

PChome Online Inc.

2020 Annual Shareholders' Meeting

Meeting Agenda (Translation)

Note to Readers: If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language version shall prevail.

Date: June 24, 2020

Place: No. 11, Zhongshan South Road, Zhongzheng District, Taipei City
10048, Taiwan (R.O.C.)
(Room 1002, Chang Yung-Fa Foundation International Convention Center)

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PChome Online Inc.

Procedure of 2020 Annual Shareholders' Meeting

- I. Calling the meeting to order
- II. Chairman's address
- III. Report items
- IV. Ratification items
- V. Discussion items
- VI. Special motions
- VII. Adjournment

PChome Online Inc.

Agenda of 2020 Annual Shareholders' Meeting

Time: 9:00 a.m., Wednesday, June 24, 2020

Place: No. 11, Zhongshan South Road, Zhongzheng District, Taipei City 10048,
Taiwan (R.O.C.)
(Room 1002, Chang Yung-Fa Foundation International Convention Center)

- I. Call the meeting to order (announce the number of shares in attendance)
- II. Chairman's address
- III. Report items
 - (I) 2019 Business report
 - (II) Audit Committee's review report on 2019 financial statements
 - (III) To report the 2019 distribution of employee compensation and remuneration to Directors
- IV. Ratification items
 - (I) 2019 Business Report and Financial Statements
 - (II) 2019 Earnings Distribution
- V. Discussion items:
 - (I) Amendments to the Articles of Incorporation
 - (II) Amendments to the Rules of Procedure for Shareholders' Meetings
 - (III) Proposal for issuance of new shares for employee restricted stock awards
- VI. Special motions
- VII. Adjournment

I. 2019 Business report

Explanatory Notes:

Please refer to Attachment I (#Page 15# of this meeting agenda) for the Company's 2019 Business Report.

II. 2019 Audit Committee's Review Report

Explanatory Notes:

Certified Public Accountants of KPMG, Chung-I Chiang and Tsao-Jen Wu, audited the Company's 2019 parent company only and consolidated financial statements. The Audit Committee reviewed the business report, earnings distribution table, and aforementioned financial statements with review report issued. Please refer to Attachment II (#Page 15 to 17# of this meeting agenda) for details.

III. To report the 2019 distribution of employee compensation and remuneration to Directors

Explanatory Notes:

- (I) Proceed in accordance with Article 28 of the Articles of Incorporation.
- (II) In 2019, the Company distributed employee compensation of NT\$11,237,354 as cash bonus and no remuneration to Director and Supervisor were paid.
- (III) The amount of aforementioned employee compensation was the same as the estimated amount of expenses recognized in 2019. As remuneration to Directors would not be distributed, the amount would

be adjusted in profit or loss of the year.

IV. To report the 2019 distribution of cash dividends from earnings

Explanatory Notes:

- (I) The Company distributed cash dividends of NT\$0.7 per share in 2019.
- (II) The Chairman would determine the record date for dividend payment and matters associated with the distribution of cash dividends. The amount of cash to be paid is calculated by the distribution percentage and rounded to the nearest dollar. For fractional dollar amount, adjustments are done to individual fractional amounts in descending order and by shareholders' account numbers in ascending order for the total payment to equal the total amount of cash dividends to be paid.
- (III) If subsequent changes in capital lead to changes in the total number of outstanding shares and result in changes in dividend per share, the Chairman is authorized to handle relevant matters.

Item 1 (Proposed by the Board of Directors)

Subject: 2019 business report and financial statements

Explanatory Notes:

- (I) The 2019 parent company only and consolidated financial statements of the Company were prepared and had been audited by Certified Public Accountants of KPMG, Chung-I Chiang and Tsao-Jen Wu with an independent auditors' report issued. The financial statements along with business report had been reviewed by the Audit Committee and approved in the Board of Directors' meeting.
- (II) Please refer to Attachment I and III (#Pages 15 and 18-33# of this meeting agenda) for the 2019 business report, independent auditors' report and aforementioned financial statements.
- (III) Please ratify.

Resolution:

Item 2 (Proposed by the Board of Directors)

Subject: The Company's 2019 earnings distribution

Explanatory Notes:

The beginning balance in the Company's 2019 earnings distribution table was NT\$0. After adding net income of NT\$162,437,171 and other comprehensive income of NT\$(712,706), and deducting the difference between consideration and carrying amount of subsidiaries acquired or disposed of NT\$61,160,972 and legal reserve of NT\$16,243,717, the distributable earnings equaled NT\$100,563,493. The earnings distribution table is set out below.

PChome Online Inc.
2019 Earnings Distribution Table

Unit: NT\$

Item	Amount	Total
Beginning balance		0
Add: Net income of 2019	162,437,171	
Less: Other comprehensive income	(712,706)	
Less: Difference between consideration and carrying amount of subsidiaries acquired or disposed	(61,160,972)	
Less: 10% appropriated as legal reserve	(16,243,717)	
Distributable earnings		84,319,776
Less: Shareholders dividends		
Stock dividend	0	
Cash dividend	82,011,612	82,011,612
Unappropriated earnings, end of the period		2,308,164

Note 1: Shareholders dividends are calculated based on the cash dividend of NT\$0.7 per share stated in Item 4 of the report items.

Chairman: Hung-Tze Jan



General Manager: Kevin Tsai



Chief Finance Officer: Leo Lu



Resolution:

Item 1

Subject: Amendments to the Articles of Incorporation

Explanatory Notes:

- (I) For the Company's future operational needs, it is proposed to included businesses of F401171 Alcohol Drink Import , A102060 Grain Commerce and Delete G101061TruckFreight Transportation in the articles of association. Therefore, certain articles in the Articles of Incorporation are proposed to be amended.
- (II) Please refer to the comparison table of amendments to Articles of Incorporation below. Please discuss.

After the Amendment	Before the Amendment	Description
<p>Article 2: The Company's business scope is as follows: The Company's business scope is as follows:</p> <p>1 E605010 Computing Equipment Installation Construction</p> <p>Omit the following.</p> <p>82 G101061 TruckFreight Transportation</p> <p>Omit the following and rearrange from item 82</p> <p>85 F401171 Alcohol Drink Import</p> <p>86 A102060 Grain Commerce</p> <p>87 ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval.</p>	<p>Article 2: The Company's business scope is as follows: The Company's business scope is as follows:</p> <p>1 E605010 Computing Equipment Installation Construction</p> <p>Omit the following.</p> <p>82 G101061 TruckFreight Transportation</p> <p>86 ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval.</p>	<p>Adjustment business items.</p> <p>Delete item 82</p> <p>Add item 85</p> <p>Add item 86</p>

After the Amendment	Before the Amendment	Description
Article 31: The Articles of Incorporation was established on June 25, 1998. The first amendment was made on November 16, 1998. (Omitted) The eighteenth amendment was made on June 13, 2018. The nineteenth amendment was made on June 14, 2019. The twentieth amendment was made on June 24, 2020.	Article 31: The Articles of Incorporation was established on June 25, 1998. The first amendment was made on November 16, 1998. (Omitted) The eighteenth amendment was made on June 13, 2018. The nineteenth amendment was made on June 14, 2019.	To add the amendment date.

Resolution:

Item 2

Subject: Amendments to the Rules of Procedure for Shareholders' Meetings

Explanatory Notes:

- (I) Based on "Sample Template for XXX Co., Ltd. Rules of Procedure for Shareholders Meetings" amended pursuant to Official Letter No. Financial-Supervisory-Securities-Corporate -1080339900 issued on December 31, 2019, the Company proposes to amend some articles within the "Rules of Procedure for Shareholders' Meetings".
- (II) Please refer to Attachment IV (#Page 34# of this meeting agenda) for the comparison table of amendments to Rules of Procedure for Shareholders' Meetings. Please discuss.

Resolution:

Item 3

Subject: Issuance of new shares for employee restricted stock awards (RSA)

Explanatory Notes:

- (I) To attract and retain required professional talents, motivate employees and enhance employee loyalty to jointly create profits for the Company and shareholders, the Company proceeded pursuant to Paragraph 8, Article 267 of the Company Act and the "Regulations Governing the Offering and Issuance of Securities by Securities Issuers" released by the Financial Supervisory Commission.
- (II) Details of the proposed issuance of new shares for RSA are as follows:
 1. Total amount issued: 1,100,000 common shares with a par value of

NT\$10, which amounted to NT\$11,000,000. Once the filing to competent authorities was approved, the issuance can be completed in one or more tranches within one year. The actual date of issuance is authorized by the Board of Directors to be determined by the Chairman.

2. Issuance terms:

(1) Issue price: Bonus shares to employee.

(2) Type of issued shares: new common shares of the Company.

3. Vested conditions:

The new shares for RSA will be vested in three years. Performance is assessed when the financial statements of the previous year are issued (before March 31 of each year). Those who meet the overall indicators such as the Company's financial performance and individual work performance stipulated in the Rules Governing the Issuance of New Shares for Employee Restricted Stock Awards.

The Company's financial performance is assessed based on revenue growth rate and after-tax earnings per share while individual work performance is assessed in accordance with the Company's performance assessment rules.

The vested conditions are as follows:

(A) Conditions on Company financial performance:

- The Company's performance standards for reviews conducted when the annual financial statements are issued after the grant date (issuance date) are as follows:

1. Revenue growth rate: Revenue of the year shall grow by 10% or more comparing to the average revenue of the previous three years.

2. Earnings Per Share (EPS):

2020 EPS shall be NT\$3.0 or above

2021 EPS shall be NT\$3.6 or above

2022 EPS shall be NT\$4.3 or above

Reviews are conducted before March 31 every year to see if the aforementioned standards are met. Where both conditions of revenue growth rate and EPS are met, 100% of the RSAs for the period will be vested. If only one condition is satisfied, 50% of the RSAs for the period will be vested. However, before calculating EPS for the year, if there are changes in the number of common shares issued, the EPS target may be adjusted according to the percentages of changes.

(B) Conditions on individual work performance of employee:

An employee who remains employed at the Company one, two and three years after the grant date of RSAs and does not violate any of the Company's labor contract, work rules or regulations as well as has personal performance satisfying the target performance set by the Company during the one-year period prior to the end of the period.

Where the Company's financial performance and employee's personal performance meet the aforementioned standards in the first year, 40% of the RSAs will be vested one year after the grant date. Where the Company's financial performance and employee's personal performance meet the aforementioned standards in the second year, 30% of the RSAs will be vested. Where the Company's financial performance and employee's personal performance meet the aforementioned standards in the third year, 30% of the RSAs will be vested.

4. Measures taken when employees fail to meet the vesting conditions

After receiving new shares for RSA, if employees fail to meet the vesting conditions, the unvested RSAs (including stock dividends received and other related rights) will be reclaimed without cost and

cancelled by the Company.

