Stock Code：8044

PCHOME ONLINE INC. AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

September30, 2012 AND 2011

(NOT REVIEWED BY THE CERTIFIED ACCOUNTANTS)

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PCHOME ONLINE INC. AND ITS SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

SEPTEMBER 30, 2012 AND 2011

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

	September 30, 2012		September 30, 2011	
	Amount	**%**	**Amount**	**%**
ASSETS				
Current Assets:				
Cash (Note (4)(a))	$ 2,694,578	68	2,515,395	70
Notes receivable (Notes (2) and (4)(b))	9,601	-	7,813	-
Accounts receivable, net (Notes (2) and (4)(b))	316,437	8	254,502	7
Inventories, net of loss on inventory valuation and obsolescence (Notes (2) and (4)(c))	269,545	7	148,416	4
Other financial assets – current (Note (5))	95,236	2	78,100	2
Deferred income tax assets – current (Note (2))	10,308	-	4,860	-
Restricted assets (Note (6))	208,100	5	238,000	7
Other current assets	38,306	1	35,008	1
	3,642,111	91	3,282,094	91
Investments:				
Financial assets carried at cost – non-current (Notes (2) and (4)(d))	40,763	1	42,304	1
Other financial assets –non-current (Note (6))	41,554	1	41,577	1
	82,317	2	83,881	2
Property, Plant, and Equipment (Note (2)):				
Cost:				
Transportation equipment	4,214	-	1,637	-
Furniture and office equipment	446,450	11	377,589	11
Leasehold improvements	149,683	4	97,170	3
	600,347	15	476,396	14
Less: Accumulated depreciation	(383,195)	(9)	(315,121)	(8)
Prepayments for equipment	2,203	-	3,299	-
	219,355	6	164,574	6
Intangible Assets				
Deferred pension cost	552	-	289	-
Other Assets:				
Deferred income tax assets – non-current (Note (2))	38,642	1	45,195	1
Other assets (Note (2))	18,838	-	12,417	-
	57,480	1	57,612	1
TOTAL ASSETS	**$ 4,001,815**	**100**	**3,588,450**	**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)

SEPTEMBER 30, 2012 AND 2011

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

	September 30, 2012		September 30, 2011	
LIABILITIES AND STOCKHOLDERS' EQUITY	**Amount**	%	**Amount**	%
Current Liabilities:				
Short-term debt (Note (4)(e)	$ -	-	100,000	3
Notes payable	6,762	-	4,303	-
Accounts payable	1,268,463	32	1,174,796	33
Income tax payable	6,973	-	43,986	1
Accrued expenses (Note (5))	268,830	7	241,624	7
Other payables	62,998	2	33,292	1
Other financial liabilities – current (Note (4)(f))	395,404	10	265,704	8
Advance receipts	247,951	6	249,305	7
Other current liabilities	9,193	-	10,442	-
Total Liabilities	2,266,574	57	2,123,452	60
Stockholders' Equity:				
Capital Stock:				
Common stock (Note (4)(g))	821,308	21	692,439	19
Capital Surplus (Note (2)):				
Premium on stock issuance	52,650	1	25,532	1
Treasury stock	-	-	129	-
Long-term investments under equity method	123,604	3	94,962	3
Employee stock options (Note (4)(h))	607	-	12,249	-
Retained Earnings:				
Legal reserve (Notes (2) and (4)(i))	92,383	2	51,575	1
Special reserve (Note (4)(i))	-	-	1,942	-
Retained earnings – unappropriated (Note (4)(i))	272,318	7	297,051	8
Other Adjustments to Stockholders' Equity:				
Cumulative translation adjustments (Note (2))	(600)	-	3,130	-
Treasury stock (Notes (2) and (4)(j))	-	-	(2,512)	-
Total parent company's equity	1,362,270	34	1,176,497	32
Minority Interest	372,971	9	288,501	8
Total Stockholders' Equity	1,735,241	43	1,464,998	40
Commitments and Contingencies (Note (7))				
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**$ 4,001,815**	**100**	**3,588,450**	**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 NINE MONTHS ENDED SEPTEMBER 30, 2012 AND 2011

