

Stock Code: 8044

**PCHOME ONLINE INC. AND ITS SUBSIDIARIES
CONSOLIDATED INTERIM FINANCIAL STATEMENTS
September 30, 2014 AND 2013
(WITH INDEPENDENT ACCOUNTANTS' REVIEW
REPORT THEREON)**

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Table Of Contents

| Contents | Page |
|--|-------------|
| 1. Cover Page | 1 |
| 2. Table of Contents | 2 |
| 3. Independent Accountants' Review Report | 3 |
| 4. Consolidated Balance Sheets | 4 |
| 5. Consolidated Statements of Comprehensive Income | 5 |
| 6. Consolidated Statements of Changes in Equity | 6 |
| 7. Consolidated Statements of Cash Flows | 7 |
| 8. Notes to the Consolidated Financial Statements | |
| (1) Organization and Business | 8 |
| (2) Approval Date and Procedures of the Consolidated Financial Statements | 8 |
| (3) New Standards and Interpretations Not Yet Adopted | 8~10 |
| (4) Significant Accounting Policies | 10~12 |
| (5) Major Sources of Accounting Assumptions, Judgments and Estimation Uncertainty | 13 |
| (6) Summary of Major Accounts | 13~24 |
| (7) Related-Party Transactions | 24 |
| (8) Restricted Assets | 24 |
| (9) Significant Contingencies and Commitments | 25 |
| (10) Significant Catastrophic Losses | 25 |
| (11) Significant Subsequent Events | 25 |
| (12) Others | 25~26 |
| (13) Additional Disclosures | |
| a) Information on significant transactions | 26~28 |
| b) Information on investees | 28~30 |
| c) Information on investment in Mainland China | 30 |
| (14) Segment Information | 31 |

Independent Accountants' Review Report

To the Board of Directors of PChome Online Inc.:

We have reviewed the accompanying consolidated balance sheets of PChome Online Inc. and its subsidiaries (the Group) as of September 30, 2014, December 31, 2013, and September 30, 2013, the consolidated statements of comprehensive income for the third quarter of 2014 and 2013, and for the nine months ended September 30, 2014 and 2013, and the consolidated statements of changes in equity and of cash flows for the nine months ended September 30, 2014 and 2013. 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\$287,769 thousand and NT\$383,008 thousand, constituting 5% and 8%, respectively, of total consolidated assets as of September 30, 2014 and 2013. The total liabilities of these subsidiaries amounted to NT\$88,481 thousand and NT\$83,022 thousand, constituting 3% and 3%, respectively, of total consolidated liabilities as of September 30, 2014 and 2013. The comprehensive income (loss) of these subsidiaries for the third quarter of 2014 and 2013 and for the nine months ended September 30, 2014 and 2013 amounted to NT\$(4,879) thousand, NT\$(9,195) thousand, NT\$(15,989) thousand and NT\$(42,697) thousand, constituting (2)%, (7)%, (3)% and (11)%, respectively, of 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 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 IAS 34 "Interim Financial Reporting" as endorsed by the Financial Supervisory Commission.

Handwritten signature of KPMG in black ink.

November 11, 2014

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.

For the convenience of readers 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.

September 30, 2014 and 2013 reviewed only, not audited in accordance with generally accepted auditing standards

PCHOME ONLINE INC. AND ITS SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
SEPTEMBER 30, 2014, DECEMBER 31, 2013 AND SEPTEMBER 30, 2013
(All Amounts Expressed in Thousands of New Taiwan Dollars, Except for Share Data)

| ASSETS | 2014.9.30 | | 2013.12.31 | | 2013.9.30 | | LIABILITIES AND STOCKHOLDERS' EQUITY | 2014.9.30 | | 2013.12.31 | | 2013.9.30 | |
|--|---------------------|------------|------------------|------------|------------------|------------|---|---------------------|------------|------------------|------------|------------------|------------|
| | Amount | % | Amount | % | Amount | % | | Amount | % | Amount | % | Amount | % |
| Current Assets: | | | | | | | Current Liabilities: | | | | | | |
| Cash and cash equivalents (Note (6)(a)) | \$ 4,226,916 | 73 | 3,859,455 | 73 | 3,292,174 | 70 | Notes payable | \$ 5,450 | - | 2,562 | - | 5,789 | - |
| Notes receivable, net (Note (6)(c)) | 6,294 | - | 4,861 | - | 5,681 | - | Accounts payable | 1,649,803 | 29 | 1,650,636 | 31 | 1,353,776 | 29 |
| Accounts receivable, net (Note (6)(c)) | 324,596 | 6 | 348,961 | 7 | 325,568 | 7 | Other payable | 474,435 | 8 | 462,510 | 9 | 411,443 | 9 |
| Other receivables (Note (6)(c)) | 163,484 | 3 | 155,021 | 3 | 135,721 | 3 | Current tax liabilities | 83,005 | 2 | 100,713 | 2 | 57,945 | 1 |
| Inventories (Note (6)(d)) | 377,865 | 7 | 330,260 | 6 | 329,160 | 7 | Other current liabilities (Note (6)(g)) | <u>1,054,920</u> | <u>18</u> | <u>893,766</u> | <u>17</u> | <u>834,882</u> | <u>18</u> |
| Other financial assets – current (Note (8)) | 193,611 | 3 | 215,011 | 4 | 215,011 | 5 | | <u>3,267,613</u> | <u>57</u> | <u>3,110,187</u> | <u>59</u> | <u>2,663,835</u> | <u>57</u> |
| Other current assets | <u>33,593</u> | <u>-</u> | <u>16,285</u> | <u>-</u> | <u>39,759</u> | <u>1</u> | Non-current Liabilities: | | | | | | |
| | <u>5,326,359</u> | <u>92</u> | <u>4,929,854</u> | <u>93</u> | <u>4,343,074</u> | <u>93</u> | Deferred income tax liabilities | 13,382 | - | 10,681 | - | 9,328 | - |
| Non-Current Assets: | | | | | | | Accrued pension liabilities (Note (6)(i)) | <u>6,683</u> | <u>-</u> | <u>6,958</u> | <u>-</u> | <u>8,025</u> | <u>-</u> |
| Financial assets measured at cost – noncurrent (Note (6)(b)) | 36,061 | 1 | 36,061 | 1 | 36,061 | 1 | | <u>20,065</u> | <u>-</u> | <u>17,639</u> | <u>-</u> | <u>17,353</u> | <u>-</u> |
| Property, plant, and equipment (Note (6)(e)) | 258,667 | 5 | 190,142 | 4 | 174,423 | 3 | TOTAL LIABILITIES | <u>3,287,678</u> | <u>57</u> | <u>3,127,826</u> | <u>59</u> | <u>2,681,188</u> | <u>57</u> |
| Intangible assets (Note (6)(f)) | 11,744 | - | 14,892 | - | 13,225 | - | Owners' Equity Attributable to Equity Holders of the Parent Company (Note (6)(k)): | | | | | | |
| Deferred income tax assets | 44,197 | 1 | 40,770 | 1 | 35,584 | 1 | Capital Stock: | | | | | | |
| Other financial assets – non-current (Note (8)) | 52,402 | 1 | 43,205 | 1 | 42,563 | 1 | Common stock | 868,168 | 15 | 822,448 | 16 | 822,448 | 18 |
| Other non-current assets | <u>9,744</u> | <u>-</u> | <u>18,934</u> | <u>-</u> | <u>30,954</u> | <u>1</u> | Capital Surplus | 65,321 | 1 | 61,834 | 1 | 61,573 | 1 |
| | 412,815 | 8 | 344,004 | 7 | 332,810 | 7 | Retained Earnings: | | | | | | |
| | | | | | | | Legal reserve | 182,223 | 3 | 131,548 | 2 | 131,548 | 3 |
| | | | | | | | Special reserve | 7 | - | 1,155 | - | 1,155 | - |
| | | | | | | | Retained earnings – unappropriated | 813,643 | 15 | 722,216 | 14 | 569,644 | 12 |
| | | | | | | | Other Equity: | | | | | | |
| | | | | | | | Exchange differences on translation of foreign operations | <u>856</u> | <u>-</u> | <u>(7)</u> | <u>-</u> | <u>139</u> | <u>-</u> |
| | | | | | | | Total owners' equity attributable to equity holders of the parent company | 1,930,218 | 34 | 1,739,194 | 33 | 1,586,507 | 34 |
| | | | | | | | Non-controlling interest | <u>521,278</u> | <u>9</u> | <u>406,838</u> | <u>8</u> | <u>408,189</u> | <u>9</u> |
| | | | | | | | TOTAL EQUITY | <u>2,451,496</u> | <u>43</u> | <u>2,146,032</u> | <u>41</u> | <u>1,994,696</u> | <u>43</u> |
| TOTAL ASSETS | <u>\$ 5,739,174</u> | <u>100</u> | <u>5,273,858</u> | <u>100</u> | <u>4,675,884</u> | <u>100</u> | TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | <u>\$ 5,739,174</u> | <u>100</u> | <u>5,273,858</u> | <u>100</u> | <u>4,675,884</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 2014 AND 2013 AND FOR THE NINE MONTHS ENDED SEPTEMBER 30,
2014 AND 2013**

