Stock Code:8044

PCHOME ONLINE INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

With Independent Auditors' Review Report
For the Six Months Ended June 30, 2019 and 2018

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The independent auditors' review 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 independent auditors' review report and consolidated financial statements, the Chinese version shall prevail.

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Independent Auditors' Review Report

To the Board of Directors of PChome Online Inc.:

Introduction

We have reviewed the accompanying consolidated balance sheets of the PChome Online Inc. and its subsidiaries of June 30, 2019 and 2018, and the consolidated statements of comprehensive income, changes in equity and cash flows for the six months ended June 30, 2019 and 2018, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standards ("IASs") 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our review.

Scope of Review

Except as explained in the Basis for Qualified Conclusion paragraph, we conducted our reviews in accordance with Statement of Auditing Standards 65, "Review of Financial Information Performed by the Independent Auditor of the Entity". A review of the consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the generally accepted auditing standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

As stated in Note 4(b), the consolidated financial statements included the financial statements of certain non-significant subsidiaries, which were not reviewed by independent auditors. These financial statements reflect total assets amounting to $297,019 thousand and $751,371 thousand, constituting 2% and 6% of consolidated total assets at June 30, 2019 and 2018, respectively, total liabilities amounting to $269,665 thousand and $150,699 thousand, constituting 2% and 2% of consolidated total liabilities at June 30, 2019 and 2018, respectively, and total comprehensive income amounting to $62,779 thousand, $13,713 thousand, $23,184 thousand and $2,420 thousand, constituting 152%, (2)%, 7% and 23% of consolidated total comprehensive income (loss) for the second quarter of 2019 and 2018, and for the six months ended June 30, 2019 and 2018, respectively.

Furthermore, as stated in Note 6(f), the other equity accounted investments of the PChome Online Inc. and its subsidiaries in its investee companies of $47,215 thousand and $36,754 thousand at June 30, 2019 and 2018, and its share of loss of associates and joint ventures accounted for using equity method on these investee companies of $4,635 thousand, $3,905 thousand, $9,439 thousand and $6,103 thousand for the second quarter of 2019 and 2018, and for the six months ended June 30, 2019 and 2018, were recognized solely on the financial statements prepared by these investee companies, but not reviewed by independent auditors.

Qualified Conclusion

Except for the adjustments, if any, as might have been determined to be necessary had the financial statements of certain consolidated subsidiaries and equity accounted investee companies described in the Basis for Qualified Conclusion paragraph above been reviewed by independent auditors, based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the PChome Online Inc. and its subsidiaries as at June 30, 2019 and 2018, and of its consolidated financial performance and its consolidated cash flows for the six months ended June 30, 2019 and 2018 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IASs 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Emphasis of Matter

As stated in Note 3(a), PChome Online Inc. and its subsidiaries initially adopt the IFRS 16, "Leases" on January 1, 2019 and apply the modified retrospective approach, with no restatement of comparative period amounts. Our conclusion is not qualified in respect of this matter.

The engagement partners on the review resulting in this independent auditors' review report are Chung-Yi Chiang and Tsao-Jen Wu.

KPMG

Taipei, Taiwan (Republic of China)
August 13, 2019

Notes to Readers

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

The independent auditors' review 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 independent auditors' review report and consolidated financial statements, the Chinese version shall prevail.

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

REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH GENERALLY ACCEPTED AUDITING STANDARDS AS OF JUNE 30, 2019 AND 2018

PCHOME ONLINE INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

June 30, 2019, December 31, 2018, and June 30, 2018

(Expressed in Thousands of New Taiwan Dollars)

		2019.6.30		2018.12.31		2018.6.30	
	ASSETS	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
	Current Assets:						
1100	Cash and cash equivalents (Note (6)(a))	$ 6,784,471	47	6,881,162	61	8,693,318	70
1110	Current financial assets at fair value through profit or loss (Note (6)(b))	21,616	-	-	-	-	-
1150	Notes receivable, net (Note (6)(d))	1,386	-	112	-	1,437	-
1170	Accounts receivable, net (Notes (6)(d) and (7))	570,573	4	634,691	6	437,821	3
1196	Lease receivables (Note (7))	8,802	-	-	-	-	-
1200	Other receivables, net (Notes (6)(d) and (7))	1,033,069	7	726,672	7	625,007	5
1300	Inventories (Note (6)(e))	1,205,142	8	1,250,825	11	1,105,879	9
1476	Other current financial assets (Note (8))	522,066	4	528,096	5	481,191	4
1479	Other current assets, others	236,422	2	213,585	2	194,996	2
1481	Current asset recognized as right to recover products from customers	21,158	-	29,958	-	25,357	-
		10,404,705	72	10,265,101	92	11,565,006	93
	Non-Current Assets:						
1510	Non-current financial assets at fair value through profit or loss (Note (6)(b))	9,443	-	-	-	-	-
1517	Non-current financial assets at fair value through other comprehensive income (Note (6)(c))	110,028	1	89,842	1	84,729	1
1550	Investments accounted for using equity method (Note (6)(f))	47,215	-	27,908	-	36,754	-
1600	Property, plant and equipment (Note (6)(h))	574,570	4	541,005	5	558,179	5
1755	Right-of-use assets (Note (6)(i))	3,135,006	22	-	-	-	-
1780	Intangible assets (Note (6)(j))	40,799	-	28,224	-	38,618	-
1840	Deferred tax assets	45,086	-	45,062	1	35,784	-
1975	Net defined benefit asset, non-current	3,795	-	3,228	-	-	-
1980	Other non-current financial assets (Note (8))	145,486	1	144,812	1	134,326	1
1990	Other non-current assets, others	30,022	-	15,727	-	28,938	-
		4,141,450	28	895,808	8	917,328	7
	Total assets	$ 14,546,155	100	11,160,909	100	12,482,334	100

		2019.6.30		2018.12.31		2018.6.30	
	LIABILITIES AND STOCKHOLDERS' EQUITY	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
	Current Liabilities:						
2100	Short-term borrowings (Note (6)(k))	$ 200,000	1	200,000	2	2,250,000	18
2130	Current contract liabilities (Note (6)(l))	397,792	3	399,708	4	350,030	3
2150	Notes payable	2,845	-	773	-	2,868	-
2170	Accounts payable	2,850,641	20	2,796,281	25	3,064,055	25
2200	Other payables	770,248	5	727,544	7	771,839	6
2230	Current tax liabilities	58,976	-	23,632	-	72,530	1
2280	Current lease liabilities (Note (6)(n))	506,510	3	-	-	-	-
2300	Other current liabilities (Notes (6)(l) and (6)(p))	375,663	3	100,698	1	13,025	-
2320	Total long-term liabilities, current portion (Note (6)(m))	250,000	2	200,000	2	-	-
2335	Receipts under custody (Note (6)(l))	1,736,574	12	1,887,958	17	2,134,867	17
2365	Current refund liabilities (Note (6)(l))	22,942	-	32,510	-	27,474	-
		7,172,191	49	6,369,104	58	8,686,688	70
	Non-Current liabilities:						
2541	Long-term bank loans (Note (6)(m))	1,200,000	8	1,350,000	12	-	-
2570	Deferred tax liabilities	659	-	659	-	-	-
2580	Non-current lease liabilities (Note (6)(n))	2,658,151	19	-	-	-	-
2640	Net defined benefit liability, non-current	6,695	-	6,931	-	3,388	-
2670	Other non-current liabilities, others (Note (6)(p))	613	-	10,671	-	11,871	-
		3,866,118	27	1,368,261	12	15,259	-
	Total liabilities	11,038,309	76	7,737,365	70	8,701,947	70
	Equity attributable to owners of parent (Note (6)(s)):						
	Share capital:						
3110	Ordinary share	1,171,595	8	1,171,595	10	1,171,595	10
3200	Capital surplus	1,720,393	12	2,507,423	22	2,506,743	20
	Retained earnings:						
3310	Legal reserve	-	-	408,184	4	408,184	3
3320	Special reserve	-	-	4,120	-	4,120	-
3350	Unappropriated retained earnings (accumulated loss)	72,630	1	(1,202,651)	(11)	(160,880)	(1)
	Other equity interest:						
3410	Exchange differences on translation of foreign financial statements	36,738	-	11,524	-	946	-
3420	Unrealized gains from financial assets measured at fair value through other comprehensive income	43,724	-	33,538	-	37,197	-
	Total equity attributable to owners of parent:	3,045,080	21	2,933,733	25	3,967,905	32
36XX	**Non-controlling interests (Notes 6(g) and 6(s))**	462,766	3	489,811	5	(187,518)	(2)
	Total equity	3,507,846	24	3,423,544	30	3,780,387	30
	Total liabilities and equity	$ 14,546,155	100	11,160,909	100	12,482,334	100

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

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

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

PCHOME ONLINE INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the second quarter of 2019 and 2018 and for the six months ended June 30, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

