Stock Code：8044

PCHOME ONLINE INC. AND ITS SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2012 AND 2011

(WITH INDEPENDENT AUDITOR’S REPORT THEREON)

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Table Of Contents

Contents	Page
· Cover Page	1
· Table of Contents	2
· Independent Auditor’s Report	3
· Consolidated Balance Sheets	4
· Consolidated Statements of Income	5
· Consolidated Statements of Changes in Stockholders’ Equity	6
· Consolidated Statements of Cash Flows	7
· Notes to Consolidated Financial Statements	
1. Overview	8
2. Summary of Significant Accounting Policies	8-16
3. Reasons for and Effects of Accounting Changes	16
4. Summary of Major Accounts	17-28
5. Related-Party Transactions	29-30
6. Restricted Assets	30
7. Significant Commitments and Contingencies	30-31
8. Significant Catastrophic Losses	31
9. Significant Subsequent Events	31
10. Others	32-35
11. Additional Disclosures	
a. Major Transaction Information	36-37
b. Investment-Related Information	37-39
c. Information on Investments in Mainland China	39-40
d. Inter-company Business Relationships and Transactions	40-41
12. Segment Financial Information	41-43

Independent Auditor's Report

To the Board of Directors of

PChome Online Inc.:

We have audited the accompanying consolidated balance sheets of PChome Online Inc. and its subsidiaries (the Consolidated Company) as of December 31, 2012 and 2011, and the related consolidated statements of income, changes in stockholders' equity, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Consolidated Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, based on our audits, the consolidated financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of PChome Online Inc. and its subsidiaries as of December 31, 2012 and 2011, and the results of its operations and its cash flows for the years then ended, in conformity with the related financial accounting standards of the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and accounting principles generally accepted in the Republic of China.

KPMG

Taipei, Taiwan, ROC

March 29, 2013

Note to Readers

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

PCHOME ONLINE INC. AND ITS SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2012 AND 2011

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

	December 31, 2012		December 31, 2011	
	Amount	%	Amount	%
ASSETS				
Current Assets:				
Cash (Note (4)(a))	$ 2,922,399	68	2,882,263	71
Notes receivable (Notes (2) and (4)(b))	9,168	-	9,684	-
Accounts receivable, net (Notes (2) and (4)(b))	394,523	9	296,440	7
Inventories, net of loss on inventory valuation and obsolescence (Notes (2) and (4)(c))	263,884	6	185,851	5
Other financial assets – current (Note (5))	115,193	3	106,500	3
Deferred income tax assets – current (Notes (2) and (4)(h))	3,356	-	20,774	1
Restricted assets (Note (6))	218,111	5	238,000	6
Other current assets	18,745	-	17,682	-
	3,945,379	91	3,757,194	93
Investments:				
Financial assets carried at cost – non-current (Notes (2) and (4)(d))	36,061	1	40,763	1
Other financial assets – non-current (Note (6))	41,391	1	41,847	1
	77,452	2	82,610	2
Property, Plant, and Equipment (Note (2)):				
Cost:				
Transportation equipment	4,176	-	4,355	-
Furniture and office equipment	454,449	11	401,693	10
Leasehold improvements	154,384	4	98,968	2
	613,009	15	505,016	12
Less: Accumulated depreciation	(397,318)	(9)	(329,850)	(8)
Prepayments for equipment	192	-	11,368	-
	215,883	6	186,534	4
Intangible Assets:				
Deferred pension cost (Notes (2) and (4)(g))	613	-	552	-
Other Assets:				
Deferred income tax assets – non-current (Notes (2) and (4)(h))	33,926	1	31,285	1
Other assets (Note (2))	20,721	-	13,033	-
	54,647	1	44,318	1
TOTAL ASSETS	**$ 4,293,974**	**100**	**4,071,208**	**100**

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

PCHOME ONLINE INC. AND ITS SUBSIDIARIES

CONSOLIDATED BALANCE SHEET (CONT'D)

DECEMBER 31, 2012 AND 2011

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

	December 31, 2012		December 31, 2011	
LIABILITIES AND STOCKHOLDERS' EQUITY	**Amount**	%	**Amount**	%
Current Liabilities:				
Short-term debt (Note (4)(e))	$ -	-	100,000	2
Notes payable	9,443	-	8,797	-
Accounts payable	1,344,143	32	1,282,148	32
Income tax payable	17,045	-	58,357	1
Accrued expenses (Note (5))	311,183	8	293,090	7
Other payables	59,499	1	74,290	2
Advance receipts	218,570	5	233,382	6
Other current liabilities (Note (4)(f))	469,812	11	338,081	9
Total Liabilities	2,429,695	57	2,388,145	59
Stockholders' Equity:				
Capital Stock:				
Common stock (Note (4)(i))	822,448	19	693,679	17
Advance receipts for common stock (Note (4)(i))	-	-	1,006	-
Capital Surplus (Note (2)):				
Premium on stock issuance	53,647	1	26,917	1
Treasury stock	-	-	129	-
Long-term investments at equity	123,604	3	121,274	3
Employee stock options (Note (4)(j))	-	-	11,918	-
Retained Earnings:				
Legal reserve (Notes (2) and (4)(k))	92,383	2	51,575	1
Special reserve (Note (4)(k))	-	-	1,942	-
Retained earnings – unappropriated (Note (4)(k))	390,389	9	407,580	10
Other Adjustments to Stockholders' Equity:				
Cumulative translation adjustments (Note (2))	(1,011)	-	2,290	-
Net loss unrecognized as pension cost	(144)	-	-	-
Treasury stock (Note (4)(l))	-	-	(2,512)	-
Total parent company's equity	1,481,316	34	1,315,798	32
Minority Interest	382,963	9	367,265	9
Total Stockholders' Equity	1,864,279	43	1,683,063	41
Commitments and Contingencies (Note (7))				
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**$ 4,293,974**	**100**	**4,071,208**	**100**

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

PCHOME ONLINE INC. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011
(All Amounts Expressed in Thousands of New Taiwan Dollars, Except for Share Data)

	For The Years Ended December 31			
	2012		2011	
	Amount	%	Amount	%
Operating revenues (Note (2))	$ 15,262,106	102	13,887,486	102
Less: Sales returns, discounts and allowances	301,276	2	222,945	2
Net sales	14,960,830	100	13,664,541	100
Operating costs (Note (4)(c))	12,287,188	82	11,315,944	83
Gross margin	2,673,642	18	2,348,597	17
Operating expenses				
Selling expenses	1,767,920	12	1,493,949	11
General and administrative expenses	289,632	2	274,449	2
Research and development expenses	133,343	1	110,847	1
	2,190,895	15	1,879,245	14
Income from operations	482,747	3	469,352	3
Non-operating income				
Interest income	15,065	-	9,911	-
Dividend income	1,883	-	1,819	-
Gain on disposal of investments	-	-	22,237	-
Other income	7,100	-	4,889	-
	24,048	-	38,856	-
Non-operating expenses				
Interest expense	1,062	-	2,775	-
Foreign exchange loss, net (Note (2))	2,337	-	1,676	-
Impairment loss	4,703	-	16,562	-
Miscellaneous disbursements	4,166	-	22	-
	12,268	-	21,035	-
Consolidated income before income tax	494,527	3	487,173	3
Income tax expense (Notes (2) and (4)(h))	67,800	-	56,775	-
Consolidated net income	**$ 426,727**	**3**	**430,398**	**3**
Income attributable to:				
Stockholders of parent company	$ 391,655	3	408,077	3
Minority interest	35,072	-	22,321	-
	$ 426,727	**3**	**430,398**	**3**

