

Stock Code: 8044

**PCHOME ONLINE INC. AND ITS SUBSIDIARIES
CONSOLIDATED INTERIM FINANCIAL STATEMENTS
SEPTEMBER 30, 2013 AND 2012
(WITH INDEPENDENT ACCOUNTANTS' REVIEW
REPORT THEREON)**

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Independent Accountants' Review Report

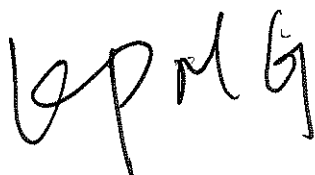
To the Board of Directors of PChome Online Inc.:

We have reviewed the accompanying Consolidated statement of financial position of PChome Online Inc. and its subsidiaries (the Group) as of September 30, 2013, December 31, 2012, September 30, 2012, and January 1, 2012, the consolidated statements of comprehensive income for the third quarter of 2013 and 2012 and for the nine months ended September 30, 2013 and 2012, and the consolidated statements of changes in equity and of cash flows for the nine months ended September 30, 2013 and 2012. The Company's management is responsible for the preparation and presentation of the consolidated financial statements. Our responsibility is to issue a report on these consolidated financial statements based on our reviews.

Except as described in the following paragraph, we reviewed these consolidated financial statements in accordance with the Statement of Auditing Standards No. 36 "Engagements to Review Financial Statements". A review is limited primarily to inquiries of company personnel and applying analytical procedures to financial data and thus provides less assurance than an audit. We have not performed an audit, and accordingly, we do not express an audit opinion.

Also included in the accompanying consolidated financial statements are the financial statements of certain subsidiaries which were not reviewed by independent accountants. These consolidated subsidiaries had total assets of NT\$383,008 thousand and NT\$413,897 thousand as of September 30, 2013 and 2012, constituting 8% and 10%, respectively, of the total consolidated assets. The total liabilities of these subsidiaries as of September 30, 2013 and 2012 amounted to NT\$83,022 thousand and NT\$41,874 thousand, constituting 3% and 2%, respectively, of the total consolidated liabilities. The comprehensive income (loss) of these subsidiaries the third quarter of 2013 and 2012 and for the nine months ended September 30, 2013 and 2012 amounted to NT\$(9,195) thousand, NT\$(17,371) thousand, NT\$(42,697) thousand and NT\$(67,151) thousand, constituting (7)%, (19)%, (11)% and (23)%, respectively, of the consolidated comprehensive income.

Based on our reviews, except for the effects of the adjustments, if any, that might have emerged had the financial statements of the said consolidated subsidiaries and the long-term equity investees been reviewed by independent accountants, we are not aware of any material modifications that should be made to the accompanying consolidated financial statements described in the first paragraph for them to be in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the guidelines of IFRS 1 "First-time Adoption of International Financial Reporting" and IAS 34 "Interim Financial Reporting" which are approved by the FSC.

A handwritten signature in black ink, appearing to be 'LPMG'.

November 14, 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 the International Financial Reporting Standards approved by the R.O.C. Financial Supervisory Commission and not those of any other jurisdictions. The standards, procedures and practices to review such financial statements are those generally accepted and applied in the Republic of China.

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

Reviewed only, not audited in accordance with generally accepted auditing standards

PCHOME ONLINE INC. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

SEPTEMBER 30, 2013, DECEMBER 31, 2012, SEPTEMBER 30, 2012, AND JANUARY 1, 2012

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

| ASSETS | 2013.9.30 | | 2012.12.31 | | 2012.9.30 | | 2012.1.1 | | LIABILITIES AND STOCKHOLDERS' EQUITY | 2013.9.30 | | 2012.12.31 | | 2012.9.30 | | 2012.1.1 | |
|--|---------------------|------------|------------------|------------|------------------|------------|------------------|------------|--|---------------------|------------|------------------|------------|------------------|------------|------------------|------------|
| | Amount | % | Amount | % | Amount | % | Amount | % | | Amount | % | Amount | % | Amount | % | Amount | % |
| Current Assets: | | | | | | | | | Current Liabilities: | | | | | | | | |
| Cash and cash equivalents (Note (6)(a)) | \$ 3,292,174 | 70 | 2,929,153 | 68 | 2,701,631 | 67 | 2,887,802 | 71 | Short-term debt (Note (6)(g)) | \$ - | - | - | - | - | - | 100,000 | 3 |
| Notes receivable, net (Note (6)(c)) | 5,681 | - | 9,168 | - | 9,691 | - | 9,684 | - | Notes payable | 5,789 | - | 9,443 | - | 6,762 | - | 8,797 | - |
| Accounts receivable, net (Notes (6)(c) and (6)(p)) | 325,568 | 7 | 362,673 | 9 | 287,563 | 8 | 272,106 | 7 | Accounts payable | 1,353,776 | 29 | 1,344,143 | 32 | 1,268,463 | 33 | 1,282,148 | 32 |
| Other receivables (Notes (6)(c) and (6)(p)) | 135,721 | 3 | 140,289 | 3 | 116,967 | 3 | 125,295 | 3 | Other payable | 411,443 | 9 | 396,914 | 9 | 334,791 | 8 | 391,121 | 10 |
| Inventories, net (Note (6)(d)) | 329,160 | 7 | 263,884 | 6 | 269,545 | 7 | 185,851 | 5 | Current tax liabilities | 57,945 | 1 | 17,045 | - | 6,973 | - | 58,357 | 1 |
| Other financial assets – current (Note (8)) | 215,011 | 5 | 218,111 | 5 | 208,100 | 5 | 238,000 | 6 | Other current liabilities (Note (6)(h)) | 834,882 | 18 | 662,150 | 16 | 649,585 | 17 | 547,722 | 13 |
| Other current assets | 39,759 | 1 | 13,516 | 1 | 32,598 | 1 | 12,765 | - | | 2,663,835 | 57 | 2,429,695 | 57 | 2,266,574 | 58 | 2,388,145 | 59 |
| | <u>4,343,074</u> | <u>93</u> | <u>3,936,794</u> | <u>92</u> | <u>3,626,095</u> | <u>91</u> | <u>3,731,503</u> | <u>92</u> | Non-current Liabilities: | | | | | | | | |
| Non-Current Assets: | | | | | | | | | Deferred income tax liabilities | 9,328 | - | 6,628 | - | 5,701 | - | 3,547 | - |
| Financial assets measured at cost – noncurrent (Note (6)(b)) | 36,061 | 1 | 36,061 | 1 | 40,763 | 1 | 40,763 | 1 | Accrued pension liabilities (Note (6)(j)) | 8,025 | - | 8,295 | - | 17,535 | - | 18,919 | - |
| Property, plant, and equipment (Note (6)(e)) | 174,423 | 3 | 215,691 | 5 | 217,152 | 5 | 175,166 | 4 | | 17,353 | - | 14,923 | - | 23,236 | - | 22,466 | - |
| Intangible assets (Note (6)(f)) | 13,225 | - | 16,443 | - | 15,501 | - | 12,015 | - | TOTAL LIABILITIES | <u>2,681,188</u> | <u>57</u> | <u>2,444,618</u> | <u>57</u> | <u>2,289,810</u> | <u>58</u> | <u>2,410,611</u> | <u>59</u> |
| Deferred income tax assets | 35,584 | 1 | 46,264 | 1 | 58,629 | 1 | 59,705 | 2 | Owners' Equity Attributable to Equity Holders of the Parent | | | | | | | | |
| Other financial assets – non-current (Note (8)) | 42,563 | 1 | 41,391 | 1 | 41,554 | 2 | 41,847 | 1 | Company: | | | | | | | | |
| Other non-current assets | 30,954 | 1 | 4,470 | - | 5,540 | - | 12,386 | - | Capital Stock: | | | | | | | | |
| | <u>332,810</u> | <u>7</u> | <u>360,320</u> | <u>8</u> | <u>379,139</u> | <u>9</u> | <u>341,882</u> | <u>8</u> | Common stock (Note (6)(l)) | 822,448 | 18 | 822,448 | 19 | 821,308 | 21 | 693,679 | 17 |
| | | | | | | | | | Advance receipts for common stock | - | - | - | - | - | - | 1,006 | - |
| | | | | | | | | | Capital Surplus (Note (6)(l)) | 61,573 | 1 | 55,977 | 1 | 55,587 | 1 | 38,964 | 1 |
| | | | | | | | | | Retained Earnings (Note (6)(l)): | | | | | | | | |
| | | | | | | | | | Legal reserve | 131,548 | 3 | 92,383 | 2 | 92,383 | 2 | 51,575 | 1 |
| | | | | | | | | | Special reserve | 1,155 | - | - | - | - | - | 1,942 | - |
| | | | | | | | | | Retained earnings – unappropriated | 569,644 | 12 | 501,745 | 12 | 374,985 | 9 | 509,791 | 13 |
| | | | | | | | | | Other Equity (Note (6)(l)): | | | | | | | | |
| | | | | | | | | | Foreign currency differences arising from the foreign operations' | | | | | | | | |
| | | | | | | | | | financial statements | 139 | - | (1,011) | - | (600) | - | 2,290 | - |
| | | | | | | | | | Treasury stock | - | - | - | - | - | - | (2,512) | - |
| | | | | | | | | | Total owners' equity attributable to equity holders of the parent | | | | | | | | |
| | | | | | | | | | company | <u>1,586,507</u> | <u>34</u> | <u>1,471,542</u> | <u>34</u> | <u>1,343,663</u> | <u>33</u> | <u>1,296,735</u> | <u>32</u> |
| | | | | | | | | | Non-controlling interest | 408,189 | 9 | 380,954 | 9 | 371,761 | 9 | 366,039 | 9 |
| | | | | | | | | | TOTAL STOCKHOLDERS' EQUITY | <u>1,994,696</u> | <u>43</u> | <u>1,852,496</u> | <u>43</u> | <u>1,715,424</u> | <u>42</u> | <u>1,662,774</u> | <u>41</u> |
| TOTAL ASSETS | <u>\$ 4,675,884</u> | <u>100</u> | <u>4,297,114</u> | <u>100</u> | <u>4,005,234</u> | <u>100</u> | <u>4,073,385</u> | <u>100</u> | TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | <u>\$ 4,675,884</u> | <u>100</u> | <u>4,297,114</u> | <u>100</u> | <u>4,005,234</u> | <u>100</u> | <u>4,073,385</u> | <u>100</u> |

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

Reviewed only, not audited in accordance with generally accepted auditing standards

PCHOME ONLINE INC. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE THIRD QUARTER OF 2013 AND 2012 AND FOR THE NINE MONTHS ENDED SEPTEMBER 30,
2013 AND 2012

