Stock Code：8044

PCHOME ONLINE INC. AND ITS SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2012 AND 2011

(NOT REVIEWED BY THE CERTIFIED ACCOUNTANTS)

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PCHOME ONLINE INC. AND ITS SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

MARCH 31, 2012 AND 2011

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

	March 31, 2012		March 31, 2011	
	Amount	%	Amount	%
ASSETS				
Current Assets:				
Cash (Note (4)(a))	$ 2,912,945	72	1,989,126	58
Notes receivable (Notes (2) and (4)(b))	10,926	-	5,330	-
Accounts receivable, net of allowance for doubtful accounts (Notes (2) and (4)(b))	258,231	7	234,638	7
Inventories, net of loss on inventory valuation and obsolescence (Notes (2) and (4)(c))	189,876	5	148,755	4
Other financial assets – current (Note (5))	93,109	2	102,214	3
Deferred income tax assets – current (Note (2))	16,855	-	6,463	-
Restricted assets (Note (6))	198,100	5	317,000	9
Other current assets	23,403	1	23,867	1
	3,703,445	92	2,827,393	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	9
Other financial assets – non-current (Note (6))	42,439	1	41,347	1
	83,202	2	398,672	12
Property, Plant, and Equipment (Note (2)):				
Cost:				
Transportation equipments	4,242	-	-	-
Furniture and office equipment	407,453	10	342,140	10
Leasehold improvements	102,049	3	83,713	2
	513,744	13	425,853	12
Less: Accumulated depreciation	(346,676)	(8)	(288,974)	(8)
Prepayments for equipment	16,850	-	7,005	-
	183,918	5	143,884	4
Intangible Assets：				
Deferred pension cost	552	-	289	-
Other Assets:				
Deferred income tax assets – non-current (Note (2))	36,388	1	48,112	2
Other assets (Note (2))	13,435	-	11,579	-
	49,823	1	59,691	2
TOTAL ASSETS	**$ 4,020,940**	**100**	**3,429,929**	**100**

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

Not Reviewed by the Certified Accountants

PCHOME ONLINE INC. AND ITS SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (CONT'D)

MARCH 31, 2012 AND 2011

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

LIABILITIES AND STOCKHOLDERS' EQUITY	March 31, 2012 Amount	%	March 31, 2011 Amount	%
Current Liabilities:				
Short-term debt (Note (4)(f))	$ 100,000	3	100,000	3
Notes payable	3,085	-	1,602	-
Accounts payable	1,122,458	28	1,043,931	30
Income tax payable	77,896	2	69,116	2
Accrued expenses (Note (5))	247,929	6	220,999	7
Other payables	44,680	1	65,314	2
Other financial liabilities – current (Note (4)(g))	358,931	9	205,950	6
Advance receipts	248,155	6	257,168	8
Other current liabilities	5,583	-	2,595	-
Total Liabilities	2,208,717	55	1,966,675	58
Stockholders' Equity:				
Capital Stock:				
Common Stock (Note (4)(h))	699,953	18	587,257	17
Capital Surplus (Note (2)):				
Paid-in capital in excess of par – common stock	37,980	1	8,911	-
Treasury stock	-	-	129	-
Long-term investments at equity	123,604	3	101,745	3
Employee stock options (Note (4)(i))	7,222	-	16,585	-
Retained Earnings:				
Legal reserve (Notes (2) and (4)(j))	51,575	1	15,925	-
Special reserve (Note (4)(j))	1,942	-	1,398	-
Retained earnings – unappropriated (Note (4)(j))	513,466	13	472,837	14
Other Adjustments to Stockholders' Equity:				
Cumulative translation adjustments (Note (2))	(268)	-	(1,835)	-
Treasury stock (Notes (2) and (4)(k))	-	-	(2,512)	-
Total Parent Company's Equity	1,435,474	36	1,200,440	34
Minority Interest	376,749	9	262,814	8
Total Stockholders' Equity	1,812,223	45	1,463,254	42
Commitments and Contingencies (Note (7))				
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**$ 4,020,940**	**100**	**3,429,929**	**100**