	Before Tax	After Tax	Before Tax	After Tax
Earnings per share attributable to parent company (Notes (2) and (4)(m))				
Basic earnings per share	**$ 5.26**	**4.79**	**6.52**	**5.94**
Basic earnings per share - retroactively adjusted			**$ 5.62**	**5.12**
Diluted earnings per share	**$ 5.18**	**4.72**	**6.29**	**5.73**
Diluted earnings per share - retroactively adjusted			**$ 5.43**	**4.94**

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

PCHOME ONLINE INC. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011
(All Amounts Expressed in Thousands of New Taiwan Dollars, Except for Share Data)

				Retained Earnings							
	Common Stock	Advance Receipts for Common Stock	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Retained Earnings	Cumulative Translation Adjustments	Net loss Unrecognized as Pension Cost	Treasury Stock	Minority Interest	Total
Balance as of January 1, 2011	$ 582,602	3,860	23,449	15,925	1,398	356,501	(1,942)	-	(2,512)	174,360	1,153,641
Exercise of employee stock options	14,985	(2,854)	17,255	-	-	-	-	-	-	-	29,386
Disposal of long-term equity investments	-	-	(69)	-	-	-	-	-	-	-	(69)
Employee stock options	-	-	2,855	-	-	-	-	-	-	-	2,855
Consolidated net income for the year ended December 31, 2011	-	-	-	-	-	408,077	-	-	-	22,321	430,398
Earnings distribution(Note (1)):											
Legal reserve	-	-	-	35,650	-	(35,650)	-	-	-	-	-
Special reserve	-	-	-	-	544	(544)	-	-	-	-	-
Cash dividends	-	-	-	-	-	(224,215)	-	-	-	(9,957)	(234,172)
Unappropriated earnings converted into common stock	96,092	-	-	-	-	(96,092)	-	-	-	-	-
Adjustment arising from changes in percentage ownership of long-term equity method investees	-	-	116,748	-	-	(497)	-	-	-	-	116,251
Changes in minority interest	-	-	-	-	-	-	-	-	-	(92,865)	(92,865)
Translation adjustments of long-term equity investments	-	-	-	-	-	-	4,232	-	-	437	4,669
Increase capital by cash from minority interest	-	-	-	-	-	-	-	-	-	272,969	272,969
Balance as of December 31, 2011	693,679	1,006	160,238	51,575	1,942	407,580	2,290	-	(2,512)	367,265	1,683,063
Exercise of employee stock options	19,215	(1,006)	14,869	-	-	-	-	-	-	-	33,078
Treasury stock reducted	(1,060)	-	(186)	-	-	(1,266)	-	-	2,512	-	-
Consolidated net income for the year ended December 31, 2012	-	-	-	-	-	391,655	-	-	-	35,072	426,727
Earnings distribution(Note (2)):											
Legal reserve	-	-	-	40,808	-	(40,808)	-	-	-	-	-
Special reserve	-	-	-	-	(1,942)	1,942	-	-	-	-	-
Cash dividends	-	-	-	-	-	(258,100)	-	-	-	(22,714)	(280,814)
Unappropriated earnings converted into common stock	110,614	-	-	-	-	(110,614)	-	-	-	-	-
Adjustment arising from changes in percentage ownership of long-term equity method investees	-	-	2,330	-	-	-	-	-	-	652	2,982
Changes in minority interest	-	-	-	-	-	-	-	-	-	(2,982)	(2,982)
Adjustment reducing long-term equity investments	-	-	-	-	-	-	-	- 144	-	-	(144)
Translation adjustments of long-term equity investments	-	-	-	-	-	-	(3,301)	-	-	(330)	(3,631)
Increase in capital by cash from minority interest	-	-	-	-	-	-	-	-	-	6,000	6,000
Balance as of Decemer 31, 2012	**$ 822,448**	**-**	**177,251**	**92,383**	**-**	**390,389**	**(1,011)**	**(144)**	**-**	**382,963**	**1,864,279**

Note 1: Profit sharing to employees amounting to $41,639 had been charged against earnings.

Note 2: Profit sharing to employees amounting to $44,087 had been charged against earnings.

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

PCHOME ONLINE INC. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011
(All Amounts Expressed in Thousands of New Taiwan Dollars, Except for Share Data)

	2012	2011
	Amount	**Amount**
Cash flows from operating activities:		
Consolidated net income	$ 426,727	430,398
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	76,233	56,332
Amortization	6,738	4,324
Provision for doubtful accounts	944	3,946
Share-based payment compensation cost	-	3,015
(Reversal of provision) provision for inventory market price decline and obsolescence	(1,055)	738
Loss on disposal and retirement of property, plant and equipment, net	12	21
Gain on disposal of long-term investments under the equity method	-	(22,237)
Loss on permanent decline of financial assets	4,703	16,562
Changes in operating assets and liabilities:		
Notes receivable	556	(2,620)
Accounts receivable	(99,078)	(77,580)
Inventories	(76,982)	(51,197)
Other current assets	(3,901)	(3,331)
Other financial assets – current	(8,282)	(29,479)
Deferred income tax assets, net	15,426	(4,735)
Notes payable	646	2,583
Accounts payable	62,095	173,720
Income tax payable	(41,312)	14,100
Accrued expenses	20,348	46,046
Other payables	4,066	(9,311)
Advance receipts	(14,809)	(8,902)
Other current liabilities	131,874	139,713
Accrued pension liabilities	4	71
Net cash provided by operating activities	504,953	682,177
Cash flows from investing activities:		
Proceeds from sale of long-term investments under the equity method	-	24,377
Decrease in prepayment for long-term investments	-	300,000
Purchase of property, plant and equipment	(127,313)	(101,253)
Proceeds from sale of property, plant and equipment	612	891
Decrease in restricted assets	19,889	4,150
Decrease (increase) in other financial assets – non-current	347	(6,297)
Increase in other assets	(12,463)	(6,815)
Net cash (used in) provided by investing activities	(118,928)	215,053

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

PCHOME ONLINE INC. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONT'D)

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

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

	2012	2011
	Amount	**Amount**
Cash flows from financing activities:		
Decrease in short-term debt	$ (100,000)	-
Distribution of cash dividends	(280,814)	(234,172)
Execution of stock options	33,078	29,386
Cash increase in capital – minority interest	6,000	272,969
Increase in minority interest	-	20,000
Net cash (used in) provided by financing activities	(341,736)	88,183
Foreign exchange rate effects	(4,153)	5,393
Net increase in cash	40,136	990,806
Cash, beginning of period	2,882,263	1,891,457
Cash, end of period	**$ 2,922,399**	**2,882,263**
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Interest	**$ 1,148**	**2,689**
Income tax	**$ 93,686**	**47,410**
Purchase of property and equipment with cash and other payables:		
Property and equipment	$ 108,113	115,062
Add: Other payables, beginning of period	21,672	7,863
Less: Other payables, end of period	(2,472)	(21,672)
Cash paid	**$ 127,313**	**101,253**

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

PCHOME ONLINE INC. AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 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, and data processing, and wholesaling and retailing of office machinery, equipment, and information software.

