

Stock Code: 8044

**PCHOME ONLINE INC. AND ITS SUBSIDIARIES
CONSOLIDATED INTERIM FINANCIAL
STATEMENTS
June 30, 2016 AND 2015
(WITH INDEPENDENT ACCOUNTANTS' REVIEW
REPORT THEREON)**

**Address: 12Fl, No. 105, Sec. 2, Tun-Hwa S. Rd., Taipei 106, Taiwan
Telephone: 886-2-2700-0898**

Table of Contents

<u>Contents</u>	<u>Page</u>
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	8~11
(4) Significant Accounting Policies	11~14
(5) Major Sources of Accounting Assumptions, Judgments and Estimation Uncertainty	14
(6) Summary of Major Accounts	14~27
(7) Related-Party Transactions	27
(8) Restricted Assets	27
(9) Significant Contingencies and Commitments	28
(10) Significant Catastrophic Losses	28
(11) Significant Subsequent Events	28
(12) Others	29
(13) Additional Disclosures	
a) Information on significant transactions	29~31
b) Information on investees	31~32
c) Information on investment in Mainland China	32~33
(14) Segment Information	33~34



安侯建業聯合會計師事務所

KPMG

台北市11049信義路5段7號68樓(台北101大樓)
68F, TAIPEI 101 TOWER, No. 7, Sec. 5,
Xinyi Road, Taipei, 11049, Taiwan, R.O.C.

Telephone 電話 + 886 (2) 8101 6666
Fax 傳真 + 886 (2) 8101 6667
Internet 網址 kpmg.com/tw

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 June 30, 2016 and 2015, the consolidated statements of comprehensive income for the second quarter of 2016 and 2015, and for the six months ended June 30, 2016 and 2015, and the consolidated statements of changes in equity and of cash flows for the six months ended June 30, 2016 and 2015. 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 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 the total assets of NT\$659,638 thousand and NT\$566,213 thousand, constituting 6% and 8%, respectively, of the total consolidated assets as of June 30, 2016 and 2015. The total liabilities of these subsidiaries amounted to NT\$301,259 thousand and NT\$203,974 thousand, constituting 6% and 5%, respectively, of the total consolidated liabilities as of June 30, 2016 and 2015. The comprehensive losses of these subsidiaries for the second quarter of 2016 and 2015, and for the six months ended June 30, 2016 and 2015, amounted to NT\$(12,373) thousand, NT\$(9,119) thousand, NT\$(22,961) thousand and NT\$(17,465) thousand, constituting (6)%, (5)%, (5)% and (4)%, 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 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.

A handwritten signature of the KPMG firm, written in black ink, appearing as 'KPMG' with a stylized flourish at the end.

Aug 11, 2016

Note to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, results of operations and consolidated cash flows in accordance with the Regulations Governing the Preparation of Financial Report by Securities Issuers and IAS 34 Interim Financial Reporting as endorsed by the Financial Supervisory Commissions in the Republic of China 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.

June 30, 2016 and 2015 reviewed only, not audited in accordance with the generally accepted auditing standards

PCHOME ONLINE INC. AND ITS SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
JUNE 30, 2016, DECEMBER 31, 2015 AND JUNE 30, 2015
(All Amounts Expressed in Thousands of New Taiwan Dollars, Except for Share Data)

ASSETS	2016.6.30		2015.12.31		2015.6.30		LIABILITIES AND STOCKHOLDERS' EQUITY	2016.6.30		2015.12.31		2015.6.30	
	Amount	%	Amount	%	Amount	%		Amount	%	Amount	%	Amount	%
Current Assets:							Current Liabilities:						
Cash and cash equivalents (Note (6)(a))	\$ 8,256,527	79	7,783,348	78	4,970,934	71	Short-term debt (Note (6)(g))	\$ 96,990	1	-	-	-	-
Notes receivable, net (Note (6)(c))	4,074	-	3,358	-	4,775	-	Notes payable	4,976	-	5,899	-	6,141	-
Accounts receivable, net (Note (6)(c))	318,787	3	325,798	3	370,397	5	Accounts payable	2,045,946	20	2,099,823	21	1,801,627	26
Other receivables (Note (6)(c))	302,357	3	414,440	4	388,694	6	Other payable	1,153,946	11	626,359	6	1,031,731	15
Inventories (Note (6)(d))	511,266	5	449,888	5	427,587	6	Current tax liabilities	159,869	2	155,091	2	144,297	2
Other financial assets – current (Note (8))	317,011	3	347,011	4	347,011	5	Other current liabilities (Note (6)(h))	1,251,447	12	1,328,030	13	1,336,965	19
Other current assets	65,152	1	35,453	-	34,302	-		4,713,174	46	4,215,202	42	4,320,761	62
	<u>9,775,174</u>	<u>94</u>	<u>9,359,296</u>	<u>94</u>	<u>6,543,700</u>	<u>93</u>	Non-current Liabilities:						
Non-Current Assets:							Deferred income tax liabilities	10,221	-	9,986	-	16,592	-
Financial assets measured at cost – non-current (Note (6)(b))	58,335	1	58,335	1	48,335	1	Net defined benefit liabilities-non-current (Note (6)(j))	3,640	-	4,440	-	8,055	-
Property, plant, and equipment (Note (6)(e))	289,893	3	257,493	3	262,278	4		13,861	-	14,426	-	24,647	-
Intangible assets (Note (6)(f))	50,016	-	38,336	-	12,980	-	TOTAL LIABILITIES	<u>4,727,035</u>	<u>46</u>	<u>4,229,628</u>	<u>42</u>	<u>4,345,408</u>	<u>62</u>
Deferred income tax assets	43,926	-	43,990	-	49,426	1	Owners' Equity Attributable to Equity Holders of the Parent Company						
Other financial assets – non-current (Note (8))	164,595	2	185,382	2	101,169	1	(Note (6)(l)):						
Other non-current assets	4,540	-	14,049	-	8,576	-	Capital Stock:						
	<u>611,305</u>	<u>6</u>	<u>597,585</u>	<u>6</u>	<u>482,764</u>	<u>7</u>	Common stock	998,549	9	998,549	10	868,168	12
							Stock dividends to be distributed (Note (6)(m))	104,612	1	-	-	60,381	1
							Capital Surplus	2,498,301	24	2,498,301	25	65,321	1
							Retained Earnings:						
							Legal reserve	327,935	3	250,151	3	250,151	4
							Special reserve	4,271	-	-	-	-	-
							Retained earnings – unappropriated	1,000,430	10	1,260,211	13	850,960	12
							Other Equity:						
							Exchange differences on translation of foreign operations	(1,241)	-	(4,270)	-	(5,291)	-
							Total owners' equity attributable to equity holders of the parent company	4,932,857	47	5,002,942	51	2,089,690	33
							Non-controlling interest	726,587	7	724,311	7	591,366	8
							TOTAL EQUITY	<u>5,659,444</u>	<u>54</u>	<u>5,727,253</u>	<u>58</u>	<u>2,681,056</u>	<u>38</u>
TOTAL ASSETS	<u>\$ 10,386,479</u>	<u>100</u>	<u>9,956,881</u>	<u>100</u>	<u>7,026,464</u>	<u>100</u>	TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 10,386,479</u>	<u>100</u>	<u>9,956,881</u>	<u>100</u>	<u>7,026,464</u>	<u>100</u>