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

Not Reviewed by the Certified Accountants

PCHOME ONLINE INC. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

FOR THE THREE MONTHS ENDED MARCH 31, 2012 AND 2011

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

	For The Three Months Ended March 31			
	2012		2011	
	Amount	%	Amount	%
Operating revenues (Note (2))	$ 3,862,200	102	3,440,512	102
Less: Sales returns, discounts and allowances	66,600	2	66,703	2
Net sales	3,795,600	100	3,373,809	100
Operating costs (Note (4)(c))	3,136,342	83	2,819,193	84
Gross margin	659,258	17	554,616	16
Operating expenses				
Selling expenses	419,325	11	342,185	10
General and administrative expenses	78,428	2	68,729	2
Research and development expenses	29,859	1	25,542	1
Subtotal	527,612	14	436,456	13
Income from operations	131,646	3	118,160	3
Non-operating income				
Interest income	2,637	-	1,322	-
Gain on disposal of investments	-	-	22,237	1
Other income	446	-	1,296	-
	3,083	-	24,855	1
Non-operating expenses				
Interest expense	708	-	658	-
Foreign exchange loss, net (Note (2))	1,696	-	2,244	-
Miscellaneous disbursements	60	-	468	-
	2,464	-	3,370	-
Consolidated income before income tax	132,265	3	139,645	4
Income tax expense (Note (2))	19,006	-	18,534	1
Consolidated net income	**$ 113,259**	**3**	**121,111**	**3**
Income attributable to :				
Stockholders of parent company	$ 107,152	3	116,336	3
Minority interest	6,107	-	4,775	-
	$ 113,259	**3**	**121,111**	**3**

	Before Tax	After Tax	Before Tax	After Tax
Earnings per share attributable to partent company (Notes (2) and (4)(l))				
Basic earnings per share	**$ 1.78**	**1.55**	**2.27**	**2.00**
Basic earnings per share - retroactively adjusted			**$ 1.95**	**1.71**
Diluted earnings per share	**$ 1.74**	**1.51**	**2.19**	**1.93**
Diluted earnings per share - retroactively adjusted			**$ 1.88**	**1.66**

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

Not Reviewed by the Certified Accountants

PCHOME ONLINE INC. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE THREE MONTHS ENDED MARCH 31, 2012

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

	For The Three Months Ended March 31	
	2012 Amount	2011 Amount
Cash flows from operating activities:		
Consolidated net income	$ 113,259	121,111
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation	16,840	12,602
Amortization	1,522	952
Provision for (reversal of) doubtful accounts	1,074	(1,150)
Share-based payment compensation cost	-	1,059
Provision for inventory market price decline and obsolescence	726	936
Loss on disposal and retirement of property, plant and equipment, net	-	3
Gain on disposal of long-term investments at equity	-	(22,237)
Changes in operating assets and liabilities:		
Notes receivable	(1,242)	1,734
Accounts receivable	37,135	(10,676)
Inventories	(4,751)	(14,298)
Other current assets	(7,164)	(10,145)
Other financial assets – current	13,943	(24,134)
Deferred income tax assets, net	(687)	(6,410)
Notes payable	(5,712)	(4,612)
Accounts payable	(159,653)	(64,442)
Income tax payable	19,539	24,859
Accrued expenses	(44,238)	(26,095)
Other payables	(10,620)	3,417
Advance receipts	14,770	14,884
Other financial liabilities – current	41,706	11,303
Other current liabilities	(15,204)	(16,978)
Net cash provided by (used in) operating activities	11,243	(8,317)
Cash flows from investing activities:		
Proceeds from sale of long-term investments at equity	-	24,377
Purchase of property, plant and equipment	(33,411)	(19,954)
Decrease (increase) in restricted assets	39,900	(78,000)
Increase in other financial assets – non-current	(798)	(2,733)
Increase in other assets	(1,823)	(3,006)
Net cash provided by (used in) investing activities	3,868	(79,316)

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

Not Reviewed by the Certified Accountants

PCHOME ONLINE INC. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONT'D)

FOR THE THREE MONTHS ENDED MARCH 31, 2012

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

	For The Three Months Ended March 31	
	2012 Amount	2011 Amount
Cash flows from financing activities:		
Execution of stock options	$ 12,753	6,667
Increased capital by cash from minority interest	6,000	178,500
Net cash provided by financing activities	18,753	185,167
Foreign exchange rate effects	(3,182)	135
Net increase in cash	30,682	97,669
Cash, beginning of the period	2,882,263	1,891,457
Cash, end of the period	**$ 2,912,945**	**1,989,126**
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Interest	**$ 708**	**578**
Income tax	**$ 154**	**85**
Purchase of property and equipment with cash and other payables:		
Property, plant and equipment	$ 14,421	27,917
Add: Other payables, beginning of the period	21,672	7,863
Less: Other payables, end of the period	(2,682)	(15,826)
Cash paid	**$ 33,411**	**19,954**

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, wholesaling and retailing of office machinery, equipment and information software.