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

	For the Nine Months Ended September 30			
	2012		2011	
	Amount	%	Amount	%
Operating revenues (Note (2))	$ 11,383,535	102	10,261,818	102
Less: Sales returns, discounts and allowances	217,789	2	199,626	2
Net sales	11,165,746	100	10,062,192	100
Operating costs (Note (4)(c))	9,198,387	82	8,345,715	83
Gross margin	1,967,359	18	1,716,477	17
Operating expenses				
Selling expenses	1,322,547	12	1,091,417	11
General and administrative expenses	214,701	2	203,836	2
Research and development expenses	100,413	1	80,826	1
	1,637,661	15	1,376,079	14
Income from operations	329,698	3	340,398	3
Non-operating income				
Interest income	10,802	-	5,693	-
Dividend income	1,883	-	1,819	-
Gain on disposal of investments	-	-	22,237	-
Other income	3,196	-	3,661	-
	15,881	-	33,410	-
Non-operating expenses				
Interest expense	1,058	-	2,059	-
Foreign exchange loss, net (Note (2))	1,656	-	2,555	-
Impairment loss (Notes (2) and (4)(d))	-	-	15,021	-
Miscellaneous disbursements	51	-	-	-
	2,765	-	19,635	-
Consolidated income before income tax	342,814	3	354,173	3
Income tax expense ((Note (2))	44,194	-	43,368	-
Consolidated net income	**$ 298,620**	**3**	**310,805**	**3**
Income attributable to:				
Stockholders of parent company	$ 273,584	3	297,548	3
Minority interest	25,036	-	13,257	-
	$ 298,620	**3**	**310,805**	**3**

	Before Tax	After Tax	Before Tax	After Tax
Earnings per share attributable to parent company (Notes (2) and (4)(k))				
Basic earnings per share	**$ 3.70**	**3.36**	**4.78**	**4.35**
Basic earnings per share - retroactively adjusted			**$ 4.13**	**3.75**
Diluted earnings per share	**$ 3.65**	**3.31**	**4.61**	**4.19**
Diluted earnings per share - retroactively adjusted			**$ 3.97**	**3.61**

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 NINE MONTHS ENDED SEPTEMBER 30, 2012 AND 2011

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

	For the Nine Months Ended September 30	
	2012	2011
	Amount	Amount
Cash flows from operating activities:		
Consolidated net income	$ 298,620	310,805
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	54,613	41,081
Amortization	4,743	3,027
Provision for doubtful accounts (reversal of provision)	2,876	(3,318)
Share-based payment compensation cost	-	2,684
(Reversal of provision) provision for inventory market price decline and provision obsolescence	(14)	891
(Gain) loss on disposal and retirement of property, plant and equipment, net	(5)	12
Gain on disposal of long-term investmentsunder equity method	-	(22,237)
Loss on permanent decline of financial assets	-	15,021
Changes in operating assets and liabilities:		
Notes receivable	83	(749)
Accounts receivable	(22,968)	(28,372)
Inventories	(83,680)	(13,914)
Other current assets	(23,812)	(21,022)
Other financial assets – current	12,377	177
Deferred income tax assets, net	3,674	(2,928)
Notes payable	(2,035)	(1,918)
Accounts payable	(13,611)	66,423
Income tax payable	(51,384)	(272)
Accrued expenses	(22,915)	(6,133)
Other payables	(7,431)	(21,314)
Advance receipts	12,194	7,021
Other financial liabilities – current	82,809	76,524
Other current liabilities	(13,698)	(14,673)
Net cash provided by operating activities	230,436	386,816
Cash flows from investing activities:		
Proceeds from sale of long-term investments under equity method	-	24,377
Decrease in prepayment for long-term investments	-	300,000
Purchase of property, plant and equipment	(91,857)	(76,408)
Proceeds from sale of property, plant and equipment	583	29
Decrease in restricted assets	29,900	4,000
Decrease (increase) in other financial assets – non-current	190	(5,861)
Increase in other assets	(10,026)	(4,901)
Net cash (used in) provided by investing activities	(71,210)	241,236