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

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

As of December 31, 2012 and 2011, the Company and its subsidiaries (the "Consolidated Company") had 1,136 and 995 employees, respectively.

(2) Summary of Significant Accounting Policies

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

(a) Status of Consolidation

(i) Subsidiaries included in the consolidated financial statements:

(All currencies expressed in thousands)

Investor	Subsidiary	Principal Business	Shareholding ratio		Note
			2012.12.31	2011.12.31	
The Company	IT Home Publications Inc.	Magazine publication	100.00%	100.00%	As of December 31, 2012, total issued capital of IT Home Publications Inc. amounted to $46,356.
〃	Linktel Inc.	Network services	100.00%	100.00%	As of December 31, 2012, total issued capital of Linktel Inc. amounted to $125,000.
〃	PC Home Online International Co., Ltd.	International trade and investment activities	100.00%	100.00%	As of December 31, 2012, 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 December 31, 2012, total issued capital of PChome US Inc. amounted to USD 4,400.

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

Investor	Subsidiary	Principal Business	Shareholding ratio		Note
			2012.12.31	2011.12.31	
The Company	PChome Travel Inc.	Travel agency business	-	100.00%	On April 25, 2012, the resolution had been approved by the shareholders of the investee company (PChome Travel Inc.) for dissolution. On October 16, 2012, PChome Travel Inc. has completed the dissolution.
〃	PChome eBay Co., Ltd.	Online auction	65.00%	65.00%	As of December 31, 2012, 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, the resolution had been approved by the shareholders of the investee company (Orange Network Inc.) for dissolution. As of December 31, 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%	21.99%	As of December 31, 2012, Rakuya International Info. Co. Ltd.'s issued capital amounted to $156,000. Although the Company holds less than 50% of Rakuya International Info. Co. Ltd.'s outstanding equity shares, it has controlling interest over Rakuya International Info. Co. Ltd.'s finance, operation, and employment decisions. Therefore, it was included in the consolidated financial statements.
〃	Pay and Link Inc. (original name was PChomePay Inc.)	Internet services	100.00%	100.00%	As of December 31, 2012, total issued capital of Pay and Link Inc. amounted to $1,000.
〃	Liker Technology Inc.	O2O (Online to Offline) E-commerce	34.72%	35.71%	As of December 31, 2012, total issued capital of Liker Technology Inc. amounted to $72,000. (Note)
〃	PChomePay Inc. (original name was Pay and Link Inc.)	Information processing and provision of electronic information	100.00%	100.00%	As of December 31, 2012, total issued capital of PChomePay Inc. amounted to $50,000.
〃	PChome Store Inc.	Internet services	59.91%	59.91%	As of December 31, 2012, total issued capital of PChome Store Inc. amounted to $141,500.
〃	eCommerce Group Co., Ltd.	Investment activities	100.00%	-	As of December 31, 2012, the total issued capital of eCommerce Group Co., Ltd. amounted to USD 350.

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

Investor	Subsidiary	Principal Business	Shareholding ratio		Note
			2012.12.31	2011.12.31	
PChome Store Inc.	Liker Technology Inc.	O2O (Online to Offline) E-commerce	41.67%	42.86%	As of December 31, 2012, 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 December 31, 2012, total issued capital of PChome Online Inc. amounted to USD 100.
eCommerce Group Co., Ltd.	EC Global Inc.	Investment activities	100.00%	-	As of December 31, 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 December 31, 2012, 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 December 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 December 31, 2012, 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 December 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 Transactions and Translation

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

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

(c) Use of Estimates

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

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

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

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

(e) Asset Impairment

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

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

(f) Financial Instruments

(i) Financial assets carried at cost

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

(ii) Receivables

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

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

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

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

(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.

(3) Reasons for and Effect of Accounting Changes

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

Effective from January 1, 2011, according to SFAS No. 41 "Operating Segments", an entity shall disclose information to enable users of its financial statements to evaluate the nature and financial effects of the business activities in which it engages and the economic environments in which it operates. The Consolidated Company determines and presents operating segments based on the information that is internally provided to the chief operating decision maker. This Standard supersedes SFAS No. 20 "Segment Reporting." This change in accounting principle did not have any effect on the financial statements for the year ended December 31, 2012.

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

(4) Summary of Major Accounts

(a) Cash

	December 31, 2012	December 31, 2011
Cash on hand	$ 198	182
Checking accounts	22,193	9,347
Savings accounts	1,894,568	2,042,261
Foreign currency deposits	140,240	85,423
Time deposits	865,200	745,050
Total	**$ 2,922,399**	**2,882,263**

(b) Notes and Accounts Receivable

	December 31, 2012	December 31, 2011
Notes receivable	$ 9,168	9,684
Accounts receivable	401,523	313,194
Less: Allowance for impairment loss	(7,000)	(16,754)
Net	394,523	296,440
Total	**$ 403,691**	**306,124**

(c) Inventories

	December 31, 2012	December 31, 2011
Merchandise inventories	$ 265,057	188,079
Less: Allowance for inventory valuation and obsolescence losses	(1,173)	(2,228)
Total	**$ 263,884**	**185,851**

For the years ended December 31, 2012 and 2011, the details of operating cost were as follows:

	For the Years Ended December 31,	
	2012	2011
Cost of good sold	$ 12,287,015	11,312,286
(Reversal of provision) provision for inventory valuation and market price decline obsolescence	(1,055)	738
Loss on physical inventory	3,414	2,920
Loss on disposal of scrapping	566	-
	$ 12,289,940	**11,315,944**

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

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

	December 31, 2012		December 31, 2011	
Name of Investee Company	**Shareholding Ratio**	**Book Value**	**Shareholding Ratio**	**Book Value**
Common Stock				
Syspower Ltd.	3.72%	$ 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%	737	0.01%	1,447
IPEVO Inc.	-%	-	19.44%	26,914
P2V Holdings Ltd. (Samoa)	11.13%	22,922	-%	-
Other		1,015		1,015
Total		**$ 36,061**		**40,763**

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

As of December 31, 2012, the carrying value of the investment in IPEVO Inc. was $26,914. As there was evidence indicating a decline in the value of the investment, an impairment loss of $3,993 was recognized for the period ended December 31, 2012.

As of December 31, 2012, IPEVO Inc. underwent a reorganization. Under which plan, the entire shares of IPEVO Inc. are converted to the shares of P2V Holdings Ltd. (Samoa) (The ultimate parent Company of IPEVO Inc.)

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.

As of December 31, 2012, the carrying value of the investment in Vibo Telecom Inc. was $1,447. As there was evidence indicating a decline in the value of the investment, an impairment loss of $710 was recognized for the period ended December 31, 2012.

