Stock Code：8044

PCHOME ONLINE INC. AND ITS SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(WITH INDEPENDENT AUDITOR'S REPORT THEREON)

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Independent Auditor's Report

To the Board of Directors of

PChome Online Inc.:

We have audited the accompanying consolidated balance sheets of PChome Online Inc. and its subsidiaries (the Consolidated Company) as of December 31, 2011 and 2010, and the related consolidated statements of income, changes in stockholders' equity, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Consolidated Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the "Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants" and auditing standards generally accepted in the Republic of China. Those regulations and standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, based on our audits, the consolidated financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of PChome Online Inc. and its subsidiaries as of December 31, 2011 and 2010, and the results of its operations and its cash flows for the years then ended, in conformity with the related financial accounting standards of the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and accounting principles generally accepted in the Republic of China.

KPMG

Taipei, Taiwan, ROC

March 30, 2012

Note to Readers

The accompanying financial statements are intended only to present the financial position, results of operations, and cash flows in accordance with 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 financial statements are those generally accepted and applied in the Republic of China.

PCHOME ONLINE INC. AND ITS SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2011 AND 2010
(All Amounts Expressed in Thousands of New Taiwan Dollars, Except for Share Data)

	December 31, 2011		December 31, 2010	
	Amount	%	Amount	%
ASSETS				
Current Assets:				
Cash (Note (4)(a))	$ 2,882,263	71	1,891,457	60
Notes receivable (Notes (2) and (4)(b))	9,684	-	7,064	-
Accounts receivable, net of allowance for doubtful accounts (Notes (2), (4)(b) and (5))	296,440	7	222,812	7
Inventories, net of loss on inventory valuation and obsolescence (Notes (2) and (4)(c))	185,851	5	135,393	4
Other financial assets – current (Notes (5) and (6))	106,500	3	77,463	3
Deferred income tax assets – current (Notes (2) and (4)(h))	20,774	1	5,586	-
Restricted assets (Note (6))	238,000	6	238,000	8
Other current assets (Note (5))	17,682	-	14,595	-
	3,757,194	93	2,592,370	82
Investments:				
Financial assets carried at cost – non-current (Notes (2) and (4)(d))	40,763	1	57,325	2
Prepayments for long-term investments (Notes (2) and (4)(e))	-	-	300,000	10
Other financial assets – non-current (Note (6))	41,847	1	39,614	1
	82,610	2	396,939	13
Property, Plant, and Equipment, at cost (Note (2)):				
Cost:				
Transportation equipment	4,355	-	-	-
Furniture and office equipment	401,693	10	329,405	10
Leasehold improvements	98,968	2	80,504	3
	505,016	12	409,909	13
Less: Accumulated depreciation	(329,850)	(8)	(282,270)	(9)
Prepayments for equipment	11,368	-	933	-
	186,534	4	128,572	4
Intangible Assets:				
Deferred pension cost (Notes (2) and (4)(h))	552	-	289	-
Other Assets:				
Deferred income tax assets – non-current (Notes (2) and (4)(i))	31,285	1	42,579	1
Other assets (Note (2))	13,033	-	9,524	-
	44,318	1	52,103	1
TOTAL ASSETS	$ **4,071,208**	**100**	**3,170,273**	**100**

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

PCHOME ONLINE INC. AND ITS SUBSIDIARIES
CONSOLIDATED BALANCE SHEET (CONT'D)
DECEMBER 31, 2011 AND 2010
(All Amounts Expressed in Thousands of New Taiwan Dollars, Except for Share Data)

	December 31, 2011		December 31, 2010	
LIABILITIES AND STOCKHOLDERS' EQUITY	**Amount**	**%**	**Amount**	**%**
Current Liabilities:				
Short-term debt (Note (4)(f))	$ 100,000	2	100,000	3
Notes payable	8,797	-	6,214	-
Accounts payable	1,282,148	32	1,108,373	35
Income tax payable	58,357	1	44,257	1
Accrued expenses (Note (5))	293,090	7	247,088	8
Other payables	74,290	2	53,934	2
Other financial liabilities – current (Note (4)(g))	309,740	8	189,058	6
Advance receipts	233,382	6	242,284	8
Other current liabilities	28,341	1	25,162	1
	2,388,145	59	2,016,370	64
Other Liabilities:				
Accrued pension liabilities (Notes (2) and (4)(h))	-	-	262	-
Total Liabilities	2,388,145	59	2,016,632	64
Stockholders' Equity:				
Capital Stock:				
Common stock (Note (4)(j))	693,679	17	582,602	18
Advance receipts for common stock (Note (4)(j))	1,006	-	3,860	-
Capital Surplus (Note (2)):				
Paid-in capital in excess of par – common stock	26,917	1	-	-
Treasury stock	129	-	129	-
Long-term investments at equity	121,274	3	4,595	-
Employee stock options (Note (4)(k))	11,918	-	18,725	1
Retained Earnings:				
Legal reserve (Notes (2) and (4)(l))	51,575	1	15,925	1
Special reserve (Note (4)(l))	1,942	-	1,398	-
Retained earnings – unappropriated (Note (4)(l))	407,580	10	356,501	11
Other Adjustments to Stockholders' Equity:				
Cumulative translation adjustments (Note (2))	2,290	-	(1,942)	-
Treasury stock (Notes (2) and (4)(m))	(2,512)	-	(2,512)	-
Subtotal	1,315,798	32	979,281	31
Minority Interest	367,265	9	174,360	5
Total Stockholders' Equity	1,683,063	41	1,153,641	36
Commitments and Contingencies (Note (7))				
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 4,071,208	100	3,170,273	100

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

PCHOME ONLINE INC. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010
(All Amounts Expressed in Thousands of New Taiwan Dollars, Except for Share Data)

	For The Years Ended December 31			
	2011		2010	
	Amount	%	Amount	%
Operating revenues (Note (2))	$ 13,887,486	102	10,934,571	102
Less: Sales returns	214,098	2	200,393	2
Sales discounts and allowances	8,847	-	2,526	-
Net sales	13,664,541	100	10,731,652	100
Operating costs (Note (4)(c))	11,315,944	83	8,941,772	83
Gross margin	2,348,597	17	1,789,880	17
Operating expenses				
Selling expenses	1,493,949	11	1,151,305	11
General and administrative expenses	274,449	2	236,228	2
Research and development expenses	110,847	1	94,741	1
Subtotal	1,879,245	14	1,482,274	14
Income from operations	469,352	3	307,606	3
Non-operating income				
Interest income	9,911	-	4,731	-
Dividend income	1,819	-	6,028	-
Gain on disposal of investments	22,237	-	110,915	1
Other income	4,889	-	11,436	-
	38,856	-	133,110	1
Non-operating expenses				
Interest expense	2,775	-	3,529	-
Foreign exchange loss, net (Note (2))	1,676	-	703	-
Impairment loss	16,562	-	20,555	-
Miscellaneous disbursements	22	-	114	-
	21,035	-	24,901	-
Consolidated income before income tax	487,173	3	415,815	4
Income tax expense ((Notes (2) and (4)(i))	56,775	-	61,514	1
Consolidated net income	**$ 430,398**	**3**	**354,301**	**3**
Income attributable to:				
Stockholders of parent company	$ 408,077	3	356,501	3
Minority interest	22,321	-	(2,200)	-
	$ 430,398	**3**	**354,301**	**3**

	2011 Before Tax	2011 After Tax	2010 Before Tax	2010 After Tax
Earnings per share attributable to parent company (Notes (2) and (4)(n))				
Basic earnings per share	**$ 6.52**	**5.94**	**7.18**	**6.13**
Basic earnings per share - retroactively adjusted			**$ 6.16**	**5.26**
Diluted earnings per share	**$ 6.29**	**5.73**	**6.82**	**5.82**
Diluted earnings per share - retroactively adjusted			**$ 5.85**	**4.99**

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

PCHOME ONLINE INC. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010
(All Amounts Expressed in Thousands of New Taiwan Dollars, Except for Share Data)

	Common Stock	Advance Receipts for Common Stock	Capital Surplus	Retained Earnings: Legal Reserve	Retained Earnings: Special Reserve	Retained Earnings: Unappropriated Retained Earnings	Cumulative Translation Adjustments	Treasury Stock	Minority Interest	Total
Balance as of January 1, 2010	$ 559,819	-	11,894	3,268	1,398	126,571	(803)	(2,512)	128,855	828,490
Treasury stock transferred to employees	-	3,860	-	-	-	-	-	-	-	3,860
Disposal of long-term equity investments	-	-	(1,319)	-	-	-	-	-	-	(1,319)
Employee stock options	-	-	7,879	-	-	-	-	-	-	7,879
Consolidated net income for the year ended December 31, 2010	-	-	-	-	-	356,501	-	-	(2,200)	354,301
Earnings distribution (Note (1)):										-
Legal reserve	-	-	-	12,657	-	(12,657)	-	-	-	-
Cash dividends	-	-	-	-	-	(91,131)	-	-	-	(91,131)
Unappropriated earnings converted into common stock	22,783	-	-	-	-	(22,783)	-	-	-	-
Adjustment arising from changes in shareholding percentage of long-term equity-method investees	-	-	4,995	-	-	-	-	-	-	4,995
Changes in minority interest	-	-	-	-	-	-	-	-	29,705	29,705
Translation adjustments of long-term equity investments	-	-	-	-	-	-	(1,139)	-	-	(1,139)
Cash increase in capital – minority interest	-	-	-	-	-	-	-	-	18,000	18,000
Balance as of December 31, 2010	582,602	3,860	23,449	15,925	1,398	356,501	(1,942)	(2,512)	174,360	1,153,641
Treasury stock transferred to employees	14,985	(2,854)	17,255	-	-	-	-	-	-	29,386
Disposal of long-term equity investments	-	-	(69)	-	-	-	-	-	-	(69)
Employee stock options	-	-	2,855	-	-	-	-	-	-	2,855
Consolidated net income for the year ended December 31, 2011	-	-	-	-	-	408,077	-	-	22,321	430,398
Earnings distribution (Note (2)):										
Legal reserve	-	-	-	35,650	-	(35,650)	-	-	-	-
Special reserve	-	-	-	-	544	(544)	-	-	-	-
Cash dividends	-	-	-	-	-	(224,215)	-	-	(9,957)	(234,172)
Unappropriated earnings converted into common stock	96,092	-	-	-	-	(96,092)	-	-	-	-
Adjustment arising from changes in shareholding percentage of long-term equity-method investees	-	-	116,748	-	-	(497)	-	-	-	116,251
Changes in minority interest	-	-	-	-	-	-	-	-	(92,865)	(92,865)
Translation adjustments of long-term equity investments	-	-	-	-	-	-	4,232	-	437	4,669
Cash increase in capital – minority interest	-	-	-	-	-	-	-	-	272,969	272,969
Balance as of Decemer 31, 2011	$ 693,679	1,006	160,238	51,575	1,942	407,580	2,290	(2,512)	367,265	1,683,063

Note 1: Profit sharing to employees amounting to $14,809 had been charged against earnings.

Note 2: Profit sharing to employees amounting to $41,639 had been charged against earnings.

