Stock Code:8044

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

PCHOME ONLINE INC. AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

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

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

Table Of Contents

Contents	Page

Representation Letter

The entities that are required to be included in the combined financial statements of PChome Online Inc. as of and for the year ended December 31, 2017 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 by the Financial Supervisory Commission, "Consolidated and Separate Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, PChome Online Inc. and its Subsidiaries do not prepare a separate set of combined financial statements.

Company Name: PChome Online Inc. and Its Subsidiaries
Chairman: Hung-Tze Jan
Date: March 19, 2018

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 City 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 Auditors' Report

To the Board of Directors of PChome Online Inc.:

Opinion

We have audited the consolidated financial statements of PChome Online Inc. and Its Subsidiaries ("the Group"), which comprise the consolidated statement of financial position as of December 31, 2017 and 2016, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended December 31, 2017 and 2016, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2017 and 2016, and its consolidated financial performance and its consolidated cash flows for the year ended December 31, 2017 and 2016 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), interpretation as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audit in accordance with the "Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants" and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1. Revenue recognition

   Please refer to Note 4 (n) for the "Revenue" section of the consolidated financial statements.

   Key Audit Matters Explanation:

   The Group' s principal sources of operating revenues are generated by using e-commerce platform. This business model is characterized through high reliance on the systems to process transaction information. Moreover, the characteristics of this business model are administrating abundant information and diversified customers. The Group's systems automatically control all the transaction process, such as consumers' orders and their related information. Therefore, the process accuracy, and completeness of consumers' orders, as well as the time accuracy of revenue recognition are the key judgmental areas for our audit in the consolidated financial statements.

   How the matter was addressed in our audit:

   As mentioned above, our principal audit procedures consist of comprehension and test of the application of the systems and manual control for the sales stream, including assigning the specialist to test the general IT controls (GITC) and internal control where relevant. Furthermore, we have obtained the daily report to confirm the accuracy and completeness of the transaction processing and conformity verification of the daily revenues vouchers and the daily report.

2. Valuation of inventories

   Please refer to Note 4 (h) and Note 6 (d) for the "Valuation of inventories" section of the consolidated financial statements.

   Key Audit Matters Explanation:

   In the consolidated financial statements, the valuation of the inventories is measured at the lower of cost or net realizable value. As a result of the commodity lifecycle, as well as other impacts such as the price competition from the competitors and physical stores, the prices of the commodities may fluctuate, causing risk of the cost exceeding the net realizable value.

   How the matter was addressed in our audit:

   Our principal audit procedure included:

   - Inspecting and analyzing the aging report of the inventory;
   - Assessing the rationality of the policies of allowance for inventory valuation and obsolescence losses;
   - Inspecting the post period sales situation and evaluating the net realizable value of measurement applied on aging inventory in order to verify the evaluation accuracy of the estimated inventory allowance by the Group;
   - Assessing if the disclosure of the key management regarding the allowance of the inventory is appropriate.

Other Matter

PChome Online Inc. and Its Subsidiaries has additionally prepared its parent-company-only financial statement as of and for the years ended December 31, 2017 and 2016, on which we have issued an unmodified opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs, IASs, interpretation as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Liu-Fong Yang and Yi-Chun Chen.

KPMG

Taipei, Taiwan (Republic of China)
March 19, 2018

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 Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), interpretation as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China. The standards, procedures and practices to audit 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)

PCHOME ONLINE INC. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

December 31, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars)

		2017.12.31		2016.12.31	
	ASSETS	**Amount**	**%**	**Amount**	**%**
	Current Assets:				
1100	Cash and cash equivalents (Notes (6)(a) and (6)(u))	$ 8,370,267	72	8,188,180	78
1150	Notes receivable, net (Notes (6)(c) and (6)(u))	3,183	-	2,644	-
1170	Accounts receivable, net (Notes (6)(c), (6)(u) and (7))	437,831	4	349,361	3
1200	Other receivables (Notes (6)(c), (6)(u) and (7))	615,023	5	281,457	2
1300	Inventories (Note (6)(d))	961,528	8	608,129	6
1476	Other current financial assets (Notes (6)(u) and (8))	306,090	3	331,011	3
1479	Other current assets	78,839	1	56,576	1
		10,772,761	93	9,817,358	93
	Non-Current Assets:				
1543	Financial assets measured at cost (Notes (6)(b) and (6)(u))	43,557	-	30,814	-
1550	Investments accounted for using equity method, net (Note (6)(e))	12,234	-	-	-
1600	Property, plant and equipment (Note (6)(g))	574,409	5	377,923	4
1780	Intangible assets (Note (6)(h))	49,850	1	53,541	1
1840	Deferred tax assets (Note (6)(n))	30,491	-	36,319	-
1980	Other non-current financial assets (Notes (6)(u) and (8))	127,738	1	164,272	2
1990	Other non-current assets, others	6,416	-	50,884	-
		844,695	7	713,753	7
	Total assets	$ 11,617,456	100	10,531,111	100

		2017.12.31		2016.12.31	
	LIABILITIES AND STOCKHOLDERS' EQUITY	**Amount**	**%**	**Amount**	**%**
	Current Liabilities:				
2100	Short-term borrowings (Notes (6)(i) and (6)(u))	$ 350,000	3	96,660	1
2150	Notes payable (Note (6)(u))	1,865	-	2,193	-
2170	Accounts payable (Note (6)(u))	2,861,964	25	2,286,602	22
2200	Other payables (Note (6)(u) and 7)	922,740	8	690,359	6
2230	Current tax liabilities (Note (6)(n))	104,851	1	168,772	2
2300	Other current liabilities (Note (6)(j), (6)(l), and (6)(u))	2,204,417	19	1,271,607	12
		6,445,837	56	4,516,193	43
	Non-Current liabilities:				
2570	Deferred tax liabilities (Note (6)(n))	-	-	6,168	-
2640	Net defined benefit liability, non-current (Note (6)(m))	4,173	-	10,714	-
2670	Other non-current liabilities (Notes (6)(l) and (6)(u))	13,035	-	5,523	-
		17,208	-	22,405	-
	Total liabilities	6,463,045	56	4,538,598	43
	Equity attributable to owners of parent (Note (6)(o)):				
	Share capital:				
3110	Ordinary share	1,171,595	10	1,103,161	11
3200	Capital surplus	2,507,459	22	2,497,037	24
	Retained earnings:				
3310	Legal reserve	404,535	3	327,935	3
3320	Special reserve	2,781	-	4,271	-
3350	Unappropriated retained earnings	634,746	5	1,309,930	12
	Other equity interest:				
3410	Exchange differences on translation of foreign statements	(4,120)	-	(2,781)	-
	Total equity attributable to owners of parent:	4,716,996	40	5,239,553	50
36XX	**Non-controlling interests**	437,415	4	752,960	7
	Total equity	5,154,411	44	5,992,513	57
	Total liabilities and equity	$ 11,617,456	100	10,531,111	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)

PCHOME ONLINE INC. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the Years Ended December 31, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars)

		2017		2016	
		Amount	%	Amount	%
4111	**Sales revenue (Note (6)(r))**	$ 29,927,596	102	26,249,902	102
4170	Less:Sales returns, discounts and allowances	512,419	2	507,342	2
	Operating revenue, net	29,415,177	100	25,742,560	100
5000	**Operating costs (Note (6)(d))**	24,977,168	85	21,335,899	83
	Gross profit from operations	4,438,009	15	4,406,661	17
	Operating expenses:				
6100	Selling expenses	4,060,374	14	2,573,730	10
6200	Administrative expenses	305,962	1	505,770	2
6300	Research and development expenses	281,827	1	271,167	1
6300	**Total operating expenses**	4,648,163	16	3,350,667	13
	Net operating (loss) income	(210,154)	(1)	1,055,994	4
	Non-operating income and expenses (Note (6)(t)):				
7010	Other income	30,601	-	45,850	-
7020	Other gains and losses, net	(37,551)	-	(34,011)	-
7050	Finance costs	(2,520)	-	(1,517)	-
7060	Share of loss of associates and joint ventures accounted for using equity method, net	(2,470)	-	-	-
	Total non-operating income and expenses	(11,940)	-	10,322	-
	(Loss) Profit before income tax	(222,094)	(1)	1,066,316	4
7950	**Less: Tax expense (Note (6)(n))**	169,651	-	241,958	1
	(Loss) Profit	(391,745)	(1)	824,358	3
	Other comprehensive income:				
8310	**Items that will not be reclassified subsequently to profit or loss**				
8311	Remeasurement from defined benefit plans (Note (6)(m))	5,130	-	(7,829)	-
8349	Income tax expense related to components of other comprehensive income that will not be reclassified to profit or loss (Note (6)(n))	(872)	-	1,331	-
	Components of other comprehensive income that will not be reclassified to profit or loss	4,258	-	(6,498)	-
8360	**Items that will be reclassified subsequently to profit or loss**				
8361	Exchange differences on translation (Note (6)(o))	(898)	-	1,191	-
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-
	Components of other comprehensive income that will be reclassified to profit or loss	(898)	-	1,191	-
	Other comprehensive income	3,360	-	(5,307)	-
8500	**Total comprehensive income**	**$ (388,385)**	**(1)**	**819,051**	**3**
	Profit, attributable to:				
8610	Profit, attributable to owners of parent	$ 36,490	-	765,992	3
8620	(Loss) profit, attributable to non-controlling interests	(428,235)	(1)	58,366	-
		$ (391,745)	**(1)**	**824,358**	**3**
	Comprehensive income attributable to:				
8710	Comprehensive income, attributable to owners of parent	$ 39,066	-	760,935	3
8720	Comprehensive income, attributable to non-controlling interests	(427,451)	(1)	58,116	-
		$ (388,385)	**(1)**	**819,051**	**3**
	Earnings per share (Note (6)(q))				
9750	**Basic earnings per share (dollars)**	**$**	**0.31**		**6.54**
9850	**Diluted earnings per share (dollars)**	**$**	**0.31**		**6.52**