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

| | Third Quarter of 2013 | | Third Quarter of 2012 | | For the nine months ended September 30, 2013 | | For the nine months ended September 30, 2012 | |
|---|--------------------------|-----------|--------------------------|-----------|---|-----------|---|-----------|
| | Amount | % | Amount | % | Amount | % | Amount | % |
| Operating revenues | \$ 4,220,105 | 102 | 3,823,673 | 102 | 12,103,447 | 102 | 11,200,202 | 102 |
| Less: Sales returns, discounts and allowances | <u>80,820</u> | <u>2</u> | <u>77,676</u> | <u>2</u> | <u>243,781</u> | <u>2</u> | <u>217,789</u> | <u>2</u> |
| Net sales | 4,139,285 | 100 | 3,745,997 | 100 | 11,859,666 | 100 | 10,982,413 | 100 |
| Operating costs (Note (6)(d)) | <u>3,440,651</u> | <u>83</u> | <u>3,136,587</u> | <u>84</u> | <u>9,859,882</u> | <u>83</u> | <u>9,196,258</u> | <u>84</u> |
| Gross margin | <u>698,634</u> | <u>17</u> | <u>609,410</u> | <u>16</u> | <u>1,999,784</u> | <u>17</u> | <u>1,786,155</u> | <u>16</u> |
| Operating expenses: | | | | | | | | |
| Selling expenses | 409,127 | 10 | 403,601 | 11 | 1,178,176 | 10 | 1,140,992 | 10 |
| General and administrative expenses | 83,909 | 2 | 68,208 | 2 | 237,727 | 2 | 214,519 | 2 |
| Research and development expenses | <u>39,649</u> | <u>1</u> | <u>34,462</u> | <u>1</u> | <u>109,993</u> | <u>1</u> | <u>100,353</u> | <u>1</u> |
| Total operating expenses | <u>532,685</u> | <u>13</u> | <u>506,271</u> | <u>14</u> | <u>1,525,896</u> | <u>13</u> | <u>1,455,864</u> | <u>13</u> |
| Income from operations | <u>165,949</u> | <u>4</u> | <u>103,139</u> | <u>2</u> | <u>473,888</u> | <u>4</u> | <u>330,291</u> | <u>3</u> |
| Non-operating income and expenses (Note (6)(o)): | | | | | | | | |
| Other revenue | 4,352 | - | 4,955 | - | 18,568 | - | 15,852 | - |
| Other gains and losses | (1,630) | - | (873) | - | (389) | - | (1,678) | - |
| Finance costs | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(1,058)</u> | <u>-</u> |
| Total non-operating income and expenses | <u>2,722</u> | <u>-</u> | <u>4,082</u> | <u>-</u> | <u>18,179</u> | <u>-</u> | <u>13,116</u> | <u>-</u> |
| Profit before tax from continuing operations | 168,671 | 4 | 107,221 | 2 | 492,067 | 4 | 343,407 | 3 |
| Less: Income tax expense (Note (6)(k)) | <u>31,208</u> | <u>1</u> | <u>14,574</u> | <u>-</u> | <u>101,352</u> | <u>1</u> | <u>44,315</u> | <u>-</u> |
| Profit | <u>137,463</u> | <u>3</u> | <u>92,647</u> | <u>2</u> | <u>390,715</u> | <u>3</u> | <u>299,092</u> | <u>3</u> |
| Other comprehensive income: | | | | | | | | |
| Foreign currency translation differences | (1,001) | - | (1,413) | - | 1,231 | - | (3,176) | - |
| Less: Other comprehensive income as tax expense | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Other comprehensive income (net of tax) | <u>(1,001)</u> | <u>-</u> | <u>(1,413)</u> | <u>-</u> | <u>1,231</u> | <u>-</u> | <u>(3,176)</u> | <u>-</u> |
| Total comprehensive income | <u>\$ 136,462</u> | <u>3</u> | <u>91,234</u> | <u>2</u> | <u>391,946</u> | <u>3</u> | <u>295,916</u> | <u>3</u> |
| Profit attributable to: | | | | | | | | |
| Owners of parent | \$ 123,751 | 3 | 83,416 | 2 | 354,197 | 3 | 274,040 | 3 |
| Non-controlling interest | <u>13,712</u> | <u>-</u> | <u>9,231</u> | <u>-</u> | <u>36,518</u> | <u>-</u> | <u>25,052</u> | <u>-</u> |
| | <u>\$ 137,463</u> | <u>3</u> | <u>92,647</u> | <u>2</u> | <u>390,715</u> | <u>3</u> | <u>299,092</u> | <u>3</u> |
| Comprehensive income attributable to: | | | | | | | | |
| Owners of parent | \$ 122,820 | 3 | 82,123 | 2 | 355,347 | 3 | 271,150 | 3 |
| Non-controlling interest | <u>13,642</u> | <u>-</u> | <u>9,111</u> | <u>-</u> | <u>36,599</u> | <u>-</u> | <u>24,766</u> | <u>-</u> |
| | <u>\$ 136,462</u> | <u>3</u> | <u>91,234</u> | <u>2</u> | <u>391,946</u> | <u>3</u> | <u>295,916</u> | <u>3</u> |
| Earnings per share (Note (6)(n)) | | | | | | | | |
| Basic earnings per share (dollars) | <u>\$ 1.50</u> | | <u>1.02</u> | | <u>4.31</u> | | <u>3.34</u> | |
| Diluted earnings per share (dollars) | <u>\$ 1.50</u> | | <u>1.01</u> | | <u>4.29</u> | | <u>3.29</u> | |

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

Reviewed only, not audited in accordance with generally accepted auditing standards

PCHOME ONLINE INC. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2013 AND 2012
(All Amounts Expressed in Thousands of New Taiwan Dollars, Except for Share Data)

| | Owners' Equity Attributable to Equity Holders of the Parent Company | | | | | | | | | | |
|--|---|-----------------------------------|-------------------|----------------|-----------------|------------------------------------|---|----------------|---|--------------------------|------------------|
| | Stock | | Retained Earnings | | | | Other Equity | | Total Owners' Equity Attributable to Equity Holders of the Parent Company | Non-controlling Interest | Total |
| | Common Stock | Advance Receipts for Common Stock | Capital Surplus | Legal Reserve | Special Reserve | Retained Earnings - Unappropriated | Foreign Currency Translation Differences for Operations, Net of Tax | Treasury Stock | | | |
| Balance as of January 1, 2012 | \$ 693,679 | 1,006 | 38,964 | 51,575 | 1,942 | 509,791 | 2,290 | (2,512) | 1,296,735 | 366,039 | 1,662,774 |
| Net income | - | - | - | - | - | 274,040 | - | - | 274,040 | 25,052 | 299,092 |
| Other comprehensive income | - | - | - | - | - | - | (2,890) | - | (2,890) | (286) | (3,176) |
| Total comprehensive income | - | - | - | - | - | 274,040 | (2,890) | - | 271,150 | 24,766 | 295,916 |
| Earnings distribution: | | | | | | | | | | | |
| Legal reserve | - | - | - | 40,808 | - | (40,808) | - | - | - | - | - |
| Cash dividends | - | - | - | - | - | (258,100) | - | - | (258,100) | (22,714) | (280,814) |
| Stock dividends | 110,614 | - | - | - | - | (110,614) | - | - | - | - | - |
| Special reverse | - | - | - | - | (1,942) | 1,942 | - | - | - | - | - |
| Change in other capital surplus: | | | | | | | | | | | |
| Treasury stock retired | (1,060) | - | (186) | - | - | (1,266) | - | 2,512 | - | - | - |
| Difference between consideration and carrying amount of subsidiaries disposed of | - | - | 2,330 | - | - | - | - | - | 2,330 | 652 | 2,982 |
| Share-based payment | 18,075 | (1,006) | 14,479 | - | - | - | - | - | 31,548 | - | 31,548 |
| Change in non-controlling interest | - | - | - | - | - | - | - | - | - | 3,018 | 3,018 |
| Balance as of September 30, 2012 | \$ 821,308 | - | 55,587 | 92,383 | - | 374,985 | (600) | - | 1,343,663 | 371,761 | 1,715,424 |
| Balance as of January 1, 2013 | \$ 822,448 | - | 55,977 | 92,383 | - | 501,745 | (1,011) | - | 1,471,542 | 380,954 | 1,852,496 |
| Net income | - | - | - | - | - | 354,197 | - | - | 354,197 | 36,518 | 390,715 |
| Other comprehensive income | - | - | - | - | - | - | 1,150 | - | 1,150 | 81 | 1,231 |
| Total comprehensive income | - | - | - | - | - | 354,197 | 1,150 | - | 355,347 | 36,599 | 391,946 |
| Earnings distribution: | | | | | | | | | | | |
| Legal reserve | - | - | - | 39,165 | - | (39,165) | - | - | - | - | - |
| Special reserve | - | - | - | - | 1,155 | (1,155) | - | - | - | - | - |
| Cash dividends | - | - | - | - | - | (245,935) | - | - | (245,935) | (13,918) | (259,853) |
| Difference between consideration and carrying amount of subsidiaries disposed of | - | - | 5,596 | - | - | (43) | - | - | 5,553 | - | 5,553 |
| Change in non-controlling interest | - | - | - | - | - | - | - | - | - | 4,554 | 4,554 |
| Balance as of September 30, 2013 | \$ 822,448 | - | 61,573 | 131,548 | 1,155 | 569,644 | 139 | - | 1,586,507 | 408,189 | 1,994,696 |

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

Reviewed only, not audited in accordance with generally accepted auditing standards

**PCHOME ONLINE INC. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS**

FOR THE NINE MONTH ENDED SEPTEMBER 30, 2013 AND 2012

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

| | For the nine months ended September 30, | |
|--|--|------------------|
| | 2013 | 2012 |
| Cash flows from operating activities: | | |
| Profit before tax | \$ 492,067 | 343,407 |
| Adjustments: | | |
| Adjustments to reconcile net income to net cash provided by operating activities | | |
| Depreciation | 65,669 | 54,588 |
| Amortization | 5,549 | 5,036 |
| Provision for doubtful accounts | 3,309 | 2,877 |
| Interest expense | - | 1,058 |
| Interest revenue | (11,992) | (10,802) |
| Dividends revenue | (1,333) | (1,883) |
| Loss (gain) on disposal and retirement of property, plant and equipment, net | 687 | (6) |
| Total adjustments to reconcile net income to net cash provided by operating activities | <u>61,889</u> | <u>50,868</u> |
| Changes in operating assets and liabilities: | | |
| Changes in operating assets, net: | | |
| Decrease (increase) in notes receivable | 3,487 | (7) |
| Decrease (increase) in accounts receivable | 33,031 | (21,455) |
| Decrease in other receivables | 5,930 | 12,467 |
| Inventories | (65,276) | (83,694) |
| Increase in other current assets | (22,150) | (24,405) |
| Total changes in operating assets, net | <u>(44,978)</u> | <u>(117,094)</u> |
| Changes in operating liabilities, net: | | |
| Decrease in notes payable | (4,583) | (2,035) |
| Increase (decrease) in accounts payable | 9,473 | (13,611) |
| Increase (decrease) in other payable | 11,150 | (24,876) |
| Increase in other current liabilities | 176,244 | 81,305 |
| Decrease in accrued pension liabilities | (1,579) | - |
| Total changes in operating liabilities, net | <u>190,705</u> | <u>40,783</u> |
| Total changes in operating assets and liabilities, net | <u>145,727</u> | <u>(76,311)</u> |
| Total Adjustments | <u>207,616</u> | <u>(25,443)</u> |
| Cash inflow generated from operations | 699,683 | 317,964 |
| Interest received | 11,297 | 10,802 |
| Dividends received | 1,333 | 1,883 |
| Interest paid | - | (1,058) |
| Income tax paid | (48,974) | (91,904) |
| Net cash provided by operating activities | <u>663,339</u> | <u>237,687</u> |
| Cash flows from investing activities: | | |
| Purchase of property, plant and equipment | (26,183) | (97,327) |
| Disposal of property, plant and equipment | 1,180 | 937 |
| Purchase of intangible assets | (2,331) | (10,026) |
| Decrease in other financial assets | 1,928 | 30,090 |
| Other non-current assets | (21,985) | - |
| Net cash used in investing activities | <u>(47,391)</u> | <u>(76,326)</u> |
| Cash flows from financing activities: | | |
| Decrease in short-term debt | - | (100,000) |
| Dividends paid | (259,853) | (280,814) |
| Execution of employee share options | - | 31,548 |
| Change in non-controlling interest | 5,630 | 6,000 |
| Net cash used in financing activities | <u>(254,223)</u> | <u>(343,266)</u> |
| Foreign exchange rate effects | 1,296 | (4,266) |
| Net increase in cash and cash equivalents | 363,021 | (186,171) |
| Cash and cash equivalents, beginning of period | <u>2,929,153</u> | <u>2,887,802</u> |
| Cash and cash equivalents, end of period | <u>\$ 3,292,174</u> | <u>2,701,631</u> |

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

Reviewed only, not audited in accordance with generally accepted auditing standards

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(1) Organization and Business

PChome Online Inc. (the Company) was incorporated on July 14, 1998. The primary business scope of the Company and its subsidiaries (together referred to as the Group) includes software design, digital information supply, data processing, and wholesaling and retailing of office machinery, equipment, and information software.

On August 30, 2004, the board of directors of the GreTai Securities Market approved the Company's application for stock listing, and it 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 September 30, 2013 and 2012, the Group had 1,249 and 1,114 employees, respectively.

(2) Approval Date and Procedures of the Consolidated Financial Statements

The board of directors released the consolidated interim quarterly financial statements on November 14, 2013.

