Stock Code:8044

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)

PCHOME ONLINE INC. AND ITS SUBSIDIARIES

CONSOLIDATED INTERIM FINANCIAL STATEMENTS

MARCH 31, 2017 AND 2016
(With Independent Auditors' Review Report Thereon)

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Independent Auditors' Report

To the Board of Directors
PChome Online Inc. and Its Subsidiaries:

We have reviewed the accompanying consolidated balance sheets of PChome Online Inc. and Its Subsidiaries (the "Company") and its subsidiaries as of March 31, 2017 and 2016, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the three months ended March 31, 2017 and 2016. These consolidated interim financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these consolidated interim financial statements based on our review.

We conducted our reviews in accordance with Statement on Auditing Standard 36, "Engagements to Review Financial Statements". A review consists principally of inquiries of the Company's personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with the generally accepted auditing standards, the objective of which is the expression of an opinion regarding the consolidated interim financial statements taken as a whole. Accordingly, we do not express such an 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$655,446 thousand and NT$607,859 thousand, both constituting 6% of the total consolidated assets as of March 31, 2017 and 2016. The total liabilities of these subsidiaries amounted to NT$ 244,055 thousand and NT$189,091 thousand, constituting 6% and 4% respectively, of the total consolidated liabilities as of March 31, 2017 and 2016. The comprehensive loss of these subsidiaries for the three months ended March 31, 2017 and 2016 amounted to NT$(13,907) thousand and NT$(10,588) thousand, constituting (7)% and (4)%, respectively, of the consolidated comprehensive income.

Based on our reviews, we are not aware of any material modifications that should be made to the consolidated interim financial statements referred to in the first paragraph in order for them to be in confom1ity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Accounting Standard 34 "Interim Financial Reporting" endorsed by the Financial Supervisory Commission of the Republic of China.

KPMG

Taipei, Taiwan (Republic of China)
May 12, 2017

Notes to Readers

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

The auditor's report and the accompanying consolidated 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 auditor's report and consolidated financial statements, the Chinese version shall prevail.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)

AS OF MARCH 31, 2017 AND 2016 REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH GENERALLY ACCEPTED AUDITING STANDARDS

PCHOME ONLINE INC. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

March 31, 2017, December 31, 2016, and March 31, 2016

(Expressed in Thousands of New Taiwan Dollars)

		2017.3.31		2016.12.31		2016.3.31	
	ASSETS	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
	Current Assets:						
1100	Cash and cash equivalents (Notes (6)(a) and (6)(r))	$ 8,381,613	79	8,188,180	78	8,124,255	79
1150	Notes receivable, net (Notes (6)(c) and (6)(r))	933	-	2,644	-	5,072	-
1170	Accounts receivable, net (Notes (6)(c) and (6)(r))	274,453	3	349,361	3	304,271	3
1200	Other receivables (Notes (6)(c) and (6)(r))	244,066	2	281,457	2	495,730	5
1300	Inventories (Note (6)(d))	626,645	6	608,129	6	413,975	4
1476	Other current financial assets (Notes (6)(r) and (8))	308,485	3	331,011	3	308,011	3
1479	Other current assets	57,306	-	56,576	1	39,295	-
		9,893,501	93	9,817,358	93	9,690,609	94
	Non-Current Assets:						
1543	Financial assets measured at cost (Notes (6)(b) and (6)(r))	50,814	-	30,814	-	58,335	1
1600	Property, plant and equipment (Note (6)(e))	370,079	3	377,923	4	256,003	3
1780	Intangible assets (Note (6)(f))	51,205	1	53,541	1	37,767	-
1840	Deferred tax assets (Note (6)(l))	36,996	-	36,319	-	44,559	-
1980	Other non-current financial assets (Notes (6)(r) and (8))	154,292	2	164,272	2	187,569	2
1990	Other non-current assets, others	78,099	1	50,884	-	14,444	-
		741,485	7	713,753	7	598,677	6
	Total assets	**$ 10,634,986**	**100**	**10,531,111**	**100**	**10,289,286**	**100**

		2017.3.31		2016.12.31		2016.3.31	
	LIABILITIES AND STOCKHOLDERS' EQUITY	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
	Current Liabilities:						
2100	Short-term borrowings (Notes (6)(g) and (6)(r))	$ 91,020	1	96,660	1	-	-
2150	Notes payable (Note (6)(r))	1,128	-	2,193	-	880	-
2170	Accounts payable (Note (6)(r))	2,138,701	20	2,286,602	22	2,060,577	20
2200	Other payables (Note (6)(r))	636,479	6	690,359	6	576,732	6
2230	Current tax liabilities (Note (6)(l))	213,251	2	168,772	2	221,815	2
2300	Other current liabilities (Notes (6)(h), (6)(j) and (6)(r))	1,290,920	12	1,271,607	12	1,393,751	14
		4,371,499	41	4,516,193	43	4,253,755	42
	Non-Current liabilities:						
2570	Deferred tax liabilities (Note (6)(l))	6,150	-	6,168	-	10,221	-
2640	Net defined benefit liability, non-current (Note (6)(k))	10,484	-	10,714	-	4,017	-
2670	Other non-current liabilities (Notes (6)(j) and (6)(r))	5,307	-	5,523	-	-	-
		21,941	-	22,405	-	14,238	-
	Total liabilities	4,393,440	41	4,538,598	43	4,267,993	42
	Equity attributable to owners of parent (Note (6)(m)):						
	Share capital:						
3110	Ordinary share	1,103,161	10	1,103,161	11	998,549	10
3200	Capital surplus	2,496,647	24	2,497,037	24	2,498,301	24
	Retained earnings:						
3310	Legal reserve	327,935	3	327,935	3	250,151	2
3320	Special reserve	4,271	-	4,271	-	-	-
3350	Unappropriated retained earnings	1,513,581	14	1,309,930	12	1,532,520	15
	Other equity interest:						
3410	Exchange differences on translation of foreign statements	(4,865)	-	(2,781)	-	(1,909)	-
	Total equity attributable to owners of parent:	5,440,730	51	5,239,553	50	5,277,612	51
36XX	**Non-controlling interests**	800,816	8	752,960	7	743,681	7
	Total equity	6,241,546	59	5,992,513	57	6,021,293	58
	Total liabilities and equity	**$ 10,634,986**	**100**	**10,531,111**	**100**	**10,289,286**	**100**