5. Employee qualifications and the number of RSAs granted:
 - (1) Full-time regular employees on the RSA grant date who meet certain performance standard and have (a) significant influence over operation, (b) links to future strategies of the Company and high correlation with business development, or (c) core technologies.
 - (2) Employees granted the new shares for RSA and the actual number granted is determined based on employees' rank, work performance, overall contributions, etc. as well as the Company's operational needs and business development strategies. Upon Chairman's approval, the RSA proposal shall be submitted to the Board of Directors for approval. However, for managers and Directors also serving as employees, their quantities shall be approved by the Compensation Committee and the Board of Directors.
 - (3) The number of shares granted to a single employee shall be in compliance with Article 60-9 of the "Regulations Governing the Offering and Issuance of Securities by Securities Issuers" which states "Where the Company issues employee stock warrants under Article 56-1, paragraph 1, the cumulative number of shares subscribable by a single warrant holder of the employee stock warrants, in combination with the cumulative number of new restricted employee shares obtained by the single warrant holder, may not exceed 0.3 percent of the Company's total issued shares. And the above in combination with the cumulative number of shares subscribable by the single warrant holder of employee stock warrants issued by the Company under Paragraph 1, Article 56 may not exceed 1 percent of the Company's total issued shares".

6. Reasons for the issuance of new shares for RSA:

To attract and retain required professional talents, motivate employees and enhance employee loyalty to jointly create higher profits for the Company and shareholders, and to ensure employee's interests are in line with shareholders' interest.

7. Estimated amount recognized as expense, dilution effect on EPS and other effects on shareholders' equity:
 - (1) Estimated amount recognized as expense:

The Company currently has 117,159,446 shares outstanding. The maximum number of new shares issued for RSA is 1,100,000 shares, which accounts for 0.939% of the total number of issued shares.

When calculated using the average closing price in March 2020 of NT\$85.28, the maximum amount to be recognized as expense during the vesting period is NT\$93,808,000 with 1,100,000 new shares issued. If the issuance is carried out in September 2020, the expenses estimated for 2020 to 2023 are NT\$20,325,067, NT\$48,467,467, NT\$18,761,600, and NT\$6,253,867, respectively.
 - (2) Dilution effect on EPS and other effects on shareholders' equity:

When calculated based on the three years of vesting period plus the current number of outstanding shares, the impact on the reduction of EPS is approximately NT\$0.03~0.05.

However, upon an overall assessment, the Company expects an upward trend for future revenue and profitability. Thus, the amount recognized as expenses every year has no significant impact on shareholders' equity.
 - (3) Total cost of the issuance shall not exceed NT\$150 million. If the stock price rises at the time of the issuance and result in the original expected issuance cost to exceed NT\$150 million, and the

Chairman is authorized to reduce the number of shares to be issued.

8. Restrictions on the rights of new shares of unvested RSAs after being granted to or subscribed by employees:

Employee shall not sell, pledge, transfer, bestow, create any encumbrance on, or otherwise dispose of, new shares for RSA during the vesting period.

9. Other matters that require explanation:

- (1) If the conditions established for the issuance of new shares for RSA require amendments or corrections based on instructions of the competent authority, amendments in related regulations, or in response to changes in the financial market or objective environmental conditions, the shareholders meeting is proposed to authorize the Board of Directors or delegated person to make modification or correction at its/his/her full discretion.
- (2) For restrictions and important covenants regarding the issuance of new shares for RSA or matters not covered herein, please proceed in accordance with relevant laws and regulations and Attachment V (#Page 42# of this meeting agenda) for the Company's Rules Governing the Issuance of New Shares for Employee Restricted Stock Awards.

Resolution:

Special Motions

Adjournment

2019 Business Report

The Company generated consolidated operating revenue of NT\$38,884 million in 2019, marking another record high with 12.4% growth over 2018. In terms of quarterly revenue, the Company was back to generating profits in the first quarter, leading to an EPS of NT\$1.39 in 2019. Investments in the past two years have begun to show effects.

In 2019, we utilized the resource of ten million members, aggressively integrated online and offline and built the internet ecosystem. The weighting of new customers quickly increased to 30% and brought about the participation of more young consumers where consumers aged 35 and below accounted for 50%. Meanwhile, in terms of consumers, the number of female consumers exceeded male for the first time. Operational highlights during the year are summarized as follows:

- I. The growth momentum of B2C online shopping business remain strong. Revenue of 3C products exceeded NT\$26 billion from the previous year. Besides being the sole e-commerce operator qualified as Apple's authorized T1 distributor, we organized several exclusive debut sales for new products launched by brands and won the largest 3C product channels in Taiwan. Key achievements included: (1) With continuous efforts to optimize APP, the growth rate of mobile segment sales surged 40% on a year-over-year basis; (2) The strategy of having well-known brands joining the platform succeeded and the authorized direct sales of over 200 famous brands such as L'Oréal Taiwan – BIOTHERM, Haagen-Dazs, Hitachi air conditioning have been realized gradually; (3) We initiated various cross-border cooperation, e.g. Fu Wan chocolate, famous Baan Thai hot pot restaurant, World Dream cruise of the Star Cruise series, and Mercedes-Benz Taiwan, to explore consumers' every demand; (4) We also launched new services, e.g. PChome travel, Bibian cross-border e-commerce, ticketing service and other new forms of sales services, in 2019; (5) Continued to develop cross-border e-commerce. In the Northeast Asia region, we promoted Taiwan-Japan strategic alliance with the world's leading e-commerce, communication and fintech group, Japan Rakuten, and built the mechanism allowing mutual accumulation and redemption of P Points and Rakuten Super Points as well as linking application scenarios of various online and offline service types. Next, we discussed possibilities of alliance with one of South Korea's top three leading logistics companies, Nonghyup Hanaro Mart Inc., which was expected to become the No. 1 platform for online shopping of Korean products; (6) Our own logistic business, PChome Express Inc., has covered 20% of B2C online shopping's logistic needs and will continue to improve its overall delivery quality and develop customized logistics services.
- II. PChomestore Inc. generated net operating revenue of NT\$1,389 million in 2019, with an after-tax net loss of NT\$99.87 million, a decrease of NT\$1,933 million from 2018. The operation performance of PChomestore Inc. in 2019 showed the mobile phone market continued to stay in

the leading position and loss was reduced significantly after a prompt change in marketing. The loss in the fourth quarter was down by 80% comparing to the third quarter. We will be back to profitability once we acquire the market. PChomestore will continue its operation with the advantages of having more than 400 million items and 120 thousand stores on the platform.

- III. Ruten, an online auctioning platform, launched regional alliance with eBay and Rakuten. Through information exchange and AI technology, commodity information can flow freely across borders and platforms, allowing buyers and sellers to complete transactions directly on their local platforms. As of December 2019, approximately 67 million products from 8 countries have been available for purchase through cross-border services. In 2020, the Company plans to provide the cross-border services in the ASEAN market and the open community trading tools in the Taiwan market.
- IV. The Pi Mobile Wallet evolved around consumer needs in the past year and had more than 180,000 channels through continuous efforts. In addition to general consumption and bill payment, the service was expanded to insurance, loans and other financial fields. Also, the strategy of cobrand card jointly issued by Pi Wallet and E.SUN Bank was successful. With strong support from our financial partners and distributors, P Points accumulated in 2019 equaled an equivalent of NT\$2 billion, further strengthened the P Coin ecosystem and enhanced user loyalty and transaction volume. In terms of single-month transaction volume, the growth rate was nearly three times, whereas the member numbers increased significantly by more than 50%. By the end of 2019, there were more than 800,000 members and active members accounted for more than 80%.

Looking forward to 2020, the Company will continue to actively develop various types of virtual and physical integrated services, including expanding our investments in intelligent warehousing and logistics systems; opening up self-operated logistics services; initiating fresh food e-commerce services; accelerating cross-border business and alliances between different industries, activating O2O full channel deployment; and further applying forward-looking technologies such as big data, artificial intelligence and the Internet of Things. We will focus on service innovation, accelerate the integration of internal and external resources of the company, expand the P Coin-oriented PChome ecosystem, and develop an internet service for the common good of society and consumers as well as achieve long-term profitable growth.

PChome Online Inc.

Chairman: Hung-Tze Jan



General Manager: Kevin Tsai



Chief Finance Officer: Leo Lu



PChome Online Inc. Audit Committee's Review Report

Approval for

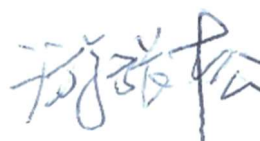
The Board of Directors has prepared the Company's parent company only and consolidated financial statements for 2019, which were audited by certified public accountants of KPMG, Liu-Fong Yang and Tsao-Jen Wu. The aforementioned financial statements, along with 2019 Business Report and earnings distribution proposal, have been reviewed and determined to be correct by the Audit Committee. We hereby submit this report in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act.

To

2020 Annual Shareholders' Meeting of PChome Online Inc.

Convener of the Audit Committee

Signature



March 26, 2020



安侯建業聯合會計師事務所

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Independent Auditors' Report

To the Board of Directors of PChome Online Inc.:

Opinion

We have audited the financial statements of PChome Online Inc. ("the Company"), which comprise the statement of financial position as of December 31, 2019 and 2018, and the statement of comprehensive income, changes in equity and cash flows for the year ended December 31, 2019 and 2018, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019 and 2018, and its financial performance and its cash flows for the year ended December 31, 2019 and 2018 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

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

Emphasis of Matter

As stated in Note 3(a), the Company initially adopted the IFRS 16, "Leases" on January 1, 2019 and applied the modified retrospective approach, with no restatement of comparative period amounts. Our conclusion is not qualified in respect of this matter.

Key Audit Matters

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

1. Revenue recognition

Please refer to Note 4(n) and Note 6(t) for the "Revenue" section of the financial statements.



Key Audit Matters Explanation:

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

How the matter was addressed in our audit:

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

2. Valuation of inventories

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

Key Audit Matters Explanation:

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

How the matter was addressed in our audit:

Our principal audit procedure included:

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

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

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

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

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



Auditor's Responsibilities for the Audit of the Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the investment in other entities accounted for using the equity method to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit.

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

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



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

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

KPMG

Taipei, Taiwan (Republic of China)
March 26, 2020

Notes to Readers

The accompanying parent company only financial statements are intended only to present the parent company only financial statements of financial position, financial performance and cash flows in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), interpretation as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China. The standards, procedures and practices to audit such parent company only financial statements are those generally accepted and applied in the Republic of China.

The independent auditor's report and the accompanying parent company only 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 auditor's report and parent company only financial statements, the Chinese version shall prevail.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese.)
PCHOME ONLINE INC.