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

PCHOME ONLINE INC. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010
(All Amounts Expressed in Thousands of New Taiwan Dollars, Except for Share Data)

	2011	2010
	Amount	Amount
Cash flows from operating activities:		
Consolidated net income	$ 430,398	354,301
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	56,332	56,138
Amortization	4,324	4,733
Provision for doubtful accounts	3,946	7,222
Share-based payment compensation cost	3,015	7,879
Provision (reversal of provision) for inventory market price decline and obsolescence	738	(1,257)
Loss on disposal and retirement of property, plant and equipment, net	21	9
Gain on disposal of long-term investments under the equity method	(22,237)	(110,915)
Loss on permanent decline of financial assets	16,562	20,555
Changes in operating assets and liabilities:		
Notes receivable	(2,620)	(2,484)
Accounts receivable	(77,580)	(19,402)
Inventories	(51,197)	(61,583)
Other current assets	(3,331)	2,591
Other financial assets – current	(29,479)	(51,159)
Deferred income tax assets, net	(4,735)	16,487
Notes payable	2,583	2,020
Accounts payable	173,720	302,345
Income tax payable	14,100	33,551
Accrued expenses	46,046	70,068
Other payables	(9,311)	8,478
Advance receipts	(8,902)	(4,912)
Other financial liabilities – current	138,451	99,018
Other current liabilities	1,262	462
Accrued pension liabilities	71	(5,092)
Net cash provided by operating activities	682,177	729,053
Cash flows from investing activities:		
Proceeds from sale of long-term investments under the equity method	24,377	144,296
Decrease in prepayment for long-term investments	300,000	-
Purchase of property, plant and equipment	(101,253)	(62,472)
Proceeds from sale of property, plant and equipment	891	182
Decrease (increase) in restricted assets	4,150	(16,000)
Increase in other financial assets – non-current	(6,297)	(14,894)
Increase in other assets	(6,815)	(6,314)
Net cash provided by investing activities	215,053	44,798

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

PCHOME ONLINE INC. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONT'D)

FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

(All Amounts Expressed in Thousands of New Taiwan Dollars, Except for Share Data)

	2011		2010
		Amount	Amount
Cash flows from financing activities:			
Increase in short-term debt	$	-	100,000
Distribution of cash dividends		(234,172)	(91,131)
Execution of stock options		29,386	3,860
Cash increase in capital – minority interest		272,969	-
Increase in minority interest		20,000	18,000
Net cash provided by financing activities		88,183	30,729
Foreign exchange rate effects		5,393	(1,302)
Net increase in cash		990,806	803,278
Cash, beginning of period		1,891,457	1,088,179
Cash, end of period	$	**2,882,263**	**1,891,457**
Supplemental disclosures of cash flow information:			
Cash paid during the period for:			
Interest	$	**2,689**	**3,529**
Income tax	$	**47,410**	**11,633**
Purchase of property and equipment with cash and other payables:			
Property and equipment	$	115,062	58,438
Add: Other payables, beginning of period		7,863	11,897
Less: Other payables, end of period		(21,672)	(7,863)
Cash paid	$	**101,253**	**62,472**

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

(1) Organization and Business

PChome Online Inc. (the Company) was incorporated on July 14, 1998. The Company's primary business scope includes software design, digital information supply, and data processing, and wholesaling and retailing of office machinery, equipment, and information software.

On August 30, 2004, the board of directors of the GreTai Securities Market approved the Company's application for stock listing, and became officially listed and traded on January 25, 2005.

To enhance competitiveness and operating effectiveness, the Company decided to spin off its store segment into a newly incorporated subsidiary, PChome Store Inc. (PChome Store), with April 30, 2010, as the effective date. Approval was given by the GreTai Securities Market, and the subsidiary company was listed on that date.

As of December 31, 2011 and 2010, the Company and its subsidiaries (the "Consolidated Company") had 995 and 775 employees, respectively.

(2) Summary of Significant Accounting Policies

The Consolidated Company's financial statements are prepared in accordance with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and accounting practices generally accepted in Taiwan, the Republic of China. The significant accounting policies and measurement basis adopted in preparing the accompanying financial statements are summarized as follows:

(a) Status of Consolidation

(i) Subsidiaries included in the consolidated financial statements:

(All currencies expressed in thousands)

Investor	Subsidiary	Principal Business	Shareholding ratio		Note
			2011.12.31	2010.12.31	
The Company	IT Home Publications Inc.	Magazine publication	100.00%	100.00%	As of December 31, 2011, total issued capital of IT Home Publications Inc. amounted to $46,356.
〃	Linktel Inc.	Network services	100.00%	100.00%	As of December 31, 2011, total issued capital of Linktel Inc. amounted to $125,000.
〃	PC Home Online International Co., Ltd.	International trade and investment activities	100.00%	100.00%	As of December 31, 2011, total issued capital of PC Home Online International Co., Ltd. amounted to USD 122.
〃	PChome US Inc.	E-commerce platform	90.91%	-	As of December 31, 2011, total issued capital of PC Home US Inc. amounted to USD 4,400.
〃	PChome Travel Inc.	Travel agency business	100.00%	100.00%	As of December 31, 2011, total issued capital of PChome Travel Inc. amounted to $6,000.
〃	PChome eBay Co., Ltd.	Online auction	65.00%	65.00%	As of December 31, 2011, total issued capital of PChome eBay Co., Ltd. amounted to $420,000.

PCHOME ONLINE INC. AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(All Amounts Expressed in Thousands of New Taiwan Dollars, Except for Share Data)

Investor	Subsidiary	Principal Business	Shareholding ratio		Note
			2011.12.31	2010.12.31	
The Company	Orange Network Inc.	Online television media business	100.00%	100.00%	As of December 31, 2011, total issued capital of Orange Network Inc., Ltd. amounted to $1,000.
〃	Rakuya International Info. Co. Ltd.	Real estate business, and internet information rental service	21.99%	15.83%	As of December 31, 2011, Rakuya International Info. Co. Ltd.'s issued capital amounted to $156,000. Although the Company holds less than 50% of Rakuya International Info. Co. Ltd.'s outstanding equity shares, it has controlling interest over Rakuya International Info. Co. Ltd.'s finance, operation, and employment decisions. Therefore, it was included in the consolidated financial statements.
〃	Pay and Link Inc. (original name was Paylink Inc.)	Internet services	100.00%	100.00%	As of December 31, 2011, total issued capital of Pay and Link Inc. amounted to $1,000.
〃	Liker Technology Inc.	O2O (Online to Offline) E-commerce	35.71%	-	As of December 31, 2011, total issued capital of Liker Technology Inc. amounted to $70,000. (Note 2)
〃	Paylink Inc. (original name was Pay and Link Inc.)	Information processing and provision of electronic information	100.00%	-	As of December 31, 2011, total issued capital of Paylink Inc. amounted to $50,000.
〃	PChome Store Inc.	Internet services	59.91%	66.77%	As of December 31, 2011, total issued capital of PChome Store Inc. amounted to $141,500. (Note 1)
PChome Store Inc.	Liker Technology Inc.	O2O (Online to Offline) E-commerce	42.86%	-	As of December 31, 2011, total issued capital of Liker Technology Inc. amounted to $70,000. (Note 2)
PC Home Online International Co., Ltd.	PChome Online Inc.	International trade and investment activities	100.00%	100.00%	As of December 31, 2011, total issued capital of PChome Online Inc. amounted to USD 100.
PChome Online Inc.	PC Home Online (HK) Ltd.	Information service and indirect investment activities	100.00%	100.00%	As of December 31, 2011, total issued capital of PC Home Online (HK) Ltd. amounted to HKD 5,641.

(All Amounts Expressed in Thousands of New Taiwan Dollars, Except for Share Data)

Investor	Subsidiary	Principal Business	Shareholding ratio		Note
			2011.12.31	2010.12.31	
PC Home Online (HK) Ltd.	Shanghai Todo Inc.	Software and internet technical consulting service	100.00%	100.00%	As of December 31, 2011, total issued capital of Shanghai Todo Inc. amounted to RMB 1,242.

Note 1: On March 5, 2010, the spin-off of the PChome Store segment from the Company was approved by the shareholders' meeting, effective April 30, 2010. The Company exchanged its net operating assets of $117,400 for 11,740 thousand shares of PChome Store Inc. common stock, for a shareholding ratio of 100%. In the year ended December 31, 2010, the Company sold 3,100 thousand shares of common stock for $144,296, with a gain of $110,915 on the sale of investments, and the shareholding ratio dropped to 66.77% accordingly. In the year ended December 31, 2011, the Company sold 163 thousand shares of common stock for $24,377, with a gain of $22,237 on the sale of investments, and the shareholding ratio dropped to 65.51% accordingly. On February 25, 2011, the board of directors of PChome Store Inc. resolved to increase capital by 1,210 shares. The capital increase was effective on March 31, 2011. As the Company was not involved in the capital increase, its shareholding ratio dropped to 59.91%.

Note 2: The Consolidated Company holds more than 50% of Liker Technology Inc.'s outstanding equity shares. Therefore, it was included in the consolidated financial statements.

The consolidated financial statements include the accounts of the Company and those of the aforementioned subsidiaries in which the Company has controlling interest.

(ii) All material of inter-company transactions has been eliminated in the consolidated financial statements.

(b) Foreign Currency Transactions and Translation

The Company's reporting currency is the New Taiwan dollar. Non-derivative foreign currency transactions are recorded at the exchange rates prevailing at the transaction date. At the balance sheet date, monetary assets and liabilities denominated in foreign currencies are translated into New Taiwan dollars using the exchange rates on that date. The resulting unrealized exchange gains or losses from such translations are reflected in the accompanying statements of income. Under the amended ROC Statement of Financial Accounting Standards ("SFAS") No. 14 "The Effects of Changes in Foreign Exchange Rates," non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the date of the transaction. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the reporting currency at the exchange rates at the date the fair value was determined. If the non-monetary assets or liabilities are measured at fair value through profit or loss, the resulting unrealized exchange gains or losses from such translation are reflected in the accompanying statements of income. If the non-monetary assets or liabilities are measured at fair value through stockholders' equity, the resulting unrealized exchange gains or losses from such translation are recorded as a separate component of stockholders' equity.

For long-term equity investments in foreign investees which are accounted for by the equity method, their foreign currency financial statements are translated into the Company's reporting currency. Translation adjustments resulting from the translation of foreign currency financial statements into the Company's reporting currency are accounted for as translation adjustment, a separate component of stockholders' equity.

(c) Use of Estimates

The preparation of the accompanying consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting periods. Economic conditions and events could cause actual results to differ significantly from these estimates.

(d) Basis for Classifying Assets and Liabilities as Current or Non-current

Unrestricted cash or cash equivalents, and assets that are held primarily for the purpose of being traded or are expected to be realized within 12 months after the balance sheet date are classified as current assets; all other assets are classified as non-current.

Liabilities that are held primarily for the purpose of being traded or are expected to be settled within 12 months after the balance sheet date are classified as current liabilities; all other liabilities are classified as non-current.