(3) New Standards and Interpretations Not Yet Adopted

Except as described in the following paragraph, the Group assesses the impact of the new standards and interpretations not yet adopted in compliance with the same guidelines applied in note 3 of the consolidated interim financial statements for the first quarter of 2013.

A summary of the new standards and amendments issued recently by the IASB that may have an impact on the consolidated financial statements, but not yet endorsed by the R.O.C. Financial Supervisory Commission ("FSC"), and whose effective date in Taiwan has not been announced as of the reporting date:

| <u>Issue date</u> | <u>New standards and amendments</u> | <u>Description</u> | <u>Effective date per IASB</u> |
|-------------------|-------------------------------------|--|--------------------------------|
| May 20, 2013 | IFRIC 21 Levies | Per this interpretation for levies imposed by governments, if the Group adopts IAS 37 Provisions, Contingent Liabilities and Contingent Assets, it should recognize the liability's timing and accounting treatment. | January 1, 2014 |

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| <u>Issue date</u> | <u>New standards and amendments</u> | <u>Description</u> | <u>Effective date per IASB</u> |
|-------------------|--------------------------------------|---|--|
| May 29, 2013 | Amended IAS 36 Impairment of Assets | Per amendments to IAS 36 published in January 2013, an entity was required to disclose the recoverable amount for each cash-generating unit for which the carrying amount of goodwill or intangible assets with indefinite useful lives allocated to that unit is significant in comparison with the entity's total carrying amount of goodwill or intangible assets with indefinite useful lives. This provision is amended so that the recoverable amount is required to be disclosed only when an impairment loss has been recognized or reversed. In addition, if the recoverable amount is based on fair value less costs of disposal, it is required to disclose the valuation technique(s) used for fair value measurements categorized within Levels 2 and 3 of the fair value hierarchy, and the key valuation assumptions made. | January 1, 2014; earlier application is permitted. |
| June 27, 2013 | Amended IAS 39 Financial Instruments | Per IASB published amendments to IAS 39 Financial Instruments: Recognition and Measurement entitled Novation of Derivatives and Continuation of Hedge Accounting, if the novation is made as a consequence of laws or regulations and results in one or more clearing counterparties becoming the new counterparty to each of the original parties to the novated derivative, then continue hedge accounting (under current law, unless hedge documents prescribe otherwise, discontinue hedge accounting). | January 1, 2014; earlier application is permitted. |

The Group is still assessing the impact at the time of implementation of the abovementioned new standards and interpretations on note 3 of the consolidated interim financial statements for the first quarter of 2013.

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(4) Significant Accounting Policies

(a) Statement of compliance

These consolidated interim financial statements have been prepared in accordance with the guidelines of IAS 34 Interim Financial Reporting which are approved by the FSC and do not include all of the information required for full annual financial statements.

These are the Group's first IFRS consolidated interim financial statements for the period covered by the first IFRS (approved by the FSC) annual financial statements, and IFRS 1 First-time Adoption of International Financial Reporting Standards has been applied. An explanation of how the transition to IFRSs has affected the reported financial position, financial performance, and cash flows of the Group is provided in note 15.

Except as described in the following paragraph, the significant accounting policies applied in the preparation of the consolidated financial statements are applied consistently for the consolidated interim financial statements for the first quarter of 2013 and for all periods presented in these consolidated interim financial statements and have been applied consistently to the IFRS (approved by the FSC) consolidated statement of financial position as of January 1, 2012. For other information, please refer to note 4 of the consolidated interim financial statements for the first quarter of 2013.

(b) Business combination

The principles applied in the preparation of the consolidated financial statements are consistent with the consolidated interim financial statements for the first quarter of 2013. For information about the principles, please refer to note 4(c) of the consolidated interim financial statements for the first quarter of 2013.

1. List of subsidiaries in the consolidated financial statements:

| Name of investor | Name of subsidiary | Principal activity | Shareholding | | | | Note |
|------------------|--|--|--------------|------------|-----------|----------|------|
| | | | 2013.9.30 | 2012.12.31 | 2012.9.30 | 2012.1.1 | |
| The Company | IT Home Publications Inc. | Magazine publication | 100.00 % | 100.00 % | 100.00 % | 100.00 % | |
| " | Linktel Inc. | Type II Telecommunications Business | 100.00 % | 100.00 % | 100.00 % | 100.00 % | |
| " | PC Home Online International Co., Ltd. | International trade and investment activities | 100.00 % | 100.00 % | 100.00 % | 100.00 % | |
| " | PChome US Inc. | E-commerce platform | 90.91 % | 90.91 % | 90.91 % | 90.91 % | |
| " | PChome eBay Co., Ltd. | Information processing and provision of electronic information | 65.00 % | 65.00 % | 65.00 % | 65.00 % | |

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| Name of investor | Name of subsidiary | Principal activity | Shareholding | | | | Note |
|--|-------------------------------------|--|--------------|------------|-----------|----------|--------|
| | | | 2013.9.30 | 2012.12.31 | 2012.9.30 | 2012.1.1 | |
| The Company | Rakuya International Info. Co. Ltd. | Real estate business, and internet information rental service | 22.04 % | 21.99 % | 21.99 % | 21.99 % | Note 1 |
| " | Pay and Link Inc. | Internet services | 100.00 % | 100.00 % | 100.00 % | 100.00 % | |
| " | Liker Technology Inc. | O2O (Online to Offline) E-commerce | 34.72 % | 34.72 % | 34.72 % | 35.71 % | Note 2 |
| " | PChomePay Inc. | Information processing and provision of electronic information | 62.50 % | 100.00 % | 100.00 % | 100.00 % | |
| " | Orange Network Inc. | Online television media business | 100.00 % | 100.00 % | 100.00 % | 100.00 % | Note 3 |
| " | PChome Travel Inc. | Travel agency business | - | - | 100.00 % | 100.00 % | Note 4 |
| " | PChome Store Inc. | Internet services | 59.91 % | 59.91 % | 59.91 % | 59.91 % | |
| " | eCommerce Group Co., Ltd. | Investment activities | 100.00 % | 100.00 % | 100.00 % | - | |
| PChome Store Inc. | Liker Technology Inc. | O2O (Online to Offline) E-commerce | 41.67 % | 41.67 % | 41.67 % | 42.86 % | Note 2 |
| PChome eBay Co., Ltd. | PChomePay Inc. | Information processing and provision of electronic information | 30.00 % | - | - | - | |
| PC Home Online International Co., Ltd. | PChome Online Inc. | International trade and investment activities | 100.00 % | 100.00 % | 100.00 % | 100.00 % | |
| eCommerce Group Co., Ltd. | EC Global Inc. | Investment activities | 100.00 % | 100.00 % | 100.00 % | - | |
| PChome Online Inc. | PC Home Online (HK) Ltd. | Information service and indirect investment activities | 100.00 % | 100.00 % | 100.00 % | 100.00 % | |
| EC Global Inc. | EC Global Limited | Investment activities | 100.00 % | 100.00 % | 100.00 % | - | |

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| Name of investor | Name of subsidiary | Principal activity | Shareholding | | | | Note |
|--------------------------|--------------------------------|--|--------------|------------|-----------|----------|------|
| | | | 2013.9.30 | 2012.12.31 | 2012.9.30 | 2012.1.1 | |
| PC Home Online (HK) Ltd. | Shanghai Todo Inc. | Software and internet technical consulting service | 100.00 % | 100.00 % | 100.00 % | 100.00 % | |
| EC Global Limited | PChome Trading (Shenzhen) Ltd. | International trading E-commerce | 100.00 % | 100.00 % | 100.00 % | - | |
| " | PChome Japan KK | " | 100.00 % | - | - | - | |

Note 1: Although the Company holds less than 50% of Rakuya International Info. Co. Ltd.'s outstanding equity shares, it has control over Rakuya International Info. Co. Ltd.'s finance, operations, and employment decisions. Therefore, it was included in the consolidated financial statements.

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

Note 3: On September 7, 2012, a resolution was approved by the shareholders of the investee company (Orange Network Inc.) for dissolution. As of September 30, 2013, the investee company was in the liquidation process.

Note 4: On October 16, 2012, PChome Travel Inc. completed the dissolution.

2. List of subsidiaries which are not included in the consolidated interim financial statements:
None.

(5) Major Sources of Accounting Assumptions, Judgments and Estimation Uncertainty

The preparation of the consolidated quarterly financial statements in conformity with IFRSs (in accordance with IAS 34 "Interim Financial Reporting" and approved by the FSC) requires management to make judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

The principles of preparation of the consolidated interim financial statements and the related significant estimates and underlying assumptions are consistent with note 5 of the consolidated interim financial statements for the first quarter of 2013, and the principles applied are expected to be in conformity with the first IFRS (approved by the FSC) consolidated annual financial statements.

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(6) Summary of Major Accounts

Except as described in the following paragraph, there were no significant changes in significant accounting policies as compared to the first quarter of 2013 consolidated interim financial statements. For other information about the accounting policies, please refer to note 6 of the consolidated interim financial statements for the first quarter of 2013.

(a) Cash and cash equivalents

| | <u>2013.9.30</u> | <u>2012.12.31</u> | <u>2012.9.30</u> | <u>2012.1.1</u> |
|---|---------------------|-------------------|------------------|------------------|
| Cash on hand | \$ 275 | 198 | 226 | 182 |
| Checking accounts | 9,734 | 22,193 | 31,840 | 9,347 |
| Savings accounts | 2,111,687 | 1,948,962 | 1,648,118 | 2,054,781 |
| Foreign currency deposits | 126,298 | 85,846 | 213,694 | 72,903 |
| Time deposits | 1,035,700 | 865,200 | 800,700 | 745,050 |
| Cash equivalents | <u>8,480</u> | <u>6,754</u> | <u>7,053</u> | <u>5,539</u> |
| Cash and cash equivalents in consolidated statement of cash flows | <u>\$ 3,292,174</u> | <u>2,929,153</u> | <u>2,701,631</u> | <u>2,887,802</u> |

The time deposits with maturities of less than one year are used for short-term cash commitments instead of investment and are subject to an insignificant risk of changes in their fair value, and are classified as cash and cash equivalents.

(b) Financial assets

Financial assets measured at cost:

| | <u>2013.9.30</u> | <u>2012.12.31</u> | <u>2012.9.30</u> | <u>2012.1.1</u> |
|--------------------------------------|------------------|-------------------|------------------|-----------------|
| Domestic stock of non-listed company | <u>\$ 36,061</u> | <u>36,061</u> | <u>40,763</u> | <u>40,763</u> |

The aforementioned investments held by the Group are measured at amortized cost at year-end given the range of reasonable fair value estimates is large and the probability for each estimate cannot be reasonably determined. Therefore, the Group management has determined that the fair value cannot be measured reliably.

As of September 30, 2013, December 31, 2012, September 30, 2012, and January 1, 2012, the Group's financial assets were not pledged as collateral.

(c) Notes and accounts receivable, net

| | <u>2013.9.30</u> | <u>2012.12.31</u> | <u>2012.9.30</u> | <u>2012.1.1</u> |
|-------------------------------------|-------------------|-------------------|------------------|-----------------|
| Notes receivable | \$ 5,681 | 9,168 | 9,691 | 9,684 |
| Accounts receivable | 331,697 | 369,673 | 297,309 | 288,862 |
| Other receivables | 135,721 | 140,289 | 116,967 | 125,295 |
| Less: Allowance for impairment loss | <u>(6,129)</u> | <u>(7,000)</u> | <u>(9,746)</u> | <u>(16,756)</u> |
| | <u>\$ 466,970</u> | <u>512,130</u> | <u>414,221</u> | <u>407,085</u> |

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The movement in the allowance for impairment loss with respect to accounts receivable and other receivables for the nine months ended September 30, 2013 and 2012, was as follows:

| | | |
|-------------------------------|-----------|---------------------|
| Balance at January 1, 2013 | \$ | 7,000 |
| Impairment loss recognized | | 3,309 |
| Amount of write-off | | <u>(4,180)</u> |
| Balance at September 30, 2013 | \$ | <u>6,129</u> |
| Balance at January 1, 2012 | \$ | 16,756 |
| Impairment loss recognized | | 2,877 |
| Amount of write-off | | <u>(9,887)</u> |
| Balance at September 30, 2012 | \$ | <u>9,746</u> |

(d) Inventories

| | <u>2013.9.30</u> | <u>2012.12.31</u> | <u>2012.9.30</u> | <u>2012.1.1</u> |
|--|--------------------------|-----------------------|-----------------------|-----------------------|
| Merchandise inventories | \$ 333,262 | 265,057 | 271,759 | 188,079 |
| Less: Allowance for inventory valuation and obsolescence losses | <u>(4,102)</u> | <u>(1,173)</u> | <u>(2,214)</u> | <u>(2,228)</u> |
| | <u>\$ 329,160</u> | <u>263,884</u> | <u>269,545</u> | <u>185,851</u> |

As of September 30, 2013, December 31, 2012, September 30, 2012, and January 1, 2012, the Group's inventories were not pledged as collateral.