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

| | Third Quarter of | | | | For the nine months ended | | | |
|--|-------------------|-----------|------------------|-----------|---------------------------|-----------|------------------|-----------|
| | 2014 | | 2013 | | September 30, | | 2013 | |
| | Amount | % | Amount | % | Amount | % | Amount | % |
| Operating revenues (Note (6)(m)) | \$ 5,233,673 | 102 | 4,220,105 | 102 | 14,916,474 | 102 | 12,103,447 | 102 |
| Less: Sales returns, discounts and allowances | <u>103,450</u> | <u>2</u> | <u>80,820</u> | <u>2</u> | <u>314,417</u> | <u>2</u> | <u>243,781</u> | <u>2</u> |
| Net sales | 5,130,223 | 100 | 4,139,285 | 100 | 14,602,057 | 100 | 11,859,666 | 100 |
| Operating costs (Note (6)(d)) | <u>4,252,165</u> | <u>83</u> | <u>3,440,651</u> | <u>83</u> | <u>12,081,470</u> | <u>83</u> | <u>9,859,882</u> | <u>83</u> |
| Gross margin | <u>878,058</u> | <u>17</u> | <u>698,634</u> | <u>17</u> | <u>2,520,587</u> | <u>17</u> | <u>1,999,784</u> | <u>17</u> |
| Operating expenses: | | | | | | | | |
| Selling expenses | 490,970 | 9 | 409,127 | 10 | 1,412,384 | 9 | 1,178,176 | 10 |
| General and administrative expenses | 90,597 | 2 | 83,909 | 2 | 294,855 | 2 | 237,727 | 2 |
| Research and development expenses | <u>66,535</u> | <u>1</u> | <u>39,649</u> | <u>1</u> | <u>157,934</u> | <u>1</u> | <u>109,993</u> | <u>1</u> |
| Total operating expenses | <u>648,102</u> | <u>12</u> | <u>532,685</u> | <u>13</u> | <u>1,865,173</u> | <u>12</u> | <u>1,525,896</u> | <u>13</u> |
| Income from operations | <u>229,956</u> | <u>5</u> | <u>165,949</u> | <u>4</u> | <u>655,414</u> | <u>5</u> | <u>473,888</u> | <u>4</u> |
| Non-operating income and expenses (Note (6)(n)): | | | | | | | | |
| Other revenue | 6,149 | - | 4,352 | - | 27,029 | - | 18,568 | - |
| Other gains and losses | <u>1,753</u> | <u>-</u> | <u>(1,630)</u> | <u>-</u> | <u>951</u> | <u>-</u> | <u>(389)</u> | <u>-</u> |
| Total non-operating income and expenses | <u>7,902</u> | <u>-</u> | <u>2,722</u> | <u>-</u> | <u>27,980</u> | <u>-</u> | <u>18,179</u> | <u>-</u> |
| Profit before tax from continuing operations | 237,858 | 5 | 168,671 | 4 | 683,394 | 5 | 492,067 | 4 |
| Less: Income tax expense (Note (6)(j)) | <u>42,808</u> | <u>1</u> | <u>31,208</u> | <u>1</u> | <u>133,586</u> | <u>1</u> | <u>101,352</u> | <u>1</u> |
| Profit | <u>195,050</u> | <u>4</u> | <u>137,463</u> | <u>3</u> | <u>549,808</u> | <u>4</u> | <u>390,715</u> | <u>3</u> |
| Other comprehensive income: | | | | | | | | |
| Exchange differences on translation of foreign operations | 776 | - | (1,001) | - | 931 | - | 1,231 | - |
| Income tax expense related to components of other comprehensive income | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Other comprehensive income (net of tax) | <u>776</u> | <u>-</u> | <u>(1,001)</u> | <u>-</u> | <u>931</u> | <u>-</u> | <u>1,231</u> | <u>-</u> |
| Total comprehensive income | <u>\$ 195,826</u> | <u>4</u> | <u>136,462</u> | <u>3</u> | <u>550,739</u> | <u>4</u> | <u>391,946</u> | <u>3</u> |
| Profit attributable to: | | | | | | | | |
| Owners of parent | \$ 172,089 | 3 | 123,751 | 3 | 483,853 | 3 | 354,197 | 3 |
| Non-controlling interests | <u>22,961</u> | <u>1</u> | <u>13,712</u> | <u>-</u> | <u>65,955</u> | <u>1</u> | <u>36,518</u> | <u>-</u> |
| | <u>\$ 195,050</u> | <u>4</u> | <u>137,463</u> | <u>3</u> | <u>549,808</u> | <u>4</u> | <u>390,715</u> | <u>3</u> |
| Comprehensive income attributable to: | | | | | | | | |
| Owners of parent | \$ 172,805 | 3 | 122,820 | 3 | 484,716 | 3 | 355,347 | 3 |
| Non-controlling interests | <u>23,021</u> | <u>1</u> | <u>13,642</u> | <u>-</u> | <u>66,023</u> | <u>1</u> | <u>36,599</u> | <u>-</u> |
| | <u>\$ 195,826</u> | <u>4</u> | <u>136,462</u> | <u>3</u> | <u>550,739</u> | <u>4</u> | <u>391,946</u> | <u>3</u> |
| Earnings per share (Note (6)(l)) | | | | | | | | |
| Basic earnings per share (dollars) | <u>\$ 1.98</u> | | <u>1.43</u> | | <u>5.57</u> | | <u>4.08</u> | |
| Diluted earnings per share (dollars) | <u>\$ 1.98</u> | | <u>1.42</u> | | <u>5.56</u> | | <u>4.06</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, 2014 AND 2013

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

| | Equity Attributable to Owners of Parent | | | | | | Total Equity Attributable to Owners of Parent | Non-controlling Interests | Total |
|--|---|-------------------|----------------|-----------------|------------------------------------|---|---|---------------------------|------------------|
| | Stock | Retained Earnings | | | Other Equity | | | | |
| | Common Stock | Capital Surplus | Legal Reserve | Special Reserve | Retained Earnings - Unappropriated | Exchange differences on translation of foreign operations | | | |
| Balance as of January 1, 2013 | \$ 822,448 | 55,977 | 92,383 | - | 501,745 | (1,011) | 1,471,542 | 380,954 | 1,852,496 |
| Profit for the nine months ended September 30, 2013 | - | - | - | - | 354,197 | - | 354,197 | 36,518 | 390,715 |
| Other comprehensive income for the nine months ended September 30, 2013 | - | - | - | - | - | 1,150 | 1,150 | 81 | 1,231 |
| Total comprehensive income for the nine months ended September 30, 2013 | - | - | - | - | 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) |
| Increase in capital by cash from non-controlling interests | - | - | - | - | - | - | - | 6,000 | 6,000 |
| Difference between consideration and carrying amount of subsidiaries acquired or disposed of | - | 5,596 | - | - | (43) | - | 5,553 | - | 5,553 |
| Change in non-controlling interests | - | - | - | - | - | - | - | (1,446) | (1,446) |
| 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 |
| Balance as of January 1, 2014 | \$ 822,448 | 61,834 | 131,548 | 1,155 | 722,216 | (7) | 1,739,194 | 406,838 | 2,146,032 |
| Profit for the nine months ended September 30, 2014 | - | - | - | - | 483,853 | - | 483,853 | 65,955 | 549,808 |
| Other comprehensive income for the nine months ended September 30, 2014 | - | - | - | - | - | 863 | 863 | 68 | 931 |
| Total comprehensive income for the nine months ended September 30, 2014 | - | - | - | - | 483,853 | 863 | 484,716 | 66,023 | 550,739 |
| Earnings distribution: | | | | | | | | | |
| Legal reserve | - | - | 50,675 | - | (50,675) | - | - | - | - |
| Special reverse | - | - | - | (1,148) | 1,148 | - | - | - | - |
| Cash dividends | - | - | - | - | (297,179) | - | (297,179) | (18,096) | (315,275) |
| Stock dividends | 45,720 | - | - | - | (45,720) | - | - | - | - |
| Increase in capital by cash from non-controlling interests | - | - | - | - | - | - | - | 70,000 | 70,000 |
| Changes in equity of subsidiaries | - | 3,487 | - | - | - | - | 3,487 | (3,487) | - |
| Balance as of September 30, 2014 | \$ 868,168 | 65,321 | 182,223 | 7 | 813,643 | 856 | 1,930,218 | 521,278 | 2,451,496 |