		Second Quarter of June 30				For the six months ended June 30,			
		2019		2018		2019		2018	
		Amount	%	Amount	%	Amount	%	Amount	%
4111	**Sales revenue**	$ 8,932,605	101	7,937,836	101	18,266,693	101	16,259,279	101
4170	Less: Sales returns	105,418	1	99,382	1	237,297	1	225,673	1
	Operating revenue, net (Note (6)(v))	8,827,187	100	7,838,454	100	18,029,396	100	16,033,606	100
5000	**Operating costs (Note (6)(e))**	7,748,429	88	6,833,747	87	15,821,875	88	13,938,258	87
	Gross profit from operations	1,078,758	12	1,004,707	13	2,207,521	12	2,095,348	13
	Operating expenses:								
6100	Selling expenses	826,745	9	1,456,866	19	1,691,639	9	3,195,335	20
6200	Administrative expenses	89,955	1	84,532	1	167,343	1	160,591	1
6300	Research and development expenses	115,253	2	82,529	1	227,965	1	157,308	1
6450	Expected credit loss (gain)(Note (6)(d))	(279)	-	115	-	(68)	-	(306)	-
	Total operating expenses	1,031,674	12	1,624,042	21	2,086,879	11	3,512,928	22
6500	**Net other income**	378	-	-	-	378	-	-	-
	Net operating income (loss)	47,462	-	(619,335)	(8)	121,020	1	(1,417,580)	(9)
	Non-operating income and expenses (Note (6)(x)):								
7010	Other income	9,425	-	10,265	-	12,574	-	13,843	-
7020	Other gains and losses, net	758	-	54,249	1	1,114	-	29,975	-
7050	Finance costs	(15,803)	-	(6,801)	-	(31,954)	-	(10,102)	-
7060	Share of loss of associates and joint ventures accounted for using equity method, net	(4,635)	-	(3,905)	-	(9,439)	-	(6,103)	-
	Total non-operating income and expenses	(10,255)	-	53,808	1	(27,705)	-	27,613	-
	Profit (loss) from continuing operations before tax	37,207	-	(565,527)	(7)	93,315	1	(1,389,967)	(9)
7950	**Less: Tax expense (Note (6)(r))**	15,105	-	22,003	-	29,865	-	40,631	-
	Profit (loss) from continuing operations	22,102	-	(587,530)	(7)	63,450	1	(1,430,598)	(9)
	Other comprehensive income:								
8310	**Components of other comprehensive income that will not be reclassified subsequently to profit or loss**								
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	(450)	-	(1,831)	-	10,186	-	(1,831)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	(319)	-	-	-	(319)	-
	Components of other comprehensive income that will not be reclassified to profit or loss	(450)	-	(1,512)	-	10,186	-	(1,512)	-
8360	**Other components of other comprehensive income that will not be reclassified to profit or loss**								
8361	Exchange differences on translation	19,572	-	4,036	-	26,757	-	5,342	-
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	19,572	-	4,036	-	26,757	-	5,342	-
	Other comprehensive income, net of tax	19,122	-	2,524	-	36,943	-	3,830	-
8500	**Total comprehensive income**	**$ 22,102**	**-**	**(587,530)**	**(7)**	**100,393**	**1**	**(1,426,768)**	**(9)**
	Profit (loss), attributable to:								
8610	Profit (loss), attributable to owners of parent	$ 23,485	-	(322,742)	(3)	72,630	1	(794,932)	(5)
8620	Loss, attributable to non-controlling interests	(1,383)	-	(264,788)	(4)	(9,180)	-	(635,666)	(4)
		$ 22,102	**-**	**(587,530)**	**(7)**	**63,450**	**1**	**(1,430,598)**	**(9)**
	Comprehensive income attributable to:								
8710	Comprehensive income (loss), attributable to owners of parent	$ 41,769	-	(320,154)	(4)	108,030	1	(791,378)	(5)
8720	Comprehensive loss, attributable to non-controlling interests	(545)	-	(264,852)	(3)	(7,637)	-	(635,390)	(4)
		$ 41,224	**-**	**(585,006)**	**(7)**	**100,393**	**1**	**(1,426,768)**	**(9)**
	Earnings per share (Note (6)(u))								
9750	**Basic earnings per share (NT dollars)**	**$**	**0.20**		**(2.75)**		**0.62**		**(6.79)**
9850	**Diluted earnings per share (NT dollars)**	**$**	**0.20**		**(2.75)**		**0.62**		**(6.79)**

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

PCHOME ONLINE INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the six months ended June 30, 2019 and 2018

(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	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Total Equity Attributable to Owners of Parent	Non-Controlling Interests	Total Equity
Balance at January 1, 2018	$ 1,171,595	2,507,459	404,535	2,781	634,746	(4,120)	-	4,716,996	437,415	5,154,411
Effects of retrospective application	-	-	-	-	3,975	-	39,028	43,003	-	43,003
Equity at beginning of period after adjustments	1,171,595	2,507,459	404,535	2,781	638,721	(4,120)	39,028	4,759,999	437,415	5,197,414
Loss for the six months ended June 30, 2018	-	-	-	-	(794,932)	-	-	(794,932)	(635,666)	(1,430,598)
Other comprehensive income (loss) for the six months ended June 30, 2018	-	-	-	-	319	5,066	(1,831)	3,554	276	3,830
Total comprehensive income (loss) for the six months ended June 30, 2018	-	-	-	-	(794,613)	5,066	(1,831)	(791,378)	(635,390)	(1,426,768)
Appropriation and distribution of retained earnings:										
Legal reserve appropriated	-	-	3,649	-	(3,649)	-	-	-	-	-
Special reserve appropriated	-	-	-	1,339	(1,339)	-	-	-	-	-
Changes in ownership interests in subsidiaries	-	(716)	-	-	-	-	-	(716)	10,457	9,741
Balance at June 30, 2018	**$ 1,171,595**	**2,506,743**	**408,184**	**4,120**	**(160,880)**	**946**	**37,197**	**3,967,905**	**(187,518)**	**3,780,387**
Balance at January 1,2019	$ 1,171,595	2,507,423	408,184	4,120	(1,202,651)	11,524	33,538	2,933,733	489,811	3,423,544
Loss for the six months ended June 30, 2019	-	-	-	-	72,630	-	-	72,630	(9,180)	63,450
Other comprehensive income (loss) for the six months ended June 30, 2019	-	-	-	-	-	25,214	10,186	35,400	1,543	36,943
Total comprehensive income (loss) for the six months ended June 30, 2019	-	-	-	-	72,630	25,214	10,186	108,030	(7,637)	100,393
Appropriation and distribution of retained earnings:										
Legal reserve used to offset accumulated deficits	-	-	(408,184)	-	408,184	-	-	-	-	-
Reversal of special reserve	-	-	-	(4,120)	4,120	-	-	-	-	-
Capital surplus used to offset accumulated deficits	-	(790,347)	-	-	790,347	-	-	-	-	-
Changes in ownership interests in subsidiaries	-	3,317	-	-	-	-	-	3,317	(19,408)	(16,091)
Balance at June 30, 2019	**$ 1,171,595**	**1,720,393**	**-**	**-**	**72,630**	**36,738**	**43,724**	**3,045,080**	**462,766**	**3,507,846**

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

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

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

PCHOME ONLINE INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the six months ended June 30, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	For the six months ended June 30, 2019	For the six months ended June 30, 2018
Cash flows from (used in) operating activities:		
Profit (loss) before tax	$ 93,315	(1,389,967)
Adjustments:		
Adjustments to reconcile profit:		
Depreciation expense	351,847	88,988
Amortization expense	13,798	13,506
Expected credit gain	(68)	(306)
Interest expense	31,954	10,102
Interest income	(5,853)	(9,734)
Dividend income	-	(1,912)
Share-based payments of subsidiaries	(363)	9,741
Share of loss of associates and joint ventures accounted for using equity method	9,439	6,103
Gain (loss) on disposal of property, plant and equipment	4	(286)
Gain on disposal of investments	-	(2,583)
Total adjustments to reconcile profit	400,758	113,619
Changes in operating assets and liabilities:		
Changes in operating assets:		
Notes receivable	(1,274)	1,746
Accounts receivable	64,186	344
Lease receivable	1,469	-
Other receivable	(299,647)	(8,522)
Inventories	45,683	(144,351)
Other current assets	(22,683)	(119,377)
Other financial assets	5,431	(184,437)
Net defined benefit assets	(567)	-
Current asset recognized as right to recover products from customers	8,800	2,974
Total changes in operating assets	(198,602)	(451,623)
Changes in operating liabilities:		
Contract liabilities	(1,916)	27,760
Notes payable	2,072	1,003
Accounts payable	54,360	173,757
Other payable	(18,199)	(87,652)
Other current liabilities	126,060	266,742
Net defined benefit liabilities	(236)	(785)
Current refund liabilities	(9,568)	(3,542)
Other non-current liabilities	(1,017)	(1,166)
Total changes in operating liabilities	151,556	376,117
Total changes in operating assets and liabilities	(47,046)	(75,506)
Total adjustments	353,712	38,113
Cash flow generated from (used in) operations	447,027	(1,351,854)
Interest received	7,843	8,235
Dividends received	-	1,912
Interest paid	(32,610)	(8,053)
Income taxes paid	(2,931)	(77,934)
Net cash flows from (used in) operating activities	419,329	(1,427,694)
Cash flows used in investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	(10,000)	-
Acquisition of financial assets designated at fair value through profit or loss	(31,059)	-
Acquisition of investments accounted for using equity method	(27,460)	-
Acquisition of property, plant and equipment	(75,744)	(110,139)
Proceeds from disposal of property, plant and equipment	3	-
Acquisition of intangible assets	(14,173)	(2,095)
Other non-current assets	(14,295)	(25,544)
Other investing activities	-	(16,432)
Net cash flows used in investing activities	(172,728)	(154,210)
Cash flows from financing activities:		
Short-term loans	-	1,900,000
Long-term debt	(100,000)	-
Payment of lease liabilities	(252,960)	-
Net cash flows (used in) from financing activities	(352,960)	1,900,000
Effect of exchange rate changes on cash and cash equivalents	9,668	4,955
Net (decrease) increase in cash and cash equivalents	(96,691)	323,051
Cash and cash equivalents at beginning of period	6,881,162	8,370,267
Cash and cash equivalents at end of period	**$ 6,784,471**	**8,693,318**

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

PCHOME ONLINE INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

(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.

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

The Board of Directors approved and issued the consolidated financial statements on August 13, 2019.

(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, 2019.

New, Revised or Amended Standards and Interpretations	Effective date per IASB
IFRS 16 "Leases"	January 1, 2019
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 19 "Plan Amendment, Curtailment or Settlement"	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

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:

(i) IFRS 16 "Leases"

IFRS 16 replaces the existing leases guidance, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The Group applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognized in retained earnings on January 1, 2019. The details of the changes in accounting policies are disclosed below:

1) Definition of a lease

Previously, the Group determined at contract inception whether an arrangement is or contains a lease under IFRIC 4. Under IFRS 16, the Group assesses whether a contract is or contains a lease based on the definition of a lease, as explained in Note (4)(c).

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Group applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after January 1, 2019.

2) As a lessee

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under IFRS 16, the Group recognizes right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet.

A. Leases classified as operating leases under IAS 17

At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at January 1, 2019. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments – the Group applied this approach to all other lease.

In addition, the Group used the following practical expedients when applying IFRS 16 to leases.

a. Applied a single discount rate to a portfolio of leases with similar characteristics.

b. Adjusted the right-of-use assets by the amount of IAS 37 onerous contract provision immediately before the date of initial application, as an alternative to an impairment review.

c. Applied the exemption not to recognize right-of-use assets and liabilities for leases with less than 12 months of lease term.

d. Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.

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

e. Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

B. Leases previously classified as finance leases

For leases that were classified as finance leases under IAS 17, the carrying amount of the right-of-use asset and the lease liability at January 1, 2019 are determined at the carrying amount of the lease asset and lease liability under IAS 17 immediately before that date.

3) As a lessor

The Group is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor, except for a sub-lease. The Group accounted for its leases in accordance with IFRS 16 from the date of initial application.

Under IFRS 16, the Group is required to assess the classification of a sub-lease by reference to the right-of-use asset, not the underlying asset. On transition, the Group reassessed the classification of a sub-lease contract previously classified as an operating lease under IAS 17. The Group concluded that the sub-lease is a finance lease under IFRS 16.

4) Impacts on financial statements

On transition to IFRS 16, the Group recognized additional \$3,350,697 thousands of right-of-use assets and \$3,371,759 thousands of lease liabilities. When measuring lease liabilities, the Group discounted lease payments using its incremental borrowing rate at January 1, 2019. The weighted-average rate applied is 1.20%.