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 NINE MONTHS ENDED SEPTEMBER 30, 2012 AND 2011

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

	For the Nine Months Ended September 30	
	2012 Amount	2011 Amount
Cash flows from financing activities:		
Decrease in short-term debt	$ (100,000)	-
Cash dividends	(280,814)	(234,172)
Execution of stock options	31,548	26,416
Increased capital by cash from minority interest	6,000	196,849
Net cash used in financing activities	(343,266)	(10,907)
Foreign exchange rate effects	(3,645)	6,793
Net (decrease) increase in cash	(187,685)	623,938
Cash, beginning of the period	2,882,263	1,891,457
Cash, end of the period	**$ 2,694,578**	**2,515,395**
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Interest	**$ 1,144**	**1,981**
Income tax	**$ 91,904**	**45,507**
Purchase of property and equipment with cash and other payables:		
Property, plant and equipment	$ 88,381	77,080
Add: Other payables, beginning of the period	21,672	7,863
Less: Other payables, end of the period	(18,196)	(8,535)
Cash paid	**$ 91,857**	**76,408**

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

<u>Not Reviewed by the Certified Accountants</u>

PCHOME ONLINE INC. AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2012 AND 2011
(All Amounts Expressed in Thousands of New Taiwan Dollars, Except for Share Data)

(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, 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 store into a newly incorporated subsidiary, PChome Store Inc., 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 September 30, 2012 and 2011, the Company and its subsidiaries (the "Consolidated Company") had 1,101and 938 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 principles generally accepted in Taiwan, the Republic of China. The significant accounting policies and measurement basis adopted in preparing the accompanying financial statement 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 2012.9.30	Shareholding ratio 2011.9.30	Note
The Company	IT Home Publications Inc.	Magazine publication	100.00%	100.00%	As of September 30, 2012, the total issued capital of IT Home Publications Inc. amounted to $46,356.
〃	Linktel Inc.	Network services	100.00%	100.00%	As of September 30, 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 September 30, 2012, the total issued capital of PC Home Online International Co., Ltd. amounted to USD 122.
〃	PChome US Inc.	E-commerce platform	90.91%	90.91%	As of September 30, 2012, the total issued capital of PChome US Inc. amounted to USD 4,400.
〃	PChome Travel Inc.	Travel agency business	100.00%	100.00%	On April 25, 2012, resolution had been approved by the shareholders' meeting of investee company PChome Travel Inc. for dissolution. As of September 30, 2012, the investee company currently was in the liquidation process.

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

Investor	Subsidiary	Principal Business	Shareholding ratio		Note
			2012.9.30	2011.9.30	
The Company	PChome eBay Co., Ltd.	Online auction	65.00%	65.00%	As of September 30, 2012, the total issued capital of PChome eBay Co., Ltd. amounted to $420,000.
〃	Orange Network Inc.	Online television media business	100.00%	100.00%	On September 7, 2012, resolution had been approved by the shareholders' meeting of investee company Orange Network Inc. for dissolution. As of September 30, 2012, the investee company currently was in the liquidation process.
〃	Rakuya International Info. Co. Ltd.	Real estate business and internet information rental service	21.99%	25.04%	As of September 30, 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 September 30, 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%	41.67%	As of September 30, 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%	100.00%	As of September 30, 2012, the total issued capital of Paylink Inc. amounted to $50,000.
〃	PChome Store Inc.	Internet services	59.91%	59.91%	As of September 30, 2012, the total issued capital of PChome Store Inc. amounted to $141,500.
〃	eCommerce Group Co., Ltd.	Investment activities	100.00%	-	As of September 30, 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%	50.00%	As of September 30, 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 September 30, 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 September 30, 2012, the total issued capital of EC Global Inc. amounted to USD 350.
PChome Online Inc.	PC Home Online (HK) Ltd.	Information service and indirect investment activities	100.00%	100.00%	As of September 30, 2012, the 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
			2012.9.30	2011.9.30	
EC Global Inc.	EC Global Limited	Investment activities	100.00%	-	As of September 30, 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 September 30, 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 September 30, 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

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) 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) 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

(i) Deferred Expenses

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

(j) 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.