The details of operating cost were as follows:

| | <u>Third Quarter of 2013</u> | <u>Third Quarter of 2012</u> | <u>For the nine months ended September 30, 2013</u> | <u>For the nine months ended September 30, 2012</u> |
|---|--------------------------------------|--------------------------------------|---|---|
| Cost of goods sold | \$ 3,439,311 | 3,135,743 | 9,856,799 | 9,193,510 |
| Provision (reversal of provision) for inventory market price decline and obsolescence | 1,186 | 749 | 2,929 | (14) |
| Loss on inventory obsolescence | - | - | - | 2,198 |
| Loss on disposal of scrap | <u>154</u> | <u>97</u> | <u>154</u> | <u>566</u> |
| | <u>\$ 3,440,651</u> | <u>3,136,589</u> | <u>9,859,882</u> | <u>9,196,260</u> |

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(e) Property, plant and equipment

The cost and depreciation and impairment loss of the property, plant and equipment of the Group for the nine months ended September 30, 2013 and 2012, were as follows:

| | <u>Transportation equipment</u> | <u>Furniture and office equipment</u> | <u>Leasehold improvements</u> | <u>Total</u> |
|---------------------------------------|-------------------------------------|---|-----------------------------------|----------------|
| Cost: | | | | |
| Balance at January 1, 2013 | \$ 4,176 | 454,716 | 154,384 | 613,276 |
| Additions | - | 19,892 | 6,291 | 26,183 |
| Disposals | (2,101) | (1,512) | (1,513) | (5,126) |
| Effect of movements in exchange rates | <u>58</u> | <u>50</u> | <u>23</u> | <u>131</u> |
| Balance at September 30, 2013 | <u>\$ 2,133</u> | <u>473,146</u> | <u>159,185</u> | <u>634,464</u> |
| Balance at January 1, 2012 | \$ 4,355 | 403,126 | 97,535 | 505,016 |
| Additions | - | 46,726 | 50,601 | 97,327 |
| Transferred from prepayments | - | - | 358 | 358 |
| Disposals | - | (1,965) | (201) | (2,166) |
| Effect of movements in exchange rates | <u>(141)</u> | <u>(4)</u> | <u>(43)</u> | <u>(188)</u> |
| Balance at September 30, 2012 | <u>\$ 4,214</u> | <u>447,883</u> | <u>148,250</u> | <u>600,347</u> |
| Depreciation and impairment loss: | | | | |
| Balance at January 1, 2013 | \$ 859 | 311,339 | 85,387 | 397,585 |
| Depreciation for the year | 375 | 43,380 | 21,914 | 65,669 |
| Disposals | (582) | (1,469) | (1,208) | (3,259) |
| Effect of movements in exchange rates | <u>13</u> | <u>20</u> | <u>13</u> | <u>46</u> |
| Balance at September 30, 2013 | <u>\$ 665</u> | <u>353,270</u> | <u>106,106</u> | <u>460,041</u> |
| Balance at January 1, 2012 | \$ 169 | 268,027 | 61,654 | 329,850 |
| Depreciation for the year | 527 | 38,084 | 15,977 | 54,588 |
| Disposals | - | (1,125) | (110) | (1,235) |
| Effect of movements in exchange rates | <u>(5)</u> | <u>1</u> | <u>(4)</u> | <u>(8)</u> |
| Balance at September 30, 2012 | <u>\$ 691</u> | <u>304,987</u> | <u>77,517</u> | <u>383,195</u> |
| Carrying amounts: | | | | |
| At January 1, 2013 | <u>\$ 3,317</u> | <u>143,377</u> | <u>68,997</u> | <u>215,691</u> |
| At September 30, 2013 | <u>\$ 1,468</u> | <u>119,876</u> | <u>53,079</u> | <u>174,423</u> |
| At January 1, 2012 | <u>\$ 4,186</u> | <u>135,099</u> | <u>35,881</u> | <u>175,166</u> |
| At September 30, 2012 | <u>\$ 3,523</u> | <u>142,896</u> | <u>70,733</u> | <u>217,152</u> |

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(f) Intangible assets

The costs and amortization and impairment loss of intangible assets of the Group for the nine months ended September 30, 2013 and 2012, were as follows:

| | <u>Software</u> |
|-------------------------------|-------------------------|
| Carrying amounts: | |
| Balance at January 1, 2013 | \$ <u><u>16,443</u></u> |
| Balance at September 30, 2013 | \$ <u><u>13,225</u></u> |
| Balance at January 1, 2012 | \$ <u><u>12,015</u></u> |
| Balance at September 30, 2012 | \$ <u><u>15,501</u></u> |

There were no significant additions, disposals or impairment in intangible assets for the nine months ended September 30, 2013 and 2012. The details of amortization expenses are disclosed in Note 12. For other information about the intangible assets, please refer to note 6(f) of the consolidated interim financial statements for the first quarter of 2013.

(g) Short-term debt

Details of loans and borrowings are as follows:

| | <u>Currency</u> | <u>Nominal interest rate</u> | <u>Year of maturity</u> | <u>2013.9.30</u> | <u>2012.12.31</u> | <u>2012.9.30</u> | <u>2012.1.1</u> |
|----------------------|-----------------|------------------------------|-------------------------|--------------------|-------------------|------------------|-----------------------|
| Unsecured bank loans | TWD | 2.84% | 2012 | \$ <u><u>-</u></u> | <u><u>-</u></u> | <u><u>-</u></u> | <u><u>100,000</u></u> |

The above-mentioned loan was repaid early in May 2012.

(h) Other current liabilities

| | <u>2013.9.30</u> | <u>2012.12.31</u> | <u>2012.9.30</u> | <u>2012.1.1</u> |
|------------------------|-------------------|-------------------|------------------|-----------------|
| Advance receipts | \$ 246,104 | 218,570 | 242,916 | 233,382 |
| Receipts under custody | 582,363 | 439,615 | 399,433 | 309,740 |
| Other | <u>6,415</u> | <u>3,965</u> | <u>7,236</u> | <u>4,600</u> |
| | <u>\$ 834,882</u> | <u>662,150</u> | <u>649,585</u> | <u>547,722</u> |

The Group received the advance receipts from consumers who purchased goods or online service points.

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

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(i) Operating leases

Non-cancellable operating lease rentals are payable as follows:

| | <u>2013.9.30</u> | <u>2012.12.31</u> | <u>2012.9.30</u> | <u>2012.1.1</u> |
|----------------------------|-------------------|-------------------|------------------|-----------------|
| Less than one year | \$ 149,515 | 141,059 | 169,226 | 131,190 |
| Between one and five years | 201,618 | 172,890 | 220,711 | 124,220 |
| | <u>\$ 351,133</u> | <u>313,949</u> | <u>389,937</u> | <u>255,410</u> |

The Group leases a number of offices and warehouses under operating leases. The leases typically run for a period of 1 to 5 years, with an option to renew the lease after that date.

Details of operating lease expense were as follows:

| | <u>Third Quarter of 2013</u> | <u>Third Quarter of 2012</u> | <u>For the nine months ended September 30, 2013</u> | <u>For the nine months ended September 30, 2012</u> |
|-------------------------|----------------------------------|----------------------------------|---|---|
| Operating lease expense | \$ <u>43,750</u> | <u>37,813</u> | <u>131,800</u> | <u>122,238</u> |

(j) Employee benefits

1. Defined benefit plans

In the prior fiscal year (2012), there was no material volatility of the market, no material reimbursement or settlement, and no other material one-time events. As a result, pension cost in the interim financial statements is measured and disclosed according to the actuarial results determined on December 31, 2012, and January 1, 2012.

The details of expenses were as follows:

| | <u>Third Quarter of 2013</u> | <u>Third Quarter of 2012</u> | <u>For the nine months ended September 30, 2013</u> | <u>For the nine months ended September 30, 2012</u> |
|--|----------------------------------|----------------------------------|---|---|
| Operating costs | \$ - | 1 | 1 | 4 |
| Selling expense | 21 | 48 | 62 | 217 |
| General and administrative expenses | 57 | 59 | 222 | 102 |
| Research and development expenses | 3 | 12 | 9 | 38 |
| | <u>\$ 81</u> | <u>120</u> | <u>294</u> | <u>361</u> |

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2. Defined contribution plans

The Group deposited the amounts as follows under the pension plans to the Bureau of the Labor Insurance.

| | <u>Third Quarter of 2013</u> | <u>Third Quarter of 2012</u> | <u>For the nine months ended September 30, 2013</u> | <u>For the nine months ended September 30, 2012</u> |
|--|----------------------------------|----------------------------------|---|---|
| Operating costs | \$ 417 | 390 | 1,216 | 1,164 |
| Selling expense | 6,405 | 5,645 | 18,238 | 15,954 |
| General and administrative expenses | 1,129 | 1,025 | 3,910 | 3,703 |
| Research and development expenses | <u>1,780</u> | <u>1,633</u> | <u>4,302</u> | <u>4,056</u> |
| | <u>\$ 9,731</u> | <u>8,693</u> | <u>27,666</u> | <u>24,877</u> |

(k) Income taxes

1. The details of income tax recognized in the interim reporting period were as follows:

| | <u>Third Quarter of 2013</u> | <u>Third Quarter of 2012</u> | <u>For the nine months ended September 30, 2013</u> | <u>For the nine months ended September 30, 2012</u> |
|--|----------------------------------|----------------------------------|---|---|
| Current income tax expense: | | | | |
| Current period | \$ 29,595 | 9,264 | 77,535 | 41,428 |
| 10% surtax on unappropriated earnings | - | - | 10,413 | - |
| Adjustment for prior periods | <u>19</u> | <u>58</u> | <u>24</u> | <u>(343)</u> |
| | <u>29,614</u> | <u>9,322</u> | <u>87,972</u> | <u>41,085</u> |
| Deferred tax expense: | | | | |
| Origination and reversal of temporary differences | <u>1,594</u> | <u>5,252</u> | <u>13,380</u> | <u>3,230</u> |
| Income tax from continuing operations | <u>\$ 31,208</u> | <u>14,574</u> | <u>101,352</u> | <u>44,315</u> |

2. The amount of income tax expense recognized in other comprehensive income for the nine months ended September 30, 2013 and 2012, was zero.

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3. The reconciliation of income tax expense and profit before tax was as follows :

| | For the nine months ended September 30, 2013 | For the nine months ended September 30, 2012 |
|---|---|---|
| Profit for the period | \$ 390,715 | 299,092 |
| Income tax expense | <u>101,352</u> | <u>44,315</u> |
| Profit before tax | <u>492,067</u> | <u>343,407</u> |
| Income tax using the Company's domestic tax rate | 105,343 | 73,003 |
| Tax-exempt income | (16,988) | (15,158) |
| Non-deductible expenses | 127 | 56 |
| Recognition of tax effect of previously unrecognised tax losses | - | (15,513) |
| Under (over) – accrual of prior year's income tax | 24 | (343) |
| 10% surtax on unappropriated earnings | 10,413 | - |
| Others | <u>2,433</u> | <u>2,270</u> |
| Income tax expense | <u>\$ 101,352</u> | <u>44,315</u> |

4. The Company's tax returns for the years through 2011 were examined and approved by the Taipei National Tax Administration.