On August 30, 2004, the board of directors of 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 March 31, 2012 and 2011, the Company and its subsidiaries (the "Consolidated Company") had 1,023 and 831 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:

(Expressed in thousands dollars)

Investor	Subsidiary	Principal Business	Shareholding ratio 2012.3.31	Shareholding ratio 2011.3.31	Note
The Company	IT Home Publications Inc.	Magazine publication	100.00%	100.00%	As of March 31, 2012, the total issued capital of IT Home Publications Inc. amounted to $46,356.
〃	Linktel Inc.	Network services	100.00%	100.00%	As of March 31, 2012, the 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 March 31, 2012, the total issued capital of PC Home Online International Co., Ltd. amounted to USD 122.
〃	PChome US Inc.	E-commerce platform	90.91%	-	As of March 31, 2012, the total issued capital of PChome US Inc. amounted to USD 4,400.
〃	PChome Travel Inc.	Travel agency business	100.00%	100.00%	As of March 31, 2012, the total issued capital of PChome Travel Inc. amounted to $6,000.
〃	PChome eBay Co., Ltd.	Online auction	65.00%	65.00%	As of March 31, 2012, the total issued capital of PChome eBay Co., Ltd. amounted to $420,000.

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

Investor	Subsidiary	Principal Business	Shareholding ratio		Note
			2012.3.31	2011.3.31	
The Company	Orange Network Inc.	Online television media business	100.00%	100.00%	As of March 31, 2012, the 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 March 31, 2012, Rakuya International Info. Co. Ltd.'s issued capital amounted to $156,000. Although the Company is holding less than 50% of Rakuya International Info. Co. Ltd. outstanding equity shares, it has controlling interest over Rakuya International Info. Co. Ltd.'s finance, operation and employment decision. 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 March 31, 2012, the total issued capital of Pay and Link Inc. amounted to $1,000.
〃	Liker Technology Inc.	O2O (Online to Offline) E-commerce	34.72%	-	As of March 31, 2012, the total issued capital of Liker Technology Inc. amounted to $72,000. (Note)
〃	Paylink Inc. (original name was Pay and Link Inc.)	Information processing and provision of electronic information	100.00%	-	As of March 31, 2012, the total issued capital of Paylink Inc. amounted to $50,000.
〃	PChome Store Inc.	Internet services	59.91%	59.91%	As of March 31, 2012, the total issued capital of PChome Store Inc. amounted to $141,500.
〃	eCommerce Group Co., Ltd.	Investment activities	100.00%	-	As of March 31, 2012, the total issued capital of eCommerce Group Co., Ltd. amounted to USD 350.
PChome Store Inc.	Liker Technology Inc.	O2O (Online to Offline) E-commerce	41.67%	-	As of March 31, 2012, the total issued capital of Liker Technology Inc. amounted to $72,000. (Note)
PC Home Online International Co., Ltd.	PChome Online Inc.	International trade and investment activities	100.00%	100.00%	As of March 31, 2012, the total issued capital of PChome Online Inc. amounted to USD 100.
eCommerce Group Co., Ltd.	EC Global Inc.	Investment activities	100.00%	-	As of March 31, 2012, the total issued capital of EC Global Inc. amounted to USD 350.

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

Investor	Subsidiary	Principal Business	Shareholding ratio		Note
			2012.3.31	2011.3.31	
PChome Online Inc.	PC Home Online (HK) Ltd.	Information service and indirect investment activities	100.00%	100.00%	As of March 31, 2012, the total issued capital of PC Home Online (HK) Ltd. amounted to HKD 5,641.
EC Global Inc.	EC Global Limited	Investment activities	100.00%	-	As of March 31, 2012, the total issued capital of EC Global Limited amounted to HKD 2,719.
PC Home Online (HK) Ltd.	Shanghai Todo Inc.	Software and internet technical consulting service	100.00%	100.00%	As of March 31, 2012, the total issued capital of Shanghai Todo Inc. amounted to CNY 1,242.
EC Global Limited	PChome Trading (Shenzhen) Ltd.	E-commerce on international trading.	100.00%	-	As of March 31, 2012, the total issued capital of PChome Trading (Shenzhen) Ltd. amounted to CNY 2,210.

Note: 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 and Financial Report Translation

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) Assets 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.

(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 Policy

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 Effects 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 three months ended March 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 three months ended March 31, 2011. The comparative information for the initial year of application has been restated.