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

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

PCHOME ONLINE INC. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the Years Ended December 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 year ended December 31, 2016	-	-	-	-	765,992	-	765,992	58,366	824,358
Other comprehensive income for the year ended December 31, 2016	-	-	-	-	(6,546)	1,489	(5,057)	(250)	(5,307)
Total comprehensive income for the year ended December 31, 2016	-	-	-	-	759,446	1,489	760,935	58,116	819,051
Appropriation and distribution of retained earnings:									
Legal reserve appropriated	-	-	77,784	-	(77,784)	-	-	-	-
Special reserve appropriated	-	-	-	4,271	(4,271)	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(523,060)	-	(523,060)	-	(523,060)
Stock dividends of ordinary share	104,612	-	-	-	(104,612)	-	-	-	-
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	(1,274)	-	-	-	-	(1,274)	1,274	-
Changes in ownership interests in subsidiaries	-	10	-	-	-	-	10	(10)	-
Changes in non-controlling interests	-	-	-	-	-	-	-	(30,731)	(30,731)
Balance as of December 31, 2016	1,103,161	2,497,037	327,935	4,271	1,309,930	(2,781)	5,239,553	752,960	5,992,513
Profit (Loss) for the year ended December 31, 2017	-	-	-	-	36,490	-	36,490	(428,235)	(391,745)
Other comprehensive income for the year ended December 31, 2017	-	-	-	-	3,915	(1,339)	2,576	784	3,360
Total comprehensive income for the year ended December 31, 2017	-	-	-	-	40,405	(1,339)	39,066	(427,451)	(388,385)
Appropriation and distribution of retained earnings:									
Legal reserve appropriated	-	-	76,600	-	(76,600)	-	-	-	-
Special reserve appropriated	-	-	-	(1,490)	1,490	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(547,469)	-	(547,469)	-	(547,469)
Stock dividends of ordinary share	68,434	-	-	-	(68,434)	-	-	-	-
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	(390)	-	-	-	-	(390)	390	-
Changes in ownership interests in subsidiaries	-	10,812	-	-	(24,576)	-	(13,764)	27,349	13,585
Changes in non-controlling interests	-	-	-	-	-	-	-	84,167	84,167
Balance as of December 31, 2017	**$ 1,171,595**	**2,507,459**	**404,535**	**2,781**	**634,746**	**(4,120)**	**4,716,996**	**437,415**	**5,154,411**

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

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

PCHOME ONLINE INC. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars)

		2017	2016
Cash flows from operating activities：			
(Loss) Profit before tax	$	(222,094)	1,066,316
Adjustments:			
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation		157,003	137,305
Amortization		23,319	14,982
Provision (reversal of provision) for doubtful accounts		182	(3,779)
Interest expenses		2,520	1,517
Interest income		(20,887)	(26,728)
Dividends income		(3,921)	(3,255)
Share based payments		13,585	-
Share of losses of associates and joint ventures accounted for using equity method		2,470	-
Gain on disposal and retirement of property, plant and equipment		(1,139)	(34)
Loss on disposal of investments		7,257	-
Impairment loss on financial assets		-	27,521
Total adjustments to reconcile net income to net cash provided by operating activities		180,389	147,529
Changes in operating assets and liabilities:			
Changes in operating assets, net:			
Notes receivable		(539)	660
Accounts receivable		(92,065)	(19,704)
Other receivables		(335,018)	131,589
Inventories		(353,399)	(158,241)
Other financial assets		65,299	37,093
Other current assets		(24,221)	(20,228)
Total changes in operating assets, net		(739,943)	(28,831)
Changes in operating liabilities, net:			
Notes payable		(328)	(3,703)
Accounts payable		575,565	185,340
Other payable		212,213	69,024
Other current liabilities		949,824	(56,410)
Net defined benefit liabilities		(1,437)	(1,555)
Other non-current liabilities		7,512	5,523
Total changes in operating liabilities, net		1,743,349	198,219
Total changes in operating assets and liabilities, net		1,003,406	169,388
Total Adjustments		1,183,795	316,917
Cash inflow generated from operations		961,701	1,383,233
Interest received		21,530	26,390
Dividends received		3,921	3,255
Interests paid		(2,423)	(1,453)
Income taxes paid		(233,645)	(221,948)
Net cash provided by operating activities		751,084	1,189,477
Cash flows from investing activities:			
Acquisition of financial assets measured at cost		(35,664)	(10,000)
Proceeds from disposal of financial assets at cost		15,664	-
Acquired of property, plant and equipment		(289,142)	(237,006)
Disposal of property, plant and equipment		1,440	34
Acquired of intangible assets		(23,150)	(30,568)
Disposal of intangible assets		-	76
Other non-current assets		1,051	(50,885)
Other investing activities		(68,692)	2,339
Net cash used in investing activities		(398,493)	(326,010)
Cash flows from financing activities:			
Increase in short-term borrowings		253,010	96,990
Dividends paid		(547,469)	(523,060)
Change in non-controlling interests		124,959	(30,731)
Net cash used in financing activities		(169,500)	(456,801)
Foreign exchange rate effects		(1,004)	(1,834)
Net increase in cash and cash equivalents		182,087	404,832
Cash and cash equivalents, beginning of year		8,188,180	7,783,348
Cash and cash equivalents, end of year	$	**8,370,267**	**8,188,180**

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

(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 March 19, 2018.

(3) New Standards and Interpretations Not Yet Adopted

(a) The impact of the International Financial Reporting Standards ("IFRSs") endorsed by the Financial Supervisory Commission, R.O.C. ("FSC") which have already been adopted.

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2017:

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
Amendments to IAS 39 " Financial Instruments-Novation of Derivatives and Continuation of Hedge Accounting"	January 1, 2014

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

New, Revised or Amended Standards and Interpretations	Effective date per IASB
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) The impact of IFRS endorsed by FSC but not yet effective

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2018 in accordance with Ruling No. 1060025773 issued by the FSC on July 14, 2017.

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendment to IFRS 2 "Clarifications of Classification and Measurement of Share-based Payment Transactions"	January 1, 2018
Amendments to IFRS 4 "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts"	January 1, 2018
IFRS 9 "Financial Instruments"	January 1, 2018
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
Amendment to IAS 7 "Statement of Cash Flows -Disclosure Initiative"	January 1, 2017
Amendment to IAS 12 "Income Taxes- Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017
Amendments to IAS 40 "Transfers of Investment Property"	January 1, 2018
Annual Improvements to IFRS Standards 2014–2016 Cycle:	
Amendments to IFRS 12	January 1, 2017
Amendments to IFRS 1 and Amendments to IAS 28	January 1, 2018
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018

Except for the following items, the Group believes that the adoption of the above IFRSs would not have any material impact on its consolidated financial statements. The extent and impact of signification changes are as follows:

1. IFRS 9 "Financial Instruments"

   IFRS 9 replaces IAS 39 "Financial Instruments: Recognition and Measurement" which contains classification and measurement of financial instruments, impairment and hedge accounting.

1) Classification- Financial assets

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial assets in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification. In addition, IAS 39 has an exception to the measurement requirements for investments in unquoted equity instruments that do not have a quoted market price in an active market (and derivatives on such an instrument) and for which fair value cannot therefore be measured reliable. Such financial instruments are measured at cost. IFRS 9 removes this exception, requiring all equity investments (and derivatives on them) to be measured at fair value.

Based on its assessment, the Group does not believe that the new classification requirements will have a material impact on its accounting for trade receivables, loans, investments in debt securities and investments in equity securities that are managed on a fair value basis. At December 31, 2017, the Group had equity investments classified as financial assets measured at cost of 43,557 thousand. At initial application of IFRS 9, the Group has designated these investments as measured at FVTPL and FVOCI. The Group does not believe that measurement approach for financial assets will have a material impact in the scope of the IFRS 9.

2) Impairment-Financial assets and contact assets

IFRS 9 replaces the ‘incurred loss’ model in IAS 39 with a forward-looking ‘expected credit loss’ (ECL) model. This will require considerable judgment as to how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

The new impairment model will apply to financial assets measured at amortized cost or FVOCI, except for investments in equity instruments, and to contract assets.

Under IFRS 9, loss allowances will be measured on either of the following bases:

- 12-month ECLs. These are ECLs that result from possible default events within the 12 months after the reporting date; and
- Lifetime ECLs. These are ECLs that result from all possible default events over the expected life of a financial instrument.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not. An entity may determine that a financial asset’s credit risk has not increased significantly if the asset has low credit risk at the reporting date. However, lifetime ECL measurement always applies for trade receivables and contract assets without a significant financing component; an entity may choose to apply this policy also for trade receivables and contract assets with a significant financing component.

The Group does not believe that impairment losses will have a material impact in the scope of the IFRS 9 impairment model.

3) Disclosures

IFRS 9 will require extensive new disclosures, in particular about hedge accounting, credit risk and expected credit losses. The Group's assessment included an analysis to identify data gaps against current processes and the Group plans to implement the system and controls changes that it believes will be necessary to capture the required data.

4) Transition

Changes in accounting policies resulting from the adoption of IFRS 9 will generally be applied retrospectively, except as described below.

- The Group will take advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement (including impairment) changes. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 generally will be recognized in retained earnings and reserves as at January 1, 2018.
- The following assessments have to be made on the basis of the facts and circumstances that exist at the date of initial application.
  - The determination of the business model within which a financial asset is held.
  - The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.
  - The designation of certain investments in equity instruments not held for trading as at FVOCI.

2. IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 “Revenue” and IAS 11 “Construction Contracts”.

IFRS 15 and related amendment require that when another party is involved in providing goods or services to a customer, the Group is a principal if it controls the specified good or service before that good or service is transferred to a customer. Since a specified good or service is a distinct good or service, the Group determines whether it is a principal or an agent for each specified good or service.

The Group is a principal if it obtains control of any one of the following:

1) The good or another asset that it then transfers to the customer.

2) The right to a service to be performed by other party, which gives the Group the ability to direct that party to provide the service to the customer on its behalf.

3) The good or service from the other party that it then combines with other goods or services in providing a specified good or service to the customer.

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

Indicators to support the Group's assessment of whether it controls a specified good or service include, but are not limited to, the following:

1) The Group is primarily responsible for fulfilling the promise to provide the specified good or service.
2) The Group has inventory risk before or after the specified good or service is transferred to the customer.
3) The Group has discretion in establishing the price of the specified good or service.

Under current standard, the Group determines whether it is a principal or an agent based on its exposure to the significant risks and rewards of the goods or services.

For the sale with a right of return, the Group will recognize a refund liability and a right to recover a product when recognizing revenue. Currently, return provisions are recognized when recognizing revenue.

The Group is assessing the potential impact on its consolidated financial statements resulting from the amendments. So far, the Group does not expect any significant impact.

The actual impacts of adopting the standards may change depending on the economic conditions and events which may occur in the future.

The actual impacts of adopting the standards may change depending on the economic conditions and events which may occur in the future.

(c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

As of the date the following IFRSs that have been issued by the IASB, but not yet endorsed by the FSC:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
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 16 "Leases"	January 1, 2019
IFRS 17 "Insurance Contracts"	January 1, 2021
IFRIC 23 "Uncertainty over Income Tax Treatments"	January 1, 2019
Amendments to IFRS 9 "Prepayment features with negative compensation"	January 1, 2019
Amendments to IAS 28 "Long-term interests in associates and joint ventures"	January 1, 2019
Annual Improvements to IFRS Standards 2015–2017 Cycle	January 1, 2019
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019

Those which may be relevant to The Group are set out below:

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 consolidated financial position and consolidated financial performance upon 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

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 consolidated financial statements, the Chinese version shall prevail.

The significant accounting policies presented in the consolidated financial statements are summarized below. Except for those specifically indicated, the following accounting policies were applied consistently throughout the periods presented in the consolidated financial statements.

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” (hereinafter referred to as “the Regulations”) and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations endorsed by the Financial Supervisory Commission, ROC.