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) Short-Term Debt

	December 31, 2012	**December 31, 2011**
Credit loan	$ -	100,000

For the years ended December 31, 2012 and 2011, the interest rates both were 2.84%. As of December 31, 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.

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

(f) Other Current Liabilities

	December 31, 2012	December 31, 2011
Receipts under custody	$ 439,615	309,740
Other	30,197	28,341
Total	**$ 469,812**	**338,081**

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) Pension Plan

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

For the years ended December 31, 2012 and 2011, the pension costs and related information were as follows:

	For the Years Ended December 31,	
	2012	2011
Balance of pension fund	$ 38,143	35,521
Current pension costs:		
Current deposit	2,321	2,208
Interest	381	414
Balance of pension payable	**$ 40,845**	**38,143**

For the years ended December 31, 2012 and 2011, the Consolidated Company contributed $33,852 and $28,440, respectively, to the pension fund, and the contributions were deposited with the Bureau of Labor Insurance.

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

The Consolidated Company has adopted SFAS No. 18 "Accounting for Pensions" as the basis of accounting for its defined benefit pension plan and the ruling of the Securities and Futures Bureau (SFB) to calculate pension-related assets, liabilities, and amortization of pension expense according to an actuarial report. As of December 31, 2012 and 2011, reconciliation of the funded status and accrued pension liabilities per books was as follows:

	For the Years Ended December 31,	
	2012	**2011**
Benefit obiligation		
Vested benefit obligation	$ 3,973	3,733
Nonvested benefit obligation	(30,574)	(36,134)
Accumulated benefit obiligation	(26,601)	(32,401)
Effect of future salary increase	(22,382)	(24,841)
Estimated benefit obligation	(48,983)	(57,242)
Fair value of pension fund assets	40,845	38,143
Funded status	(8,138)	(19,099)
Unrecognized loss on pension fund	13,084	22,613
Unrecognized net transitional obligation	1,197	1,680
Additional pension liability	(757)	(552)
Prepaid pension expenses	**$ 5,386**	**4,642**

As of December 31, 2012 and 2011, the Consolidated Company's vested benefit obligation under the Company's pension plan was $4,158 and $4,045, respectively.

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

	For the Years Ended December 31,	
	2012	**2011**
Service cost	$ 124	619
Interest cost	1,142	831
Actual return on pension fund assets	(381)	(333)
Unrecognized net transitional obligation	381	673
Additional pension liability	381	-
Net periodic pension cost	**$ 1,647**	**1,790**

Actuarial assumptions were as follows:

	For the Years Ended December 31,	
	2012	**2011**
Discount rate	1.75%	2.00%
Future salary increase rate	3.00%	3.00%
Estimated long-term rate of return on pension fund assets	1.75%	2.00%

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

(h) Income Taxes

(i) Deferred tax assets and liabilities

	December 31, 2012		December 31, 2011	
	Amount	**Income tax effect**	**Amount**	**Income tax effect**
Deductible temporary differences:				
-unrealized investment loss	$ 75,674	12,866	33,535	5,701
-unrealized inter-company profit	105,896	18,002	105,896	18,002
-provision for doubtful accounts	9,337	1,587	16,948	2,881
-translation adjustment of long-term investments	983	166	-	-
-unused investment tax credit	-	1,447	-	51,606
-loss carryforward benefit	212,744	36,168	345,656	58,761
-other	10,455	1,777	8,585	1,461
Total deferred income tax assets		**$ 72,013**		**138,412**
Taxable temporary differences:				
-translation adjustment of long-term investments	$ -	-	2,836	483
-provisions for accrued pension	5,756	979	5,195	883
-intangible asset amortization	38,828	6,601	17,649	3,001
-other	-	-	419	71
Total deferred income tax liabilities		**$ 7,580**		**4,438**

(ii)

	December 31, 2012	**December 31, 2011**
Deferred income tax assets – current	$ 22,792	35,834
Deferred income tax liabilities – current	-	(132)
Allowance for valuation – deferred income tax assets – current	(19,436)	(14,928)
Net	**$ 3,356**	**20,774**
Deferred income tax assets – non-current	$ 49,221	102,578
Deferred income tax liabilities – non-curr	(7,580)	(4,306)
Allowance for valuation – deferred income tax assets – non-current	(7,715)	(66,987)
Net	**$ 33,926**	**31,285**

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

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

	For the Year Ended December 31,		
	2012		2011
Current income tax expense	$	52,667	60,976
Deferred income tax (benefit) expense		15,426	(4,735)
(Over) under -accrual of prior years' income tax over the normal		(293)	534
Total	**$**	**67,800**	**56,775**

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

	For the Year Ended December 31,		
	2012		2011
Unrealized investment loss	$	(7,165)	(2,348)
Provision for doubtful accounts		1,294	669
Unrealized inter-company profit		-	(18,002)
Intangible asset amortization		3,600	3,001
Investment tax credits		50,159	29,320
Operating loss carryforwards		22,593	4,481
Others		(291)	657
Valuation allowance		(54,764)	(22,513)
Total	**$**	**15,426**	**(4,735)**

(iv) As of December 31, 2012 and 2011, the Consolidated Company was subject to a profit-seeking enterprise income tax rate of 17%. The Consolidated Company calculates its Alternative Minimum Tax (AMT) according to the Income Basic Tax Act. The earnings of subsidiaries that were incorporated in the Cayman Islands and British Virgin Islands are not taxable by the respective local governments. Due to the location of the other subsidiaries, they are subject to income tax. As of December 31, 2012 and 2011, the reconciliation of income tax payable calculated on accounting income at the statutory tax rate and income tax expense was as follows:

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

	For the Years Ended December 31, 2012	2011
Income tax expense calculated on pre-tax financial income at statutory tax rate	$ 105,446	109,135
Permanent differences	(18,757)	(29,553)
Excess of estimaded alternative minimun tax over the normal statutory tax	-	4,811
Over (under) accrual of prior years' deferred income tax assets	36,168	(13)
Income tax benifit derived from loss carryforwards	-	(5,626)
Valuation allowance	(54,764)	(22,513)
Other	(293)	534
Income tax expense	**$ 67,800**	**56,775**

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

Year of Occurrence	Operating Loss Carryforward	Year of Expiration
2008	$ 20,415	2018
2009	75,584	2019
2010	19,135	2020
2011	38,564	2021
2012	59,046	2022
	$ 212,744	

(vi) The Consolidated Company's investment in research and development qualified for the investment tax credits subject to the Income Tax Act. The Consolidated Company may enjoy a reduction in its income tax payable up to a certain percentage of funds invested in research and development. As of December 31, 2012, the remaining investment tax credits were as follows:

Year of Occurrence	Unused Tax Credit	Year of Expiration
2008	900	2012
2009	547	2013
	$ 1,447	

(vii) The Company's income tax returns and stockholders' imputation tax credit account and unappropriated retained earnings have been examined and approved by the tax authority till 2010 and 2009.