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

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

**PCHOME ONLINE INC. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED JUNE 30, 2016 AND 2015**

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

	Second Quarter of ,				For the six months ended June 30,			
	2016		2015		2016		2015	
	Amount	%	Amount	%	Amount	%	Amount	%
Operating revenues (Note (6)(n))	\$ 6,095,983	102	5,578,665	102	13,012,877	102	11,424,440	102
Less: Sales returns, discounts and allowances	98,259	2	101,335	2	242,074	2	225,815	2
Net sales	<u>5,997,724</u>	100	<u>5,477,330</u>	100	<u>12,770,803</u>	100	<u>11,198,625</u>	100
Operating costs (Note (6)(d))	<u>4,956,133</u>	83	<u>4,529,317</u>	83	<u>10,580,395</u>	83	<u>9,268,688</u>	83
Gross margin	<u>1,041,591</u>	17	<u>948,013</u>	17	<u>2,190,408</u>	17	<u>1,929,937</u>	17
Operating expenses:								
Selling expenses	620,406	10	537,234	10	1,224,946	9	1,065,171	10
General and administrative expenses	111,377	2	102,862	2	238,143	2	211,936	2
Research and development expenses	67,195	1	59,431	1	130,996	1	116,965	1
Total operating expenses	<u>798,978</u>	13	<u>699,527</u>	13	<u>1,594,085</u>	12	<u>1,394,072</u>	13
Income from operations	<u>242,613</u>	4	<u>248,486</u>	4	<u>596,323</u>	5	<u>535,865</u>	4
Non-operating income and expenses (Note (6)(p)):								
Other revenue	12,080	-	8,406	-	20,875	-	15,682	-
Other gains and losses	257	-	(1,972)	-	(4,721)	-	(8,665)	-
Financial costs	(350)	-	(1)	-	(353)	-	(1)	-
Total non-operating income and expenses	<u>11,987</u>	-	<u>6,433</u>	-	<u>15,801</u>	-	<u>7,016</u>	-
Profit before tax	<u>254,600</u>	4	<u>254,919</u>	4	<u>612,124</u>	5	<u>542,881</u>	4
Less: Income tax expense (Note (6)(k))	<u>64,172</u>	1	<u>81,445</u>	1	<u>130,174</u>	1	<u>131,687</u>	1
Profit	<u>190,428</u>	3	<u>173,474</u>	3	<u>481,950</u>	4	<u>411,194</u>	3
Other comprehensive income:								
Items that will be reclassified subsequently to profit or loss								
Exchange differences on translation of foreign operations	667	-	(4,835)	-	3,185	-	(10,948)	-
Other comprehensive income (net of tax)	<u>667</u>	-	<u>(4,835)</u>	-	<u>3,185</u>	-	<u>(10,948)</u>	-
Total comprehensive income	<u>\$ 191,095</u>	<u>3</u>	<u>168,639</u>	<u>3</u>	<u>485,135</u>	<u>4</u>	<u>400,246</u>	<u>3</u>
Profit attributable to:								
Owners of parent	\$ 177,637	3	157,893	3	449,946	4	370,218	3
Non-controlling interests	12,791	-	15,581	-	32,004	-	40,976	-
	<u>\$ 190,428</u>	<u>3</u>	<u>173,474</u>	<u>3</u>	<u>481,950</u>	<u>4</u>	<u>411,194</u>	<u>3</u>
Comprehensive income attributable to:								
Owners of parent	\$ 178,305	3	154,636	3	452,975	4	362,905	3
Non-controlling interests	12,790	-	14,003	-	32,160	-	37,341	-
	<u>\$ 191,095</u>	<u>3</u>	<u>168,639</u>	<u>3</u>	<u>485,135</u>	<u>4</u>	<u>400,246</u>	<u>3</u>
Earnings per share (Note (6)(m))								
Basic earnings per share (dollars)	<u>\$ 1.78</u>		<u>1.70</u>		<u>4.51</u>		<u>3.99</u>	
Diluted earnings per share (dollars)	<u>\$ 1.78</u>		<u>1.70</u>		<u>4.50</u>		<u>3.98</u>	
Note : The following are the pro-forma retrospective earnings per share in consideration of the stock dividends that were issued :								
Pro-forma basic earnings per share (dollars)	<u>\$ 1.61</u>		<u>1.54</u>		<u>4.08</u>		<u>3.61</u>	
Pro-forma diluted earnings per share (dollars)	<u>\$ 1.61</u>		<u>1.54</u>		<u>4.07</u>		<u>3.60</u>	

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

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

**PCHOME ONLINE INC. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED JUNE 30, 2016 AND 2015**

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

	Equity Attributable to Owners of Parent						Other Equity Exchange Differences on Translation of Foreign Operations	Total Equity Attributable to Owners of Parent	Non-controlling Interests	Total
	Common Stock	Stock Dividend to Be Distributed	Capital Surplus	Legal Reserve	Special Reserve	Retained Earnings - Unappropriated				
Balance as of January 1, 2015	\$ 868,168	-	65,321	182,223	7	1,001,521	2,022	2,119,262	537,520	2,656,782
Profit for the six months ended June 30, 2015	-	-	-	-	-	370,218	-	370,218	40,976	411,194
Other comprehensive income for the six months ended June 30, 2015	-	-	-	-	-	-	(7,313)	(7,313)	(3,635)	(10,948)
Total comprehensive income for the six months ended June 30, 2015	-	-	-	-	-	370,218	(7,313)	362,905	37,341	400,246
Earnings distribution:										
Legal reserve	-	-	-	67,928	-	(67,928)	-	-	-	-
Special reserve	-	-	-	-	(7)	7	-	-	-	-
Cash dividends	-	-	-	-	-	(392,477)	-	(392,477)	-	(392,477)
Stock dividends	-	60,381	-	-	-	(60,381)	-	-	-	-
Increase in capital by cash from subsidiaries	-	-	-	-	-	-	-	-	35,647	35,647
Change in non-controlling interests	-	-	-	-	-	-	-	-	(19,142)	(19,142)
Balance as of June 30, 2015	\$ 868,168	60,381	65,321	250,151	-	850,960	(5,291)	2,089,690	591,366	2,681,056
Balance as of January 1, 2016	\$ 998,549	-	2,498,301	250,151	-	1,260,211	(4,270)	5,002,942	724,311	5,727,253
Profit for the six months ended June 30, 2016	-	-	-	-	-	449,946	-	449,946	32,004	481,950
Other comprehensive income for the six months ended June 30, 2016	-	-	-	-	-	-	3,029	3,029	156	3,185
Total comprehensive income for the six months ended June 30, 2016	-	-	-	-	-	449,946	3,029	452,975	32,160	485,135
Legal reserve	-	-	-	77,784	-	(77,784)	-	-	-	-
Special reserve	-	-	-	-	4,271	(4,271)	-	-	-	-
Cash dividends	-	-	-	-	-	(523,060)	-	(523,060)	-	(523,060)
Stock dividends	-	104,612	-	-	-	(104,612)	-	-	-	-
Change in non-controlling interests	-	-	-	-	-	-	-	-	(29,884)	(29,884)
Balance as of June 30, 2016	\$ 998,549	104,612	2,498,301	327,935	4,271	1,000,430	(1,241)	4,932,857	726,587	5,659,444