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 MONTHS ENDED SEPTEMBER 30, 2014 AND 2013
(All Amounts Expressed in Thousands of New Taiwan Dollars, Except for Share Data)**

| | For the nine months ended September 30, | |
|--|--|------------------|
| | 2014 | 2013 |
| Cash flows from operating activities: | | |
| Profit before tax | \$ 683,394 | 492,067 |
| Adjustments: | | |
| Adjustments to reconcile net income to net cash provided by operating activities | | |
| Depreciation | 78,102 | 65,669 |
| Amortization | 6,118 | 5,549 |
| Interest income | (14,200) | (11,992) |
| Dividends revenue | (1,304) | (1,333) |
| Loss on disposal and retirement of property, plant and equipment, net | 242 | 687 |
| Impairment loss on financial assets | 18,687 | 3,309 |
| Total adjustments to reconcile net income to net cash provided by operating activities | <u>87,645</u> | <u>61,889</u> |
| Changes in operating assets and liabilities: | | |
| Changes in operating assets, net: | | |
| (Increase) decrease in notes receivable | (1,433) | 3,487 |
| Decrease in accounts receivable | 5,683 | 33,031 |
| (Increase) decrease in other receivables | (7,476) | 5,930 |
| Increase in inventories | (47,605) | (65,276) |
| Decrease in other financial assets | 12,834 | 1,928 |
| Increase in other current assets | (15,953) | (22,150) |
| Total changes in operating assets, net | <u>(53,950)</u> | <u>(43,050)</u> |
| Changes in operating liabilities, net: | | |
| Increase (decrease) in notes payable | 2,888 | (4,583) |
| (Decrease) increase in accounts payable | (857) | 9,473 |
| (Decrease) increase in other payable | (11,871) | 11,150 |
| Increase in other current liabilities | 159,868 | 176,244 |
| Decrease in accrued pension liabilities | (1,600) | (1,579) |
| Total changes in operating liabilities, net | <u>148,428</u> | <u>190,705</u> |
| Total changes in operating assets and liabilities, net | <u>94,478</u> | <u>147,655</u> |
| Total Adjustments | <u>182,123</u> | <u>209,544</u> |
| Cash inflow generated from operations | 865,517 | 701,611 |
| Interest received | 13,215 | 11,297 |
| Dividends received | 1,304 | 1,333 |
| Income tax paid | (152,020) | (48,974) |
| Net cash provided by operating activities | <u>728,016</u> | <u>665,267</u> |
| Cash flows from investing activities: | | |
| Purchase of property, plant and equipment | (126,605) | (26,183) |
| Disposal of property, plant and equipment | 676 | 1,180 |
| Purchase of intangible assets | (2,970) | (2,331) |
| Increase in other non-current assets | (5,468) | (21,985) |
| Net cash used in investing activities | <u>(134,367)</u> | <u>(49,319)</u> |
| Cash flows from financing activities: | | |
| Dividends paid | (297,179) | (259,853) |
| Increase in capital by cash from non-controlling interests | 70,000 | 6,000 |
| Change in non-controlling interests | - | (370) |
| Net cash used in financing activities | <u>(227,179)</u> | <u>(254,223)</u> |
| Foreign exchange rate effects | 991 | 1,296 |
| Net increase in cash and cash equivalents | 367,461 | 363,021 |
| Cash and cash equivalents, beginning of period | <u>3,859,455</u> | <u>2,929,153</u> |
| Cash and cash equivalents, end of period | <u>\$ 4,226,916</u> | <u>3,292,174</u> |

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

PCHOME ONLINE INC. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
SEPTEMBER 30, 2014 AND 2013

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

(1) Organization and Business

PChome Online Inc. (the Company) was incorporated on July 14, 1998. The 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.

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

The board of directors released the consolidated interim financial statements on November 11, 2014.

(3) New Standards and Interpretations Not Yet Adopted

- (a) Effect of new issuances of or amendments to IFRSs as endorsed by the Financial Supervisory Commission ("FSC") but not yet adopted by the Group.

According to Financial-Supervisory-Securities-Auditing No. 1030010325 issued on April 3, 2014, commencing 2015, companies with shares listed on the TWSE or traded on the Taiwan GreTai Securities Market or Emerging Stock Market shall adopt the 2013 version of IFRS (not including IFRS 9, 'Financial instruments') as endorsed by the FSC in preparing the consolidated financial statements. The related new standards, interpretations and amendments are listed below:

| <u>New Standards, Interpretations and Amendments</u> | <u>IASB Effective Date</u> |
|---|----------------------------|
| Limited exemption from comparative IFRS 7 disclosures for first-time adopters (amendment to IFRS 1) | July 1, 2010 |
| Severe hyperinflation and removal of fixed dates for first-time adopters (amendment to IFRS 1) | July 1, 2011 |
| Government loans (amendment to IFRS 1) | January 1, 2013 |
| Disclosures - transfers of financial assets (amendment to IFRS 7) | July 1, 2011 |
| Disclosures-Offsetting financial assets and financial liabilities (amendment to IFRS 7) | January 1, 2013 |

PCHOME ONLINE INC. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
SEPTEMBER 30, 2014 AND 2013

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

| <u>New Standards, Interpretations and Amendments</u> | <u>IASB Effective Date</u> |
|---|--|
| IFRS 10, "Consolidated financial statements" | January 1, 2013 (Investment entities will adopt on January 1, 2014) |
| IFRS 11, "Joint arrangements" | January 1, 2013 |
| IFRS 12, "Disclosure of interests in other entities" | January 1, 2013 |
| IFRS 13, "Fair value measurement" | January 1, 2013 |
| Presentation of items of other comprehensive income (amendment to IAS 1) | July 1, 2012 |
| Deferred tax: Recovery of underlying assets (amendment to IAS 12) | January 1, 2012 |
| IAS 19 revised, "Employee benefits" (as amended in 2011) | January 1, 2013 |
| IAS 27, "Separate financial statements" (as amended in 2011) | January 1, 2013 |
| Offsetting financial assets and financial liabilities (amendment to IAS 32) | January 1, 2014 |
| IFRIC 20, "Stripping costs in the production phase of a surface mine" | January 1, 2013 |

Based on the Group's assessment, the adoption of the 2013 version of IFRS has no significant impact on the consolidated financial statements of the Group, except for the following:

1. IAS 1, "Presentation of financial statements"

The amendment requires entities to separate the items (presented in OCI classified by nature) into two groups on the basis of whether they are potentially reclassifiable to profit or loss subsequently when specific conditions are met. If the items are presented before tax then the tax related to each of the two groups of OCI items (those that might be reclassified and those that will not be reclassified) must be shown separately. Accordingly, the Group will adjust its presentation of the statement of comprehensive income.

2. IFRS 12, "Disclosure of interests in other entities"

The standard integrates the disclosure requirements for subsidiaries, joint arrangements, associates and unconsolidated structured entities. Additionally, the Group will disclose additional information about its interests in consolidated entities and unconsolidated entities accordingly.

3. IFRS 13, "Fair value measurement"

The standard defines the fair value, sets out a framework for measuring fair value, and requires disclosures about fair value measurements. Based on the Group's assessment, the adoption of the standard has no significant impact on the consolidated financial statements of the Group, and the Group will disclose additional information about the fair value measurement accordingly.

PCHOME ONLINE INC. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
SEPTEMBER 30, 2014 AND 2013

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

- (b) IFRSs issued by the International Accounting Standard Board (“IASB”) but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the 2013 version of IFRS as endorsed by the FSC :

| <u>New Standards, Interpretations and Amendments</u> | <u>IASB Effective Date</u> |
|---|----------------------------|
| IFRS 9, “Financial instruments” | January 1, 2018 |
| IFRIC 14 “Regulatory deferral accounts” | January 1, 2016 |
| Services related contributions from employees or third parties (amendments to IAS 19) | July 1, 2014 |
| Recoverable amount disclosures for non-financial assets (amendments to IAS 36) | January 1, 2014 |
| Novation of derivatives and continuation of hedge accounting (amendments to IAS 39) | January 1, 2014 |
| IFRIC 21, “Levies” | January 1, 2014 |

The Group is assessing the potential impact of the new standards, interpretations and amendments above and has not yet been able to reliably estimate their impact on the consolidated financial statements.

(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.

Except as described in the following paragraph, the significant accounting policies applied in the preparation of the consolidated interim financial statements are applied consistently for the consolidated financial statements for the year ended December 31, 2013. For other information, please refer to note 4 of the consolidated financial statements for the year ended December 31, 2013.