(k) 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.

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.

(l) 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.

(m) 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.

(n) 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.

(o) 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.

(p) 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).

(q) 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.

(r) 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.

(s) 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 nine months ended September 30, 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 nine months ended September 30, 2011.

(4) SUMMARY OF MAJOR ACCOUNTS

(a) Cash

	September 30, 2012	September 30, 2011
Cash on hand	$ 226	169
Checking accounts	31,840	7,515
Savings accounts	1,648,118	1,814,886
Foreign currency deposits	428,850	20,775
Time deposits	585,544	672,050
Total	**$ 2,694,578**	**2,515,395**

(b) Notes and Accounts Receivable

	September 30, 2012	September 30, 2011
Notes receivable	$ 9,601	7,813
Accounts receivable	326,183	273,164
Less: Allowance for impairment loss	(9,746)	(18,662)
Net	316,437	254,502
Total	**$ 326,038**	**262,315**

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

(c) Inventories

	September 30, 2012	September, 2011
Merchandise inventories	$ 271,759	150,796
Less: Allowance for inventory valuation and obsolescence losses	(2,214)	(2,380)
Total	**$ 269,545**	**148,416**

For the nine months ended September 30, 2012 and 2011, the details of operating cost were as follows:

	For the Nine Months Ended September 30	
	2012	2011
Cost of goods sold	$ 9,195,637	8,332,098
(Reversal of provision) provision for inventory valuation and market price declinde obsolescence	(14)	11,614
Loss on disposal of scrapping	566	-
Loss on inventory obsolescence	2,198	2,003
	$ 9,198,387	**8,345,715**

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

	September 30, 2012		September 30, 2011	
Name of Investee Company	Shareholding Ratio	Book Value	Shareholding Ratio	Book Value
Common Stock				
Syspower Ltd.	1.86%	$ 2,846	3.72%	2,846
Openfind Information Technology, Inc.	7.42%	4,031	7.42%	4,031
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%	26,914
Other		1,015		1,015
Total		**$ 40,763**		**42,304**

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 was recognized for the period ended December 31, 2011.

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.

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

(e) Short-Term Debt

	September 30, 2012	September 30, 2011
Credit loan	$ -	100,000

For the nine months ended September 30, 2012 and 2011, the interest rates both were 2.84%. As of September 30, 2012 and 2011, the credit limit of short-term loans granted by financial institutions amounted to $200,000; the unused credit line amounted to $200,000 and $100,000, respectively.

(f) Other Financial Liabilities - Current

	September 30, 2012	September 30, 2011
Receipts under custody	$ 393,341	247,278
Other	2,063	18,426
Total	**$ 395,404**	**265,704**

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.

(g) Capital Stock

On June 19, 2012 the Company's shareholders resolved to capitalize its unappropriated retained earnings of $110,614 with a total of 11,061 thousand shares issued at par value. The capital increase was effective on August 7, 2012, 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.

For the nine months ended September 30, 2012 and 2011, the employee stock options were converted into 1,807 and 1,375 thousand common stock shares, generating total receipts of $32,554 and $30,276, respectively.

As of September 30, 2012, information regarding conversing employee option was as follows：

Effective Date	Convertion into Stocks (in thousand)	Proceeds	Premium recorded under capital surplus	Status of registration 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	"
Jun. 27, 2012	855	15,302	11,956	"
Sep. 30, 2012	219	3,493	2,714	In Progress
Total	**3,306**	**64,794**	**52,707**	

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

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 decrease was effective on March 31, 2012, with all registration amendments completed.

(h) Employee Stock Options

(i) On August 27 and December 19, 2008, the Company was 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 option, 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 adjustments in the exercise price of the stock options. The exercise prices after the adjustment were $17.90 and $13.41, respectively.