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

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

	December 31, 2012	December 31, 2011
(1) Unappropriated retained earnings		
Unappropriated earnings generated on and after January 1, 1998	$ 390,389	407,580
(2) Stockholders' imputation tax credit account	$ 24,838	650

	For the Year Ended December 31,	
	2012 (expected)	2011 (actual)
(3) Imputation tax credit ratio for earnings distributed to ROC residents	7.34%	11.83%

(i) 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 years ended December 31, 2012 and 2011, the employee stock options were converted into 1,921 and 1,499 thousand common stock shares, generating total receipts of $34,084 and $32,240, respectively.

As of December 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 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	3,494	2,714	"
Dec. 14, 2012	114	1,529	996	"
Total	**3,420**	**66,324**	**53,703**	

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.

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

(j) Employee Stock Options

(i) On August 27 and December 19, 2008, the Company authorized an employee stock option plan to issue employee stock options totaling 1,900,000 units and 1,900,000 units, respectively. Each unit is entitled to subscribe for one share of the Company's common stock. The contractual life of the option is 4 years, and a holder of the options may exercise 50% and 100% of the options in accordance with certain schedules as prescribed by the plan subsequent to the second and third anniversary, respectively, of the grant date. The exercise prices of the options, set at the closing price of the Company's common stock on the date of the grant, were $26.10 and $19.50, respectively. After the issuance of the employee stock options, any additional change to the Company's common stock (issuance of new shares for cash, reinvestment using undistributed earnings, and reinvestment using capital surplus in accordance with the formula under the plan), will result in adjustment in the exercise price of the stock options. The exercise prices after the adjustment were $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 Years Ended December 31,			
	2012		2011	
	Quantity of Stock Options (thousand shares)	Weighted-average Exercise Price (NT$)	Quantity of Stock Options (thousand shares)	Weighted-average Exercise Price (NT$)
Outstanding at the beginning of the period	1,874	$ 21.90	3,258	21.90
Granted	-	-	-	-
Exercised	(1,874)	17.65	(1,384)	21.23
Forfeited	-	-	-	-
Outstanding at the end of the period	-		**1,874**	
Exercisable at the end of the period	-		**1,874**	
Weighted-average fair value of current options granted	**$ 6.31**		**6.31**	

(iii) The compensation costs with respect to employee stock options granted for the years ended December 31, 2012 and 2011, were $0 and $2,855, respectively. Assumptions used in the valuation method are as follows:

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

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

(k) Earnings Distribution

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

Employees' bonuses: 1~15%

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

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

1) The reserve for the Consolidated Company's projected capital expenditure;
2) The reserve used to repay outstanding borrowings;
3) Bonuses and dividends that may be distributed in cash and by issuing shares.

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

For the years ended December 31, 2012 and 2011, the estimated amounts of employees' bonuses were $38,743 and $44,087, 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 2013 and 2012.

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

For 2012 and 2011, there were none differences between actual employees' 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.

(l) 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.

(m) Earnings per Share (EPS)

For the years ended December 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 Year Ended December 31			
	2012		2011	
	Before Tax	After Tax	Before Tax	After Tax
Net Income	$ 429,703	391,655	447,848	408,077
Weighted-average common shares outstanding	81,697	81,697	68,666	68,666
Effect of dilutive potential common shares:				
Contingent share – stock options	891	891	2,130	2,130
Contingent share – employees' bonuses	437	437	364	364
Fully diluted shares	83,025	83,025	71,160	71,160
Weighted-average common shares outstanding - retroactively adjusted			79,632	79,632
Effect of dilutive potential common shares - retroactively adjusted			2,893	2,893
Fully diluted shares - retroactively adjusted			82,525	82,525
Basic EPS	$ 5.26	4.79	6.52	5.94
Diluted EPS	$ 5.18	4.72	6.29	5.73
Basic EPS - retroactively adjusted			$ 5.62	5.12
Diluted EPS - retroactively adjusted			$ 5.43	4.94

(n) Financial Instruments

(i) Fair value of financial instruments:

	December 31, 2012		December 31, 2011	
Financial Assets	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial assets carried at cost	$ 36,061	-	40,763	-
Total financial assets with carring value equal to fair value	3,700,785	3,700,785	3,574,734	3,574,734
Total financial assets	$ 3,736,846		3,615,497	
Financial Liabilities				
Total financial liabilities with carrying value equal to fair value	$ 1,724,268	1,724,268	1,758,325	1,758,325

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

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

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.

2) Liquidity risk

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

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

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

(5) Related-Party Transactions

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

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

(b) Significant transactions with related parties

(i) Sales

	For the Years Ended December 31,			
	2012		2011	
	Amount	% of Net	Amount	% of Net
Total	$ -	-	95	-

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

(ii) Accounts receivable (payable)

	December 31,2012		December 31,2011	
	Amount	%	Amount	%
Other Financial Assets - Current				
Total	$ 11	-	7	-
Accrued Expenses				
Total	$ 20	-	20	-

(iii) Others

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

For the years ended December 31, 2011, the marketing expenses paid to Business Next Publishing Corp. were $95.

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

(iv) Major management remuneration

For the years ended December 31, 2012 and 2011, information on remuneration provided to major management including directors, supervisors, general manager, and vice general manager was as follows:

	For the Years Ended December 31,		
	2012		**2011**
Salary	$	25,402	29,290
Bonus and special disbursement		57,944	59,616
Service fee		319	361
Employee bonus		2,188	3,377

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

(6) Restricted Assets

As of December 31, 2012 and 2011, the following assets were restricted in use:

Assets	**December 31, 2012**		**December 31, 2011**	**Purpose of Pledge**
Restricted Savings for compensation	$	51,100	-	Security for performance
Restricted deposits - current		167,011	238,000	Security for performance and purchase guarantee
Restricted deposits - non-current		600	600	Security for provisional seizure, etc.
Refundable deposits		40,791	41,247	Deposits for office rental,
Total	**$**	**259,502**	**279,847**	

(7) Significant Commitments and Contingencies

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

For the Years Ended December 31, 2012				
Leasehold property	**Contract period**	**Rental expense**		**Subsequent 12 months rental payable**
Offices and Warehouse	Expires 2017/04/30	$	160,586	140,988

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

For the Years Ended December 31, 2011

Leasehold property	Contract period	Rental expense	Subsequent 12 months rental payable
Offices and Warehouse	Expires 2014/08/30	$ 119,720	128,090

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

As of December 31, 2012 and 2011, notes payable deposited as guarantee for commercial vehicle and office and building leases were $88,298 and $33,144, 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 December 31, 2012, the Consolidated Company’s advance receipt for Skype stored-value service amounted to $89,079.

According to the “Standardized contract for collection turn pay service”, the payment guarantee should be fully provided by the financial institutions. Therefore, the Consolidated Company entered into an agreement with Taishin International Bank, Ltd. for a guarantee limit of $50,000. As of December 31, 2012, the Consolidated Company’s collection receipt amounted to $37,432.