(b) Basis of preparation

1.Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis except for the following material items in the statement of financial position:

1) Liabilities for cash-settled share-based payment arrangements are measured at fair value;

2) The net defined benefit liabilities (or assets) is recognized as the fair value of plan assets, net of aggregation of the present value of the defined benefit obligation, with a limit based on a defined benefit assets as disclosed in Note 4(o).

2.Functional and presentation currency

The functional currency of each Group entity is determined based on the primary economic environment in which the entity operates. The consolidated financial statements are presented in New Taiwan Dollars, which is the Company's functional currency. All financial information presented in New Taiwan Dollars has been rounded to the nearest thousand.

(c) Business combination

1.Principle of preparation of the consolidated financial statements

The consolidated financial statements comprise the Company and its subsidiaries. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its control over the entity.

The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Losses applicable to the non-controlling interests in a subsidiary are allocated to non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Accounting policies of subsidiaries have been adjusted to ensure consistency with the policies adopted by the Group.

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any differences between the Group's share of net assets before and after the change, and any considerations received or paid, are adjusted to or against the Group reserves.

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

Upon the loss of control, the Group derecognizes the carrying amounts of the assets and liabilities of the subsidiary and non-controlling interests. Any interest retained in the former subsidiary is measured at fair value when control is lost. The gain or loss is measured as the difference between: (i) the aggregate of the fair value of the consideration received and the fair value of any retained non-controlling investment in the former subsidiary at the date when the Company losses control; and (ii) the aggregate of the carrying amount of the former subsidiary's assets (including goodwill), liabilities and non-controlling interests at the date when the Group losses control. The Group accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.List of subsidiaries in the consolidated financial statements:

Name of investor	Name of subsidiary	Principal activity	Shareholding 2017.12.31	Shareholding 2016.12.31	Note
The Company	PChome Store Inc.	Internet services	37.57 %	59.91 %	
〃	Linktel Inc.	Type II Telecommunications Business	100.00 %	100.00 %	
〃	PChomePay Inc.	Online payment processing services	21.18 %	21.18 %	Note 1
〃	IT Home Publications Inc.	Magazine publication	100.00 %	100.00 %	
〃	PChome US Inc.	E-commerce platform	91.40 %	91.40 %	
〃	PC Home Online International Co., Ltd.	International trade and investment activities	100.00 %	100.00 %	
〃	Rakuya International Info. Co. Ltd.	Real estate business, and internet information rental service	21.03 %	25.77 %	Note 2
〃	eCommerce Group Co., Ltd.	Investment activities	100.00 %	100.00 %	
〃	Pi Mobile Technology Inc.	Online payment processing services	100.00 %	100.00 %	
〃	PChome (Thailand) Co., Ltd.	E-commerce platform	65.00 %	65.00 %	
〃	PChome Travel Inc.	Travel agency business	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 %	Note 1
〃	PChome Store Inc.	Internet services	34.54 %	- %	
PChome Store Inc.	PChomePay Inc.	Online payment processing services	33.88 %	33.88 %	Note 1
PChomePay Inc.	Pay and Link Inc.	Electronic payment business	100.00 %	100.00 %	
〃	Zhen Jin Lian International Co., Ltd.	Online payment processing services	100.00 %	100.00 %	

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

Name of investor	Name of subsidiary	Principal activity	Shareholding		Note
			2017.12.31	2016.12.31	
PChomePay Inc.	Yin Te Lian International Co., Ltd.	Online payment processing services	100.00 %	100.00 %	
〃	Yun Tung Bao International Co., Ltd.	〃	100.00 %	100.00 %	
IT Home Publications Inc.	Yiabi Inc.	Information processing and provision of electronic information	100.00 %	100.00 %	
Linktel Inc.	Rakuya International Info. Co. Ltd.	Real estate business, and internet information rental service	5.44 %	- %	Note 2
PC Home Online International Co., Ltd.	PChome Online Inc.	International trade and investment activities	100.00 %	100.00 %	
eCommerce Group Co., Ltd.	Ruten Global Inc.	Investment activities	100.00 %	100.00 %	
PChome Online Inc.	PC Home Online (HK) Ltd.	Information service and indirect investment activities	100.00 %	100.00 %	
Ruten Global Inc.	EC Global Limited	Investment activities	100.00 %	100.00 %	
〃	PChome eBay Co., Ltd.	Information processing and provision of electronic information	65.00 %	65.00 %	
〃	Ruten Japan KK	〃	83.33 %	- %	
〃	Ruten Singapore Pte. Ltd.	〃	65.00 %	- %	
PC Home Online (HK) Ltd.	Shanghai Todo Inc.	Software and internet technical consulting service	100.00 %	100.00 %	
〃	PChome Japan KK	International trading E-commerce	100.00 %	100.00 %	
〃	Ruten Japan KK	Information processing and provision of electronic information	16.67 %	100.00 %	
EC Global Limited	PChome Trading (Shenzhen) Ltd.	International trading E-commerce	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 Group lost direct control over Rakuya International Info. Co., Ltd starting June 15, 2017 due to its newly elected board of directors. Therefore, Rakuya International Info. Co. Ltd is no longer included in the consolidated financial report of the Group.

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

(d) Foreign Currency

1.Foreign currency transaction

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the year adjusted for the effective interest and payments during the year, and the amortized cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of translation. Those foreign currency differences arising on retranslation are recognized in profit or loss.

2.Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to the Group’s functional currency at the exchange rates at the reporting date. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to the Group’s functional currency at the average rate. Foreign currency differences are recognized in other comprehensive income, and presented in the foreign currency translation reserve (translation reserve) in equity.

However, if the foreign operation is a non-wholly owned subsidiary, then the relevant proportion of the translation difference is allocated to non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

When the Group disposes of any part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interest. When the Group disposes of only part of investment in an associate of a joint venture that includes a foreign operation while retaining significant or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign currency gains and losses arising from such items are considered to form part of a net investment in the foreign operation and are recognized in other comprehensive income, and presented in the translation reserve in equity.

(e) Assets and liabilities classified as current and non-current

An entity shall classify an asset as current when:

1.It expects to realize the asset, or intends to sell or consume it, in its normal operating cycle;

2.It holds the asset primarily for the purpose of trading;

3.It expects to realize the asset within twelve months after the reporting period; or

4.The asset is cash or a cash equivalent (as defined in IAS 7) unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

An entity shall classify a liability as current when:

1.It expects to settle the liability in its normal operating cycle;

2.It holds the liability primarily for the purpose of trading;

3.The liability is due to be settled within twelve months after the reporting period; or

4.It does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(f) Cash and cash equivalents

Cash and cash equivalents comprise cash, cash in bank, and short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits which meet the above definition and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes should be recognized as cash equivalents.

(g) Financial instruments

Financial assets and financial liabilities are initially recognized when the Group become a party to the contractual provisions of the instruments.

1.Financial assets

The Group classifies financial assets into the following categories: loans and receivables, and financial assets measured at cost.

1) Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables comprise trade receivables and other receivables. Such assets are recognized initially at fair value, plus any directly attributable transaction costs.

Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses other than insignificant interest on short-term receivables. A regular way purchase or sale of financial assets shall be recognized and derecognized, as applicable, using trade-date accounting.

2) Financial assets measured at cost

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at amortized cost and are included in financial assets measured at cost.

The dividend revenue of investment should be recognized when the Company have the right to receive it, and is included in the statement of comprehensive income.

3) Impairment of financial assets

A financial asset is impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial assets that can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults, or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is accounted for as objective evidence of impairment.

All individually significant receivables are assessed for specific impairment. Receivables that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics. In assessing collective impairment, the Group uses historical trends of the probability of default, the timing of recoveries, and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than those suggested by historical trends.

An impairment loss in respect of a financial asset measured at cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss is not reversible in subsequent periods.

An impairment loss in respect of a financial asset is reduced from the carrying amount, except for trade receivables, in which an impairment loss is reflected in an allowance account against the receivables. When it is determined a receivable is uncollectible, it is written off from the allowance account. Any subsequent recovery of receivable written off is recorded in the allowance account. Changes in the amount of the allowance accounts are recognized in profit or loss.

Provision for doubtful accounts is recorded as general and administrative expenses. The impairment loss on financial assets other than accounts receivable is recorded as other gains and losses under non-operating income and expenses.

2.Financial liabilities and equity instruments

1) Other financial liabilities

Financial liabilities not classified as held for trading, or designated as at fair value through profit or loss, which comprise loans and borrowings, and trade and other payables, are measured at fair value, plus any directly attributable transaction cost at the time of initial recognition. Subsequent to initial recognition, they are measured at amortized cost calculated using the effective interest method. Interest expense not capitalized as capital cost is recognized in profit or loss, and is included in the statement of comprehensive income.

2) Derecognizing of financial liabilities

The Group derecognizes a financial liability when its contractual obligation has been discharged or cancelled or expires. The difference between the carrying amount of a financial liability removed and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss, and is included in the statement of comprehensive income.

3) Offsetting of financial assets and liabilities

The Group presents financial assets and liabilities on a net basis when the Group has the legally enforceable right to offset, and intends to settle such financial assets and liabilities on a net basis or to realize the assets and settle the liabilities simultaneously.

(h) Inventories

Inventories are measured at the lower of cost or net realizable value. The cost of inventories consists of all costs of purchase and other costs incurred in bringing the inventories to a salable and useable location and condition. Inventory cost is calculated using the weighted-average-cost formula.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(i) Investment in associates

Associates are those entities in which the Group has significant influence, but not control or joint control, over their financial and operating policies.

Investments in associates are accounted for using the equity method and are recognized initially at cost. The cost of the investment includes transaction costs. The carrying amount of the investment in associates includes goodwill arising from the acquisition less any accumulated impairment losses.

The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of associates, after adjustments to align their accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases. The Group recognizes any changes, proportionately with the shareholding ratio under capital surplus, when an associate's equity changes due to reasons other than profit and loss or comprehensive income, which did not result in changes in actual controlling power.

Unrealized profits resulting from transactions between the Group and an associate are eliminated to the extent of the Group's interest in the associate. Unrealized losses on transactions with associates are eliminated in the same way, except to the extent that the underlying asset is impaired.

When the Group's share of losses exceeds its interests in an associate, the carrying amount of the investment, including any long term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent the Group has an obligation or has made payments on behalf of the associate.

(j) Property, plant, and equipment

1.Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributed to the acquisition of the asset.

The gain or loss arising from derecognizing an item of property, plant or equipment shall be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, and it shall be recognized as other gains and losses and included in the statement of comprehensive income.

2.Subsequent cost

Subsequent expenditure is capitalized only when it is probable that future economic benefits associated with the expenditure will flow to the Group. The carrying amount of those parts of fixed assets that are replaced is derecognized. Ongoing repairs and maintenance is expensed as incurred.

