apply current year's earnings, if any, to pay for taxes first, offset losses in previous years and allocate 10% as a legal reserve unless the accumulated legal reserve has equaled the paid-up capital of the Company. The special reserve is appropriated based on the Company's operational needs and legal requirements. Remaining earnings, if any, would be combined with the unappropriated earnings at beginning of the period. The Board shall draft an earnings distribution proposal and submit it to the shareholders' meeting for resolution. With consent from the majority of attending Directors which represents more than two-thirds of all Directors, the Company may appropriate a part or all of dividends, bonuses, legal reserve or capital surplus to be distributed in the form of cash. In addition, the distribution proposal shall be submitted to the shareholders' meeting. The Company adopts the residual dividend policy as its dividend policy. The Company would calculate future capital requirements based on the capital budget for future periods and apply retained earnings to satisfy the capital requirement. Earnings remained would be distributed in the form of stocks and cash dividends. However, the stock dividends distributed shall not exceed 80% of the dividends for the year.</p>	<p>Article 28-1 The Company shall apply current year's earnings, if any, to pay for taxes first, offset losses in previous years and allocate 10% as a legal reserve unless the accumulated legal reserve has equaled the paid-up capital of the Company. The special reserve is appropriated based on the Company's operational needs and legal requirements. Remaining earnings, if any, would be combined with the unappropriated earnings at beginning of the period. The Board shall draft an earnings distribution proposal and submit it to the shareholders' meeting for resolution. The Company adopts the residual dividend policy as its dividend policy. The Company would calculate future capital requirements based on the capital budget for future periods and apply retained earnings to satisfy the capital requirement. Earnings remained would be distributed in the form of stocks and cash dividends. However, the stock dividends distributed shall not exceed 80% of the dividends for the year. The amount and the types and ratio of dividends under earnings appropriation shall be approved by the Board before submitted to the shareholders' meeting for resolution.</p>	<p>Article 240; Delete duplicated text</p>
<p>Article 31 The Articles of Incorporation was</p>	<p>Article 31: The Articles of Incorporation was</p>	<p>To add the amendment</p>

After the Amendment	Before the Amendment	Description
<p>established on June 25, 1998. The first amendment was made on November 16, 1998. (Omitted) The eighteenth amendment was made on June 13, 2018. The nineteenth amendment was made on June 14, 2019.</p>	<p>established on June 25, 1998. The first amendment was made on November 16, 1998. (Omitted) The eighteenth amendment was made on June 13, 2018.</p>	<p>date.</p>

PChome Online Inc.

Comparison Table of Amendments to Procedures for Acquisition or Disposal of Assets

After the Amendment	Before the Amendment	Description
<p>Article 2: Scope of assets</p> <p>I. Investments in stocks, government bonds, corporate bonds, financial bonds, marketable securities representing interest in a fund, depositary receipts, call (put) warrants, beneficiary securities and asset-backed securities.</p> <p>II. Real estate (including land, houses and buildings, investment property, and inventories of construction industry) and equipment.</p> <p>III. Memberships.</p> <p>IV. Intangible assets such as patents, copyrights, trademarks and licenses.</p> <p>V. Right-of-use assets.</p> <p>VI. Financial institutions' claims (including receivables, bills purchased and discounted, loans, and overdue receivables).</p> <p>VII. Derivatives.</p> <p>VIII. Assets acquired or disposed of through legal mergers, spin off, acquisitions or transfers of shares.</p> <p>IX. Other important assets.</p>	<p>Article 2: Scope of assets</p> <p>I. Marketable securities: Including long and short-term investments in stocks, government bonds, corporate bonds, financial bonds, beneficiary certificates, overseas mutual funds, depositary receipts, call (put) warrants, beneficiary securities and asset-backed securities.</p> <p>II. Real estate (including land, houses and buildings, investment property, land use right, and inventories of construction industry) and equipment.</p> <p>III. Memberships.</p> <p>IV. Intangible assets: including patents, copyrights, trademarks and licenses.</p> <p>V. Financial institutions' claims (including receivables, bills purchased and discounted, loans, and overdue receivables).</p> <p>VI. Derivatives.</p> <p>VII. Assets acquired or disposed of through legal mergers, spin off, acquisitions or transfers of shares.</p> <p>VIII. Other important assets.</p>	<p>I. Due to the adoption of International Financial Reporting Standards (IFRS) 16, Leases, Subparagraph 5 is added, the scope of right-of-use assets is expanded, and the land use right is moved from Subparagraph 2 to Subparagraph 5.</p> <p>II. Subparagraphs 5 to 8 are renumbered as Subparagraphs 6 to 9.</p>
<p>Article 3: Definition of terms</p> <p>I. Derivatives: The term refers to contracts with value derived from specified interest rates, financial instrument prices, commodity prices, foreign exchange rates, price or rate indexes, credit ratings</p>	<p>Article 3: Definition of terms</p> <p>I. Derivative instruments: The term refers to contracts with value derived from commodities such as assets, interest rates, foreign exchange rates, indexes or other interests. Contracts include forward contracts, option contracts, futures</p>	<p>I. The scope of financial instruments under Subparagraph 1 of the Procedures is amended pursuant to the definitions under IFRS 9 Financial</p>

<p>or credit indexes or other variables. Contracts include forward contracts, option contracts, futures contracts, leverage contracts, swap contracts, hybrid contracts consisting of the above contracts, or hybrid contracts or structured products containing embedded derivatives. The term "forward contracts" do not include insurance contracts, performance contracts, after-sales service contracts, long-term lease contracts, and long-term purchase (sale) agreements.</p>	<p>contracts, leverage contracts, swap contracts and hybrid contracts consisting of the above commodities. The term "forward contracts" do not include insurance contracts, performance contracts, after-sales service contracts, long-term lease contracts, and long-term purchase (sale) agreements.</p>	<p>Instruments, and some wordings are revised.</p>
<p>Article 4: Professionals shall not be related parties Relationship between the trading parties and the professional appraisers and related appraising personnel from whom the Company obtains appraisal reports and the CPAs, lawyers or securities underwriters from whom the Company acquires opinions shall meet the following requirements: 1. The person has never received an imprisonment sentence of one year or more for a violation of the Securities and Exchange Act, the Company Act, the Banking Act of The Republic of China, the Insurance Act, the Financial Holding Company Act, or the Business Entity Accounting Act, or for fraud, breach of trust, embezzlement, forgery of documents, or occupational crime. However, this provision does not apply if three years have passed since the person has served his/her sentence, the period of probation has expired or the person has been</p>	<p>Article 4: Professionals shall not be related parties The professional appraisers and related appraising personnel from whom the Company obtains appraisal reports and the CPAs, lawyers or securities underwriters from whom the Company acquires opinions shall not be related parties to the trading parties.</p>	<p>I. To streamline the regulations, Point 4 of the supplementary provisions under Order No. Taiwan-Finance-Securities-I 0920001151 issued by the former Securities and Futures Commission, Ministry of Finance on March 21, 2003 is incorporated into the Procedures. It covers matters requiring attention when a public company engages professional appraisers and related appraising personnel, CPAs, lawyers, or securities underwriters.</p>