5. The Company's information related to the unappropriated earnings and tax deduction ratio is summarized below:

| | <u>2013.9.30</u> | <u>2012.12.31</u> | <u>2012.9.30</u> | <u>2012.1.1</u> |
|--|-------------------------|-----------------------------|-----------------------------|------------------------|
| Unappropriated earnings of 1998 and after | <u>\$ 569,644</u> | <u>501,745</u> | <u>374,985</u> | <u>509,791</u> |
| Balance of imputation credit account (ICA) | <u>\$ 18,807</u> | <u>24,838</u> | <u>24</u> | <u>650</u> |
| | | <u>2012 (actual)</u> | <u>2011 (actual)</u> | |
| Tax deduction ratio for earnings distribution to ROC residents | | <u>6.74 %</u> | <u>11.83 %</u> | |

The above-mentioned information of the unappropriated earnings and tax deduction ratio have been prepared in accordance with the permit No.10204562810 issued by the Ministry of Finance on October 17, 2013.

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(l) Capital and other equity

Except as described in the following paragraph, there were no significant changes in the Company's capital stock and other equity components for the nine months ended September 30, 2013 and 2012. For other information about the stockholders' equity please refer to note 6(l) of the consolidated interim financial statements for the first quarter of 2013.

1. Issuance of common stock

In the nine months ended September 30, 2012, employee stock options were converted into 1,807 thousand shares of common stock, and all registration amendments were completed.

2. Capital surplus

The balance of additional paid-in capital was as follows:

| | <u>2013.9.30</u> | <u>2012.12.31</u> | <u>2012.9.30</u> | <u>2012.1.1</u> |
|--|------------------|-------------------|------------------|-----------------|
| Share capital | \$ 53,647 | 53,647 | 52,650 | 26,917 |
| Treasury share transactions | - | - | - | 129 |
| Difference between consideration and carrying amount of subsidiaries disposed of | 7,926 | 2,330 | 2,330 | - |
| Employee stock options | - | - | 607 | 11,918 |
| | <u>\$ 61,573</u> | <u>55,977</u> | <u>55,587</u> | <u>38,964</u> |

3. Retained earnings

According to the articles of association, current-period earnings should first be used to settle all outstanding tax payables and prior-year losses. Next, after 10 percent of statutory earnings reserves, the recognition or reversal of special earnings reserves according to statutory requirements may be distributed as follows:

No higher than 1.5 percent as rewards of directors and supervisors.

1~15 percent as employee benefits.

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:

- The reserve for the Company's projected capital expenditure;
- The reserve used to repay outstanding borrowings;
- 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.

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Employee benefits amounted to \$11,218, \$8,276, \$31,880 and \$27,085, and rewards of directors and supervisors amounted to \$1,683, \$0, \$4,782 and \$0 for the third quarter of 2013 and 2012 and for the nine months ended September 30, 2013 and 2012, respectively. These amounts are calculated using the Company's net profit for each period and are determined according to the earnings allocation method, priority, and distribution ratios for employee benefits and rewards of directors and supervisors as stated under the articles of association. These benefits are expensed under operating expenses for each period.

Employee benefits amounted to \$38,743 and \$44,087 for 2012 and 2011, respectively. The amounts are identical to the actual distributions.

The earnings distribution for 2012 and 2011 was decided by the general meeting of shareholders held on June 26, 2013, and June 19, 2012.

The relevant dividend distribution to shareholders was as follows:

| | For the Year Ended December 31, | |
|--|--|----------------|
| | 2012 | 2011 |
| Dividends distributed to common shareholders | | |
| Cash | \$ 245,935 | 258,100 |
| Shares | - | 110,614 |
| Total | \$ 245,935 | 368,714 |

4. Other equity

| | Foreign currency translation differences for foreign operations |
|--|--|
| Balance at January 1, 2013 | \$ (1,011) |
| Foreign currency translation differences (net of tax): | |
| The Company | 1,150 |
| Balance at September 30, 2013 | \$ 139 |
| Balance at January 1, 2012 | \$ 2,290 |
| Foreign currency translation differences (net of tax): | |
| The Company | (2,890) |
| Balance at September 30, 2012 | \$ (600) |

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(m) Share-based payment

There were no significant changes in the Company's share-based payment for the nine months ended September 30, 2013 and 2012. For other information about the share-based payment, please refer to note 6(m) of the consolidated interim financial statements for the first quarter of 2013.

(n) Earnings per share

| | <u>Third Quarter of 2013</u> | <u>Third Quarter of 2012</u> | <u>For the nine months ended September 30, 2013</u> | <u>For the nine months ended September 30, 2012</u> |
|---|----------------------------------|----------------------------------|---|---|
| Basic earnings per share | | | | |
| Profit attributable to ordinary shareholders | \$ <u>123,751</u> | <u>83,416</u> | <u>354,197</u> | <u>274,040</u> |
| Weighted-average number of ordinary shares | <u>82,245</u> | <u>82,131</u> | <u>82,245</u> | <u>82,131</u> |
| | <u>\$ 1.50</u> | <u>1.02</u> | <u>4.31</u> | <u>3.34</u> |
| Diluted earnings per share | | | | |
| Profit attributable to ordinary shareholders (adjusted for the effects of all dilutive potential ordinary shares) | \$ <u>123,751</u> | <u>83,416</u> | <u>354,197</u> | <u>274,040</u> |
| Weighted-average number of ordinary shares | 82,245 | 82,131 | 82,245 | 82,131 |
| Effects of all dilutive potential ordinary shares | 188 | 163 | 353 | 363 |
| Effect of share options issued | - | 114 | - | 877 |
| Weighted-average number of ordinary shares (adjusted for the effects of all dilutive potential ordinary shares) | <u>82,433</u> | <u>82,408</u> | <u>82,598</u> | <u>83,371</u> |
| | <u>\$ 1.50</u> | <u>1.01</u> | <u>4.29</u> | <u>3.29</u> |

(o) Non-operating income and expenses

1. Other revenue

The details of other revenue were as follows:

| | <u>Third Quarter of 2013</u> | <u>Third Quarter of 2012</u> | <u>For the nine months ended September 30, 2013</u> | <u>For the nine months ended September 30, 2012</u> |
|------------------|----------------------------------|----------------------------------|---|---|
| Interest income | \$ 3,900 | 3,530 | 11,922 | 10,802 |
| Dividend revenue | 68 | 23 | 1,333 | 1,883 |
| Other | 384 | 1,402 | 5,313 | 3,167 |
| | <u>\$ 4,352</u> | <u>4,955</u> | <u>18,568</u> | <u>15,852</u> |

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2. Other gains and losses

The details of other gains and losses were as follows:

| | <u>Third Quarter of 2013</u> | <u>Third Quarter of 2012</u> | <u>For the nine months ended September 30, 2013</u> | <u>For the nine months ended September 30, 2012</u> |
|---|----------------------------------|----------------------------------|---|---|
| Net foreign currency exchange gain or loss | \$ (1,169) | (879) | 382 | (1,656) |
| Disposal (loss) gain on property, plant and equipment | (377) | 6 | (687) | 6 |
| Other | (84) | - | (84) | (28) |
| | <u>\$ (1,630)</u> | <u>(873)</u> | <u>(389)</u> | <u>(1,678)</u> |

3. Finance costs

The details of finance cost were as follows:

| | <u>Third Quarter of 2013</u> | <u>Third Quarter of 2012</u> | <u>For the nine months ended September 30, 2013</u> | <u>For the nine months ended September 30, 2012</u> |
|------------------|----------------------------------|----------------------------------|---|---|
| Interest expense | \$ - | - | - | (1,058) |

(p) Financial instruments

Except as described in the following paragraph, there were no significant changes in the Group's fair value of financial instruments exposed to credit risk, liquidity risk, and market risk for the nine months ended September 30, 2013 and 2012. For other information about the fair value of financial instruments, please refer to note 6(q) of the consolidated interim financial statements for the first quarter of 2013.

1. Credit risk

The Group's ageing analysis of accounts receivables and other receivables:

| | <u>2013.9.30</u> | | <u>2012.12.31</u> | | <u>2012.9.30</u> | | <u>2012.1.1</u> | |
|-----------------------------|-------------------|--------------|-------------------|--------------|------------------|--------------|-----------------|---------------|
| | Total amount | Impairment | Total amount | Impairment | Total amount | Impairment | Total amount | Impairment |
| Not past due | \$ 462,004 | 5,500 | 494,050 | 3,978 | 401,482 | 5,878 | 401,741 | 12,685 |
| Past due 0 - 90 days | 5,030 | 583 | 7,116 | 391 | 7,316 | 356 | 6,384 | 661 |
| Past due 91 - 180 days | 337 | 34 | 1,058 | 119 | 932 | 221 | 1,713 | 544 |
| Past due 181 - 360 days | 47 | 12 | 4,958 | 348 | 278 | - | 1,748 | 295 |
| Past due more than 360 days | - | - | 2,780 | 2,164 | 4,268 | 3,291 | 2,571 | 2,571 |
| | <u>\$ 467,418</u> | <u>6,129</u> | <u>509,962</u> | <u>7,000</u> | <u>414,276</u> | <u>9,746</u> | <u>414,157</u> | <u>16,756</u> |

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2. Currency risk

1) Currency risk exposure

The Group's significant exposure to foreign currency risk was as follows:

| | 2013.9.30 | | | 2012.12.31 | | | 2012.9.30 | | | 2012.1.1 | | | |
|-------------------------------------|---------------------|------------------|-------|---------------------|------------------|-------|---------------------|------------------|-------|---------------------|------------------|-------|--------|
| | Foreign currency | Exchange rate | NTD | Foreign currency | Exchange rate | NTD | Foreign currency | Exchange rate | NTD | Foreign currency | Exchange rate | NTD | |
| <u>Financial assets</u> | | | | | | | | | | | | | |
| <u>Monetary items</u> | | | | | | | | | | | | | |
| NTD | \$ | 8,962 | 1.00 | 8,962 | 9,302 | 1.00 | 9,302 | 9,300 | 1.00 | 9,300 | 9,673 | 1.00 | 9,673 |
| USD | | 4,253 | 29.57 | 125,750 | 2,705 | 29.04 | 78,566 | 2,334 | 29.30 | 68,389 | 524 | 30.28 | 15,865 |
| EUR | | 119 | 39.87 | 4,743 | 129 | 38.48 | 4,945 | 108 | 37.88 | 4,104 | 1,506 | 39.19 | 59,025 |
| <u>Financial liabilities</u> | | | | | | | | | | | | | |
| <u>Monetary items</u> | | | | | | | | | | | | | |
| USD | | 696 | 29.57 | 20,585 | 901 | 29.04 | 26,165 | 1,836 | 29.30 | 53,802 | - | - | - |
| EUR | | - | - | - | - | - | - | 20 | 37.88 | 745 | 1,564 | 39.19 | 61,306 |

2) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, other receivables, and accounts payable that are denominated in foreign currency.

A 5% appreciation or depreciation of the NTD against the USD and EUR as at September 30, 2013 and 2012, would have increased or decreased net income by \$5,168 and \$1,186, respectively. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis as for the third quarter of 2013 and 2012.

3. Fair value

The Group considers the carrying amount of its financial assets and financial liabilities measured at amortized cost to be a reasonable approximation of fair value.

(q) Financial risk management

There were no significant changes in the Group's objectives and policies applied in the financial risk management as compared to note 6(r) of the consolidated interim financial statements for the first quarter of 2013.

(r) Capital management

The Group's objectives, policies, and processes for capital management were consistent with the consolidated interim financial statements for the first quarter of 2013. There were no significant changes in the quantified factors of capital management as compared to the consolidated interim financial statements for the first quarter of 2013. For other information about the capital management, please refer to note 6(s) of the consolidated interim financial statements for the first quarter of 2013.

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(7) Related-Party Transactions

(a) Ultimate controlling party

The Company is the ultimate controlling party of the Group.