STATEMENTS OF COMPREHENSIVE INCOME
For the Years Ended December 31, 2019 and 2018
(Expressed in Thousands of New Taiwan Dollars)

		2019		2018	
		Amount	%	Amount	%
4111	Sales revenue	\$ 36,816,018	101	32,593,508	101
4170	Less: Sales returns	507,603	1	479,843	1
	Operating revenue, net (Note (6)(t))	36,308,415	100	32,113,665	100
5000	Operating costs (Note (6)(d))	31,997,459	88	28,200,966	88
	Gross profit from operations	4,310,956	12	3,912,699	12
	Operating expenses:				
6100	Selling expenses	3,365,672	9	3,206,869	10
6200	Administrative expenses	193,646	1	168,678	-
6300	Research and development expenses	320,367	1	210,498	1
6450	Expected credit loss (gain)(Note (6)(c))	4,007	-	(261)	-
	Total operating expenses	3,883,692	11	3,585,784	11
6500	Net other income	21	-	-	-
	Net operating income	427,285	1	326,915	1
	Non-operating income and expenses (Note (6)(v)):				
7010	Other income	37,565	-	34,256	-
7020	Other gains and losses, net	404	-	721	-
7050	Finance costs	(49,926)	-	(8,409)	-
7060	Share of loss of associates and joint ventures accounted for using equity method, net	(202,856)	(1)	(1,301,275)	(4)
	Total non-operating income and expenses	(214,813)	(1)	(1,274,707)	(4)
	Profit (loss) before tax	212,472	-	(947,792)	(3)
7950	Less: Tax expense (Note (6)(q))	50,035	-	46,851	-
	Profit (loss)	162,437	-	(994,643)	(3)
	Other comprehensive income:				
8310	Items that may not be reclassified subsequently to profit or loss				
8311	Gains (losses) on remeasurements of defined benefit plans (Note (6)(p))	(473)	-	1,088	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	39,487	-	(5,490)	-
8330	Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss	(334)	-	(1,494)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss (Note (6)(q))	95	-	101	-
	Items that may not be reclassified subsequently to profit or loss	38,775	-	(5,795)	-
8360	Items that may be reclassified subsequently to profit or loss				
8361	Exchange differences on translation	(36,349)	-	15,644	-
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-
	Items that may be reclassified subsequently to profit or loss	(36,349)	-	15,644	-
	Other comprehensive income, net of tax	2,426	-	9,849	-
8500	Total comprehensive income	\$ 164,863	-	(984,794)	(3)
	Earnings per share (Note (6)(s))				
9750	Basic earnings per share (NT dollars)	\$	1.39		(8.49)
9850	Diluted earnings per share (NT dollars)	\$	1.39		(8.49)

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

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese.)
 REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH GENERALLY ACCEPTED AUDITING STANDARDS
 PCHOME ONLINE INC.

STATEMENTS OF CHANGES IN EQUITY
 For the years ended December 31, 2019 and 2018
 (Expressed in Thousands of New Taiwan Dollars)

	Share capital		Retained Earnings			Unappropriated Retained Earnings		Other Equity Interest		Total Equity
	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			
Balance at January 1, 2018	1,171,595	2,507,459	404,535	2,781	634,746	(4,120)	-	4,716,996		
Effects of retrospective application	-	-	-	-	3,975	-	39,028	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		
Loss for the year ended December 31, 2018	-	-	-	-	(994,643)	-	-	(994,643)		
Other comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	(305)	15,644	(5,490)	9,849		
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	(994,948)	15,644	(5,490)	(984,794)		
Appropriation and distribution of retained earnings:										
Legal reserve appropriated	-	-	3,649	-	(3,649)	-	-	-		
Special reserve appropriated	-	-	-	1,339	(1,339)	-	-	-		
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	-	-	-	(517,932)	-	-	(517,932)		
Changes in ownership interests in subsidiaries	-	(36)	-	-	(323,504)	-	-	(323,540)		
Balance at December 31, 2018	1,171,595	2,507,423	408,184	4,120	(1,202,651)	11,524	33,538	2,933,733		
Profit for the year ended December 31, 2019	-	-	-	-	162,437	-	-	162,437		
Other comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	(712)	(36,349)	39,487	2,426		
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	161,725	(36,349)	39,487	164,863		
Appropriation and distribution of retained earnings:										
Legal reserve used to offset accumulated deficit	-	-	(408,184)	-	408,184	-	-	-		
Special reserve used to offset accumulated deficit	-	-	-	(4,120)	4,120	-	-	-		
Capital surplus used to offset accumulated deficit	-	(790,347)	-	-	790,347	-	-	-		
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	-	-	-	(61,161)	-	-	(61,161)		
Changes in ownership interests in subsidiaries	-	5,335	-	-	-	-	-	5,335		
Balance at December 31, 2019	1,171,595	1,722,411	-	-	100,564	(24,825)	73,025	3,042,770		

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

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese.)
PCHOME ONLINE INC.

STATEMENTS OF CASH FLOWS

For the years ended December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	2019	2018
Cash flows from (used in) operating activities:		
Profit (loss) before tax	\$ 212,472	(947,792)
Adjustments:		
Adjustments to reconcile profit:		
Depreciation expense	610,497	149,944
Amortization expense	23,101	24,077
Expected credit loss (gain)	4,007	(261)
Interest expense	49,926	8,409
Interest income	(13,330)	(15,346)
Dividend income	(5,263)	(4,025)
Share of loss of associates and joint ventures accounted for using equity method	202,856	1,301,275
Gain on disposal of property, plant and equipment	(1)	(540)
Total adjustments to reconcile profit	<u>871,793</u>	<u>1,463,533</u>
Changes in operating assets and liabilities:		
Changes in operating assets:		
Notes receivable	90	1,205
Accounts receivable	(149,536)	(274,709)
Lease receivable	2,947	-
Other receivable	695,429	(905,022)
Inventories	(435,286)	(290,020)
Other financial assets	23,650	(20,652)
Other current assets	(2,644)	(33,473)
Current asset recognized as right to recover products from customers	(5,448)	(1,898)
Total changes in operating assets	<u>129,202</u>	<u>(1,524,569)</u>
Changes in operating liabilities:		
Contract liabilities	12,479	70,430
Notes payable	(153)	(768)
Accounts payable	254,236	(70,775)
Other payable	36,276	53,180
Other current liabilities	2,380	989
Net defined benefit liabilities	(1,142)	(1,059)
Current refund liabilities	5,619	1,783
Other non-current liabilities	4,300	(2,403)
Total changes in operating liabilities	<u>313,995</u>	<u>51,377</u>
Total changes in operating assets and liabilities	<u>443,197</u>	<u>(1,473,192)</u>
Total adjustments	<u>1,314,990</u>	<u>(9,659)</u>
Cash flow generated from (used in) operations	1,527,462	(957,451)
Interest received	13,943	14,109
Dividends received	-	4,025
Interest paid	(49,880)	(7,509)
Income taxes paid	(38,525)	(123,500)
Net cash flows from (used in) operating activities	<u>1,453,000</u>	<u>(1,070,326)</u>
Cash flows used in investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	(85,000)	(8,772)
Acquisition of investments accounted for using equity method	(960,240)	(1,895,601)
Proceeds from capital reduction of investments accounted for using equity method	70,000	1,019,740
Acquisition of property, plant and equipment	(145,741)	(120,134)
Proceeds from disposal of property, plant and equipment	4	4,096
Acquisition of intangible assets	(40,562)	(2,965)
Proceeds from disposal of intangible assets	-	468
Other non-current assets	6,350	(9,297)
Net cash flows used in investing activities	<u>(1,155,189)</u>	<u>(1,012,465)</u>
Cash flows from financing activities:		
Short-term borrowings	390,000	-
Long-term borrowings	(100,000)	900,000
Payment of lease liabilities	(454,836)	-
Net cash flows (used in) from financing activities	<u>(164,836)</u>	<u>900,000</u>
Net (decrease) increase in cash and cash equivalents	132,975	(1,182,791)
Cash and cash equivalents at beginning of period	2,682,386	3,865,177
Cash and cash equivalents at end of period	<u>\$ 2,815,361</u>	<u>2,682,386</u>

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



安侯建業聯合會計師事務所

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Independent Auditors' Report

To the Board of Directors of PChome Online Inc.:

Opinion

We have audited the consolidated financial statements of PChome Online Inc. and subsidiaries ("the Group"), which comprise the consolidated statement of financial position as of December 31, 2019 and 2018, and the consolidated statement of comprehensive income, changes in equity and cash flows for the year ended December 31, 2019 and 2018, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the year ended December 31, 2019 and 2018 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), interpretation as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Emphasis of Matter

As stated in Note 3(a), the Group initially adopted the IFRS 16, "Leases" on January 1, 2019 and applied the modified retrospective approach, with no restatement of comparative period amounts. Our conclusion is not qualified in respect of this matter.

Key Audit Matters

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

1. Revenue recognition

Please refer to Note 4(n) and Note 6(y) for the "Revenue" section of the consolidated financial statements.



Key Audit Matters Explanation:

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

How the matter was addressed in our audit:

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

2. Valuation of inventories

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

Key Audit Matters Explanation:

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

How the matter was addressed in our audit:

Our principal audit procedure included:

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

Other Matter

PChome Online Inc. has additionally prepared its parent company only financial statements as of and for the years ended December 31, 2019 and 2018, on which we have issued an unqualified opinion with emphasis of matter and an unqualified opinion, respectively.



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

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

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

Those charged with governance (including the Audit Committee) are responsible for overseeing the Group's financial reporting process.

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

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.



5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit.

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

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

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

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

KPMG

Taipei, Taiwan (Republic of China)
March 26, 2020

Notes to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial statements of financial position, financial performance and cash flows in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), interpretation as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China. The standards, procedures and practices to audit such consolidated financial statements are those generally accepted and applied in the Republic of China.