<p>pardoned. 2. The person shall not be a related party or a related party in substance. 3. If the Company needs to obtain appraisal reports from two or more professional appraisers, those professional appraisers or appraising personnel cannot be related parties or related parties in substance to each other. When issuing appraisal reports or opinions, personnel referred to in the preceding paragraph shall comply with the following rules: 1. Before accepting cases, they shall prudently assess their own professional capabilities, practical experience, and independence. 2. When auditing cases, they shall carefully plan and carry out adequate procedures in order to form conclusions and issue reports or opinions based on those conclusions. All procedures carried out, data collected, and conclusions drawn shall be fully and accurately documented in the working papers. 3. The source of data, parameters and information used shall be assessed item-by-item for their comprehensiveness, accuracy, and reasonableness in order to serve as the basis for issuing reports or opinions. 4. A statement shall be issued stating the professional competence and independence of associated personnel, and that the information used is assessed to be reasonable and accurate, and they are in compliance with applicable laws and regulations.</p>		<p>Also, negative qualification of Directors, Supervisors and managers under Subparagraph 4, Article 53 of the Securities and Exchange Act and the good faith principle of issuers and the responsible persons under Subparagraph 15, Paragraph 1, Article 8 of the Regulations Governing the Offering and Issuance of Securities by Securities Issuers are taken into account in adding Subparagraphs 1 to 3 under Paragraph 1 to explicitly define the negative qualification of professionals and abolish the previous provisions.</p> <p>II. To clearly define external professionals' responsibilities. Paragraph 2 is added in reference to the assessments, audits and statements associated with opinions issued by CPAs regarding the reasonableness of the appraisal</p>
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		<p>report under Article 9 Investment Property of the Regulations Governing the Preparation of Financial Reports by Securities Issuers to explicitly define the assessments, audits and statements associated with professionals issuing appraisal reports or opinions.</p>
<p>Article 6: Procedures for acquisition or disposal of real estate, equipment or right-of-use assets</p> <p>I. Assessment and operation procedures The Company's acquisition or disposal of real estate, equipment or right-of-use assets shall be handled in accordance with the fixed assets cycle procedures or fixed assets management system under the Company's internal control system.</p> <p>II. Determination of trading terms and authorization limit (I) To acquire or dispose of real estate or right-of-use assets, the Company shall refer to the publicly announced current value, market price, assessed value, actual trading price of neighboring real estate, etc. to determine the trading terms and price, and submit an analysis report to the Board of Directors for approval. (II) Acquisition or disposal of equipment shall be implemented in any of the</p>	<p>Article 6: Procedures for acquisition or disposal of real estate or equipment</p> <p>I. Assessment and operation procedures The Company's acquisition or disposal of real estate or equipment shall be handled in accordance with the fixed assets cycle procedures or fixed assets management system under the Company's internal control system.</p> <p>II. Determination of trading terms and authorization limit (I) To acquire or dispose of real estate, the Company shall refer to the publicly announced current value, assessed value, actual trading price of neighboring real estate, etc. to determine the trading terms and price, and submit an analysis report to the Board of Directors for approval. (II) Acquisition or disposal of equipment shall be implemented in any of the following methods: inquiry, bidding, price negotiation or tendering. Amounts equal to or below NT\$50 million shall be approved by the Company's approval authority based on their authorization limits. Amounts exceeding NT\$50</p>	<p>I. Government agencies under Paragraph 1 refer to central and local government agencies in the Republic of China. As transactions with central and local government agencies in the Republic of China shall undergo open tenders or bidding, the possibility of price manipulation is low. Thus, opinions from professionals are not required. Whereas transactions with foreign government agencies, as relevant rules and price negotiation mechanism are less definite, opinions from professionals are required. Therefore, Paragraph 1 is amended to explicitly confine government agencies to domestic ones.</p>

<p>following methods: inquiry, bidding, price negotiation or tendering. Amounts equal to or below NT\$50 million shall be approved by the Company's approval authority based on their authorization limits. Amounts exceeding NT\$50 million shall be approved by the Board of Directors.</p> <p>(III) Regarding the Company's acquisition or disposal of assets which shall be approved by the Board of Directors according to the procedures stipulated herein or other laws, if any Director expresses objections on the recorded or in writing, the Company shall submit such Director's objection to the Audit Committee.</p> <p>In addition, the Company has Independent Directors in place pursuant to laws and regulation. When it submits the Procedures to the Board of Directors for discussion in accordance with the aforesaid provisions, opinions of Independent Directors shall be fully considered. Objections or reservations from Independent Directors shall be recorded in the minutes of the Board meeting.</p> <p>The Company has established an Audit Committee pursuant to laws and regulations. The establishment and amendment of the Procedures shall be approved by the majority of all Audit Committee members and submitted to the Board of Directors for resolutions.</p> <p>The Procedures may come into force upon the consent of two-thirds of all Directors if the majority of all Audit Committee members does not approve. In</p>	<p>million shall be approved by the Board of Directors.</p> <p>(III) Regarding the Company's acquisition or disposal of assets which shall be approved by the Board of Directors according to the procedures stipulated herein or other laws, if any Director expresses objections on the recorded or in writing, the Company shall submit such Director's objection to the Audit Committee.</p> <p>In addition, the Company has Independent Directors in place pursuant to laws and regulation. When it submits the Procedures to the Board of Directors for discussion in accordance with the aforesaid provisions, opinions of Independent Directors shall be fully considered. Objections or reservations from Independent Directors shall be recorded in the minutes of the Board meeting.</p> <p>The Company has established an Audit Committee pursuant to laws and regulations. The establishment and amendment of the Procedures shall be approved by the majority of all Audit Committee members and submitted to the Board of Directors for resolutions.</p> <p>The Procedures may come into force upon the consent of two-thirds of all Directors if the majority of all Audit Committee members does not approve. In such a case, the resolutions of the Audit Committee shall be recorded in the minutes of the Board meeting.</p> <p>All Audit Committee members and all Directors referred to in the preceding paragraph are number of persons currently holding those positions.</p>	<p>II. Paragraph 1 is amended to incorporate the right-of-use assets into this Article due to the adoption of IFRS 16, Leases.</p>
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<p>such a case, the resolutions of the Audit Committee shall be recorded in the minutes of the Board meeting.</p> <p>All Audit Committee members and all Directors referred to in the preceding paragraph are number of persons currently holding those positions.</p>		
<p>III. Implementation departments</p> <p>Once approved in accordance with the aforementioned level of authority, the Company's acquisition or disposal of real estate or equipment shall be implemented by the user departments and the Management Department.</p> <p>IV. Appraisal reports for real estate, equipment or right-of-use assets</p> <p>Regarding the acquisition or disposal of real estate, equipment or right-of-use assets, except for transactions with domestic government agencies, commissioned construction on own land, commissioned construction on leased land or acquisition or disposal of operating equipment or right-of-use assets thereof, the Company shall obtain an appraisal report produced by a professional appraiser before the date of occurrence and meet the following criteria when the transaction amount exceeds 20 percent of the Company's paid-in capital or NT\$300 million: (No changes hereinafter)</p>	<p>III. Implementation departments</p> <p>Once approved in accordance with the aforementioned level of authority, the Company's acquisition or disposal of real estate or equipment shall be implemented by the user departments and the Management Department.</p> <p>IV. Appraisal reports for real estate or equipment</p> <p>Regarding the acquisition or disposal of real estate or equipment, except for transactions with government agencies, commissioned construction on own land, commissioned construction on leased land or acquisition or disposal of operating equipment, the Company shall obtain an appraisal report produced by a professional appraiser before the date of occurrence and meet the following criteria when the transaction amount exceeds 20 percent of the Company's paid-in capital or NT\$300 million:</p> <p>(I) When a limited price, specific price or special price must be used as a reference for the transaction price due to special circumstances, such transaction shall be approved by a resolution of the Board of Directors. The above procedures shall apply for any changes in the trading terms in the future.</p> <p>(II) When transaction amounts exceed NT\$1 billion, appraisal reports from two or more professional appraisers shall be obtained.</p>	<p>III. The wordings in Subparagraph 1 of Paragraph 1 are revised to be in compliance with legal processes.</p>