(8) Significant Catastrophic Losses: None

(9) Significant Subsequent Events: None

(10) Others

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

(Expressed in thousands of New Taiwan dollars)

Categorized as / Nature	For the Year Ended December 31, 2012			For the Year Ended December 31, 2011		
	Operating Cost	Operating Expense	Total	Operating Cost	Operating Expense	Total
Personnel expenses						
Salary expense	40,467	835,260	875,727	36,398	722,756	759,154
Health and labor insurance expense	2,855	58,369	61,224	2,522	46,785	49,307
Pension expense	1,544	33,955	35,499	1,434	28,796	30,230
Other expense	1,067	22,232	23,299	908	20,511	21,419
Depreciation expense	-	76,233	76,233	-	56,332	56,332
Amortization expense	-	6,738	6,738	-	4,324	4,324

(b) Certain accounts in the 2011 financial statements were reclassified to conform to the presentation of the 2012 financial statements.

(c) 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 is responsible for the adoption plan. Significant plan contents, expected completion times, and completion status are summarized as follows:

Plan Contents	Responsible Department (or Responsible Person)	Status
Phase 1 - Evaluation (2010.01.01 ~ 2011.12.31)		
◎ Establish adoption plan and form a special task force for IFRS conversion	Accounting Department	Completed
◎ Perform the first stage of internal training for employees	Accounting Department	Completed
◎ 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	Completed
◎ Perform the second stage of internal training for employees	Accounting Department	Completed
Phase 3 - Implementation (2012.01.01 ~ 2013.12.31)		
◎ Test the operation of relevant information systems	Accounting Department and IT Department	Completed
◎ 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

(d) The significant differences between current GAAP and IFRSs in preparing 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	28,420	72,738
Total assets	**$ 4,071,208**	**1,581**	**4,072,789**
Current liabilities	$ 2,388,145	-	2,388,145
Other liabilities (1) and (2)	-	21,870	21,870
Total liabilities	**$ 2,388,145**	**21,870**	**2,410,015**
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	102,211	563,308
Non-controlling interest (2)	367,265	(1,226)	366,039
Other adjustments to stockholders' equity	(222)	-	(222)
Total stockholders' equity	**$ 1,683,063**	**(20,289)**	**1,662,774**
Total liabities and stockholders' equity	**$ 4,071,208**	**1,581**	**4,072,789**

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

(Expressed in Thousands of New Taiwan Dollars)

Item	GAAP	Affect Amount	IFRSs
Current assets (1) and (2)	$ 3,945,379	(9,390)	3,935,989
Investments	77,452	-	77,452
Property, plant, and equipment	215,883	-	215,883
Intangible assets (2)	613	(613)	-
Other assets (1)	54,647	12,338	66,985
Total assets	**$ 4,293,974**	**2,335**	**4,296,309**
Current liabilities	$ 2,429,695	-	2,429,695
Other liabilities (1) and (2)	-	14,118	14,118
Total liabilities	**$ 2,429,695**	**14,118**	**2,443,813**
Common stock	$ 822,448	-	822,448
Capital surplus (4)	177,251	(121,274)	55,977
Retained earnings (2) and (4)	482,772	111,356	594,128
Non-controlling interest (2)	382,963	(2,009)	380,954
Other adjustments to stockholders'	(1,155)	144	(1,011)
Total stockholders' equity	**$ 1,864,279**	**(11,783)**	**1,852,496**
Total liabities and stockholders' equity	**$ 4,293,974**	**2,335**	**4,296,309**

(iii) Reconciliation of Income Statement for the years ended December 31, 2012

(Expressed in Thousands of New Taiwan Dollars)

Item	GAAP	Affect Amount	IFRSs
Operating revenues (3)	$ 14,960,830	(748)	14,960,082
Operating costs	(12,287,188)	-	(12,287,188)
Gross margin	2,673,642	(748)	2,672,894
Operating expenses (2) and (3)	(2,190,895)	1,913	(2,188,982)
Income from operations	482,747	1,165	483,912
Non-operating income	24,048	-	24,048
Non-operating expenses	(12,268)	-	(12,268)
Income before income tax	494,527	1,165	495,692
Income tax expense	(67,800)	(208)	(68,008)
Net income ((2)~(3))	**$ 426,727**	**957**	**427,684**
Income attributable to :			
Stockholders of parent company	$ 391,655	937	392,592
Non-controlling interest	35,072	20	35,092
Total	**$ 426,727**	**957**	**427,684**

(iv) Summary of reconciliation

1) In accordance with the International Financial Reporting standards (IFRSs), the Consolidated Company considers its factors in investment tax credits and temporary differences to estimate the deferred tax assets and liabilities which can only be offset if the Consolidated Company has a legally enforceable right to set off the current tax assets against the current tax liabilities under other related conditions. Therefore, the deferred tax that was reclassified into non-current assets amounted to $20,774 and $3,356, respectively, on January 1 and December 31, 2012. The net deferred tax assets and liabilities that were reclassified into non-current liabilities by expected realization date amounted to $4,438 and $7,580, 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 $20,289. The reduced amounts of Current assets and Intangible assets were $5,513 and $552 respectively. The increased amounts of other assets and other liabilities were $3,208 and $17,432, respectively. On December 31, 2012, actuarial gain and loss in equity decreased by $11,783. The reduced amounts of Current assets and Intangible assets $6,034 and $613 respectively. The increased amounts of other assets and other liabilities were $1,402 and $6,538, 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 $1,165 for the years ended December 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 $748, and the operating expenses decreased by $748.

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 December 31, 2012.

(e) 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.

(f) 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.

(11) Additional Disclosures

(a) Major Transaction Information

(i) Loans to others: None

(ii) Endorsements and guarantees to others:

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

No. (Note 1)	Endorser/ Guarantor	Counter-party		Limits on Endorsement/ Guarantee Amount Provided to Each Counter-party (Note 2)	Maximum Balance for the Period	Ending Balance	Amount of Endorsement/ Guarantee Collateralized by Property	Ratio of Accumulated Endorsement/ Guarantee to Net Equity per Latest Financial Statements	Maximum Endorsement/ Guarantee Amount Allowable (Note 2)
		Name	Nature of Relation-ship (Note 3)						
0	The Company	Linktel Inc.	(Note 3)	740,658	31,052	544	-	0.04%	1,481,316

Note 1: 0 is issuer.
Note 2: Highest balance during the period can't exceed net assets value 50%, and the maximum amount of endorsement can't exceed net assets value.
Note 3: The subsidiary of the Company
Note 4: Aforementioned inter-company transactions have been eliminated in the consolidated financial statements.