(b) Transactions with key management personnel

Key management personnel compensation comprised:

| | <u>Third Quarter of 2013</u> | <u>Third Quarter of 2012</u> | <u>For the nine months ended September 30, 2013</u> | <u>For the nine months ended September 30, 2012</u> |
|------------------------------|----------------------------------|----------------------------------|---|---|
| Short-term employee benefits | \$ <u>13,932</u> | <u>14,691</u> | <u>38,874</u> | <u>46,556</u> |

(8) Restricted Assets

The following assets were restricted in use:

| <u>Assets</u> | <u>Purpose of Pledge</u> | <u>2013.9.30</u> | <u>2012.12.31</u> | <u>2012.9.30</u> | <u>2012.1.1</u> |
|---|---|-------------------|-------------------|------------------|-----------------|
| Other financial assets — current | Security for performance and purchase guarantee | \$ 215,011 | 218,111 | 208,100 | 238,000 |
| Other financial assets — non-current | Security for provisional seizure, etc. | <u>42,563</u> | <u>41,391</u> | <u>41,554</u> | <u>41,847</u> |
| | | <u>\$ 257,574</u> | <u>259,502</u> | <u>249,654</u> | <u>279,847</u> |

(9) Significant Contingencies and Commitments

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 non-related party at all times and during the term of the agreement.

As of September 30, 2013, December 31, 2012, September 30, 2012, and January 1, 2012, notes payable deposited as guarantee for commercial vehicle and office and building leases were \$71,137, \$88,298, \$113,427 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 Group entered into an agreement with The Shanghai Commercial & Savings Bank, Ltd. for a guarantee limit of \$130,000 as of September 30, 2013. As of September 30, 2013, December 31, 2012, September 30, 2012, and January 1, 2012, the Group’s advance receipt for Skype stored-value service amounted to \$79,857, \$89,079, \$94,471 and \$118,312, respectively.

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According to the “Standardized contract for collection on behalf of others”, the payment guarantee should be fully provided by financial institutions. Therefore, the Group entered into an agreement with Taishin International Bank, Ltd. for a guarantee limit of \$72,000 as of September 30, 2013. As of September 30, 2013, December 31, 2012, September 30, 2012, and January 1, 2012, the Group’s collection receipt amounted to \$81,625, \$38,536, \$35,888 and \$0, respectively.

The Group has entered into an agreement with The Shanghai Commercial and Savings Bank, Ltd for providing performance guarantee for the Group on the balance amount received through the Group’s credit card payment processing services; the amount of performance guarantee agreed therein is 3,000 thousand.

(10) Significant Catastrophic Losses: None.

(11) Significant Subsequent Events: None.

(12) Others

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

| Categorized as Nature | Third Quarter of 2013 | | | Third Quarter of 2012 | | |
|----------------------------|-----------------------|-------------------|---------|-----------------------|-------------------|---------|
| | Operating Cost | Operating Expense | Total | Operating Cost | Operating Expense | Total |
| Employee benefits | | | | | | |
| Salary | 9,187 | 225,917 | 235,104 | 11,038 | 215,771 | 226,809 |
| Labor and health insurance | 822 | 17,863 | 18,685 | 803 | 15,087 | 15,890 |
| Pension | 417 | 9,395 | 9,812 | 435 | 8,378 | 8,813 |
| Others employee benefits | 288 | 7,360 | 7,648 | 321 | 6,246 | 6,567 |
| Depreciation | - | 21,618 | 21,618 | - | 20,344 | 20,344 |
| Amortization | - | 1,907 | 1,907 | - | 1,778 | 1,778 |

| Categorized as Nature | For the nine months ended September 30, 2013 | | | For the nine months ended September 30, 2012 | | |
|----------------------------|---|-------------------|---------|---|-------------------|---------|
| | Operating Cost | Operating Expense | Total | Operating Cost | Operating Expense | Total |
| Employee benefits | | | | | | |
| Salary | 31,142 | 656,861 | 688,003 | 30,666 | 630,283 | 660,949 |
| Labor and health insurance | 2,466 | 53,218 | 55,684 | 2,153 | 43,057 | 45,210 |
| Pension | 1,217 | 26,743 | 27,960 | 1,768 | 24,070 | 25,838 |
| Others employee benefits | 871 | 18,944 | 19,815 | 799 | 16,524 | 17,323 |
| Depreciation | - | 65,669 | 65,669 | - | 54,588 | 54,588 |
| Amortization | - | 5,549 | 5,549 | - | 5,036 | 5,036 |

(b) Seasonality of operations:

The factors of season or cycle have no impact on the operations of the Group.

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(13) Additional Disclosures

(a) Information on significant transactions

The following is the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Group for the nine months ended September 30, 2013:

1. Fund financing to other parties: None.
2. Guarantees and endorsements for other parties:

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| No. (Note 1) | Name of company | Counter-party | | Limitation on amount of guarantees and endorsements for a specific enterprise (Note 2) | Highest balance for guarantees and endorsements during the period | Balance of guarantees and endorsements as of reporting date | Actual usage amount during the period | Property pledged on guarantees and endorsements (Amount) | Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements | Maximum amount for guarantees and endorsements (Note 2) | Parent Company endorsement/ guarantees to third parties on behalf of subsidiary | Subsidiary endorsement/ guarantees to third parties on behalf of parent company | Endorsements/guarantees to third parties on behalf of companies in Mainland China |
|--------------|-----------------|---------------|-------------------------------|--|---|---|---------------------------------------|--|---|---|---|---|---|
| | | Name | Relationship with the Company | | | | | | | | | | |
| 0 | The Company | Linktel Inc. | 3 | 793,254 | 23,994 | 366 | - | - | 0.02 % | 1,586,507 | Y | | |

Note 1: 0 is issuer.

Note 2: Highest balance during the period cannot exceed 50% of net asset value, and the maximum amount of endorsement cannot exceed net asset value.

Note 3: A subsidiary of the Company.

Note 4: The aforementioned inter-company transactions have been eliminated in the consolidated financial statements.

3. Information regarding securities held at balance sheet date:

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

| Name of holder | Category and name of security | Category and name of security | Account title | Ending balance | | | | Note | |
|--------------------|--|---|---|-----------------------------------|------------|------------|--------------|------|--|
| | | | | Number | Book value | Percentage | Market value | | |
| PChome Online Inc. | Common Stock: | | | | | | | | |
| | IT Home Publications Inc. | An investee company accounted for under the equity method | Long-term investments under the equity method | 4,635,600 | 50,069 | 100.00 % | 50,069 | Note | |
| | Linktel Inc. | " | " | 12,500,000 | 153,747 | 100.00 % | 153,747 | " | |
| | Liker Technology Inc. | " | " | 2,500,000 | 18,547 | 34.72 % | 17,529 | " | |
| | PC Home Online International Co., Ltd. | " | " | 122,328 | 12,761 | 100.00 % | 12,761 | " | |
| | PChome eBay Co., Ltd. | " | " | 27,300,000 | 289,465 | 65.00 % | 289,465 | " | |
| | Orange Network Inc. | " | " | 100,000 | 43 | 100.00 % | 43 | " | |
| | Rakuya International Info. Co. Ltd. | " | " | 3,430,000 | 16,819 | 22.04 % | 16,819 | " | |
| | Pay and Link Inc. | " | " | 100,000 | 394 | 100.00 % | 394 | " | |
| | PChome Store Inc. | " | " | 10,556,799 | 256,205 | 59.91 % | 1,741,872 | " | |
| | PChomePay Inc. | " | " | 5,000,000 | 33,998 | 62.50 % | 33,998 | " | |
| | PChome US Inc. | " | " | 40,000,000 | 53,865 | 90.91 % | 53,865 | " | |
| | eCommerce Group Co., Ltd. | " | " | 5,100,000 | 3,814 | 100.00 % | 3,814 | " | |
| | Eastern Online Co., Ltd. | - | - | Financial assets measured at cost | 118,750 | - | 4.19 % | - | |
| | Syspower Ltd. | - | - | " | 744,118 | 2,846 | 3.72 % | - | |
| | The Journalist Co., Ltd. | - | - | " | 484 | - | 0.02 % | - | |
| | Openfind Information Technology, Inc. | - | - | " | 800,000 | 4,031 | 7.42 % | - | |
| | Career Consulting Co., Ltd. | - | - | " | 113,006 | 1,015 | 0.72 % | - | |
| | PayEasy Ltd. | - | - | " | 5,437,762 | 4,510 | 12.51 % | - | |

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| Name of holder | Category and name of security | Category and name of security | Account title | Ending balance | | | | Note |
|--|--------------------------------|---|---|----------------|------------|------------|--------------|------|
| | | | | Number | Book value | Percentage | Market value | |
| PChome Online Inc. | Vibo Telecom Inc. | - | Financial assets measured at cost | 144,699 | 737 | 0.01 % | - | |
| " | P2V Holdings Ltd. (Samoa) | - | " | 2,691,030 | 22,922 | 11.13 % | - | |
| PC Home Online International Co., Ltd. | PChome Online Inc. | An investee company accounted for under the equity method | Long-term investments under the equity method | 10,000,000 | 13,467 | 100.00 % | 13,467 | Note |
| eCommerce Group Co., Ltd. | EC Global Inc. | " | " | 5,020,000 | 3,733 | 100.00 % | 3,733 | " |
| PChome eBay Co., Ltd. | PChomePay Inc. | " | " | 2,400,000 | 20,796 | 30.00 % | 16,319 | " |
| PChome Store Inc. | Liker Technology Inc. | " | " | 3,000,000 | 21,038 | 41.67 % | 21,038 | " |
| PChome Online Inc. | PC Home Online (HK) Ltd. | " | " | 5,641,239 | 14,588 | 100.00 % | 14,588 | " |
| EC Global Inc. | EC Global Limited | " | " | 4,800,000 | 3,382 | 100.00 % | 3,382 | " |
| PC Home Online (HK) Ltd. | Shanghai Todo Inc. | " | " | - | 2,513 | 100.00 % | 2,513 | " |
| EC Global Limited | PChome Trading (Shenzhen) Ltd. | " | " | - | 197 | 100.00 % | 197 | " |
| " | PChome Japan KK | " | " | - | 2,417 | 100.00 % | 2,417 | " |

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

4. Accumulated buying/selling of the same marketable securities for which the dollar amount reaches \$100 million or 20% or more of paid-in capital: None.
5. Acquisition of real estate for which the dollar amount reaches \$100 million or 20% or more of paid-in capital : None.
6. Disposition of real estate for which the dollar amount reaches \$100 million or 20% or more of paid-in capital: None.
7. Buying/selling products with the dollar amount reaches \$100 million or 20% or more of paid-in capital: None.
8. Accounts receivable from related parties for which the dollar amount reaches \$100 million or 20% or more of paid-in capital: None.
9. Derivative transactions: None.
10. Business relationships and significant inter-company transactions:

| No. (Note 1) | Name of company | Name of counter-party | Existing relationship with the counter-party (Note 2) | Transaction | | | |
|-----------------|--------------------|-------------------------------------|--|------------------------|--------|-------------------------------|--|
| | | | | Account name | Amount | Terms of trading | Percentage of the total consolidated revenue or total assets |
| 0 | PChome Online Inc. | Linktel Inc. | 1 | Sales | 6,091 | Usual terms and conditions | 0.05 % |
| 0 | " | " | 1 | Cost of Goods Sold | 10 | " | - |
| 0 | " | " | 1 | Other Expenses | 2,804 | No comparable counter-parties | 0.02 % |
| 0 | " | PChome eBay Co., Ltd. | 1 | Sales | 3,843 | Usual terms and conditions | 0.03 % |
| 0 | " | " | 1 | Advertisement Expenses | 2,030 | No comparable counter-parties | 0.02 % |
| 0 | " | Rakuya International Info. Co. Ltd. | 1 | Other payable | 1,730 | " | 0.04 % |

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| No. (Note 1) | Name of company | Name of counter-party | Existing relationship with the counter-party (Note 2) | Transaction | | | Percentage of the total consolidated revenue or total assets |
|-----------------|-------------------------------------|-------------------------------------|---|------------------------|--------|-------------------------------|--|
| | | | | Account name | Amount | Terms of trading | |
| 0 | PChome Online Inc. | Rakuya International Info. Co. Ltd. | 1 | Sales | 3,843 | Usual terms and conditions | 0.03 % |
| 0 | " | PChome US Inc. | 1 | Accounts Receivable | 2,146 | " | 0.05 % |
| 0 | " | " | 1 | Sales | 14,475 | " | 0.12 % |
| 0 | " | PChome Trading (Shenzhen) Ltd. | 1 | Other Receivable | 4,270 | No comparable counter-parties | 0.09 % |
| 1 | Linktel Inc. | PChome Online Inc. | 2 | Sales | 2,814 | " | 0.02 % |
| 1 | " | " | 2 | Cost of Goods Sold | 25 | Usual terms and conditions | - |
| 1 | " | " | 2 | Advertisement Expenses | 95 | No comparable counter-parties | - |
| 1 | " | " | 2 | Other Expenses | 5,971 | " | 0.05 % |
| 2 | PChome eBay Co., Ltd. | " | 2 | Advertisement Expenses | 3,600 | " | 0.03 % |
| 2 | " | " | 2 | Other Expenses | 246 | " | - |
| 2 | " | " | 2 | Sales | 2,030 | Usual terms and conditions | 0.02 % |
| 3 | Rakuya International Info. Co. Ltd. | " | 2 | Accounts Receivable | 1,730 | No comparable counter-parties | 0.04 % |
| 3 | " | " | 2 | Advertisement Expenses | 3,628 | Usual terms and conditions | 0.03 % |
| 3 | " | " | 2 | Other Expenses | 215 | " | - |
| 4 | PChome US Inc. | " | 2 | Purchase | 14,475 | " | 0.12 % |
| 4 | " | " | 2 | Accounts Payable | 2,146 | " | 0.05 % |
| 5 | PChome Trading (Shenzhen) Ltd. | " | 2 | Accrued Expenses | 4,270 | No comparable counter-parties | 0.09 % |

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

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.