	<p>(III) If any of the following situation occurs, unless all of the appraisal values for asset acquisition are higher than the transaction amount or all of the appraisal values for asset disposal are lower than the transaction amount, the Company shall contact CPAs to take actions in accordance with Auditing Standards No. 20 published by Accounting Research and Development Foundation and to express specific comments on the reasons for the discrepancy and the fairness of the trading price. If any of the following situation occurs, the Company shall contact CPAs to take actions in accordance with Auditing Standards No. 20 published by Accounting Research and Development Foundation (ARDF) and to express specific comments on the reasons for the discrepancy and the fairness of the trading price:</p>	
	<ol style="list-style-type: none"> 1. The difference between the appraisal results and the transaction amount exceeds 20 percent of the transaction amount or more. 2. The difference between the appraisal results from more than two professional appraisers exceeds 10 percent of the transaction amount. <p>(IV) The date of report issued by a professional appraiser shall not be more than three months earlier than the contract date. However, if the same period of publicly announced current value is applicable and the report is no earlier than six months, the original professional appraiser may issue an opinion. For appraisal conducted prior to the contract date, the date of report shall not be more than three months earlier than the contract date. However, if the same period of publicly announced current value is applicable and the report is no earlier than six months, the original professional appraiser may issue an opinion.</p>	

	(V) Where the Company acquires or disposes of assets through court auctions, certificates issued by the court may substitute for appraisal reports or CPAs' opinions.	
<p>Article 8: Related party transactions</p> <p>II. Assessment and operation procedures</p> <p>Where the Company acquires or disposes of real estate or right-of-use assets thereof, or assets other than real estate or right-of-use assets thereof from or to a related party and the transaction amount exceeds 20 percent of the Company's paid-in capital, 10 percent of the Company's total assets or NT\$300 million, except for the purchase or sale of domestic government bonds or bonds with repurchase or resale agreements, or the subscription or redemption of money market funds issued by domestic securities investment trust enterprises, the following information shall be approved by the Board of Directors and acknowledged by the Audit Committee before signing the contract and making payments:</p>	<p>Article 8: Related party transactions</p> <p>II. Assessment and operation procedures</p> <p>Where the Company acquires or disposes of real estate, or assets other than real estate from or to a related party and the transaction amount exceeds 20 percent of the Company's paid-in capital, 10 percent of the Company's total assets or NT\$300 million, except for the purchase or sale of government bonds or bonds with repurchase or resale agreements, or the subscription or redemption of money market funds issued by domestic securities investment trust enterprises, the following information shall be approved by the Board of Directors and acknowledged by the Supervisors before signing the contract and making payments:</p>	I. The reasons for amendment are the same as points 1 and 2 of the preceding Article, and some wordings are revised.
<p>(I) Purpose, necessity and expected benefits of the asset acquisition or disposal.</p> <p>(II) Reasons for choosing the related party as trading counterparty.</p> <p>(III) Information related to the assessment of reasonableness of preliminary trading terms in accordance with Subparagraphs 1 and 4, Paragraph 3 of this Article for acquisition of real estate or right-of-use assets thereof from related party.</p>	<p>(I) Purpose, necessity and expected benefits of the asset acquisition or disposal.</p> <p>(II) Reasons for choosing the related party as trading counterparty.</p> <p>(III) Information related to the assessment of reasonableness of preliminary trading terms in accordance with Subparagraphs 1 and 4, Paragraph 3 of this Article for acquisition of real estate from related party.</p> <p>(IV) Items such as the related party's original acquisition date,</p>	

<p>(No changes hereinafter)</p> <p>(VII) Restrictions and other important stipulations for the transaction. The calculation of aforementioned transaction amount shall be conducted in accordance with Paragraph 2-6 of Article 16 of the Procedures. The said "within one year" means one year calculated retrospectively from the date of transaction. The part for which the Company has obtained approval from the Board of Directors and ratification from the Audit Committee in accordance with the Procedures shall not be included.</p> <p>Regarding the following transactions between the Company and its parent company or its subsidiaries, or between subsidiaries whose shares issued or paid-in capital are 100 percent owned, directly or indirectly, by the Company, the Board of Directors may authorize the Chairman to approve within a certain amount and report it afterwards for acknowledgement in the latest Board of Directors' meeting:</p> <p>I. Acquisition or disposal of operating equipment or right-of-use assets thereof.</p> <p>II. Acquisition or disposal of operating right-of-use assets of real estate.</p> <p>Matters that shall be approved by the majority of all Audit</p>	<p>price, trading counterparty and the counterparty's relations to the Company and the related party.</p> <p>(V) Monthly cash flow forecasts of the coming year starting from the estimated contract-signing month and the assessments on necessity of trading and reasonableness of fund utilization.</p> <p>(VI) Appraisal reports produced by professional appraisers or CPAs' opinions which are obtained in accordance with the preceding paragraphs.</p> <p>(VII) Restrictions and other important stipulations for the transaction. The calculation of aforementioned transaction amount shall be conducted in accordance with Paragraph 2-6 of Article 16 of the Procedures. The said "within one year" means one year calculated retrospectively from the date of transaction. The part for which the Company has obtained approval from the Board of Directors and ratification from the Supervisors in accordance with the Procedures shall not be included.</p> <p>Regarding the acquisition or disposal of operating equipment between the Company and its parent company or subsidiaries, the Board of Directors may authorize the Chairman to approve within a certain amount and report it afterwards for acknowledgement in the latest Board of Directors' meeting.</p> <p>For companies having Independent Directors in place pursuant to laws</p>	<p>II. Due to overall business planning, there are necessity and needs between a company and its parent or subsidiaries or between a company and its subsidiaries who are 100 percent owned, directly or indirectly, by the Company to purchase or lease operating equipment for the whole group and transfer (including trade or sublease) those equipment subsequently, or to lease real estate and later sublease it, and risks associated with those transactions are low. Thus, Paragraph 3 is amended to allow Chairman to approve the acquisition or disposal of operating equipment, right-of-use assets thereof or operating right-of-use assets of real estate first, and some wordings are revised.</p>
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<p>Committee members and discussed by the Board of Directors pursuant to the preceding paragraph shall be handled in accordance with the Procedures. In addition, each Independent Director's opinions shall be fully considered. Objections or reservations from Independent Directors shall be recorded in the minutes of the Board meeting.</p>	<p>and regulation, opinions of Independent Directors shall be fully considered when transactions are submitted to the Board of Directors for discussion in accordance with the aforesaid provisions. Objections or reservations from Independent Directors shall be recorded in the minutes of the Board meeting.</p> <p>For companies having Audit Committees in place pursuant to laws and regulation, matters that shall be ratified by supervisors pursuant to Paragraph 1 shall be approved by the majority of all Audit Committee members prior to being submitted to the Board of Directors for resolutions. Paragraphs 4 and 5 of Article 6 are applied mutatis mutandis.</p>	
<p>III. Assessment of reasonableness of transaction cost</p> <p>(I) When acquiring real estate or right-of-use assets thereof from a related party, the Company shall assess the reasonableness of transaction cost by the following methods:</p> <p>1. The related party's transaction price plus the necessary interest of funding and the cost to be borne by the buyer pursuant to laws and regulations. The term "necessary interest of funding" shall be calculated using the weighted average interest rate for borrowings in the year of which the company acquired the assets. However, the interest rate shall not be higher than the maximum borrowing rate for non-financial industry announced by the Ministry</p>	<p>III. Assessment of reasonableness of transaction cost</p> <p>(I) When acquiring real estate from a related party, the Company shall assess the reasonableness of transaction cost by the following methods:</p> <p>1. The related party's transaction price plus the necessary interest of funding and the cost to be borne by the buyer pursuant to laws and regulations. The term "necessary interest of funding" shall be calculated using the weighted average interest rate for borrowings in the year of which the company acquired the assets. However, the interest rate shall not be higher than the maximum borrowing rate for non-financial industry announced by the Ministry of Finance.</p> <p>2. Total loan value appraised by the financial institution if the related party has been granted a mortgage loan on the subject matter from the financial institution, provided the</p>	