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

(English Translation of Consolidated Financial Statements Originally Issued in Chinese.)
PCHOME ONLINE INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

		2019		2018	
		Amount	%	Amount	%
4111	Sales revenue	\$ 39,399,835	101	35,083,149	101
4170	Less: Sales returns	516,255	1	488,785	1
	Operating revenue, net (Note (6)(y))	38,883,580	100	34,594,364	100
5000	Operating costs (Note (6)(e))	34,293,972	88	30,295,907	88
	Gross profit from operations	4,589,608	12	4,298,457	12
	Operating expenses:				
6100	Selling expenses	3,457,974	10	5,347,190	15
6200	Administrative expenses	368,376	1	309,419	1
6300	Research and development expenses	484,580	1	368,935	1
6450	Expected credit loss (gain) (Note (6)(d))	810	-	(243)	-
	Total operating expenses	4,311,740	12	6,025,301	17
6500	Net other income	48	-	-	-
	Net operating income (loss)	277,916	-	(1,726,844)	(5)
	Non-operating income and expenses (Note (6)(aa)):				
7010	Other income	37,440	-	34,755	-
7020	Other gains and losses, net	(1,695)	-	31,372	-
7050	Finance costs	(64,113)	-	(24,113)	-
7060	Share of loss of associates and joint ventures accounted for using equity method, net	(17,533)	-	(14,973)	-
	Total non-operating income and expenses	(45,901)	-	27,041	-
	Profit (loss) from continuing operations before tax	232,015	-	(1,699,803)	(5)
7950	Less: Tax expense (Note (6)(u))	90,321	-	67,070	-
	Profit (loss)	141,694	-	(1,766,873)	(5)
	Other comprehensive income (loss):				
8310	Items that may not be reclassified subsequently to profit or loss				
8311	Losses on remeasurements of defined benefit plans (Note (6)(t))	(896)	-	(1,092)	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income (loss)	39,487	-	(5,490)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss (Note (6)(u))	179	-	631	-
	Items that may not be reclassified subsequently to profit or loss	38,770	-	(5,951)	-
8360	Items that may be reclassified subsequently to profit or loss				
8361	Exchange differences on translation	(41,296)	-	12,398	-
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-
	Items that may be reclassified subsequently to profit or loss	(41,296)	-	12,398	-
	Other comprehensive income (loss), net of tax	(2,526)	-	6,447	-
8500	Total comprehensive income (loss)	\$ 139,168	-	(1,760,426)	(5)
	Profit (loss), attributable to:				
8610	Profit (loss), attributable to owners of parent	\$ 162,437	-	(994,643)	(3)
8620	Loss, attributable to non-controlling interests	(20,743)	-	(772,230)	(2)
		\$ 141,694	-	(1,766,873)	(5)
	Comprehensive income attributable to:				
8710	Comprehensive income (loss), attributable to owners of parent	\$ 164,863	-	(984,794)	(3)
8720	Comprehensive loss, attributable to non-controlling interests	(25,695)	-	(775,632)	(2)
		\$ 139,168	-	(1,760,426)	(5)
	Earnings per share (Note (6)(x))				
9750	Basic earnings per share (NT dollars)	\$ 1.39		(8.49)	
9850	Diluted earnings per share (NT dollars)	\$ 1.39		(8.49)	

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 CHANGES IN EQUITY

For the years ended December 31, 2019 and 2018
 (Expressed in Thousands of New Taiwan Dollars)

Share capital	Equity Attributable to Owners of Parent				Other Equity Interest		Total Equity Attributable to Owners of Parent
	Ordinary Capital	Capital Surplus	Legal Reserve	Special Reserve	Retained Earnings	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	
\$ 1,171,595	2,507,459	404,535	2,781	634,746	(4,120)	4,716,996	5,194,411
		3,975		39,028		43,003	43,003
1,171,595	2,507,459	404,535	2,781	638,721	(4,120)	4,759,999	5,197,414
				(994,643)		(994,643)	(1,766,873)
				(305)	15,644	9,849	6,447
				(994,948)	15,644	(984,794)	(1,760,426)
		3,649		(3,649)			
			1,339	(1,339)			
				(517,932)		(517,932)	(219,385)
	(36)			(323,504)		(323,540)	
						206,141	206,141
1,171,595	2,507,423	408,184	4,120	(1,202,651)	11,524	2,933,733	3,423,544
				162,437		162,437	141,694
				(712)	(36,349)	39,487	(2,526)
				161,725	(36,349)	39,487	(25,695)
		(408,184)		408,184			
			(4,120)	4,120			
	(790,347)			790,347			
				(61,161)		(61,161)	36,372
	5,335					5,335	168,000
1,171,595	1,722,411			100,564	(24,825)	73,025	3,767,084

Balance at January 1, 2018

Effects of retrospective application

Equity at beginning of period after adjustments

Loss for the year ended December 31, 2018

Other comprehensive income (loss) for the year ended December 31, 2018

Total comprehensive income (loss) for the year ended December 31, 2018

Appropriation and distribution of retained earnings:

Legal reserve appropriated

Special reserve appropriated

Difference between consideration and carrying amount of subsidiaries acquired or disposed

Changes in ownership interests in subsidiaries

Changes in non-controlling interests

Balance at December 31, 2018

Profit (loss) for the year ended December 31, 2019

Other comprehensive income (loss) for the year ended December 31, 2019

Total comprehensive income (loss) for the year ended December 31, 2019

Appropriation and distribution of retained earnings:

Legal reserve used to offset accumulated deficit

Special reserve used to offset accumulated deficit

Capital surplus used to offset accumulated deficit

Difference between consideration and carrying amount of subsidiaries acquired or disposed

Changes in ownership interests in subsidiaries

Changes in non-controlling interests

Balance at December 31, 2019

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

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

PCHOME ONLINE INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	2019	2018
Cash flows from (used in) operating activities:		
Profit (loss) before tax	\$ 232,015	(1,699,803)
Adjustments:		
Adjustments to reconcile profit:		
Depreciation expense	705,094	184,329
Amortization expense	25,898	26,372
Expected credit loss (gain)	810	(243)
Interest expense	64,113	24,113
Interest income	(12,075)	(16,595)
Dividend income	(5,263)	(4,025)
Share-based payments of subsidiaries	191	13,332
Share of loss of associates and joint ventures accounted for using equity method	17,533	14,973
Gain on disposal of property, plant and equipment	(360)	(540)
Gain on disposal of investments	-	(2,583)
Total adjustments to reconcile profit	795,941	239,133
Changes in operating assets and liabilities:		
Changes in operating assets:		
Notes receivable	(262)	3,071
Accounts receivable	123,101	(196,618)
Lease receivable	3,173	-
Other receivable	(434,986)	(109,571)
Inventories	(434,322)	(289,297)
Other current assets	(17,550)	(137,774)
Other financial assets	4,932	(241,942)
Current asset recognized as right to recover products from customers	(5,625)	(1,627)
Total changes in operating assets	(761,539)	(973,758)
Changes in operating liabilities:		
Contract liabilities	22,213	77,438
Notes payable	(162)	(1,092)
Accounts payable	262,937	(94,020)
Other payable	50,754	(135,631)
Receipts in advance	(282,595)	17,255
Other current liabilities	445,410	118,842
Net defined benefit liabilities	(704)	(1,522)
Current refund liabilities	5,816	1,494
Other non-current liabilities	(5,810)	(32,016)
Total changes in operating liabilities	497,859	(49,252)
Total changes in operating assets and liabilities	(263,680)	(1,023,010)
Total adjustments	532,261	(783,877)
Cash flow generated from (used in) operations	764,276	(2,483,680)
Interest received	12,690	15,394
Dividends received	5,263	4,025
Interest paid	(64,218)	(22,480)
Income taxes paid	(43,043)	(161,617)
Net cash flows from (used in) operating activities	674,968	(2,648,358)
Cash flows used in investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	(85,000)	(8,772)
Acquisition of financial assets designated at fair value through profit or loss	(58,599)	-
Acquisition of investments accounted for using equity method	(27,460)	-
Net cash flow from acquisition of subsidiaries	(99,938)	-
Acquisition of property, plant and equipment	(230,791)	(188,107)
Proceeds from disposal of property, plant and equipment	-	45
Decrease in refundable deposits	2,270	-
Acquisition of intangible assets	(48,796)	(3,143)
Other non-current assets	(458)	(9,345)
Acquisition of non-controlling interests	-	(241,724)
Other investing activities	-	(16,432)
Net cash flows used in investing activities	(548,772)	(467,478)
Cash flows from financing activities:		
Short-term borrowings	340,000	(50,000)
Long-term borrowings	-	1,450,000
Repayments of long-term borrowings	(150,000)	-
Payment of lease liabilities	(492,182)	-
Change in non-controlling interests	168,000	206,141
Net cash flows (used in) from financing activities	(134,182)	1,606,141
Effect of exchange rate changes on cash and cash equivalents	(4,172)	20,590
Net decrease in cash and cash equivalents	(12,158)	(1,489,105)
Cash and cash equivalents at beginning of period	6,881,162	8,370,267
Cash and cash equivalents at end of period	\$ 6,869,004	6,881,162

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

PHome Online Inc.

Comparison Table of Amendments to the Rules of Procedure for Shareholders' Meetings

After the Amendment	Before the Amendment	Description
<p>1. Purpose</p> <p>To ensure that the shareholders' meetings of the Company can operate smoothly, the Rules of Procedure for Shareholders' Meeting (the "Rules") is established in accordance with relevant laws and regulations to be complied with.</p>	<p>1. Purpose</p> <p>To ensure that the shareholders' meetings of the Company can operate smoothly, the Rules of Procedure for Shareholders' Meeting (the "Rules") is established in accordance with the Official Letter (86) Taiwan-Finance-Securities-(III)-04109 issued by the Securities and Futures Commission of the Ministry of Finance.</p>	Changes in wordings
<p>5.1</p> <p>The shareholders' meeting is presided by the Chairman of the Board of Directors (the "Board") if convened by the Board. If the Chairman is on leave or is unable to exercise power, the Vice Chairman of the Board shall stand proxy. If there is no Vice Chairman of the Board or the Vice Chairman is also on leave or unable to exercise power, the Chairman may appoint one of managing Directors to stand proxy. If there is no managing Director, the Chairman may appoint one Director to stand proxy. If the Chairman does not appoint a proxy, the managing Directors or Directors shall elect one person from among themselves to preside at the meeting.</p> <p>When a managing Director or a Director serves as Chairman as referred to in the preceding paragraph, the managing Director or the Director shall be one who has held that position for six months or more and who understands the financial and business conditions of the Company. The same shall be true for a representative of a juristic person</p>	<p>5.1</p> <p>The shareholders' meeting is presided by the Chairman of the Board of Directors (the "Board") if convened by the Board. If the Chairman is on leave or is unable to exercise power, the Vice Chairman of the Board shall stand proxy. If there is no Vice Chairman of the Board or the Vice Chairman is also on leave or unable to exercise power, the Chairman may appoint one of managing Directors to stand proxy. If there is no managing Director, the Chairman may appoint one Director to stand proxy. If the Chairman does not appoint a proxy, the managing Directors or Directors shall elect one person from among themselves to preside at the meeting.</p> <p>If the shareholders' meeting is convened by any other party entitled to convene the meeting, the convening party shall preside at the meeting.</p>	Changes in wordings