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

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

**PCHOME ONLINE INC. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2016 AND 2015**

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

	For the six months ended June 30,	
	2016	2015
Cash flows from operating activities:		
Profit before tax	\$ 612,124	542,881
Adjustments:		
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	67,027	55,211
Amortization	6,032	3,543
Reversal of provision (provision) for doubtful accounts	(1,878)	7,246
Interest expense	353	1
Interest income	(14,605)	(9,777)
Dividend revenue	(1,942)	(1,488)
Gain on disposal and retirement of property, plant and equipment, net	(1)	(10)
Impairment loss on financial assets	-	5,247
Total adjustments to reconcile net income to net cash provided by operating activities	<u>54,986</u>	<u>59,973</u>
Changes in operating assets and liabilities:		
Changes in operating assets, net:		
Notes receivable	(771)	(661)
Accounts receivable	8,944	(75,738)
Other receivables	111,562	(207,410)
Inventories	(61,378)	(21,922)
Other financial assets	44,825	(218,808)
Other current assets	(22,917)	(12,944)
Total changes in operating assets, net	<u>80,265</u>	<u>(537,483)</u>
Changes in operating liabilities, net:		
Notes payable	(925)	4,409
Accounts payable	(55,667)	(99,180)
Other payable	1,641	(63,687)
Other current liabilities	(77,145)	315,917
Net defined benefit liabilities	(800)	(5,343)
Total changes in operating liabilities, net	<u>(132,896)</u>	<u>152,116</u>
Total changes in operating assets and liabilities, net	<u>(52,631)</u>	<u>(385,367)</u>
Total adjustments	<u>2,355</u>	<u>(325,394)</u>
Cash inflow generated from operations	614,479	217,487
Interest received	13,898	9,317
Dividends received	1,942	1,488
Interest paid	(297)	(1)
Income tax paid	(123,934)	(122,371)
Net cash provided by operating activities	<u>506,088</u>	<u>105,920</u>
Cash flows from investing activities:		
Acquired of financial assets measured at cost	(10,000)	-
Acquired of property, plant and equipment	(89,472)	(38,579)
Disposal of property, plant and equipment	1	19
Acquired of intangible assets	(18,844)	(3,282)
Increase in other non-current assets	(3,281)	(5,151)
Other investment activities	2,339	-
Net cash used in investing activities	<u>(119,257)</u>	<u>(46,993)</u>
Cash flows from financing activities:		
Increase in short-term debt	96,990	-
Change in non-controlling interests	(11,358)	-
Increase in capital by cash	-	35,647
Net cash provided by financing activities	<u>85,632</u>	<u>35,647</u>
Foreign exchange rate effects	716	(11,058)
Net increase in cash and cash equivalents	473,179	83,516
Cash and cash equivalents, beginning of period	<u>7,783,348</u>	<u>4,887,418</u>
Cash and cash equivalents, end of period	<u>\$ 8,256,527</u>	<u>4,970,934</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
June 30, 2016 and 2015

(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 Aug 11, 2016.

(3) New Standards and Interpretations Not Yet Adopted

- (a) Impact of the International Financial Reporting Standard ("IFRS") endorsed by the Financial Supervisory Commissions R.O.C. ("FSC") but not yet in effect.

According to official letter No.1050026834 issued on July 18, 2016 by the FSC, public entities are required to conform to the IFRSs, which were issued by the International Accounting Standards Board ("IASB") before January 1, 2016, and were endorsed by the FSC on January 1, 2017. (Excluding IFRS 9 Financial instruments, IFRS 15 "Agreement for contracts with customers," and others which have yet to be approved and decided by the FSC in order for them to take effect) in preparing their financial statements. The related new standards, interpretations and amendments were as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>IASB Effective Date</u>
Investment entities: Applying the Consolidation Exception (amendments to IFRS 10, IFRS 12 and IAS 28)	January 1, 2016
Accounting for acquisitions of interests in joint operations (amendments to IFRS 11)	January 1, 2016
IFRS 14 'Regulatory deferral accounts'	January 1, 2016
Disclosure initiative (amendments to IAS 1)	January 1, 2016
Clarification of Acceptable Methods of Depreciation and Amortization (amendments to IAS 16 and 38)	January 1, 2016
Agriculture: bearer plants (amendments to IAS 16 and IAS 41)	January 1, 2016
Services related contributions from employees or third parties (amendments to IAS 19)	July 1, 2014
Equity Method in Separate Financial Statements (amendments to IAS 27)	January 1, 2016

June 30, 2016 and 2015 reviewed only, not audited in accordance with the generally accepted auditing standards

PCHOME ONLINE INC. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
June 30, 2016 and 2015

(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>
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
The Annual Improvements: 2010-2012 and 2011-2013 Cycles	July 1, 2014
The Annual Improvements to IFRS: 2012-2014 Cycles	January 1, 2016
IFRIC 21, 'Levies'	January 1, 2014

The Group had assessed that the initial application of the above new IFRSs, whenever applied, would not have any material impact on its consolidated financial statements.

(b) New standards and amendments not yet endorsed by the FSC

New standards and amendments issued by the IASB but not yet endorsed by the FSC :

<u>New Standards, Interpretations and Amendments</u>	<u>IASB Effective Date</u>
IFRS 9, 'Financial instruments'	January 1, 2018
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (amendments to IFRS 10 and IAS 28)	Not yet endorsed by IASB
IFRS 15 'Revenue from contracts with customers'	January 1, 2018
IFRS 16 'Lease'	January 1, 2019
Classification and measurement of share-based payment transaction (amendments to IFRS2)	January 1, 2018
Clarification of IFRS 15 (amendments to IFRS 15)	January 1, 2018
Disclosure initiative (amendments to IAS 7)	January 1, 2017
Recognition of deferred tax assets for unrealized losses (amendments to IAS 12)	January 1, 2017

June 30, 2016 and 2015 reviewed only, not audited in accordance with the generally accepted auditing standards

PCHOME ONLINE INC. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
June 30, 2016 and 2015

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

The relevant impacts for the Group are as follows:

<u>Issue Date</u>	<u>New Standards and Amendments</u>	<u>Main Amendments</u>
May 28, 2014 April 12, 2016	IFRS 15 “Revenue from Contracts with Customers”	<p>The new standard provides a single model for determining whether an entity recognizes revenue in accordance with the method, timing and amount by applying the five-step model. IFRS 15 replaces IAS 11 “Construction Contracts”, IAS 18 “Revenue”, and the relevant interpretations.</p> <p>In April 12, 2016, the amendments clarify how to identify performance obligations in a contract; determine whether a company is a principal or an agent; and determine whether the revenue from granting a license should be recognized at a point in time or over time.</p>
November 19, 2013 July 24, 2014	IFRS 9 “Financial Instruments”	<p>The new standard replaces IAS 39 “Financial Instruments: Recognition and Measurement”. The main amendments are as follows:</p> <ul style="list-style-type: none">• Clarification and Measurement: The financial asset is driven by the entity’s business model and the contractual cash flow characteristics, which would be classified as financial assets measured at amortized cost, financial assets measured at fair value through other comprehensive income (OCI), and financial assets at fair value through profit or loss. The financial liabilities measured at fair value through profit or loss that have changes in fair value related to the changes in its credit risk are recognized in OCI.• Impairment: The new expected credit loss model is to replace the current incurred loss model.

PCHOME ONLINE INC. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
June 30, 2016 and 2015

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

<u>Issue Date</u>	<u>New Standards and Amendments</u>	<u>Main Amendments</u>
January 13, 2016	IFRS 16 “Lease”	<p>The new standard of accounting for lease is amended as follows:</p> <ul style="list-style-type: none">• For a contract that is, or contains, a lease, the lessee shall recognize a right-of-use asset and lease liability on the balance sheet. During the lease term, the lease payment shall include the measurement of the depreciation on the right-of-use asset and the interest expense on the lease liability.• A lessor shall classify a lease as either finance leases or operating leases. The accounting treatment remains similar in accordance with IAS 17 “Leases”.

The Group is evaluating the impact on its financial position and financial performance of the initial adoption of above mentioned standards or interpretations. The results thereof will be disclosed when the Group completes its evaluation.

(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, 2015. For other information, please refer to note 4 of the consolidated financial statements for the year ended December 31, 2015.

(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, 2015. For information about the principles, please refer to note 4(c) of the consolidated financial statements for the year ended December 31, 2015.