3.Depreciation

The depreciable amount of an asset is determined after deducting its residual amount, and it shall be allocated on a systematic basis over its useful life. Items of property, plant and equipment with the same useful life may be grouped in determining the depreciation charge. The remainder of the items may be depreciated separately. The depreciation charge for each period shall be recognized in profit or loss.

The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

1) Transportation equipment	5 years
2) Furniture and office equipment	3 ~ 5 years
3) Leasehold improvements	1 ~10years

Depreciation methods, useful lives, and residual values are reviewed at each reporting date. If expectations differ from the previous estimates, the change(s) is accounted for as a change in an accounting estimate.

(k) Leases

Lessee

According to the condition of the lease, the Group should classify the lease as financial lease when it undertakes almost all the risks and rewards of the lease. The Group initially recognizes lease asset with lower of the fair value of the asset or the present value of the minimum lease payments. Afterwards, the Group should yield to its own accounting policy.

The minimum payments of the financial lease should be allotted to financial costs, and proportionately decrease the unpaid liabilities. The financial cost have to be apportioned to the lease period with specific rate of the liabilities.

Other leases are operating leases and are not recognized in the Group’s statement of financial position.

Payments made under an operating lease (excluding insurance and maintenance expenses) are recognized in profit or loss on a straight-line basis over the term of the lease.

(l) Intangible assets

1.Intangible assets

Software that is acquired by the Group is measured at cost less accumulated amortization and any accumulated impairment losses.

2.Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

3.Amortization

The depreciable amount is the cost of an asset, or other amount substituted for cost, less its residual value.

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill and intangible assets with an indefinite useful life, from the date that they are available for use. The estimated useful lives for the current and comparative periods are as follows:

Software	1 ~ 5 years

The residual value, amortization period and amortization method for an intangible asset with a finite useful life shall be reviewed at least annually at each fiscal year-end. Any changes shall be accounted for as changes in accounting estimates.

(m) Impairment – non financial assets

To ensure inventories, deferred tax assets, and assets arising from employee benefits are carried at no more than their recoverable amount, and to define how the recoverable amount is determined, if it is not possible to determine the recoverable amount (fair value less cost to sell and value in use) for the individual asset, then the Group will have to determine the recoverable amount for the asset's cash-generating unit (CGU).

The recoverable amount for individual asset or a cash-generating unit is the higher of its fair value less costs to sell or its value in use. If, and only if, the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset shall be reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss shall be recognized immediately in profit or loss.

The Group should assess at the end of each reporting period whether there is any indication that an impairment loss recognized in prior periods for an asset other than goodwill may no longer exist or may have decreased. If any such indication exists, the entity shall estimate the recoverable amount of that asset.

An impairment loss recognized in prior periods for an asset other than goodwill shall be reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If this is the case, the carrying amount of the asset shall be increased to its recoverable amount. That increase is a reversal of an impairment loss.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Notwithstanding whether indicators exist, recoverability of goodwill and intangible assets with indefinite useful lives or those not yet in use is required to be tested at least annually. Impairment loss is recognized if the recoverable amount is less than the carrying amount.

(n) Revenue

1.Goods sold

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognized when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sales are recognized.

2.Services

Revenue from internet and management services rendered are recognized in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of work performed.

(o) Employee benefits

1.Defined contribution plans

Obligations for contributions to the defined contribution pension plans are recognized as employee benefit expense in profit or loss in the periods during which services are rendered by the employees.

2.Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group’s net obligation with respect to the defined benefit pension plans is calculated separately for each plan by estimating the amount of the future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value.

Any fair value of any plan assets are deducted. The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating the terms of the Group’s obligations and that are denominated in the same currency in which the benefits are expected to be paid.

The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, the recognized asset is limited to the total of the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Group. An economic benefit is available to the Group if it is realizable during the life of the plan, or on settlement of the plan liabilities.

When the benefits of a plan are amended, the relating expenses, resulting from the portion of the increased benefit relating to past services provided by the employees, are recognized immediately in profit or loss to the extent that the benefits are vested immediately.

Remeasurements of the net defined benefit liability (asset), which comprise (1) actuarial gains and losses, (2) the return on plan assets (excluding interest) and (3) the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income. The Group can reclassify the amounts recognized in other comprehensive income to retained earnings or other equity. If the amounts recognized in other comprehensive income are transferred to other equity, they shall not be reclassified to profit or loss or recognized in retained earnings in a subsequent period.

Net interest expense and other expenses related to the defined benefit plans are recognized in retained earnings.

The Group recognizes gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on curtailment comprises any resulting change in the fair value of plan assets and any change in the present value of the defined benefit obligation.

3.Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(p) Share-based payment

The grant-date fair value of share-based payment awards granted to employees is recognized as employee expenses, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards whose related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

For share-based payment awards with non vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions, and there is no true up for differences between expected and actual outcomes.

The fair value of the amount payable to employees in respect of share appreciation rights, which are settled in cash, is recognized as an expense, with a corresponding increase in liabilities, over the period that the employees become unconditionally entitled to payment. The liability is remeasured at each reporting date and settlement date. Any changes in the fair value of the liability are recognized as personnel expenses in profit or loss.

(q) Income taxes

Income tax expenses include both current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes shall be recognized in profit or loss.

Current taxes include tax payables and tax deduction receivables on taxable gains (losses) for the year calculated using the statutory tax rate on the reporting date or the actual legislative tax rate, as well as tax adjustments related to prior years.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes shall not be recognized for the below exceptions:

1.Assets and liabilities that are initially recognized but are not related to the business combination and have no effect on net income or taxable gains (losses) during the transaction.

2.Temporary differences arising from equity investments in subsidiaries or joint ventures where there is a high probability that such temporary differences will not reverse.

3.Initial recognition of goodwill.

Deferred tax assets and liabilities shall be measured at the tax rates that are expected to be applied to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities may be offset against each other if the following criteria are met:

1.the entity has the legal right to settle tax assets and liabilities on a net basis; and

2.the taxing of deferred tax assets and liabilities fulfill one of the below scenarios:

1) levied by the same taxing authority; or

2) levied by different taxing authorities, but where each such authority intends to settle tax assets and liabilities (where such amounts are significant) on a net basis every year of the period of expected asset realization or debt liquidation, or where the timing of asset realization and debt liquidation is matched.

A deferred tax asset should be recognized for the carry-forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized. Such unused tax losses, unused tax credits, and deductible temporary differences shall also be re-evaluated every year on the financial reporting date, and adjusted based on the probability that future taxable profit will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized.

(r) Earnings per share

The Group discloses the Company’s basic and diluted earnings per share attributable to ordinary equity holders of the Company. The basic earnings per share are calculated as the profit attributable to the ordinary shareholders of the Company divided by the weighted-average number of ordinary shares outstanding.

The diluted earnings per share are calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares, such as employee stock bonus.

(s) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may incur revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group). Operating results of the operating segment are regularly reviewed by the Group’s chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance. Each operating segment consists of standalone financial information.

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

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

The preparation of the consolidated financial statements in conformity with the IFRSs 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.

The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the next period.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is as follows:

Valuation of inventories

As inventories are stated at the lower of cost or net realizable value, the Group estimates the net realizable value of inventories for obsolescence and unmarketable items at the end of the reporting period and then writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on assumptions as to future demand within a specific time horizon. Due to the rapid industrial transformation, there may be significant changes in the net realizable value of inventories. Refer to note 6(d) for further description of the valuation of inventories.

(6) Summary of Major Accounts

(a) Cash and cash equivalents

	2017.12.31	2016.12.31
Cash on hand	$ 915	891
Checking accounts	15,378	33,750
Savings accounts	5,589,369	4,490,506
Foreign currency deposits	164,115	174,594
Time deposits	2,588,700	3,452,700
Cash equivalents	11,790	35,739
Cash and cash equivalents in consolidated statement of cash flows	**$ 8,370,267**	**8,188,180**

Please refer to Note 6(u) for the interest analysis of financial assets and liabilities.

(b) Financial assets

Financial assets measured at cost:

	2017.12.31	2016.12.31
Domestic stock of non-listed company	**$ 43,557**	**30,814**

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

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.

For the years ended December 31, 2015, the Group acquired the shares of 17Life Ltd., with 500 thousands shares of common stock amounting to $10,000, which was recognized as financial assets measured at cost. The shareholding ratio at the year ended December 31, 2016 were 12.87%. However, the value was recognized as impaired after an assessment was made. The Group recognized the impairment loss of $27,521 during 2016.

The Group acquired 2,000 thousands shares of Readmoo Co., Ltd.'s common stock for $20,000 for the years ended December 31, 2017, and the transaction was recognized as financial assets measured at cost. The shareholding ratio at the year ended 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.

The Group received the capital reduction proceeds amounting to $15,664 from P2V Holding Limited, and recognized the loss on disposal of investments amounting to $7,257 for the years ended December 31, 2017.

The Group acquired 1,387 thousand of IPEVO's common stock for $15,664 for the years ended December 31, 2017, and the transaction was recognized as financial assets measured at cost. The shareholding ratio for the year ended 2017 was 7.36%.

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

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

	2017.12.31	2016.12.31
Notes receivable	$ 3,183	2,783
Accounts receivable	438,581	349,958
Other receivables	615,241	281,676
Less: Allowance for impairment loss	(968)	(955)
	$ 1,056,037	**633,462**

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

	2017.12.31	2016.12.31
Past under 90 days	**$ 2,131**	**1,095**

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

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

	Individually assessed impairment	Collectively assessed impairment	Total
Balance at January 1, 2017	$ -	955	955
Impairment loss recognized	107	75	182
Derecognition effect of subsidiaries	-	(7)	(7)
Amount of write-off	-	(162)	(162)
Balance at December 31, 2017	**$ 107**	**861**	**968**
Balance at January 1, 2016	$ -	16,323	16,323
Reversal of impairment loss	-	(3,779)	(3,779)
Amount of write-off	-	(11,589)	(11,589)
Balance at December 31, 2016	**$ -**	**955**	**955**

(d) Inventories

	2017.12.31	2016.12.31
Merchandise inventories	$ 970,013	615,615
Less: Allowance for inventory valuation and obsolescence losses	(8,485)	(7,486)
	$ 961,528	**608,129**

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

The details of operating cost were as follows:

	2017	2016
Cost of goods sold	$ 24,973,241	21,335,328
Provision (Reversal) for inventory market price decline and obsolescence	1,000	(2,404)
Loss on physical inventory	1,862	1,580
Loss on disposal of scrap	1,065	1,395
	$ 24,977,168	**21,335,899**

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

(e) Investments accounted for using equity method

A summary of the Group's financial information for investments accounted for using the equity method at the reporting date is as follows:

	2017.12.31
Associates	$ 12,234

1.Associates

Affiliates to the Group consisted of the followings：

Name of Affiliates	Nature of Relationship with the Group	Main operating location/ Registered Country of the Company	Proportion of shareholding and voting rights 2017.12.31	Proportion of shareholding and voting rights 2016.12.31
Rakuya International Info. Co. Ltd.	Real estate business, and internet information rental service	Taiwan	21.03 %	25.77 %

2.Collateral

As of December 31, 2017 and 2016, the Group did not provide any investment accounted for using equity method as collaterals.