- (b) Business combination

The principles applied in the preparation of the consolidated interim financial statements are consistent with the consolidated financial statements for the year ended December 31, 2013. For information about the principles, please refer to note 4(c) of the consolidated financial statements for the year ended December 31, 2013.

**PCHOME ONLINE INC. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
SEPTEMBER 30, 2014 AND 2013**

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

1. List of subsidiaries in the consolidated financial statements:

| Name of investor | Name of subsidiary | Principal activity | Shareholding | | | Note |
|--|--|--|--------------|------------|-----------|--------|
| | | | 2014.9.30 | 2013.12.31 | 2013.9.30 | |
| The Company | PChome eBay Co., Ltd. | Information processing and provision of electronic information | 65.00 % | 65.00 % | 65.00 % | |
| " | PChome Store Inc. | Internet services | 59.91 % | 59.91 % | 59.91 % | |
| " | Linktel Inc. | Type II Telecommunications Business | 100.00 % | 100.00 % | 100.00 % | |
| " | PChome Pay Inc. | Information processing and provision of electronic information | 22.22 % | 26.32 % | 62.50 % | Note 1 |
| " | IT Home Publications Inc. | Magazine publication | 100.00 % | 100.00 % | 100.00 % | |
| " | PChome US Inc. | E-commerce platform | 90.91 % | 90.91 % | 90.91 % | |
| " | Liker Technology Inc. | O2O (Online to Offline) E-commerce | 34.72 % | 34.72 % | 34.72 % | Note 1 |
| " | PC Home Online International Co., Ltd. | International trade and investment activities | 100.00 % | 100.00 % | 100.00 % | |
| " | Rakuya International Info. Co. Ltd. | Real estate business, and internet information rental service | 22.04 % | 22.04 % | 22.04 % | Note 2 |
| " | eCommerce Group Co., Ltd. | Investment activities | 100.00 % | 100.00 % | 100.00 % | |
| " | Orange Network Inc. | Online television media business | 100.00 % | 100.00 % | 100.00 % | Note 3 |
| " | Pay and Link Inc. | Internet services | - % | - % | 100.00 % | |
| PChome eBay Co., Ltd. | PChome Pay Inc. | Information processing and provision of electronic information | 25.33 % | 30.00 % | 30.00 % | Note 1 |
| PChome Store Inc. | Liker Technology Inc. | O2O (Online to Offline) E-commerce | 41.67 % | 41.67 % | 41.67 % | Note 1 |
| " | PChome Pay Inc. | Information processing and provision of electronic information | 35.56 % | 42.11 % | - % | Note 1 |
| PChome Pay Inc. | Pay and Link Inc. | Internet services | 100.00 % | 100.00 % | - % | |
| IT Home Publications Inc. | Yiabi Inc. | Information processing and provision of electronic information | 100.00 % | 100.00 % | - % | |
| PC Home Online International Co., Ltd. | PChome Online Inc. | International trade and investment activities | 100.00 % | 100.00 % | 100.00 % | |
| eCommerce Group Co., Ltd. | EC Global Inc. | Investment activities | 100.00 % | 100.00 % | 100.00 % | |

PCHOME ONLINE INC. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
SEPTEMBER 30, 2014 AND 2013

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

| Name of investor | Name of subsidiary | Principal activity | Shareholding | | | Note |
|--------------------------|--------------------------------|--|--------------|------------|-----------|------|
| | | | 2014.9.30 | 2013.12.31 | 2013.9.30 | |
| PChome Online Inc. | PC Home Online (HK) Ltd. | Information service and indirect investment activities | 100.00 % | 100.00 % | 100.00 % | |
| EC Global Inc. | EC Global Limited | Investment activities | 100.00 % | 100.00 % | 100.00 % | |
| PC Home Online (HK) Ltd. | Shanghai Todo Inc. | Software and internet technical consulting service | 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 % | 100.00 % | 100.00 % | |

Note 1: The Group holds more than 50% of its outstanding equity shares. Therefore, it was included in the consolidated financial statement.

Note 2: Although the Group holds less than 50% of the company's outstanding equity shares, the Group has control over the company's finance, operations, and employment decisions. 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 June 30, 2014, the investee company was in the liquidation process.

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

(c) Employee benefits

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events.

(d) Income taxes

The income taxes of consolidated interim financial statements have been measured and disclosed in accordance with the guideline of IAS 34 Interim Financial Reporting B12 which are approved by the FSC.

Income tax expense for the year is best estimated by multiplying pretax income for the interim reporting period by the effective annual tax rate as forecasted by the management.

Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases shall be measured based on the effective tax rate at time of realization or liquidation and recognized directly in equity or other comprehensive income as tax expense.

PCHOME ONLINE INC. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
SEPTEMBER 30, 2014 AND 2013

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

(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 year ended December 31, 2013.

(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 consolidated financial statements for the year ended December 31, 2013.

For other information about the accounting policies, please refer to note 6 of the consolidated financial statements for the year ended December 31, 2013.

(a) Cash and cash equivalents

| | <u>2014.9.30</u> | <u>2013.12.31</u> | <u>2013.9.30</u> |
|---|---------------------|-------------------|------------------|
| Cash on hand | \$ 317 | 288 | 275 |
| Checking accounts | 10,120 | 18,265 | 9,734 |
| Savings accounts | 2,521,242 | 2,664,612 | 2,111,687 |
| Foreign currency deposits | 156,876 | 125,550 | 126,298 |
| Time deposits | 1,525,200 | 1,043,700 | 1,035,700 |
| Cash equivalents | <u>13,161</u> | <u>7,040</u> | <u>8,480</u> |
| Cash and cash equivalents in consolidated statement of cash flows | <u>\$ 4,226,916</u> | <u>3,859,455</u> | <u>3,292,174</u> |

(b) Financial assets

Financial assets measured at cost:

| | <u>2014.9.30</u> | <u>2013.12.31</u> | <u>2013.9.30</u> |
|--------------------------------------|------------------|-------------------|------------------|
| Domestic stock of non-listed company | <u>\$ 36,061</u> | <u>36,061</u> | <u>36,061</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, 2014, December 31, 2013, and September 30, 2013, the Group’s financial assets were not pledged as collateral.

September 30, 2014 and 2013 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, 2014 AND 2013

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

(c) Notes receivable, accounts receivable and other receivable, net

| | <u>2014.9.30</u> | <u>2013.12.31</u> | <u>2013.9.30</u> |
|-------------------------------------|-------------------|-------------------|------------------|
| Notes receivable | \$ 6,294 | 4,861 | 5,681 |
| Accounts receivable | 353,653 | 363,161 | 331,697 |
| Other receivables | 163,484 | 155,021 | 135,721 |
| Less: Allowance for impairment loss | <u>(29,057)</u> | <u>(14,200)</u> | <u>(6,129)</u> |
| | <u>\$ 494,374</u> | <u>508,843</u> | <u>466,970</u> |

As of September 30, 2014, December 31, 2013, and September 30, 2013, the Group did not have accounts receivables which were past due but not impaired.

The movement in the allowance for impairment loss with respect to notes receivable, accounts receivable and other receivables for the nine months ended September 30, 2014 and 2013, were as follows:

| | <u>Individually assessed impairment</u> | <u>Collectively assessed impairment</u> | <u>Total</u> |
|-------------------------------|---|---|----------------|
| Balance at January 1, 2014 | \$ - | 14,200 | 14,200 |
| Impairment loss recognized | - | 18,687 | 18,687 |
| Amount of write-off | <u>-</u> | <u>(3,830)</u> | <u>(3,830)</u> |
| Balance at September 30, 2014 | <u>\$ -</u> | <u>29,057</u> | <u>29,057</u> |
| Balance at January 1, 2013 | \$ - | 7,000 | 7,000 |
| Impairment loss recognized | - | 3,309 | 3,309 |
| Amount of write-off | <u>-</u> | <u>(4,180)</u> | <u>(4,180)</u> |
| Balance at September 30, 2013 | <u>\$ -</u> | <u>6,129</u> | <u>6,129</u> |

(d) Inventories

| | <u>2014.9.30</u> | <u>2013.12.31</u> | <u>2013.9.30</u> |
|--|-------------------|-------------------|------------------|
| Merchandise inventories | \$ 382,003 | 331,899 | 333,262 |
| Less: Allowance for inventory valuation and obsolescence losses | <u>(4,138)</u> | <u>(1,639)</u> | <u>(4,102)</u> |
| | <u>\$ 377,865</u> | <u>330,260</u> | <u>329,160</u> |

As of September 30, 2014, December 31, 2013, September 30, 2013, the Group's inventories were not pledged as collateral.