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

	For the Nine Months Ended September 30			
	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	1,874	$ 21.90	3,258	21.90
Granted	-	-	-	-
Exercised	(1,760)	17.93	(1,213)	21.78
Forfeited	-	-	-	-
Outstanding at the end of the period	**114**		**2,045**	
Exercisable at the end of the period	**114**		**1,190**	
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 nine months ended September 30, 2012 and 2011 were $0 and $2,525, 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 yield	-%	-%
	Expected volatility factors 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

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

(iv) As of September 30, 2012, information regarding outstanding employee options was as follows:

	Outstanding as of September 30, 2012			Exercisable as of September 30, 2012	
Exercise price	Outstanding	Expected remaining period	Weighted average fair value of options granted	Exercisable number as of September 30, 2012	Weighted average fair value of options granted
$ 13.41	114	0.22 years	$ 13.41	114	$ 13.41

(i) Earnings Distribution

For the nine months ended September 30, 2012 and 2011, the changes of unappropriated retained earnings were as follows:

	For the Nine Months Ended September 30,	
	2012	2011
Balance as of January 1	$ 407,580	356,501
Add: Net income — current period	273,584	297,548
Less: Legal reserve	(40,808)	(35,650)
Special reserve	1,942	(544)
Cash dividend	(258,100)	(224,215)
Unapproapriated eaenings capitalized to common sotck	(110,614)	(96,092)
Treasury stock reducted	(1,266)	-
Recognition of shareholders' equities of investee company under the equity method	-	(497)
Balance as of September 30	**$ 272,318**	**297,051**

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:

Employee bonuses: 1~15%

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 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.

For the nine months ended September 30, 2012 and 2011, the estimated amounts of employees' bonuses were $27,085 and $32,135, respectively. Any difference between the estimation and the amount approved by the annual general shareholders' meeting is treated as change in accounting estimates and adjusted through profit and loss in the period during which stockholders' approval is obtained.

The Company's annual general shareholders' meetings held on June 19, 2012 and June 17, 2011, declared the earnings distribution for 2011 and 2010 as follows:

	For the Year Ended December 31	
	2011	**2010**
Employees' bonuses – cash dividends	**$ 44,087**	**41,639**

For 2012 and 2011, there were none differences between actual employee's bonuses distribution and the estimation recognized in the financial statements.

The information on the distribution of the Company's earnings has been announced Market Observation Post System on the internet.

(j) 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.

(k) Earnings per Share (EPS)

For the nine months ended September 30, 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 Nine Months Ended September 30			
	2012		**2011**	
	Before Tax	**After Tax**	**Before Tax**	**After Tax**
Net Income	**$ 301,502**	**273,584**	**327,371**	**297,548**
Weighted-average common shares outstanding	81,409	81,409	68,428	68,428
Effect of dilutive potential common shares:				
Contingent share－stock options	878	878	2,241	2,241
Contingent share－employee's bonuses	363	363	350	350
Fully diluted shares	**82,650**	**82,650**	**71,019**	**71,019**
Weighted-average common shares outstanding - retroactively adjusted			79,357	79,357
Effect of dilutive potential common shares - retroactively adjusted			3,004	3,004
Fully diluted shares - retroactively adjusted			**82,361**	**82,361**
Basic EPS	**$ 3.70**	**3.36**	**4.78**	**4.35**
Diluted EPS	**$ 3.65**	**3.31**	**4.61**	**4.19**
Basic EPS - retroactively adjusted			**$ 4.13**	**3.75**
Diluted EPS - retroactively adjusted			**$ 3.97**	**3.61**

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

(l) Financial Instruments

(i) Fair Value of Financial Instruments:

	September 30, 2012		September 30, 2011	
Financial Assets	**Carrying Value**	**Fair Value**	**Carrying Value**	**Fair Value**
Financial assets carried at cost	$ 40,763	-	42,304	
Total financial assets with carring value equal to fair value	3,365,506	3,365,506	3,135,387	3,135,387
Total financial assets	**$ 3,406,269**		**3,177,691**	
Financial Liabilities				
Total financial liabilities with carrying value equal to fair value	**$ 2,002,457**	2,002,457	**1,819,719**	1,819,719

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

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, other 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 Consolidate 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 Consolidate 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 Consolidate 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
Business Next Publishing Corp.	〃
PC Home Ventures Fund (I) Corporation	〃

b) Significant Transactions with Related Parties:

(i) Sales

	For the Nine Months Ended September 30			
	2012		2011	
	Amount	%	Amount	%
Total	$ -	-	95	-

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

(ii) Others

For the nine months ended September 30, 2011, rental and other revenue received from PC Home Ventures Fund (I) Corporation, etc. were $61.