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

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)

REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH GENERALLY ACCEPTED AUDITING STANDARDS

PCHOME ONLINE INC. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the Three Months Ended March 31, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars)

		For the Year Ended December 31,			
		2017		2016	
		Amount	%	Amount	%
4111	**Sales revenue (Note (6)(o))**	$ 7,069,392	102	6,916,894	102
4170	Less:Sales returns, discounts and allowances	145,084	2	143,815	2
	Operating revenue, net	6,924,308	100	6,773,079	100
5000	**Operating costs (Note (6)(d))**	5,787,888	84	5,624,262	83
	Gross profit from operations	1,136,420	16	1,148,817	17
	Operating expenses:				
6100	Selling expenses	715,233	10	604,540	9
6200	Administrative expenses	96,650	1	126,766	2
6300	Research and development expenses	68,793	1	63,801	1
	Total operating expenses	880,676	12	795,107	12
	Net operating income	255,744	4	353,710	5
	Non-operating income and expenses (Note (6)(q)):				
7010	Other income	5,522	-	8,795	-
7020	Other gains and losses, net	(8,550)	-	(4,978)	-
7050	Finance costs	(816)	-	(3)	-
	Total non-operating income and expenses	(3,844)	-	3,814	-
	Profit before income tax	251,900	4	357,524	5
7950	**Less: Tax expense (Note (6)(l))**	43,973	1	66,002	1
	Profit	207,927	3	291,522	4
	Other comprehensive income:				
8360	**Items that will be reclassified subsequently to profit or loss**				
8361	Exchange differences on translation (Note (6)(m))	(2,546)	-	2,518	-
	Other comprehensive income	(2,546)	-	2,518	-
8500	**Total comprehensive income**	**$ 205,381**	**3**	**294,040**	**4**
	Profit, attributable to:				
8610	Profit, attributable to owners of parent	$ 203,651	3	272,309	4
8620	Profit, attributable to non-controlling interests	4,276	-	19,213	-
		$ 207,927	**3**	**291,522**	**4**
	Comprehensive income attributable to:				
8710	Comprehensive income, attributable to owners of parent	$ 201,567	3	274,670	4
8720	Comprehensive income, attributable to non-controlling interests	3,814	-	19,370	-
		$ 205,381	**3**	**294,040**	**4**
	Earnings per share (Note (6)(n))				
9750	**Basic earnings per share (dollars)**	**$**	**1.85**		**2.47**
9850	**Diluted earnings per share (dollars)**	**$**	**1.84**		**2.46**

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

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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 Three Months Ended March 31, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of Parent								
	Share Capital		Retained Earnings			Other Equity Interest			
	Ordinary Capital	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Retained Earnings	Exchange Differences on Translation of Foreign Statements	Total Equity Attributable to Owners of Parent	Non Controlling Interests	Total Equity
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 three months ended March 31, 2016	-	-	-	-	272,309	-	272,309	19,213	291,522
Other comprehensive income for the three months ended March 31, 2016	-	-	-	-	-	2,361	2,361	157	2,518
Total comprehensive income for the three months ended March 31, 2016	-	-	-	-	272,309	2,361	274,670	19,370	294,040
Balance as of March 31, 2016	**$ 998,549**	**2,498,301**	**250,151**	**-**	**1,532,520**	**(1,909)**	**5,277,612**	**743,681**	**6,021,293**
Balance as of January 1, 2017	$ 1,103,161	2,497,037	327,935	4,271	1,309,930	(2,781)	5,239,553	752,960	5,992,513
Profit for the three months ended March 31, 2017	-	-	-	-	203,651	-	203,651	4,276	207,927
Other comprehensive loss for the three months ended March 31, 2017	-	-	-	-	-	(2,084)	(2,084)	(462)	(2,546)
Total comprehensive income (loss) for the three months ended March 31, 2017	-	-	-	-	203,651	(2,084)	201,567	3,814	205,381
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	(390)	-	-	-	-	(390)	390	-
Change in non-controlling interests	-	-	-	-	-	-	-	43,652	43,652
Balance as of March 31, 2017	**$ 1,103,161**	**2,496,647**	**327,935**	**4,271**	**1,513,581**	**(4,865)**	**5,440,730**	**800,816**	**6,241,546**

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

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REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH GENERALLY ACCEPTED AUDITING STANDARDS

PCHOME ONLINE INC. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Three Months Ended March 31, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars)

	For the three months ended March 31, 2017	2016
Cash flows from operating activities：		
Profit before tax	$ 251,900	357,524
Adjustments:		
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	39,298	32,729
Amortization	4,911	2,928
Provision for doubtful accounts	(16)	(1,451)
Interest expenses	816	3
Interest income	(5,454)	(6,738)
Total adjustments to reconcile net income to net cash provided by operating activities	39,555	27,471
Changes in operating assets and liabilities:		
Changes in operating assets, net:		
Notes receivable	1,711	(1,714)
Accounts receivable	74,924	22,347
Other receivables	36,265	(73,909)
Inventories	(18,516)	35,913
Other financial assets	33,058	38,929
Other current assets	(543)	(2,214)
Total changes in operating assets, net	126,899	19,352
Changes in operating liabilities, net:		
Notes payable	(1,061)	(5,948)
Accounts payable	(148,813)	(40,986)
Other payable	(53,058)	(51,872)
Other current liabilities	19,332	65,761
Net defined benefit liabilities	(230)	(411)
Other non-current liabilities	(215)	-
Total changes in operating liabilities, net	(184,045)	(33,456)
Total changes in operating assets and liabilities, net	(57,146)	(14,104)
Total Adjustments	(17,591)	13,367
Cash inflow generated from operations	234,309	370,891
Interest received	5,084	4,456
Interests paid	(815)	(3)
Income taxes refund	810	1,551
Net cash provided by operating activities	239,388	376,895
Cash flows from investing activities:		
Acquisition of financial assets measured at cost	(20,000)	(10,000)
Acquired of property, plant and equipment	(31,718)	(22,361)
Acquired of intangible assets	(2,073)	(3,546)
Other non-current assets	(27,449)	(2,581)
Other investing activities	-	2,339
Net cash used in investing activities	(81,240)	(36,149)
Cash flows from financing activities:		
Change in non-controlling interests	43,652	-
Net cash provided by financing activities	43,652	-
Foreign exchange rate effects	(8,367)	161
Net increase in cash and cash equivalents	193,433	340,907
Cash and cash equivalents, beginning of period	8,188,180	7,783,348
Cash and cash equivalents, end of period	**$ 8,381,613**	**8,124,255**

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

PCHOME ONLINE INC. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(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 approved and issued the consolidated financial statements on May 12, 2017.