September 30, 2014 and 2013 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, 2014 AND 2013

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

The details of operating cost were as follows:

| | Third Quarter of | | For the nine months ended | |
|---|-------------------------|------------------|----------------------------------|------------------|
| | 2014 | 2013 | September 30, | |
| | <u>2014</u> | <u>2013</u> | <u>2014</u> | <u>2013</u> |
| Cost of goods sold | \$ 4,251,293 | 3,439,311 | 12,078,771 | 9,856,799 |
| Provision for inventory market price decline and obsolescence | 872 | 1,186 | 2,499 | 2,929 |
| Loss on disposal of scrap | - | 154 | 200 | 154 |
| | <u>\$ 4,252,165</u> | <u>3,440,651</u> | <u>12,081,470</u> | <u>9,859,882</u> |

(e) Property, plant and equipment

The cost, depreciation and impairment loss of the property, plant and equipment of the Group for the nine months ended September 30, 2014 and 2013, were as follows:

| | Transportation equipment | Furniture and office equipment | Leasehold improvements | Total |
|---------------------------------------|---------------------------------|---------------------------------------|-------------------------------|----------------|
| Cost: | | | | |
| Balance at January 1, 2014 | \$ 2,150 | 506,884 | 163,995 | 673,029 |
| Additions | - | 73,588 | 59,836 | 133,424 |
| Transferred from prepayments | - | 222 | 13,835 | 14,057 |
| Disposals | (994) | (95,500) | (27,511) | (124,005) |
| Effect of movements in exchange rates | 35 | 82 | 18 | 135 |
| Balance at September 30, 2014 | <u>\$ 1,191</u> | <u>485,276</u> | <u>210,173</u> | <u>696,640</u> |
| Balance at January 1, 2013 | \$ 4,176 | 454,715 | 154,384 | 613,275 |
| Additions | - | 19,892 | 6,291 | 26,183 |
| Disposals | (2,101) | (1,512) | (1,513) | (5,126) |
| Effect of movements in exchange rates | 58 | 51 | 23 | 132 |
| Balance at September 30, 2013 | <u>\$ 2,133</u> | <u>473,146</u> | <u>159,185</u> | <u>634,464</u> |
| Depreciation and impairment loss: | | | | |
| Balance at January 1, 2014 | \$ 760 | 369,356 | 112,771 | 482,887 |
| Depreciation for the year | 161 | 51,871 | 26,070 | 78,102 |
| Disposals | (372) | (95,204) | (27,511) | (123,087) |
| Effect of movements in exchange rates | 14 | 43 | 14 | 71 |
| Balance at September 30, 2014 | <u>\$ 563</u> | <u>326,066</u> | <u>111,344</u> | <u>437,973</u> |
| Balance at January 1, 2013 | \$ 859 | 311,338 | 85,387 | 397,584 |
| 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 | 13 | 21 | 13 | 47 |
| Balance at September 30, 2013 | <u>\$ 665</u> | <u>353,270</u> | <u>106,106</u> | <u>460,041</u> |

September 30, 2014 and 2013 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, 2014 AND 2013

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

| | <u>Transportation equipment</u> | <u>Furniture and office equipment</u> | <u>Leasehold improvements</u> | <u>Total</u> |
|-----------------------|-------------------------------------|---|-----------------------------------|----------------|
| Carrying amounts: | | | | |
| At January 1, 2014 | \$ <u>1,390</u> | <u>137,528</u> | <u>51,224</u> | <u>190,142</u> |
| At September 30, 2014 | \$ <u>628</u> | <u>159,210</u> | <u>98,829</u> | <u>258,667</u> |
| 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> |

(f) Intangible assets

The costs and amortization and impairment loss of intangible assets of the Group for the nine months ended September 30, 2014 and 2013, were as follows:

| | <u>Software</u> | <u>Patent and Trademark</u> | <u>Total</u> |
|-------------------------------|------------------|---------------------------------|---------------|
| Carrying amounts: | | | |
| Balance at January 1, 2014 | \$ <u>12,035</u> | <u>2,857</u> | <u>14,892</u> |
| Balance at September 30, 2014 | \$ <u>8,887</u> | <u>2,857</u> | <u>11,744</u> |
| Balance at January 1, 2013 | \$ <u>16,443</u> | - | <u>16,443</u> |
| Balance at September 30, 2013 | \$ <u>13,225</u> | - | <u>13,225</u> |

There were no significant additions, disposals or impairment in intangible assets for the nine months ended September 30, 2014 and 2013. 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 financial statements for the year ended December 31, 2013.

(g) Other current liabilities

| | <u>2014.9.30</u> | <u>2013.12.31</u> | <u>2013.9.30</u> |
|------------------------|---------------------|-------------------|------------------|
| Advance receipts | \$ 206,873 | 229,860 | 246,104 |
| Receipts under custody | 839,129 | 656,962 | 582,363 |
| Other | <u>8,918</u> | <u>6,944</u> | <u>6,415</u> |
| | <u>\$ 1,054,920</u> | <u>893,766</u> | <u>834,882</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.

PCHOME ONLINE INC. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
SEPTEMBER 30, 2014 AND 2013

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

(h) Operating leases

Non-cancellable operating lease rentals are payable as follows:

| | <u>2014.9.30</u> | <u>2013.12.31</u> | <u>2013.9.30</u> |
|----------------------------|-------------------|-------------------|------------------|
| Less than one year | \$ 243,655 | 184,170 | 149,515 |
| Between one and five years | <u>471,781</u> | <u>261,591</u> | <u>201,618</u> |
| | <u>\$ 715,436</u> | <u>445,761</u> | <u>351,133</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</u> | | <u>For the nine months ended</u> | |
|-------------------------|-------------------------|---------------|----------------------------------|----------------|
| | <u>2014</u> | <u>2013</u> | <u>September 30,</u> | |
| | <u>2014</u> | <u>2013</u> | <u>2014</u> | <u>2013</u> |
| Operating lease expense | <u>\$ 58,732</u> | <u>43,750</u> | <u>172,208</u> | <u>131,800</u> |

(i) Employee benefits

1. Defined benefit plans

In the prior fiscal year, 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, 2013 and 2012.

The details of expenses were as follows:

| | <u>Third Quarter of</u> | | <u>For the nine months ended</u> | |
|-------------------------------------|-------------------------|-------------|----------------------------------|-------------|
| | <u>2014</u> | <u>2013</u> | <u>September 30,</u> | |
| | <u>2014</u> | <u>2013</u> | <u>2014</u> | <u>2013</u> |
| Operating costs | \$ - | - | 1 | 1 |
| Selling expense | 16 | 21 | 48 | 62 |
| General and administrative expenses | 69 | 57 | 207 | 222 |
| Research and development expenses | <u>3</u> | <u>3</u> | <u>8</u> | <u>9</u> |
| | <u>\$ 88</u> | <u>81</u> | <u>264</u> | <u>294</u> |

PCHOME ONLINE INC. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
SEPTEMBER 30, 2014 AND 2013

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

2. Defined contribution plans

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

| | Third Quarter of | | For the nine months ended | |
|-------------------------------------|------------------|--------------|---------------------------|---------------|
| | 2014 | 2013 | September 30, 2014 | 2013 |
| Operating costs | \$ 460 | 417 | 1,401 | 1,216 |
| Selling expense | 7,912 | 6,405 | 22,436 | 18,238 |
| General and administrative expenses | 1,030 | 1,129 | 3,785 | 3,910 |
| Research and development expenses | 2,634 | 1,780 | 6,313 | 4,302 |
| | <u>\$ 12,036</u> | <u>9,731</u> | <u>33,935</u> | <u>27,666</u> |

(j) Income taxes

1. The details of income tax expenses were as follows:

| | Third Quarter of | | For the nine months ended | |
|---|------------------|---------------|---------------------------|----------------|
| | 2014 | 2013 | September 30, 2014 | 2013 |
| Current income tax expense: | | | | |
| Current period | \$ 41,725 | 29,595 | 117,712 | 77,535 |
| 10% surtax on unappropriated earnings | - | - | 16,768 | 10,413 |
| Adjustment for prior periods | - | 19 | (168) | 24 |
| | <u>41,725</u> | <u>29,614</u> | <u>134,312</u> | <u>87,972</u> |
| Deferred tax expense: | | | | |
| Origination and reversal of temporary differences | 1,083 | 1,594 | (726) | 13,380 |
| Income tax from continuing operations | <u>\$ 42,808</u> | <u>31,208</u> | <u>133,586</u> | <u>101,352</u> |

2. The amount of income tax expense recognized in other comprehensive income for the nine months ended September 30, 2014 and 2013, was both zero.