PCHOME ONLINE INC. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
June 30, 2016 and 2015

(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
			2016.6.30	2015.12.31	2015.6.30	
The Company	PChome eBay Co., Ltd.	Information processing and provision of electronic information	- %	- %	65.00 %	Note 4
"	PChome Store Inc.	Internet services	59.91 %	59.91 %	59.91 %	
"	Linktel Inc.	Type II Telecommunications Business	100.00 %	100.00 %	100.00 %	
"	PChomePay Inc.	Online payment processing services	21.18 %	21.18 %	22.22 %	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 %	Notes 1, 3
"	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 %	
"	Pi Mobile Technology Inc.	Online payment processing services	100.00 %	100.00 %	100.00 %	
"	PChome (Thailand) Co., Ltd.	E-commerce platform	65.00 %	65.00 %	65.00 %	
"	PChome Travel Inc.	Travel agency business	100.00 %	100.00 %	100.00 %	
PChome eBay Co., Ltd.	PChomePay Inc.	Online payment processing services	24.14 %	24.14 %	25.33 %	Note 1
PChome Store Inc.	Liker Technology Inc.	O2O (Online to Offline) E-commerce	- %	41.67 %	41.67 %	Notes 1, 3
"	PChomePay Inc.	Online payment processing services	33.88 %	33.88 %	35.56 %	Note 1
PChomePay Inc.	Pay and Link Inc.	"	100.00 %	100.00 %	100.00 %	
"	Zhen Jin Lian Inc.	"	100.00 %	100.00 %	- %	
"	Yin Te Lian Inc.	"	100.00 %	100.00 %	- %	
"	Yun Tung Bao Inc.	"	100.00 %	100.00 %	- %	

June 30, 2016 and 2015 reviewed only, not audited in accordance with the generally accepted auditing standards

PCHOME ONLINE INC. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
June 30, 2016 and 2015

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

Name of investor	Name of subsidiary	Principal activity	Shareholding			Note
			2016.6.30	2015.12.31	2015.6.30	
IT Home Publications Inc.	Yiabi Inc.	Information processing and provision of electronic information	100.00 %	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.	Ruten Global Inc. (previously known as 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 %	
Ruten Global Inc. (previously known as EC Global Inc.)	EC Global Limited	Investment activities	100.00 %	100.00 %	100.00 %	
"	PChome eBay Co., Ltd.	Information processing and provision of electronic information	65.00 %	65.00 %	- %	Note 4
PC Home Online (HK) Ltd.	Shanghai Todo Inc.	Software and internet technical consulting service	100.00 %	100.00 %	100.00 %	
"	PChome Japan KK	International trading E-commerce	100.00 %	- %	- %	Note 5
"	Ruten Japan KK	"	100.00 %	- %	- %	Note 5
EC Global Limited	PChome Trading (Shenzhen) Ltd.	"	100.00 %	100.00 %	100.00 %	
"	PChome Japan KK	"	- %	100.00 %	100.00 %	Note 5
"	Ruten Japan KK	"	- %	100.00 %	- %	Note 5

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 directs the relevant activities. Therefore, it was included in the consolidated financial statements.

Note 3: The liquidation procedure was completed in April 2016.

Note 4: On December 7, 2015, a resolution, selling all shares of PChome eBay Co., Ltd. which amounted to 27,300 thousand shares to Ruten Global Inc. (previously known as EC Global Inc.), was approved by the board of directors.

Note 5: On March 23, 2016, a resolution on selling all shares of PChome Japan KK and Ruten Japan KK to PChome Online (HK) Ltd. was approved by the board of directors of EC Global Limited.

PCHOME ONLINE INC. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
June 30, 2016 and 2015

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

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

(c) 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 is 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.

(d) 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.

(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, 2015.

(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, 2015.

For other information about the accounting policies, please refer to note 6 of the consolidated financial statements for the year ended December 31, 2015.

June 30, 2016 and 2015 reviewed only, not audited in accordance with the generally accepted auditing standards

PCHOME ONLINE INC. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
June 30, 2016 and 2015

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

(a) Cash and cash equivalents

	<u>2016.6.30</u>	<u>2015.12.31</u>	<u>2015.6.30</u>
Cash on hand	\$ 839	802	365
Checking accounts	98,628	21,720	22,620
Savings accounts	4,500,168	5,198,953	3,690,074
Foreign currency deposits	169,319	173,386	150,031
Time deposits	3,459,700	2,365,700	1,081,960
Cash equivalents	<u>27,873</u>	<u>22,787</u>	<u>25,884</u>
Cash and cash equivalents in consolidated statement of cash flows	<u>\$ 8,256,527</u>	<u>7,783,348</u>	<u>4,970,934</u>

(b) Financial assets

Financial assets measured at cost:

	<u>2016.6.30</u>	<u>2015.12.31</u>	<u>2015.6.30</u>
Domestic stock of non-listed company	<u>\$ 58,335</u>	<u>58,335</u>	<u>48,335</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.

The Group acquired 500 thousands shares of 17Life Ltd.'s common stock for \$10,000 on December 31, 2015. The amount was paid in January 2016, and the transaction was recognized as financial assets measured at cost.

The Group invested PayEasy Ltd. and Taiwan Star Telecom Co., Ltd. However, the value has impaired through the assessment. The Group recognized the impairment losses of \$4,510 and \$737 were recognized for the six months ended June 30, 2015.

As of June 30, 2016, December 31, 2015, and June 30, 2015, the Group's financial assets were not pledged as collateral.

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

	<u>2016.6.30</u>	<u>2015.12.31</u>	<u>2015.6.30</u>
Notes receivable	\$ 4,214	3,498	4,775
Accounts receivable	326,922	341,763	385,078
Other receivables	302,357	414,658	388,694
Less: Allowance for impairment loss	<u>(8,275)</u>	<u>(16,323)</u>	<u>(14,681)</u>
	<u>\$ 625,218</u>	<u>743,596</u>	<u>763,866</u>

PCHOME ONLINE INC. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
June 30, 2016 and 2015

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

The accounts receivables and notes receivables which were past due but not impaired were as follows:

	2016.6.30	2015.12.31	2015.6.30
Past under 90 days	\$ 467	971	998

The movement in the allowance for impairment loss with respect to notes receivable, accounts receivable and other receivables for the six months ended June 30, 2016 and 2015, were as follows:

	Individually assessed impairment	Collectively assessed impairment	Total
Balance at January 1, 2016	\$ -	16,323	16,323
Reversal of impairment loss	-	(1,878)	(1,878)
Amount of write-off	-	(6,170)	(6,170)
Balance at June 30, 2016	\$ -	8,275	8,275
Balance at January 1, 2015	\$ -	19,917	19,917
Impairment loss recognized	-	7,246	7,246
Amount of write-off	-	(12,482)	(12,482)
Balance at June 30, 2015	\$ -	14,681	14,681

(d) Inventories

	2016.6.30	2015.12.31	2015.6.30
Merchandise inventories	\$ 517,768	459,778	436,129
Less: Allowance for inventory valuation and obsolescence losses	(6,502)	(9,890)	(8,542)
	\$ 511,266	449,888	427,587

As of June 30, 2016, December 31, 2015 and June 30, 2015, the Group's inventories were not pledged as collateral.

The details of operating cost were as follows:

	Second Quarter of		For the six months ended June 30,	
	2016	2015	2016	2015
Cost of goods sold	\$ 4,956,328	4,525,212	10,583,070	9,263,645
Provision for inventory market price decline and obsolescence (Gain from price recovery of inventory)	(908)	3,797	(3,388)	4,735
Loss on disposal of scrap	713	308	713	308
	\$ 4,956,133	4,529,317	10,580,395	9,268,688

PCHOME ONLINE INC. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
June 30, 2016 and 2015

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

The losses on inventories impairment were reversed because part of the inventories whose net realizable value were lower than cost were sold for the six months ended June 30, 2016.