The explanation of differences between operating lease commitments disclosed at the end of the annual reporting period immediately preceding the date of initial application, and lease liabilities recognized in the statement of financial position at the date of initial application disclosed as follows:

	January 1, 2019
Operating lease commitment at December 31, 2018 as disclosed in the Group's consolidated financial statements	$ 2,232,871
Extension and termination options reasonably certain to be exercised	1,306,691
	3,539,562
Discounted using the incremental borrowing rate at January 1, 2019	3,371,759
Finance lease liabilities recognized as at December 31, 2018	12,777
Lease liabilities recognized at January 1, 2019	**$ 3,384,536**

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

(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, 2020 in accordance with Ruling No. 1080323028 issued by the FSC on July 29, 2019:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020

The Group assesses that the adoption of the abovementioned standards would not have any material impact on its consolidated financial statements.

(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 International Accounting Standards Board (IASB), but have yet to be 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 17 “Insurance Contracts”	January 1, 2021

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

(4) Significant Accounting Policies

(a) Statement of compliance

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

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

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

Except the following accounting policies mentioned below, the significant accounting policies adopted in the consolidated interim financial statements are the same as those in the consolidated financial statement for the year ended December 31, 2018. For the related information, please refer to note 4 of the consolidated financial statements for the year ended December 31, 2018.

(b) Business combination

1.List of subsidiaries in the consolidated financial statements:

Name of investor	Name of subsidiary	Principal activity	Shareholding 2019.6.30	Shareholding 2018.12.31	Shareholding 2018.6.30	Note
The Company	PChome Store Inc.	Internet services	34.35 %	34.35 %	37.57 %	
〃	Linktel Inc.	Type II Telecommunications Business	100.00 %	100.00 %	100.00 %	Note 1
〃	PChomePay Inc.	Online payment processing services	21.18 %	21.18 %	21.18 %	Note 2
〃	IT Home Publications Inc.	Magazine publication	100.00 %	100.00 %	100.00 %	Note 1
〃	PChome US Inc.	E-commerce platform	91.97 %	91.97 %	91.97 %	〃
〃	PC Home Online International Co., Ltd.	International trade and investment activities	100.00 %	100.00 %	100.00 %	〃
〃	eCommerce Group Co., Ltd.	Investment activities	100.00 %	100.00 %	100.00 %	
〃	Pi Mobile Technology Inc.	Online payment processing services	100.00 %	100.00 %	100.00 %	
〃	PChome (Thailand) Co., Ltd.	E-commerce platform	65.00 %	65.00 %	65.00 %	Note 1
〃	PChome Travel Inc.	Travel agency business	100.00 %	100.00 %	100.00 %	〃
〃	PChome Financial Technology Inc.	Information service	100.00 %	100.00 %	100.00 %	〃
〃	PChome Holding Inc.	Investment activities	100.00 %	100.00 %	100.00 %	Notes 1
〃	PChome Express Co., Ltd.	Transportation and logistics	100.00 %	100.00 %	- %	Notes 3
〃	Chunghwa PChome Fund 1 Co., Ltd.	Investment activities	50.00 %	50.00 %	- %	Notes 1 and 4
〃	Cornerstone Ventures Co., Ltd.	Investment activities	51.00 %	51.00 %	- %	Notes 1 and 5
	PChome CB Co., Ltd.	Cross-border e-commerce services	100.00 %	- %	- %	Note 6

PCHOME ONLINE INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

Name of investor	Name of subsidiary	Principal activity	Shareholding 2019.6.30	Shareholding 2018.12.31	Shareholding 2018.6.30	Note
PChome eBay Co., Ltd.	PChomePay Inc.	Online payment processing services	24.14 %	24.14 %	24.14 %	Note 2
〃	PChome Store Inc.	Internet services	22.16 %	22.16 %	34.54 %	
PChome Store Inc.	PChomePay Inc.	Online payment processing services	33.88 %	33.88 %	33.88 %	Note 2
PChomePay Inc.	Pay and Link Inc.	Electronic payment business	100.00 %	100.00 %	100.00 %	
〃	Zhen Jin Lian International Co., Ltd.	Online payment processing services	100.00 %	100.00 %	100.00 %	Note 1
〃	Yin Te Lian International Co., Ltd.	〃	100.00 %	100.00 %	100.00 %	〃
〃	Yun Tung Bao International Co., Ltd.	〃	100.00 %	100.00 %	100.00 %	〃
IT Home Publications Inc.	Yiabi Inc.	Information processing and provision of electronic information	100.00 %	100.00 %	100.00 %	〃
PC Home Online International Co., Ltd.	PChome Online Inc.	International trade and investment activities	100.00 %	100.00 %	100.00 %	〃
eCommerce Group Co., Ltd.	Ruten Global Inc.	Investment activities	100.00 %	100.00 %	100.00 %	
PChome Online Inc.	PC Home Online (HK) Ltd.	Information service and indirect investment activities	100.00 %	100.00 %	100.00 %	Note 1
Ruten Global Inc.	EC Global Limited	Investment activities	100.00 %	100.00 %	100.00 %	〃
〃	PChome eBay Co., Ltd.	Information processing and provision of electronic information	65.00 %	65.00 %	65.00 %	
〃	Ruten Singapore Pte. Ltd.	〃	65.00 %	65.00 %	65.00 %	Note 1
PC Home Online (HK) Ltd.	Shanghai Todo Inc.	Software and internet technical consulting service	100.00 %	100.00 %	100.00 %	〃
EC Global Limited	PChome Trading (Shenzhen) Ltd.	International trading E-commerce	100.00 %	100.00 %	100.00 %	〃
PChome Holding Inc.	PChome Marketplace Inc.	Investment activities	100.00 %	100.00 %	100.00 %	〃

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

Name of investor	Name of subsidiary	Principal activity	Shareholding			Note
			2019.6.30	2018.12.31	2018.6.30	
PChome Marketplace Inc.	PChome Japan KK	International trading E-commerce	100.00 %	100.00 %	100.00 %	Note 1
〃	PChome Store Inc.	Internet services	35.78 %	35.78 %	- %	〃

Note 1: The financial statements of the non-significant subsidiaries have not been reviewed.

Note 2: The Group holds more than 50% of its outstanding equity shares. Therefore, it was included in the consolidated financial statement.

Note 3: The subsidiary was established on October 18, 2018.

Note 4: The subsidiary was established on October 23, 2018.

Note 5: The subsidiary was established on October 30, 2018.

Note 6: The subsidiary was established on June 10, 2019.

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

(c) Leases (applicable from January 1, 2019)

1. Identifying a lease

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

1) The contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified; and

2) The Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

3) The Group has the right to direct the use of the asset when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of an asset if either:

·the Group has the right to operate the asset; or

·the Group designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

2.As a leasee

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Group’s incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

1) Fixed payments;

2) Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

3) Amounts expected to be payable under a residual value guarantee; and

4) Payments for purchase or termination options that are reasonably certain to be exercised.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

1) there is a change in future lease payments arising from the change in an index or rate; or

2) there is a change in the Group’s estimate of the amount expected to be payable under a residual value guarantee; or

3) there is a change of its assessment on a purchase option; or

4) there is a change of its assessment on whether it will exercise an extension or termination option; or

5) there is any lease modifications.

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Group presents right-of-use assets that do not meet the definition of investment and lease liabilities as a separate line item respectively in the statement of financial position.

The Group has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

2.As a lessor

When the Group acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, the Group applies IFRS15 to allocate the consideration in the contract.

The lessor recognizes a finance lease receivable at an amount equal to its net investment in the lease. Initial direct costs, such as lessors to negotiate and arrange a lease, are included in the measurement of the net investment. The lessor recognizes the interest income over the lease term based on a pattern reflecting a constant periodic rate of return on the lessor’s net investment in the lease. The Group recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as part of ‘rental income’.

(d) Employee benefits

The pension cost in the consolidated interim financial statements was calculated and disclosed on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior fiscal year, adjusted for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events.

(e) Income taxes

The income tax expenses have been prepared and disclosed in accordance with paragraph B12 of International Financial Reporting Standards 34, Interim Reporting.

Income tax expenses for the period are best estimated by multiplying pre-tax income for the interim reporting period by the effective annual tax rate as forecasted by the management.

When tax rate changes during the interim period, the effect of the change in tax rate relating to transactions recognized outside scope of profit or loss is recognized in full in the period in which the change in tax rate occurs. The effect of the change in tax rate relating to transactions recognized in profit or loss is incorporated into estimation of the average annual income tax rate, with corresponding effect recognized throughout the interim periods.

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

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

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

The principles of preparation of the consolidated interim financial statements and the related significant estimates and underlying assumptions are consistent with note 5 of the consolidated interim financial statements for the year ended December 31, 2018.

(6) Explanation to Significant Accounts

Except for the following disclosures, there is no significant difference as compared with those disclosed in the consolidated financial statements for the year ended December 31, 2018. For other information about the accounting policies, please refer to note 6 of the consolidated financial statements for the year ended December 31, 2018.

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

(a) Cash and cash equivalents

	2019.6.30	2018.12.31	2018.6.30
Cash on hand	$ 1,099	897	857
Checking accounts	45,511	37,145	38,018
Savings accounts	5,516,645	5,625,018	5,931,975
Foreign currency deposits	123,128	118,421	121,440
Time deposits	1,091,700	1,091,700	2,583,700
Cash equivalents	6,388	7,981	17,328
Cash and cash equivalents in consolidated statement of cash flows	**$ 6,784,471**	**6,881,162**	**8,693,318**

(b) Financial assets designated at fair value through profit or loss

	2019.6.30	2018.12.31	2018.6.30
Mandatorily measured at fair value through profit or loss:			
Preferred stocks	$ 9,443	-	-
Foreign convertible bonds	21,616	-	-
Total	**$ 31,059**	**-**	**-**

The Group acquired FP International Limited’ s common stocks convertible bonds for $21,616 thousand for the three months ended March 31, 2019, and transaction was recognized at financial assets designated at fair value through profit or loss.

The Group acquired Ecommerce Enablers Pte. Ltd.’s preferred stocks for $9,443 thousand for the six months ended June 30, 2019, and transaction was recognized at financial assets designated at fair value through profit or loss.

As of June 30, 2019, the financial assets designated at fair value through profit or loss of the group had not been pledged as collateral.

(c) Non-current financial assets at fair value through other comprehensive income

	2019.6.30	2018.12.31	2018.6.30
Equity instruments at fair value through other comprehensive income			
Stocks unlisted on domestic markets	**$ 110,028**	**89,842**	**84,729**

1.The Group holds these equity instruments, which are not held for trading at designated fair value through other comprehensive income, for long-term strategic purposes.