(e) Asset Impairment

Under SFAS No. 35 "Impairment of Assets", management reviews the Consolidated Company's assets (an individual asset or cash-generating unit ("CGU") associated with the asset) for impairment at each balance sheet date. If there is any indication of impairment, management estimates the recoverable amount of the asset. Any excess of the carrying amount of the asset over its recoverable amount is recognized as an impairment loss. If there is evidence that the accumulated impairment losses of an asset other than goodwill in prior years no longer exist or have decreased, the amount previously recognized as impairment loss is reversed, and the carrying amount of the asset is increased to the recoverable amount. The increase in the carrying amount shall not exceed the carrying amount that would have been determined (net of depreciation or amortization) had no impairment loss been recognized for the asset in prior years.

Goodwill and intangible assets that have indefinite lives or that are not yet made available for use are also assessed for impairment on an annual basis, and an impairment loss is recognized thereon if the carrying amount exceeds the recoverable amount.

(f) Financial Instruments

(i) Financial assets carried at cost

Financial assets that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are carried at their original cost. If there is objective evidence which indicates that a financial asset is impaired, a loss is recognized. A subsequent reversal of such impairment loss is not allowed.

(ii) Receivables

Accounts receivable are rights resulting from the sale of goods or the rendering of services. Other receivables are receivables arising from non-operating activities.

The Consolidated Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

Other financial instruments are measured at amortized cost using the effective interest method. If there is objective evidence which indicates that a financial asset is impaired, a loss is recognized through use of an allowance account. Upon determining the amount of impairment, the present value of the estimated future cash flows shall include the recoverable amount of collateral and insurance.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease is clearly attributable to an event which occurred after the impairment loss was recognized; the previously recognized impairment loss is reversed to the extent of the decrease. The reversal may not result in a carrying amount of the financial asset that exceeds the amortized cost that would have been determined if no impairment loss had been recognized.

Management estimated the recoverable amount of notes receivable and accounts receivable to recognize an allowance for doubtful accounts on or before December 31, 2010.

(g) Inventories

The cost of inventories consists of all costs of purchase and other costs incurred in bringing the inventories to a salable and useable location and condition. Inventories are measured at the lower of cost or net realizable value. Inventory cost is calculated using the weighted-average-cost formula. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses at the end of the period. A provision for inventory devaluation and obsolescence is recorded when management determines that the market values of inventories are less than their costs.

(h) Long-Term Investments under the Equity Method

When the Consolidated Company is able to exercise significant influence over the operating and financial policies of the investee, or the Consolidated Company owns more than 20% of the investee’s voting shares, the Consolidated Company’s equity investment therein is accounted for using the equity method. The Consolidated Company prepares consolidated financial statements on a quarterly basis, including those investees in which the Consolidated Company has controlling interest over their operation.

When the Consolidated Company subscribes for additional investee shares at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment in the investee differs from the previous amount of the Consolidated Company's share of the investee's equity. The Consolidated Company records such a difference as an adjustment to long-term investments, with the corresponding amount charged or credited to capital surplus. However, if the capital surplus generated from long-term investment is zero, the difference will be charged to retained earnings instead.

Upon the sale of equity-method investment, the difference between the selling price and carrying amount of the investment at the date of sale is recognized as an investment gain or loss. Capital surplus and other equity adjustment items from the long-term investment are recognized in profit or loss in proportion to the percentage disposed of.

Unrealized inter-company profits or losses resulting from transactions between a subsidiary and an investee accounted for under the equity method are deferred. Inter-company profits or losses arising from fixed asset transactions are recognized over the estimated economic lives of such assets. Inter-company profits or losses arising from transactions involving other assets are recognized when realized.

(i) Property, Plant, and Equipment, and Depreciation

Property, plant, and equipment are stated at cost. The cost of a major addition or improvement to, or replacement of, a component of an item of property, plant or equipment is capitalized to the carrying amount of the item. Gain or loss on disposal of property, plant, and equipment is recognized in current earnings.

Depreciation of property, plant, and equipment is calculated using the straight-line method over the economic useful lives. Leasehold improvements are amortized using the straight-line method over the shorter of the lease term or estimated useful life of the asset.

The economic useful lives of major property and equipment are as follows:

Transportation equipment	5 years
Furniture and office equipment	3-5 years
Leasehold improvements	1-5 years

(j) Deferred Expenses

Software is stated at acquisition cost and amortized using the straight-line method over the estimated useful lives of the assets.

(k) Pension Plan

For the defined benefit plan, the Company and some subsidiaries adopted SFAS No. 18 "Accounting for Pensions," which requires the Company and some subsidiaries to perform an actuarial calculation of their pension obligation as of each fiscal year-end. Based on the actuarial calculation, the Company and some subsidiaries recognize a minimum pension liability and net periodic pension costs covering the service lives of participants. Commencing January 1, 1996, net periodic pension cost recognized includes the current service cost, amortization of net transition asset or obligation, prior service cost, and amortization of unrecognized gain (loss) on the pension plan on a straight-line basis over the expected average remaining service period of 27 years. On a monthly basis, contributions are made at the rate of two percent of wages and salaries to a pension fund maintained with Bank of Taiwan.

Under the defined contribution plan, the Company and some subsidiaries contribute monthly no less than six percent of an employee's monthly salary or wages to the employee's individual pension fund account at the ROC Bureau of Labor Insurance. Cash contributions are charged to current operations as pension cost.

The foreign subsidiaries do not adopt SFAS No. 18 "Accounting for Pensions" if the local governments do not have pension laws or the subsidiaries do not adopt any defined benefit employee pension plan.

(l) Income Taxes

The Consolidated Company adopted SFAS No. 22 "Accounting for Income Tax," under which income taxes are accounted for under the asset and liability method. Deferred income taxes are determined based on differences between the financial statement and tax basis of assets and liabilities using enacted tax rates in effect during the years in which the differences are expected to reverse. The income tax effects resulting from taxable temporary differences are recognized as deferred income tax liabilities. The income tax effects resulting from deductible temporary differences, net operating loss carryforward, and income tax credits are recognized as deferred income tax assets. The realization of the deferred income tax assets is evaluated, and if it is considered more likely than not that the deferred tax assets will not be realized, a valuation allowance is recognized accordingly.

When a change in the tax laws is enacted, the deferred tax assets or liabilities (including items that are directly debited or credited to stockholders' equity) are recalculated accordingly in the period of change. The effect of changes in the deferred tax assets or liabilities is reported as an adjustment to current income tax benefit or expense.

Classification of the deferred income tax assets or liabilities as current or non-current is based on the classification of the related asset or liability. If the deferred income tax asset or liability is not directly related to a specific asset or liability, then the classification is based on the expected realization date of such deferred income tax asset or liability.

According to the ROC Income Tax Act, undistributed income, if any, earned after December 31, 1997, is subject to an additional 10 percent retained earnings tax. The surtax is charged to income tax expense after the appropriation of earnings is approved by the stockholders in the following year.

Income tax of the Consolidated Company is provided based on tax laws of various countries. Income tax is declared on an individual-company basis. Income tax expense of the Consolidated Company is the sum of income tax expense of the various consolidated companies.

(m) Shared-Based Payment

The Company adopted SFAS No. 39 “Share-based Payment” for shared-based payment agreements with a grant date on or after January 1, 2008, as follows:

1. An equity-settled share-based payment transaction is measured based on the fair value of the award at the grant date, and recognized as expenses over the vesting period with a corresponding increase in equity. The vesting period is estimated based on the vesting conditions under the share-based payment arrangement. Vesting conditions include service conditions and performance conditions (including market conditions). In estimating the fair value of an equity-settled share-based award, only the effect of market conditions is taken into consideration.
2. A cash-settled share-based payment transaction is measured at the balance sheet date and settlement date based on the fair value of the award as of those dates and is recorded as a liability incurred for the goods and services received. Changes in fair values are charged to current operations.
3. The fair value of a share-based award is estimated using the Black-Scholes option-pricing model, taking into account the exercise price, the current market price of the underlying shares, management’s best estimate of the expected term, the expected volatility, the expected dividends, and the risk-free interest rate.

(n) Employees’ Bonuses

Employees’ bonuses are estimated and charged to expense in accordance with Interpretation (96)052 issued by the Accounting Research Development Foundation. The difference, if any, between the amount approved in the shareholders’ meeting in the subsequent year and the amount estimated in the current year’s financial statements is accounted for as a change in accounting estimate and charged to profit or loss in the period during which stockholders’ approval is obtained.

(o) Capital Surplus

Under the Company Act, a company shall first set aside ten percent of net income as legal reserve. When such legal reserve amount equals the total authorized capital, this provision shall not apply.

(p) Legal Reserve

If a company incurs no loss, it may, pursuant to a resolution adopted by a shareholders’ meeting, issue new shares to shareholders or distribute a cash dividend from its legal reserve. However, only the amount of the legal reserve that exceeds twenty-five percent of the paid-in capital may be used to issue new shares or distribute a dividend.

(q) Treasury Stock

In accordance with SFAS No. 30 “Accounting for Treasury Stock,” when the Company acquires its outstanding shares, the acquisition cost is debited to the treasury stock account.

When treasury stock is sold, the excess of the selling price over the carrying amount is credited to the capital surplus from treasury stock transactions account. If the carrying amount exceeds the selling price, the excess is first offset against capital surplus from the same class of treasury stock transactions, and the remainder, if any, is debited to retained earnings. The carrying amount of treasury stock is calculated by using the weighted-average approach according to the same class of treasury stock (common stock or preferred stock).

(r) Revenue Recognition

Revenue is recognized when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer. Otherwise, recognition is deferred until these conditions are met. If a deal to sell goods includes future service and if the amount for the future service is identifiable, the net amount of revenue and cost relating to the future service on the balance sheet date will be deferred and recognized as revenue and cost separately over the period during which the service is provided.

Online advertising service is recognized using the proportion-of-service-completed method, in which it estimates the percentage of total task completed on the balance sheet date for use as its revenue recognition basis.

Online sales revenue is recognized when title to the product and risks and benefits of ownership are transferred to the customer. For products with customer return rights, allowance for returns and discounts is estimated based upon past experience and recognized as a deductions from sales revenue in the year the products are sold.

Revenue and expense from a barter transaction involving advertising is recognized at the fair value of advertising service given, provided that the fair value can be measured reliably. The fair value is determined by reference to non-barter transactions with unrelated parties in the past 6 months that involve cash, cash equivalents, or marketable securities. When the fair value of advertising service is not able to be determined, the original carrying amount of the advertising service is deemed the best estimation of fair value.

(s) Earnings per Share (EPS)

Earnings per share (“EPS”) of common stock are calculated by dividing net income (or loss) for the reporting period attributable to common stockholders by the weighted-average number of common shares outstanding during that period. The Company’s employee’ bonuses which are not resolved by the shareholders’ meeting are potentially dilutive common shares.

Only basic earnings per share are disclosed if these potential common shares are not dilutive. Otherwise, both basic and diluted earnings per share are disclosed. In calculating diluted earnings per share, the net income (loss) and weighted-average number of common shares outstanding are retroactively adjusted for the potential common shares assuming they are converted into common stock at the beginning of the period.

(t) Operating Segments

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity). The segment’s operating results are reviewed regularly by the entity’s chief operating decision maker to make decisions pertaining to the allocation of resources to the segment and to assess its performance for which discrete financial information is available.