(3) New Standards and Interpretations Not Yet Adopted

(a) Impact of the International Financial Reporting Standards ("IFRSs") endorsed by the Financial Supervisory Commission, R.O.C. ("FSC") which have already taken effect.

According to Ruling 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 in preparing their financial statements. The related new standards, interpretations and amendments are as follows:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 10, IFRS 12 and IAS 28 "Investment Entities: Applying the Consolidation Exception"	January 1, 2016
Amendments to IFRS 11 "Accounting for Acquisitions of Interests in Joint Operations"	January 1, 2016
IFRS 14 "Regulatory Deferral Accounts"	January 1, 2016
Amendment to IAS 1 " Presentation of Financial Statements-Disclosure Initiative"	January 1, 2016
Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortization"	January 1, 2016
Amendments to IAS 16 and IAS 41 "Agriculture: Bearer Plants"	January 1, 2016
Amendments to IAS 19 "Defined Benefit Plans: Employee Contributions"	July 1, 2014
Amendment to IAS 27 "Equity Method in Separate Financial Statements"	January 1, 2016
Amendments to IAS 36 " Impairment of Non-Financial assets- Recoverable Amount Disclosures for Non Financial Assets"	January 1, 2014

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IAS 39 " Financial Instruments-Novation of Derivatives and Continuation of Hedge Accounting"	January 1, 2014
Annual Improvements to IFRSs 2010-2012 Cycle and 2011 2013 Cycle	July 1, 2014
Annual Improvements to IFRSs 2012-2014 Cycle	January 1, 2016
IFRIC 21 "Levies"	January 1, 2014

The Group assessed that the initial application of the above IFRSs would not have any material impact on the consolidated financial statements.

(b) Newly released or amended standards and interpretations not yet endorsed by the FSC

A summary of the new standards and amendments issued by the IASB but not yet endorsed by the FSC. The FSC announced that the Group should apply IFRS 9 and IFRS 15 starting January 1, 2018. As of the date the Group's financial statements were issued, the FSC has yet to announce the effective dates of the other IFRSs. As of the end of reporting date is as follows:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
IFRS 9 "Financial Instruments"	January 1, 2018
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"	Effective date to be determined by IASB
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
IFRS 16 "Leases"	January 1, 2019
Amendment to IFRS 2 "Clarifications of Classification and Measurement of Share based Payment Transactions"	January 1, 2018
Amendment to IFRS 15 "Clarifications of IFRS 15"	January 1, 2018
Amendment to IAS 7 "Disclosure Initiative"	January 1, 2017
Amendment to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017
Amendments to IFRS 4 " Insurance Contracts"("Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts")	January 1, 2018
Annual Improvements to IFRS Standards 2014–2016 Cycle:	
IFRS 12 "Disclosure of Interests in Other Entities"	January 1, 2017
IFRS 1 "First-time Adoption of International Financial Reporting Standards" and IAS 28 "Investments in Associates and Joint Ventures"	January 1, 2018
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018
Amendments to IAS 40 Investment Property	January 1, 2018

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

The Group is still currently determining the potential impact of the standards listed below:

Issuance / Release Dates	Standards or Interpretations	Content of amendment
May 28, 2014 April 12, 2016	IFRS 15 "Revenue from Contracts with Customers"	IFRS 15 establishes a five step model for recognizing revenue that applies to all contracts with customers, and will supersede IAS 18 "Revenue," IAS 11 "Construction Contracts," and a number of revenue related interpretations. Final amendments issued on April 12, 2016, clarify how to (i) identify performance obligations in a contract; (ii) determine whether a company is a principal or an agent; (iii) account for a license for intellectual property (IP); and (iv) apply transition requirements.
November 19, 2013 July 24, 2014	IFRS 9 "Financial Instruments"	The standard will replace IAS 39 "Financial Instruments: Recognition and Measurement", and the main amendments are as follows: ・Classification and measurement: Financial assets are measured at amortized cost, fair value through profit or loss, or fair value through other comprehensive income, based on both the entity's business model for managing the financial assets and the financial assets' contractual cash flow characteristics. Financial liabilities are measured at amortized cost or fair value through profit or loss. Furthermore, there is a requirement that "own credit risk" adjustments be measured at fair value through other comprehensive income. ・Impairment: The expected credit loss model is used to evaluate impairment. ・Hedge accounting: Hedge accounting is more closely aligned with risk management activities, and hedge effectiveness is measured based on the hedge ratio.

Issuance / Release Dates	Standards or Interpretations	Content of amendment
January 13, 2016	IFRS 16 "Leases"	The new standard of accounting for lease is amended as follows: ・For a contract that is, or contains, a lease, the lessee shall recognize a right of use asset and a lease liability in the balance sheet. In the statement of profit or loss and other comprehensive income, a lessee shall present interest expense on the lease liability separately from the depreciation charge for the right of-use asset during the lease term. ・A lessor classifies a lease as either a finance lease or an operating lease, and therefore, the accounting remains similar to IAS 17.

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

(4) Significant Accounting Policies

(a) Statement of compliance

The consolidated interim 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 consolidated interim financial statements, the Chinese version shall prevail.

These consolidated interim financial statements have been prepared in accordance with the preparation and guidelines of IAS 34 “Interim Financial Reporting” which are endorsed by FSC and do not include all of the information required by the Regulations and International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations endorsed by the FSC (hereinafter referred to IFRS endorsed by the FSC) for full annual consolidated financial statements.