(4) Summary of Major Accounts

(a) Cash

	March 31, 2012	March 31, 2011
Cash on hand	$ 142	180
Checking accounts	12,334	9,959
Saving accounts	1,943,408	1,585,041
Foreign currency deposits	91,903	33,896
Time deposits	865,158	360,050
Total	**$ 2,912,945**	**1,989,126**

(b) Notes and Accounts Receivable

	March 31, 2012	March 31, 2011
Notes receivable	$ 10,926	5,330
Accounts receivable	272,792	253,726
Less: Allowance for impairment loss	(14,561)	(19,088)
Net	258,231	234,638
Total	**$ 269,157**	**239,968**

Current accounts receivable which has a short-term maturity are not been discounted, their book value were presumed as approximation of fair value.

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

(c) Inventories

	March 31, 2012		March 31, 2011
Merchandise inventories	$	192,830	151,180
Less: Allowance for inventory valuation and obsolescence losses		(2,954)	(2,425)
Total	**$**	**189,876**	**148,755**

For the three months ended March 31, 2012 and 2011, the details of operating cost were as follows:

	For the Three Months Ended March 31,		
	2012		2011
Cost of good sold	$	3,135,147	2,818,257
Provision for inventory and market price declinde obsolescence		726	936
Loss on disposal of scrapping		469	-
	$	**3,136,342**	**2,819,193**

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

	March 31, 2012		March 31, 2011	
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.

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.

(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

	March 31, 2012		March 31, 2011	
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 to the investee company.

Paylink Inc. was incorporated in November 2009, 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	Range of Interest Rates	Due Date	Amount	Collateral
March 31, 2012				
Credit loan	2.84%	By May 16, 2012	$ 100,000	None
March 31, 2011				
Credit loan	2.62%-2.67%	By May 16, 2011	$ 100,000	"

As of March 31, 2012 and 2011, both the credit limit of short-term loans granted by financial institutions amounted to $200,000; both the unused credit line amounted to $100,000.

(g) Other Financial Liabilities - Current

	March 31, 2012	March 31, 2011
Receipts under custody	$ 353,641	202,422
Other	5,290	3,528
Total	$ 358,931	205,950

Agreements were entered between the Consolidated Company and its online sellers for entrusting the Consolidated Company for online collection of seller's 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) Capital Stock

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.

For the three months ended March 31, 2012 and 2011, the employee stock options were converted into 733 and 466 thousand common stock shares, generating total receipts of $13,759 and $10,527, respectively.

As of March 31, 2012, information regarding conversing employee option was as follows：

Effective Date	Convertion into Stocks (in thousand)	Proceeds	Premium recorded under capital surplus	Status of registratio amendments
Mar. 4, 2011	326	7,682	6,651	Completed
Mar. 31, 2011	140	2,845	2,260	"
Jun. 30, 2011	665	14,871	12,510	"
Sep. 30, 2011	244	4,878	4,111	"
Dec. 31, 2011	124	1,964	1,385	"
Mar. 30, 2012	733	13,759	11,120	In Progress
Total	**2,232**	**45,999**	**38,037**	

On March 30, 2012, the Company's Board of Directors resolved to reduce 106 thousand treasury stock shares, the reduction of capital amounted to $1,060. The capital reduction was effective on March 31, 2012, and the application for registration amendment was in progress.

(i) Employee Stock Option

(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 Three Months Ended March 31,			
	2012		2011	
	Quantity of Stock Option (thousand shares)	Weighted-average Exercise Price (NT$)	Quantity of Stock Option (thousand shares)	Weighted-average Exercise Price (NT$)
Outstanding at the beginning of the period	1,874	$ 21.90	3,258	21.90
Granted	-	-	-	-
Exercised	(686)	18.59	(304)	21.95
Forfeited	-	-	-	-
Outstanding at the end of the period	1,188		2,954	
Exercisable at the end of the period	1,188		1,406	
Weighted-average fair value for current options granted	$ 6.31		6.31	

(iii) The compensation costs with respect to employee stock options granted for the three months ended March 31, 2012 and 2011 were $0 and $899, respectively. Assumptions used in the valuation method are as follows:

		Date of Grant	
		August 27, 2008	December 19, 2008
Valuation method:	Black-Scholes options pricing model		
Assumptions:	Dividend yields	-	-
	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 March 31, 2012, information regarding outstanding employee options was as follows:

	Outstanding as of March 31, 2012			Exercisable as of March 31, 2012	
Exercise price	Outstanding number (thousand shares)	Expected remaining period	Weighted average fair value of options granted	Exercisable number as of March 31, 2011 (thousand shares)	Weighted average fair value of options granted
21.17	454	0.50 years	$ 21.17	454	$ 21.17
15.84	734	0.72 years	15.84	734	15.84