(e) Property, plant and equipment

	<u>Transportation equipment</u>	<u>Furniture and office equipment</u>	<u>Leasehold improvements</u>	<u>Total</u>
Carrying amounts:				
At January 1, 2016	\$ <u>412</u>	<u>168,953</u>	<u>88,128</u>	<u>257,493</u>
At June 30, 2016	\$ <u>298</u>	<u>183,843</u>	<u>105,752</u>	<u>289,893</u>
At January 1, 2015	\$ <u>602</u>	<u>159,889</u>	<u>106,989</u>	<u>267,480</u>
At June 30, 2015	\$ <u>486</u>	<u>157,877</u>	<u>103,915</u>	<u>262,278</u>

There were no significant additions, disposal, or impairment in property, plant and equipment for the six months ended June 30, 2016 and 2015. The details of depreciation are disclosed in note 12(a). For other information about the property, plant and equipment, please refer to note 6(e) of the consolidated financial statements for the year ended December 31, 2015.

(f) Intangible assets

	<u>Software</u>	<u>Patent and Trademark</u>	<u>Total</u>
Carrying amounts:			
Balance at January 1, 2016	\$ <u>35,479</u>	<u>2,857</u>	<u>38,336</u>
Balance at June 30, 2016	\$ <u>47,159</u>	<u>2,857</u>	<u>50,016</u>
Balance at January 1, 2015	\$ <u>9,006</u>	<u>2,857</u>	<u>11,863</u>
Balance at June 30, 2015	\$ <u>10,123</u>	<u>2,857</u>	<u>12,980</u>

There were no significant additions, disposals or impairment in intangible assets for the six months ended June 30, 2016 and 2015. The details of amortization expenses are disclosed in note 12(a). For other information about the intangible assets, please refer to note 6(f) of the consolidated financial statements for the year ended December 31, 2015.

(g) Short-term debt

Unsecured bank loans	<u>2016.6.30</u> \$ <u>96,990</u>
Unused credit line	\$ <u>112,980</u>
Interest rate	<u>1.912%~2.04%</u>

PCHOME ONLINE INC. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
June 30, 2016 and 2015

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

1. Release of borrowings

The Group released the short-term borrowings of \$96,990 (US\$3,000) and the unused short-term lines of credits amounting to \$112,980 (US\$3,500) for the six months ended June 30, 2016, with January 2017 as the maturity date. The interest rate ranged from 1.912%~2.04%. No assets were pledged by the Group as its repayment for the aforementioned loans.

(h) Other current liabilities

	<u>2016.6.30</u>	<u>2015.12.31</u>	<u>2015.6.30</u>
Advance receipts	\$ 221,548	205,317	181,337
Receipts under custody-online payment processing services	1,018,922	1,114,337	1,145,203
Other	<u>10,977</u>	<u>8,376</u>	<u>10,425</u>
	<u>\$ 1,251,447</u>	<u>1,328,030</u>	<u>1,336,965</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.

(i) Operating leases

Non-cancellable operating lease rentals are payable as follows:

	<u>2016.6.30</u>	<u>2015.12.31</u>	<u>2015.6.30</u>
Less than one year	\$ 343,381	242,777	296,080
Between one and five years	771,105	277,766	369,660
Over five years	<u>175,328</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,289,814</u>	<u>520,543</u>	<u>665,740</u>

The Group leases a number of offices and warehouses under operating leases. The leases typically run for a period of 1 to 7 years, with an option to renew the lease after that date.

Details of operating lease expense were as follows:

	<u>Second Quarter of,</u>		<u>For the six months ended June 30,</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Operating lease expense	<u>\$ 91,523</u>	<u>70,246</u>	<u>164,376</u>	<u>139,559</u>

PCHOME ONLINE INC. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
June 30, 2016 and 2015

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

(j) 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, 2015 and 2014.

The details of expenses were as follows:

	<u>Second Quarter of,</u>		<u>For the six months ended June 30,</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Operating costs	\$ -	-	-	1
Selling expense	(9)	63	(19)	125
General and administrative expenses	57	68	114	137
Research and development expenses	(3)	10	(5)	20
	<u>\$ 45</u>	<u>141</u>	<u>90</u>	<u>283</u>

2. Defined contribution plans

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

	<u>Second Quarter of,</u>		<u>For the six months ended June 30,</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Operating costs	\$ 930	640	1,782	1,240
Selling expense	10,208	8,786	20,210	17,229
General and administrative expenses	1,499	1,385	2,917	2,687
Research and development expenses	2,716	2,478	5,414	4,955
	<u>\$ 15,353</u>	<u>13,289</u>	<u>30,323</u>	<u>26,111</u>

PCHOME ONLINE INC. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
June 30, 2016 and 2015

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

(k) Income taxes

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

	<u>Second Quarter of</u>		<u>For the six months ended June 30,</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Current income tax expense:				
Current period	\$ 37,250	46,231	103,344	96,815
10% surtax on unappropriated earnings	29,210	32,285	29,210	32,285
Adjustment for prior periods	<u>(2,787)</u>	<u>1,894</u>	<u>(3,335)</u>	<u>1,894</u>
	<u>63,673</u>	<u>80,410</u>	<u>129,219</u>	<u>130,994</u>
Deferred tax expense:				
Origination and reversal of temporary differences	<u>499</u>	<u>1,035</u>	<u>955</u>	<u>693</u>
Income tax from continuing operations	<u>\$ 64,172</u>	<u>81,445</u>	<u>130,174</u>	<u>131,687</u>

2. The amount of income tax expense recognized in other comprehensive income for the six months ended June 30, 2016 and 2015, was both zero.

3. The Company's tax returns for the years through 2013 were examined and approved by the Taipei National Tax Administration.

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

	<u>2016.6.30</u>	<u>2015.12.31</u>	<u>2015.6.30</u>
Unappropriated earnings of 1998 and after	<u>\$ 1,000,430</u>	<u>1,260,211</u>	<u>850,960</u>
Balance of imputation credit account (ICA)	<u>\$ 217,976</u>	<u>143,997</u>	<u>172,617</u>
	<u>2015 (estimated)</u>	<u>2014 (actual)</u>	
Tax deduction ratio for earnings distribution to ROC residents	<u>17.30 %</u>	<u>18.24 %</u>	

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

(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 six months ended June 30, 2016 and 2015. For other information about the stockholders' equity please refer to note 6(k) of the consolidated financial statements for the year ended December 31, 2015.

PCHOME ONLINE INC. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
June 30, 2016 and 2015

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

1. Issuance of common stock

On June 21, 2016, the Company's shareholders resolved to capitalize its unappropriated retained earnings of \$104,612, with a total of 10,461 thousand shares issued at par value. The related statutory process has not been completed, and the shares were recongnized as stock dividends to be distributed.

Pursuant to the Company's board of directors' resolution on August 18, 2015, the Company issued a total of 7,000 thousand shares of common stock, at a par value of \$10 per share, which was priced at 358 per unit, at a total of \$2,506,000. The offering was approved with permit No 1040029026 by the Financial Supervisory Commission on August 6, 2015, with all registration amendments completed.

On June 22, 2015, the Company's shareholders resolved to capitalize its unappropriated retained earnings of \$60,381 with a total of 6,038 thousand shares issued at par value. The capital increase was effective on August 31, 2015, with all registration amendments completed.

2. Capital surplus

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

	<u>2016.6.30</u>	<u>2015.12.31</u>	<u>2015.6.30</u>
Share capital	\$ 2,484,507	2,484,507	53,647
Difference between consideration and carrying amount of subsidiaries acquired or disposed of	10,307	10,307	8,187
Changes in equity of subsidiaries	<u>3,487</u>	<u>3,487</u>	<u>3,487</u>
	<u>\$ 2,498,301</u>	<u>2,498,301</u>	<u>65,321</u>

3. Retained earnings

The Company's article of incorporation stipulate that Company's net earnings should first be used to offset the prior year's deficits before paying any income tax. Of the remaining balnce, 10% is to be appropriated as legal reserve. However, the appropriation for legal reserve is discontinued when the balance of the legal reserve equals the total authorized capital. Special reserve may be appropriated for operations or to meet regulations. The remaining earnings, if any, may be appropriated according to the proposal presented in the annual stockholders' meeting by the board of directors.