(All Amounts Expressed in Thousands of New Taiwan Dollars, Except for Share Data)

(3) Reasons for and Effect of Accounting Changes

Effective from January 1, 2011, the Consolidated Company adopted the third amended SFAS No. 34 “Financial Instruments: Recognition and Measurement”. In accordance with the amended SFAS No. 34, the Consolidated Company’s original receivables shall apply the recognition, subsequent measurement, and impairment guidelines of this Standard. For the year ended December 31, 2011, there was no material effect on income and earnings per share from adoption of the amended accounting principle.

Effective from January 1, 2011, according to SFAS No. 41 “Operating Segments”, an entity shall disclose information to enable users of its financial statements to evaluate the nature and financial effects of the business activities in which it engages and the economic environments in which it operates. The Consolidated Company determines and presents operating segments based on the information that is internally provided to the chief operating decision maker. This Standard supersedes SFAS No. 20 “Segment Reporting.” This change in accounting principle did not have any effect on the financial statements for the year ended December 31, 2011. The comparative information for the initial year of application has been restated.

(4) Summary of Major Accounts

(a) Cash

	December 31, 2011	December 31, 2010
Cash on hand	$ 182	130
Checking accounts	9,347	9,269
Savings accounts	2,251,261	1,479,720
Foreign currency deposits	85,423	41,288
Time deposits	536,050	361,050
Total	**$ 2,882,263**	**1,891,457**

(b) Notes and Accounts Receivable

	December 31, 2011	December 31, 2010
Notes receivable	$ 9,684	7,064
Accounts receivable	313,194	243,006
Less: Allowance for impairment loss	(16,754)	(20,194)
Net	296,440	222,812
Total	**$ 306,124**	**229,876**

Current accounts receivable which have short maturities are not discounted, and their book values were presumed to approximate fair value.

(All Amounts Expressed in Thousands of New Taiwan Dollars, Except for Share Data)

(c) Inventories

	December 31, 2011	December 31, 2010
Merchandise inventories	$ 188,079	136,882
Less: Allowance for inventory valuation and obsolescence losses	(2,228)	(1,489)
Total	**$ 185,851**	**135,393**

For the years ended December 31, 2011 and 2010, the details of operating cost were as follows:

	For the Years Ended December 31, 2011	2010
Cost of good sold	$ 11,312,286	8,941,010
Provision (reversal of provision) for inventory valuation and market price decline obsolescence	738	(1,257)
Loss on physical inventory	2,920	2,019
	$ 11,315,944	**8,941,772**

(d) Financial Asset Carried at Cost - Non-current

	December 31, 2011		December 31, 2010	
Name of Investee Company	**Shareholding Ratio**	**Book Value**	**Shareholding Ratio**	**Book Value**
Common Stock				
Eastern Online Co., Ltd.	4.19%	$ -	4.19%	-
Syspower Ltd.	3.72%	2,846	3.72%	2,846
The Journalist Co., Ltd.	0.15%	-	0.17%	-
Openfind Information Technology, Inc.	7.42%	4,031	7.42%	4,031
Career Consulting Co., Ltd.	0.72%	1,015	0.72%	1,015
PayEasy Ltd.	12.51%	4,510	12.51%	4,510
Vibo Telecom Inc.	0.01%	1,447	0.02%	2,988
IPEVO Inc.	19.44%	26,914	19.44%	41,935
Total		**$ 40,763**		**57,325**

The securities with no active market and whose fair value cannot be reliably measured were reflected as non-current financial assets carried at cost.

As of December 31, 2010, the carrying value of the investment in IPEVO Inc. was $62,490. As there was evidence indicating a decline in the value of the investment, an impairment loss of $20,555 was recognized for the period ended December 31, 2010.

On April 20, 2011, a resolution was approved by the shareholders' meeting of investee company IPEVO Inc. for a capital decrease which took effect on July 1, 2011. As there was evidence indicating a decline in the value of the investment, an impairment loss of $15,021 was recognized for the period ended December 31, 2011.

(All Amounts Expressed in Thousands of New Taiwan Dollars, Except for Share Data)

On November 25, 2011, a resolution was approved by the shareholders' meeting of investee company Vibo Telecom Inc. for a capital decrease which took effect on December 21, 2011. As there was evidence indicating a decline in the value of the investment, an impairment loss of $1,541 was recognized for the period ended December 31, 2011.

(e) Long-term Investments under the Equity Method

	December 31, 2011		December 31, 2010	
Name of Investee Company	**Shareholding Ratio**	**Book Value**	**Shareholding Ratio**	**Book Value**
Prepayment for long-term investment				
Paylink Inc.	-%	$ -	-%	300,000
(Initial investment: $300,000)				

Unrealized gains or losses resulting from inter-company transactions were eliminated according to the percentage of the Consolidated Company's ownership of the investee company.

On June 30, 2009, a resolution was approved by the shareholders' meeting of investee company PC Home Ventures Inc. for dissolution, and liquidation was completed on July 27, 2010. The Consolidated Company received a long-term investment refund of $22, accounted for as other income.

Paylink Inc. was incorporated in November 2009, and the Consolidated Company invested $300,000 for a shareholding ratio of 100%. The major business of Paylink Inc. is the manufacturing of electronic stored-value cards. On June 30, 2011, a resolution was approved refund to the original investment in the second inaugural meeting.

(f) Short-Term Debt

Type of Debt	Interest Rates	Maturity Date	Amount	Collateral
Dcember 31, 2011				
Credit loan	2.62%-2.84%	By May 16, 2012	$ 100,000	None
Dcember 31, 2010				
Credit loan	2.50%-2.67%	By May 16, 2011	$ 100,000	〃

As of December 31, 2011 and 2010, the credit limit of short-term loans granted by financial institutions amounted to $200,000 and $350,000, respectively; the unused credit line amounted to $100,000 and $250,000, respectively.

(g) Other Financial Liabilities - Current

	December 31, 2011	December 31, 2010
Receipts under custody	$ 309,740	189,058

Agreements were entered into between the Consolidated Company and its online sellers for entrusting the Consolidated Company for online collection of sellers' online transaction payments. Collections were recognized under receipts under custody and were accounted for as payables to the sellers.

(All Amounts Expressed in Thousands of New Taiwan Dollars, Except for Share Data)

(h) Pension Plan

In accordance with the Labor Standards Act, the Company and some of its subsidiaries maintain and fund a defined benefit pension plan covering all regular employees. Payments of pensions or severance pay are calculated based on employment periods of individuals and subject to a maximum of 45 base points. Employees may earn an additional 20% pension benefit when they are required to retire early due to insanity or physical disability attributed to employment.

For the years ended December 31, 2011 and 2010, the pension costs and related information were as follows:

	For the Years Ended December 31	
	2011	2010
Balance of pension fund	$ 35,521	24,868
Current pension costs:		
Current deposit	2,208	10,235
Interest	414	417
Pending deposit	-	1
Balance of pension payable	**$ 38,143**	**35,521**

For the years ended December 31, 2011 and 2010, the Consolidated Company contributed $28,440 and $23,615, respectively, to the pension fund, and the contributions were deposited with the Bureau of Labor Insurance.

The Consolidated Company has adopted SFAS No. 18 “Accounting for Pensions” as the basis of accounting for its defined benefit pension plan and the ruling of the Securities and Futures Bureau (SFB) to calculate pension-related assets, liabilities, and amortization of pension expense according to an actuarial report. As of December 31, 2011 and 2010, reconciliation of the funded status and accrued pension liabilities per books was as follows:

	For the Years Ended December 31,	
	2011	2010
Benefit obiligation		
Vested benefit obligation	$ 3,733	3,571
Nonvested benefit obligation	(36,134)	(34,480)
Accumulated benefit obiligation	(32,401)	(30,909)
Effect of future salary increase	(24,841)	(25,546)
Estimated benefit obligation	(57,242)	(56,455)
Fair value of pension fund assets	38,143	35,521
Funded status	(19,099)	(20,934)
Unrecognized loss on pension fund	22,613	24,203
Unrecognized net transitional obligation	1,680	1,782
Additional pension liability	(552)	(289)
Prepaid pension expenses	**$ 4,642**	**4,762**

(All Amounts Expressed in Thousands of New Taiwan Dollars, Except for Share Data)

As of December 31, 2011 and 2010, the Consolidated Company's vested benefit obligation under the Company's pension plan was $4,045 and $3,913, respectively.

The Consolidated Company's pension information under the defined benefit plan was as follows:

	For the Years Ended December 31,	
	2011	**2010**
Service cost	$ 619	579
Interest cost	831	933
Actual return on pension fund assets	(333)	(406)
Unrecognized net transitional obligation	673	323
Curtailment gains	-	(4,637)
Net periodic pension cost (revenue)	**$ 1,790**	**(3,208)**

Actuarial assumptions were as follows:

	For the Years Ended December 31	
	2011	**2010**
Discount rate	2.00%	1.75%
Future salary increase rate	3.00%	3.00%
Estimated long-term rate of return on pension fund assets	2.00%	1.75%

(i) Income Taxes

(i) Deferred tax assets and liabilities

	December 31, 2011		December 31, 2010	
	Amount	**Income tax effect**	**Amount**	**Income tax effect**
Deductible temporary differences:				
-unrealized investment loss	$ 33,535	5,701	19,726	3,353
-unrealized inter-company profit	105,896	18,003	-	-
-provision for doubtful accounts	16,948	2,881	28,169	3,550
-unused investment tax credit	-	51,606	-	80,926
-loss carryforward benefit	345,656	58,761	371,941	63,229
-other	8,585	1,460	14,324	2,435
Total deferred income tax assets		**$ 138,412**		**153,493**
Taxable temporary differrences:				
-unrealized foreign exchange gain	$ 419	71	239	41
-translation adjustment of long-term investments	2,836	483	-	-
-provisions for accrued pension liabilities	5,195	883	5,052	859
-intangible asset amortization	17,649	3,001	-	-
Total deferred income tax liabilities		**$ 4,438**		**900**

(All Amounts Expressed in Thousands of New Taiwan Dollars, Except for Share Data)

(ii)

	December 31, 2011		December 31, 2010
Deferred income tax assets－current	$	35,834	16,221
Deferred income tax liabilities－current		(132)	(41)
Allowance for valuation－deferred income tax assets－current		(14,928)	(10,594)
Net	**$**	**20,774**	**5,586**
Deferred income tax assets－non-current	$	102,578	137,272
Deferred income tax liabilities－non-current		(4,306)	(859)
Allowance for valuation－deferred income tax assets－non-current		(66,987)	(93,834)
Net	**$**	**31,285**	**42,579**

(iii) The components of income tax expense were as follows:

	For the Year Ended December 31,		
	2011		2010
Current income tax expense	$	60,976	45,104
Deferred income tax (benefit) expense		(4,735)	16,487
Under (over)-accrual of prior years' income tax		534	(77)
Income tax expense	**$**	**56,775**	**61,514**

The components of deferred income tax expense (benefit) were as follows:

	For the Year Ended December 31,		
	2011		2010
Unrealized investment gain (loss)	$	(2,348)	102
Unrealized foreign exchange gain (loss)		30	(951)
Provision for doubtful accounts		669	(800)
Unrealized inter-company profit		(18,003)	-
Intangible asset amortization		3,001	-
Investment tax credits		29,320	29,586
Operating loss carryforwards		4,481	556
Others		628	2,613
Influence on deferred tax of change in statutory tax rate		-	11,629
Valuation allowance		(22,513)	(26,248)
Total	**$**	**(4,735)**	**16,487**