(iii) Accounts Receivable (Payable)

	September 30, 2012		September 30, 2011	
	Amount	%	Amount	%
Other Financial Assets - Current				
Total	$ 9	0.01%	9	0.01%
Accrued Expenses				
Total	$ 20	0.01%	20	0.01%

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

(6) Restricted Assets:

As of September 30, 2012 and 2011, the following assets were restricted in use as follow:

Assets	September 30, 2012	September 30, 2011	Purpose of Pledge
Restricted deposits－current	$ 208,100	238,000	Security for performance and purchase guarantee
Restricted deposits－non-current	600	750	Security for provisional seizure, etc
Refundable deposits	40,954	40,827	Deposits for office rental, etc
Total	**$ 249,654**	**279,577**	

(7) Significant Commitments and Contingencies

As of September 30, 2012 and 2011, the office lease agreements and rental payables for subsequent twelve months were as follows:

For the Nine Months Ended September 30, 2012

Leasehold property	Contract period	Rental expense	Subsequent 12 months rental payable
Offices and Warehouse	Expires 2017/04/30	$ 117,839	161,502

For the Nine Months Ended September 30, 2011

Leasehold property	Contract period	Rental expense	Subsequent 12 months rental payable
Offices and Warehouse	Expires 2014/08/30	$ 82,915	135,844

The agreement with a non-related party for internet phone services entered into in July, 2004 was renewed in 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 obligators of Linktel Inc. at all times and during the term of the agreement.

As of September 30, 2012, and 2011, notes payable deposited as guarantee for leases of commercial vehicle and office and building leases were $111,670 and $46,412, 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 The Shanghai Commercial & Savings Bank, Ltd. for a guarantee limit of $130,000. As of September 30, 2012, the Consolidated Company's advanced receipt for Skype stored-value service amounted to $91,629.

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

(8) Significant Catastrophic Losses: None

(9) Significant Subsequent Events: None

(10) Others:

(a) Certain accounts for the nine months ended September 30, 2011 financial statements were reclassified to conform to the presentation of for the nine months ended September 30, 2012 financial statements.

(b) Under order No. 0990004943 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 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
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

Plan Contents	Responsible Department (or Responsible Person)	Status
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 (4)	160,238	(121,274)	38,964
Retained earnings (2) and (4)	461,097	98,340	559,437
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 September 30, 2012

(Expressed in Thousands of New Taiwan Dollars)

Item	GAAP	Affect Amount	IFRSs
Current assets (1) and (2)	$ 3,642,111	(16,016)	3,626,095
Investments	82,317	-	82,317
Property, plant, and equipment	219,355	-	219,355
Intangible assets (2)	552	(552)	-
Other assets (1)	57,480	17,015	74,495
Total assets	**$ 4,001,815**	**447**	**4,002,262**
Current liabilities	$ 2,266,574	-	2,266,574
Other liabilities (1) and (2)	-	24,242	24,242
Total liabilities	**$ 2,266,574**	**24,242**	**2,290,816**
Common stock	$ 821,308	-	821,308
Capital surplus (4)	176,861	(121,274)	55,587
Retained earnings (2) and (4)	364,701	123,147	487,848
Non-controlling interest (2)	372,971	(1,426)	371,545
Other adjustments to stockholders' equity	(600)	-	(600)
Total stockholders' equity	**$ 1,735,241**	**447**	**1,735,688**
Total liabities and stockholders' equity	**$ 4,001,815**	**24,689**	**4,026,504**

(iii) Reconciliation of Income Statement for the nine months ended September 30, 2012

(Expressed in Thousands of New Taiwan Dollars)