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 stock and cash by issuing shares.

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

PCHOME ONLINE INC. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
June 30, 2016 and 2015

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

The earnings distribution for 2015 and 2014 was decided in the general meeting of the shareholders held on June 21, 2016 and June 22, 2015.

The relevant dividend distribution to shareholders was as follows:

	<u>2015</u>	<u>2014</u>
Dividends distributed to common shareholders		
Cash	\$ 523,060	392,477
Shares	<u>104,612</u>	<u>60,381</u>
Total	<u>\$ 627,672</u>	<u>452,858</u>

4. Other equity (net of tax)

	<u>Foreign currency translation differences for foreign operations</u>
Balance at January 1, 2016	\$ (4,270)
Foreign currency translation differences	<u>3,029</u>
Balance at June 30, 2016	<u>\$ (1,241)</u>
Balance at January 1, 2015	\$ 2,022
Foreign currency translation differences	<u>(7,313)</u>
Balance at June 30, 2015	<u>\$ (5,291)</u>

5. Non-controlling Interests

	<u>For the six months ended June 30,</u>	
	<u>2016</u>	<u>2015</u>
Balance at January 1	\$ 724,311	537,520
Shares of non-controlling interests		
Profit for the six months ended June 30, 2016	32,004	40,976
Foreign currency translation differences for foreign operations	156	(3,635)
Increase in capital by cash	-	35,647
Changes in non-controlling interests	<u>(29,884)</u>	<u>(19,142)</u>
Balance at June 30	<u>\$ 726,587</u>	<u>591,366</u>

June 30, 2016 and 2015 reviewed only, not audited in accordance with the generally accepted auditing standards

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

June 30, 2016 and 2015

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

(m) Earnings per share

	<u>Second Quarter of</u>		<u>For the six months ended June 30,</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Basic earnings per share				
Profit attributable to common stockholders of the Company	\$ <u>177,637</u>	<u>157,893</u>	<u>449,946</u>	<u>370,218</u>
Weighted-average number of ordinary shares	<u>99,855</u>	<u>92,855</u>	<u>99,855</u>	<u>92,855</u>
	\$ <u>1.78</u>	<u>1.70</u>	<u>4.51</u>	<u>3.99</u>
Diluted earnings per share				
Profit attributable to common stockholders of the Company	\$ <u>177,637</u>	<u>157,893</u>	<u>449,946</u>	<u>370,218</u>
Weighted-average number of ordinary shares (basic)	99,855	92,855	99,855	92,855
Effect of employee stock bonus	-	187	-	193
Effect of employee stock compensation	<u>111</u>	<u>-</u>	<u>226</u>	<u>-</u>
Weighted-average number of ordinary shares (adjusted with potential effect of diluted ordinary shares)	<u>99,966</u>	<u>93,042</u>	<u>100,081</u>	<u>93,048</u>
	\$ <u>1.78</u>	<u>1.70</u>	<u>4.50</u>	<u>3.98</u>

On June 21, 2016, the meeting of shareholders resolved to issue stock dividends. In addition, on June 22, 2016, the board of directors authorized the chairmen to set the ex-rights date on August 16, 2016. Considering the resolution of the issuance of stock dividends issuance, the pro-forma retrospective earnings per share were calculated as follows:

	<u>Second Quarter of</u>		<u>For the six months ended June 30,</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Pro-forma basic earnings per share	\$ <u>1.61</u>	<u>1.54</u>	<u>4.08</u>	<u>3.61</u>
Pro-forma diluted earnings per share	\$ <u>1.61</u>	<u>1.54</u>	<u>4.07</u>	<u>3.60</u>

PCHOME ONLINE INC. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
June 30, 2016 and 2015

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

(n) Revenue

For the six months ended June 30, 2016 and 2015, the details of revenue are as follows:

	<u>Second Quarter of</u>		<u>For the six months ended June 30,</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Sale of goods	\$ 5,528,810	4,928,207	11,784,995	10,151,623
Rendering of services	468,914	549,123	985,808	1,047,002
	<u>\$ 5,997,724</u>	<u>5,477,330</u>	<u>12,770,803</u>	<u>11,198,625</u>

(o) Rewards of employees, directors and supervisors

According to the Company's article, the Company shall assign 1%~15% as rewards to employees, and less than 1.5% as rewards to directors and supervisors, if there are earnings during the year. However, the Company has to retain the amount while there are accumulated loss. The employees mentioned before include the employees in the subsidiaries who meet the specific conditions.

The rewards to employees amounted to \$15,216, \$14,257, \$39,377 and \$33,205 and the rewards to directors and supervisors amounted to \$1,708, \$1,154, \$4,420 and \$2,836 for the second quarter of 2016 and 2015 and for the six months ended June 30, 2016 and 2015. These amounts are calculated using the Company's profit before tax without the rewards of employees, directors and supervisors for the period, and are determined using the earnings allocation method which was stated under the Company's article. These rewards are expensed under operating expenses for the period. The differences between the actual amounts and the estimation of employee compensation in the following year will be treated as changes in accounting estimates and adjusted in profit or loss in the following year.

The rewards to employees amounted to \$68,744, and the rewards to directors and supervisors amounted to \$7,736 for the year ended December 31, 2015. These amounts have no differences with the actual amounts decided by the board of directors. Related information would be available at the website of the Market observation post system.

(p) Non-operating income and expenses

1. Other revenue

The details of other revenue were as follows:

	<u>Second Quarter of ,</u>		<u>For the six months ended June 30,</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Interest income	\$ 7,867	5,743	14,605	9,777
Dividends revenue	1,942	1,488	1,942	1,488
Other	2,271	1,175	4,328	4,417
	<u>\$ 12,080</u>	<u>8,406</u>	<u>20,875</u>	<u>15,682</u>

PCHOME ONLINE INC. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
June 30, 2016 and 2015

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

2. Other gains and losses

The details of other gains and losses were as follows:

	<u>Second Quarter of ,</u>		<u>For the six months ended June 30,</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Foreign currency exchange gain or loss, net	\$ 234	(1,940)	(4,721)	(3,383)
Disposal gain on property, plant and equipment	1	10	1	10
Impairment loss	-	-	-	(5,247)
Other	<u>22</u>	<u>(42)</u>	<u>(1)</u>	<u>(45)</u>
	<u>\$ 257</u>	<u>(1,972)</u>	<u>(4,721)</u>	<u>(8,665)</u>

3. Finance costs

The details of finance cost were as follows:

	<u>Second Quarter of ,</u>		<u>For the six months ended June 30,</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Interest expense	<u>\$ (350)</u>	<u>(1)</u>	<u>(353)</u>	<u>(1)</u>

(q) 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 six months ended June 30, 2016 and 2015. For other information about the fair value of financial instruments, please refer to note 6(p) of the consolidated financial statements for the year ended December 31, 2015.