<p>of Finance.</p> <p>2. Total loan value appraised by the financial institution if the related party has been granted a mortgage loan on the subject matter from the financial institution, provided the accumulative loans from the financial institution exceed fifty percent of the total appraised loan value and the period of loan has been over one year. But this shall not apply where the financial institution and one of the trading parties are related parties mutually.</p> <p>(II) When acquiring or leasing both land and buildings of the same subject matter, the Company may use one of the above methods to assess the transaction cost of land and buildings separately.</p> <p>(III) To acquire real estate or right-of-use assets thereof from a related party, the Company shall assess the cost of real estate or right-of-use assets thereof in accordance with Subparagraphs 1 and 2, Paragraph 3 of this Article and contact CPAs to review and express specific opinions.</p> <p>(IV) When acquiring real estate or right-of-use assets thereof from a related party, if the value assessed in accordance with Subparagraphs 1 and 2, Paragraph 3 of this Article is lower than the transaction price, actions shall be taken in accordance with Subparagraphs 5,</p>	<p>accumulative loans from the financial institution exceed fifty percent of the total appraised loan value and the period of loan has been over one year. But this shall not apply where the financial institution and one of the trading parties are related parties mutually.</p> <p>(II) When acquiring both land and buildings of the same subject matter, the Company may use one of the above methods to assess the transaction cost of land and buildings separately.</p> <p>(III) To acquire real estate from a related party, the Company shall assess the cost of real estate in accordance with Subparagraphs 1 and 2, Paragraph 3 of this Article and contact CPAs to review and express specific opinions.</p> <p>(IV) When acquiring real estate from a related party, if the value assessed in accordance with Subparagraphs 1 and 2, Paragraph 3 of this Article is lower than the transaction price, actions shall be taken in accordance with Subparagraphs 5, Paragraph 3 of this Article. The rule does not apply to the following circumstances with objective evidences and professional real estate appraisers' and CPAs' specific opinions on reasonableness provided:</p> <p>1. Where the related party acquired bare land or leased land for construction, the Company may submit evidences of compliance with one of the following conditions:</p> <p>(1) With the bare land assessed in an aforementioned method and the buildings assessed on the basis of the related party's</p>	
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<p>Paragraph 3 of this Article. The rule does not apply to the following circumstances with objective evidences and professional real estate appraisers' and CPAs' specific opinions on reasonableness provided:</p> <p>The content remains unchanged.</p>	<p>construction cost plus reasonable construction profit, the total assessed amount exceeds the actual transaction price. The term "reasonable construction profit" refers to profits calculated based on the 3-year average gross profit margin of the related party's construction department or the latest gross profit margin of the construction industry announced by Ministry of Finance, whichever is lower.</p>	
<p>(2) Transactions completed by non-related parties within one year involving other floors of the same subject matter or in the neighborhood area with similar land area and equivalent trading terms, after taking into account the reasonable price difference in floor or location according to standard real estate market or leasing practices.</p> <p>(3) Deleted.</p> <p>2. The Company provides evidence that the real estate purchased or right-of-use assets of real estate obtained through leasing from a related party has trading terms equivalent to non-related parties' transactions within one year of items with similar land areas in the neighborhood.</p> <p>The said transactions "in the neighborhood" basically refers to those in the same or neighbored street within 500</p>	<p>(2) Transactions completed by non-related parties within one year involving other floors of the same subject matter or in the neighborhood area with similar land area and equivalent trading terms, after taking into account the reasonable price difference in floor or location according to standard real estate market practices.</p> <p>(3) Transactions completed by non-related parties within one year involving leasing of other floors of the same subject matter with equivalent trading terms after taking into account the reasonable price difference in floor according to standard real estate leasing practices.</p> <p>2. The Company provides evidence that the real estate purchased from a related party has trading terms equivalent to transactions completed by non-related parties within one year of items with similar land areas in the neighborhood. The said transactions completed "in the neighborhood" basically refers to those in the same or neighbored street within 500 meters from the subject matter of trading or with similar publicly announced current</p>	<p>To conform to the actual practice for leasing of real estate such as plants, acquisition of right-of-use assets of real estate from related parties may now impute and estimate the reasonableness of transaction price by referring to leasing transactions of non-related parties in the neighborhood area within one year.</p>