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2.The Group acquired 877 thousand shares of Readmoo Co., Ltd.'s common stock for $8,772 thousand for the nine months ended September 30, 2018, and the transaction was recognized at non-current financial assets at fair value through other comprehensive income. The shareholding ratio for the year ended June 30, 2019 was 18.85%.

3.The Group acquired 500 thousand shares of Famicloud Inc. common stock for $10,000 thousand for the three months ended March 31, 2019, and the transaction was recognized at non-current financial assets at fair value through other comprehensive income. The shareholding ratio for the year ended June 30, 2019 was 3.12%.

As of June 30, 2019, December 31, 2018, and June 30, 2018, the financial assets at fair value through other comprehensive income of the Group had not been pledged as collateral for long-term borrowings.

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

	2019.6.30	2018.12.31	2018.6.30
Notes receivable-measured as amortized cost	$ 1,386	112	1,437
Trade receivable-measured as amortized cost	570,973	635,159	438,253
Other receivables-measured as amortized cost	1,033,315	726,918	625,237
Lease receivable	8,802	-	-
Less: Allowance for impairment loss	(646)	(714)	(662)
	$ 1,613,830	1,361,475	1,064,265

The Group applies the simplified approach to provide for the loss allowance used for expected credit losses, which permit the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due, as well as incorporate forward looking information. The loss allowance provision as of June 30, 2019 was determined as follows:

	Gross carrying amount	Expected loss rate	Loss allowance provision
Current	$ 1,583,375	0.002%~0.021%	68
Past under 180 days	30,669	0.53%~10%	164
Over 181 days past due	432	25%～100%	414
	$ 1,614,476		646

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

	2018.12.31		
	Gross carrying amount	Weighted-average	Loss allowance provision
Current	$ 1,315,836	0.001%~0.023%	20
Past under 180 days	45,770	10%~20%	188
Over 181 days past due	583	25%～100%	506
	$ 1,362,189		714

	2018.6.30		
	Gross carrying amount	Weighted-average	Loss allowance provision
Current	$ 1,062,376	0.0001%	31
Past under 180 days	2,183	10%～25%	282
Over 181 days past due	368	25%～100%	349
	$ 1,064,927		662

The movement in the allowance for notes and trade receivable was as follows:

	For the six months ended June 30,	
	2019	2018
Balance at January 1, 2019 and 2018	$ 714	968
Impairment losses reversed	(68)	(306)
Balance at June 30, 2019 and 2018	$ 646	662

(e) Inventories

	2019.6.30	2018.12.31	2018.6.30
Merchandise inventories	$ 1,219,898	1,263,022	1,119,090
Less: Allowance for inventory valuation and obsolescence losses	(14,756)	(12,197)	(13,211)
	$ 1,205,142	1,250,825	1,105,879

As of June 30, 2019, December 31, 2018, and June 30, 2018 the Group’s inventories were not pledged as collateral.

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

The details of operating cost were as follows:

	Second Quarter of		For the six months ended June 30,	
	2019	2018	2019	2018
Cost of goods sold	$ 7,746,283	6,830,424	15,819,007	13,933,023
Provision for inventory market price decline and obsolescence	1,837	2,814	2,559	4,726
Loss on disposal of scrap	309	509	309	509
	$ 7,748,429	6,833,747	15,821,875	13,938,258

(f) 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:

	2019.6.30	2018.12.31	2018.6.30
Associates	$ 47,215	27,908	36,754

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 2019.6.30	2018.12.31	2018.6.30
Rakuya International Info. Co. Ltd.	Real estate business, and internet information rental service	Taiwan	26.47 %	26.47 %	26.47 %
Ruten Japan KK	Information processing and provision of electronic information	Japan	49.00 %	49.00 %	49.00 %

2.Collateral

As of June 30, 2019, December 31, 2018, and June 30, 2018, the Group did not provide any investment accounted for using equity method as collaterals.

3.The unreviewed financial statements of investments accounted for using equity method

Investments were accounted for by the equity method, and the share of profit or loss and other comprehensive income of those investments were calculated based on the financial statements that have not been reviewed.

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

(g) Material non-controlling interests of subsidiaries

The material non-controlling interests of subsidiaries were as follows:

Subsidiaries	Main operation place	Percentage of non-controlling interests 2019.6.30	2018.12.31	2018.6.30
PChome Store Inc.	Taiwan	7.71 %	7.71 %	27.89 %
PChomePay Inc.	Taiwan	20.80 %	20.80 %	20.80 %
PChome eBay Co., Ltd.	Taiwan	35.00 %	35.00 %	35.00 %
Chunghwa PChome Fund 1 Co., Ltd.	Taiwan	50.00 %	50.00 %	- %

The following information of the aforementioned subsidiaries have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers. Intra-group transactions were not eliminated in this information.

1.PChome Store Inc.'s collective financial information:

	2019.6.30	2018.12.31	2018.6.30
Current assets	$ 932,306	1,665,480	2,045,555
Non-current assets	241,740	223,174	238,023
Current liabilities	(1,630,396)	(2,311,793)	(3,812,449)
Non-current liabilities	(574,226)	(553,248)	(2,156)
Net assets	$ (1,030,576)	(976,387)	(1,531,027)
Non-controlling interests	$ (205,754)	(119,486)	(471,212)

	Second Quarter of 2019	Second Quarter of 2018	For the six months ended June 30, 2019	For the six months ended June 30, 2018
Sales revenue	$ 342,292	365,307	774,108	688,011
Net loss	$ (9,347)	(659,407)	(54,189)	(1,587,191)
Other comprehensive income	-	-	-	-
Comprehensive income	$ (9,347)	(659,407)	(54,189)	(1,587,191)
Loss, attributable to non-controlling interests	$ (721)	(183,908)	(4,178)	(442,669)
Comprehensive income, attributable to non-controlling interests	$ (721)	(183,908)	(4,178)	(442,669)

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

2.PChomePay Inc.'s collective financial information:

	2019.6.30	2018.12.31	2018.6.30
Current assets	$ 1,155,647	1,182,153	1,227,520
Non-current assets	397,973	406,708	427,196
Current liabilities	(1,007,289)	(1,013,732)	(1,044,215)
Non-current liabilities	(4,532)	-	-
Net assets	**$ 541,799**	**575,129**	**610,501**
Non-controlling interests	**$ 112,694**	**119,627**	**126,984**

	Second Quarter of		For the six months ended June 30,	
	2019	2018	2019	2018
Sales revenue	**$ 7,762**	**8,851**	**14,838**	**15,445**
Net loss	$ (17,289)	(17,925)	(33,330)	(37,236)
Other comprehensive income	-	-	-	-
Comprehensive income	**$ (17,289)**	**(17,925)**	**(33,330)**	**(37,236)**
Loss, attributable to non-controlling interests	**$ (3,596)**	**(3,729)**	**(6,933)**	**(7,730)**
Comprehensive income, attributable to non-controlling interests	**$ (3,596)**	**(3,729)**	**(6,933)**	**(7,730)**

3.PChome eBay Co., Ltd.'s collective financial information:

	2019.6.30	2018.12.31	2018.6.30
Current assets	$ 752,081	703,466	655,773
Non-current assets	107,871	88,595	41,936
Current liabilities	(211,846)	(195,861)	(198,273)
Non-current liabilities	(26,274)	-	(255,149)
Net assets	**$ 621,832**	**596,200**	**244,287**
Non-controlling interests	**$ 217,641**	**208,670**	**85,500**

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

	Second Quarter of		For the six months ended June 30,	
	2019	2018	2019	2018
Sales revenue	$ 231,618	208,118	453,321	431,986
Net gain (loss)	$ 17,684	(218,901)	24,660	(521,416)
Other comprehensive income	-	-	-	-
Comprehensive income	$ 17,684	(218,901)	24,660	(521,416)
Gain (loss), attributable to non-controlling interests	$ 6,189	(76,616)	8,631	(182,496)
Comprehensive income, attributable to non-controlling interests	$ 6,189	(76,616)	8,631	(182,496)

4.Chunghwa PChome Fund 1 Co., Ltd.'s collective financial information:

	2019.6.30	2018.12.31	2018.6.30
Current assets	$ 383,810	398,273	-
Non-current assets	9,443	-	-
Current liabilities	(206)	(325)	-
Net assets	$ 393,047	397,948	-
Non-controlling interests	$ 196,524	198,974	-

	Second Quarter of		For the six months ended June 30,	
	2019	2018	2019	2018
Net loss	$ (2,432)	-	(4,900)	-
Other comprehensive income	-	-	-	-
Comprehensive income	$ (2,432)	-	(4,900)	-
Loss, attributable to non-controlling interests	$ (1,216)	-	(2,450)	-
Comprehensive income, attributable to non-controlling interests	$ (1,216)	-	(2,450)	-

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

(h) Property, plant and equipment

The cost and depreciation of the property, plant and equipment of the Group for the six months ended June 30, 2019 and 2018, were as follows:

	Transportation equipment	Furniture and office equipment	Leasehold improvements	Leased assets	Total
Carrying amounts:					
Balance at January 1, 2019	$ 24,406	316,650	188,917	11,032	541,005
Balance at June 30, 2019	$ 33,044	365,851	166,260	9,415	574,570
Balance at January 1, 2018	$ -	337,085	222,993	14,331	574,409
Balance at June 30, 2018	$ -	333,225	212,288	12,666	558,179

There were no significant additions, disposal, or impairment in property, plant and equipment for the six months ended June 30, 2019 and 2018. The details of depreciation are disclosed in note 12(a). For other information about the property, plant and equipment, please refer to note 6(j) of the consolidated financial statements for the year ended December 31, 2018.

(i) Right-of-use assets

The Group leases many assets including buildings, machinery and equipment. Information about leases for which the Group as a lessee is presented below:

	Buildings	Machinery and equipment	Transportation equipment	Total
Cost:				
Balance as of January 1, 2019	$ 3,277,618	73,079	-	3,350,697
Additions	19,435	-	1,165	20,600
Effect of changes in lease contract	1,176	-	-	1,176
Effect of changes in foreign exchange rates	634	-	-	634
Balance as of June 30, 2019	$ 3,298,863	73,079	1,165	3,373,107
Accumulated depreciation and impairment losses:				
Balance as of January 1, 2019	$ -	-	-	-
Depreciation for the year	229,625	8,386	40	238,051
Effect of changes in foreign exchange rates	50	-	-	50
Balance as of June 30, 2019	$ 229,675	8,386	40	238,101

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

	Buildings	Machinery and equipment	Transportation equipment	Total
Carrying amount:				
Balance as of January 1, 2019	$ 3,277,618	73,079	-	3,350,697
Balance as of June 30, 2019	$ 3,069,188	64,693	1,125	3,135,006

For the six months ended June 30, 2018, the Group leases offices and warehouses under an operating lease, please refer to note (6)(o).