(All Amounts Expressed in Thousands of New Taiwan Dollars, Except for Share Data)

(iv) The statutory income tax rate was reduced to 17% effective January 1, 2010, according to the revised income tax law promulgated on June 15, 2010. As of December 31, 2011 and 2010, the Consolidated Company was subject to a profit-seeking enterprise income tax rate of 17%. The Consolidated Company calculates its Alternative Minimum Tax (AMT) according to the Income Basic Tax Act. The earnings of subsidiaries that were incorporated in the Cayman Islands and British Virgin Islands are not taxable by the respective local governments. Due to the location of the other subsidiaries, they are subject to income tax. As of December 31, 2011 and 2010, the reconciliation of income tax payable calculated on accounting income at the statutory tax rate and income tax expense was as follows:

	For the Years Ended December 31,	
	2011	**2010**
Income tax expense calculated on pre-tax financial income at statutory tax rate	$ 109,135	80,161
Permanent differences	(29,553)	(22,322)
Excess of estimaded alternative minimun tax over the normal statutory tax	4,811	19,539
Under (over)-accrual of prior years' deferred income tax assets	(13)	1,072
Income tax benifit derived from loss carryforwards	(5,626)	(2,192)
Valuation allowance	(22,513)	(26,248)
Other	534	(125)
Effect on deferred tax of change in statutory tax rate	-	11,629
Income tax expense	**$ 56,775**	**61,514**

(v) The balance of the operating loss carryforward, which can be used to offset future income tax liabilities, was as follows:

Year of Occurrence	Operating Loss Carryforward	Year of Expiration
2005	$ 19,262	2015
2006	77,823	2016
2007	30,320	2017
2008	90,140	2018
2009	74,898	2019
2010	19,478	2020
2011	33,735	2021
	$ 345,656	

(All Amounts Expressed in Thousands of New Taiwan Dollars, Except for Share Data)

(vi) The Consolidated Company's investment in research and development qualified for the investment tax credits subject to the Income Tax Act. The Consolidated Company may enjoy a reduction in its income tax payable up to a certain percentage of funds invested in research and development. As of December 31, 2011, the remaining investment tax credits were as follows:

Year of Occurrence	Unused Tax Credit	Year of Expiration
2008	25,567	2012
2009	25,991	2013
2010	48	2014
	$ 51,606	

(vii) The Company's income tax returns and stockholders' imputation tax credit account and unappropriated retained earnings have been examined and approved by the tax authority till 2008 and 2007. The amount of $75,592 of investment tax credits for research and development was not approved by the tax authority in 2008. The Company disagreed with the assessment and requested administrative review.

(viii) The income tax returns and stockholders' imputation tax credit account for fiscal year 2009 and unappropriated retained earnings for fiscal year 2008 of IT Home Publications Inc., Linktel Inc., PChome Travel Inc., and PChome eBay Co., Ltd. have been examined and approved by the tax authority.

(ix) Stockholders' imputation tax credit account and tax rate:

	December 31, 2011	December 31, 2010
(1) Unappropriated retained earnings		
Unappropriated earnings generated on and after January 1, 1998	**$ 407,580**	**356,501**
(2) Stockholders' imputation tax credit account	**$ 650**	**1,605**
	For the Year Ended December 31,	
	2011 (expected)	**2010 (actual)**
(3) Imputation tax credit ratio for earnings distributed to ROC residents	**9.83%**	**12.30%**

(j) Capital Stock

On June 14, 2010, the Company's shareholders resolved to capitalize its unappropriated retained earnings of $22,783 with a total of 2,278 thousand shares issued at par value. The capital increase was effective on August 5, 2010, with all registration amendments completed.

On June 17, 2011, the Company's shareholders resolved to capitalize its unappropriated retained earnings of $96,092 with a total of 9,609 thousand shares issued at par value. The capital increase was effective on July 25, 2011, with all registration amendments completed.

As of December 31, 2011, employee stock options had been exercised for conversion into 1,499 thousand common shares, generating total receipts of $32,240. Receipts of $7,682 were converted into 326 thousand common shares, and a premium of $6,651 was recognized under capital surplus. The capital increase was effective on March 4, 2011, with all registration amendments completed. The remaining $2,845 was converted into 140 thousand common shares, and a premium of $2,260 was recognized under capital surplus. The capital increase was effective on March 31, 2011, with all registration amendments completed. The remaining $14,871 was converted into 665 thousand common shares, and a premium of $12,510 was recognized under capital surplus. The capital increase was effective on June 30, 2011, with all registration amendments completed. The remaining $4,878 was converted into 244 thousand common shares, and a premium of $4,111 was recognized under capital surplus. The capital increase was effective on September 30, 2011, with all registration amendments completed. The remaining $1,964 was converted into 124 thousand common shares, and a premium of $1,385 was recognized under capital surplus. The capital increase was effective on December 31, 2011, and the application for registration amendment was in progress.

For the years ended December 31, 2011 and 2010, employee stock options were exercised for conversion into 47 and 162 thousand common stock shares, respectively, generating total receipts of $1,006 and $3,860, respectively. The proceeds from the exercise of these options were recognized under stockholders' equity－advance receipts for common stock.

(k) Employee Stock Options

(i) On August 27 and December 19, 2008, the Company authorized an employee stock option plan to issue employee stock options totaling 1,900,000 units and 1,900,000 units, respectively. Each unit is entitled to subscribe for one share of the Company's common stock. The contractual life of the option is 4 years, and a holder of the options may exercise 50% and 100% of the options in accordance with certain schedules as prescribed by the plan subsequent to the second and third anniversary, respectively, of the grant date. The exercise prices of the options, set at the closing price of the Company's common stock on the date of the grant, were $26.10 and $19.50, respectively. After the issuance of the employee stock options, any additional change to the Company's common stock (issuance of new shares for cash, reinvestment using undistributed earnings, and reinvestment using capital surplus in accordance with the formula under the plan), will result in adjustment in the exercise price of the stock options. The exercise prices after the adjustment were $21.17 and $15.84, respectively.

(All Amounts Expressed in Thousands of New Taiwan Dollars, Except for Share Data)

(ii) Details of the quantity and weighted-average exercise price of the Company's employee stock options were as follows:

	For the Years Ended December 31,			
	2011		2010	
	Quantity of Stock Options (thousand shares)	Weighted-average Exercise Price (NT$)	Quantity of Stock Options (thousand shares)	Weighted-average Exercise Price (NT$)
Outstanding at the beginning of the period	3,258	$ 21.90	3,420	21.90
Granted	-	-	-	-
Exercised	(1,384)	21.23	(162)	23.87
Forfeited	-	-	-	-
Outstanding at the end of the period	1,874		3,258	
Exercisable at the end of the period	1,874		1,548	
Weighted-average fair value of current options granted	$ 6.31		6.31	

(iii) The compensation costs with respect to employee stock options granted for the years ended December 31, 2011 and 2010, were $2,855 and $7,879, respectively. Assumptions used in the valuation method are as follows:

		Date of Grant	
		August 27, 2008	December 19, 2008
Valuation method:	Black-Scholes option pricing model		
Assumptions:	Dividend yield	-	-
	Expected volatility of market price	42.55%	41.50%
	Risk-free interest rate	1.891%	1.891%
	Weighted-average expected life of the options	4.0 years	4.0 years

(iv) As of December 31, 2011, information regarding outstanding employee options was as follows:

	Outstanding as of December 31, 2011			Exercisable as of December 31, 2011	
Exercise price	Number outstanding	Expected remaining period	Weighted-average fair value of options granted	Exercisable number as of December 31, 2010	Weighted-average fair value of options granted
21.17	808	0.75 years	$ 21.17	808	$ 21.17
15.84	1,066	0.97 years	15.84	1,066	15.84

(l) Earnings Distribution

The Company's articles of incorporation stipulate that after-tax earnings, if any, should first be offset by cumulative losses, and 10% of the remainder be set aside as legal reserve. If necessary, special reserve could be appropriated. The remaining balance will be distributed as follows:

Employees' bonuses: 1~15%

(All Amounts Expressed in Thousands of New Taiwan Dollars, Except for Share Data)

The board of directors will submit a proposal regarding the distribution of the remaining balance in the shareholders' meeting.

The Company adopts a residual dividend policy determined by taking the following factors into consideration:

1) The reserve for the Consolidated Company's projected capital expenditure;

2) The reserve used to repay outstanding borrowings;

3) Bonuses and dividends that may be distributed in cash and by issuing shares.

The distribution ratio of stock dividends may not exceed 80% of total dividends.

The Company's annual general shareholders' meetings held on June 17, 2011, and June 14, 2010, declared the earnings distribution for 2010 and 2009 as follows:

	For the Years Ended December 31,	
	2010	2009
Employees' bonuses – cash dividends	$ 41,639	14,809

For 2010 and 2009, the differences between actual employees' bonuses distribution and the estimation recognized in the financial statements were as follows:

	For the Year Ended December 31, 2010		
	Actual Distribution from Shareholders' Resolution	Estimation in Financial Statements	Difference
Employees' bonuses - cash	$ 41,639	41,639	-

	For the Year Ended December 31, 2009		
	Actual Distribution from Shareholders' Resolution	Estimation in Financial Statements	Difference
Employees' bonuses - cash	$ 14,809	15,931	1,122

The difference between the actual employees' bonuses distribution and the estimation recognized in the financial statements was recognized as changes in accounting estimates and recorded through profit and loss in 2010.

The employees' bonuses for the years ended December 31, 2011 and 2010, were appropriated according to a set percentage of the net profit for those periods, net of 10% to legal reserve and special reserve.

For the years ended December 31, 2011 and 2010, the estimated amounts of employees' bonuses were $44,087 and $41,639, respectively. Any difference between the estimation and the amount approved by the annual general shareholders' meeting is treated as a change in accounting estimates and adjusted through profit and loss in 2012 and 2011.

Earnings distributions for 2011 have not yet been proposed by the Company's board of directors' meeting and resolved in the shareholders' meeting. The information on the employees' bonuses and remuneration to directors will be available in the Market Observation Post System when the resolution is approved.

(m) Treasury Stock

For the year ended December 31, 2009, treasury shares were repurchased by the Company for the purpose of transferring to employees. As of December 31, 2011, the remaining treasury stock repurchased was 106 thousand shares with carrying value of $2,512.

According to the Securities and Exchange Act of the R.O.C., the number of shares bought back should not exceed 10% of the Company's issued and outstanding shares, and the total amount of the shares bought back should not exceed the amount of the retained earnings plus additional paid-in capital plus realized capital reserve. The shares bought back by the Company cannot be pledged. Before transfer of shares, the shareholders' rights shall not be enjoyed. The maximum number of shares that the Company could buy back as of December 31, 2011, was 6,937 thousand shares, while the ceiling amount was $486,072. As of December 31, 2011, the number of shares and the amount of shares bought back by the Company met the relevant regulatory requirements.