<p>meters from the subject matter of trading or with similar publicly announced current values. The said "with similar land areas" basically means the land areas of non-related parties' transactions is no less than fifty percent of the subject matter of trading. The said "within one year" means one year calculated retrospectively from the date of occurrence when real estate or right-of-use assets thereof is acquired.</p> <p>(V) If the value of the Company's real estate or right-of-use assets thereof acquisitions from related parties assessed in accordance with Subparagraphs 1 to 2, Paragraph 3 of this Article is lower than the transaction price, the following actions shall be taken. Special reserve recognized by the Company and public company which accounts for its investment in the Company under equity method in accordance with the preceding provisions may use such reserve upon approvals from the Financial Supervisory Commission and after assets purchased at a premium or leased have recognized losses from decline of market value, been disposed of, had the lease agreements terminated, been compensated appropriately, or been restored to original status; or there are other evidences indicating the transaction is not unreasonable.</p>	<p>values. The said "with similar land areas" basically means the land areas of transaction completed by non-related parties is no less than fifty percent of the subject matter of trading. The said "within one year" means one year calculated retrospectively from the date of occurrence when real estate is acquired.</p> <p>(V) If the value of the Company's real estate acquisitions from related parties assessed in accordance with Subparagraphs 1 to 2, Paragraph 3 of this Article is lower than the transaction price, the following actions shall be taken. Special reserve recognized by the Company and public company which accounts for its investment in the Company under equity method in accordance with the preceding provisions may use such reserve upon approvals from the Financial Supervisory Commission and after assets purchased at a premium have recognized losses from decline of market value, been disposed of, been compensated appropriately, or been restored to original status; or there are other evidences indicating the transaction is not unreasonable.</p> <p>1. In respect of the difference between the transaction price and the assessed cost of the real estate, the Company shall recognize a special reserve in accordance with Paragraph 1, Article 41 of the Securities and Exchange Act. The special reserve shall not be distributed or used for capital increase and issuance of bonus share. If an investor, who accounts for its</p>	
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<p>1. In respect of the difference between the transaction price and the assessed cost of the real estate or right-of-use assets thereof, the Company shall recognize a special reserve in accordance with Paragraph 1, Article 41 of the Securities and Exchange Act. The special reserve shall not be distributed or used for capital increase and issuance of bonus share. If an investor, who accounts for its investment in the Company under equity method, is a public company, the special reserve pursuant to Paragraph 1 of Article 41 of the Securities and Exchange Act shall be recognized in proportion to the shareholding percentage of the investor in the investee company.</p> <p>2. Audit Committee shall comply with Article 218 of the Company Act.</p> <p>3. Actions taken pursuant to Points A and B, Subparagraphs 5, Paragraph 3 of this Article shall be reported to the shareholders' meeting and the trading details shall be disclosed in the annual report and prospectus.</p>	<p>investment in the Company under equity method, is a public company, the special reserve pursuant to Paragraph 1 of Article 41 of the Securities and Exchange Act shall be recognized in proportion to the shareholding percentage of the investor in the investee company.</p> <p>2. Supervisors shall comply with Article 218 of the Company Act.</p> <p>3. Actions taken pursuant to Points A and B, Subparagraphs 5, Paragraph 3 of this Article shall be reported to the shareholders' meeting and the trading details shall be disclosed in the annual report and prospectus.</p>	
<p>(VI) Regarding the Company's acquisition of real estate or right-of-use assets thereof from related parties, if any of the following circumstance exists, actions shall be taken in accordance with the provisions related to assessment and operation procedures in Paragraphs 1 and 2 of this Article, and</p>	<p>(VI) Regarding the Company's acquisition of real estate from related parties, if any of the following circumstance exists, actions shall be taken in accordance with the provisions related to assessment and operation procedures in Paragraphs 1 and 2 of this Article, and the provisions related to assessment of reasonableness of transaction</p>	

<p>the provisions related to assessment of reasonableness of transaction cost in Subparagraphs 1, 2 and 3, Paragraphs 3 of this Article are not applicable:</p> <ol style="list-style-type: none"> 1. The related party acquired real estate or right-of-use assets thereof by inheritance or gift. 2. More than five years have passed from the time the related party signed the acquisition contract of real estate or right-of-use assets thereof to the date of this transaction. 3. The Company acquired real estate by signing a joint construction contract with the related party or through engaging a related party to build real estate on the Company's own land or on rented land. 4. Acquisition of operating right-of-use assets of real estate between a public company and its parent company or subsidiaries, or between subsidiaries whose shares issued or paid-in capital are 100 percent owned, directly or indirectly, by the Company. 	<p>cost in Subparagraphs 1, 2 and 3, Paragraphs 3 of this Article are not applicable:</p> <ol style="list-style-type: none"> 1. The related party acquired real estate by inheritance or gift. 2. More than five years have passed from the time the related party signed the acquisition contract of real estate to the date of this transaction. 3. The Company acquired real estate by signing a joint construction contract with the related party or through engaging a related party to build real estate on the Company's own land or on rented land. <p>(VII) Regarding the Company's acquisition of real estate from related parties, if there are other evidences showing non-compliance of business practices, actions shall be taken in accordance with provisions in Subparagraph 5, Paragraph 3 of this Article.</p>	
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PChome Online Inc.

Comparison Table of Amendments to Procedures for Lending

Funds to Others

After the Amendment	Before the Amendment	Description
<p>Article 3: Total lending amount and credit limit of individual party Total lending amount shall not exceed 40 percent of the lender's net worth. Lending can be classified into the following two types:</p> <p>(I) Total lending amount to firms or companies having business relationship with the Company shall not exceed 40 percent of the Company's net worth, and the lending amount to a single firm or company is limited to the transaction amount between both parties in the most recent year. The transaction amount means the sales or purchasing amount between the parties, whichever is higher.</p> <p>(II) Total lending amount to firms or companies requiring short-term financing shall not exceed 40 percent of the Company's net worth and the lending amount to a single enterprise shall not exceed 40 percent of the Company's net worth.</p>	<p>Article 3: Total lending amount and credit limit of individual party Total lending amount shall not exceed 40 percent of the lender's net worth. Lending can be classified into the following two types:</p> <p>(I) Total lending amount to firms or companies having business relationship with the Company shall not exceed 40 percent of the Company's net worth, and the lending amount to a single firm or company is limited to the transaction amount between both parties in the most recent year. The transaction amount means the sales or purchasing amount between the parties, whichever is higher.</p> <p>(II) Total lending amount to firms or companies requiring short-term financing shall not exceed 40 percent of the Company's net worth and the lending amount to a single enterprise shall not exceed 20 percent of the Company's net worth.</p>	<p>To increase lending flexibility, the Company proposes to increase the cap of lending amount to a single enterprise so that it equals the total lending amount.</p>

PChome Online Inc.**Rules of Procedure for Shareholders' Meetings**

1. Purpose

To ensure that the shareholders' meetings of the Company can operate smoothly, the Rules of Procedure for Shareholders' Meeting (the "Rules") is established in accordance with the Official Letter (86) Taiwan-Finance-Securities-(III)-04109 issued by the Securities and Futures Commission of the Ministry of Finance.

2. Scope of application

The Rules are applicable to shareholders' meeting of the Company.

3. Definition of terms

3.1 The term "shareholders" used in the Rules refers to shareholders as set out in the shareholders' register or their appointed proxies.

4. Related documents

None

5. Operating procedures

5.1 The shareholders' meeting is presided by the Chairman of the Board of Directors (the "Board") is convened by the Board. If the Chairman is on leave or is unable to exercise power, the Vice Chairman of the Board shall stand proxy. If there is no Vice Chairman of the Board or the Vice Chairman is also on leave or unable to exercise power, the Chairman may appoint one of managing Directors to stand proxy. If there is no managing Director, the Chairman may appoint one Director to stand proxy. If the Chairman does not appoint a proxy, the managing Directors or Directors shall elect one person from among themselves to preside at the meeting. If the shareholders' meeting is convened by any other party entitled to convene the meeting, the convening party shall preside at the meeting.

5.2 The shareholders' meeting shall be convened at the premises of the Company or an appropriate venue convenient for shareholders to attend. The meeting shall begin no earlier than 9 a.m. or no later than 3 p.m.