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

PCHOME ONLINE INC. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
SEPTEMBER 30, 2014 AND 2013

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

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

| | 2014.9.30 | 2013.12.31 | 2013.9.30 |
|--|--------------------------|-----------------------|-----------------------|
| Unappropriated earnings of 1998 and after | \$ <u>813,643</u> | <u>722,216</u> | <u>569,644</u> |
| Balance of imputation credit account (ICA) | \$ <u>51,821</u> | <u>45,781</u> | <u>18,807</u> |
| | 2013 (actual) | 2012 (actual) | |
| Tax deduction ratio for earnings distribution to ROC residents | <u>15.71</u> % | <u>6.74</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.

(k) 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, 2014 and 2013. For other information about the stockholders' equity please refer to note 6(l) of the consolidated financial statements for the year ended December 31, 2013.

1. Capital surplus

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

| | 2014.9.30 | 2013.12.31 | 2013.9.30 |
|--|-------------------------|----------------------|----------------------|
| Share capital | \$ 53,647 | 53,647 | 53,647 |
| Difference between consideration and carrying amount of subsidiaries acquired or disposed of | 8,187 | 8,187 | 7,926 |
| Changes in equity of subsidiaries | <u>3,487</u> | <u>-</u> | <u>-</u> |
| | \$ <u>65,321</u> | <u>61,834</u> | <u>61,573</u> |

2. 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:

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

(2) 1~15 percent as employee benefits.

PCHOME ONLINE INC. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
SEPTEMBER 30, 2014 AND 2013

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

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

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

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

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

Employee benefits amounted to \$15,583, \$11,218, \$43,345 and \$31,880, and rewards of directors and supervisors amounted to \$2,338, \$1,683, \$6,502 and \$4,782 for the third quarter of 2014 and 2013 and for the nine months ended September 30, 2014 and 2013, 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 \$45,683 and \$38,743, and rewards of directors and supervisors amounted to \$5,053 and \$0 for 2013 and 2012, respectively. The amounts for 2012 are identical to the actual distributions.

The parent-company-only financial statements for the year ended December 31, 2013 estimated the employee benefits and the rewards of the directors and supervisors which differ from the actual distributions amount by \$37 and \$5, respectively. The difference was the change in the estimate, which is accounted as profit or loss in 2014.

The earnings distribution for 2013 and 2012 was decided by the general meeting of shareholders held on June 24, 2014, and June 26, 2013.

The relevant dividend distribution to shareholders was as follows:

| | <u>2013</u> | <u>2012</u> |
|--|-------------------|----------------|
| Dividends distributed to common shareholders | | |
| Cash | \$ 297,179 | 245,935 |
| Shares | 45,720 | - |
| Total | <u>\$ 342,899</u> | <u>245,935</u> |

September 30, 2014 and 2013 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, 2014 AND 2013

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

3. Other equity

| | Foreign currency translation differences for foreign operations |
|--|--|
| Balance at January 1, 2014 | \$ (7) |
| Foreign currency translation differences (net of tax): | |
| The Group | 863 |
| Balance at September 30, 2014 | \$ 856 |
| Balance at January 1, 2013 | \$ (1,011) |
| Foreign currency translation differences (net of tax): | |
| The Group | 1,150 |
| Balance at September 30, 2013 | \$ 139 |

(1) Earnings per share

| | Third Quarter of | | For the nine months ended September 30, | |
|--|-------------------------|----------------|--|----------------|
| | 2014 | 2013 | 2014 | 2013 |
| Basic earnings per share | | | | |
| Profit attributable to common stockholders of the Company | \$ 172,089 | 123,751 | 483,853 | 354,197 |
| Weighted-average number of ordinary shares | 86,817 | 86,817 | 86,817 | 86,817 |
| | \$ 1.98 | 1.43 | 5.57 | 4.08 |
| Diluted earnings per share | | | | |
| Profit attributable to common stockholders of the Company | \$ 172,089 | 123,751 | 483,853 | 354,197 |
| Weighted-average number of ordinary shares | 86,817 | 86,817 | 86,817 | 86,817 |
| Effect of employee stock bonus | 147 | 188 | 261 | 353 |
| Weighted-average number of ordinary shares (adjusted with potential effect of diluted ordinary shares) | 86,964 | 87,005 | 87,078 | 87,170 |
| | \$ 1.98 | 1.42 | 5.56 | 4.06 |

PCHOME ONLINE INC. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
SEPTEMBER 30, 2014 AND 2013

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

(m) Net sales

For the nine months ended September 30, 2014 and 2013, the details of revenue are as follows:

| | Third Quarter of | | For the nine months ended September 30, | |
|-----------------------|---------------------|------------------|--|-------------------|
| | 2014 | 2013 | 2014 | 2013 |
| Sale of goods | \$ 4,735,414 | 3,821,035 | 13,505,020 | 10,939,361 |
| Rendering of services | 394,809 | 318,250 | 1,097,037 | 920,305 |
| | <u>\$ 5,130,223</u> | <u>4,139,285</u> | <u>14,602,057</u> | <u>11,859,666</u> |

(n) Non-operating income and expenses

1. Other revenue

The details of other revenue were as follows:

| | Third Quarter of | | For the nine months ended September 30, | |
|--------------------|------------------|--------------|--|---------------|
| | 2014 | 2013 | 2014 | 2013 |
| Interest income | \$ 5,000 | 3,900 | 14,200 | 11,922 |
| Dividend revenue | 113 | 68 | 1,304 | 1,333 |
| Tax refunds income | 827 | - | 10,881 | - |
| Other | 209 | 384 | 644 | 5,313 |
| | <u>\$ 6,149</u> | <u>4,352</u> | <u>27,029</u> | <u>18,568</u> |

2. Other gains and losses

The details of other gains and losses were as follows:

| | Third Quarter of | | For the nine months ended September 30, | |
|---|------------------|----------------|--|--------------|
| | 2014 | 2013 | 2014 | 2013 |
| Foreign currency exchange gain or loss, net | \$ 1,680 | (1,169) | 1,225 | 382 |
| Disposal loss on property, plant and equipment | 73 | (377) | (242) | (687) |
| Other | - | (84) | (32) | (84) |
| | <u>\$ 1,753</u> | <u>(1,630)</u> | <u>951</u> | <u>(389)</u> |

(o) 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, and market risk for the nine months ended September 30, 2014 and 2013. For other information about the fair value of financial instruments, please refer to note 6(q) of the consolidated financial statements for the year ended December 31, 2013.

September 30, 2014 and 2013 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, 2014 AND 2013

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

1. Liquidity risks

The following are the contractual maturities of financial liabilities of the Group, including estimated interest payments and excluding the impact of netting arrangements:

| | <u>Carrying amount</u> | <u>Contractual cash flows</u> | <u>Within 6 months</u> | <u>6-12 months</u> | <u>1-2 years</u> | <u>2-5 years</u> | <u>More than 5 years</u> |
|--------------------------------------|----------------------------|-----------------------------------|----------------------------|--------------------|------------------|------------------|------------------------------|
| Balance at September 30, 2014 | | | | | | | |
| Non-derivative financial liabilities | | | | | | | |
| Notes payable | \$ 5,450 | 5,450 | 5,450 | - | - | - | - |
| Accounts payable | 1,649,803 | 1,649,803 | 1,649,803 | - | - | - | - |
| Other payable | 474,435 | 474,435 | 474,435 | - | - | - | - |
| Receipts under custody | 839,129 | 839,129 | 839,129 | - | - | - | - |
| | <u>\$ 2,968,817</u> | <u>2,968,817</u> | <u>2,968,817</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Balance at December 31, 2013 | | | | | | | |
| Non-derivative financial liabilities | | | | | | | |
| Notes payable | \$ 2,562 | 2,562 | 2,562 | - | - | - | - |
| Accounts payable | 1,650,636 | 1,650,636 | 1,650,636 | - | - | - | - |
| Other payable | 462,510 | 462,510 | 462,510 | - | - | - | - |
| Receipts under custody | 656,962 | 656,962 | 656,962 | - | - | - | - |
| | <u>\$ 2,772,670</u> | <u>2,772,670</u> | <u>2,772,670</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Balance at September 30, 2013 | | | | | | | |
| Non-derivative financial liabilities | | | | | | | |
| Notes payable | \$ 5,789 | 5,789 | 5,789 | - | - | - | - |
| Accounts payable | 1,353,776 | 1,353,776 | 1,353,776 | - | - | - | - |
| Other payable | 411,443 | 411,443 | 411,443 | - | - | - | - |
| Receipts under custody | 582,363 | 582,363 | 582,363 | - | - | - | - |
| | <u>\$ 2,353,371</u> | <u>2,353,371</u> | <u>2,353,371</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |

The Group does not expect that the cash flows included in the maturity analysis could occur significantly earlier or in significantly different amounts.