(n) Earnings per Share (EPS)

For the years ended December 31, 2011 and 2010, the primary earnings per share and diluted earnings per share attributable to the parent company were computed as follows:

Unit: Shares in thousands

	For the Year Ended December 31			
	2011		2010	
	Before Tax	After Tax	Before Tax	After Tax
Net Income	$ 447,848	408,077	417,725	356,501
Weighted-average common shares outstanding	68,666	68,666	58,154	58,154
Effect of dilutive potential common shares:				
Contingent share – stock options	2,130	2,130	2,775	2,775
Contingent share – employees' bonuses	364	364	364	364
Fully diluted shares	**71,160**	**71,160**	**61,293**	**61,293**
Weighted-average common shares outstanding - retroactively adjusted			67,763	67,763
Effect of dilutive potential common shares - retroactively adjusted			3,658	3,658
Fully diluted shares - retroactively adjusted			**71,421**	**71,421**
Basic EPS	**$ 6.52**	**5.94**	**7.18**	**6.13**
Diluted EPS	**$ 6.29**	**5.73**	**6.82**	**5.82**
Basic EPS - retroactively adjusted			**$ 6.16**	**5.26**
Diluted EPS - retroactively adjusted			**$ 5.85**	**4.99**

(All Amounts Expressed in Thousands of New Taiwan Dollars, Except for Share Data)

(o) Financial Instruments

(i) Fair value of financial instruments:

	December 31, 2011		December 31, 2010	
Financial Assets	**Carrying Value**	**Fair Value**	**Carrying Value**	**Fair Value**
Financial assets carried at cost	$ 40,763	-	57,325	-
Total financial assets with carring value equal to fair value	3,574,734	3,574,734	2,476,410	2,476,410
Total financial assets	**$ 3,615,497**		**2,533,735**	
Financial Liabilities				
Total financial liabilities with carrying value equal to fair value	**$ 2,068,065**	2,068,065	**1,704,667**	1,704,667

(ii) Methods and assumptions used to establish the fair values of financial instruments are as follows:

1) The fair value of short-term financial instruments is determined by their face value on the balance sheet. As these instruments have short maturities, the carrying value is adopted as a reasonable basis for establishing the fair value. This method is applied to cash, notes and accounts receivable, other financial assets – current, restricted assets, short-term debt, notes and accounts payable, accrued expenses, other payables, and other financial liabilities – current.

2) With respect to financial instruments such as refundable deposits that are indispensable guarantees for the ongoing operation of the Consolidated Company, it is impossible to estimate the time necessary to accomplish the exchange of assets. Consequently, the fair market value of these financial instruments cannot be established. The book value is used as the fair market value.

(iii) Financial risk information

1) Credit risk

The primary potential credit risk is from financial instruments like cash, equity securities, and accounts receivable. The Consolidated Company deposits cash in different financial institutions. The Consolidated Company manages credit risk exposure related to each financial institution and believes that there is no significant concentration of credit risk of cash and equity securities.

The Consolidated Company only transacted business with approved third parties whose financial condition and reputation are good. For those customers whose financial situation is poor, the Consolidated Company would transfer the risk through acquiring guarantees or transacting business by L/C. Therefore, the Consolidated Company believes that there is no significant credit risk. According to the Consolidated Company’s customer credibility evaluation policies, the Consolidated Company has to evaluate the customer’s credibility and evaluate the collectability of notes and accounts receivable before doing business. Thus, there is no significant issue regarding doubtful accounts.

(All Amounts Expressed in Thousands of New Taiwan Dollars, Except for Share Data)

2) Liquidity risk

The Consolidated Company has sufficient operating capital to meet the cash requirements upon settlement of the contracts. Therefore, no capital deficiency risk was existed.

Equity securities invested in by the Consolidated Company were traded in an inactive market. Therefore, liquidity risk was expected.

(5) Related-Party Transactions

(a) Names of related parties and relationship with the Consolidated Company

Name of Related Party	Relationship with the Company
Site Inc.	The entity's chairman is the same as the Company's
Business Next Publishing Corp.	〃
PC Home Ventures Fund (I) Corporation	〃
Directors, supervisors, general manager and vice general manager, etc.	Major management of the Consolidated Company

(b) Significant transactions with related parties

(i) Sales

	For the Years Ended December 31,			
	2011		2010	
	Amount	% of Net	Amount	% of Net
Total	$ 95	-	657	0.01

The sales price and the terms are the same as those with other customers.

(ii) Others

For the years ended December 31, 2011 and 2010, marketing expenses paid to related parties were as follows:

	For the Years Ended December 31,	
	2011	2010
Total	$ 95	-

For the years ended December 31, 2011 and 2010, rental and other revenue received from PC Home Ventures Fund (I) Corporation and other related parties were $61 and $96, respectively.

(All Amounts Expressed in Thousands of New Taiwan Dollars, Except for Share Data)

(iii) Accounts receivable (payable)

	December 31, 2011		December 31, 2010	
	Amount	%	Amount	%
Accounts Receivable				
Total	**$ -**	**-**	**380**	**0.16**
Current				
Total	**$ 7**	**-**	**107**	**0.14**
Accrued Expenses				
Total	**$ 20**	**-**	**510**	**0.21**

(iv) Major management remuneration

For the years ended December 31, 2011 and 2010, information on remuneration provided to major management including directors, supervisors, general manager, and vice general manager was as follows:

	For the Years Ended December 31,	
	2011	2010
Salary	$ 29,290	$ 23,672
Bonus and special disbursement	59,616	39,322
Service fee	361	222
Employee bonus	3,846	4,843

The above includes employee bonus estimation. For the estimation method, please refer to the statement of changes in stockholders' equity.

(6) Restricted Assets

As of December 31, 2011 and 2010, the following assets were restricted in use:

Assets	December 31, 2011	December 31, 2010	Purpose of Pledge
Restricted deposits - current	$ 238,000	238,000	Security for performance and purchase guarantee
Restricted deposits - non-current	600	4,750	Security for provisional seizure, etc.
Refundable deposits	41,247	34,864	Deposits for office rental, etc.
Total	**$ 279,847**	**277,614**	

(All Amounts Expressed in Thousands of New Taiwan Dollars, Except for Share Data)

(7) Significant Commitments and Contingencies

As of December 31, 2011 and 2010, the office lease agreements and rental payables for the subsequent twelve months were as follows:

For the Year Ended December 31, 2011

Leasehold property	Contract period	Rental expense	Subsequent 12 months rental payable
Lingyun Commercial Building	Expires 2013/05/31	$ 34,981	37,505
Commercial vehicle	Expires 2012/04/17	1,601	624
Nankan Industrial Park	Expires 2014/07/31	76,541	81,963
Building Chung-ting	Expires 2013/05/31	1,912	1,679
Yong Xin Building	Expires 2012/05/19	2,654	885
RICH19 Building	Expires 2013/07/05	572	893
The Oaks at North Park	Expires 2012/10/27	213	706
Mission City Center	Expires 2014/08/30	1,183	3,099
Sycamores Apts.	Expires 2014/08/30	63	736
		$ 119,720	**128,090**

For the Year Ended December 31, 2010

Leasehold property	Contract period	Rental expense	Subsequent 12 months rental payable
Lingyun Commercial Building	Expires 2013/05/31	$ 25,461	26,486
Commercial vehicle	Expires 2011/04/17	1,250	716
Nankan Industrial Park	Expires 2014/07/31	55,285	66,997
Chung-ting Building	Expires 2013/05/31	719	1,759
RICH19 Building	Expires 2013/07/05	222	444
Yong Xin Building	Expires 2012/05/19	2,654	2,654
		$ 85,591	**99,056**

The agreement with a non-related party for internet phone services entered into in July 2004 was renewed on April 1, 2009. Pursuant to the newly revised agreement, the net revenue from these services is allocated each month between the parties by a set ratio. As the Company sold its internet phone services to Linktel Inc. (with 100% shareholding) on March 1, 2011, Linktel Inc. and the Company signed a contract with the non-related party in which the Company acts as the guarantor of the obligator of Linktel Inc. at all times and during the term of the agreement.

As of December 31, 2011 and 2010, notes payable deposited as guarantee for commercial vehicle and office and building leases were $33,144 and $34,367, respectively.

According to the "Standardized contract for telecom product or service", the payment guarantee for Skype stored-value service should be fully provided by financial institutions. Therefore, the Consolidated Company entered into an agreement with First Commercial Bank for a guarantee limit of $160,000. As of December 31, 2011, the Consolidated Company's advance receipt for Skype stored-value service amounted to $118,312.

(8) Significant Catastrophic Losses: None

(9) Significant Subsequent Events: None

(10) Others

(a) Personnel, depreciation, and amortization expenses, categorized as operating cost or expense, were as follows:

(Expressed in thousands of New Taiwan dollars)

Categorized as	For the Year Ended December 31, 2011			For the Year Ended December 31, 2010		
Nature	Operating Cost	Operating Expense	Total	Operating Cost	Operating Expense	Total
Personnel expenses						
Salary expense	36,398	722,756	759,154	36,227	587,396	623,623
Health and labor insurance expense	2,522	46,785	49,307	2,346	36,601	38,947
Pension expense	1,434	28,796	30,230	1,397	27,516	28,913
Other expense	908	20,511	21,419	936	15,360	16,296
Depreciation expense	-	56,332	56,332	-	56,138	56,138
Amortization expense	-	4,324	4,324	-	4,733	4,733

(b) Certain accounts in the 2010 financial statements were reclassified to conform to the presentation of the 2011 financial statements.

(c) Under order No. 09900049431 issued for the Financial Supervisory Commission, Executive Yuan, on February 2, 2010, starting from 2013, a corporation is required to prepare a financial report in conformity with International Financial Reporting Standards (IFRSs) and the explanations of the Standing Interpretations Committee (the predecessor of the IFRIC) and the International Financial Reporting Interpretations Committee accepted by the Financial Supervisory Commission. To assist in the adjustment, the Company has formed a special task force and established an IFRS adoption plan. The General Manager is responsible for the adoption plan. Significant plan contents, expected completion times, and completion status are summarized as follows:

Plan Contents	Responsible Department (or Responsible Person)	Status
Phase 1 - Evaluation (2010.01.01 ~ 2011.12.31)		
◎ Establish adoption plan and form a special task force for IFRS conversion	Accounting Department	Completed
◎ Perform the first stage of internal training for employees	Accounting Department	Completed

Plan Contents	Responsible Department (or Responsible Person)	Status
◎ Compare and analyze the differences between the current accounting policies and IFRS	Accounting Department	Completed
◎ Evaluate proposed adjustments to current accounting policies	Accounting Department	Completed
◎ Evaluate the adoption of IFRS 1 - "First-time Adoption of IFRS"	Accounting Department	Completed
◎ Evaluate adjustments related to information systems and internal controls	Internal Control Department and IT Department	
Phase 2 - Preparation (2011.01.01 ~ 2012.12.31)		
◎ Determine how to revise the current accounting policies to comply with IFRS	Accounting Department	Completed
◎ Determine how to adopt IFRS 1 - "First-time Adoption of IFRS"	Accounting Department	Completed
◎ Adjust relevant information systems and internal controls	Internal Control Department and IT Department	In Progress
◎ Perform the second stage of internal training for employees	Accounting Department	In Progress
Phase 3 - Implementation (2012.01.01 ~ 2013.12.31)		
◎ Test the operation of relevant information systems	Accounting Department and IT Department	Under Evaluation
◎ Collect information for preparation of Balance Sheet and Comparative Financial Statements in conformity with IFRS on the date of first-time adoption	Accounting Department	In Progress
◎ Prepare Financial Statements based on IFRS	Accounting Department	In Progress

(d) The significant differences between current GAAP and IFRSs in preparing financial statements which the Company evaluated are listed below:

Accounting Issues	Explanation of Difference
Employee benefits	Under ROC GAAP, the Company determines the discount rate by reference to the average rate of return of pension funds or the inherent rate of an annuity contract of an insurance company. Under IFRSs, the Company determines the discount rate by reference to market yields on high-quality corporate bonds at the end of the reporting period.