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 June 30, 2016							
Non-derivative financial liabilities							
Short-term debt	\$ 96,990	96,990	-	96,990	-	-	-
Notes payable	4,976	4,976	4,976	-	-	-	-
Accounts payable	2,045,946	2,045,946	2,045,946	-	-	-	-
Other payable	1,153,946	1,153,946	1,153,946	-	-	-	-
Receipts under custody	<u>1,018,923</u>	<u>1,018,923</u>	<u>1,018,923</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 4,320,781</u>	<u>4,320,781</u>	<u>4,223,791</u>	<u>96,990</u>	<u>-</u>	<u>-</u>	<u>-</u>

June 30, 2016 and 2015 reviewed only, not audited in accordance with the generally accepted auditing standards

PCHOME ONLINE INC. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
June 30, 2016 and 2015

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

	<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 December 31, 2015							
Non-derivative financial liabilities							
Notes payable	\$ 5,899	5,899	5,899	-	-	-	-
Accounts payable	2,099,823	2,099,823	2,099,823	-	-	-	-
Other payable	626,359	626,359	626,359	-	-	-	-
Receipts under custody	<u>1,114,337</u>	<u>1,114,337</u>	<u>1,114,337</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 3,846,418</u>	<u>3,846,418</u>	<u>3,846,418</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance at June 30, 2015							
Non-derivative financial liabilities							
Notes payable	\$ 6,141	6,141	6,141	-	-	-	-
Accounts payable	1,801,627	1,801,627	1,801,627	-	-	-	-
Other payable	1,031,731	1,031,731	1,031,731	-	-	-	-
Receipts under custody	<u>1,145,203</u>	<u>1,145,203</u>	<u>1,145,203</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 3,984,702</u>	<u>3,984,702</u>	<u>3,984,702</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. Market risk

1) Currency risk exposure

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

	<u>2016.6.30</u>			<u>2015.12.31</u>			<u>2015.6.30</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										
USD	\$	5,209	32.28	168,161	7,371	32.96	242,995	4,908	30.85	151,422
Financial liabilities										
Monetary items										
USD	\$	3,748	32.28	120,978	942	32.96	31,052	966	30.85	29,812

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 as at June 30, 2016 and 2015, would have increased or decreased net income by \$1,857 and \$4,606, respectively. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis as for the second quarter of 2016 and 2015.

Due to the wide variety of the Group's functional currency, the Group had disclosed the exchange gains and losses of monetary items by using the aggregated method. For the six months ended June 30, 2016 and 2015, the exchange losses (including realized and unrealized) was \$4,721 and \$3,383, respectively.

PCHOME ONLINE INC. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
June 30, 2016 and 2015

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

2) Interest analysis

The interest rate exposure of the Group's financial assets and liabilities is described in note (6)(q)1. on liquidity risk management.

3. Fair value

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

(r) 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(q) of the consolidated interim financial statements for the year ended December 31, 2015.

(s) 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, 2015. 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, 2015. For other information about the capital management, please refer to note 6(r) of the consolidated financial statements for the year ended December 31, 2015.

(7) Related-Party Transactions

Key management personnel compensation comprised:

	Second Quarter of,		For the six months ended June 30,	
	2016	2015	2016	2015
Short-term employee benefits	\$ 26,538	20,334	51,428	45,224

(8) Restricted Assets

The following assets were restricted in use:

Assets	Purpose of Pledge	2016.6.30	2015.12.31	2015.6.30
Deposit account-current	Security for performance and purchase guarantee	\$ 317,011	347,011	347,011
Refundable deposit	Security for provisional seizure, etc. and deposits for office rental	164,595	185,382	101,169
		\$ 481,606	532,393	448,180

PCHOME ONLINE INC. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
June 30, 2016 and 2015

(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 June 30, 2016, December 31, 2015, and June 30, 2015, notes payable deposited as guarantee for commercial vehicle and office and building leases were \$126,606, \$111,760, and \$143,038, 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, with each having a guarantee limit of \$40,000 as of June 30, 2016 and 2015, and December 31, 2015.
- (d) As of June 30, 2016, December 31, 2015, and June 30, 2015, the Group has entered into an agreement with Shanghai Commercial and Savings Bank, Ltd. for providing performance guarantee for the Group on the balance amount received through the Group’s online payment processing services to online sellers; the amount of performance guarantee agreed therein are \$38,000, \$28,000 and \$28,000
- (e) As of June 30, 2016, December 31, 2015, and June 30, 2015, the Group has entered into an agreement with Taishin International Bank, Ltd., Shanghai Commercial and Savings Bank and CTBC Bank, Ltd. for providing performance guarantee for the Group on the balance amount received through the Group’s online payment processing services; the amount of performance guarantee agreed therein were all \$1,003,000.

(10) Significant Catastrophic Losses: None.

(11) Significant Subsequent Events: None.

PCHOME ONLINE INC. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
June 30, 2016 and 2015

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

(12) Others

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

Categorized as Nature	Second Quarter of , 2016			Second Quarter of , 2015		
	Operating Cost	Operating Expense	Total	Operating Cost	Operating Expense	Total
Employee benefits						
Salary	23,851	341,366	365,217	10,745	309,821	320,566
Labor and health insurance	2,798	26,533	29,331	1,287	24,331	25,618
Pension	930	14,468	15,398	640	12,790	13,430
Others employee benefits	642	9,425	10,067	486	8,172	8,658
Depreciation	9,158	25,140	34,298	98	27,798	27,896
Amortization	-	3,104	3,104	-	1,696	1,696

Categorized as Nature	For the six months ended June 30, 2016			For the six months ended June 30, 2015		
	Operating Cost	Operating Expense	Total	Operating Cost	Operating Expense	Total
Employee benefits						
Salary	39,470	704,292	743,762	25,258	616,794	642,052
Labor and health insurance	4,507	53,073	57,580	2,575	48,344	50,919
Pension	1,782	28,631	30,413	1,241	25,153	26,394
Others employee benefits	1,285	18,963	20,248	930	16,175	17,105
Depreciation	9,158	57,869	67,027	98	55,113	55,211
Amortization	-	6,032	6,032	-	3,543	3,543

- (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 six months ended June 30, 2016:

1. Fund financing to other parties: None.

June 30, 2016 and 2015 reviewed only, not audited in accordance with the generally accepted auditing standards

PCHOME ONLINE INC. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
June 30, 2016 and 2015

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

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 (Note 3)										
0	The Company	Lanktel Inc.	2	2,466,429	13,954	12,651	12,651	-	0.26 %	4,932,857	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: Relationship with the Company

1. The companies with which it has business relations.
2. Subsidiaries in which the company holds more than 50% of its total outstanding common shares.
3. The companies in which the parent company and the subsidiary together hold more than 50% of its outstanding common shares.
4. The parent company which holds, directly or indirectly through a subsidiary, more than 50% of its outstanding common shares.
5. Companies in same type of business and providing mutual endorsements/ guarantees in favor of each other in accordance with the contractual obligations in order to fulfill the needs of the construction project.
6. Shareholders making endorsements and/or guarantees for their mutually invested company in proportion to their shareholding percentage.

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

3. Information regarding securities held at balance sheet date

(excluding investments in subsidiaries, associates and jointly controllable 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	-	3.18 %	-		
	"	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	-	12.51 %	-	
	"	Taiwan Star Telecom Co., Ltd.	-	"	3,942	-	- %	-	
	"	P2V Holdings Ltd. (Samoa)	-	"	2,691,030	22,922	11.13 %	-	
"	17 Life Ltd.	-	"	2,252,098	27,521	10.72 %	-		

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 related parties for which 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.