Note 4: The Group did not disclose transactions for which the dollar amount did not reach \$1,000 thousand.

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

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(b) Information on investees:

For the nine months ended September 30, 2013, the following is the information on investees:

(Expressed in thousands of dollars)

| Name of investor | Name of investee | Location | Major operations | Initial investment (Amount) | | Ending balance | | | Net income (loss) of the investee | Investment income (losses) | Note |
|--|--|---|--|-----------------------------|-------------------|----------------|-----------------|------------|-----------------------------------|----------------------------|------|
| | | | | Ending balance | Beginning balance | Shares | Ratio of shares | Book value | | | |
| PChome Online Inc. | IT Home Publications Inc. | 12F., No.105, Sec. 2, Tun-Hwa S. Rd., Taipei | Magazine publication | 30,000 | 30,000 | 4,635,600 | 100.00 % | 50,069 | 810 | 810 | Note |
| " | Linktel Inc. | " | Type II Telecommunications Business | 125,000 | 125,000 | 12,500,000 | 100.00 % | 153,747 | 20,148 | 20,148 | " |
| " | Liker Technology Inc. | 24F., No.105, Sec. 2, Tun-Hwa S. Rd., Taipei | O2O (Online to Offline) E-commerce | 25,000 | 25,000 | 2,500,000 | 34.72 % | 18,547 | (12,410) | (4,309) | " |
| " | 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 | 25,485 | 122,328 | 100.00 % | 12,761 | (649) | (649) | " |
| " | PChome eBay Co., Ltd. | 12F., No.105, Sec. 2, Tun-Hwa S. Rd., Taipei | Information processing and provision of electronic information | 273,000 | 273,000 | 27,300,000 | 65.00 % | 289,465 | 94,296 | 61,292 | " |
| " | Orange Network Inc. | " | Online television media business | 1,000 | 1,000 | 100,000 | 100.00 % | 43 | - | - | " |
| " | Rakuya International Info. Co. Ltd. | " | Real estate business, and internet information rental service | 34,300 | 34,300 | 3,430,000 | 22.04 % | 16,819 | (17,092) | (3,758) | " |
| " | Pay and Link Inc. | " | Internet services | 1,000 | 1,000 | 100,000 | 100.00 % | 394 | (94) | (94) | " |
| " | PChome Store Inc. | 14F., No.105, Sec. 2, Tun-Hwa S. Rd., Taipei | Internet services | 84,770 | 84,770 | 10,556,799 | 59.91 % | 256,205 | 56,098 | 33,608 | " |
| " | PChomePay Inc. | 12F., No.105, Sec. 2, Tun-Hwa S. Rd., Taipei | Information processing and provision of electronic information | 50,000 | 50,000 | 5,000,000 | 62.50 % | 33,998 | (12,617) | (8,613) | " |
| " | PChome US Inc. | California | E-commerce platform | 116,490 | 116,490 | 40,000,000 | 90.91 % | 53,865 | (21,018) | (19,108) | " |
| " | eCommerce Group Co., Ltd. | P.O.Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands | Investment activities | 15,300 | 10,533 | 5,100,000 | 100.00 % | 3,814 | (2,090) | (2,090) | " |
| PChome eBay Co., Ltd. | PChomePay Inc. | 12F., No.105, Sec. 2, Tun-Hwa S. Rd., Taipei | Information processing and provision of electronic information | 24,000 | - | 2,400,000 | 30.00 % | 20,796 | (12,617) | (3,204) | " |
| 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 | 3,000,000 | 41.67 % | 21,038 | (12,410) | (5,171) | " |
| PC Home Online International Co., Ltd. | PChome Online Inc. | Eland Trust (Cayman) Limited, PO Box 439GT, Grand Cayman, Cayman Islands | International trade and investment activities | 25,311 | 25,311 | 10,000,000 | 100.00 % | 13,467 | (650) | (650) | " |

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| Name of investor | Name of investee | Location | Major operations | Initial investment (Amount) | | Ending balance | | | Net income (loss) of the investee | Investment income (losses) | Note |
|---------------------------|--------------------------------|---|--|-----------------------------|-------------------|----------------|-----------------|------------|-----------------------------------|----------------------------|------|
| | | | | Ending balance | Beginning balance | Shares | Ratio of shares | Book value | | | |
| eCommerce Group Co., Ltd. | EC Global Inc. | Scotia Centre, 4th Floor, P.O. BOX 2804, George Town, Grand Cayman, Cayman Islands | Investment activities | 15,061 | 10,533 | 5,020,000 | 100.00 % | 3,733 | (2,022) | (2,022) | Note |
| 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 | 25,140 | 25,140 | 5,641,239 | 100.00 % | 14,588 | (545) | (545) | " |
| EC Global Inc. | EC Global Limited | Room 511, 5 Tszlou Building 1, No.30 Singang Center, Canton Road, Jianju, Kowloon | Investment activities | 14,406 | 10,533 | 4,800,000 | 100.00 % | 3,382 | (1,888) | (1,888) | " |
| 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 | 5,201 | 5,201 | - | 100.00 % | 2,513 | (116) | (116) | " |
| EC Global Limited | PChome Trading (Shenzhen) Ltd. | Q Unit, 3/F Xibu Logistics Zhngodian, No.88, Linhaihuo Ave., Nanshan District, Shenzhen | International trading E-commerce | 10,533 | 10,533 | - | 100.00 % | 197 | (1,331) | (1,331) | " |
| " | PChome Japan KK | 4F Azabu Green Terrace, 3-20-1, Minamiazabu, Minato-ku, Tokyo, 106-0047 Japan | " | 2,397 | - | - | 100.00 % | 2,417 | - | - | " |

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

(c) Information on investment in Mainland China:

1. Information on investment in 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 | Percentage of Ownership | Investment Income (Loss) Recognized (Note 2(2)) | Carrying Amount | Accumulated Inward Remittance of Earnings |
|--------------------------------|--|---------------------------------|-------------------------------|--|------------------|--------|---|-------------------------|---|-----------------|---|
| | | | | | Outflow | Inflow | | | | | |
| Shanghai Todo Inc. | Software and internet technical consulting service | 5,201 | (2) | 5,201 | - | - | 5,201 | 100.00 % | (116) | 2,513 | - |
| PChome Trading (Shenzhen) Ltd. | International trading E-commerce | 10,533 | (2) | 10,533 | - | - | 10,533 | 100.00 % | (1,331) | 197 | - |

2. Limitation on investment in Mainland China:

| Company | Aggregate investment amount remitted from Taiwan to Mainland China at the end of the period | Approved investment (amount) by Ministry of Economic Affairs Investment Commission (Note 3) | Limitation on investment in Mainland China in accordance with regulations of Ministry of Economic Affairs Investment Commission (Note 4) |
|-------------|---|---|--|
| The Company | 15,734 | 56,819 | 1,196,818 |

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 company in a third region.
- (4) Direct investment in Mainland China
- (5) Other methods

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

3. Significant transactions: None.

(14) Segment Information

(a) General information

The Group'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.

(b) Information about profit or loss, and assets and liabilities

The Group'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 4. The Group 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.

The Group's regional financial information was as follows:

| | Third Quarter of 2013 | | | |
|---------------------------|------------------------------|----------------|---|---------------------|
| | E-Commerce | Other | Adjustments and Eliminations | Consolidated |
| Revenue: | | | | |
| Non-inter-company revenue | \$ 3,742,747 | 396,538 | - | 4,139,285 |
| Inter-company revenue | 10,089 | 3,557 | (13,646) | - |
| Total Revenue | <u>\$ 3,752,836</u> | <u>400,095</u> | <u>(13,646)</u> | <u>4,139,285</u> |
| Segment profit | <u>\$ 123,751</u> | <u>43,446</u> | <u>(29,733)</u> | <u>137,464</u> |

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| | Third Quarter of 2012 | | | |
|---------------------------|---|------------------|-------------------------------------|---------------------|
| | E-Commerce | Other | Adjustments and Eliminations | Consolidated |
| Revenue: | | | | |
| Non-inter-company revenue | \$ 3,354,278 | 391,719 | - | 3,745,997 |
| Inter-company revenue | 10,481 | 3,374 | (13,855) | - |
| Total Revenue | <u>\$ 3,364,759</u> | <u>395,093</u> | <u>(13,855)</u> | <u>3,745,997</u> |
| Segment profit | <u>\$ 83,416</u> | <u>32,094</u> | <u>(22,863)</u> | <u>92,647</u> |
| | For the nine months ended September 30, 2013 | | | |
| | E-Commerce | Other | Adjustments and Eliminations | Consolidated |
| Revenue: | | | | |
| Non-inter-company revenue | \$ 10,749,177 | 1,110,489 | - | 11,859,666 |
| Inter-company revenue | 29,257 | 9,672 | (38,929) | - |
| Total Revenue | <u>\$ 10,778,434</u> | <u>1,120,161</u> | <u>(38,929)</u> | <u>11,859,666</u> |
| Segment profit | <u>\$ 354,197</u> | <u>110,560</u> | <u>(74,042)</u> | <u>390,715</u> |
| | For the nine months ended September 30, 2012 | | | |
| | E-Commerce | Other | Adjustments and Eliminations | Consolidated |
| Revenue: | | | | |
| Non-inter-company revenue | \$ 9,844,259 | 1,138,154 | - | 10,982,413 |
| Inter-company revenue | 31,149 | 8,004 | (39,153) | - |
| Total Revenue | <u>\$ 9,875,408</u> | <u>1,146,158</u> | <u>(39,153)</u> | <u>10,982,413</u> |
| Segment profit | <u>\$ 274,040</u> | <u>77,764</u> | <u>(52,712)</u> | <u>299,092</u> |

(15) First-time Adoption of International Financial Reporting Standards

The consolidated financial statements of the Group as of December 31, 2012, were prepared in accordance with accounting practices generally accepted in Taiwan, the Republic of China. As described in note 4(a), these are the Group's first IFRS consolidated interim financial statements for the period covered by the first IFRS (approved by the FSC) annual financial statements, and IFRS 1 "First-time Adoption of International Financial Reporting Standards" has been applied.

The accounting policies set out in note 4 have been applied in preparing the comparative consolidated financial statement for the nine months ended September 30, 2012, the consolidated statement of financial position at December 31, 2012, and the IFRS consolidated statement of financial position at January 1, 2012 (the Group's date of transition).

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In preparing its 2012 report, the Group has adjusted amounts reported previously in the financial statements prepared in accordance with accounting practices generally accepted in Taiwan, the Republic of China. An explanation of how the transition to IFRSs has affected the Group's financial position, financial performance, and cash flows is set out in the following tables and the notes that accompany the tables. For the adjustment information of the consolidated statement of financial position at December 31, 2012, and January 1, 2012 (the Group's date of transition) and consolidated statement of comprehensive income for the year ended December 31, 2012, please refer to the consolidated interim financial statements for the first quarter of 2013.