(f) Losing control of subsidiaries

The Group lost direct control over Rakuya International Info. Co. Ltd starting June 15, 2017 due to its newly elected board of directors. However, the decision did not result in a disposal gain or loss. The Group still has significant influence over Rakuya International Info. CO Ltd. , and the transaction was recognized as investments accounted for using the equity method.

The carrying amount of assets and liabilities of Rakuya International Info. Co. Ltd. on June 15, 2017 as follow:

Cash and cash equivalents	$ 68,692
Accounts receivable and other receivables	2,567
Property, plant and equipment	3,421
Other current assets	501
Intangible assets	2,857
Other financial assets - non-current	10
Accounts payable and other payable	(3,357)
Other current liabilities	(18,660)
Carrying amount of net assets	$ 56,031

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

(g) Property, plant and equipment

The cost and depreciation of the property, plant and equipment of the Group for the years ended December 31, 2017 and 2016, were as follows:

	Transportation equipment	Furniture and office equipment	Leasehold improvements	Leased assets	Total
Cost:					
Balance at January 1, 2017	$ 1,261	743,226	314,490	6,702	1,065,679
Additions	-	181,107	167,007	9,909	358,023
Obsolescence	-	(14,960)	-	-	(14,960)
Disposals	-	(265)	(7,479)	(248)	(7,992)
Effect of movements in exchange rates	(96)	(395)	(36)	-	(527)
Effect of losing control of subsidiaries	-	(21,254)	(2,656)	-	(23,910)
Balance at December 31, 2017	**$ 1,165**	**887,459**	**471,326**	**16,363**	**1,376,313**
Balance at January 1, 2016	$ 1,290	563,634	249,027	-	813,951
Additions	-	185,522	65,633	6,702	257,857
Obsolescence	-	(5,623)	-	-	(5,623)
Disposals	-	(183)	(168)	-	(351)
Effect of movements in exchange rates	(29)	(124)	(2)	-	(155)
Balance at December 31, 2016	**$ 1,261**	**743,226**	**314,490**	**6,702**	**1,065,679**
Depreciation and impairment loss:					
Balance at January 1, 2017	$ 1,069	474,612	211,885	190	687,756
Depreciation for the year	185	108,413	46,458	1,947	157,003
Obsolescence	-	(14,486)	-	-	(14,486)
Disposals	-	-	(7,318)	(105)	(7,423)
Effect of movements in exchange rates	(89)	(332)	(36)	-	(457)
Effect of losing control of subsidiaries	-	(17,833)	(2,656)	-	(20,489)
Balance at December 31, 2017	**$ 1,165**	**550,374**	**248,333**	**2,032**	**801,904**
Balance at January 1, 2016	$ 878	394,681	160,899	-	556,458
Depreciation for the year	213	85,745	51,157	190	137,305
Obsolescence	-	(5,623)	-	-	(5,623)
Disposals	-	(104)	(169)	-	(273)
Effect of movements in exchange rates	(22)	(87)	(2)	-	(111)
Balance at December 31, 2016	**$ 1,069**	**474,612**	**211,885**	**190**	**687,756**
Carrying amounts:					
At December 31, 2017	**$ -**	**337,085**	**222,993**	**14,331**	**574,409**
At December 31, 2016	**$ 192**	**268,614**	**102,605**	**6,512**	**377,923**

As of December 31, 2017 and 2016, the property, plant and equipment were not pledged as collateral.

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

(h) Intangible assets

The costs and amortization and impairment loss of intangible assets of the Group for the years ended December 31, 2017 and 2016, were as follows:

		Software	Patent and Trademark	Total
Cost:				
Balance at January 1, 2017	$	110,777	2,857	113,634
Acquired separately		22,664	-	22,664
Disposals		(11,019)	-	(11,019)
Effect on movements in exchange rates		39	-	39
Effect of lossing control of subsidiaries		(930)	(2,857)	(3,787)
Balance at December 31, 2017	**$**	**121,531**	**-**	**121,531**
Balance at January 1, 2016	$	80,593	2,857	83,450
Acquired separately		30,210	-	30,210
Effect on movements in exchange rates		(26)	-	(26)
Balance at December 31, 2016	**$**	**110,777**	**2,857**	**113,634**
Amortization and impairment losses:				
Balance at January 1, 2017	$	60,093	-	60,093
Amortization for the year		23,319	-	23,319
Disposals		(10,812)	-	(10,812)
Effect of movements in exchange rates		11	-	11
Effect of lossing control of subsidiaries		(930)	-	(930)
Balance at December 31, 2017	**$**	**71,681**	**-**	**71,681**
Balance at January 1, 2016	$	45,114	-	45,114
Amortization for the year		14,982	-	14,982
Effect of movements in exchange rates		(3)	-	(3)
Balance at December 31, 2016	**$**	**60,093**	**-**	**60,093**
Carrying amounts:				
Balance at December 31, 2017	**$**	**49,850**	**-**	**49,850**
Balance at December 31, 2016	**$**	**50,684**	**2,857**	**53,541**

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

The amortization of intangible assets is included in the statement of comprehensive income:

	2017	2016
Operating expense	$ **23,319**	**14,982**

(i) Short-term borrowings

	2017.12.31	2016.12.31
Unsecured bank loans	$ **350,000**	**96,660**
Unused short-term credit line	$ **50,000**	**112,770**
Range of interest rates	**1.56%**	**1.91%~2.40%**

(j) Other current liabilities

	2017.12.31	2016.12.31
Advance receipts	$ 322,799	221,055
Receipts under custody-online payment processing service	1,870,703	1,047,663
Other	10,915	2,889
	$ **2,204,417**	**1,271,607**

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.

(k) Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2017.12.31	2016.12.31
Less than one year	$ 506,337	357,474
Between one and five years	1,442,756	730,280
Over five years	814,408	123,132
	$ **2,763,501**	**1,210,886**

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.

For the years ended December 31, 2017 and 2016, the operating leases recognized in profit or loss were $467,769 and $356,194, respectively.

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

(l) Lease obligations payable

The Group lease obligations payable were as follows:

	2017.12.31			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	$ 3,426	1,298	2,128	1,369	571	798
Between one and five years	14,948	2,171	12,777	6,575	1,102	5,473
	$ 18,374	**3,469**	**14,905**	**7,944**	**1,673**	**6,271**

(m) Employee benefits

1. Defined benefit plans

The Group determined the movement in the present value of the defined benefit obligations and fair value of plan assets as follows:

	2017.12.31	2016.12.31
Present value of defined benefit obligation	$ 58,530	62,988
Fair value of plan assets	(54,357)	(52,274)
Net defined benefit liabilities	**$ 4,173**	**10,714**

The Group makes defines benefit plan contributions to the pension fund account at Bank of Taiwan that provides pensions for employees upon retirement. The plans (covered by the Labor Standards Law) entitle a retired employee to receive an annual payment based on years or service and average salary for the six months prior to retirement.

1) Composition of plan assets

The Group sets aside pension funds in accordance with the regulations of the Council of Labor Affairs, and the pension funds are managed by the Pension Supervisory Committee. The annual budget for the allocation of the minimum income cannot be lower than the income calculated based on the interest rate of the banks’ two-year time deposit in accordance with the Management and Utilization of Labor Pension Funds regulations.

The Group’s Bank of Taiwan pension reserve account balance amounted to $54,357 at the end of the reporting period. The information used to calculate pension fund assets includes the asset allocation and yield of the fund. Please refer to the information published on the website of the Council of Labor Affairs and the Labor Pension Supervisory Committee.

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

2) Movements in present value of the defined benefit obligations

The movements in present value of defined benefit obligations for the Group were as follows:

	2017	2016
Defined benefit obligation at January 1	$ 62,988	54,754
Current service costs and interest	938	1,026
Remeasurement on the net defined benefit liabilities (assets)		
—Experience adjustments arising on the actuarial gains or losses	(405)	(1,348)
—Actuarial loss (gain) arising from changes in financial assumptions	(4,991)	8,556
Defined benefit obligation at December 31	**$ 58,530**	**62,988**

3) Movements of defined benefit plan assets

The movements in the present value of the defined benefit plan assets for the Group were as follows:

	2017	2016
Fair value of plan assets at January 1	$ 52,274	50,314
Interest income	793	965
Remeasurement on the net defined benefit liabilities (assets)		
—Return on plan assets (excluding current interest)	(266)	(621)
Contribution made	1,556	1,616
Fair value of plan assets at December 31	**$ 54,357**	**52,274**

4) Expenses recognized in profit or loss

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

	2017	2016
Net interest of net defined benefit liabilities (assets)	**$ 145**	**61**
Selling expenses	$ 45	(43)
Administrative expenses	95	110
Research and development expenses	5	(6)
	$ 145	**61**

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

5) Remeasurement on the net defined benefit liabilities (assets) recognized in other comprehensive income

The Group's remeasurement on the net defined benefit liabilities (assets) recognized in other comprehensive income as at December 31, 2017 and 2016 were as follows:

	2017	2016
Cumulative amount at January 1	$ 5,731	(2,098)
Recognized during the period	(5,130)	7,829
Cumulative amount at December 31	**$ 601**	**5,731**

6) Actuarial assumptions

The following are the Group's principal actuarial assumptions of Present Value of defined benefit obligations:

	2017	2016
Discount rate	1.625%~1.750%	1.375%~1.500%
Future salary increases	3.000%	3.000%

The Group will pay the defined benefit plans amounting to $1,567 within 1 year after the reporting date in December 31, 2017.

The weighted average duration of the defined benefit obligation is 18.94~21.27 years.

7) When calculating the present value of the defined benefit obligations, the Group uses judgments and estimations to determine the actuarial assumptions, including discount rate and future salary changes, as of the financial statement date. Any changes in the actuarial assumptions may significantly impact the amount of the defined benefit obligations.

8) Sensitivity analysis

If the actuarial assumptions had changed, the impact on the present value of the defined benefit obligation shall be as follows:

	Influences of defined benefit obligations	
	Increased 0.25%	Decreased 0.25%
December 31, 2017		
Discount rate	(2,690)	2,832
Future salary increasing rate	2,757	(2,634)

	Influences of defined benefit obligations	
	Increased 0.25%	Decreased 0.25%
December 31, 2016		
Discount rate	(3,003)	3,057
Future salary increasing rate	3,092	(2,954)

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

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions remain constant, would have affected the defined benefit obligation by the amounts shown above. The method used in the sensitivity analysis is consistent with the calculation of pension liabilities in the balance sheets.

There is no change in the method and assumptions used in the preparation of sensitivity analysis for 2017 and 2016, respectively.

2. Defined contribution plans

The Group set aside 6% of the employees' monthly wages to the Labor Pension personal accounts at the Bureau of the Labor Insurance in accordance with the provisions of the Labor Pension Act.