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

(j) Earnings Distribution

For the three months ended March 31, 2012 and 2011, the changes of unappropriated retained earnings were as follows:

	For the Three Months Ended March 31,	
	2012	**2011**
Balance as of January 1	$ 407,580	356,501
Add: Net income-current period	107,152	116,336
Less: Treasury stock reducted	(1,266)	-
Balance as of March 31	**$ 513,466**	**472,837**

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' Bonus: 1~15%

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

The Company adopts 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, declared the earnings distribution for 2010 as follows:

	For the Year Ended December 31
	2010
Employees' bonuses – cash dividends	**$ 41,639**

For 2010, 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**	**-**

The employees' bonuses for the three months ended March 31, 2012 and 2011, 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 three months ended March 31, 2012 and 2011, the estimated amounts of employees' bonuses were $10,608 and $12,097, 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.

(k) Treasury Stock

On March 30, 2012, the Company's Board of directors resolved to reduce 106 thousand treasury stock shares with a carrying value of $2,512 which were repurchased at March 16 to 23, 2009. The reduced amounts of Common stock, Paid-in capital in excess of par - common stock, Capital surplus – treasury stock and retained earnings-unappropriated were $1,060, $57, $129 and $1,266, respectively.

(l) Earnings per Share (EPS)

For the three months ended March 31, 2012 and 2011, 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 Three Months Ended March 31			
	2012		2011	
	Before Tax	After Tax	Before Tax	After Tax
Net Income	$ 123,481	107,152	132,199	116,336
Weighted average common shares outstanding	69,262	69,262	58,252	58,252
Effect of potential diluted common shares:				
Contingent shares–stock options	1,394	1,394	1,742	1,742
Contingent shares–employee bonuses	324	324	296	296
Fully diluted shares	70,980	70,980	60,290	60,290
Weighted average common shares outstanding - retroactively adjusted			67,877	67,877
Effect of potential diluted common shares - retroactively adjusted			2,375	2,375
Fully diluted shares - retroactively adjusted			70,252	70,252
Basic EPS	$ 1.78	1.55	2.27	2.00
Diluted EPS	$ 1.74	1.51	2.19	1.93
Basic EPS - retroactively adjusted			$ 1.95	1.71
Diluted EPS - retroactively adjusted			$ 1.88	1.66

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

(m) Financial Instruments

(i) Fair Value of Financial Instruments:

	March 31, 2012		March 31, 2011	
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	3,515,750	3,515,750	2,689,655	2,689,655
Total financial assets	**$ 3,556,513**		**2,746,980**	
Financial Liabilities				
Total financial liabilities with carrying value equal to fair value	**$ 1,877,083**	1,877,083	**1,637,796**	1,637,796

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

1) The fair value of 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, financial assets – non-current, 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 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 Consolidate 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	〃

(b) Significant transactions with related parties

(i) Others

For the three months ended March 31, 2011, rental and other revenue received from PC Home Ventures Fund (I) Corporation and other related parties were $26.

(ii) Accounts Receivable (Payable)

	March 31, 2012		March 31, 2011	
	Amount	%	Amount	%
Other Financial Assets - Current				
Total	**$ 7**	**0.01**	**7**	**0.01**
Accrued Expenses				
Total	**$ 20**	**0.01**	**20**	**0.01**

(6) Restricted Assets

As of March 31, 2012 and 2011, the following assets were restricted in use as follow:

Assets	March 31, 2012	March 31, 2011	Purpose of Pledge
Restricted deposits - current	$ 198,100	317,000	Security for performance and purchase guarantee
Restricted deposits - noncurrent	600	3,750	Security for provisional seizure, etc
Refundable deposits	41,839	37,597	Deposits for office rental, etc
Total	**$ 240,539**	**358,347**	

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

(7) Significant Commitments and Contingencies

As of March 31, 2012 and 2011, the office lease agreements and rental payables for the subsequent twelve months were as follows:

For the Three Months Ended March 31, 2012

Leasehold property	Contract period	Rental expense	Subsequent 12 months rental payable
Lingyun Commercial Building	Expires 2013/05/31	$ 10,273	40,531
Commercial Vehicle	Expires 2012/04/17	114	247
Nankan Industrial Park	Expires 2014/07/31	20,539	81,865
Building Chung-ting	Expires 2013/05/31	480	1,813
Yong Xin Building	Expires 2012/05/19	672	2,654
RICH19 Building	Expires 2013/07/05	232	2,678
Shenzhen International West Logistics Co., Ltd	Expires 2013/06/30	104	417
Dimerco International Logistics (Shenzhen) Co., Ltd	Expires 2013/06/30	2,179	8,714
The Oaks at North Park	Expires 2012/10/27	210	3,099
Mission City Center	Expires 2012/10/30	761	491
Sycamores Apts.	Expires 2012/10/30	219	511
		$ 35,783	**143,020**