(a) Adjustment of equity

| | | 2012.9.30 | |
|---|----------------------------|----------------------|-------------------------|
| | Previous | Effects of | |
| | GAAP | transition to | IFRSs |
| | | IFRS | |
| Assets | | | |
| Cash and cash equivalents | \$ 2,694,578 | 7,053 | 2,701,631 |
| Notes receivable, net | 9,601 | 90 | 9,691 |
| Accounts receivable, net | 316,437 | (28,874) | 287,563 |
| Deferred income tax assets – current | 10,308 | (10,308) | - |
| Inventories, net | 269,545 | - | 269,545 |
| Other receivable | - | 116,967 | 116,967 |
| Other financial assets – current | 95,236 | 112,864 | 208,100 |
| Restricted assets | 208,100 | (208,100) | - |
| Other current assets | <u>38,306</u> | <u>(5,708)</u> | <u>32,598</u> |
| Total current assets | <u>3,642,111</u> | <u>(16,016)</u> | <u>3,626,095</u> |
| Financial assets measured at cost – non-current | 40,763 | - | 40,763 |
| Other financial assets – non-current | 41,554 | - | 41,554 |
| Property, plant and equipment | 219,355 | (2,203) | 217,152 |
| Deferred pension cost | 552 | (552) | - |
| Intangible assets | - | 15,501 | 15,501 |
| Deferred tax assets – non-current | 38,642 | 19,987 | 58,629 |
| Other non-current assets | <u>18,838</u> | <u>(13,298)</u> | <u>5,540</u> |
| Total non-current assets | <u>359,704</u> | <u>19,435</u> | <u>379,139</u> |
| Total assets | <u>\$ 4,001,815</u> | <u>3,419</u> | <u>4,005,234</u> |

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| | 2012.9.30 | | |
|--|--------------------------|--|------------------|
| | Previous GAAP | Effects of transition to IFRS | IFRSs |
| Liabilities | | | |
| Notes payable | \$ 6,762 | - | 6,762 |
| Accounts payable | 1,268,463 | - | 1,268,463 |
| Current tax liabilities | 6,973 | - | 6,973 |
| Accrued expenses | 268,830 | (268,830) | - |
| Other payable | 62,998 | 271,793 | 334,791 |
| Other financial liabilities – current | 395,404 | (395,404) | - |
| Advance receipts | 247,951 | (247,951) | - |
| Other current liabilities | <u>9,193</u> | <u>640,392</u> | <u>649,585</u> |
| Total current liabilities | <u>2,266,574</u> | <u>-</u> | <u>2,266,574</u> |
| Deferred income tax liabilities | - | 5,701 | 5,701 |
| Accrued pension liabilities | <u>-</u> | <u>17,535</u> | <u>17,535</u> |
| Total non-current liabilities | <u>-</u> | <u>23,236</u> | <u>23,236</u> |
| Total liabilities | <u>2,266,574</u> | <u>23,236</u> | <u>2,289,810</u> |
| Owners' equity attributable to equity holders of the parent company | | | |
| Common stock | 821,308 | - | 821,308 |
| Capital surplus | 176,861 | (121,274) | 55,587 |
| Retained earnings | 364,701 | 102,667 | 467,368 |
| Other equity | <u>(600)</u> | <u>-</u> | <u>(600)</u> |
| Total owners' equity attributable to equity holders of the parent company | 1,362,270 | (18,607) | 1,343,663 |
| Non-controlling interests | <u>372,971</u> | <u>(1,210)</u> | <u>371,761</u> |
| Total stockholders' equity | <u>1,735,241</u> | <u>(19,817)</u> | <u>1,715,424</u> |
| Total liabilities and equity | <u>\$ 4,001,815</u> | <u>3,419</u> | <u>4,005,234</u> |

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(b) Adjustment of comprehensive income

| | Third Quarter of 2012 | | | For the nine months ended September 30, 2012 | | |
|---|-----------------------|-------------------------------|------------------|--|-------------------------------|--------------------|
| | Previous GAAP | Effects of transition to IFRS | IFRSs | Previous GAAP | Effects of transition to IFRS | IFRSs |
| Revenue | \$ 3,811,110 | (65,113) | 3,745,997 | 11,165,746 | (183,333) | 10,982,413 |
| Cost of sales | (3,137,447) | 860 | (3,136,587) | (9,198,387) | 2,129 | (9,196,258) |
| Gross profit | <u>673,663</u> | <u>(64,253)</u> | <u>609,410</u> | <u>1,967,359</u> | <u>(181,204)</u> | <u>1,786,155</u> |
| Operating expenses | | | | | | |
| Selling expenses | (467,971) | 64,370 | (403,601) | (1,322,547) | 181,555 | (1,140,992) |
| General and administration expenses | (68,269) | 61 | (68,208) | (214,701) | 182 | (214,519) |
| Research and development expenses | (34,481) | 19 | (34,462) | (100,413) | 60 | (100,353) |
| Total operating expenses | <u>(570,721)</u> | <u>64,450</u> | <u>(506,271)</u> | <u>(1,637,661)</u> | <u>181,797</u> | <u>(1,455,864)</u> |
| Income from operations | <u>102,942</u> | <u>197</u> | <u>103,139</u> | <u>329,698</u> | <u>593</u> | <u>330,291</u> |
| Non-operating income and expenses: | | | | | | |
| Other income | 4,955 | - | 4,955 | 15,852 | - | 15,852 |
| Other gains and losses | (873) | - | (873) | (1,678) | - | (1,678) |
| Finance costs | - | - | - | (1,058) | - | (1,058) |
| Total non-operating income and expenses | <u>4,082</u> | <u>-</u> | <u>4,082</u> | <u>13,116</u> | <u>-</u> | <u>13,116</u> |
| Consolidated income before income tax from continuing operations | <u>107,024</u> | <u>197</u> | <u>107,221</u> | <u>342,814</u> | <u>593</u> | <u>343,407</u> |
| Tax expense | (14,534) | (40) | (14,574) | (44,194) | (121) | (44,315) |
| Consolidated net income | <u>92,490</u> | <u>157</u> | <u>92,647</u> | <u>298,620</u> | <u>472</u> | <u>299,092</u> |
| Other comprehensive income: | | | | | | |
| Foreign currency translation differences | - | (1,413) | (1,413) | - | (3,176) | (3,176) |
| Tax on other comprehensive income | - | - | - | - | - | - |
| Other comprehensive income (net of tax) | <u>-</u> | <u>(1,413)</u> | <u>(1,413)</u> | <u>-</u> | <u>(3,176)</u> | <u>(3,176)</u> |
| Total comprehensive income | <u>\$ 92,490</u> | <u>(1,256)</u> | <u>91,234</u> | <u>298,620</u> | <u>(2,704)</u> | <u>295,916</u> |
| Net income attributable to: | | | | | | |
| Owners of the parent company | \$ 83,264 | 152 | 83,416 | 273,584 | 456 | 274,040 |
| Non-controlling interest | 9,226 | 5 | 9,231 | 25,036 | 16 | 25,052 |
| Net income | <u>\$ 92,490</u> | <u>157</u> | <u>92,647</u> | <u>298,620</u> | <u>472</u> | <u>299,092</u> |
| Comprehensive income attributable to: | | | | | | |
| Owners of the parent company | \$ 83,264 | (1,141) | 82,123 | 273,584 | (2,434) | 271,150 |
| Non-controlling interest | 9,226 | (115) | 9,111 | 25,036 | (270) | 24,766 |
| Total comprehensive income for the period | <u>\$ 92,490</u> | <u>(1,256)</u> | <u>91,234</u> | <u>298,620</u> | <u>(2,704)</u> | <u>295,916</u> |
| Earnings per share | | | | | | |
| Basic earnings per share (dollars) | <u>\$ 1.02</u> | <u>-</u> | <u>1.02</u> | <u>3.34</u> | <u>-</u> | <u>3.34</u> |
| Diluted earnings per share (dollars) | <u>\$ 1.01</u> | <u>-</u> | <u>1.01</u> | <u>3.29</u> | <u>-</u> | <u>3.29</u> |

(c) Significant adjustment of the cash flow statement

There is no significant adjustment of the cash flow statement from conversion from R.O.C. GAAP to IFRS.

Reviewed only, not audited in accordance with generally accepted auditing standards

PCHOME ONLINE INC. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
SEPTEMBER 30, 2013 AND 2012

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

(d) Adjustment instructions

1. The Group recognized actuarial gains and losses in other comprehensive income in accordance with the IFRS accounting policies approved by the FSC. Under previous R.O.C. GAAP, the Group recognized actuarial gains and losses in profit or loss over the employees' remaining service period. At the date of conversion, all previously unrecognized cumulative actuarial gains and losses were recognized in retained earnings and reversed in the previous year's statement of comprehensive income.

The impact arising from the change is summarized as follows:

| | Third Quarter of 2012 | For the nine months ended September 30, 2012 |
|---|----------------------------------|---|
| Consolidated statements of comprehensive income | | |
| Cost of sales | \$ - | (6) |
| Selling expenses | (118) | (345) |
| General and administrative expenses | (60) | (182) |
| Research and development expenses | (19) | (60) |
| Adjustment before income tax | <u>\$ (197)</u> | <u>(593)</u> |
| | | <u>2012.9.30</u> |
| Consolidated statement of financial position | | |
| Employee benefits | | \$ (22,370) |
| Related tax effects | | 3,763 |
| Adjustments to retained earnings | | <u>\$ (18,607)</u> |

2. Under the IFRS accounting policies approved by the FSC, the Group considers the factors of investment tax credits and temporary differences to estimate the deferred tax assets and liabilities which can only be offset if the Group has a legally enforceable right to set off the current tax assets against the current tax liabilities under other related conditions.

The impact arising from the change is summarized as follows:

| | 2012.9.30 |
|--|------------------|
| Consolidated statement of financial position | |
| Deferred tax assets – current | \$ (10,308) |
| Deferred tax assets – non-current | 16,009 |
| Deferred tax liabilities – non-current | (5,701) |
| Adjustment of retained earnings | <u>\$ -</u> |

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PCHOME ONLINE INC. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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3. Under R.O.C. GAAP, when an investee company issues new shares and the Group does not acquire new shares in proportion to its original ownership percentage, the Group's equity in the investee's net assets will be changed. The capital surplus is adjusted for the change in equity interest.

After the transition to IFRS as approved by the R.O.C. Financial Supervisory Commission, when an investee company issues new shares and the Group does not acquire new shares in proportion to its original ownership percentage, in addition to the adjustment in capital surplus as described above, when there is a reduction in ownership interest as a result of the adjustment, the Group reclasses any comprehensive income related to income or loss in proportion to the reduction in ownership interest.

When there is a change in ownership that does not result in a loss of control of a subsidiary, such transactions should be accounted for as equity transactions. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consolidation paid or received shall be adjusted in capital surplus and recognized in other equity of the related subsidiaries.

The Group elected to not adjust for business combination transactions that occurred before the transition date retrospectively. Any capital surplus which was not in accordance with the Republic of China Company Act and does not meet the requirement of a capital surplus in accordance with the IFRS as approved by the R.O.C. Financial Supervisory Commission is reclassified to retained earnings on the transition date.

The impact arising from the change is summarized as follows:

| | <u>2012.9.30</u> |
|--|---------------------|
| Consolidated statement of financial position | |
| Capital surplus | \$ (121,274) |
| Adjustment to retained earnings | <u>\$ (121,274)</u> |

4. The aforementioned changes are calculated in accordance with the income tax rate of 17%. The increase in deferred income tax assets was as follows:

| | <u>2012.9.30</u> |
|----------------------------|------------------|
| Deferred income tax assets | <u>\$ 3,978</u> |

The impact on the consolidated income statements for the third quarter of 2012 and for the nine months ended September 30, 2012, was a decrease in income tax expense of \$40 and \$121, respectively.

5. The above-mentioned changes in the retained earnings were as follows:

| | <u>2012.9.30</u> |
|------------------------------------|-------------------|
| Employee benefits | \$ (18,607) |
| Reclassification of other interest | <u>121,274</u> |
| Increase in retained earnings | <u>\$ 102,667</u> |

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**PCHOME ONLINE INC. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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6. 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.