Except the following accounting policies mentioned below, the significant accounting policies adopted in the consolidated interim financial statements are the same as those in the consolidated financial statement for the year ended December 31, 2016. For the related information, please refer to note 4 of the consolidated financial statements for the year ended December 31, 2016.

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(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, 2016. For information about the principles, please refer to note 4(c) of the consolidated financial statements for the year ended December 31, 2016.

1.List of subsidiaries in the consolidated financial statements:

Name of investor	Name of subsidiary	Principal activity	Shareholding 2017.3.31	Shareholding 2016.12.31	Shareholding 2016.3.31	Note
The Company	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 %	21.18 %	Note 1
〃	IT Home Publications Inc.	Magazine publication	100.00 %	100.00 %	100.00 %	
〃	PChome US Inc.	E-commerce platform	91.40 %	91.40 %	90.91 %	
〃	Liker Technology Inc.	O2O (Online to Offline) E-commerce	- %	- %	34.72 %	Notes 1, 2
〃	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	21.03 %	25.77 %	22.04 %	Note 3
〃	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 Financial Technology Inc.	Information service	100.00 %	100.00 %	- %	
PChome eBay Co., Ltd.	PChomePay Inc.	Online payment processing services	24.14 %	24.14 %	24.14 %	Note 1
PChome Store Inc.	Liker Technology Inc.	O2O (Online to Offline) E-commerce	- %	- %	41.67 %	Notes 1, 2
〃	PChomePay Inc.	Online payment processing services	33.88 %	33.88	33.88 %	Note 1

PCHOME ONLINE INC. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2017 and 2016
(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

Name of investor	Name of subsidiary	Principal activity	Shareholding 2017.3.31	Shareholding 2016.12.31	Shareholding 2016.3.31	Note
PChomePay Inc.	Pay and Link Inc.	Electronic payment bussiness	100.00 %	100.00 %	100.00 %	
〃	Zhen Jin Lian International Co., Ltd.	Online payment processing services	100.00 %	100.00 %	100.00 %	
〃	Yin Te Lian International Co., Ltd.	〃	100.00 %	100.00 %	100.00 %	
〃	Yun Tung Bao International Co., Ltd.	〃	100.00 %	100.00 %	100.00 %	
IT Home Publications Inc.	Yiabi Inc.	Information processing and provision of electronic information	100.00 %	100.00 %	100.00 %	
Linktel Inc.	Rakuya International Info. Co. Ltd.	Real estate business, and internet information rental service	5.44 %	- %	- %	Note 3
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.	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.	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 %	65.00 %	
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 %	100.00 %	100.00 %	
〃	Ruten Japan KK	Information processing and provision of electronic information	100.00 %	100.00 %	100.00 %	

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

Name of investor	Name of subsidiary	Principal activity	Shareholding 2017.3.31	2016.12.31	2016.3.31	Note
EC Global Limited	PChome Trading (Shenzhen) Ltd.	International trading E-commerce	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: The liquation procedure was completed in April 2016.

Note 3: 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 statement.

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

(c) Employee benefits

The pension cost in the consolidated interim financial statements was calculated and disclosed on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior fiscal 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 tax expenses have been prepared and disclosed in accordance with paragraph B12 of International Financial Reporting Standards 34, Interim Reporting.

Income tax expenses for the period are best estimated by multiplying pre-tax income for the interim reporting period by the effective annual tax rate as forecasted by the management. This should be recognized fully as tax expense for the current period (and allocated to current and deferred taxes based on its proportionate size).

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 tax rates that have been enacted or substantively enacted at the time of the asset or liability is recovered or settled, and be recognized directly in equity or other comprehensive income as tax expense.

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

The preparation of the consolidated interim financial statements in conformity with the Regulations and IFRSs (in accordance with IAS 34 “Interim Financial Reporting” and endorsed 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.

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

The preparation of the consolidated interim financial statements, estimates and underlying assumptions are reviewed on an ongoing basis which are in conformity with the consolidated financial statements for the year ended December 31, 2016. For the related information, please refer to note 5 of the consolidated financial statements for the year ended December 31, 2016.

(6) Summary of Major Accounts

Except for the following disclosures, there is no significant difference as compared with those disclosed in the consolidated financial statements for the year ended December 31, 2016. Please refer to note 6 of the 2016 annual consolidated financial statements.

(a) Cash and cash equivalents

	2017.3.31	2016.12.31	2016.3.31
Cash on hand	$ 917	891	832
Checking accounts	32,411	33,750	99,163
Savings accounts	4,603,128	4,490,506	4,343,723
Foreign currency deposits	175,944	174,594	167,409
Time deposits	3,552,700	3,452,700	3,489,700
Cash equivalents	16,513	35,739	23,428
Cash and cash equivalents in consolidated statement of cash flows	**$ 8,381,613**	**8,188,180**	**8,124,255**

(b) Financial assets

Financial assets measured at cost:

	2017.3.31	2016.12.31	2016.3.31
Domestic stock of non-listed company	**$ 50,814**	**30,814**	**58,335**

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 2,000 thousands shares of Readmoo Co., Ltd.'s common stock for $20,000 for the three months ended March 31, 2017, and the transaction was recognized as financial assets measured at cost. The shareholding ratio at the three months ended March 31, 2017 was 19.49%.

As of January 12, 2017, the Group disposed the shares of 17Life Ltd., Pay Easy Ltd., Eastern Online Co., Ltd., and Taiwan Star Telecom Co., Ltd. to Linktel Inc. for $503. The aforementioned inter-company transactions have been eliminated in the consolidated financial statement.

As of March 31, 2017, December 31, 2016, and March 31, 2016 the Group’s financial assets were not pledged as collateral.