2. Currency risk

1) Currency risk exposure

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

| | <u>2014.9.30</u> | | | <u>2013.12.31</u> | | | <u>2013.9.30</u> | | | |
|------------------------------|-----------------------------|--------------------------|------------|-----------------------------|--------------------------|------------|-----------------------------|--------------------------|------------|---------|
| | <u>Foreign currency</u> | <u>Exchange rate</u> | <u>TWD</u> | <u>Foreign currency</u> | <u>Exchange rate</u> | <u>TWD</u> | <u>Foreign currency</u> | <u>Exchange rate</u> | <u>TWD</u> | |
| Financial assets | | | | | | | | | | |
| Monetary items | | | | | | | | | | |
| TWD | \$ | 8,759 | 1.00 | 8,759 | 8,963 | 1.00 | 8,963 | 8,962 | 1.00 | 8,962 |
| USD | | 4,342 | 30.42 | 132,089 | 4,270 | 29.80 | 127,256 | 4,253 | 29.57 | 125,750 |
| EUR | | 87 | 38.59 | 3,354 | 87 | 41.10 | 3,572 | 119 | 39.87 | 4,743 |
| Financial liabilities | | | | | | | | | | |
| Monetary items | | | | | | | | | | |
| USD | | 626 | 30.42 | 19,031 | 1,482 | 29.80 | 44,149 | 696 | 29.57 | 20,585 |

PCHOME ONLINE INC. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
SEPTEMBER 30, 2014 AND 2013

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

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 TWD against the USD and EUR as at September 30, 2014 and 2013, would have increased or decreased net income by \$5,035 and \$5,168, respectively. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis as for the third quarter of 2014 and 2013.

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.

(p) 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 year ended December 31, 2013.

(q) Capital management

The Group's objectives, policies, and processes for capital management were consistent with the consolidated financial statements for the year ended December 31, 2013. There were no significant changes in the quantified factors of capital management as compared to the consolidated financial statements for the year ended December 31, 2013. For other information about the capital management, please refer to note 6(s) of the consolidated financial statements for the year ended December 31, 2013.

(7) Related-Party Transactions

Key management personnel compensation comprised:

| | <u>Third Quarter of</u> | | <u>For the nine months ended</u> | |
|------------------------------|-------------------------|---------------|----------------------------------|---------------|
| | <u>September 30,</u> | | <u>September 30,</u> | |
| | <u>2014</u> | <u>2013</u> | <u>2014</u> | <u>2013</u> |
| Short-term employee benefits | \$ <u>18,504</u> | <u>13,932</u> | <u>49,020</u> | <u>38,874</u> |

(8) Restricted Assets

The following assets were restricted in use:

| <u>Assets</u> | <u>Purpose of Pledge</u> | <u>2014.9.30</u> | <u>2013.12.31</u> | <u>2013.9.30</u> |
|----------------------------|---|-------------------|-------------------|------------------|
| Deposit account-current | Security for performance and purchase guarantee | \$ 193,611 | 215,011 | 215,011 |
| Deposit account-noncurrent | Security for provisional seizure, etc. | 500 | 500 | 500 |
| Refundable deposit | Deposits for office rental | <u>51,902</u> | <u>42,705</u> | <u>42,063</u> |
| | | <u>\$ 246,013</u> | <u>258,216</u> | <u>257,574</u> |

PCHOME ONLINE INC. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
SEPTEMBER 30, 2014 AND 2013

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

(9) Significant Contingencies and Commitments

- (a) 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.
- (b) As of September 30, 2014, December 31, 2013, and September 30, 2013, notes payable deposited as guarantee for commercial vehicle and office and building leases were \$112,694, \$52,927, and \$71,137, respectively.
- (c) 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 Shanghai Commercial & Savings Bank, Ltd. for a guarantee limit of \$80,000, \$100,000 and \$130,000 as of September 30, 2014, December 31, 2013, and September 30, 2013, respectively.
- (d) The Group has entered into an agreement with Taishin International Bank and 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 performance guarantee limit amounted to \$216,000, \$76,000 and \$73,000 as of September 30, 2014, December 31, 2013 and September 30, 2013, respectively.

(10) Significant Catastrophic Losses: None.

(11) Significant Subsequent Events

On October 22, 2014, a resolution to dissolve was approved by the stockholders of Liker Technology Inc. The date of dissolution is set on October 31, 2014. As of November 10, 2014, Liker Technology Inc. was in the liquidation process.

(12) Others

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

| Categorized as | Third Quarter of 2014 | | | Third Quarter of 2013 | | |
|----------------------------|-----------------------|-------------------|---------|-----------------------|-------------------|---------|
| | Operating Cost | Operating Expense | Total | Operating Cost | Operating Expense | Total |
| Nature | | | | | | |
| Employee benefits | | | | | | |
| Salary | 15,007 | 287,086 | 302,093 | 9,187 | 225,917 | 235,104 |
| Labor and health insurance | 939 | 22,263 | 23,202 | 822 | 17,863 | 18,685 |
| Pension | 460 | 11,664 | 12,124 | 417 | 9,395 | 9,812 |
| Others employee benefits | 408 | 7,400 | 7,808 | 288 | 7,360 | 7,648 |
| Depreciation | - | 27,050 | 27,050 | - | 21,618 | 21,618 |
| Amortization | - | 2,056 | 2,056 | - | 1,907 | 1,907 |

September 30, 2014 and 2013 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, 2014 AND 2013

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

| Categorized as Nature | For the nine months ended September 30, 2014 | | | For the nine months ended September 30, 2013 | | |
|------------------------------|---|----------------------|---------|---|----------------------|---------|
| | Operating Cost | Operating Expense | Total | Operating Cost | Operating Expense | Total |
| Employee benefits | | | | | | |
| Salary | 37,967 | 812,805 | 850,772 | 31,142 | 656,861 | 688,003 |
| Labor and health insurance | 2,804 | 63,163 | 65,967 | 2,466 | 53,218 | 55,684 |
| Pension | 1,402 | 32,797 | 34,199 | 1,217 | 26,743 | 27,960 |
| Others employee benefits | 1,062 | 21,494 | 22,556 | 871 | 18,944 | 19,815 |
| Depreciation | - | 78,102 | 78,102 | - | 65,669 | 65,669 |
| Amortization | - | 6,118 | 6,118 | - | 5,549 | 5,549 |

(b) Seasonality of operations:

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

(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, 2014:

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

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

| 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 | Einktel Inc. | 3 | 965,109 | 22,446 | 366 | 366 | - | 0.02 % | 1,930,218 | 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.

PCHOME ONLINE INC. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
SEPTEMBER 30, 2014 AND 2013

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

3. Information regarding securities held at balance sheet date
(excluding investments in subsidiaries, associates and jointly controllal entities):

(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: | | | | | | | | |
| | Eastern Online Co., Ltd. | - | Financial assets measured at cost | 118,750 | - | 4.19 % | - | | |
| | " | Syspower Ltd. | - | " | 744,118 | 2,846 | 3.72 % | - | |
| | " | Openfind Information Technology, Inc. | - | " | 800,000 | 4,031 | 7.42 % | - | |
| | " | Career Consulting Co., Ltd. | - | " | 113,005 | 1,015 | 0.72 % | - | |
| | " | PayEasy Ltd. | - | " | 5,437,762 | 4,510 | 12.51 % | - | |
| | " | Taiwan Star Telecom Co., Ltd. | - | " | 3,942 | 737 | - % | - | |
| | " | P2V Holdings Ltd. (Samoa) | - | " | 2,691,030 | 22,922 | 11.13 % | - | |

4. Accumulated buying/selling of the same marketable securities for which the dollar amount reaches \$300 million or 20% or more of paid-in capital: None.
5. Acquisition of real estate for which the dollar amount reaches \$300 million or 20% or more of paid-in capital : None.
6. Disposition of real estate for which the dollar amount reaches \$300 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:

(In Thousands of New Taiwan Dollars)

| Name of Company | Counter-party | Relationship | Transaction details | | | | Reasons why and description of how the transaction conditions differ from general transactions | | | Account/note receivable (payable) | | Notes |
|--------------------|-------------------|--------------|---------------------|--------|--------------------------------------|----------------------|--|---------------|---------|---|--|-------|
| | | | Purchase /Sale | Amount | Percentage of total purchases /sales | Credit period | Unit price | Credit period | Balance | Percentage of total accounts/notes receivable (payable) | | |
| PChome Online Inc. | PChome Store Inc. | Subsidiary | Sale | 53,607 | 0.37 % | Open Account 15 Days | - | - | 4,203 | 1.17 % | | |

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

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.