(iii) Marketable securities held on period-end:

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

Holding Company	Name and Type of Marketable Securities	Relationship with the Issuer of Securities	Financial Statement Account	End of the Period				Peak Holding Percentage		Note
				Shares/ Units	Carrying Amount	Percentage	Fair Value	Shares/Units	Percentage	
	Common Stock:									
PChome Online Inc.	IT Home Publications Inc.	An investee company accounted for under the equity method	Long-term investments under the equity method	4,636	54,541	100.00	54,541	4,636	100.00	Note
〃	Linktel Inc.	〃	〃	12,500	174,473	100.00	174,473	12,500	100.00	〃
〃	Liker Technology Inc.	〃	〃	2,500	22,856	34.72	21,839	2,500	35.71	〃
〃	PC Home Online International Co., Ltd.	〃	〃	122	13,115	100.00	13,115	122	100.00	〃
〃	PChome eBay Co., Ltd.	〃	〃	27,300	228,172	65.00	228,172	27,300	65.00	〃
〃	Orange Network Inc.	〃	〃	100	43	100.00	43	100	100.00	〃
〃	Rakuya International Info. Co. Ltd.	〃	〃	3,430	20,621	21.99	20,621	3,430	21.99	〃
〃	Pay and Link Inc.	〃	〃	100	488	100.00	488	100	100.00	〃
〃	PChome Store Inc.	〃	〃	8,477	246,397	59.91	847,700	8,477	59.91	〃
〃	PChomePay Inc.	〃	〃	5,000	37,014	100.00	37,014	5,000	100.00	〃
〃	PChome US Inc.	〃	〃	40,000	72,164	90.91	72,164	40,000	90.91	〃
〃	eCommerce Group Co., Ltd.	〃	〃	3,500	1,091	100.00	1,091	3,500	100.00	〃
	Total				870,975		1,471,261			
〃	Eastern Online Co., Ltd.	An investee company accounted for under the cost method	Financial assets carried at cost – non-current	119	-	4.19		119	4.19	
〃	Syspower Ltd.	〃	〃	744	2,846	3.72		744	3.72	
〃	The Journalist Co., Ltd.	〃	〃	-	-	0.02		3	0.15	
〃	Openfind Information Technology, Inc.	〃	〃	800	4,031	7.42		800	7.42	
〃	Career Consulting Co., Ltd.	〃	〃	113	1,015	0.72		113	0.72	
〃	PayEasy Ltd.	〃	〃	5,438	4,510	12.51		5,438	12.51	
〃	Vibo Telecom Inc.	〃	〃	145	737	0.01		145	0.01	
〃	P2V Holdings Ltd.(Samoa)	〃	〃	2,691	22,922	11.13		2,691	11.13	
					36,061					
					907,036					

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

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

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

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

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

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

(ix) Derivative transactions: None

(b) Investment-Related Information

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

(Expressed in thousands of dollars and thousands of shares)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance As of December 31, 2012			Net Income (Loss) of the Investee	Investment Income (Loss) Recognized by the Investor Company	Note
				As of December 31, 2012	As of December 31, 2011	Shares	Percentage of Ownership	Carrying Amount			
PChome Online Inc.	IT Home Publications Inc.	12F., No.105, Sec. 2, Tun-Hwa S. Rd., Taipei	Magazine publication, information management, information services, electronic information providing services	30,000	30,000	4,636	100.00	54,541	3,512	3,512	Note
″	Linktel Inc.	″	Network services	125,000	125,000	12,500	100.00	174,473	45,415	45,415	″
″	Liker Technology Inc.	24F., No.105, Sec. 2, Tun-Hwa S. Rd., Taipei	O2O (Online to offline) E-commerce	25,000	25,000	2,500	34.72	22,856	(20,306)	(7,088)	″
″	PC Home Online International Co., Ltd.	Tropic Isle Building, PO Box 438, Road Town, Tortola, British Virgin Islands.	International trade and investment activities	25,485 (USD 734)	25,485 (USD 734)	122	100.00	13,115	(567)	(567)	″
″	PChome eBay Co., Ltd.	12F., No.105, Sec. 2, Tun-Hwa S. Rd., Taipei	Online auction	273,000	273,000	27,300	65.00	228,172	94,135	61,188	″
″	Orange Network Inc.	″	Online television media business	1,000	1,000	100	100.00	43	(106)	(106)	″
″	Rakuya International Info. Co. Ltd.	″	Real estate business, and internet information rental service	34,300	34,300	3,430	21.99	20,621	(26,748)	(5,882)	″
″	Pay and Link Inc.	″	Internet services	1,000	1,000	100	100.00	488	(166)	(166)	″
″	PChome Store Inc.	14F., No.105, Sec. 2, Tun-Hwa S. Rd., Taipei	Internet services	84,770	84,770	8,477	59.91	246,397	77,148	46,219	″
″	PChomePay Inc.	12F., No.105, Sec. 2, Tun-Hwa S. Rd., Taipei	Information processing and provision of electronic information	50,000	50,000	5,000	100.00	37,014	(12,348)	(12,348)	″
″	PChome US Inc.	American California	E-commerce platform	116,490 (USD 4,000)	116,490 (USD 4,000)	40,000	90.91	72,164	(35,477)	(32,252)	″

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

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance As of December 31, 2012			Net Income (Loss) of the Investee	Investment Income (Loss) Recognized by the Investor Company	Note
				As of December 31, 2012	As of December 31, 2011	Shares	Percentage of Ownership	Carrying Amount			
PChome Online Inc.	eCommerce Group Co., Ltd.	P.O.Box 957.Offshore Incorporations Centre, Rood Town, Torola, British Virgin Islands.	Investment activities	10,533 (USD 350)	-	3,500	100.00	1,091	(9,319)	(9,319)	Note
PC Home Online International Co., Ltd.	PChome Online Inc.	Eland Trust (Cayman) Limited, PO Box 439GT, Grand Cayman, Cayman Islands	Investment activities	USD 729	USD 729	10,000	100.00	USD 476	USD (6)	USD (6)	〃
eCommerce Group Co., Ltd.	EC Global Inc.	Scotia Centre,4th Floor, P.O.BOX 2804,Georeg Town, Grand Cayman, Cayman Islands	Investment activities	USD 350	-	3,500	100.00	USD 41	USD (311)	USD (311)	〃
PChome Store Inc.	Liker Technology Inc.	24F., No.105, Sec. 2, Tun-Hwa S. Rd., Taipei	O2O (Online to offline) E-commerce	30,000	30,000	3,000	41.67	26,208	(20,306)	(8,505)	〃
PChome Online Inc.	PC Home Online (HK) Ltd.	Flat/RM504 4/F Winner House 310 King's Road North Point	Information service and indirect investment activities	HK 5,641	HK 5,641	5,641	100.00	HK 3,953	HK (122)	HK (122)	〃
EC Global Inc.	EC Global Limited	Room 511, 5 Tszlou, Building 1, No.30 Singang Center, Canton Road, Jianju, Kowloon	Investment activities	HK 2,719 (USD 350)	-	3,500	100.00	HK 357	HK (2,373)	HK (2,373)	〃
PC Home Online (HK) Ltd.	Shanghai Todo Inc.	Luwan District, Shanghai Jin Jiang Hotel 59 Maoming South Road, Jun Ling Building Room 1352	Software and internet technical consulting service	CNY 1,242 (USD 150)	CNY 1,242 (USD 150)	-	100.00	CNY 545	CNY (11)	CNY (11)	〃
EC Global Limited	PChome Trading (Shenzhen) Ltd.	Q Unit, 3/F Xibu Logistics Zhnogdian, No.88, Linhaihuo Ave., Nanshan District, Shenzhen	E-commerce on international trading	CNY 2,212 (USD 150)	-	-	100.00	CNY 322	CNY (1,890)	CNY (1,890)	〃