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

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

	2017.3.31	2016.12.31	2016.3.31
Notes receivable	$ 1,073	2,783	5,212
Accounts receivable	275,034	349,958	317,084
Other receivables	244,284	281,676	495,948
Less: Allowance for impairment loss	(939)	(955)	(13,171)
	$ 519,452	**633,462**	**805,073**

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

	2017.3.31	2016.12.31	2016.3.31
Past under 90 days	$ 2,085	1,095	2,454
Past due more than 360 days	-	-	93
	$ 2,085	**1,095**	**2,547**

The movement in the allowance for impairment loss with respect to notes receivable, accounts receivable and other receivables for the three months ended March 31, 2017 and 2016 was as follows:

	Individually assessed impairment	Collectively assessed impairment	Total
Balance at January 1, 2017	$ -	955	955
Reversal of impairment loss	-	(16)	(16)
Balance at March 31, 2017	**$ -**	**939**	**939**
Balance at January 1, 2016	$ -	16,323	16,323
Reversal of impairment loss	-	(1,451)	(1,451)
Amount of write-off	-	(1,701)	(1,701)
Balance at March 31, 2016	**$ -**	**13,171**	**13,171**

(d) Inventories

	2017.3.31	2016.12.31	2016.3.31
Merchandise inventories	$ 635,637	615,615	421,385
Less: Allowance for inventory valuation and obsolescence losses	(8,992)	(7,486)	(7,410)
	$ 626,645	**608,129**	**413,975**

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

As of March 31, 2017, December 31, 2016, and March 31, 2016 the Group's inventories were not pledged as collateral.

The details of operating cost were as follows:

	2017	2016
Cost of goods sold	$ 5,786,382	5,626,742
Provision (reversal of provision) for inventory market price decline and obsolescence	1,506	(2,480)
	$ 5,787,888	**5,624,262**

The losses on inventories impairment were reversed because part of the inventories whose net realizable value were lower than cost were sold for the three months ended March 31, 2016.

(e) Property, plant and equipment

	Transportation equipment	Furniture and office equipment	Leasehold improvements	Leased assets	Total
Carrying amounts:					
Balance at January 1, 2017	**$ 192**	**268,614**	**102,605**	**6,512**	**377,923**
Balance at March 31, 2017	**$ 132**	**270,902**	**93,105**	**5,940**	**370,079**
Balance at January 1, 2016	**$ 412**	**168,953**	**88,128**	**-**	**257,493**
Balance at March 31, 2016	**$ 350**	**173,379**	**82,274**	**-**	**256,003**

There were no significant additions, disposal, or impairment in property, plant and equipment for the three months ended March 31, 2017 and 2016. 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, 2016.

(f) Intangible assets

	Software	Patent and Trademark	Total
Carrying amounts:			
Balance at January 1, 2017	**$ 50,684**	**2,857**	**53,541**
Balance at March 31, 2017	**$ 48,348**	**2,857**	**51,205**
Balance at January 1, 2016	**$ 35,479**	**2,857**	**38,336**
Balance at March 31, 2016	**$ 34,910**	**2,857**	**37,767**

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

There were no significant additions, disposals or impairment in intangible assets for the three months ended March 31, 2017 and 2016. 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, 2016.

(g) Short-term borrowings

	2017.3.31	2016.12.31	2016.3.31
Unsecured bank loans	$ 91,020	96,660	-
Unused credit line	$ 106,190	112,770	-
Interest rate	2.75%~2.98%	1.91%~2.40%	-

1.Release of borrowings

There were no significant issues, repurchases and repayments of short-term borrowings for the three months ended March 31, 2017 and 2016. Information on interest expense for the period is discussed in note 6(q). Please refer to note 6(g) of the 2016 annual consolidated financial statements for other related information.

2.The collateral of short-term borrowings

No assets were pledge by the Group as its repayment for the aforementioned loans.

(h) Other current liabilities

	2017.3.31	2016.12.31	2016.3.31
Advance receipts	$ 228,161	221,055	217,373
Receipts under custody-online payment processing service	1,053,809	1,047,663	1,168,793
Other	8,950	2,889	7,585
	$ 1,290,920	1,271,607	1,393,751

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.

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(i) Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2017.3.31	2016.12.31	2016.3.31
Less than one year	$ 471,488	357,474	207,278
Between one and five years	1,282,343	730,280	240,949
Over five years	864,440	123,132	-
	$ 2,618,271	1,210,886	448,227

The Group leases a number of offices and warehouses under operating leases. The leases typically run for a period of 1 to 10 years, with an option to renew the lease after that date.

Details of operating lease expense were as follows:

	For the three months ended March 31, 2017	2016
Operating lease expense	$ 105,647	72,853

(j) Lease obligations payable

The Consolidated Company's lease obligations payable were as follows:

	2017.3.31			2016.12.31		
	Future minimum lease payments	Interest	Present value of minimum lease payments	Future minimum lease payments	Interest	Present value of minimum lease payments
Less than one year	$ 1,369	546	823	1,369	571	798
Between one and five years	6,233	976	5,257	6,575	1,102	5,473
	$ 7,602	1,522	6,080	7,944	1,673	6,271

(k) Employee benefits

1.Defined benefit plans

Management believes that there was no material volatility of the market, no material reimbursement and settlement or other material one time events since prior fiscal year. As a result, the pension cost in the accompanying interim consolidated financial statements was measured and disclosed according to the actuarial report as of December 31, 2016 and 2015.

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

The expenses recognized in profit or loss for the Group were as follows:

	For the three months ended March 31, 2017	2016
Operating cost	$ -	-
Selling expenses	11	(10)
Administration expenses	65	57
Research and development expenses	1	(2)
	$ 77	**45**

2.Defined contribution plans

The Group's expenses under the pension plan cost to the Bureau of Labor Insurance for the three months ended March 31, 2017 and 2016 were as follows:

	For the three months ended March 31, 2017	2016
Operating cost	$ 877	852
Selling expenses	11,557	10,002
Administration expenses	1,656	1,418
Research and development expenses	2,795	2,698
	$ 16,885	**14,970**

(l) Income taxes

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

	For the three months ended March 31, 2017	2016
Current income tax expense:		
Current period	$ 43,974	66,094
Adjustment for prior periods	-	(548)
	43,974	65,546
Deferred tax (benefit) expense:		
Origination and reversal of temporary differences	(1)	456
Income tax expense	**$ 43,973**	**66,002**

2.The amount of income tax expense recognized in other comprehensive income for the three months ended March 31, 2017 and 2016, was both zero.

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

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

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

	2017.3.31	2016.12.31	2016.3.31
Unappropriated earnings of 1998 and after	$ 1,513,581	1,309,930	1,532,520
Balance of imputation credit account (ICA)	$ 161,858	161,858	143,997

	2016 (estimated)	2015 (actual)
Tax deduction ratio for earnings distribution to ROC residents	21.69 %	17.77 %

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.