5.3 Shareholders' meeting agenda items

5.3.1 The Board shall set the meeting agenda items. The meeting shall proceed according to the agenda which shall not be changed without a resolution of the shareholders' meeting.

5.3.2 Rule 5.3.1 applies mutatis mutandis to the shareholders' meeting convened by a party entitled to convene other than the Board.

5.3.3 The chairman shall not announce adjournment of the meeting before completion of the agenda (including special motions) referred to in 5.3.1 and 5.3.2 unless otherwise resolved at the shareholders' meeting.

5.3.4 After the meeting is adjourned, the shareholders shall not elect another chairman to continue the meeting at the original or another venue.

- 5.4 When the shareholders (or their appointed proxies) attend the shareholders' meeting, they shall sign on the attendance booklet or hand in the attendance cards in lieu of signing in and complete the registration procedures. The attendance and voting at the shareholders' meeting shall be calculated based on the number of shares.
- 5.5 The chairman shall call the meeting to order at the scheduled time. When the majority of the total number of issued shares is not represented by the attending shareholders, the chairman may announce to postpone the meeting. The postponement is limited to two times with a combined duration of less than one hour. If the quorum is not met after two postponements, but one-third or more of the total number of issued shares are represented by the attending shareholders, tentative resolutions may be made pursuant to Paragraph 1 of Article 175 of the Company Act. If the attending shareholders represent the majority of the total number of issued shares before the conclusion of the meeting, the chairman may resubmit the tentative resolutions for voting at the shareholders' meeting pursuant to Article 174 of the Company Act.
- 5.6 Speech of the attending shareholders
- 5.6.1 Before speaking, the attending shareholders shall complete the speaker's slip indicating the shareholder's account number (or the number of attendance card) and account name. The sequence of speeches shall be determined by the chairman.
- 5.6.2 If the attending shareholder submits a speaker's slip without speaking, it shall be deemed as making no speeches. If the contents of speech are inconsistent with the contents of speaker's slip, the contents of speech shall prevail.
- 5.6.3 When the attending shareholders speak, other shareholders shall not interrupt the speech unless they are permitted by the chairman and the speaking shareholder. Otherwise, the chairman shall stop such interruption.
- 5.6.4 The shareholder's speech is limited to five minutes each time and may be extended by three minutes upon consent of the chairman. The extension is limited to one time.
- 5.6.5 The shareholder shall not make a speech concerning the same proposal for more than two times. If the shareholder's speech exceeds the time limit or is beyond the scope of the agenda item, the chairman may stop the speech. If a shareholder continues to violate the Rules after being corrected, the chairman may direct the disciplinary officers (or security guards) to assist with maintaining order at the meeting.
- 5.6.6 When a juristic person is appointed to attend the shareholders' meeting, it may designate only one person to attend on its behalf. If a corporate shareholder appoints two or more representatives to attend the shareholders' meeting, only one representative may speak for each agenda item.
- 5.6.7 After the attending shareholder has spoken, the chairman may respond in person or appoint an appropriate person to respond.

- 5.7 When the chairman is of the opinion that a proposal has been discussed sufficiently to put it to a vote, he/she shall announce the discussion closed and call for a vote. The proposal shall be deemed adopted if all attending shareholders are solicited by the chairman and no objection is voiced. Its validity is the same as voted by casting ballots.
- 5.8 Voting on proposals
- 5.8.1 The ballot supervisors and ballot counters of proposal voting shall be appointed by the chairman, but the ballot supervisors shall be shareholders. The voting results shall be announced at the meeting and recorded in the minutes.
- 5.8.2 Unless otherwise provided in the Company Act and Articles of Incorporation, the adoption of resolution shall be approved by the majority of voting rights represented by the attending shareholders.
- 5.8.3 When there is an amendment or an alternative to a proposal, the chairman shall present the amendment or alternative together with the original proposal and decide their voting orders. If one proposal among them has been adopted, the others shall be deemed overruled and no further voting is required.
- 5.9 Shareholders shall not participate in voting on agenda items of which they have a personal interest and may impair the interest of the Company, and shall not exercise the voting rights as proxy for other Shareholders.
- 5.10 The Company may appoint designated attorneys, certified public accountants or related persons to attend the shareholders' meeting. The staff involved in the meeting affairs shall wear identification cards or armbands.
- 5.11 The process of shareholders' meeting shall be tape-recorded or videotaped and kept for at least one year.
- 5.12 The meeting shall be suspended if an air-raid drill starts for shareholders to evacuate. Meeting would resume one hour after the completion of drill.
- 5.13 When the meeting is in progress, the chairman may announce a break at his/her discretion.
- 5.14 Any other matters not set forth in the Rules shall be subject to the Articles of Incorporation, Company Act and other applicable rules and regulations.
- 5.15 The Rules and any amendment hereto shall take effect after adoption by the shareholders' meeting.

PChome Online Inc. Articles of Incorporation

Chapter I General Provisions

Article 1: The Company is incorporated as a company limited by shares in accordance with the Company Act and is named PChome Online Inc.

Article 2: The Company's business scope is as follows:

The Company's business scope is as follows:

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| 1 | E605010 | Computing Equipment Installation Construction |
| 2 | E701040 | Basic Telecommunications Equipment Construction |
| 3 | F113050 | Wholesale of Computing and Business Machinery Equipment |
| 4 | F113070 | Wholesale of Telecom Instruments |
| 5 | F118010 | Wholesale of Computer Software |
| 6 | F119010 | Wholesale of Electronic Materials |
| 7 | F201010 | Retail Sale of Agricultural Products |
| 8 | F201020 | Retail Sale of Husbandry Products |
| 9 | F201050 | Retail Sale of Fishing Tackles |
| 10 | F201070 | Retail Sale of Flowers |
| 11 | F201090 | Retail Sale of Aquarium Fishes |
| 12 | F202010 | Retail Sale of Animal Feeds |
| 13 | F203010 | Retail Sale of Food and Grocery |
| 14 | F203020 | Retail Sale of Tobacco and Alcoholic Beverages |
| 15 | F204110 | Retail Sale of Cloths, Clothes, Shoes, Hat, Umbrella and Apparel, Clothing Accessories and Other Textile Products |
| 16 | F205040 | Retail Sale of Furniture, Bedclothes, Kitchen Equipment and Fixtures |
| 17 | F206020 | Retail Sale of Articles for Daily Use |
| 18 | F206050 | Retail of Pet Food and Appliances |
| 19 | F207030 | Retail Sale of Cleaning Preparations |
| 20 | F208031 | Retail Sale of Medical Equipment |
| 21 | F208040 | Retail Sale of Cosmetics |
| 22 | F208050 | Retail Sale of the Second Type Patent Medicine |
| 23 | F209060 | Retail Sale of Stationery Articles, Musical Instruments, and Educational Entertainment Articles |
| 24 | F210010 | Retail Sale of Watches and Clocks |
| 25 | F210020 | Retail Sale of Spectacles |
| 26 | F213030 | Retail Sale of Computing and Business Machinery Equipment |
| 27 | F213060 | Retail Sale of Telecom Instruments |