(j) Intangible assets

The costs and amortization of intangible assets of the Group for the six months ended June 30, 2019 and 2018, were as follows:

	Software
Carrying amounts:	
Balance at January 1, 2019	$ 28,224
Balance at June 30, 2019	$ 40,799
Balance at January 1, 2018	$ 49,850
Balance at June 30, 2018	$ 38,618

There were no significant additions, disposals or impairment in intangible assets for the six months ended June 30, 2019 and 2018. The details of amortization expenses are disclosed in note 12(a). For other information about the intangible assets, please refer to note 6(k) of the consolidated financial statements for the year ended December 31, 2018.

(k) Short-term borrowings

	2019.6.30	2018.12.31	2018.6.30
Unsecured bank loans	$ 200,000	200,000	1,600,000
Secured bank loans	-	-	650,000
Total	$ 200,000	200,000	2,250,000
Unused short-term credit line	$ 550,000	550,000	50,000
Range of interest rates	1.15%	1.15%~1.59%	1.20%~1.56%

The Group for the collateral for short-term borrowings, please refer to note 8.

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

(l) Current contract liabilities, Other current liabilities and Current refund liabilities

	2019.6.30	2018.12.31	2018.6.30
Current contract liabilities	$ 397,792	399,708	350,030
Receipts under custody-online payment processing service	1,736,574	1,887,958	2,134,867
Other	375,663	100,698	13,025
Current refund liabilities	22,942	32,510	27,474
	$ **2,532,971**	**2,420,874**	**2,525,396**

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.

Current refund liabilities are expected to be paid to customers due to their right to refund the goods.

(m) Long-term borrowings

The details were as follows:

	2019.6.30			
	Currency	**Rate**	**Maturity year**	**Amount**
Unsecured bank loans	NTD	1.20%	2028	$ 800,000
Secured bank loans	NTD	1.59%	2025	650,000
Less: current portion				(250,000)
Total				$ **1,200,000**
Unused long-term credit lines				$ **100,000**

	2018.12.31			
	Currency	**Rate**	**Maturity year**	**Amount**
Unsecured bank loans	NTD	1.20%	2028	$ 900,000
Secured bank loans	NTD	1.59%	2025	650,000
Less: current portion				(200,000)
Total				$ **1,350,000**
Unused long-term credit lines				$ **100,000**

For the collateral for long-term borrowings, please refer to note 8.

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

The subsidiary PChome Store Inc. entered into the syndicated credit agreement with the financial institution. According to the terms of the agreement, PChome Store Inc. should maintain certain financial ratios on balance sheet date. As of June 30, 2019, the Group was in compliance with the financial covenants mentioned above.

(n) Lease liabilities

Lease liabilities of the Group were as follows:

	2019.6.30		
	Future minimum lease payments	**Interest**	**Present value of minimum lease payments**
Less than one year	$ 542,011	35,501	506,510
Over than one year	2,773,209	115,058	2,658,151
	$ 3,315,220	**150,559**	**3,164,661**
Current	**$ 542,011**	**35,501**	**506,510**
Non-current financial assets	**$ 2,773,209**	**115,058**	**2,658,151**

There were no significant issues, repurchases and repayments of lease liabilities for the six months ended June 30, 2019.

The amounts recognized in profit or loss were as follows:

	Second Quarter of 2019	**For the six months ended June 30, 2019**
Interest on lease liabilities	**$ 10,017**	**19,952**
Expenses relating to short-term leases	**$ 11,095**	**22,190**
Expenses relating to leases of low-value, excluding short-term leases of low-value assets	**$ 421**	**842**

The amounts recognized in the statement of cash flows for the Group was as follows:

	For the six months ended June 30, 2019
Total cash outflow for leases	**$ 295,944**

1. Real estate leases

As of June 30, 2019, the Group leases land and buildings for its office space and warehouses. The leases of office space typically run of a period for 3 to 5 years, and of warehouses for 3 to 12 years. Some leases include an option to renew the lease for an additional period of the same duration after the end of the contract term.

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

2. The lease liabilities were classified as finance lease liabilities on December 31, 2018 and June 30, 2018, please refer to Note (6)(o) and (6)(p).

(o) Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2018.12.31	2018.6.30
Less than one year	$ 440,693	529,487
Between one and five years	1,470,810	1,619,769
Over five years	321,368	436,832
	$ 2,232,871	**2,586,088**

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.

(p) Lease obligations payable

The Group lease obligations payable were as follows:

	2018.12.31			2018.6.30		
	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	$ 3,427	1,023	2,404	3,427	1,165	2,262
Between one and five years	11,522	1,149	10,373	13,235	1,623	11,612
	$ 14,949	**2,172**	**12,777**	**16,662**	**2,788**	**13,874**

(q) Employee benefits

1.Defined benefit plans

Management believes that there was no material volatility of the market, no material reimbursement and settlement or other material one time events since prior fiscal year. As a result, the pension cost in the accompanying interim consolidated financial statements was measured and disclosed according to the actuarial results as of December 31, 2018 and 2017.

The details of the Group's expenses were as follows:

	Second Quarter of		For the six months ended June 30,	
	2019	2018	2019	2018
Selling expenses	(11)	3	(22)	7
Administration expenses	62	51	124	101
Research and development expenses	(2)	-	(3)	-
	$ 49	**54**	**99**	**108**

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

2.Defined contribution plans

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

	Second Quarter of		For the six months ended June 30,	
	2019	2018	2019	2018
Operating cost	$ 1,408	1,117	2,618	1,882
Selling expenses	11,526	12,022	23,831	24,542
Administration expenses	2,133	1,633	4,198	3,187
Research and development expenses	3,760	3,155	7,210	6,184
	$ 18,827	17,927	37,857	35,795

(r) Income taxes

1. Income tax expense recognized in profits or losses

The amount of income tax was as follows:

	Second Quarter of		For the six months ended June 30,	
	2019	2018	2019	2018
Current income tax expense:				
Current period	$ 16,778	13,988	41,736	44,677
10% surtax on unappropriated earnings	-	7,140	-	7,140
Adjustment for prior periods	(1,575)	4,553	(11,848)	(6,212)
	15,203	25,681	29,888	45,605
Deferred tax benefit:				
Origination and reversal of temporary differences	(98)	(111)	(23)	(111)
Increase in tax rate	-	(3,567)	-	(4,863)
	(98)	(3,678)	(23)	(4,974)
Income tax expense	$ 15,105	22,003	29,865	40,631

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

2.The amount of income tax expense recognized in other comprehensive income for December 31, 2019 and for the six months ended June 30, 2019 and 2018, were both zero.

3.The Company's tax returns for the years through 2017 were examined and approved by the Taipei National Tax Administration.

(s) Capital and other equity

Except as described in the following paragraph, there were no significant changes in the Company's capital stock and other equity components for the six months ended June 30, 2019 and 2018. For other information about the stockholders' equity please refer to note 6(s) of the consolidated financial statements for the year ended December 31, 2018.

1. Capital surplus

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

	2019.6.30	2018.12.31	2018.6.30
Share capital	$ 1,694,160	2,484,507	2,484,507
Difference between consideration and carrying amount of subsidiaries acquired or disposed	8,643	8,643	8,643
Changes in equity of subsidiaries	17,590	14,273	13,593
	$ 1,720,393	**2,507,423**	**2,506,743**

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.

2. 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 the residual dividend policy；the residual earnings will be distributed by cash dividends before the Company fulfills the funding needs, and the ratio for stock dividend shall not exceed 80% of the total distribution.

On June 14, 2019, the shareholders resolved to Legal reserve and Capital surplus used to offset accumulated deficits, $408,184 thousand and $790,347 thousand, respectively. On June 13, 2018, the shareholders resolved not to appropriate the 2017 earnings in the general meeting of the shareholders. The related information would be available at the Market Observation Post System.

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

3. Other equity, net of tax

	Exchange difference on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income
Balance at January 1, 2019	$ 11,524	33,538
Exchange differences on foreign operations	25,214	-
Unrealized losses from financial assets measured at fair value through other comprehensive income	-	10,186
Balance at June 30, 2019	**$ 36,738**	**43,724**
Balance at January 1, 2018	$ (4,120)	-
Effects of retrospective application	-	39,028
Balance at January 1, 2018 after adjustments	(4,120)	39,028
Exchange differences on foreign operations	5,066	-
Unrealized losses from financial assets measured at fair value through other comprehensive income	-	(1,831)
Balance at June 30, 2018	**$ 946**	**37,197**

4. Non-controlling Interests

	2019	2018
Balance at January 1	$ 489,811	437,415
Shares of non-controlling interests		
Loss for the six months ended June 30, 2019/2018	(9,180)	(635,666)
Foreign currency translation differences for foreign operations	1,543	276
Changes in ownership interests in subsidiaries	(19,408)	10,457
Balance at June 30	**$ 462,766**	**(187,518)**

(t) Share-based payment

The Group had share-based payment arrangements as follows as of June 30, 2019:

	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.

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

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:

	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 six months ended June 30,			
	2019		2018	
	Weighted-average exercise price	Numbers of options	Weighted-average exercise price	Numbers of options
Balance, beginning of January 1	USD 0.09	28,737	USD 0.09	31,128
Options granted	-	-	-	-
Options forfeited	-	(7,107)	-	(937)
Options exercised	-	-	-	-
Options expired	-	-	-	-
Balance, end of June 30	0.09	**21,630**	0.09	**30,191**
Options exercisable, end of June 30		**5,408**	-	**7,548**

3. Expenses and liabilities resulted from share-based payments

The incurred expenses from share-based payments transactions for the six months ended June 30, 2019 and 2018.

	Second Quarter of		For the six months ended June 30,	
	2019	2018	2019	2018
Salary expenses	$ **(1,316)**	**4,124**	**(363)**	**9,708**

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

(u) Earnings per share

	Second Quarter of		For the six months ended June 30,	
	2019	2018	2019	2018
Profit (loss) attributable to common stockholders of the Company	$ 23,485	(322,742)	72,630	(794,932)
Weighted-average number of ordinary shares	117,159	117,159	117,159	117,159
Basic earnings per share (New Taiwan Dollars)	$ 0.20	(2.75)	0.62	(6.79)
Profit (loss) attributable to common stockholders of the Company	$ 23,485	(322,742)	72,630	(794,932)
Weighted-average number of ordinary shares (basic)	117,159	117,159	117,159	117,159
Effect of employee stock bonus	61	-	61	-
Weighted-average number of ordinary shares (adjusted with potential effect of diluted ordinary shares)	117,220	117,159	117,220	117,159
Diluted earnings per share (New Taiwan Dollars)	$ 0.20	(2.75)	0.62	(6.79)

The following instrument has the anti-dilution effect, which is not included in the weighted-average number of ordinary shares (diluted).