(e) We conducted the evaluation above in accordance with International Financial Reporting Standards (IFRSs) and the explanations of the Standing Interpretations Committee (the predecessor of the IFRIC) and International Financial Reporting Interpretations Committee accepted by the Financial Supervisory Commission.

There are significant differences between International Financial Reporting Standards (IFRSs) and ROC. accounting principles based on the preliminary decisions made according to the current environment and circumstances. This may change depending on the environment and circumstances in the future.

(11) Additional Disclosures

(a) Major Transaction Information

(i) Loans to others: None

(ii) Endorsements and guarantees to others:

(Expressed in thousands of New Taiwan dollars, unless specified otherwise)

No. (Note 1)	Endorser/ Guarantor	Counter-party		Limits on Endorsement/ Guarantee Amount Provided to Each Counter-party (Note 2)	Maximum Balance for the Period	Ending Balance	Amount of Endorsement/ Guarantee Collateralized by Property	Ratio of Accumulated Endorsement/ Guarantee to Net Equity per Latest Financial Statements	Maximum Endorsement/ Guarantee Amount Allowable (Note 2)
		Name	Nature of Relation-ship (Note 3)						
0	The Company	Linktel Inc.	(Note 3)	657,899	62,544	30,967	-	4.75%	1,315,798

Note 1: The Company may make endorsements/guarantees for the following companies:
0 represents a publisher
Note 2: The ceiling guaranteed amount for a single party was 50% of the net equity, and the limit of the guaranteed amount was the net equity.
Note 3: Subsidiary of the company.

(iii) Marketable securities held at period-end:

(Expressed in thousands of New Taiwan dollars and thousands of shares, unless specified otherwise)

Holding Company	Name and Type of Marketable Securities	Relationship with the Issuer of Securities	Financial Statement Account	End of the Period				Peak Holding Percentage		Note
				Shares/ Units	Carrying Amount	Percentage	Fair Value	Shares/Units	Percentage	
	Common Stock:									
PChome Online Inc.	IT Home Publications Inc.	An investee company accounted for under the equity method	Long-term investments under the equity method	4,636	57,084	100.00	57,084	4,636	100.00	Note
〃	Linktel Inc.	〃	〃	12,500	165,580	100.00	165,580	12,500	100.00	〃
〃	Liker Technology Inc.	〃	〃	2,500	28,588	35.71	27,570	2,500	41.67	〃
〃	PChome Travel Inc.	〃	〃	600	3,044	100.00	3,044	600	100.00	〃
〃	PC Home Online International Co., Ltd.	〃	〃	122	14,218	100.00	14,218	122	100.00	〃
〃	PChome eBay Co., Ltd.	〃	〃	27,300	166,984	65.00	166,984	27,300	65.00	〃
〃	Orange Network Inc.	〃	〃	100	149	100.00	149	100	100.00	〃
〃	Rakuya International Info. Co. Ltd	〃	〃	3,430	26,503	21.99	26,503	3,430	25.04	〃
〃	Pay and Link Inc.	〃	〃	100	654	100.00	654	10,100	100.00	〃
〃	PC Home Store Inc.	〃	〃	8,477	233,145	59.91	881,608	8,640	66.77	〃
〃	Paylink Inc.	〃	〃	5,000	49,362	100.00	49,362	5,000	100.00	〃
〃	PChome US Inc.	〃	〃	40,000	107,709	90.91	107,709	40,000	90.91	〃
	Total				853,020		1,500,465			
〃	Eastern Online Co., Ltd.	An investee company accounted for under the cost method	Financial assets carried at cost – non-current	119	-	4.19		119	4.19	
〃	Syspower Ltd.	〃	〃	372	2,846	3.72		372	3.72	
〃	The Journalist Co., Ltd.	〃	〃	3	-	0.15		11	0.17	
〃	Openfind Information Technology, Inc.	〃	〃	800	4,031	7.42		800	7.42	
〃	Career Consulting Co., Ltd.	〃	〃	113	1,015	0.72		113	0.72	
〃	PayEasy Ltd.	〃	〃	5,438	4,510	12.51		5,438	12.51	
〃	Vibo Telecom Inc.	〃	〃	145	1,447	0.01		420	0.02	
〃	IPEVO Inc.	〃	〃	2,691	26,914	19.44		8,479	19.44	
					40,763					
					893,783					

Note: The aforementioned inter-company transactions have been eliminated in the consolidated financial statements.

(iv) Accumulated buying/sales of the same marketable securities for which the dollar amount reaches $100 million or 20% or more of paid-in capital:

(Expressed in thousands of New Taiwan dollars and thousands of shares, unless specified otherwise)

Holding Company	Name and Type of Marketable Securities	Financial Statement Account	Counter party	Relationship with the Holding Company	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Shares/ Units	Amount	Shares/ Units	Amount	Shares/ Units	Amount	Carrying Amount	Gain (Loss) on Disposal	Shares/ Units	Amount
PChome Online Inc.	Common Stock	Long-term investments under the equity method	PChome US Inc.	An investee company accounted for under the equity method	-	-	40,000	116,490	-	-	-	-	40,000	116,490
〃	〃	〃	Linktel Inc.	〃	500	5,000	12,000	120,000	-	-	-	-	12,500	125,000
〃	〃	〃	Pay and Link Inc.	〃	10,100	101,000	-	-	10,000	100,000	100,000 (Note 1)	-	100	1,000
〃	〃	Prepayment for long-term investment	Paylink Inc.	〃	-	200,000	-	-	-	200,000	200,000 (Note 2)	-	-	-

Note 1: Cash refund from reduction of capital. Note (4)(e)
Note 2: Cash refund from disinvestment of capital. Note (4)(e)
Note 3: The aforementioned inter-company transactions have been eliminated in the consolidated financial statements.

(v) Acquisition of real estate for which the dollar amount reaches $100 million or 20% or more of paid-in capital: None

(vi) Disposition of real estate for which the dollar amount reaches $100 million or 20% or more of paid-in capital: None

(vii) Buying/selling products with related parties for which the dollar amount reaches $100 million or 20% or more of paid-in capital: None

(viii) Accounts receivable from related parties for which the dollar amount reaches $100 million or 20% or more of paid-in capital: None

(ix) Derivative transactions: None

(b) Investment-Related Information

(i) Investee company's name, location, and other related information:

(Expressed in thousands of dollars and thousands of shares)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance As of December 31, 2011			Net Income (Loss) of the Investee	Investment Income (Loss) Recognized by the Investor Company	Note
				As of December 31, 2011	As of December 31, 2010	Shares	Percentage of Ownership	Carrying Amount			
PChome Online Inc.	IT Home Publications Inc.	12F., No.105, Sec. 2, Tun-Hwa S. Rd., Taipei	Magazine publication, information management, information services, electronic information providing services	30,000	30,000	4,636	100.00	57,084	6,568	6,568	Note
〃	Linktel Inc.	〃	Network services	125,000	5,000	12,500	100.00	165,580	42,657	42,657	〃
〃	PChome Travel Inc.	〃	Travel agency business	6,000	6,000	600	100.00	3,044	(93)	(93)	〃
〃	Liker Technology Inc.	24F., No.105, Sec. 2, Tun-Hwa S. Rd., Taipei	O2O (Online to offline) E-commerce	25,000	-	2,500	35.71	28,588	(12,795)	(4,231)	〃
〃	PC Home Online International Co., Ltd.	Tropic Isle Building, PO Box 438, Road Town, Tortola, British Virgin Islands.	International trade and investment activities	25,485 (USD 734)	25,485 (USD 734)	122	100.00	14,218	(924)	(924)	〃

(Expressed in thousands of dollars and thousands of shares)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount: As of December 31, 2011	Original Investment Amount: As of December 31, 2010	Balance As of December 31, 2011: Shares	Balance As of December 31, 2011: Percentage of Ownership	Balance As of December 31, 2011: Carrying Amount	Net Income (Loss) of the Investee	Investment Income (Loss) Recognized by the Investor Company	Note
PChome Online Inc.	PChome eBay Co., Ltd.	12F., No.105, Sec. 2, Tun-Hwa S. Rd., Taipei	Online auction	273,000	273,000	27,300	65.00	166,984	64,749	42,087	Note
〃	Orange Network Inc.	〃	Online television media business	1,000	1,000	100	100.00	149	(192)	(192)	〃
〃	Rakuya International Info. Co. Ltd	〃	Real estate business, and internet information rental service	34,300	19,000	3,430	21.99	26,503	(25,499)	(4,839)	〃
〃	Pay and Link Inc.	〃	Internet services	1,000	101,000	100	100.00	654	(92)	(92)	〃
〃	PChome Store Inc.	14F., No.105, Sec. 2, Tun-Hwa S. Rd., Taipei	Internet services	84,770	86,400	8,477	59.91	233,145	63,780	39,053	〃
〃	Paylink Inc.	12F., No.105, Sec. 2, Tun-Hwa S. Rd., Taipei	Information processing and provision of electronic information	50,000	-	5,000	100.00	49,362	(638)	(638)	〃
〃	PChome US Inc.	American California	E-commerce platform	116,490 (USD 4,000)	-	40,000	90.91	107,709	(14,480)	(13,164)	〃
PC Home Online International Co., Ltd.	PChome Online Inc.	Eland Trust (Cayman) Limited, PO Box 439GT, Grand Cayman, Cayman Islands	Investment activities	USD 729	USD 729	10,000	100.00	USD 481	USD (30)	USD (30)	〃
PChome Store Inc.	Liker Technology Inc.	24F., No.105, Sec. 2, Tun-Hwa S. Rd., Taipei	O2O (Online to offline) E-commerce	30,000	-	3,000	42.86	33,088	(12,795)	(5,472)	〃
PChome Online Inc.	PC Home Online (HK) Ltd.	Flat/RM504 4/F Winner House 310 King's Road North Point	Information service and indirect investment activities	HK 5,641	HK 5,641	5,641	100.00	HK 3,830	HK (221)	HK (221)	〃
PC Home Online (HK) Ltd.	Shanghai Todo Inc.	Luwan District, Shanghai Jin Jiang Hotel 59 Maoming South Road, Jun Ling Building Room 1352	Software and internet technical consulting service	RMB 1,242 (USD 150)	RMB 1,242 (USD 150)	-	100.00	RMB 556	RMB (51)	RMB (51)	〃

Note: The aforementioned inter–company transactions have been eliminated in the consolidated financial statements.