For the Three Months Ended March 31, 2011

Leasehold property	Contract period	Rental expense	Subsequent 12 months rental payable
Lingyun Commercial Building	Expires 2013/05/31	$ 6,777	30,221
Commercial Vehicle	Expires 2011/04/17	405	312
Nankan Industrial Park	Expires 2014/07/31	16,797	67,093
Yong Xin Building	Expires 2012/05/19	670	2,654
Building Chung-ting	Expires 2013/05/31	480	1,759
RICH19 Building	Expires 2013/07/05	111	444
		$ 25,240	**102,483**

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 March 31, 2012, and 2011 notes payable deposited as guarantee for leases of commercial vehicle and office and building leases were $18,018 and $19,241, respectively.

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

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 The Shanghai Commercial & Savings Bank, Ltd. for a guarantee limit of $130,000. As of March 31, 2012, the Consolidated Company's advanced receipt for Skype stored-value service amounted to $108,530.

(8) Significant Catastrophic Losses: None

(9) Significant Subsequent Events: None

(10) Others

(a) Certain accounts for the three months ended March 31, 2012 financial statements were reclassified to conform to the presentation for the three months ended March 31, 2011 financial statements.

(b) 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 Chairman, General Manager, and Chief Finance Officer are 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
◎ 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	Completed

Plan Contents	Responsible Department (or Responsible Person)	Status
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	In Progress
◎ Collect information for preparation of Balance Sheet and Comparative Financial Statements in conformity with IFRS on the date of first-time adoption	Accounting Department	Completed
◎ Prepare Financial Statements based on IFRS	Accounting Department	In Progress

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

(i) Reconciliation of Balance Sheet on January 1, 2012

(Expressed in Thousands of New Taiwan Dollars)

Item	GAAP	Affect Amount	IFRSs
Current assets (1) and (2)	$ 3,757,194	(26,287)	3,730,907
Investments	82,610	-	82,610
Property, plant, and equipment	186,534	-	186,534
Intangible assets (2)	552	(552)	-
Other assets (1)	44,318	25,212	69,530
Total assets	**$ 4,071,208**	**(1,627)**	**4,069,581**
Current liabilities	$ 2,388,145	-	2,388,145
Other liabilities (1) and (2)	-	22,761	22,761
Total liabilities	**$ 2,388,145**	**22,761**	**2,410,906**
Common stock	$ 693,679	-	693,679
Advance receipts for common stock	1,006	-	1,006
Capital surplus	160,238	-	160,238
Retained earnings (2)	461,097	(22,934)	438,163
Non-controlling interest (2)	367,265	(1,454)	365,811
Other adjustments to stockholders' equity	(222)	-	(222)
Total stockholders' equity	**$ 1,683,063**	**(24,388)**	**1,658,675**
Total liabities and stockholders' equity	**$ 4,071,208**	**(1,627)**	**4,069,581**

(ii) Reconciliation of Balance Sheet on March 31, 2012

(Expressed in Thousands of New Taiwan Dollars)

Item	GAAP	Affect Amount	IFRSs
Current assets (1) and (2)	$ 3,703,445	(21,975)	3,681,470
Investments	83,202	-	83,202
Property, plant, and equipment	183,918	-	183,918
Intangible assets (2)	552	(552)	-
Other assets (1)	49,823	21,684	71,507
Total assets	**$ 4,020,940**	**(843)**	**4,020,097**
Current liabilities	$ 2,208,717	-	2,208,717
Other liabilities (1) and (2)	-	23,347	23,347
Total liabilities	**$ 2,208,717**	**23,347**	**2,232,064**
Common stock	$ 699,953	-	699,953
Capital surplus	168,806	-	168,806
Retained earnings (2)	566,983	(22,745)	544,238
Non-controlling interest (2)	376,749	(1,445)	375,304
Other adjustments to stockholders' equity	(268)	-	(268)
Total stockholders' equity	**$ 1,812,223**	**(24,190)**	**1,788,033**
Total liabities and stockholders' equity	**$ 4,020,940**	**(843)**	**4,020,097**

(iii) Reconciliation of Income Statement for the three months ended March 31, 2012

(Expressed in Thousands of New Taiwan Dollars)