	Second Quarter of		For the six months ended June 30,	
	2019	2018	2019	2018
Effect of employee stock compensation	$ -	-	-	64

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

(v) Revenue from contracts with customers

	Second Quarter of		For the six months ended June 30,	
	2019	2018	2019	2018
Revenue of electronic commerce	$ 8,731,689	7,780,699	17,873,411	15,925,723
Revenue of non-electronic commerce	95,498	57,755	155,985	107,883
	$ 8,827,187	**7,838,454**	**18,029,396**	**16,033,606**

(w) Rewards of employees, directors and supervisors

The Company's articles of incorporation, which were authorized by the board of directors but has yet to be determined by the shareholders, require that earning shall first be offset against any deficit, then, 1%~15% will be distributed as employee remuneration and less than 1.5% will be allocated as directors' and supervisors' remuneration. Employees who are entitled to receive the above mentioned employee remuneration, in share or cash, include the employees of the subsidiaries of the Company who meet certain specific requirement.

The remuneration to employees amounted to $6,888 and the remuneration to directors and supervisors amounted to $773 and for the six months ended June 30, 2019. These amounts are calculated by using the Company's pre-tax net profit for the period before deducting the amount of the remuneration to the employees and directors, multiplied by the distribution ratio of remuneration to the employees and directors under the Company's articles of association, and expensed under operating expenses. If there would be any changes after the reporting date in the following year, the changes would be treated as changes in accounting estimates and recognized as profit or loss in following year.

The Group incurred losses before tax for the six months ended June 30, 2019, therefore, there were no remuneration allocated to employees, directors and supervisors. Related information would be available at the Market Observation Post System.

(x) Non-operating income and expenses

1. Other revenue

	Second Quarter of		For the six months ended June 30,	
	2019	2018	2019	2018
Interest income	$ 3,403	6,204	5,853	9,734
Dividend income	-	1,912	-	1,912
Others	6,022	2,149	6,721	2,197
Total other revenue	**$ 9,425**	**10,265**	**12,574**	**13,843**

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

2. Other gains and losses, net

For the six months ended June 30, 2019 and 2018, the details of other gains and losses are as follows:

	Second Quarter of		For the six months ended June 30,	
	2019	2018	2019	2018
Foreign currency exchange gains	$ 775	54,862	1,128	27,107
Gains on disposal of investments	-	-	-	2,583
(Losses) and gains on disposal of property, plant and equipment	(8)	-	(4)	286
Others	(9)	(613)	(10)	(1)
Other gains and losses, net	$ 758	54,249	1,114	29,975

3. Finance costs

For the six months ended June 30, 2019 and 2018, the details of finance cost are as follows:

	Second Quarter of		For the six months ended June 30,	
	2019	2018	2019	2018
Interest expense	$ 15,803	6,801	31,954	10,102

(y) Financial instruments

Except as described in the following paragraph, there were no significant changes in the Group's fair value of financial instruments exposed to credit risk and market risk. For other information about the fair value of financial instruments, please refer to note 6(y) of the consolidated financial statements for the year ended December 31, 2018.

1. Liquidity risk

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

	Carrying amount	Contractual cash flows	Within 6 months	6-12 months	1-2 years	2-5 years	More than 5 years
Balance at June 30, 2019							
Non-derivative financial liabilities							
Short-term borrowings	$ 200,000	200,000	200,000	-	-	-	-
Notes payable	2,845	2,845	2,845	-	-	-	-
Accounts payable	2,850,641	2,850,641	2,850,641	-	-	-	-
Other payables	531,467	531,467	516,984	14,483	-	-	-
Receipts under custody	1,736,574	1,736,574	1,736,574	-	-	-	-
Lease obligations payable	3,164,661	3,164,661	253,708	252,802	496,571	1,123,063	1,038,517
Long-term borrowings	1,450,000	1,450,000	100,000	150,000	400,000	600,000	200,000
	$ 9,936,188	9,936,188	5,660,752	417,285	896,571	1,723,063	1,238,517

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

	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, 2018							
Non-derivative financial liabilities							
Short-term borrowings	$ 200,000	200,000	200,000	-	-	-	-
Notes payable	733	733	733	-	-	-	-
Accounts payable	2,796,281	2,796,281	2,796,281	-	-	-	-
Other payables	438,809	438,809	438,809	-	-	-	-
Receipts under custody	1,887,958	1,887,958	1,887,958	-	-	-	-
Lease obligations payable	12,777	14,949	1,713	1,713	3,426	8,097	-
Long-term borrowings	1,550,000	1,550,000	250,000	150,000	200,000	600,000	350,000
	$ 6,886,558	6,888,730	5,575,494	151,713	203,426	608,097	350,000
Balance at June 30, 2018							
Non-derivative financial liabilities							
Short-term borrowings	$ 2,250,000	2,250,000	950,000	1,300,000	-	-	-
Notes payable	2,868	2,868	2,868	-	-	-	-
Accounts payable	3,064,055	3,064,055	3,064,055	-	-	-	-
Other payables	519,224	519,224	516,732	2,492	-	-	-
Receipts under custody	2,134,868	2,134,868	2,134,868	-	-	-	-
Lease obligations payable	13,874	16,662	1,713	1,713	3,427	9,809	-
	$ 7,984,889	7,987,677	6,670,236	1,304,205	3,427	9,809	-

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

2. Currency risk

1) Currency risk exposure

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

	2019.6.30			2018.12.31			2018.6.30		
	Foreign currency (thousands of dollars)	Exchange rate	TWD	Foreign currency (thousands of dollars)	Exchange rate	TWD	Foreign currency (thousands of dollars)	Exchange rate	TWD
Financial assets									
Monetary items									
USD	$ 4,708	31.70	146,290	3,799	30.71	116,677	3,751	30.48	114,331
Financial liabilities									
Monetary items									
USD	287	31.70	8,932	314	30.71	9,639	388	30.48	11,822

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

A 5% appreciation or depreciation of the TWD against the USD as at June 30, 2019 and 2018, would have increased or decreased net income by $5,494 and $4,100, respectively. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis as for the six months ended June 30, 2019 and 2018.

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

Due to the variety of functional currency, the group disclosed the foreign currency gain or loss on monetary items aggregately. The foreign currency gains and losses (include realized and unrealized) were $1,128 and $27,107 (gain) for the six months ended June 30, 2019 and 2018, respectively.

2) Interest analysis

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

3.Other market price risk

For the six months ended June 30, 2019 and 2018, the sensitivity analyses for the changes in the securities price at the reporting date were performed using the same basis for the profit and loss as illustrated below:

	For the six months ended June 30,			
	2019		2018	
Prices of securities at the reporting date	Other comprehensive income after tax	Net income	Other comprehensive income after tax	Net income
Increasing 1%	$ 1,100	311	847	-
Decreasing 1%	(1,100)	(311)	(847)	-

4.Fair value of financial instruments

1) Fair value hierarchy

The carrying amount and fair value of the Group's financial assets and liabilities, including the information on fair value hierarchy were as follows :

	2019.6.30				
		Fair Value			
	Book Value	Level 1	Level 2	Level 3	Total
Fair value through profit or loss					
Preferred stock	$ 9,443	-	-	9,443	9,443
Foreign convertible bonds	21,616	-	-	21,616	21,616
	$ 31,059	**-**	**-**	**31,059**	**31,059**
Fair value through other comprehensive income					
Domestic stock of non-listed company	**$ 110,028**	**-**	**-**	**110,028**	**110,028**

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

	2018.12.31				
		Fair Value			
	Book Value	Level 1	Level 2	Level 3	Total
Fair value through other comprehensive income					
Domestic stock of non-listed company	$ 89,842	-	-	89,842	89,842

	2018.6.30				
		Fair Value			
	Book Value	Level 1	Level 2	Level 3	Total
Fair value through other comprehensive income					
Domestic stock of non-listed company	$ 84,729	-	-	84,729	84,729

2) Valuation techniques for financial instruments measured at fair value

2.1) Non-derivative financial instruments

The financial instruments held by the Group are regarded as non-quoted price of the equity instruments. The fair value of the financial instruments is estimated by the comparable listed company market approach. The major assumption is measured by the earnings multiplier which is derived from comparable listed company market approach. The effect of the estimation has been adjusted by the lack of market liquidity discounted rate.

2.2) Derivative financial instruments

Measurement of the fair value of derivative instruments is based on the valuation techniques generally accepted by market participants such as the discounted cash flow or option pricing models.

3) Reconciliation of Level 3 fair values

	Fair value through profit or loss	Fair value through other comprehensive income
Opening balance, January 1, 2019	$ -	89,842
Total gains and losses recognized:		
In other comprehensive income	-	10,186
purchasing	31,059	10,000
Ending Balance, June 30, 2019	$ 31,059	110,028

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

	Fair value through profit or loss	Fair value through other comprehensive income
Opening balance, January 1, 2018	$ -	86,560
Total gains and losses recognized:		
In other comprehensive income	-	(1,831)
Ending Balance, June 30, 2018	**$ -**	**84,729**

For the six months ended June 30, 2019 and 2018, total gains and losses that were included in "other gains and losses" and "unrealized gains and losses from fair value through other comprehensive income" were as follows:

	Second Quarter of		For the six months ended June 30,	
	2019	**2018**	**2019**	**2018**
Total gains and losses recognized:				
In other comprehensive income, and including "unrealized gains and losses from fair value through other comprehensive income"	$ (450)	(1,831)	10,186	(1,831)

4) Quantified information on significant unobservable inputs (Level 3) used in fair value measurement

The Group's financial instruments that use Level 3 inputs to measure fair value include "financial assets measured at fair value through profit or loss – derivative financial instruments" and "fair value through other comprehensive income available-for-sale financial assets – equity investments".

Most of the Group's financial instruments categorized as Level 3 and have only one significant unobservable input. Derivative financial instruments and equity investments, which have no active market price, have more than one significant unobservable inputs, and those inputs have no correlation between each other.

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

Quantified information of significant unobservable inputs was as follows:

Item	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Fair value through profit or loss	Comparable listed company market approach	·EV/sales (21.58 and 6.418)	·The estimated fair value would increase (decrease) if the enterprise value were higher (lower).
Fair value through other comprehensive income	Comparable listed company market approach	·Liquidity discounted rate (13.78%~37.16%)	·The estimated fair value would increase (decrease) if the lack of liquidity discounted rate were lower (higher).