28	F214010	Retail Sale of Automobiles
29	F214020	Retail Sale of Motorcycles
30	F214030	Retail Sale of Motor Vehicle Parts and Supplies
31	F214040	Retail Sale of Bicycles and Parts
32	F215010	Retail Sale of Jewelry and Precious Spectacles Metals
33	F216010	Retail Sale of Photographic Equipment
34	F218010	Retail Sale of Computer Software
35	F219010	Retail Sale of Electronic Materials
36	F299990	Retail Sale of Other Retail Trade Not Elsewhere Classified
37	F301010	Department Stores
38	F301020	Supermarkets
39	F399010	Convenience Stores
40	F399040	Retail Business Without Shop
41	F399990	Retail Sale of Others
42	F401010	International Trade
43	F401021	Restrained Telecom Radio Frequency Equipment and Materials Import
44	F501030	Coffee/Tea Shops and Bars
45	F501050	Public Houses and Beer Halls
46	F501060	Restaurants
47	F601010	Intellectual Property
48	I102010	Investment Consultancy
49	I103060	Management Consulting Services
50	I105010	Artwork Consultation Services
51	I199990	Other Consultancy
52	I301010	Software Design Services
53	I301020	Data Processing Services
54	I301030	Digital Information Supply Services
55	I301040	The Third-party Payment Services
56	I401010	General Advertising Services
57	I401020	Leaflet Distribution
58	I501010	Product Designing
59	IE01010	Telecommunications Number Agencies
60	IZ03010	Clipping Services
61	IZ04010	Translation Services
62	IZ10010	Typesetting Services

63	IZ12010	Manpower Services
64	IZ13010	Internet Identify Services
65	IZ99990	Other Industry and Commerce Services Not Elsewhere Classified
66	J301010	Newspaper Publishers
67	J302010	Press Release
68	J303010	Magazine and Periodical Publication
69	J304010	Book Publishers
70	J305010	Audio Tape and Record Publishers
71	J602010	Agents and Managers for Performing Arts, Entertainers, and Models
72	J701020	Amusement Parks
73	J701040	Recreational Activities grounds and Facilities
74	J801030	Athletics and Recreational Sports Stadium
75	JA05010	Study Abroad Services
76	JB01010	Exhibition Services
77	JD01010	Industry and Commerce Credit Bureau Services
78	JE01010	Rental and Leasing Business
79	JZ99050	Agency Services
80	JZ99080	Beauty Shops
81	JZ99090	Joyous Events Services
82	G101061	Truck Freight Transportation
83	G801010	Warehousing and Storage
84	IZ06010	Cargoes Packaging
85	G799990	Other Supporting Services to Transportation
86	ZZ99999	All business items that are not prohibited or restricted by law, except those that are subject to special approval.

Article 3: The total reinvestment of the Company shall not be limited to less than 40% of paid-up capital and the Company may provide endorsement and guarantee to external parties.

Article 4: The Company is located in Taipei City and may, if necessary, set up branch offices in other appropriate locations upon resolution of the Board of Directors (the "Board").

Article 5: Deleted.

Chapter II Capital Stock

Article 6: The total amount of the Company's capital stock is NT\$1,500,000,000, which is divided into 150,000,000 shares. The Board is authorized to issue the unissued shares by multiple installments.

12,000,000 shares of the aforementioned capital stock are retained for employees' stock options. New shares issued by the Company are exempted from printing; however, they shall be registered in the central securities depository.

- Article 7: The shares of the Company shall be name-bearing certificates. They are issued after signed or sealed by more than three Directors and certified in accordance with applicable laws and regulations.
- Article 7-1: The name-bearing share certificates issued by the Company are exempted from printing; however, they shall be registered in the central securities depository.
- Article 8: The shareholders of the Company shall use their own names. Where an institution or a juristic person is a shareholder, it shall use its name as records instead of registering another name or only a representative.
- Article 9: Shareholder services of the Company are handled in accordance with the Company Act, "Regulations Governing the Administration of Shareholder Services of Public Companies" and relevant laws and regulations promulgated by the competent authorities.
- Article 10: Registration for share transfer shall be suspended sixty days before the date of annual general shareholders' meeting, and thirty days before the extraordinary shareholders' meeting, or within five days before the day on which the Company determines to pay dividends, bonuses, or any other benefits.

Chapter III Shareholders' Meeting

- Article 11: The shareholders' meetings of the Company are classified into two types: the general and extraordinary meetings.
- I. The general meeting shall be annually convened within six months from the end of each fiscal year.
 - II. The extraordinary meeting shall be convened in accordance with the relevant laws and regulations, whenever is necessary.
- Article 12: Written notices shall be sent to all shareholders thirty days prior to the general meeting and fifteen days prior to the extraordinary meeting. The notice shall specify the date, place, and reasons to convene.
- Article 13: The resolutions of shareholders' meeting, unless otherwise stated in the relevant laws and regulations, shall be agreed by the majority of votes represented by the attending shareholders or proxies who represents the majority of the total number of issued shares.
- Article 14: Shareholders of the Company are entitled to one vote for each share held. However, this shall not apply to Company's shares held by its own pursuant to laws and regulations.
- Article 15: Shareholders may designate a proxy to attend the shareholders' meeting with a power of attorney issued by the Company in accordance with the Company Act and the Regulations Governing the Use of Proxies for Attendance at Shareholders' Meeting of Public Companies promulgated by the competent authority.
- Article 16: The Chairman of the Board shall preside at the shareholders' meeting. When the Chairman is unable to attend, he/she may appoint one of the Directors to stand proxy. If the Chairman does not appoint a proxy, Directors shall elect a person from among themselves to preside at the meeting. If the shareholders' meeting is convened by a party other than the Board, the convening party shall preside at the meeting. When there are two or more convening parties, they shall elect a person from among themselves to preside at the meeting.

Article 17: The resolutions of the shareholders' meeting shall be recorded in the minutes. The minutes shall be signed or affixed to the meeting chairman's seal and be distributed to all shareholders within twenty days after the meeting. The distribution may be done via public announcement. The meeting minutes shall contain the essentials and results of the proceedings and be retained permanently by the Company together with the shareholders' attendance booklet and power of attorney.

Chapter IV Directors and Audit Committee

Article 18: The Company has nine Directors. The candidate nomination system is adopted pursuant to Article 192-1 of the Company Act. Shareholders shall elect from the list of candidates to serve a term of three years. Directors are eligible for re-election. The number of Independent Directors within the number of Directors in the preceding article shall be two at least and shall not be less than one-fifth of the total number of Directors. The election for independent and non-Independent Directors shall be held at the same time, but the numbers to be elected shall be calculated separately.

The majority of the Company's Directors shall not have one of the following relationships.

I. Spouse

II. Within Second-Degree of Kinship

The Board is delegated to determine the remuneration to Directors based on their involvement in the Company's business operation and their contributions to the Company with reference to the remuneration standard of the industry.

Article 19: The Board is composed of Directors. The Directors shall elect a Chairman from among themselves in the Board meeting with the consent of the majority of attending Directors, which represents more than two-thirds of all Directors. The Chairman shall have the authority to represent the Company.