Item	GAAP	Affect Amount	IFRSs
Operating revenues (3)	$ 3,795,600	(137)	3,795,463
Operating costs	(3,136,342)	-	(3,136,342)
Gross margin	659,258	(137)	659,121
Operating expenses (2) and (3)	(527,612)	335	(527,277)
Income from operations	131,646	198	131,844
Non-operating income	3,083	-	3,083
Non-operating expenses	(2,464)	-	(2,464)
Income before income tax	132,265	198	132,463
Income tax expense	(19,006)		(19,006)
Net income ((2)~(3))	**$ 113,259**	**198**	**113,457**
Income attributable to :			
Stockholders of parent company	$ 107,152	189	107,341
Non-controlling interest	6,107	9	6,116
Total	**$ 113,259**	**198**	**113,457**

(iv) Summary of reconciliation

1) In accordance with the International Financial Reporting standards (IFRSs), the Consolidated Company considers the factors in investment tax credits and temporary differences to estimate deferred tax assets and liabilities which should be consider as expected realization date and legal right of tax offsetting to classify non-current assets and liabilities. Therefore, the deferred tax reclassified into non-current assets amounted to $20,774 and $16,855, respectively, on January 1 and March 31, 2012. Net deferred tax assets and liabilities reclassified into non-current liabilities by expected realization date amounted to $4,438 and $4,829, respectively.

2) The Consolidated Company adopted the defined benefit plan which was measured as actuarial assumptions. The actuarial gain or loss generated from the adjustments in experience and the variance in actuarial assumptions under the ROC GAAP should be amortized during the remaining service life and charged to profit and loss in the period. The Consolidated Company adopt IFRS 1 “First-time adoption of International Financial Reporting Standards” (the IFRS 1) for optional exemptions. On January 1, 2012, actuarial gain and loss in equity decreased by $24,388. The reduced amounts of Current assets, Intangible assets and other liabilities were $5,513, $552 and $18,323, respectively. On March 31, 2012, actuarial gain and loss in equity decreased by $24,190. The reduced amounts of Current assets, Intangible assets and other liabilities were $5,120, $552 and $18,518, respectively. The Consolidated Company determines that the discount rate of assumptions is different from the ROC GAAP and IFRS. Therefore, the pension expense decreased by $198 for the three months ended March 31, 2012.

3) The Consolidated Company gave points to clients when they joined the platform of opening online store and recognized the points as selling expenses. According to the Customer Loyalty Programs of IFRS, the Consolidated Company should accrue the deferred revenue when giving points to clients, and recognized the points as sales after being exchanged. Therefore, the operating revenues decreased by $137, and the operating expenses decreased by $137.

(d) According to IFRS 1, when the company first adopted the international accounting standards, the financial statements should be retroactively adjusted under the effective accounting standards. The section which might be exempted from the regulation is listed below:

To determine the benefit plans of the retired post-employment benefit obligations under the actuarial techniques, the adjustments in experience and changes in actuarial assumptions used to produce actuarial gain or loss shall not be retroactively recalculated and those actuarial gains and losses should be recognized under stockholders’ equity on the date of conversion.

(e) The Consolidated Company conducted the evaluation above in accordance with the IFRS accepted by the Financial Supervisory Commission. There are significant differences between the International Financial Reporting Standards (IFRSs) and the ROC’s accounting principles based on the preliminary decisions made accordingly to the current environment and circumstances, and the accounting policies should be selected in accordance with the IFRS “International Financial Reporting Standards First Adopted”. This may change depending on the environment and circumstances in the future.

Not Reviewed by the Certified Accountants
PCHOME ONLINE INC. AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2012 AND 2011
(All Amounts Expressed in Thousands of New Taiwan Dollars, Except for Share Data)