(m) 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 three months ended March 31, 2017 and 2016. For other information about the stockholders' equity please refer to note 6(m) of the consolidated financial statements for the year ended December 31, 2016.

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 capital increase was effective on August 16, 2016, with all registration amendments completed.

2. Capital surplus

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

	2017.3.31	2016.12.31	2016.3.31
Share capital	$ 2,484,507	2,484,507	2,484,507
Difference between consideration and carrying amount of subsidiaries acquired or disposed of	8,643	9,033	10,307
Changes in ownership interest subsidiaries	3,497	3,497	3,487
	$ 2,496,647	2,497,037	2,498,301

3. Retained earnings

The Company's article of incorporation stipulate that Company's net earnings should first be used to offset the prior years' deficits, if any, before paying any income taxes. Of the remaining balance, 10% is to be appropriated as legal reserve, and then any remaining profit together with any undistributed retained earnings shall be distributed according to the distribution plan proposed by the Board of Directors and submitted to the stockholders' meeting for approval.

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

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

1) The reserve for the Consolidated Company's projected capital expenditure;

2) The reserve used to repay outstanding borrowings;

3) Bonuses and dividends that may be distributed in cash and by issuing shares.

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

The earnings distribution proposal for 2016 was approved by the Board of Directors on March 28, 2017. The earnings distribution for 2015 was decided in the general meeting of the shareholders held on June 21, 2016.

	2016	2015
Dividends distributed to common shareholders		
Cash	547,469	523,060
Shares	68,434	104,612
Total	$ **615,903**	**627,672**

4. Other equity(net of tax)

	Exchange difference on translation of foreign financial statements
Balance at January 1, 2017	$ (2,781)
Exchange difference on translation of foreign financial statements	(2,084)
Balance at March 31, 2017	$ **(4,865)**
Balance at January 1, 2016	$ (4,270)
Exchange difference on translation of foreign financial statements	2,361
Balance at December 31, 2016	$ **(1,909)**

(n) Earnings per share

	For the three months ended March 31, 2017	2016
Basic earnings per share		
Profit attributable to common stockholders of the Company	$ **203,651**	**272,309**
Weighted-average number of ordinary shares	**110,316**	**110,316**
	$ **1.85**	**2.47**

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

	For the three months ended March 31,	
	2017	**2016**
Diluted earnings per share		
Profit attributable to common stockholders of the Company	$ **203,651**	**272,309**
Weighted-average number of ordinary shares (basic)	110,316	110,316
Effect of employee stock compensation	352	262
Weighted-average number of ordinary shares (adjusted with potential effect of diluted ordinary shares)	**110,668**	**110,578**
	$ **1.84**	**2.46**

(o) Revenue

For the three months ended March 31, 2017 and 2016, the details of revenue are as follows

	For the three months ended March 31,	
	2017	**2016**
Sale of goods	$ 6,500,173	6,256,185
Rendering of services	424,135	516,894
	$ **6,924,308**	**6,773,079**

(p) Rewards of employees, directors and supervisors

According to the Company's article, which was approved by the board on directors but yet resolved by the shareholders, 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 $17,779 and $24,161, and the rewards to directors and supervisors amounted to $1,996 and $2,712 for the three months ended March 31, 2017 and 2016, respectively. 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 will be treated as changes in accounting estimates and adjusted in profit or loss in the following year. Related information would be available at the website of the Market observation post system after the convening of the meeting of the shareholders.

For the years ended December 31, 2016 and 2015, the remunerations to employees amounted to $69,197 and $68,744, respectively, and the remunerations to directors amounted to $5,967 and $7,736, respectively, which were paid in Cash. The information is available on the Market Observation Post System website.

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(q) Non-operating income and expenses

1. Other revenue

The details of other revenue were as follows:

	For the three months ended March 31, 2017	2016
Interest income	$ 5,454	6,738
Others	68	2,057
	$ 5,522	8,795

2. Other gains and losses, net

The details of other gains and losses were as follows:

	For the three months ended March 31, 2017	2016
Foreign currency exchange loss, net	$ (8,550)	(4,955)
Other	-	(23)
	$ (8,550)	(4,978)

3. Finance costs

The details of finance cost were as follows:

	For the three months ended March 31, 2017	2016
Interest expense	$ (816)	(3)

(r) 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 three months ended March 31, 2017 and 2016. For other information about the fair value of financial instruments, please refer to note 6(r) of the consolidated financial statements for the year ended December 31, 2016.

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

1.Liquidity risk

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

	Carrying amount	Contractual cash flows	Within 6 months	6-12 months	1-2 years	2-5 years	More than 5 years
Balance at March 31, 2017							
Non-derivative financial liabilities							
Short-term borrowings	$ 91,020	91,020	91,020	-	-	-	-
Notes payable	1,128	1,128	1,128	-	-	-	-
Accounts payable	2,138,701	2,138,701	2,138,701	-	-	-	-
Other payables	380,096	380,096	380,096	-	-	-	-
Receipts under custody	1,053,809	1,053,809	1,053,809	-	-	-	-
Lease obligations payable	6,080	7,602	685	684	1,369	4,864	-
	$ 3,670,834	**3,672,356**	**3,665,439**	**684**	**1,369**	**4,864**	**-**
Balance at December 31, 2016							
Non-derivative financial liabilities							
Short-term borrowings	$ 96,660	96,660	96,660	-	-	-	-
Notes payable	2,193	2,193	2,193	-	-	-	-
Accounts payable	2,286,602	2,286,602	2,286,602	-	-	-	-
Other payables	355,547	355,547	355,547	-	-	-	-
Receipts under custody	1,047,663	1,047,663	1,047,663	-	-	-	-
Lease obligations payable	6,271	7,944	685	685	1,368	5,206	-
	$ 3,794,936	**3,796,609**	**3,789,350**	**685**	**1,368**	**5,206**	**-**
Balance at March 31, 2016							
Non-derivative financial liabilities							
Notes payable	$ 880	880	880	-	-	-	-
Accounts payable	2,060,577	2,060,577	2,060,577	-	-	-	-
Other payables	335,758	335,758	335,758	-	-	-	-
Receipts under custody	1,168,793	1,168,793	1,168,793	-	-	-	-
	$ 3,566,008	**3,566,008**	**3,566,008**	**-**	**-**	**-**	**-**