After the Amendment	Before the Amendment	Description
<p>Director that serves as Chairman. If the shareholders' meeting is convened by a party other than the Board, the convening party shall preside at the meeting. When there are two or more convening parties, they shall elect a person from among themselves to preside at the meeting.</p>		
<p>5.3 Shareholders' meeting agenda items 5.3.1 The Board shall set the meeting agenda items. Relevant proposals (including special motions and amendments to the original proposals) shall be resolved by voting on a proposal-by-proposal basis. The meeting shall proceed according to the agenda which shall not be changed without a resolution of the shareholders' meeting.</p>	<p>5.3 Shareholders' meeting agenda items 5.3.1 The Board shall set the meeting agenda items. The meeting shall proceed according to the agenda which shall not be changed without a resolution of the shareholders' meeting.</p>	<p>In line with the adoption of electronic voting by all listed companies and to implement the spirit of voting on a proposal-by-proposal basis</p>
<p>5.3.5 If the Chairman announces the adjournment in violation of the Rules, the attending shareholders shall elect one person to preside the meeting with the consent of the majority of voting rights represented by the attending shareholders to continue the meeting.</p>	(None)	<p>Amended in accordance with laws and regulations and in line with the Company's business needs</p>
<p>5.3.6 Election or discharge of Directors and Supervisors; amendments to Articles of Incorporation; capital deduction; application to terminate the public offering of the shares; release of the Directors from non-compete restrictions; capital increase from earnings or reserve; dissolution; merger or spin-off of the Company or matters set out in subparagraphs under Paragraph 1,</p>	(None)	<p>Amended in accordance with laws and regulations and in line with the Company's business needs</p>

After the Amendment	Before the Amendment	Description
<p>Article 185 of the Company Act shall be stated in the notice of a general meeting, with a summary of the major content to be discussed. They shall not be proposed as special motions. The summary of major content shall be disclosed at websites designated by the competent authorities or Company and the websites shall be clearly stated in the meeting notice.</p> <p>5.3.7 Where the reasons to convene the shareholders' meeting has specified the re-election of Directors and Supervisors as well as the on-board dates, after the election in the shareholders' meeting, the on-board date cannot be changed via a special motion or other means in the same meeting.</p> <p>5.3.8 Shareholders holding 1% or more of the total number of issued shares may submit to the Company a written proposal for discussion at annual shareholders' meeting, provided that only one matter shall be allowed in each single proposal. Where a proposal contains more than one matter, such proposal would not be included in the agenda. If the purpose of the proposal is to urge the Company to promote public interests or fulfil its social responsibilities, the Board may include such proposal in the agenda. If the shareholders' proposals contain circumstances set out in Paragraph 4, Article 172-1 of the Company Act, the Board of Directors may not include the proposals in the agenda.</p> <p>5.3.9 Prior to the book closure date of the annual shareholders' meeting, the</p>		

After the Amendment	Before the Amendment	Description
<p>Company shall publicly announce that shareholders can submit their proposals, either in writing or by electronic means to the Company, and the location and time period for such submissions. The period for submissions of shareholders' proposals may not be less than 10 days.</p> <p>5.3.10 The proposals submitted are limited to 300 words. A proposal contains more than 300 words will be included in the meeting agenda. The shareholder submitting the proposal shall be present in person or by proxy at the annual general shareholders' meeting and take part in discussion of the proposal.</p> <p>5.3.11 The Company shall, prior to the notification date of shareholders' meeting, inform shareholders submitting proposals of the proposal screening results, and include proposal conforming to the requirements set out in this Article in the shareholders' meeting notice. At the shareholders' meeting the Board of Directors shall explain the reasons for exclusion of any shareholder proposals not included in the agenda.</p>		
<p>5.4 When the shareholders (or their appointed proxies) attend the shareholders' meeting, they shall sign on the attendance booklet or hand in the attendance cards in lieu of signing in and complete the registration procedures. The Company shall not arbitrarily request additional supporting documents as identification documents for the attendance of shareholders. Solicitors soliciting proxy forms shall also bring identification documents for verification. The attendance and voting at the</p>	<p>5.4 When the shareholders (or their appointed proxies) attend the shareholders' meeting, they shall sign on the attendance booklet or hand in the attendance cards in lieu of signing in and complete the registration procedures. The attendance and voting at the shareholders' meeting shall be calculated based on the number of shares.</p>	<p>Amended in accordance with laws and regulations and in line with the Company's business needs</p>

After the Amendment	Before the Amendment	Description
<p>shareholders' meeting shall be calculated based on the number of shares. The number of shares in attendance shall be calculated according to the shares indicated by the attendance book or attendance cards handed in and the number of shares with voting rights exercised by correspondence or electronic means.</p>		
<p>5.7 When the chairman is of the opinion that a proposal has been discussed sufficiently to put it to a vote, he/she shall announce the discussion closed and call for a vote. He/she shall also allow ample time for voting.</p>	<p>5.7 When the chairman is of the opinion that a proposal has been discussed sufficiently to put it to a vote, he/she shall announce the discussion closed and call for a vote. The proposal shall be deemed adopted if all attending shareholders are solicited by the chairman and no objection is voiced. Its validity is the same as voted by casting ballots.</p>	<p>Changes in wordings</p>
<p>5.8 Voting on proposals 5.8.1 When the Company convenes a shareholder's meeting, voting rights may be exercised by correspondence or electronic means. When voting rights are exercised by correspondence or electronic means, the methods of exercise shall be clearly indicated in the shareholders' meeting notice. Shareholders exercising their voting rights by correspondence or electronic means are deemed as attending the shareholders' meeting in person. They are, however, deemed as waiving their rights on special motions or amendments to the original proposals of that shareholders' meeting. Thus, the Company is advised not to raise special motions or make amendments to the original proposals. A shareholder intending to exercise</p>	<p>5.8 Voting on proposals 5.8.1 The ballot supervisors and ballot counters of proposal voting shall be appointed by the chairman, but the ballot supervisors shall be shareholders. The voting results shall be announced at the meeting and recorded in the minutes.</p>	<p>Amended in line with the adoption of electronic voting by all listed companies</p>

After the Amendment	Before the Amendment	Description
<p>voting rights by correspondence or electronic means under the preceding paragraph shall deliver a written declaration of intent to the Company two days before the date of the shareholders' meeting. When duplicate declarations of intent are delivered, the one received earliest shall prevail. However, this restriction does not apply when a declaration is made to cancel the earlier declaration of intent.</p> <p>After a shareholder has exercised voting rights by correspondence or electronic means, in the event the shareholder intends to attend the shareholders' meeting in person, a written declaration of intent to retract the voting rights already exercised shall be made known to the Company two days before the date of the shareholders' meeting, by the same means by which the voting rights were exercised.</p>		
<p>If the notice of retraction is submitted after that time, the voting rights already exercised by correspondence or electronic means shall prevail. When a shareholder has exercised voting rights by correspondence or electronic means and by appointing a proxy to attend a shareholders meeting, the voting rights exercised by the proxy in the meeting shall prevail.</p>		
<p>5.8.2 (Omitted)</p>	<p>5.8.1 (Omitted)</p>	<p>Changes in article numbers</p>
<p>5.8.3 Unless otherwise provided in the Company Act and Articles of Incorporation, the adoption of resolution shall be approved by the majority of voting rights represented by the attending shareholders. When voting, the</p>	<p>5.8.2 Unless otherwise provided in the Company Act and Articles of Incorporation, the adoption of resolution shall be approved by the majority of voting rights represented by the attending shareholders.</p>	<p>Changes in article numbers and wordings</p>

After the Amendment	Before the Amendment	Description
<p>Chairman or designated person shall announce the total number of voting rights represented by attending shareholders proposal-by-proposal before shareholders cast their votes proposal-by-proposal. The number of votes for, against and abstained shall be released in the Market Observation Post System website on the same day as the shareholders' meeting.</p>		
<p>5.8.4 (Omitted)</p>	<p>5.8.3 (Omitted)</p>	<p>Changes in article numbers</p>
<p>5.9 Shareholders shall not participate in voting on agenda items of which they have a personal interest and may impair the interest of the Company, and shall not exercise the voting rights as proxy for other Shareholders. The number of shares for which voting rights may not be exercised under the preceding paragraph shall not be calculated as part of the voting rights represented by attending shareholders.</p>	<p>5.9 Shareholders shall not participate in voting on agenda items of which they have a personal interest and may impair the interest of the Company, and shall not exercise the voting rights as proxy for other Shareholders.</p>	<p>Changes in wordings</p>
<p>5.11 The process of shareholders' meeting shall be tape-recorded or videotaped and kept for at least one year. If, however, a shareholder files a lawsuit based on Article 189 of the Company Act, the recordings shall be retained until the conclusion of the litigation.</p>	<p>5.11 The process of shareholders' meeting shall be tape-recorded or videotaped and kept for at least one year.</p>	<p>Changes in wordings</p>
<p>5.13 When the meeting is in progress, the chairman may announce a break at his/her discretion. If force majeure events occur, the chairman may decide to temporarily suspend the meeting and announce the time to resume the meeting depending on the situation. If the meeting venue becomes</p>	<p>5.13 When the meeting is in progress, the chairman may announce a break at his/her discretion.</p>	<p>Changes in wordings</p>

After the Amendment	Before the Amendment	Description
<p>unavailable before meeting agenda (including special motions) has been completed, another venue can be used to resume the meeting upon resolution at the shareholders' meeting.</p> <p>The shareholders' meeting may resolve to postpone or resume the meeting within five days in accordance with Article 182 of the Company Act.</p>		

PChome Online Inc.
Rules Governing the First-time Issuance of New Shares for Employee Restricted Stock Awards in 2020

Article 1. Purpose

To attract and retain required talents and enhance employee loyalty and sense of belong to jointly create profits for the Company and shareholders, the Company formulates the Rules Governing the First-time Issuance of New Shares for Employee Restricted Stock Awards pursuant to Article 267 of the Company Act and the "Regulations Governing the Offering and Issuance of Securities by Securities Issuers" released by the Financial Supervisory Commission.

Article 2. Issuance Period

Once the filing to competent authorities was approved, the issuance can be completed in one or more tranches within one year. The actual date of issuance is authorized by the Board of Directors to be determined by the Chairman.

Article 3. Employee Qualifications and the Number of RSAs Granted

- (I) The new shares for RSA can only be granted to regular employees of the Company.
- (II) Employees granted the new shares for RSA and the actual number granted is determined based on employees' seniority, rank, work performance, overall contributions, special achievement and other conditions to be considered in term of management. Upon Chairman's approval, the RSA proposal shall be submitted to the Board of Directors for approval. However, RSAs for managers shall be approved by the Compensation Committee first.
- (III) Pursuant to Article 56-1 of the "Regulations Governing the Offering and Issuance of Securities by Securities Issuers", the cumulative number of shares subscribable by a single warrant holder of the employee stock warrants, in combination with the cumulative number of new shares for RSA obtained by the single warrant holder, may not exceed 0.3 percent of the Company's total issued shares. And the above in combination with the cumulative number of shares subscribable by the single warrant holder of employee stock warrants issued by the Company under Paragraph 1, Article 56 may not exceed 1 percent of the Company's total issued shares". However, with special approval from the central authority in charge of the business, the total number of employee stock warrants and new shares for RSA obtained by an employee may be exempted from the aforementioned restrictions.