September 30, 2014 and 2013 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, 2014 AND 2013

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

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 | 4,831 | Usual terms and conditions | 0.03 % |
| 0 | " | " | 1 | Other Expenses | 1,988 | No comparable counter-parties | 0.01 % |
| 0 | " | PChome Store Inc. | 1 | Sales | 53,607 | Usual terms and conditions | 0.37 % |
| 0 | " | " | 1 | Accounts Receivable | 4,203 | " | 0.07 % |
| 0 | " | " | 1 | Other Receivable | 27,838 | No comparable counter-parties | 0.48 % |
| 0 | " | PChome eBay Co., Ltd. | 1 | Sales | 3,814 | Usual terms and conditions | 0.03 % |
| 0 | " | " | 1 | Advertisement Expenses | 4,350 | No comparable counter-parties | 0.03 % |
| 0 | " | Rakuya International Info. Co. Ltd. | 1 | Sales | 4,177 | Usual terms and conditions | 0.03 % |
| 0 | " | " | 1 | Other Payable | 1,817 | No comparable counter-parties | 0.03 % |
| 0 | " | PChome US Inc. | 1 | Sales | 8,256 | Usual terms and conditions | 0.06 % |
| 0 | " | PChome Trading (Shenzhen) Ltd. | 1 | Other Receivable | 4,374 | No comparable counter-parties | 0.08 % |

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.

(b) Information on investees:

For the nine months ended September 30, 2014, the following was the information on investees (excluding investees in Mainland China) :

(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 | 4,889,920 | 100.00 % | 47,893 | (4,722) | (4,722) | Note |
| " | Linktel Inc. | " | Type II Telecommunications Business | 125,000 | 125,000 | 14,937,884 | 100.00 % | 181,182 | 20,495 | 20,495 | " |
| " | 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 % | 15,872 | (3,560) | (1,236) | " |
| " | 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 % | 12,588 | (440) | (440) | " |

September 30, 2014 and 2013 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, 2014 AND 2013

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

| 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. | 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 % | 398,404 | 132,198 | 85,929 | Note |
| " | 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 % | 12,514 | 3,894 | 858 | " |
| " | PChome Store Inc. | 14F., No.105, Sec. 2, Tun-Hwa S. Rd., Taipei | Internet services | 84,770 | 84,770 | 10,556,799 | 59.91 % | 270,979 | 56,516 | 33,873 | " |
| " | PChomePay Inc. | 12F., No.105, Sec. 2, Tun-Hwa S. Rd., Taipei | Online payment processing services | 100,000 | 100,000 | 10,000,000 | 22.22 % | 89,095 | (17,705) | (3,956) | " |
| " | PChome US Inc. | California | E-commerce platform | 116,490 | 116,490 | 40,000,000 | 90.91 % | 26,456 | (24,664) | (22,422) | " |
| " | eCommerce Group Co., Ltd. | P.O.Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands | Investment activities | 15,300 | 15,300 | 5,100,000 | 100.00 % | 2,143 | (1,015) | (1,015) | " |
| IT Home Publications Inc. | Yiabi Inc. | 11F., No.6, Sec. 2, Nanjing E. Rd., Zhongshan Dist., Taipei | Information processing and provision of electronic information | 1,000 | 1,000 | 100,000 | 100.00 % | 18 | (880) | (880) | " |
| PChome eBay Co., Ltd. | PChomePay Inc. | 12F., No.105, Sec. 2, Tun-Hwa S. Rd., Taipei | Online payment processing services | 114,000 | 114,000 | 11,400,000 | 25.33 % | 101,565 | (17,705) | (4,509) | " |
| 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 % | 19,048 | (3,560) | (1,483) | " |
| " | PChome Pay Inc. | 12F., No.105, Sec. 2, Tun-Hwa S. Rd., Taipei | Online payment processing services | 160,000 | 160,000 | 16,000,000 | 35.56 % | 142,566 | (17,705) | (6,330) | " |
| PChome Pay Inc. | Pay and Link Inc. | " | Investment activities | 388 | 388 | 100,000 | 100.00 % | 313 | (62) | (62) | " |
| 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 % | 13,444 | (386) | (386) | " |
| 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 | 15,061 | 5,020,000 | 100.00 % | 2,137 | (958) | (958) | " |
| 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 % | 14,727 | (278) | (278) | " |
| EC Global Inc. | EC Global Limited | Room 511, 5 Tszlou, Building 1, No.30 Singang Center, Canton Road, Jianju, Kowloon | Investment activities | 14,406 | 14,406 | 4,800,000 | 100.00 % | 1,942 | (834) | (834) | " |

September 30, 2014 and 2013 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, 2014 AND 2013

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

| 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 | | | |
| EC Global Limited | PChome Japan KK | 4F Azabu Green Terrace, 3-20-1, Minamiazabu, Minato-ku, Tokyo, 106-0047 Japan | International trading E-commerce | 2,397 | 2,397 | 800,000 | 100.00 % | 2,135 | (90) | (90) | Note |

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 | Net income (loss) of the investee | 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 | 4,563 | (2) | 4,563 | - | - | 4,563 | 3 | 100.00 % | 3 | 2,488 | - |
| PChome Trading (Shenzhen) Ltd. | International trading E-commerce | 15,514 | (2) | 15,514 | - | - | 15,514 | (707) | 100.00 % | (707) | (880) | - |

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 | 20,077 | 58,711 | 1,470,898 |

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.

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 and the foreign currency was translated on the exchange rate 30.42 at the nine months ended September 30, 2014.

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.

September 30, 2014 and 2013 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, 2014 AND 2013

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

(14) Segment Information

| | Third Quarter of 2014 | | | | |
|---------------------------|---|-------------------------|------------------------|---|--------------------------|
| | E-Commerce- Sales | Market Place | Other | Adjustments and Eliminations | Consolidated |
| Revenue: | | | | | |
| Non-inter-company revenue | \$ 4,603,596 | 378,105 | 148,522 | - | 5,130,223 |
| Inter-company revenue | <u>27,610</u> | <u>4,916</u> | <u>1,126</u> | <u>(33,652)</u> | <u>-</u> |
| Total Revenue | <u>\$ 4,631,206</u> | <u>383,021</u> | <u>149,648</u> | <u>(33,652)</u> | <u>5,130,223</u> |
| Segment profit | <u>\$ 172,089</u> | <u>60,111</u> | <u>883</u> | <u>(38,033)</u> | <u>195,050</u> |
| | Third Quarter of 2013 | | | | |
| | E-Commerce- Sales | Market Place | Other | Adjustments and Eliminations | Consolidated |
| Revenue: | | | | | |
| Non-inter-company revenue | \$ 3,742,747 | 269,923 | 126,615 | - | 4,139,285 |
| Inter-company revenue | <u>10,089</u> | <u>2,840</u> | <u>978</u> | <u>(13,907)</u> | <u>-</u> |
| Total Revenue | <u>\$ 3,752,836</u> | <u>272,763</u> | <u>127,593</u> | <u>(13,907)</u> | <u>4,139,285</u> |
| Segment profit | <u>\$ 123,751</u> | <u>46,581</u> | <u>(4,564)</u> | <u>(28,305)</u> | <u>137,463</u> |
| | For the nine months ended September 30, 2014 | | | | |
| | E-Commerce- Sales | Market Place | Other | Adjustments and Eliminations | Consolidated |
| Revenue: | | | | | |
| Non-inter-company revenue | \$ 13,119,608 | 1,108,042 | 374,407 | - | 14,602,057 |
| Inter-company revenue | <u>75,754</u> | <u>13,426</u> | <u>2,379</u> | <u>(91,559)</u> | <u>-</u> |
| Total Revenue | <u>\$ 13,195,362</u> | <u>1,121,468</u> | <u>376,786</u> | <u>(91,559)</u> | <u>14,602,057</u> |
| Segment profit | <u>\$ 483,853</u> | <u>164,051</u> | <u>(3,995)</u> | <u>(94,101)</u> | <u>549,808</u> |
| | For the nine months ended September 30, 2013 | | | | |
| | E-Commerce- Sales | Market Place | Other | Adjustments and Eliminations | Consolidated |
| Revenue: | | | | | |
| Non-inter-company revenue | \$ 10,749,177 | 732,983 | 377,506 | - | 11,859,666 |
| Inter-company revenue | <u>29,257</u> | <u>7,475</u> | <u>3,058</u> | <u>(39,790)</u> | <u>-</u> |
| Total Revenue | <u>\$ 10,778,434</u> | <u>740,458</u> | <u>380,564</u> | <u>(39,790)</u> | <u>11,859,666</u> |
| Segment profit | <u>\$ 354,197</u> | <u>129,378</u> | <u>(23,990)</u> | <u>(68,870)</u> | <u>390,715</u> |