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

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

2.Currency risk

1) Currency risk exposure

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

	2017.3.31			2016.12.31			2016.3.31		
	Foreign currency (thousands of dollars)	Exchange rate	TWD	Foreign currency	Exchange rate	TWD	Foreign currency (thousands of dollars)	Exchange rate	TWD
Financial assets									
Monetary items									
USD	$ 8,185	30.34	248,324	8,595	32.22	276,923	4,850	32.19	156,136
Financial liabilities									
Monetary items									
USD	3,956	30.34	120,027	3,680	32.22	118,582	743	32.19	23,908

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 March 31, 2017 and 2016, would have increased or decreased net income by $5,295 and $5,391, respectively. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis as for the three months ended March 31, 2017 and 2016.

Due to the variety of functional currency, the group disclosed the foreign currency gain or loss on monetary items aggregately. The foreign currency loss (include realized and unrealized) were $8,550 and $4,955 in 2017 and 2016, respectively.

2) Interest analysis

The interest rate exposure of the Group's financial assets and liabilities is described in note (6)(r)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.

(s) 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(s) of the consolidated interim financial statements for the year ended December 31, 2016.

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(t) 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, 2016. 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, 2016. For other information about the capital management, please refer to note 6(t) of the consolidated financial statements for the year ended December 31, 2016.

(7) Related-Party Transactions

Key management personnel compensation comprised:

	For the three months ended March 31, 2017	2016
Short-term employee benefits	$ 21,183	24,890

(8) Restricted Assets

The following assets were restricted in use:

Assets	Purpose of Pledge	2017.3.31	2016.12.31	2016.3.31
Deposit account-current	Security for performance and purchase guarantee	$ 308,485	331,011	308,011
Refundable deposit	Security for provisional seizure, etc. and deposits for office rental	154,292	164,272	187,569
		$ 462,777	495,283	495,580

(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 March 31, 2017, December 31, 2016, and March 31, 2016, notes payable deposited as guarantee for commercial vehicle and office and building leases were $67,852, $111,548 and $110,062, 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 a financial institution, with having a guarantee limit of $40,000 as of March 31, 2017, December 31, 2016, and March 31, 2016, respectively.

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(d) As of March 31, 2017, December 31, 2016, and March 31, 2016, the Group has entered into an agreement with a financial institution 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 $58,000, $35,000 and $28,000, respectively.

(e) As of March 31, 2017, December 31, 2016, and March 31, 2016, the Group has entered into several agreements with different financial institutions 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 are $935,000, $1,023,000 and $1,003,000, respectively.

(10) Significant Catastrophic Losses: None.

(11) Significant Subsequent Events: None.

(12) Others

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

Categorized as	For the three months ended March 31, 2017			For the three months ended March 31, 2016		
Nature	Operating Cost	Operating Expense	Total	Operating Cost	Operating Expense	Total
Employee benefits						
Salary	19,240	371,451	390,691	15,619	365,638	381,257
Labor and health insurance	2,325	30,257	32,582	1,709	26,540	28,249
Pension	877	16,085	16,962	852	14,163	15,015
Others employee benefits	609	11,055	11,664	643	9,538	10,181
Depreciation	4,716	34,582	39,298	-	32,729	32,729
Amortization	-	4,911	4,911	-	2,928	2,928

(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 three months ended March 31, 2017:

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 (Note 3)										
0	The Company	Linktel Inc.	2	2,720,365	18,853	18,853	18,853	-	0.35 %	5,440,730	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:

(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	
	Common Stock:							
PChome Online Inc.	Syspower Ltd.	-	Financial assets measured at cost	744,118	2,846	3.72 %	-	
〃	Openfind Information Technology, Inc.	-	〃	800,000	4,031	6.26 %	-	
〃	Career Consulting Co., Ltd.	-	〃	113,005	1,015	0.72 %	-	
〃	Readmoo Co., Ltd.	-	〃	2,000	20,000	19.49 %	-	
〃	P2V Holdings Ltd. (Samoa)	-	〃	2,691,030	22,922	11.13 %	-	
Linktel Inc.	Eastern Online Co., Ltd.	-	Financial assets measured at cost	118,750	-	3.18 %	-	
〃	Taiwan Star Telecom Co., Ltd.	-	〃	3,942	-	- %	-	
〃	PayEasy Ltd.	-	〃	5,437,762	-	12.51 %	-	
〃	17Life Ltd.	-	〃	2,252,098	-	7.90 %	-	

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: None.

8. Accounts receivable from related parties for which the dollar amount reaches $100 million or 20% or more of paid-in capital: None.
9. Derivative transactions: None.
10. Business relationships and significant inter-company transactions:

No. (Note 1)	Name of company	Name of counter-party	Existing relationship with the counter-party (Note 2)	Transaction			
				Account name	Amount	Terms of trading	Percentage of the total consolidated revenue or total assets
0	PChome Online Inc.	Linktel Inc.	1	Sales	1,014	Usual terms and conditions	0.01 %
0	〃	PChome Store Inc.	1	Sales	18,514	〃	0.27 %
0	〃	〃	1	Accounts Receivable	3,272	〃	0.03 %
0	〃	PChome eBay Co., Ltd.	1	Sales	2,135	〃	0.03 %
0	〃	〃	1	Advertisement Expenses	1,650	〃	0.02 %
0	〃	Rakuya International Info. Co. Ltd.	1	Other Payables	2,055	〃	0.02 %
0	〃	PChome Trading (Shenzhen) Ltd.	1	Other Receivables	3,886	〃	0.04 %
0	〃	PChomePay Inc.	1	Cash Equivalents	1,764	〃	0.02 %

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 three months ended March 31, 2017, the following was the information on investees (excluding investees in Mainland China) :