Article 4. Total Amount Issued

The Company will issue 1,100,000 common shares with a par value of NT\$10 per share. The total amount issued equals NT\$11 million.

Article 5. Issuance Terms

(I) Issue price: Shares will be issued at NT\$0 per share, as bonus shares to employees.

(II) Vested conditions:

The new shares for RSA will be vested in three years. Performance is assessed when the financial statements of the previous year are issued (before March 31 of each year).

The Company's financial performance is assessed based on revenue growth rate and after-tax earnings per share while individual work performance is assessed in accordance with the Company's performance assessment rules.

The vested conditions are as follows:

(A) Conditions on Company financial performance:

The Company's performance standards for reviews conducted when the annual financial statements are issued after the grant date (issuance date) are as follows:

1. Revenue growth rate: Revenue of the year shall grow by 10% or more comparing to the average revenue of the previous three years.
2. Earnings Per Share (EPS):
 - 2020 EPS shall be NT\$3.0 or above
 - 2021 EPS shall be NT\$3.6 or above
 - 2022 EPS shall be NT\$4.3 or above

Where both conditions of revenue growth rate and EPS are met, 100% of the RSAs for the period will be vested. If only one condition is satisfied, 50% of the RSAs for the period will be vested. However, before calculating EPS for the year, if there are changes in the number of common shares issued, the EPS target may be adjusted according to the percentages of changes.

(B) Conditions on individual work performance of employee:

An employee who remains employed at the Company one, two and three years after the grant date of RSAs and does not violate any of the Company's labor contract, work rules or regulations as well as has personal performance satisfying the target performance set by the Company during the one-year period prior to the end of the period.

Where the Company's financial performance and employee's personal performance meet the aforementioned standards in the first year, 40% of the RSAs will be vested one year after the grant date. Where the Company's financial performance and employee's personal performance meet the aforementioned standards in the second year, 30% of the RSAs will be vested. Where the Company's financial performance and employee's personal performance meet the aforementioned standards in the third year, 30% of the RSAs will be vested.

After being granted new shares for RSA, if employees violate the Rules, trust contract, labor contract, work rules, etc., the Company has the right to reclaim the unvested RSAs (including stock dividends received and other related rights) without cost and cancelled them.

(III) Type of shares issued: New common shares of the Company.

- (IV) Measures taken when the employees have not met the vesting conditions or when inheritance occurs:
1. Resignation (voluntary / retirement / severance / dismissal):
Unvested new shares for RSA are deemed as not satisfying the vesting conditions upon the resignation date. The Company will reclaim these shares without cost and cancel them in accordance with laws and regulations.
 2. Unpaid leave:
With regards to unvested new shares for RSA, their rights are restored upon the reinstatement date; however, the vesting conditions shall be deferred by the period of unpaid leave.
 3. General death:
Unvested new shares for RSA are deemed as not satisfying the vesting conditions upon the date of death. The Company will reclaim these shares without cost and cancel them in accordance with laws and regulations.
 4. Occupational accident:
For employees who are unable to carry out their duties or death due to disabilities as a result of occupational accidents, the unvested new shares for RSA are calculated according to the proportion of the period of service, after the company's financial performance satisfying the target and reaches the standard
 5. Transfer:
If employees are transferred to affiliated companies or other companies (except for subsidiaries), their new shares for RSA shall be handled in the same manner as "resignation" in Subparagraph 1 of this Paragraph. However, if, for operational needs, employees are assigned by the Company to be transferred to the Company's affiliated companies or other companies, their new shares for RSA granted would not be affected by the transfer.
- (V) For new shares which have met the vesting conditions and can be granted, employees or their heirs shall receive the grants in accordance with the Rules and the trust agreement set out in Paragraph 1, Article 6. Procedures associated with receiving the grant shall be completed within 1 year after notification is delivered by the Company in accordance with the Rules. Employees or their heirs failing to complete the procedures on time are deemed as refusing to accept the grant. The Company has the right to reclaim these shares without cost and cancel them.

Article 6. Restrictions on the rights of unvested RSA:

- (I) New shares for RSA issued under the Rules will be deposited in trust accounts in the names of employees for safekeeping. Restrictions on the rights of unvested RSA are as follows:
1. Except for inheritance, the new shares for RSA shall not be sold, collateralized, transferred, bestowed, pledged, or disposed of by other means.
 2. The rights to attend, propose, speak and vote in the shareholders' meetings and any other rights of shareholders are entrusted to the custodian to be exercised in accordance with contracts.
- (II) Except for restrictions from the trust agreement, before the new shares for RSA can satisfy the vesting conditions, their other rights, including but not limited to: dividends, bonuses, allotment rights of capital surplus, and subscription rights in capital increased by cash, are

the same as the Company's common shares.

Article 7. Measures taken when employees fail to meet the vesting conditions

After receiving new shares for RSA, if employees fail to meet the vesting conditions, the unvested RSAs (including stock dividends received and other related rights) will be reclaimed without cost and cancelled by the Company.

Article 8. Procedures for the Grant of New Shares

- (I) When employees receive the new shares for RSA, the Company will enter the number of shares received in the Company's shareholder's register, and then deliver the Company's newly issued common shares or certificates of new shares by book-entry transfer. Also, in accordance with the trust agreement, the new shares are deposited in trust accounts for safekeeping before vesting conditions are satisfied.
- (II) The Company shall apply for amendment registration in accordance with laws and regulations in respect of new shares issued under the Rules.

Article 9. Agreement and Confidentiality

- (I) Once the number of new shares issued for RSA, subscription prices, allocation standards and grantee are confirmed, the department in charge will inform employees to sign the RSA Agreement. Employees fail to sign the agreement as required will be deemed to forfeit the RSA.
- (II) Employees receiving the new shares for RSA shall comply with the confidentiality requirement. They shall not disclose the quantities of shares received nor any associated particulars unless required by laws, regulations or the competent authority. Where the employees violate the Rules and the violations are deemed significant by the Company, the employees would immediately be disqualified to receive the unvested new shares for RSA. The Company has the right to reclaim without cost and cancel them.

Article 10. Additional Notes

- (I) When new shares for RSA are under the trust agreements, the Company can fully represent its employees in dealing with the stock trust agency concerning the following transactions: including but not limited to the negotiation, signing, amendment, extension, cancellation, termination of trust contracts, as well as instructions on the transfer, use and disposal of trust property.
- (II) The issuance of new shares for RSA is conducted through custodial trust of the shares. Prior to meeting the vesting conditions, employees shall not, for any reason or by any mean, ask the trustees to return the new shares for RSA.
- (III) The Rules is approved by a resolution adopted by the majority of attending Directors which represents more than two-thirds of all Directors. The Chairman is authorized to make necessary amendments caused by changes in laws and regulations, requests from competent authorities for their reviews or changes in the objective environment prior to the issuance. Those amendments shall be approved by the Board of Directors before new shares for RSA can be issued.
- (IV) Issues not covered by the Rules shall be handled according to relevant laws and regulations.

PChome Online Inc.
Rules of Procedure for Shareholders' Meetings (before amendment)

1. Purpose

To ensure that the shareholders' meetings of the Company can operate smoothly, the Rules of Procedure for Shareholders' Meeting (the "Rules") is established in accordance with the Official Letter (86) Taiwan-Finance-Securities-(III)-04109 issued by the Securities and Futures Commission of the Ministry of Finance.

2. Scope of application

The Rules are applicable to shareholders' meeting of the Company.

3. Definition of terms

3.1 The term "shareholders" used in the Rules refers to shareholders as set out in the shareholders' register or their appointed proxies.

4. Related documents

None

5. Operating procedures

5.1 The shareholders' meeting is presided by the Chairman of the Board of Directors (the "Board") is convened by the Board. If the Chairman is on leave or is unable to exercise power, the Vice Chairman of the Board shall stand proxy. If there is no Vice Chairman of the Board or the Vice Chairman is also on leave or unable to exercise power, the Chairman may appoint one of managing Directors to stand proxy. If there is no managing Director, the Chairman may appoint one Director to stand proxy. If the Chairman does not appoint a proxy, the managing Directors or Directors shall elect one person from among themselves to preside at the meeting. If the shareholders' meeting is convened by any other party entitled to convene the meeting, the convening party shall preside at the meeting.

5.2 The shareholders' meeting shall be convened at the premises of the Company or an appropriate venue convenient for shareholders to attend. The meeting shall begin no earlier than 9 a.m. or no later than 3 p.m.

5.3 Shareholders' meeting agenda items

5.3.1 The Board shall set the meeting agenda items. The meeting shall proceed according to the agenda which shall not be changed without a resolution of the shareholders' meeting.

5.3.2 Rule 5.3.1 applies mutatis mutandis to the shareholders' meeting convened by a party entitled to convene other than the Board.

5.3.3 The chairman shall not announce adjournment of the meeting before completion of the agenda (including special motions) referred to in 5.3.1 and 5.3.2 unless otherwise resolved at the shareholders' meeting.

5.3.4 After the meeting is adjourned, the shareholders shall not elect another chairman to continue the meeting at the original or another venue.

5.4 When the shareholders (or their appointed proxies) attend the shareholders' meeting, they shall sign on the attendance booklet or hand in the attendance cards in lieu of signing in and

complete the registration procedures. The attendance and voting at the shareholders' meeting shall be calculated based on the number of shares.

5.5 The chairman shall call the meeting to order at the scheduled time. When the majority of the total number of issued shares is not represented by the attending shareholders, the chairman may announce to postpone the meeting. The postponement is limited to two times with a combined duration of less than one hour. If the quorum is not met after two postponements, but one-third or more of the total number of issued shares are represented by the attending shareholders, tentative resolutions may be made pursuant to Paragraph 1 of Article 175 of the Company Act. If the attending shareholders represent the majority of the total number of issued shares before the conclusion of the meeting, the chairman may resubmit the tentative resolutions for voting at the shareholders' meeting pursuant to Article 174 of the Company Act.

5.6 Speech of the attending shareholders

5.6.1 Before speaking, the attending shareholders shall complete the speaker's slip indicating the shareholder's account number (or the number of attendance card) and account name. The sequence of speeches shall be determined by the chairman.