5) Fair value measurements in Level 3 – sensitivity analysis of reasonably possible alternative assumptions

Sensitivity analysis for fair values of financial instruments using Level 3 Inputs The Company's fair value measurement on financial instruments is reasonable. However, the measurement would be different if different valuation models or valuation parameters are used. For financial instruments using level 3 inputs, the impact on the net income or loss and other comprehensive income or loss will be as follows if the valuation parameters changed:

			Profit or loss		Other comprehensive income	
	Input	Variation	Favor-able	Unfavor-able	Favor-able	Unfavor-able
June 30, 2019						
Financial assets at fair value through profit or loss						
Derivative financial instruments	P/S ratio	5%	$ 1,081	(1,081)	-	-
Equity investments without an active market	P/S ratio	5%	472	(472)	-	-
Financial assets at fair value through other comprehensive income						
Equity investments without an active market	Liquidity discounted rate	5%	-	-	5,501	(5,501)
			$ 1,553	(1,553)	5,501	(5,501)
December 31, 2018						
Financial assets at fair value through other comprehensive income						
Equity investments without an active market	Liquidity discounted rate	5%	$ -	-	4,492	(4,492)

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

	Input	Variation	Profit or loss Favorable	Profit or loss Unfavorable	Other comprehensive income Favorable	Other comprehensive income Unfavorable
June 30, 2018						
Financial assets at fair value through other comprehensive income						
Equity investments without an active market	Liquidity discounted rate	5%	$ -	-	4,237	(4,237)

The favorable and unfavorable effects represent the changes in fair value, and fair value is based on a variety of unobservable inputs calculated using a valuation technique. The analysis above only reflects the effects of changes in a single input, and it does not include the interrelationships with another input.

(z) Financial risk management

There were no significant changes in the Group's objectives and policies applied in the financial risk management as compared to note 6(z) of the annual consolidated financial statements for the year ended December 31, 2018.

(aa) Capital management

The Group's objectives, policies, and processes for capital management were consistent with the consolidated financial statements for the year ended December 31, 2018. There were no significant changes in the quantified factors of capital management as compared to the consolidated financial statements for the year ended December 31, 2018. For other information about the capital management, please refer to note 6(aa) of the consolidated financial statements for the year ended December 31, 2018.

(7) Related-Party Transactions

(a) Names and relationship with related parties

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

Name of related party	Relationship with the Group
Rakuya International Info. Co. Ltd.	Associate of the Company
Ruten Japan KK	〃

(b) Related-party transactions

1.Sales

The amounts of significant sales by the Group to related parties were as follows:

	Second Quarter of		For the six months ended June 30,	
	2019	2018	2019	2018
Associates	$ 71	71	144	143

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

2.Receivables from related parties

The receivables from related parties were as follows:

Item	Related party categories	2019.6.30	2018.12.31	2018.6.30
Accounts receivable	Associates	$ 25	25	25
Other receivable	Associates	303	29	-
Lease receivable	Associates	8,802	-	-
Other receivable	Other related party	-	6	-
		$ 9,130	60	25

3.Payables to related parties

Item	Related party categories	2019.6.30	2018.12.31	2018.6.30
Other payables	Associates	$ 12	12	-

(c) Transactions with key management personnel

Key management personnel compensation comprised:

	Second Quarter of		For the six months ended June 30,	
	2019	2018	2019	2018
Short-term employee benefits	$ 9,989	9,662	24,302	19,152

(8) Restricted Assets

The following assets were restricted in use:

Assets	Purpose of Pledge	2019.6.30	2018.12.31	2018.6.30
Deposit account-current	Security for performance, purchase guarantee and loans with certificate of deposits	$ 522,066	528,096	481,191
Refundable deposit	Security for provisional seizure, etc. and deposits for office rental	145,486	144,812	134,326
		$ 667,552	672,908	615,517

(9) Significant Contingencies and Commitments

(a) The agreement with a non-related party for internet phone services entered into in July 2004 was renewed on April 1, 2009. Pursuant to the newly revised agreement, the net revenue from these services is allocated each month between the parties by a set ratio. As the Company sold its internet phone services to Linktel Inc. (with 100% shareholding) on March 1, 2011, Linktel Inc. and the Company signed a contract with the non-related party in which the Company acts as the guarantor of the non-related party at all times and during the term of the agreement.

(b) As of June 30, 2019, December 31, 2018, and June 30, 2018, notes payable deposited as guarantee for commercial vehicle and office and building leases were $161,472, $265,488 and $162,268, 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 $20,000, $20,000 and $40,000 as of June 30, 2019, December 31, 2018, and June 30, 2018, respectively.

(d) As of June 30, 2019, December 31, 2018, and June 30, 2018, 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 $2,910,383, $2,894,500 and $2,163,000 , respectively.

(e) The Group will rent 15 warehouse units located in The Post Logistic Center, Post Logic Park from Chunghwa Post Co., Ltd. on Nov 1, 2021 because the Group has won the bidding of the contract of the park in the second quarter, 2019. The lease term is 15 years and the annual rental fee is $331,094 thousand. The rental fee will be adjusted yearly based on the Price Index of the year.

(10) Significant Catastrophic Losses: None.

(11) Significant Subsequent Events: None.

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

(12) Others

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

Categorized as	Second Quarter of 2019			Second Quarter of 2018		
Nature	Operating Cost	Operating Expense	Total	Operating Cost	Operating Expense	Total
Employee benefits						
Salary	36,811	408,169	444,980	14,926	395,433	410,359
Labor and health insurance	3,736	33,082	36,818	1,815	32,106	33,921
Pension	1,408	17,468	18,876	1,117	16,864	17,981
Others employee benefits	1,473	13,849	15,322	909	16,451	17,360
Depreciation	8,836	166,146	174,982	5,323	40,019	45,342
Amortization	39	7,024	7,063	-	6,712	6,712

Categorized as	For the six months ended June 30, 2019			For the six months ended June 30, 2018		
Nature	Operating Cost	Operating Expense	Total	Operating Cost	Operating Expense	Total
Employee benefits						
Salary	67,330	812,672	880,002	34,291	777,426	811,717
Labor and health insurance	6,953	67,676	74,629	3,927	63,977	67,904
Pension	2,618	35,338	37,956	1,882	34,021	35,903
Others employee benefits	2,487	26,476	28,963	1,415	27,873	29,288
Depreciation	18,237	333,610	351,847	10,620	78,368	88,988
Amortization	39	13,759	13,798	-	13,506	13,506

(b) Seasonality of operations:

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

(13) Additional Disclosures

(a) Information on significant transactions

The following is the information on significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Group for the six months ended June 30, 2019:

1. Fund financing to other parties:

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

Number (Note 1)	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other party during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower (Note 2)	Transaction amount for business between two parties	Reasons for short -term financing	Allowance for bad debt	Collateral		Individual funding loan limits (Note 3)	Maximum limitation on fund financing (Note 3)
													Name	Value		
0	The Company	PChome Store Inc.	Other receivables	Yes	900,000	590,000	590,000	1.30%	2	-	Operating Capital	-		-	609,016	1,218,032

Note 1:For those companies with business contact, please fill in 1. For those companies with short-term financing needs, please fill in 2.

Note 2: The Company's total fund financing amount for individual party cannot exceed 20% of its net asset value.

Note 3: The Company's total fund financing amount cannot exceed 40% of its net asset value.

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

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	1,522,540	4,757	4,440	4,440	-	0.15 %	3,045,080	Y	N	N

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 directly or indirectly holds more than 50% of its total outstanding common shares.
3. The parent company which directly or indirectly holds more than 50% of its voting rights.
4. Subsidiaries in which the company directly or indirectly holds more than 90% of its voting rights.
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.
7. Companies in same type of business providing guarantees of pre-sale contracts according to the regulation.

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

3. Information regarding securities held at balance sheet date:

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

Name of holder	Category and name of security	Category and name of security	Account title	Ending balance				Note
				Number	Book value	Percentage	Market value	
	Common Stock:							
PChome Online Inc.	Syspower Ltd.	-	FVOCI	744,118	20,709	3.72 %	20,709	
〃	Openfind Information Technology, Inc.	-	〃	800,000	28,456	6.26 %	28,456	
〃	Career Consulting Co., Ltd.	-	〃	113,005	2,237	0.72 %	2,237	
〃	Readmoo Co., Ltd.	-	〃	2,877,193	27,938	18.85 %	27,938	
〃	IPEVO Corp.	-	〃	1,386,822	19,998	7.36 %	19,998	
〃	Famicloud Inc.	-	〃	500,000	10,690	3.12 %	10,690	
Linktel Inc.	Eastern Online Co., Ltd.	-	FVTPL	118,750	-	- %	-	
〃	Taiwan Star Telecom Co., Ltd.	-	〃	3,942	-	- %	-	
〃	PayEasy Ltd.	-	〃	5,437,762	-	12.51 %	-	
〃	17Life Ltd.	-	〃	1,126,049	-	6.26 %	-	
	Convertible Bonds:							
Chunghwa PChome Fund 1 Co., Ltd.	FP International Limited	-	〃	-	21,616	- %	21,616	
	Preferred Stock:							
〃	Ecommerce Enablers Pte. Ltd.	-	〃	-	9,443	- %	9,443	

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

5. Acquisition of real estate for which the dollar amount reaches $300 million or : 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:

Name of company	Related party	Nature of relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period	Loss allowance
					Amount	Action taken		
PChome Online Inc.	PChome Store Inc.	Subsidiary	590,000	- %	-		-	-

9. Derivative transactions: None.

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

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.	PChome Store Inc.	1	Accounts receivables	1,479	Usual terms and conditions	0.01 %
0	〃	〃	1	Other receivables	590,749	〃	4.06 %
0	〃	〃	1	Sales	32,354	〃	0.18 %
0	〃	〃	1	Interest revenue	5,283	〃	0.03 %
0	〃	Pi Mobile Technolgy Inc.	1	Accounts receivables	280,871	〃	1.93 %
0	〃	〃	1	Expense payables	4,606	〃	0.03 %
0	〃	〃	1	Bank charges	20,900	〃	0.12 %
0	〃	PChome Financial Technolgy Inc.	1	Other payables	1,006	〃	0.01 %
0	〃	PChome Express Co., Ltd.	1	Other receivables	2,091	〃	0.01 %
0	〃	〃	1	Expense payables	10,164	〃	0.07 %
0	〃	〃	1	Logistics	33,361	〃	0.19 %
0	〃	〃	1	Other revenue	1,936	〃	0.01 %
0	〃	〃	1	Dispatch salary	4,008	〃	0.02 %
0	PChome Online Inc.	Linktel Inc.	1	Sales	1,249	〃	0.01 %
0	〃	〃	1	Lease payables	1,348	〃	0.01 %
0	〃	PChome Trading Ltd.	1	Other receivables	3,989	〃	0.03 %
0	〃	Rakuya International Info. Co. Ltd.	1	Lease receivables	8,802	〃	0.06 %

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

1. Parent company labeled 0.
2. Subsidiaries labeled in number sequence from 1.

Note 2: Relationship is classified into three types:

1. Parent company to subsidiary
2. Subsidiary to parent company
3. Subsidiary to subsidiary

Note 3: The transaction amount is calculated as a proportion of the consolidated revenue or assets. If categorized as an asset or liability, the calculation is compared with the consolidated assets; if categorized as income or loss, the calculation is compared with the consolidated income or loss.