(11) Additional Disclosures

Inter-company Business Relationship and Transactions condition

(i) As of March 31, 2012

No. (Note 1)	Transaction Party	Counterparty	Relationship (Note 2)	Transaction Condition			
				Account	Amount	Terms and Condition	Proportion to total revenue or asset
0	PChome Online Inc.	Linktel Inc.	1	Sales	2,769	Usual terms and condition	0.07 %
0	〃	〃	1	Accounts Receivable	1,040	〃	0.03 %
0	〃	〃	1	Other Financial Asset – Current	41	No comparable counter-parties	- %
0	〃	PChome eBay Co., Ltd.	1	Sales	1,223	Usual terms and condition	0.03 %
0	〃	Rakuya International Info. Co. Ltd.	1	Sales	1,317	〃	0.03 %
0	〃	PChome Store Inc.	1	Accrued Expense	2	No comparable counter-parties	- %
0	〃	〃	1	Other Payables	9,586	〃	0.24 %
0	〃	PChome US Inc.	1	Sales	3,664	〃	0.10 %
0	〃	PChome Trading (Shenzhen) Ltd.	1	Other Financial Asset – Current	3,982	〃	0.10 %
1	Linktel Inc.	PChome Online Inc.	2	Advertisement Expense	2,769	No comparable counter-parties	0.07 %
1	〃	〃	2	Accounts Payable	1,081	Usual terms and condition	0.03 %
2	PChome eBay Co., Ltd.	〃	2	Advertisement Expense	1,223	〃	0.03 %
3	Rakuya International Info. Co. Ltd.	〃	2	Advertisement Expense	1,317	〃	0.03 %
3	PChome Store Inc.	〃	2	Other Financial Asset – Current	9,588	〃	0.24 %
5	PChome US Inc.	〃	2	Service Expense	3,664	〃	0.10 %
6	PChome Trading (Shenzhen) Ltd.	〃	2	Accrued Expense	3,982	〃	0.10 %

(ii) As of March 31, 2011

No. (Note 1)	Transaction Party	Counterparty	Relationship (Note 2)	Transaction Condition			
				Account	Amount	Terms and Condition	Proportion to total revenue or asset
0	PChome Online Inc.	Linktel Inc.	1	Service Expense	1,143	No comparable counter-parties	0.03 %
0	〃	〃	1	Other Payables	1,033	〃	0.03 %
0	〃	〃	1	Accounts Receivable	992	Usual terms and condition	0.03 %
0	〃	〃	1	Other Financial Asset – Current	202	No comparable counter-parties	0.01 %
0	〃	〃	1	Deferred Ctredit	105,896	〃	3.09 %
0	〃	PChome eBay Co., Ltd.	1	Advertisement Expense	1,500	〃	0.04 %
0	〃	PChome Store Inc.	1	Accounts Receivable	253	Usual terms and condition	0.01 %
0	〃	〃	1	Other Financial Asset – Current	5,059	No comparable counter-parties	0.15 %
0	〃	〃	1	Other Payables	3,123	〃	0.09 %
1	Linktel Inc.	PChome Online Inc.	2	Sales	1,143	Usual terms and condition	0.03 %
1	〃	〃	2	Other Financial Asset – Current	1,033	No comparable counter-parties	0.03 %
1	〃	〃	2	Accrued Expense	1,122	〃	0.03 %
1	〃	〃	2	Accounts Payable	72	Usual terms and condition	- %
1	〃	〃	2	Other Assets	105,896	No comparable counter-parties	3.09 %
2	PChome eBay Co., Ltd.	〃	2	Sales	1,500	〃	0.04 %
3	PChome Store Inc.	〃	2	Other Payables	4,594	〃	0.13 %
3	〃	〃	2	Accounts Payable	50	Usual terms and condition	- %
3	〃	〃	2	Accrued Expense	668	No comparable counter-parties	0.02 %
	〃	〃	2	Other Financial Asset – Current	3,123	〃	0.09 %

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

(1) Parent company labeled 0

(2) Subsidiaries labeled in sequence number from 1

Note 2: Relationship is classified in 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, calculation is compared with the consolidate income or loss,

(12) Segment Financial Information

The segment financial information and reconciliations were as follow:

(Expressed in thousands of New Taiwan Dollars)

	E-Commerce	Others	Adjustments and Write-offs	Total
March 31, 2012				
Revenue				
External customers	$ 3,428,079	367,521	-	3,795,600
Inter segment	10,577	2,014	(12,591)	-
Other revenue	1,297	1,792	(6)	3,083
Total	**$ 3,439,953**	**371,327**	**(12,597)**	**3,798,683**
Segment profits (loss)	**$ 107,152**	**18,054**	**(11,947)**	**113,259**
Total segment assets	**$ 3,010,249**	**2,044,808**	**(1,034,117)**	**4,020,940**
March 31, 2011				
Revenue				
External customers	$ 3,130,664	243,145	-	3,373,809
Inter segment	3,878	3,398	(7,276)	-
Other revenue	26,196	640	(1,981)	24,855
Total	**$ 3,160,738**	**247,183**	**(9,257)**	**3,398,664**
Segment profits (loss)	**$ 116,336**	**24,258**	**(19,483)**	**121,111**
Total segment assets	**$ 2,724,350**	**1,479,705**	**(774,126)**	**3,429,929**