5.6.2 If the attending shareholder submits a speaker's slip without speaking, it shall be deemed as making no speeches. If the contents of speech are inconsistent with the contents of speaker's slip, the contents of speech shall prevail.

5.6.3 When the attending shareholders speak, other shareholders shall not interrupt the speech unless they are permitted by the chairman and the speaking shareholder. Otherwise, the chairman shall stop such interruption.

5.6.4 The shareholder's speech is limited to five minutes each time and may be extended by three minutes upon consent of the chairman. The extension is limited to one time.

5.6.5 The shareholder shall not make a speech concerning the same proposal for more than two times. If the Shareholder's speech exceeds the time limit or is beyond the scope of the agenda item, the chairman may stop the speech. If a shareholder continues to violate the Rules after being corrected, the chairman may direct the disciplinary officers (or security guards) to assist with maintaining order at the meeting.

5.6.6 When a juristic person is appointed to attend the shareholders' meeting, it may designate only one person to attend on its behalf. If a corporate shareholder appoints two or more representatives to attend the shareholders' meeting, only one representative may speak for each agenda item.

5.6.7 After the attending shareholder has spoken, the chairman may respond in person or appoint an appropriate person to respond.

5.7 When the chairman is of the opinion that a proposal has been discussed sufficiently to put it to a vote, he/she shall announce the discussion closed and call for a vote. The proposal shall be deemed adopted if all attending shareholders are solicited by the chairman and no objection is voiced. Its validity is the same as voted by casting ballots.

5.8 Voting on proposals

5.8.1 The ballot supervisors and ballot counters of proposal voting shall be appointed by the chairman, but the ballot supervisors shall be shareholders. The voting results shall be announced at the meeting and recorded in the minutes.

- 5.8.2 Unless otherwise provided in the Company Act and Articles of Incorporation, the adoption of resolution shall be approved by the majority of voting rights represented by the attending shareholders.
- 5.8.3 When there is an amendment or an alternative to a proposal, the chairman shall present the amendment or alternative together with the original proposal and decide their voting orders. If one proposal among them has been adopted, the others shall be deemed overruled and no further voting is required.
- 5.9 Shareholders shall not participate in voting on agenda items of which they have a personal interest and may impair the interest of the Company, and shall not exercise the voting rights as proxy for other Shareholders.
- 5.10 The Company may appoint designated attorneys, certified public accountants or related persons to attend the shareholders' meeting. The staff involved in the meeting affairs shall wear identification cards or armbands.
- 5.11 The process of shareholders' meeting shall be tape-recorded or videotaped and kept for at least one year.
- 5.12 The meeting shall be suspended if an air-raid drill starts for shareholders to evacuate. Meeting would resume one hour after the completion of drill.
- 5.13 When the meeting is in progress, the chairman may announce a break at his/her discretion.
- 5.14 Any other matters not set forth in the Rules shall be subject to the Articles of Incorporation, Company Act and other applicable rules and regulations.
- 5.15 The Rules and any amendment hereto shall take effect after adoption by the shareholders' meeting.

**PChome Online Inc. Articles of Incorporation
(before amendment)**

Appendix II

Chapter I General Provisions

Article 1. The Company is incorporated as a company limited by shares in accordance with the Company Act and is named 網路家庭國際資訊股份有限公司 in the Chinese language and PChome Online Inc. in the English language.

Article 2. The Company's business scope is as follows:

The Company's business scope is as follows:

- | | | |
|----|---------|---|
| 1 | E605010 | Computing Equipment Installation Construction |
| 2 | E701040 | Basic Telecommunications Equipment Construction |
| 3 | F113050 | Wholesale of Computing and Business Machinery Equipment |
| 4 | F113070 | Wholesale of Telecom Instruments |
| 5 | F118010 | Wholesale of Computer Software |
| 6 | F119010 | Wholesale of Electronic Materials |
| 7 | F201010 | Retail Sale of Agricultural Products |
| 8 | F201020 | Retail Sale of Husbandry Products |
| 9 | F201050 | Retail Sale of Fishing Tackles |
| 10 | F201070 | Retail Sale of Flowers |
| 11 | F201090 | Retail Sale of Aquarium Fishes |
| 12 | F202010 | Retail Sale of Animal Feeds |
| 13 | F203010 | Retail Sale of Food and Grocery |
| 14 | F203020 | Retail Sale of Tobacco and Alcoholic Beverages |
| 15 | F204110 | Retail Sale of Cloths, Clothes, Shoes, Hat, Umbrella and Apparel, Clothing Accessories and Other Textile Products |
| 16 | F205040 | Retail Sale of Furniture, Bedclothes, Kitchen Equipment and Fixtures |
| 17 | F206020 | Retail Sale of Articles for Daily Use |
| 18 | F206050 | Retail of Pet Food and Appliances |
| 19 | F207030 | Retail Sale of Cleaning Preparations |
| 20 | F208031 | Retail Sale of Medical Equipment |
| 21 | F208040 | Retail Sale of Cosmetics |
| 22 | F208050 | Retail Sale of the Second Type Patent Medicine |
| 23 | F209060 | Retail Sale of Stationery Articles, Musical Instruments, and Educational Entertainment Articles |
| 24 | F210010 | Retail Sale of Watches and Clocks |
| 25 | F210020 | Retail Sale of Spectacles |
| 26 | F213030 | Retail Sale of Computing and Business Machinery Equipment |
| 27 | F213060 | Retail Sale of Telecom Instruments |

28	F214010	Retail Sale of Automobiles
29	F214020	Retail Sale of Motorcycles
30	F214030	Retail Sale of Motor Vehicle Parts and Supplies
31	F214040	Retail Sale of Bicycles and Parts
32	F215010	Retail Sale of Jewelry and Precious Spectacles Metals
33	F216010	Retail Sale of Photographic Equipment
34	F218010	Retail Sale of Computer Software
35	F219010	Retail Sale of Electronic Materials
36	F299990	Retail Sale of Other Retail Trade Not Elsewhere Classified
37	F301010	Department Stores
38	F301020	Supermarkets
39	F399010	Convenience Stores
40	F399040	Retail Business Without Shop
41	F399990	Retail Sale of Others
42	F401010	International Trade
43	F401021	Restrained Telecom Radio Frequency Equipment and Materials Import
44	F501030	Coffee/Tea Shops and Bars
45	F501050	Public Houses and Beer Halls
46	F501060	Restaurants
47	F601010	Intellectual Property
48	I102010	Investment Consultancy
49	I103060	Management Consulting Services
50	I105010	Artwork Consultation Services
51	I199990	Other Consultancy
52	I301010	Software Design Services
53	I301020	Data Processing Services
54	I301030	Digital Information Supply Services
55	I301040	The Third-party Payment Services
56	I401010	General Advertising Services
57	I401020	Leaflet Distribution
58	I501010	Product Designing
59	IE01010	Telecommunications Number Agencies
60	IZ03010	Clipping Services
61	IZ04010	Translation Services
62	IZ10010	Typesetting Services
63	IZ12010	Manpower Services

64	IZ13010	Internet Identify Services
65	IZ99990	Other Industry and Commerce Services Not Elsewhere Classified
66	J301010	Newspaper Publishers
67	J302010	Press Release
68	J303010	Magazine and Periodical Publication
69	J304010	Book Publishers
70	J305010	Audio Tape and Record Publishers
71	J602010	Agents and Managers for Performing Arts, Entertainers, and Models
72	J701020	Amusement Parks
73	J701040	Recreational Activities grounds and Facilities
74	J801030	Athletics and Recreational Sports Stadium
75	JA05010	Study Abroad Services
76	JB01010	Exhibition Services
77	JD01010	Industry and Commerce Credit Bureau Services
78	JE01010	Rental and Leasing Business
79	JZ99050	Agency Services
80	JZ99080	Beauty Shops
81	JZ99090	Joyous Events Services
82	G101061	Truck Freight Transportation
83	G801010	Warehousing and Storage
84	IZ06010	Cargoes Packaging
85	G799990	Other Supporting Services to Transportation
86	ZZ99999	All business items that are not prohibited or restricted by law, except those that are subject to special approval.

Article 3. The total reinvestment of the Company shall not be limited to less than 40% of paid-up capital and the Company may provide endorsement and guarantee to external parties.

Article 4. The Company is located in Taipei City and may, if necessary, set up branch offices in other appropriate locations upon resolution of the Board of Directors (the "Board").

Article 5. Deleted.

Chapter II Capital Stock

Article 6. The total amount of the Company's capital stock is NT\$2,000,000,000, which is divided into 200,000,000 shares at a par value of NT\$10 each. The Board is authorized to issue the unissued shares as common or preferred stocks by multiple installments. 20,000,000 shares of the aforementioned capital stock are retained for employees' stock options, preferred stocks with subscription rights, or corporate bonds with subscription rights. The Board is authorized to issue the unissued shares by multiple installments when needed.

The Company may grant employees' stock options, restricted stocks for employees, or the rights to subscript new shares issued to employees, or distribute or transfer shares repurchased pursuant to laws to employees. The said employees shall include ones in the controlling or affiliated companies who met certain conditions.

The rights, obligations, and important issuance terms of the Company's preferred stocks are as follows:

- I. The Company shall apply the current year's earnings, if any, to pay for taxes as stipulated by laws and regulations, offset accumulated losses of previous years, and allocate a portion as legal reserve pursuant to laws and regulations. Next, special reserve is appropriated or reversed pursuant to the Articles of Incorporation. The remaining earnings, if any, are allocated as preferred stock dividends for the year.
- II. The dividend rate of preferred stocks is capped at 8% per annum and is calculated based on the issuance price. Dividends are to be distributed in the form of cash each year. Once the Company's financial reports are ratified in the annual shareholders' meeting, the Board will set the record date for the distribution of previous year's dividends payable. Dividends in the year of issuance and redemption are calculated based on the preferred stocks' actual number of outstanding days.
- III. The Company has discretion over the distribution of preferred stock dividends. If the Company did not generate any or sufficient profits during the year for the distribution of preferred stock dividends, it may resolve not to pay out the dividends and preferred stockholders have no rights to object. The preferred stocks issued are non-cumulative, i.e., the undistributed dividends or shortages in dividends distributed shall not be accumulated and paid in subsequent years when profits are generated.
- IV. The preferred stocks issued are non-participating. Except for dividends specified in Subparagraph 2 of this Paragraph, preferred stockholders cannot participate in common stocks' distribution of cash or stock dividends from earnings or capital surplus.
- V. For cash offering of new shares, the preferred stockholders have the same preemptive rights as the common stockholders.
- VI. Preferred stockholders have a higher claim to the Company's residual properties than common stockholders. Different types of preferred stocks issued by the Company grant holders the same rights to claims, and preferred stockholders stay subordinate to general creditors. The amount preferred stockholders are entitled to is capped at the product of number of outstanding preferred stocks at the time of distribution and issuance price.
- VII. Preferred stockholders have neither voting nor election rights. However, they may be elected as Directors or Supervisors. They have voting rights in preferred

stockholders' meetings or with respect to agendas associated with the rights and obligations of preferred stockholders in shareholders' meetings.