Item	GAAP	Affect Amount	IFRSs
Operating revenues (3)	$ 11,165,746	(498)	11,165,248
Operating costs	(9,198,387)	-	(9,198,387)
Gross margin	1,967,359	(498)	1,966,861
Operating expenses (2) and (3)	(1,637,661)	1,071	(1,636,590)
Income from operations	329,698	573	330,271
Non-operating income	15,881	-	15,881
Non-operating expenses	(2,765)	-	(2,765)
Income before income tax	342,814	573	343,387
Income tax expense	(44,194)	-	(44,194)
Net income ((2)~(3))	**$ 298,620**	**573**	**299,193**
Income attributable to :			
Stockholders of parent company	$ 273,584	553	274,137
Non-controlling interest	25,036	20	25,056
Total	**$ 298,620**	**573**	**299,193**

(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 can only be offset if the Consolidated Company has a legally enforceable right to set off current tax assets against current tax liabilities under other related conditions. Therefore, the deferred tax reclassified into non-current assets amounted to $20,774 and $10,308, respectively, on January 1 and September 30, 2012. Net deferred tax assets and liabilities reclassified into non-current liabilities by expected realization date amounted to $4,438 and $6,707, 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 and Intangible assets were $5,513 and $552, respectively. The increased amounts of other liabilities were $18,323. On September 30, 2012, actuarial gain and loss in equity decreased by $23,795. The reduced amounts of Current assets and Intangible assets $5,708 and $552 respectively. The increased amounts of other liabilities were $17,535. The Consolidated Company determines that the discount rate of assumptions is different from the ROC GAAP and IFRS. Therefore, the pension expense decreased by $573 for the nine months ended September 30, 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 $498, and the operating expenses decreased by $498.

4) Under the R.O.C. GAAP, the net value of the long-term investments accounted under equity method would change when the Consolidated Company does not purchase the same percentage of new shares issued by the investee company, and the change should be adjusted to capital surplus. After the transition to IFRS, the aforementioned change should be adjusted to retained earnings, so the adjusted retained earnings of the Consolidated Company amounted to $121,274 as of January 1, 2012 and September 30, 2012.

(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
SEPTEMBER 30, 2012 AND 2011
(All Amounts Expressed in Thousands of New Taiwan Dollars, Except for Share Data)

(11) Additional Disclosures

a. Inter-company business relationship and transaction condition

(v) For the nine Months Ended of September 30, 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	8,231	Usual terms and condition	0.07 %
0	〃	〃	1	Purchase	48	〃	- %
0	〃	〃	1	Service Expense	2,584	No comparable counter-parties	0.02 %
0	〃	PChome eBay Co., Ltd.	1	Sales	3,869	Usual terms and condition	0.03 %
	〃	〃	1	Advertisement Expense	1,800	No comparable counter-parties	0.02 %
0	〃	Rakuya International Info. Co. Ltd.	1	Sales	4,106	Usual terms and condition	0.04 %
0	〃	PChome Store Inc.	1	Sales	2,453	〃	0.02 %
0	〃	PChome US Inc.	1	Sales	11,690	〃	0.10 %
0	〃	PChome Trading (Shenzhen) Ltd.	1	Other financial asset – current	3,944	No comparable counter-parties	0.10 %
1	Linktel Inc.	PChome Online Inc.	2	Advertisement Expense	8,231	〃	0.07 %
1	〃	〃	2	Sales	2,632	Usual terms and condition	0.02 %
2	PChome eBay Co., Ltd.	〃	2	Advertisement Expense	3,869	No comparable counter-parties	0.03 %
2	〃	〃	3	Sales	1,800	Usual terms and condition	0.02 %
3	Rakuya International Info. Co. Ltd.	〃	2	Advertisement Expense	3,879	No comparable counter-parties	0.03 %
3	〃	〃	2	Purchase	227	Usual terms and condition	- %
4	PChome Store Inc.	〃 .	2	Purchase	1,117	〃	0.01 %
4	〃	〃	2	Advertisement Expense	1,336	No comparable counter-parties	0.01 %
5	PChome US Inc.	〃 .	2	Purchase	8,002	Usual terms and condition	0.07 %
5	〃	〃	2	Advertisement Expense	3,688	No comparable counter-parties	0.03 %
6	PChome Trading (Shenzhen) Ltd..	〃	2	Accrued Expenses	3,944	〃	0.10 %