The Group set aside a fixed amount to the Bureau of the Labor Insurance without the payment of additional legal or constructive obligations.

For the years ended December 31, 2017 and 2016, the Group set aside $68,338 and $63,393, respectively, under the pension plan to the Bureau of the Labor Insurance.

(n) Income taxes

1. Income tax expense recognized in profits or losses

The amount of income tax was as follows:

	2017	2016
Current income tax expense:		
Current period	$ 186,078	243,134
Adjustment for prior periods	(15,215)	(6,360)
	170,863	236,774
Deferred tax expense (benefit):		
Origination and reversal of temporary differences	(1,212)	5,184
Income tax expense	**$ 169,651**	**241,958**

Income tax expense (benefit) recognized in other comprehensive income:

	2017	2016
Items that will not be reclassified subsequently to profit or loss:		
Actuarial losses and gains on defined benefit plans	**$ (872)**	**1,331**

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

The reconciliation of income tax and profit (loss) before tax was as follows:

	2017	2016
(Loss) profit excluding income tax	$ (222,094)	1,066,316
Income tax using the Company's domestic tax rate	(167,234)	204,416
Permanent differences	136,226	12,401
Change in temporary differences	189,736	593
Over provision in prior periods	(15,085)	(4,662)
10% surtax on unappropriated earnings	26,008	29,210
Total	$ 169,651	241,958

2. Deferred tax assets and liabilities

1) Unrecognized Deferred Tax Liabilities

For the years ended December 31 2017 and 2016, deferred tax liabilities are not recognized for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. The relevant amounts are as follow:

	2017.12.31	2016.12.31
Consolidated amount of taxable temporary differences associated with investments in subsidiaries	$ 706,508	461,678
Amounts are not recognized as deferred tax liabilities	$ 141,302	92,336

2) Unrecognized deferred tax assets

Deferred tax assets have not been recognized in respect of the following items:

	2017.12.31	2016.12.31
Deductible Temporary Differences	$ 446	-
Tax losses	258,392	65,345
	$ 258,838	65,345

The ROC Income Tax Act allows net losses, as assessed by the tax authorities, to offset taxable income over a period of ten years for local tax reporting purposes. As the Group likely will not have enough taxable income in the future, the above losses were not recognized as deferred tax assets.

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

As of December 31, 2017 the Group had not recognized the prior years' loss carry-forwards as deferred tax assets. The expiry years are as follows:

Year of Occurrence	Operating Loss Carry Forwards	Year of Expiration
2008	$ 14,247	2018
2009	23,418	2019
2010	19,310	2020
2011	26,215	2021
2012	48,863	2022
2013	69,217	2023
2014	47,494	2024
2015	71,588	2025
2016	63,360	2026
2017	1,136,241	2027
	$ 1,519,953	

3) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2017 and 2016 are as follows:

	Defined Benefit Plans	Unrealized Gain (Loss) of Investment	Unrealized profits of Related Company	Others	Total
Deferred Tax Liabilities:					
Balance at January 1, 2017	$ -	-	-	6,168	6,168
Debited (Credited) Income statement	-	-	-	(6,168)	(6,168)
Balance at December 31, 2017	**$ -**	**-**	**-**	**-**	**-**
Balance at January 1, 2016	$ -	-	-	9,986	9,986
Debited (Credited) Income statement	-	-	-	(3,818)	(3,818)
Balance at December 31, 2016	**$ -**	**-**	**-**	**6,168**	**6,168**

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

	Defined Benefit Plans	Unrealized Gain (Loss) of Investment	Unrealized profits of Related Company	Others	Total
Deferred Tax Assets:					
Balance at January 1, 2017	$ 2,834	25,653	4,963	2,869	36,319
(Debited) Credited Income statement	(730)	998	(4,963)	(261)	(4,956)
(Debited) Credited Other Comprehensive Income	(872)	-	-	-	(872)
Balance at December 31, 2017	$ **1,232**	**26,651**	**-**	**2,608**	**30,491**
Balance at January 1, 2016	$ 1,883	26,521	8,455	7,131	43,990
(Debited) Credited Income statement	(380)	(868)	(3,492)	(4,262)	(9,002)
(Debited) Credited Other Comprehensive Income	1,331	-	-	-	1,331
Balance at December 31, 2016	$ **2,834**	**25,653**	**4,963**	**2,869**	**36,319**

3. The Company's tax returns for the years through 2015 were examined and approved by the Taipei National Tax Administration.

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

	2017.12.31	2016.12.31
Unappropriated earnings of 1998 and after	Note	$ **1,309,930**
Balance of imputation credit account (ICA)	Note	$ **161,858**

	2017 (estimated)	2016 (actual)
Tax deduction ratio for earnings distribution to ROC residents	Note	**19.34** %

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.

Note: According to the amendments to the "Income Tax Act" enacted by the office of the President of the Republic of China (Taiwan) on February 7, 2018, effective January 1, 2018, companies will no longer be required to establish, record, calculate, and distribute their ICA due to the abolishment of the imputation tax system.

(o) Capital and other equity

As of December 31, 2017 and 2016, the total value of nominal ordinary shares amounted to $1,500,000. The face value of each share is $10. In total, there were 117,159 and 110,316 in thousands of ordinary shares, respectively, issued. All issued shares were paid up upon issuance.

Reconciliation of shares outstanding for the years ended December 31, 2017 and 2016 was as follows:

	Ordinary shares (in thousands of shares)	
	2017	**2016**
Balance at January 1	$ 110,316	99,855
Stock dividends	6,843	10,461
Balance at December 31	**$ 117,159**	**110,316**

1. Issuance of common stock

On June 22, 2017, the Company’s shareholders resolved to capitalize its unappropriated retained earnings of $68,434, with a total of 6,843 thousand shares issued at par value. The capital increase was effective on August 2, 2017, with all registration amendments completed.

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:

	2017.12.31	**2016.12.31**
Share capital	$ 2,484,507	2,484,507
Difference between consideration and carrying amount of subsidiaries acquired or disposed of	8,643	9,033
Changes in equity of subsidiaries	14,309	3,497
	$ 2,507,459	**2,497,037**

In accordance with the Company Act as amended in January 2012, realized capital reserves can only be reclassified as share capital or be distributed as cash dividends after offsetting against losses. The aforementioned capital reserves include share premiums and donation gains. In accordance with the Securities Offering and Issuance Guidelines, the amount of capital reserves to be reclassified under share capital shall not exceed 10 percent of the actual share capital amount.

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.

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.

1) Legal reserve

In accordance with the Company Act as amended in 2012, 10 percent of net income should be set aside as statutory earnings reserve until it is equal to share capital. If the Company experienced profit for the year, the meeting of shareholders shall decide on the distribution of the statutory earnings reserve, either by new shares or by cash, of up to 25 percent of the actual share capital.

2) Special reserve

In accordance with Permit No. 1010012865 issued by the Financial Supervisory Commission on April 6, 2012, a portion of current-period earnings and undistributed prior-period earnings shall be reclassified as a special earnings reserve during earnings distribution. The amount to be reclassified should be equal to the difference between the total net reduction of current-period special earnings reserve resulting from first-time adoption of IFRS and the carrying amount of other shareholders' equity as stated above. Similarly, a portion of undistributed prior-period earnings shall be reclassified as a special earnings reserve (and does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods due to first-time adoption of IFRS. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

3) Earnings distribution

The earnings distribution for 2016 and 2015 was decided by the general meeting of shareholders held on June 22, 2017, and June 21, 2016.

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

The relevant dividend distribution to shareholders is as follows:

	2016		2015	
	Dividend per Share (TWD$)	Amount	Dividend per Share (TWD$)	Amount
Dividends distributed to common shareholders				
Cash	$ 4.9627	547,469	5.2382	523,060
Shares	0.6203	68,434	1.0476	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	(1,339)
Balance at December 31, 2017	$ (4,120)
Balance at January 1, 2016	$ (4,270)
Exchange difference on translation of foreign financial statements	1,489
Balance at December 31, 2016	$ (2,781)

5. Non-controlling Interests

	2017	2016
Balance at January 1	$ 752,960	724,311
Shares of non-controlling interests		
Profit (loss) for the years ended December 31, 2017	(428,235)	58,366
Foreign currency translation differences for foreign operations	441	(298)
Remeasurement from defined benefit plans	343	48
Difference between consideration and carrying amount of subsidiaries acquired or disposed	390	1,274
Changes in ownership interests in subsidiaries	27,349	(10)
Changes in non-controlling interests	84,167	(30,731)
Balance at December 31	$ 437,415	752,960

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

(p) Share-based payment

The Group had share-based payment arrangements as follows as of December 31, 2017:

	Equity-settled
	Employee stock options
Fair value at grant date granted	May 25, 2017
Number of shares	33,372,000 units
Contract term	4 years
Vesting conditions	Note 1

Note 1: The Group provides 25% share option to its employee annually according to their years of service, with a maximum of 4 years and a minimum of 1 year.

1. Determining the fair value of equity instruments granted

The Group adopted the Black-Scholes Model to calculate the fair value of the stock option at grant date, and the assumptions adopted in this valuation model were as follows:

	For the year ended December 31, 2017
	Employee stock option plan1
Exercise price	USD 0.09
Expected volatility (%)	28.78%~60.78%
Expected life of the option (years)	5 years
Risk-free interest rate (%)	0.95%~1.31%

2. Employee stock options

Information on aforesaid employee stock options was as follows:

(Unit: Thousands)

	For the year ended December 31, 2017		
	Weighted-average exercise price		**Numbers of options**
Balance, beginning of January 1	$	-	-
Options granted	USD	0.09	33,372
Options forfeited		-	(2,244)
Options exercised		-	-
Options expired		-	-
Balance, end of December 31	USD	0.09	**31,128**
Options exercisable, end of December 31		-	**-**

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

3. Expenses and liabilities resulted from share-based payments

The incurred expenses from share-based payments transactions were $13,585 for the year ended December 31, 2017.

(q) Earnings per share

The Group calculated the basic and diluted EPS as follows:

1. Basic earnings per share

	2017	2016
Profit attributable to common stockholders of the Company	$ **36,490**	**765,992**
Weighted-average number of ordinary shares	**117,159**	**117,159**
	$ **0.31**	**6.54**

2. Diluted earnings per share

	2017	2016
Profit attributable to common stockholders of the Company	$ **36,490**	**765,992**
Weighted-average number of ordinary shares (basic)	117,159	117,159
Effect of employee stock compensation	163	302
Weighted-average number of ordinary shares (adjusted with potential effect of diluted ordinary shares)	**117,322**	**117,461**
	$ **0.31**	**6.52**

(r) Revenue

For the years ended December 31, 2017 and 2016, the details of revenue are as follows

	2017	2016
Revenue of electronic commerce	$ 29,149,606	25,433,818
Revenue of non-electronic commerce	265,571	308,742
	$ **29,415,177**	**25,742,560**

(s) 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.