(ii) Loans to others: None

(iii) Endorsements and guarantees to others: None

(iv) Period-end marketable securities held

(Expressed in thousands of New Taiwan dollars and thousands of shares, unless specified otherwise)

Holding Company	Name and Type of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	Ending Balance: Shares/ Units	Ending Balance: Shares/ Units	Ending Balance: Percentage	Ending Balance: Fair value	Peak Holding Percentage: Shares/ Units	Peak Holding Percentage: Percentage	Note
PC Home Online International Co., Ltd.	PChome Online Inc.	An investee company accounted for under the equity method	long-term investments under equity method	10,000	USD 481	100.00	USD 481	10,000	100.00	Note
PChome Store Inc.	Liker Technology Inc.	〃	〃	3,000	33,088	42.86	33,088	3,000	53.70	"
PChome Online Inc.	PC Home Online (HK) Ltd.	〃	〃	5,641	HK 3,830	100.00	HK 3,830	5,641	100.00	"
PC Home Online (HK) Ltd.	Shanghai Todo Inc.	〃	〃	-	RMB 556	100.00	RMB 556	-	100.00	"

Note: These transactions were eliminated when preparing the consolidated financial statements.

(v) Accumulated buying/sales of the same marketable securities for which the dollar amount reaches $100 million or 20% or more of paid-in capital: None

(vi) Acquisition of real estate for which the dollar amount reaches $100 million or 20% or more of paid-in capital: None

(vii) Disposition of real estate for which the dollar amount reaches $100 million or 20% or more of paid-in capital: None

(viii) Buying/selling products with related parties for which the dollar amount reaches $100 million or 20% or more of paid-in capital: None

(ix) Accounts receivable from related parties for which the dollar amount reaches $100 million or 20% or more of paid-in capital: None

(x) Derivative transactions: None

(c) Information on Investments in Mainland China

(i) Investment-related information for mainland China

(Expressed in thousands of New Taiwan dollars, unless specified otherwise)

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment (Note 1)	Accumulated Outflow of Investment from Taiwan (R.O.C.)	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2010	Percentage of Ownership	Investment Income (Loss) Recognized (Note 2(2))	Carrying Amount as of December 31, 2010	Accumulated Inward Remittance of Earnings as of December 31, 2010
					Outflow	Inflow					
Shanghai Todo Inc.	Software and internet technical consulting service	USD 150 (NTD 4,542)	(2)	USD 150 (NTD 4,542)	-	-	USD 150 (NTD 4,542)	100%	RMB (51) (NTD (245)) (2) 2	RMB 556 (NTD 2,670)	- -

Accumulated Investment in Mainland China as of December 31, 2011	Investment Amount Authorized by the Investment Commission, MOEA	Upper Limit on Investment (Note 4)
USD 150 (NTD 4,542)	USD 3,710 (NTD 112,339)	789,479

Note 1: Investments in mainland China are differentiated by the following five methods:

(1) Direct investment in mainland China with remittance through a third region

(2) Incorporation of an investee company in a third region and indirect re-investment in mainland China through the new entity.

(3) Indirect investment in mainland China through an existing investee companies in a third region.

(4) Direct investment in mainland China

(5) Other methods

Note 2: Recognition of investment gain or loss during current period is pursuant to the following:

(1) If the corporation is in the set-up phase, no investment gain or loss recognition is required.

(2) Recognition basis of investment gains or losses is determined by the following three types:

1. Financial statements on the investee company were audited and certified by an international firm in cooperation with an R.O.C. accounting firm.

2. Financial statements on the investee company were audited and certified by the external accountant of the parent company.

3. Others

Note 3: In the above table, all relevant amounts are disclosed in NTD.

Note 4: The upper limit on investment was the greater of 60% of the individual or consolidated total net worth.

Note 5: The aforementioned inter-company transactions have been eliminated in the consolidated financial statements.

(All Amounts Expressed in Thousands of New Taiwan Dollars, Except for Share Data)

(d) Inter-company Business Relationships and Transactions

(i) As of December 31, 2011

No. (Note 1)	Transaction Party	Counterparty	Relationship (Note 2)	Transaction Conditions			
				Account	Amount	Terms and Conditions	Percentage of total revenues or assets
0	PChome Online Inc.	Linktel Inc.	1	Service Expense	5,065	No comparable counter-parties	0.04 %
0	〃	〃	1	Sales	9,431	Usual terms and condition	0.07 %
0	〃	PChome eBay Co., Ltd.	1	Sales	3,600	〃	0.03 %
0	〃	〃	1	Other Revenue	491	No comparable counter-parties	- %
0	〃	〃	1	Advertisement Expense	3,650	〃	0.03 %
0	〃	Rakuya International Info. Co. Ltd.	1	Sales	4,512	Usual terms and condition	0.03 %
0	〃	PChome Store Inc.	1	Sales	4,260	〃	0.03 %
0	〃	〃	1	Other Revenue	2,350	No comparable counter-parties	0.02 %
0	〃	〃	1	Other Payable	8,241	〃	0.20 %
0	〃	Pc Home US Inc.	1	Sales	8,542	〃	0.06 %
1	Linktel Inc.	PChome Online Inc.	2	Sales	5,065	〃	0.04 %
1	〃	〃	2	Advertisement Expense	9,431	No comparable counter-parties	0.07 %
2	PChome eBay Co., Ltd.	〃	2	Sales	3,650	Usual terms and condition	0.03 %
2	〃	〃	2	Advertisement Expense	4,091	No comparable counter-parties	0.03 %
3	Rakuya International Info. Co. Ltd	PChome Online Inc.	2	Advertisement Expense	4,512	No comparable counter-parties	0.03 %
4	PChome Store Inc.	PChome Online Inc.	2	Advertisement Expense	3,074	〃	0.02 %
4	〃	〃	2	Purchase	1,186	〃	0.01 %
4	〃	〃	2	Rental Expense	2,350	〃	0.02 %
4	〃	〃	2	Other Financial Asset – Current	8,241	〃	0.20 %
5	PChome US Inc.	PChome Online Inc.	2	Service Expense	8,542	〃	0.06 %

(ii) As of December 31, 2010

No. (Note 1)	Transaction Party	Counterparty	Relationship (Note 2)	Transaction Conditions			
				Account	Amount	Terms and Conditions	Percentage of total revenues or assets
0	PChome Online Inc.	Linktel Inc.	1	Service Expense	2,785	No comparable counter-parties	0.03 %
0	〃	PChome eBay Co., Ltd.	1	Other Revenue	2,684	〃	0.03 %
0	〃	〃	1	Sales	3,600	Usual terms and condition	0.03 %
0	〃	〃	1	Advertisement Expense	5,700	No comparable counter-parties	0.05 %
0	〃	Rakuya International Info. Co. Ltd.	1	Sales	4,200	Usual terms and condition	0.04 %
0	〃	PChome Store Inc.	1	Other Revenue	4,590	〃	0.04 %
0	〃	〃	1	Sales	1,201	〃	0.01 %
0	〃	〃	1	Service Expense	2,253	No comparable counter-parties	0.02 %
0	〃	〃	1	Accrued Expense	13,448	〃	0.42 %
0	〃	〃	1	Miscellaneous Disbursements	3,402	〃	0.03 %
1	Linktel Inc.	PChome Online Inc.	2	Sales	2,785	Usual terms and condition	0.03 %
2	PChome eBay Co., Ltd.	〃	2	Sales	5,700	〃	0.03 %
2	〃	〃	2	Advertisement Expense	3,600	No comparable counter-parties	0.03 %
2	〃	〃	2	Rental Expense	2,684	〃	0.03 %
3	Rakuya International Info. Co. Ltd.	〃	2	Advertisement Expense	4,200	〃	0.04 %
4	PChome Store Inc.	〃	2	Other Expense	4,590	〃	0.04 %
4	〃	〃	2	Sales	2,253	Usual terms and condition	0.02 %
4	〃	〃	2	Advertisement Expense	1,201	No comparable counter-parties	0.01 %
4	〃	〃	2	Other Financial Asset – Current	13,448	Usual terms and condition	0.42 %
4	〃	〃	2	Other Revenues	3,402	No comparable counter-parties	0.03 %

Note 1: For the inter-company business relationship and transaction condition in the “No.” column, labeling method is as follow:

(1) Parent company labeled 0

(2) Subsidiaries labeled in number sequence from 1

Note 2: Relationship is classified into three types:

(1) Parent company to subsidiary

(2) Subsidiary to parent company

(3) Subsidiary to subsidiary

Note 3: The transaction amount is calculated as a proportion of the consolidated revenue or assets. If categorized as an asset or liability, the calculation is compared with the consolidated assets; if categorized as income or loss, the calculation is compared with the consolidated income or loss.

(All Amounts Expressed in Thousands of New Taiwan Dollars, Except for Share Data)

(12) Segment Financial Information

(a) General Information

The Consolidated Company's reportable segments are the E-Commerce segment and other segment. The E-Commerce segment is revenue collection from the online platform from the sale of goods. The other segment is revenue generated from the online platform to provide search engine services and provide telecommunication and communication services.

The strategic divisions offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic divisions, the Group's CEO reviews internal management reports on at least a quarterly basis.

(b) Information about Profit or Loss, and Assets and Liabilities

The Consolidated Company's segment report amounts were consistent with the Group CEO's internal management reports. There was no material inconsistency between the accounting policies of the operating segments and the accounting policies described in Note 2. The Consolidated Company uses operating profit after tax as the measurement for segment profit and the basis for performance assessment. The inter-company transaction price was the same as that with other customers. The price was based on the market value. As of December 31, 2011, the Consolidated Company's regional financial information was as follows:

2011	E-Commerce	Other	Adjustments and Elimination	Consolidated
Revenue				
Non-inter-company revenue	$ 12,321,847	1,371,639	-	13,693,486
Inter-company revenue	37,553	12,141	(49,694)	-
Interest revenue	5,325	4,586	-	9,911
Total Revenue	**12,364,725**	**1,388,366**	**(49,694)**	**13,703,397**
Interest expense	2,775	-	-	2,775
Depreciation and amortization	36,477	24,179	-	60,656
Segment profit	**$ 408,077**	**128,513**	**(106,192)**	**430,398**
Assets				
Reportable segment assets (Note)	**$ -**	-	-	-

2010	E-Commerce	Other	Adjustments and Elimination	Consolidated
Revenue				
Non-inter-company revenue	$ 10,369,308	490,723	-	10,860,031
Inter-company revenue	21,689	13,905	(35,594)	-
Interest revenue	3,344	1,387	-	4,731
Total Revenue	**10,394,341**	**506,015**	**(35,594)**	**10,864,762**
Interest expense	3,529	-	-	3,529
Depreciation and amortization	38,841	22,030	-	60,871
Segment profit	**$ 356,501**	**34,246**	**(36,446)**	**354,301**
Assets				
Reportable segment assets (Note)	**$ -**	**-**	**-**	**-**

Note: SFAS No. 41 requires that a measure of segment assets be disclosed only if the amounts are regularly provided to the chief operating decision member, consistent with the equivalent requirement for the measure of segment liabilities.

(c) Enterprise-wide Disclosures

(i) Information about Products and Services

The Consolidated Company reports revenues from external customers for each product and service or each group of similar products and services for the enterprise as follows:

Product and Service	2011	2010
E-Commerce	$ 12,294,612	10,245,470
Other	1,369,929	486,182
	$ 13,664,541	**10,731,652**

(ii) Information about Geographic Areas: None

(iii) Information about Major Customers: None