(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.	IT Home Publications Inc.	Taiwan	Magazine publication	30,000	30,000	5,014,802	100.00 %	49,325	(1,790)	(1,790)	Note
〃	Linktel Inc.	〃	Type II Telecommunications Business	125,000	125,000	17,325,940	100.00 %	138,544	795	795	〃
〃	PC Home Online International Co., Ltd.	British Virgin Islands	International trade and investment activities	25,485	25,485	122,328	100.00 %	10,079	(283)	(283)	〃
〃	Rakuya International Info. Co. Ltd.	Taiwan	Real estate business, and internet information rental service	45,199	35,199	2,411,315	21.03 %	12,300	(2,828)	(698)	〃

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Name of investor	Name of investee	Location	Major operations	Initial investment (Amount)		Ending balance			Net income (loss) of the investee	Investment income (losses)	Note
				Ending balance	Beginning balance	Shares	Ratio of shares	Book value			
PChome Online Inc.	PChome Store Inc.	Taiwan	Internet services	84,770	84,770	12,941,501	59.91 %	265,143	(6,389)	(3,827)	Note
〃	PChomePay Inc.	〃	Online payment processing services	180,000	180,000	18,000,000	21.18 %	148,593	(15,090)	(3,196)	〃
〃	PChome US Inc.	United States of America	E-commerce platform	124,378	124,378	42,500,000	91.40 %	7,985	(1,050)	(959)	〃
〃	eCommerce Group Co., Ltd.	British Virgin Islands	Investment activities	875,250	875,250	268,000,000	100.00 %	747,521	24,569	24,569	〃
〃	Pi Mobile Technology Inc.	Taiwan	Online payment processing services	20,000	20,000	2,000,000	100.00 %	12,841	(1,403)	(1,403)	〃
〃	PChome (Thailand) Co., Ltd.	Thailand	E-commerce platform	66,200	66,200	6,500,000	65.00 %	44,119	(3,973)	(2,582)	〃
〃	PChome Travel Inc.	Taiwan	Travel agency business	6,000	6,000	600,000	100.00 %	5,301	(91)	(91)	〃
〃	PChome Financial Technology Inc.	〃	Information service	80,000	80,000	8,000,000	100.00 %	75,444	(4,230)	(4,230)	〃
IT Home Publications Inc.	Yiabi Inc.	〃	Information processing and provision of electronic information	5,000	5,000	500,000	100.00 %	1,947	(174)	(174)	〃
Linktel Inc.	Rakuya International Info. Co. Ltd.	〃	Real estate business, and internet information rental service	6,238	-	623,800	5.44 %	3,182	(2,828)	(36)	〃
PChome eBay Co., Ltd.	PChomePay Inc.	〃	Online payment processing services	205,200	205,200	20,520,000	24.14 %	169,360	(15,090)	(3,643)	〃
PChome Store Inc.	PChomePay Inc.	〃	〃	288,000	288,000	28,800,000	33.88 %	237,710	(15,090)	(5,113)	〃
PChomePay Inc.	Pay and Link Inc.	〃	Electronic payment bussiness	500,388	500,388	50,100,000	100.00 %	463,019	(9,234)	(9,234)	〃
〃	Zhen Jain Lian International Co., Ltd.	〃	Online payment processing services	3,000	3,000	300,000	100.00 %	2,780	(20)	(20)	〃
〃	Yin Te Lian International Co., Ltd.	〃	〃	3,000	3,000	300,000	100.00 %	2,780	(20)	(20)	〃
〃	Yun Tung Bao International Co., Ltd.	〃	〃	3,000	3,000	300,000	100.00 %	2,780	(20)	(20)	〃
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 %	11,158	(268)	(268)	〃
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 %	12,739	(240)	(240)	〃
PC Home Online (HK) Ltd.	PChome Japan KK	Japan	International trading E-commerce	841	841	800,000	100.00 %	523	(196)	(196)	〃
〃	Ruten Japan KK	〃	Information processing and provision of electronic information	5,438	5,438	2,000,000	100.00 %	4,866	(82)	(82)	〃
eCommerce Group Co., Ltd.	Ruten Global Inc.	Cayman Islands	Investment activities	874,702	874,702	267,820,000	100.00 %	747,480	24,580	24,580	〃
Ruten Global Inc.	EC Global Limited	Hong Kong	〃	22,740	22,740	7,494,642	100.00 %	6,054	(181)	(181)	〃
〃	PChome eBay Co., Ltd.	Taiwan	Information processing and provision of electronic information	779,688	779,688	27,300,000	65.00 %	761,375	38,717	25,166	〃

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	4,551	(2)	4,551	-	-	4,551	(40)	100.00 %	(40)	2,086	-
PChome Trading (Shenzhen) Ltd.	International trading E-commerce	10,619	(2)	10,619	-	-	10,619	(161)	100.00 %	(161)	(2,929)	-

2. Limitation on investment in Mainland China:

Company	Aggregate investment amount remitted from Taiwan to Mainland China at the end of the period	Approved investment (amount) by Ministry of Economic Affairs Investment Commission(Note 3)	Limitation on investment in Mainland China in accordance with regulations of Ministry of Economic Affairs Investment Commission (Note 4)
The Company	15,170	58,556	3,744,928

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 30.34 at the year ended March 31, 2017.

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

The Group’s regional financial information was as follows:

For the three months ended March 31, 2017	E-Commerce-Sales	Market Place	Other	Adjustments and Eliminations	Consolidated
Revenue:					
Non-inter-company revenue	$ 6,213,423	623,060	87,825	-	6,924,308
Inter-company revenue	22,139	4,513	1,574	(28,226)	-
Total Revenue	**$ 6,235,562**	**627,573**	**89,399**	**(28,226)**	**6,924,308**
Reportable Segment net operating income (loss)	**$ 236,585**	**48,939**	**(29,780)**	**-**	**255,744**

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For the three months ended March 31, 2016	E-Commerce-Sales	Market Place	Other	Adjustments and Eliminations	Consolidated
Revenue:					
Non-inter-company revenue	$ 5,913,117	772,893	87,069	-	6,773,079
Inter-company revenue	30,184	3,768	988	(34,940)	-
Total Revenue	**$ 5,943,301**	**776,661**	**88,057**	**(34,940)**	**6,773,079**
Reportable Segment net operating income (loss)	**$ 282,851**	**88,231**	**(17,372)**	**-**	**353,710**