When the vacancies on the Board exceed one-third of the total number of the Directors or all supervisors are dismissed, the Board shall convene an extraordinary shareholders' meeting within sixty days to elect new members to fill in the vacancies. The newly elected members shall serve the remaining term of the outgoing members.

Article 20: When the Chairman is on leave or unable to exercise power, his/her proxy shall be determined in accordance with Article 208 of the Company Act.

Article 21: The Board meeting shall be convened by the Chairman. Unless otherwise stipulated in the Company Act, resolutions in a Board meeting shall be adopted by the majority of attending Directors which represents the majority of all Directors. For Board meetings conducted through video-conferencing, a Director who participates through video-conferencing is deemed to attend in person.

If a Director is unable to attend the Board meeting for some reason, he/she shall authorize another Director to stand proxy with a power of attorney indicating the scope of authority with reference to the subjects to be discussed at the meeting. No Director may act as a proxy for more than one other Director.

Article 22: The Board shall exercise their powers pursuant to the Company Act and the authority granted by the shareholders' meeting.

Article 23: The discussion at the Board meeting shall be recorded in the minutes. The minutes shall be signed or affixed with the meeting chairman's seal and be retained by the Company.

Article 24: The Company establishes an Audit Committee in compliance with Article 14-4 of the Securities and Exchange Act. The Audit Committee shall consist of all Independent Directors and is responsible to carry out duties of supervisors stipulated in the Company Act, Securities, and Exchange Act and other laws and regulations. Matters concerning the Audit Committee members, the exercise of their powers and other compliance issues shall be handled in accordance with relevant laws and regulations. Its organizational regulations shall be established separately by the Board.

The Company may establish a compensation committee or other functional committees in accordance with laws and regulations or business needs.

Article 25: Deleted.

Chapter V Managers

Article 26: The Company shall have several managers. Their appointment, dismissal, and remuneration shall be subject to Article 29 of the Company Act.

Chapter VI Accounting

Article 27: The Company's Board of Directors shall prepare (1) business report, (2) financial statements, and (3) profit distribution or deficit compensation proposal after the end of each fiscal year and forward them to the general meeting of shareholders for approval

Article 28: When the Company makes a profit for the year, the compensation to employees shall be between one to fifteen percent of the balance and the remuneration to the Directors shall not be higher than one point five percent of the balance. However, if the Company has an accumulated deficit, the profit shall cover the deficit before it can be distributed. Parties eligible to receive the said compensation in the form of stock or cash shall include employees in affiliated companies who met certain conditions.

Article 28-1: The Company shall apply current year's earnings, if any, to pay for taxes first, offset losses in previous years and allocate 10% as a legal reserve unless the accumulated legal reserve has equaled the paid-up capital of the Company. The special reserve is appropriated based on the Company's operational needs and legal requirements. Remaining earnings, if any, would be combined with the unappropriated earnings at beginning of the period. The Board shall draft an earnings distribution proposal and submit it to the shareholders' meeting for resolution.

The Company adopts the residual dividend policy as its dividend policy. The Company would calculate future capital requirements based on the capital budget for future periods and apply retained earnings to satisfy the capital requirement. Earnings remained would be distributed in the form of stocks and cash dividends. However, the stock dividends distributed shall not exceed 80% of the dividends for the year. The amount and the types and ratio of dividends under earnings appropriation shall be approved by the Board before submitted to the shareholders' meeting for resolution.

Chapter VII Additional Provisions

Article 29: Rules governing the organization and the procedures of the Company shall be separately stipulated.

Article 30: Matters not set forth in the Articles of Incorporation shall be subject to the Company Act and other laws and regulations.

Article 31: The Articles of Incorporation was established on June 25, 1998. The first amendment was made on November 16, 1998. The second amendment was made on April 1, 1999. The third amendment was made on May 18, 1999. The fourth amendment was made on December 9, 1999. The fifth amendment was made on February 22, 2000. The sixth amendment was made on May 3, 2000. The seventh amendment was made on September 14, 2000. The eighth amendment was made on June 11, 2002. The ninth amendment was made on June 27, 2003. The tenth amendment was made on June 25, 2004. The eleventh amendment was made on June 26, 2006. The twelfth amendment was made on June 22, 2007. The thirteenth amendment was made on June 10, 2009. The fourteenth amendment was made on June 19, 2012. The fifteenth amendment was made on June 26, 2013. The sixteenth amendment was made on June 24, 2014. The seventeenth amendment was made on June 21, 2016. The eighteenth amendment was made on June 13, 2018.

PChome Online Inc. Shareholding of Directors

- I. The Company's total number of shares issued as of the book closure date of this annual shareholders' meeting (April 16, 2019):
117,159,446 common shares
- II. The minimum statutory shareholding of Directors: 8,000,000 shares
The number of shares held by all Directors on the register of shareholders as of the book closure date of this annual shareholders' meeting (April 16, 2019) has met the percentage requirement specified in Article 26 of the Securities and Exchange Act. Details are as follows.
- III. Pursuant to Article 2 of the "Rules and Review Procedures for Director and Supervisor Share Ownership Ratios at Public Companies," if the Company has two or more Independent Directors, the shareholding percentage calculated at the rates set forth for all Directors, excluding the Independent Directors, shall be reduced to 80 percent.

Title	Name of Natural or Juristic Person	Appointment Date	Term	Shareholding at the Time of Appointment		Shareholding at of the Book Closure Date	
				No. of Shares	Shareholding Percentage	No. of Shares	Shareholding Percentage
Chairman of the Board	Hung-Tze Jan	2018.06.13	3 years	1,592,427	1.36%	1,592,427	1.36%
Director	Yun Su	2018.06.13	3 years	701,903	0.60%	701,903	0.60%
Director	Kevin Tsai	2018.06.13	3 years	1,461	0%	1,461	0%
Director	Jerry Hsu	2018.06.13	3 years	0	0%	0	0%
Director	Site Inc .Representative: Vicky Tseng	2018.06.13	3 years	18,907,864	16.14%	18,907,864	16.14%
Director	Site Inc. Representative: Johnson Fong	2018.06.13	3 years	Same as above	Same as above	Same as above	Same as above
Independent Director	Chang-Sung Yu	2018.06.13	3 years	0	0%	0	0%
Independent Director	Shao-Hua Huang	2018.06.13	3 years	0	0%	0	0%
Independent Director	Yuan Li	2018.06.13	3 years	0	0%	0	0%
Shareholding of all Directors						21,203,655	18.10%

The Impact of Stock Dividend Issuance on Business Performance, Earnings per Share, and Shareholder Return Rate: Not Applicable.

Other Explanatory Items

Procedure regarding shareholder proposals of this shareholders' meeting

Explanation:

1. Pursuant to Article 172-1 of the Company Act, shareholders holding 1% or more of the total number of issued shares of a company may submit proposals in writing for discussion at annual shareholders' meeting. Each shareholder can submit only one proposal and the proposal shall be limited to 300 words.
2. Shareholders can submit proposals for 2019 annual shareholders' meeting from April 3, 2019, to April 16, 2019. Relevant information has been released in the Market Observation Post System website in accordance with relevant laws.
3. The Company did not receive any shareholder proposals.