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

The employees mentioned before include the employees in the subsidiaries who meet the specific conditions.

The rewards to employees amounted to $12,091 and $69,197, and the rewards to directors and supervisors amounted to $1,357 and $5,967 for the years ended December 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.

(t) Non-operating income and expenses

1. Other revenue

The details of other revenue were as follows:

	2017	2016
Interest income	$ 20,887	26,728
Dividend income	3,921	3,255
Others	5,793	15,867
	$ 30,601	**45,850**

2. Other gains and losses, net

The details of other gains and losses were as follows:

	2017	2016
Foreign currency exchange loss, net	$ (31,427)	(6,524)
Gains on disposals of property, plant and equipment	1,139	34
Impairment loss	-	(27,521)
Loss on disposal of investments	(7,257)	-
Others	(6)	-
	$ (37,551)	**(34,011)**

3. Finance costs

The details of finance cost were as follows:

	2017	2016
Interest expense	**$ 2,520**	**1,517**

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

(u) Financial instruments

1. Credit risk

1) Credit risks exposure

The carrying amount of financial assets represents the maximum exposure to credit risk. As of December 31, 2017 and 2016, the maximum exposure to credit risk amounted to $9,903,689 and $9,347,739, respectively.

2. 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 December 31, 2017							
Non-derivative financial liabilities							
Short-term borrowings	$ 350,000	350,000	150,000	200,000	-	-	-
Notes payable	1,865	1,865	1,865	-	-	-	-
Accounts payable	2,861,964	2,861,964	2,861,964	-	-	-	-
Other payables	621,737	621,737	621,737	-	-	-	-
Receipts under custody	1,870,703	1,870,703	1,870,703	-	-	-	-
Lease obligations payable	14,905	18,374	1,713	1,713	3,426	11,522	-
	$ 5,721,174	**5,724,643**	**5,507,982**	**201,713**	**3,426**	**11,522**	**-**
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**	**-**

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)

3. Currency risk

1) Currency risk exposure

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

	2017.12.31			2016.12.31		
	Foreign currency (thousands of dollars)	**Exchange rate**	**TWD**	**Foreign currency (thousands of dollars)**	**Exchange rate**	**TWD**
Financial assets						
Monetary items						
USD	$ 7,358	29.76	218,977	8,595	32.22	276,923
Financial liabilities						
Monetary items						
USD	472	29.76	14,043	3,680	32.22	118,582

2) Sensitivity analysis

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

A 5% appreciation or depreciation of the TWD against the USD as at December 31, 2017 and 2016, would have increased or decreased net income by $8,505 and $6,121, respectively. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis as for the years ended December 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 $31,427 and $6,524 in 2017 and 2016, respectively.

4. Interest analysis

The interest rate exposure of the Group's financial assets and liabilities is described in Note (6)(u)3. on liquidity risk management.

The following sensitivity analysis is based on the exposure to interest rate risk of the financial assets and liabilities on the reporting date.

If the interest rate increases or decreased by 0.1%, the Group's net income would increase or decrease by $4 and $3 as of December 31, 2017 and 2016. This is mainly due to the Group's borrowing and its cash and cash equivalents being at variable rates.

5. Fair value

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

(v) Financial risk management

1. Summary

The Group's use of financial instruments is exposed to the credit, liquidity and market risks.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

2. Risk management framework

The General Manager's office has responsibility for the development and control of the Group's risk management policies and regularly reports to the Board on its operation, if necessary. The Group establishes risk management policies for the identification and analysis of the Group's exposure to risk and sets appropriate risk limits to control risk. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the operation of the Group. The Group uses advocacy, management standards and operating procedures to develop a disciplined and constructive control environment, so that all employees understand their roles and obligations.

The Board oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework. The Board is assisted in its supervisory role by the internal audit staff, who undertake both regular and ad hoc reviews of risk management controls and procedures, and report the results of the review to the Board.

3. Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment.

1) Accounts receivable and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk of the industry in which customers operate, as these factors may have an influence on credit risk. However, geographically there is no concentration of credit risk.

The management has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Group's standard payment terms are offered. The Group's review includes external ratings, when available, and in some cases bank references. Credit limits are established for each customer, which represent the maximum open amount without requiring approval from the General Manager's office; these limits are reviewed quarterly. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group only on a cash basis.

In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or a legal entity, whether they are a wholesale, retail or end-user customer, geographic location, industry, aging profile, maturity and existence of previous financial difficulties. Customers that are graded as “high risk” are placed on a restricted customer list and monitored by the General Manager’ s office. If customers default, the Group will stop transactions with those customers or trade on a cash basis.

The Group established an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables and investments. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss incurred but not yet identified. The collective loss allowance is determined based on historical data on payment statistics for similar financial assets.

2) Investment

The credit risk exposure in the bank deposits, fixed income investments and other financial instruments is measured and monitored by the General Manager’ s office. The Group only deals with financial institutions, corporations and organizations with a credit rating of investment grade or higher; therefore, there are no significant doubts regarding default on the above financial instruments, and as a result, there is no significant credit risk.

3) Guarantees

The Group’ s policy is to provide financial guarantees only for transactions involving equity investment that is more than 50% owned, and they should be approved by the Board. As of December 31, 2017 and 2016, the Group’ s guarantees for non-related parties to fulfill their obligations in accordance with the service contract with its subsidiary Linktel Inc. were $5,935 and $11,335, respectively.

4. Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group’s approach to managing liquidity is to ensure, as far as possible, that it always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group’s reputation.

5. Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, will affect the Group’ s income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The Group is exposed to currency risk on sales and purchases that are denominated in a currency other than the respective functional currencies of the Group’s entities, primarily the TWD, USD, HKD, CNY, THB and JPY. These transactions are denominated in TWD and USD.

The interest is denominated in the currency used in the borrowings. Generally, borrowings are denominated in currencies that match the cash flows generated by the underlying operations of the Group, primarily the TWD.

(w) Capital management

The Group meets its objectives for managing capital to safeguard the capacity to continue to operate, to continue to provide a return to shareholders and other related parties, and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the dividend payment to the shareholders, reduce the capital for redistribution to shareholders, issue new shareholders, issue new shares or sell assets to settle any liabilities.

(7) Related-Party Transactions

(a) Ultimate controlling party

The Company is the ultimate controlling party of the Group.

(b) Names and relationship with related parties

The followings are entities that have had transactions with related party during the period covered in the consolidated financial statements.

Name of related party	Relationship with the Group
PChome Store Inc.	Subsidiary of the Company
Linktel Inc.	〃
IT Home Publications Inc.	〃
PChome US Inc.	〃
PC Home Online International Co., Ltd.	〃
eCommerce Group Co., Ltd.	〃
Pi Mobile Technology Inc.	〃
PChome (Thailand) Co., Ltd.	〃
PChome Travel Inc.	〃
PChome Financial Technology Inc.	〃
Pay and Link Inc.	〃
PChomePay Inc.	〃
Ruten Global Inc.	〃
Ruten Singapore Pte. Ltd.	〃
PC Home Online (HK) Ltd.	〃
PChome Trading (Shenzhen) Ltd.	〃

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

Name of related party	Relationship with the Group
Rakuya International Info. Co. Ltd.	Associate of the Company
PC Home Ventures Fund(I) Corporation	Other related party

(c) Related-party transactions

1.Receivables from related parties

Item	Related party categories	2017.12.31	2016.12.31
Accounts receivable	Associates	$ 25	-
Other receivable	Associates	26	-
Other receivable	Other related party	6	6
		$ 57	**6**

2.Payables to related parties

Item	Related party categories	2017.12.31	2016.12.31
Other payables	Associates	**$ 12**	**-**

(d) Transactions with key management personnel

Key management personnel compensation comprised:

	2017	2016
Short-term employee benefits	**$ 64,042**	**100,099**

(8) Restricted Assets

The following assets were restricted in use:

Assets	Purpose of Pledge	2017.12.31	2016.12.31
Deposit account-current	Security for performance and purchase guarantee	$ 306,090	331,011
Refundable deposit	Security for provisional seizure, etc. and deposits for office rental	127,738	164,272
		$ 433,828	**495,283**

(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.

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

(b) As of December 31, 2017 and 2016, notes payable deposited as guarantee for commercial vehicle and office and building leases were $227,063 and $111,548, 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 December 31, 2017 and 2016, respectively.

(d) As of December 31, 2017 and 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 $313,000 and $28,000, respectively.

(e) As of December 31, 2017 and 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 $1,735,000 and $1,035,000, respectively.

(10) Significant Catastrophic Losses: None.

(11) Significant Subsequent Events

According to the amendments to the "Income Tax Act” enacted by the office of the President of the Republic of China (Taiwan) on February 7, 2018, an increase in the corporate income tax rate from 17% to 20% is applicable upon filing the corporate income tax return commencing FY 2018. This increase does not affect the amounts of the current or deferred income taxes recognized on December 31, 2017. However, this amendment will increase the Company’s current and deferred tax charge accordingly in the future.

(12) Others

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

Categorized as	For the year ended December 31, 2017			For the year ended December 31, 2016		
Nature	Operating Cost	Operating Expense	Total	Operating Cost	Operating Expense	Total
Employee benefits						
Salary	75,707	1,431,677	1,507,384	75,239	1,445,228	1,520,467
Labor and health insurance	16,886	119,770	136,656	6,673	112,091	118,764
Pension	3,132	65,351	68,483	3,552	59,902	63,454
Others employee benefits	2,255	55,767	58,022	2,568	40,145	42,713
Depreciation	20,474	136,529	157,003	18,149	119,156	137,305
Amortization	-	23,319	23,319	-	14,982	14,982

(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 years ended December 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	2,358,498	38,364	5,935	5,935	-	0.13 %	4,716,996	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				Peak Holding	Note
				Number	Book value	Percentage	Market value	Percentage	
	Common Stock:								
PChome Online Inc.	Syspower Ltd.	-	Financial assets measured at cost	744,118	2,846	3.72 %	-	3.72 %	
〃	Openfind Information Technology, Inc.	-	〃	800,000	4,031	6.26 %	-	6.26 %	
〃	Career Consulting Co., Ltd.	-	〃	113,005	1,016	0.72 %	-	0.72 %	
〃	Readmoo Co., Ltd.	-	〃	2,000,000	20,000	19.49 %	-	19.49 %	
〃	IPEVO Corp.	-	〃	1,386,822	15,664	7.36 %	-	7.36 %	
Linktel Inc.	Eastern Online Co., Ltd.	-	〃	118,750	-	3.18 %	-	3.18 %	
〃	Taiwan Star Telecom Co., Ltd.	-	〃	3,942	-	- %	-	- %	
〃	PayEasy Ltd.	-	〃	5,437,762	-	12.51 %	-	12.51 %	
〃	17Life Ltd.	-	〃	1,126,049	-	6.26 %	-	6.26 %	

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:

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

Company name (Note 1)	Marketable Securities type and name (Note 1)	Financial statement account	Counter-party	Nature of relationship	Beginning balance		Acquisitions		Disposal				Ending alance	
					Units/shares (Thousands)	Amount	Units/shares (Thousands)	Amount	Units/shares (Thousands)	Amount	Carrying value	Gain (loss) on disposal	Units/shares (Thousands)	Amount
PChome Online Inc.	eCommerce Group Co., Ltd.	Investments accounted for using equity method	-	-	-	-	-	-	-	-	-	-	-	-
eCommerce Group Co., Ltd.	Ruten Global Inc.	〃	-	-	-	-	-	-	-	-	-	-	-	-
PChome eBay Co., Ltd.	PChome Store Inc.	〃	-	-	-	-	-	-	-	-	-	-	-	-

Note 1: The market securities listed under account investment, using the equity method, is exempted from disclosure.
Note 2: The aforementioned transaction of subsidiary have been eliminated in the consolidated financial statements.