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

(ii) Loans to others: None

(iii)Endorsements and guarantees to others: None

(iv) Period-end marketable securities held

(Expressed in thousands of dollars and thousands of shares)

Holding Company	Name and Type of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	Ending Balance				Peak Holding Percentage		Note
				Shares/ Units	Shares/ Units	Percentage	Fair value	Shares/ Units	Percentage	
PC Home Online International Co., Ltd.	PChome Online Inc.	An investee company accounted for under the equity method	Long-term investments under equity method	10,000	USD 476	100.00	USD 476	10,000	100.00	Note
eCommerce Group Co., Ltd.	EC Global Inc.	〃	〃	3,500	USD 41	100.00	USD 41	3,500	100.00	"
PChome Store Inc.	Liker Technology Inc.	〃	〃	3,000	26,208	41.67	26,208	3,000	42.86	"
PChome Online Inc.	PC Home Online (HK) Ltd.	〃	〃	5,641	HK 3,953	100.00	HK 3,953	5,641	100.00	"
EC Global Inc.	EC Global Limited	〃	〃	3,500	HK 357	100.00	HK 357	3,500	100.00	"
PC Home Online (HK) Ltd.	Shanghai Todo Inc.	〃	〃	-	CNY 545	100.00	CNY 545	-	100.00	"
EC Global Limited	PChome Trading (Shenzhen) Ltd.	〃	〃	-	CNY 322	100.00	CNY 322	-	100.00	"

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

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

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

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

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

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

(x) Derivative transactions: None

(c) Information on Investments in Mainland China

(i) Investment-related information for mainland China

(Expressed in thousands of dollars)

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment (Note 1)	Accumulated Outflow of Investment from Taiwan (R.O.C.)	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2010	Percentage of Ownership	Investment Income (Loss) Recognized (Note 2(2))	Carrying Amount as of December 31, 2010	Accumulated Inward Remittance of Earnings as of December 31, 2010
					Outflow	Inflow					
Shanghai Todo Inc.	Software and internet technical consulting service	USD 150 (TWD 4,356)	(2)	USD 150 (TWD 4,356)	-	-	USD 150 (TWD 4,356)	100%	CNY (11) (TWD (52)) (2) 2	CNY 545 (TWD 2,521)	-
PChome Trading (Shenzhen) Ltd.	E-commerce on international trading	USD 350 (TWD 10,164)	(2)	-	USD 350 (TWD10,164)	-	USD 350 (TWD 10,164)	100%	CNY (1,890) (TWD (8,912)) (2) 2	CNY 322 (TWD 1,489)	-

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

Accumulated Investment in Mainland China as of December 31, 2012		Investment Amount Authorized by the Investment Commission, MOEA		Upper Limit on Investment (Note 4)
USD	500	USD	1,930	888,790
(NTD	14,520)	(NTD	56,047)	

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

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

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

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

(4) Direct investment in mainland China

(5) Other methods

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

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

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

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

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

3. Others

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

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

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

(d) Inter-company Business Relationships and Transactions

(i) As of December 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	11,056	Usual terms and condition	0.07 %
0	〃	〃	1	Purchase	54	〃	- %
0	〃	〃	1	Service Expense	3,373	No comparable counter-parties	0.02 %
0	〃	PChome eBay Co., Ltd.	1	Sales	5,191	Usual terms and condition	0.03 %
0	〃	〃	1	Advertisement Expense	2,400	No comparable counter-parties	0.02 %
0	〃	Rakuya International Info. Co. Ltd.	1	Sales	5,517	Usual terms and condition	0.04 %
0	〃	PChome Store Inc.	1	Sales	3,464	〃	0.02 %
0	〃	PChome US Inc.	1	Sales	16,655	〃	0.11 %
0	〃	PChome Trading (Shenzhen) Ltd.	1	Other financial asset – current	4,039	No comparable counter-parties	0.09 %
1	Linktel Inc.	PChome Online Inc.	2	Advertisement Expense	11,056	〃	0.07 %
1	〃	〃	2	Sales	3,427	Usual terms and condition	0.02 %
2	PChome eBay Co., Ltd.	〃	2	Advertisement Expense	5,191	No comparable counter-parties	0.03 %
2	〃	〃	2	Sales	2,400	Usual terms and condition	0.02 %
3	Rakuya International Info. Co. Ltd.	〃	2	Advertisement Expense	5,151	No comparable counter-parties	0.03 %
3	〃	〃	2	Purchase	366	Usual terms and condition	- %
4	PChome Store Inc.	〃 .	2	Advertisement Expense	2,091	No comparable counter-parties	0.01 %
4	〃	〃	2	Purchase	1,373	Usual terms and condition	0.01 %
5	PChome US Inc.	〃 .	2	Purchase	13,086	Usual terms and condition	0.09 %
5	〃	〃	2	Consultant Expense	3,569	No comparable counter-parties	0.02 %
6	PChome Trading (Shenzhen) Ltd..	〃	2	Accrued Expenses	4,039	〃	0.09 %

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

(ii) As of December 31, 2011

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

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

(1) Parent company labeled 0

(2) Subsidiaries labeled in number sequence from 1

Note 2: Relationship is classified into three types:

(1) Parent company to subsidiary

(2) Subsidiary to parent company

(3) Subsidiary to subsidiary

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

(12) Segment Financial Information

(a) General Information

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

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

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

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

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

2012	E-Commerce	Other	Adjustments and Elimination	Consolidated
Revenue				
Non-inter-company revenue	$ 13,384,428	1,585,385	-	14,969,813
Inter-company revenue	42,683	10,383	(53,066)	-
Interest revenue	6,272	8,793	-	15,065
Total Revenue	**$ 13,433,383**	**1,604,561**	**(53,066)**	**14,984,878**
Interest expense	1,062	-	-	1,062
Depreciation and amortization	51,125	31,846	-	82,971
Segment profit	**$ 391,655**	**115,176**	**(80,104)**	**426,727**
Assets				
Reportable segment assets	**$ 3,176,523**	**2,131,239**	**(1,013,789)**	**4,293,973**

2011	E-Commerce	Other	Adjustments and Elimination	Consolidated
Revenue				
Non-inter-company revenue	$ 12,321,847	1,371,639	-	13,693,486
Inter-company revenue	37,553	12,141	(49,694)	-
Interest revenue	5,325	4,586	-	9,911
Total Revenue	**$ 12,364,725**	**1,388,366**	**(49,694)**	**13,703,397**
Interest expense	2,775	-	-	2,775
Depreciation and amortization	36,477	24,179	-	60,656
Segment profit	**$ 408,077**	**128,513**	**(106,192)**	**430,398**
Assets				
Reportable segment assets	**$ 3,060,903**	**1,982,271**	**(971,966)**	**4,071,208**

(c) Enterprise-wide Disclosures

(i) Information about Products and Services

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

Product and Service	**2012**	**2011**
E-Commerce	$ 13,215,159	12,294,612
Other	1,745,671	369,929
Total	**$ 14,960,830**	**12,664,541**

(ii) Information about Geographic Areas: None

(iii) Information about Major Customers: None