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

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

(b) Information on investees:

For the six months ended June 30, 2019, the following was the information on investees (excluding investees in Mainland China) :

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

Name of investor	Name of investee	Location	Major operations	Initial investment (Amount)		Ending balance			Net income (loss) of the investee	Investment income (losses)	Note
				Ending balance	Beginning balance	Shares	Ratio of shares	Book value			
PChome Online Inc.	IT Home Publications Inc.	Taiwan	Magazine publication	30,000	30,000	5,014,802	100.00 %	51,558	274	274	Note
〃	Linktel Inc.	〃	Type II Telecommunications Business	125,000	125,000	17,325,940	100.00 %	101,298	(2,592)	(2,592)	〃
〃	PC Home Online International Co., Ltd.	British Virgin Islands	International trade and investment activities	25,485	25,485	122,328	100.00 %	6,953	(1,409)	(1,409)	〃
〃	Rakuya International Info. Co. Ltd.	Taiwan	Real estate business, and internet information rental service	45,199	45,199	2,411,315	21.03 %	8,355	662	139	〃
〃	PChome Store Inc.	〃	Internet services	326,494	326,494	18,435,220	34.35 %	(353,999)	(54,189)	(18,614)	〃
〃	PChomePay Inc.	〃	Online payment processing services	180,000	180,000	18,000,000	21.18 %	114,753	(33,330)	(7,059)	〃
〃	PChome US Inc.	United States of America	E-commerce platform	134,065	134,065	45,800,000	91.97 %	10,727	(2,376)	(2,185)	〃
〃	eCommerce Group Co., Ltd.	British Virgin Islands	Investment activities	1,069,297	1,069,297	349,508,366	100.00 %	545,328	7,907	7,907	〃
〃	Pi Mobile Technology Inc.	Taiwan	Online payment processing services	140,000	60,000	9,000,000	100.00 %	62,748	(21,221)	(21,221)	〃
〃	PChome (Thailand) Co., Ltd.	Thailand	E-commerce platform	66,200	66,200	6,500,000	65.00 %	21,327	(11,824)	(7,685)	〃
〃	PChome Travel Inc.	Taiwan	Travel agency business	36,000	36,000	3,600,000	100.00 %	29,574	(2,481)	(2,481)	〃
〃	PChome Financial Technology Inc.	〃	Information service	10,000	80,000	1,000,000	100.00 %	4,172	(355)	(355)	〃
〃	PChome Holding Inc.	British Virgin Islands	Investment activities	1,169,090	1,169,090	385,000,000	100.00 %	1,173,970	(23,231)	(23,231)	〃
〃	PChome Express Co., Ltd.	Taiwan	Transportation and logistics	200,000	200,000	20,000,000	100.00 %	181,880	(15,698)	(15,698)	〃
〃	Chunghwa PChome Fund 1 Co., Ltd.	〃	Investment activities	200,000	200,000	20,000,000	50.00 %	196,524	(4,900)	(2,450)	〃
〃	Cornerstone Ventures Co., Ltd.	〃	Investment activities	5,100	5,100	510,000	51.00 %	5,387	854	435	〃
〃	PChome CB Co., Ltd.	〃	Cross-border e-commerce services	140,000	-	14,000,000	100.00 %	139,918	(82)	(82)	
IT Home Publications Inc.	Yiabi Inc.	〃	Information processing and provision of electronic information	5,000	5,000	500,000	100.00 %	583	(126)	(126)	〃
Linktel Inc.	Rakuya International Info. Co. Ltd.	〃	Real estate business, and internet information rental service	6,238	6,238	623,800	5.44 %	2,161	662	36	〃
PChome eBay Co., Ltd.	PChomePay Inc.	〃	Online payment processing services	205,200	205,200	20,520,000	24.14 %	130,790	(33,330)	(8,046)	〃
〃	PChome Store Inc.	〃	Internet services	632,258	632,258	11,896,486	22.16 %	(102,083)	(54,189)	(12,008)	〃
PChome Store Inc.	PChomePay Inc.	〃	Online payment processing services	288,000	288,000	28,800,000	33.88 %	183,561	(33,330)	(11,292)	〃

PCHOME ONLINE INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

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

				Initial investment (Amount)		Ending balance					
Name of investor	Name of investee	Location	Major operations	Ending balance	Beginning balance	Shares	Ratio of shares	Book value	Net income (loss) of the investee	Investment income (losses)	Note
PChomePay Inc.	Pay and Link Inc.	Taiwan	Electronic payment business	500,388	500,388	50,100,000	100.00 %	378,757	(16,058)	(16,058)	Note
〃	Zhen Jain Lian International Co., Ltd.	〃	Online payment processing services	3,000	3,000	300,000	100.00 %	2,648	(28)	(28)	〃
〃	Yin Te Lian International Co., Ltd.	〃	〃	3,000	3,000	300,000	100.00 %	2,647	(29)	(29)	〃
〃	Yun Tung Bao International Co., Ltd.	〃	〃	3,000	3,000	300,000	100.00 %	2,702	26	26	〃
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 %	8,245	(1,378)	(1,378)	〃
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 %	10,221	(1,310)	(1,310)	〃
PC Home Online (HK) Ltd.	Ruten Japan KK	Japan	Information processing and provision of electronic information	5,438	5,438	2,000,000	4.50 %	3,370	(19,612)	(1,219)	〃
ECOMMERCE GROUP CO., LTD.	Ruten Global Inc.	Cayman Islands	Investment activities	831,606	831,606	266,063,307	100.00 %	545,334	7,979	7,979	〃
Ruten Global Inc.	EC Global Limited	Hong Kong	〃	22,740	22,740	7,494,642	100.00 %	3,766	(294)	(294)	〃
〃	PChome eBay Co., Ltd.	Taiwan	Information processing and provision of electronic information	779,688	779,688	27,300,000	65.00 %	408,808	24,660	16,029	〃
〃	Ruten Japan KK	Japan	〃	54,499	27,040	19,794,850	44.50 %	33,329	(19,612)	(8,395)	〃
〃	Ruten Singapore Pte. Ltd.	Singapore	〃	63,045	63,045	20,800,000	65.00 %	62,559	(968)	(629)	〃
PChome Holding Inc.	PChome Marketplace Inc.	Cayman Islands	Investment activities	585	585	38,335,000	100.00 %	1,168,495	(23,162)	(23,162)	〃
PChome Marketplace Inc.	PChome Japan KK	Japan	Information processing and provision of electronic information	119,330	119,330	43,500,000	100.00 %	117,251	(3,827)	(3,827)	〃
〃	PChome Store Inc.	Taiwan	Internet services	998,758	998,758	19,206,893	35.78 %	(368,740)	(54,189)	(19,389)	〃

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)

					Investment Flows							
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.)	Outflow	Inflow	Accumulated Outflow of Investment from Taiwan	Net income (loss) of the investee	Percentage of Ownership	Investment Income (Loss) Recognized (Note 2(2))	Carrying Amount	Accumulated Inward Remittance of Earnings
Shanghai Todo Inc.	Software and internet technical consulting service	4,661	(2)	4,661	-	-	4,661	(4)	100.00 %	(4)	2,685	-
PChome Trading (Shenzhen) Ltd.	International trading E-commerce	10,875	(2)	10,875	-	-	10,875	(70)	100.00 %	(70)	(4,498)	-

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

2. Limitation on investment in Mainland China:

Company	Aggregate investment amount remitted from Taiwan to Mainland China at the end of the period (Note 3)	Approved investment (amount) by Ministry of Economic Affairs Investment Commission(Note 3)	Limitation on investment in Mainland China in accordance with regulations of Ministry of Economic Affairs Investment Commission (Note 4)
The Company	15,536	59,966	2,104,708

Note 1: Investments in Mainland China are differentiated by the following five methods:
(1) Direct investment in Mainland China with remittance through a third region
(2) Incorporation of an investee company in a third region and indirect re-investment in Mainland China through the new entity.
(3) Indirect investment in Mainland China through an existing investee company in a third region.
(4) Direct investment in Mainland China
(5) Other methods

Note 2: Recognition of investment gain or loss during current period is determined by the 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 31.07 at the six months ended June 30, 2019.

Note 4: The upper limit on investment was the greater of 60% of the individual or consolidated total net worth.

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

3. Significant transactions: None.

(14) Segment Information

The Group's regional financial information was as follows:

Second Quarter of 2019	E-Commerce-Sales	Market Place	Other	Adjustments and Eliminations	Consolidated
Revenue:					
Non-inter-company revenue	$ 8,174,203	570,440	82,544	-	8,827,187
Inter-company revenue	11,246	3,470	37,953	(52,669)	-
Total Revenue	**$ 8,185,449**	**573,910**	**120,497**	**(52,669)**	**8,827,187**
Reportable Segment net operating income (loss)	**$ 67,563**	**26,347**	**(49,169)**	**2,721**	**47,462**

Second Quarter of 2018	E-Commerce-Sales	Market Place	Other	Adjustments and Eliminations	Consolidated
Revenue:					
Non-inter-company revenue	$ 7,201,216	569,910	67,328	-	7,838,454
Inter-company revenue	81,095	3,522	1,666	(86,283)	-
Total Revenue	**$ 7,282,311**	**573,432**	**68,994**	**(86,283)**	**7,838,454**
Reportable Segment net operating income (loss)	**$ 41,696**	**(626,738)**	**(34,305)**	**12**	**(619,335)**

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

For the six months ended June 30, 2019	E-Commerce-Sales	Market Place	Other	Adjustments and Eliminations	Consolidated
Revenue:					
Non-inter-company revenue	$ 16,674,325	1,222,687	132,384	-	18,029,396
Inter-company revenue	36,098	4,743	67,141	(107,982)	-
Total Revenue	**$ 16,710,423**	**1,227,430**	**199,525**	**(107,982)**	**18,029,396**
Reportable Segment net operating income (loss)	**$ 199,408**	**17,056**	**(98,626)**	**3,182**	**121,020**

For the six months ended June 30, 2018	E-Commerce-Sales	Market Place	Other	Adjustments and Eliminations	Consolidated
Revenue:					
Non-inter-company revenue	$ 14,796,800	1,112,971	123,835	-	16,033,606
Inter-company revenue	119,962	7,041	3,622	(130,625)	-
Total Revenue	**$ 14,916,762**	**1,120,012**	**127,457**	**(130,625)**	**16,033,606**
Reportable Segment net operating income (loss)	**$ 168,009**	**(1,517,064)**	**(68,537)**	**12**	**(1,417,580)**