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	3,678	Usual terms and conditions	0.01 %
0	〃	〃	1	Professional Service fees	1,978	〃	0.01 %
0	〃	PChome Store Inc.	1	Sales	64,263	〃	0.22 %
0	〃	〃	1	Accounts Receivable	3,313	〃	0.03 %
0	〃	PChome eBay Co., Ltd.	1	Sales	8,414	〃	0.03 %
0	〃	〃	1	Advertisement Expenses	6,600	〃	0.02 %
0	〃	PChome Trading (Shenzhen) Ltd.	1	Other Receivables	4,026	〃	0.03 %
0	〃	PChomePay Inc.	1	Cash Equivalents	1,929	〃	0.02 %
0	〃	IT Home Publications Inc.	1	Professional Service fees	1,800	〃	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 years ended December 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			Peak Holding Percentage	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 %	51,452	100.00 %	340	340	Note
〃	Linktel Inc.	〃	Type II Telecommunications Business	125,000	125,000	17,325,940	100.00 %	110,059	100.00 %	(27,691)	(27,691)	〃
〃	PC Home Online International Co., Ltd.	British Virgin Islands	International trade and investment activities	25,485	25,485	122,328	100.00 %	9,028	100.00 %	(1,873)	(1,873)	〃
〃	Rakuya International Info. Co. Ltd.	Taiwan	Real estate business, and internet information rental service	45,199	35,199	2,411,315	21.03 %	9,720	21.03 %	(15,098)	(3,278)	〃
〃	PChome Store Inc.	〃	Internet services	84,770	84,770	12,941,501	37.57 %	21,105	59.91 %	(1,062,367)	(518,270)	〃
〃	PChomePay Inc.	〃	Online payment processing services	180,000	180,000	18,000,000	21.18 %	137,191	21.18 %	(68,928)	(14,599)	〃
〃	PChome US Inc.	United States of America	E-commerce platform	124,378	124,378	42,500,000	91.40 %	5,628	91.40 %	(3,754)	(3,431)	〃
〃	eCommerce Group Co., Ltd.	British Virgin Islands	Investment activities	2,089,037	875,250	669,000,000	100.00 %	1,573,400	100.00 %	(70,013)	(70,013)	〃
〃	Pi Mobile Technology Inc.	Taiwan	Online payment processing services	20,000	20,000	2,000,000	100.00 %	6,923	100.00 %	(7,321)	(7,321)	〃
〃	PChome (Thailand) Co., Ltd.	Thailand	E-commerce platform	66,200	66,200	6,500,000	65.00 %	36,988	65.00 %	(17,202)	(11,181)	〃
〃	PChome Travel Inc.	Taiwan	Travel agency business	6,000	6,000	600,000	100.00 %	5,237	100.00 %	(156)	(156)	〃
〃	PChome Financial Technology Inc.	〃	Information service	80,000	80,000	8,000,000	100.00 %	75,530	100.00 %	(4,143)	(4,143)	〃
IT Home Publications Inc.	Yiabi Inc.	〃	Information processing and provision of electronic information	5,000	5,000	500,000	100.00 %	1,414	100.00 %	(707)	(707)	〃
Linktel Inc.	Rakuya International Info. Co. Ltd.	〃	Real estate business, and internet information rental service	6,238	-	623,800	5.44 %	2,514	5.44 %	(15,098)	(703)	〃
PChome eBay Co., Ltd.	PChomePay Inc.	〃	Online payment processing services	205,200	205,200	20,520,000	24.14 %	156,364	24.14 %	(68,928)	(16,639)	〃
〃	PChome Store Inc.	〃	Internet services	632,258	-	11,896,486	34.54 %	145,690	34.54 %	(1,062,367)	(161,108)	〃
PChome Store Inc.	PChomePay Inc.	〃	Online payment processing services	288,000	288,000	28,800,000	33.88 %	219,468	33.88 %	(68,928)	(23,355)	〃
PChomePay Inc.	Pay and Link Inc.	〃	Electronic payment business	500,388	500,388	50,100,000	100.00 %	433,407	100.00 %	(38,846)	(38,846)	〃
〃	Zhen Jain Lian International Co., Ltd.	〃	Online payment processing services	3,000	3,000	300,000	100.00 %	2,733	100.00 %	(67)	(67)	〃

Name of investor	Name of investee	Location	Major operations	Initial investment (Amount) Ending balance	Initial investment (Amount) Beginning balance	Ending balance Shares	Ending balance Ratio of shares	Ending balance Book value	Peak Holding Percentage	Net income (loss) of the investee	Investment income (losses)	Note
PChomePay Inc.	Yin Te Lian International Co., Ltd.	Taiwan	Online payment processing services	3,000	3,000	300,000	100.00 %	2,733	100.00 %	(67)	(67)	Note
〃	Yun Tung Bao International Co., Ltd.	〃	〃	3,000	3,000	300,000	100.00 %	2,733	100.00 %	(67)	(67)	〃
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 %	10,150	100.00 %	(1,792)	(1,792)	〃
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 %	11,802	100.00 %	(1,659)	(1,659)	〃
PC Home Online (HK) Ltd.	PChome Japan KK	Japan	International trading E-commerce	841	841	800,000	100.00 %	277	100.00 %	(431)	(431)	〃
〃	Ruten Japan KK	〃	Information processing and provision of electronic information	5,438	5,438	2,000,000	16.67 %	4,633	100.00 %	(3,482)	(853)	〃
eCommerce Group Co., Ltd.	Ruten Global Inc.	Cayman Islands	Investment activities	2,090,181	874,702	668,720,000	100.00 %	1,655,269	100.00 %	(69,875)	(69,875)	〃
Ruten Global Inc.	EC Global Limited	Hong Kong	〃	22,740	22,740	7,494,642	100.00 %	4,922	100.00 %	(996)	(996)	〃
〃	PChome eBay Co., Ltd.	Taiwan	Information processing and provision of electronic information	779,688	779,688	27,300,000	65.00 %	497,210	65.00 %	(54,580)	(35,477)	〃
〃	Ruten Japan KK	Japan	〃	27,040	-	9,994,850	83.33 %	23,162	83.33 %	(3,482)	(2,629)	〃
〃	Ruten Singapore Pte. Ltd.	Singapore	〃	63,045	-	20,800,000	65.00 %	61,092	65.00 %	(3,294)	(2,141)	〃

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 Outflow	Investment Flows Inflow	Accumulated Outflow of Investment from Taiwan	Net income (loss) of the investee	Percentage of Ownership	Peak Holding Percentage	Investment Income (Loss) Recognized (Note 2(2))	Carrying Amount	Accumulated Inward Remittance of Earnings
Shanghai Todo Inc.	Software and internet technical consulting service	4,464	(2)	4,464	-	-	4,464	(298)	100.00 %	100.00 %	(298)	1,906	-
PChome Trading (Shenzhen) Ltd.	International trading E-commerce	10,416	(2)	10,416	-	-	10,416	(876)	100.00 %	100.00 %	(876)	(3,741)	-

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	14,880	57,437	3,092,646

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

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

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 — financial statement compiled by investee.

Note 3: In the above table, all relevant amounts are disclosed in TWD, and the foreign currency was translated on the exchange rate 29.76 at the year ended December 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

(a) General information

The Group's reportable segments are the E-Commerce-Sales segment, Market Place segment and other segment. The E-Commerce-Sales segment is the revenue collection from the online platform from the sale of goods. The other segment is the revenue generated from the online platform to provide search engine services, and telecommunication and communication services.

The strategic divisions offer different products and services, and are managed separately because they require different technology and marketing strategies.

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

The Group's segment report amounts were consistent with the Group CEO's internal management reports. There was no material inconsistency between the accounting policies of the operating segments and the accounting policies described in note 4. The Group uses operating income as the measurement for segment profit and the basis for performance assessment. The inter-company transaction price was the same as that with other customers. The price was based on the market value.

The Group's regional financial information was as follows:

2017	E-Commerce-Sales	Market Place	Other	Adjustments and Eliminations	Consolidated
Revenue:					
Non-inter-company revenue	$ 26,888,047	2,210,565	316,565	-	29,415,177
Inter-company revenue	77,806	18,098	6,951	(102,855)	-
Total Revenue	**$ 26,965,853**	**2,228,663**	**323,516**	**(102,855)**	**29,415,177**
Reportable Segment net operating income (loss)	**$ 790,239**	**(873,933)**	**(126,530)**	**70**	**(210,154)**
Income tax expense (benefit)	$ 126,322	47,394	(4,065)	-	169,651
Depreciation and Amortization	146,770	25,429	8,123	-	180,322
Reportable segment assets	**$ 8,272,872**	**2,765,504**	**4,308,235**	**(3,729,155)**	**11,617,456**
Reportable segment liabilities	**$ 3,555,876**	**1,941,656**	**1,197,957**	**(232,444)**	**6,463,045**

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

2016	E-Commerce-Sales	Market Place	Other	Adjustments and Eliminations	Consolidated
Revenue:					
Non-inter-company revenue	$ 22,574,578	2,785,321	382,661	-	25,742,560
Inter-company revenue	100,646	18,954	5,690	(125,290)	-
Total Revenue	**$ 22,675,224**	**2,804,275**	**388,351**	**(125,290)**	**25,742,560**
Reportable Segment net operating income (loss)	**$ 897,232**	**319,949**	**(161,197)**	**10**	**1,055,994**
Income tax expense (benefit)	$ 165,742	78,335	(2,119)	-	241,958
Depreciation and Amortization	116,114	27,941	8,232	-	152,287
Reportable segment assets	**$ 8,089,570**	**2,205,583**	**3,427,519**	**(3,191,561)**	**10,531,111**
Reportable segment liabilities	**$ 2,850,017**	**613,660**	**1,127,801**	**(52,880)**	**4,538,598**

(c) Enterprise-wide Disclosures

1.Information about Products and Services

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

Product and Service	**2017**	**2016**
Revenue of electronic commerce	$ 29,149,606	25,433,818
Other	265,571	308,742
Total	**$ 29,415,177**	**25,742,560**

2.Information about Geographic Areas: None.

3.Information about Major Customers: None.