(vi) For the nine Months Ended September 30, 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	3,767	No comparable counter-parties	0.04 %
0	〃	〃	1	Sales	5,844	Usual terms and condition	0.06 %
0	〃	PChome eBay Co., Ltd.	1	Sales	2,700	〃	0.03 %
0	〃	〃	1	Other income	1,766	No comparable counter-parties	0.02 %
0	〃	〃	1	Advertisement Expense	3,050	〃	0.03 %
0	〃	Rakuya International Info. Co. Ltd	1	Sales	2,900	Usual terms and condition	0.03 %
0	〃	PChome Store Inc.	1	Sales	3,908	〃	0.04 %
0	〃	〃	1	Other revenue	2,350	No comparable counter-parties	0.02 %
0	〃	〃	1	Other Payables	7,698	〃	0.21 %
0	〃	PChome US Inc.	1	Sales	3,672	〃	0.04 %
0	〃	〃	1	Account Receivable	3,730	Usual terms and condition	0.10 %
1	Linktel Inc.	PChome Online Inc.	2	Sales	3,767	〃	0.04 %
1	〃	〃	2	Advertisement Expense	5,844	No comparable counter-parties	0.06 %

No. (Note 1)	Transaction Party	Counterparty	Relationship (Note 2)	Transaction Condition			
				Account	Amount	Terms and Condition	Proportion to total revenue or asset
2	PChome eBay Co., Ltd.	PChome Online Inc.	2	Sales	3,050	Usual terms and condition	0.03 %
2	〃	〃	2	Advertisement Expense	4,466	No comparable counter-parties	0.05 %
2	〃	Rakuya International Info. Co. Ltd	3	Sales	1,700	Usual terms and condition	0.02 %
3	Rakuya International Info. Co. Ltd	PChome Online Inc.	2	Advertisement Expense	2,900	No comparable counter-parties	0.03 %
3	〃	PChome eBay Co., Ltd.	3	Advertisement Expense	1,700	〃	0.02 %
4	PChome Store Inc.	PChome Online Inc.	2	Advertisement Expense	3,908	〃	0.04 %
4	〃	〃	2	Rent Expense	2,350	〃	0.02 %
4	〃	〃	2	Other financial asset - current	7,698	〃	0.21 %
5	PChome US Inc.	〃 .	2	Service expense	3,672	〃	0.04 %
5	〃	〃	2	Account Payable	3,730	Usual terms and condition	0.10 %

Note 1: Inter-company business relationship and transaction condition is labeled in "No." column, labeling method is described 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 proportion of the transaction amount is calculated with the consolidate revenue or asset. If categorized as asset or liability, calculation is compared with the consolidate asset, 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)

September 30, 2012	E-Commerce	Other	Adjustments and Elimination	Consolidated
Revenue				
Non-inter-company revenue	$ 10,027,094	1,138,652	-	11,165,746
Inter-company revenue	31,149	8,004	(39,153)	-
Other revenue	6,904	9,115	(138)	15,881
Total	**$ 10,065,147**	**1,155,771**	**(39,291)**	**11,181,627**
Segment profit	**$ 273,584**	**77,654**	**(52,618)**	**298,620**
Total segment assets	**$ 2,903,282**	**2,087,760**	**(989,227)**	**4,001,815**

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

September 30, 2011	E-Commerce	Others	Adjustments and Write-offs	Total
Revenue				
Non-inter-company revenue	$ 9,100,132	962,060	-	10,062,192
Inter-company revenue	20,705	9,793	(30,498)	-
Other revenue	34,859	3,391	(4,840)	33,410
Total	**$ 9,155,696**	**975,244**	**(35,338)**	**10,095,602**
Segment profit	**$ 297,548**	**94,354**	**(81,097)**	**310,805**
Total segment assets	**$ 2,734,210**	**1,776,511**	**(921,955)**	**3,588,766**