June 30, 2016 and 2015 reviewed only, not audited in accordance with the generally accepted auditing standards

PCHOME ONLINE INC. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
June 30, 2016 and 2015

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

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	2,180	Usual terms and conditions	0.02 %
0	"	PChome Store Inc.	1	Sales	45,154	"	0.35 %
0	"	"	1	Accounts Receivable	3,390	"	0.03 %
0	"	"	1	Other Receivables	27,887	"	0.27 %
0	"	PChome eBay Co., Ltd.	1	Sales	6,400	"	0.05 %
0	"	"	1	Advertisement Expenses	3,307	"	0.03 %
0	"	Rakuya International Info. Co. Ltd.	1	Other Payable	1,269	"	0.01 %
0	"	PChome Trading (Shenzhen) Ltd.	1	Other Receivables	4,262	"	0.04 %
0	"	PChome Pay Inc.	1	Cash Equivalents	1,452	"	0.01 %

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 six months ended June 30, 2016, 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.	Taiwan	Magazine publication	30,000	30,000	4,889,920	100.00 %	50,099	(735)	(735)	Note
"	Linktel Inc.	"	Type II Telecommunications Business	125,000	125,000	17,325,940	100.00 %	155,400	5,073	5,073	"
"	PC Home Online International Co., Ltd.	British Virgin Islands	International trade and investment activities	25,485	25,485	122,328	100.00 %	12,042	(256)	(256)	"
"	Rakuya International Info. Co. Ltd.	Taiwan	Real estate business, and internet information rental service	34,300	34,300	3,430,000	22.04 %	1,707	(6,016)	(1,326)	"
"	PChome Store Inc.	"	Internet services	84,770	84,770	12,941,501	59.91 %	265,746	13,554	8,120	"
"	PChomePay Inc.	"	Online payment processing services	180,000	180,000	18,000,000	21.18 %	157,198	(18,935)	(4,010)	"
"	PChome US Inc.	United States of America	E-commerce platform	116,490	116,490	40,000,000	90.91 %	4,270	(3,893)	(3,539)	"

June 30, 2016 and 2015 reviewed only, not audited in accordance with the generally accepted auditing standards

PCHOME ONLINE INC. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
June 30, 2016 and 2015

(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.	eCommerce Group Co., Ltd.	British Virgin Islands	Investment activities	875,250	875,250	268,000,000	100.00 %	735,795	56,899	56,899	Note
"	Pi Mobile Technology Inc.	Taiwan	Online payment processing services	10,000	10,000	1,000,000	100.00 %	8,086	(1,485)	(1,485)	"
"	PChome (Thailand) Co., Ltd.	Thailand	E-commerce platform	66,200	66,200	6,500,000	65.00 %	53,340	(5,063)	(3,291)	"
"	PChome Travel Inc.	Taiwan	Travel agency business	6,000	6,000	600,000	100.00 %	5,664	(76)	(76)	"
IT Home Publications Inc.	Yiabi Inc.	"	Information processing and provision of electronic information	5,000	5,000	500,000	100.00 %	2,485	(348)	(348)	"
PChome eBay Co., Ltd.	PChomePay Inc.	"	Online payment processing services	205,200	205,200	20,520,000	24.14 %	179,168	(18,935)	(4,571)	"
PChome Store Inc.	PChomePay Inc.	"	"	288,000	288,000	28,800,000	33.88 %	251,476	(18,935)	(6,416)	"
PChomePay Inc.	Pay and Link Inc.	"	"	500,388	500,388	50,100,000	100.00 %	487,492	(10,928)	(10,928)	"
"	Zhen Jin Lian Inc.	"	"	3,000	3,000	300,000	100.00 %	2,707	(116)	(116)	"
"	Yin Te Lian Inc.	"	"	3,000	3,000	300,000	100.00 %	2,707	(116)	(116)	"
"	Yum Tung Bao Inc.	"	"	3,000	3,000	300,000	100.00 %	2,707	(116)	(116)	"
PC Home Online International Co., Ltd.	PChome Online Inc.	Cayman Islands	International trade and investment activities	25,311	25,311	10,000,000	100.00 %	13,108	(197)	(197)	"
PChome Online Inc.	PC Home Online (HK) Ltd.	Hong Kong	Information service and indirect investment activities	25,140	25,140	5,641,239	100.00 %	14,741	(80)	(80)	"
PChome Online (HK) Ltd.	PChome Japan KK	Japan	International trading E-commerce	841	-	800,000	100.00 %	861	(70)	(20)	"
"	Ruten Japan KK	"	"	5,438	-	2,000,000	100.00 %	5,917	(128)	(90)	"
eCommerce Group Co., Ltd.	Ruten Global Inc. (Previously Known as EC Global Inc.)	Cayman Islands	Investment activities	874,702	874,702	267,820,000	100.00 %	735,653	56,944	56,944	"
Ruten Global Inc. (Previously Known as EC Global Inc.)	EC Global Limited	Hong Kong	"	22,740	22,740	7,494,642	100.00 %	7,135	(764)	(764)	"
"	PChome eBay Co., Ltd.	Taiwan	Information processing and provision of electronic information	779,688	779,659	27,300,000	65.00 %	667,115	106,651	69,323	"
EC Global Limited	PChome Japan KK	Japan	International trading E-commerce	-	2,397	-	- %	-	(70)	(50)	"
"	Ruten Japan KK	"	"	-	5,487	-	- %	-	(128)	(38)	"

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:

(Amounts Expressed in Thousands of New Taiwan 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	4,842	(2)	4,842	-	-	4,842	(40)	100.00 %	(40)	2,282	-
PChome Trading (Shenzhen) Ltd.	International trading E-commerce	11,298	(2)	11,298	-	-	11,298	(582)	100.00 %	(582)	(2,531)	-

PCHOME ONLINE INC. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
June 30, 2016 and 2015

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

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	16,140	62,300	3,395,666

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 32.28 at the six months ended June 30, 2016.

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

	Second Quarter of, 2016				
	E-Commerce-Sales	Market Place	Other	Adjustments and Eliminations	Consolidated
Revenue:					
Non-inter-company revenue	\$ 5,208,400	689,643	99,681	-	5,997,724
Inter-company revenue	23,959	5,605	1,489	(31,053)	-
Total Revenue	\$ 5,232,359	695,248	101,170	(31,053)	5,997,724
Segment profit	\$ 177,637	46,433	(1,454)	(32,188)	190,428
	Second Quarter of, 2015				
	E-Commerce-Sales	Market Place	Other	Adjustments and Eliminations	Consolidated
Revenue:					
Non-inter-company revenue	\$ 4,696,037	665,060	116,233	-	5,477,330
Inter-company revenue	29,302	3,934	1,742	(34,978)	-
Total Revenue	\$ 4,725,339	668,994	117,975	(34,978)	5,477,330
Segment profit	\$ 157,893	66,769	(11,937)	(39,251)	173,474

June 30, 2016 and 2015 reviewed only, not audited in accordance with the generally accepted auditing standards

PCHOME ONLINE INC. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
June 30, 2016 and 2015

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

For the six months ended June 30, 2016					
	E-Commerce- Sales	Market Place	Other	Adjustments and Eliminations	Consolidated
Revenue:					
Non-inter-company revenue	\$ 11,121,517	1,462,536	186,750	-	12,770,803
Inter-company revenue	<u>54,143</u>	<u>9,373</u>	<u>2,477</u>	<u>(65,993)</u>	<u>-</u>
Total Revenue	<u>\$ 11,175,660</u>	<u>1,471,909</u>	<u>189,227</u>	<u>(65,993)</u>	<u>12,770,803</u>
Segment profit	<u>\$ 449,946</u>	<u>116,313</u>	<u>17,691</u>	<u>(102,000)</u>	<u>481,950</u>
For the six months ended June 30, 2015					
	E-Commerce- Sales	Market Place	Other	Adjustments and Eliminations	Consolidated
Revenue:					
Non-inter-company revenue	\$ 9,728,667	1,257,265	212,693	-	11,198,625
Inter-company revenue	<u>60,899</u>	<u>7,868</u>	<u>4,128</u>	<u>(72,895)</u>	<u>-</u>
Total Revenue	<u>\$ 9,789,566</u>	<u>1,265,133</u>	<u>216,821</u>	<u>(72,895)</u>	<u>11,198,625</u>
Segment profit	<u>\$ 370,218</u>	<u>141,802</u>	<u>(24,538)</u>	<u>(76,288)</u>	<u>411,194</u>