VIII. Preferred stocks issued by the Company are convertible and they cannot be converted within one year from the issuance date. The Board of Directors is authorized to set the convertible period in the actual issuance terms. Based on the issuance terms, holders of convertible preferred stocks may apply to convert all or a part of preferred stocks held at the conversion ratio of one preferred stock for one common stock (The conversion ratio is 1:1). Once converted, the rights and obligations of the converted stocks are identical to that of common stocks. Dividend distribution at the conversion year shall be calculated based on the ratio of actual issuance days to total days of the conversion year. However, preferred stockholders who convert their stocks prior to the ex-dividend date cannot participate in the preferred stock dividends of that year and all subsequent year. Nevertheless, they may participate in the distribution of profit and capital surplus for common stocks.

IX. Preferred stocks have no maturity dates and preferred stockholders have no rights to request the Company to redeem those stocks. However, the Company may redeem all or a part of preferred stocks in cash, by compulsory conversion into new shares or by other means permissible by laws based on the issuance price and by relevant issuance terms at any time starting from the date after the stocks have been issued for three years. The unredeemed preferred stocks continue to have the rights and obligations stipulated in this Article until they are redeemed by the Company. If the Company's shareholders' meeting resolves to distribute dividends in the year when preferred stocks are redeemed, dividends payable up to the redemption date shall be calculated based on the preferred stocks' number of outstanding days in the redemption year.

X. The Board of Directors is authorized to list the preferred stocks or the common stocks converted at the TPEX depending on the Company and market conditions. The Board of Directors is authorized to set the name, issuance date and terms, and other relevant matters of the preferred stocks at the time of issuance based on the market conditions and investors' subscription interests, in accordance with the Company's Articles of Incorporation and applicable laws and regulations.

Article 7. The shares of the Company shall be issued after signed or sealed by Directors representing the Company and certified in accordance with applicable laws and regulations.

Article 7-1 Share certificates issued by the Company are exempted from printing; however, they shall be registered in the central securities depository.

Article 8. The shareholders of the Company shall use their own names. Where an institution or a juristic person is a shareholder, it shall use its name as records instead of registering another name or only a representative.

Article 9. Shareholder services of the Company are handled in accordance with the Company Act, "Regulations Governing the Administration of Shareholder Services of Public Companies" and relevant laws and regulations promulgated by the competent authorities.

Article 10. Registration for share transfer shall be suspended sixty days before the date of annual general shareholders' meeting, and thirty days before the extraordinary shareholders' meeting, or within five days before the day on which the Company determines to pay dividends, bonuses, or any other benefits.

Chapter III Shareholders' Meeting

Article 11. The shareholders' meetings of the Company are classified into two types. The general meeting shall be annually convened by the Board within six months from the end of each fiscal year in accordance with the relevant laws and regulations. The extraordinary meeting shall be convened in accordance with the relevant laws and regulations, whenever is necessary. The preferred stockholders' meeting shall be convened in accordance with the relevant laws and regulations, whenever is necessary.

Article 12. Written notices shall be sent to all shareholders thirty days prior to the general meeting and fifteen days prior to the extraordinary meeting. The notice shall specify the date, place, and reasons to convene.

Article 13. The resolutions of shareholders' meeting, unless otherwise stated in the relevant laws and regulations, shall be agreed by the majority of votes represented by the attending shareholders or proxies who represents the majority of the total number of issued shares.

Article 14. Shareholders of the Company are entitled to one vote for each share held. However, this shall not apply to Company's shares held by its own pursuant to laws and regulations.

Article 15. Shareholders may designate a proxy to attend the shareholders' meeting with a power of attorney issued by the Company in accordance with the Company Act and the Regulations Governing the Use of Proxies for Attendance at Shareholders' Meeting of Public Companies promulgated by the competent authority.

Article 16. The Chairman of the Board shall preside at the shareholders' meeting. When the Chairman is unable to attend, he/she may appoint one of the Directors to stand proxy. If the Chairman does not appoint a proxy, Directors shall elect a person from among themselves to preside at the meeting. If the shareholders' meeting is convened by a party other than the Board, the convening party shall preside at the meeting. When there are two or more convening parties, they shall elect a person from among themselves to preside at the meeting.

Article 17. The resolutions of the shareholders' meeting shall be recorded in the minutes. The minutes shall be signed or affixed to the meeting chairman's seal and be distributed to all shareholders within twenty days after the meeting. The distribution may be done via public announcement. The meeting minutes shall contain the essentials and results of the proceedings and be retained permanently by the Company together with the shareholders' attendance booklet and power of attorney.

Chapter IV Directors and Audit Committee

Article 18. The Company has nine Directors. The candidate nomination system is adopted pursuant to Article 192-1 of the Company Act. Shareholders shall elect from the list of candidates to serve a term of three years. Directors are eligible for re-election. The number of Independent Directors within the number of Directors in the preceding article shall be two at least and shall not be less than one-fifth of the total number of Directors. The election for independent and non-Independent Directors shall be held at the same time, but the numbers to be elected shall be calculated separately.

The majority of the Company's Directors shall not have one of the following relationships.

- I. Spouse
- II. Within Second-Degree of Kinship

The Board is delegated to determine the remuneration to Directors based on their involvement in the Company's business operation and their contributions to the Company with reference to the remuneration standard of the industry.

Article 19. The Board is composed of Directors. The Directors shall elect a Chairman from among themselves in the Board meeting with the consent of the majority of attending Directors, which represents more than two-thirds of all Directors. The Chairman shall have the authority to represent the Company.

When the vacancies on the Board exceed one-third of the total number of the Directors or all supervisors are dismissed, the Board shall convene an extraordinary shareholders' meeting within sixty days to elect new members to fill in the vacancies. The newly elected members shall serve the remaining term of the outgoing members.

Article 20. When the Chairman is on leave or unable to exercise power, his/her proxy shall be determined in accordance with Article 208 of the Company Act.

Article 21. The Board meeting shall be convened by the Chairman. Unless otherwise stipulated in the Company Act, resolutions in a Board meeting shall be adopted by the majority of attending Directors which represents the majority of all Directors. For Board meetings conducted through video-conferencing, a Director who participates through video-conferencing is deemed to attend in person.

If a Director is unable to attend the Board meeting for some reason, he/she shall authorize another Director to stand proxy with a power of attorney indicating the scope of authority with reference to the subjects to be discussed at the meeting. No Director may act as a proxy for more than one other Director.

Article 22. The Board shall exercise their powers pursuant to the Company Act and the authority granted by the shareholders' meeting.

Article 23. The discussion at the Board meeting shall be recorded in the minutes. The minutes shall be signed or affixed with the meeting chairman's seal and be retained by the Company.

Article 24. The Company establishes an Audit Committee in compliance with Article 14-4 of the Securities and Exchange Act. The Audit Committee shall consist of all Independent Directors and is responsible to carry out duties of supervisors stipulated in the Company Act, Securities, and Exchange Act and other laws and regulations. Matters concerning the Audit Committee members, the exercise of their powers and other compliance issues shall

be handled in accordance with relevant laws and regulations. Its organizational regulations shall be established separately by the Board.

The Company may establish a compensation committee or other functional committees in accordance with laws and regulations or business needs.

Article 25. Deleted.

Chapter V Managers

Article 26. The Company shall have several managers. Their appointment, dismissal, and remuneration shall be subject to Article 29 of the Company Act.

Chapter VI Accounting

Article 27. The Company's Board of Directors shall prepare (1) business report, (2) financial statements, and (3) profit distribution or deficit compensation proposal after the end of each fiscal year and forward them to the general meeting of shareholders for approval.

If the aforementioned earnings are to be distributed in the form of new shares, the Company shall comply with Article 240 of the Company Act. If they are to be distributed in the form of cash, the distribution is authorized to be approved by a resolution adopted by the majority of attending Directors which represents more than two-thirds of all Directors. In addition, the distribution proposal shall be submitted to the shareholders' meeting.

Article 28. When the Company makes a profit for the year, the compensation to employees shall be between 1% and 15% of the balance and the remuneration to the Directors shall not be higher than 1.5% of the balance. However, if the Company has an accumulated deficit, the profit shall cover the deficit before it can be distributed. Parties eligible to receive the said compensation in the form of stock or cash shall include employees in the controlling or affiliated companies who met certain conditions.

Article 28-1 The Company shall apply current year's earnings, if any, to pay for taxes first, offset losses in previous years and allocate 10% as a legal reserve unless the accumulated legal reserve has equaled the paid-up capital of the Company. The special reserve is appropriated based on the Company's operational needs and legal requirements. The remaining earnings, if any, are allocated as preferred stock dividends for the year. Remaining earnings, if any, would be combined with the unappropriated earnings at beginning of the period. The Board shall draft an earnings distribution proposal and submit it to the shareholders' meeting for resolution. With consent from the majority of attending Directors which represents more than two-thirds of all Directors, the Company may appropriate a part or all of dividends, bonuses, legal reserve or capital surplus to be distributed in the form of cash. In addition, the distribution proposal shall be submitted to the shareholders' meeting. The Company adopts the residual dividend policy as its dividend policy. The Company would calculate future capital requirements based on the capital budget for future periods and apply retained earnings to satisfy the capital requirement. Earnings remained would be distributed in the form of stocks and cash dividends. However, the stock dividends distributed shall not exceed eighty percent of the dividends for the year.

Chapter VII Additional Provisions

- Article 29. Rules governing the organization and the procedures of the Company shall be separately stipulated.
- Article 30. Matters not set forth in the Articles of Incorporation shall be subject to the Company Act and other laws and regulations.
- Article 31. The Articles of Incorporation was established on June 25, 1998. The first amendment was made on November 16, 1998. The second amendment was made on April 1, 1999. The third amendment was made on May 18, 1999. The fourth amendment was made on December 9, 1999. The fifth amendment was made on February 22, 2000. The sixth amendment was made on May 3, 2000. The seventh amendment was made on September 14, 2000. The eighth amendment was made on June 11, 2002. The ninth amendment was made on June 27, 2003. The tenth amendment was made on June 25, 2004. The eleventh amendment was made on June 26, 2006. The twelfth amendment was made on June 22, 2007. The thirteenth amendment was made on June 10, 2009. The fourteenth amendment was made on June 19, 2012. The fifteenth amendment was made on June 26, 2013. The sixteenth amendment was made on June 24, 2014. The seventeenth amendment was made on June 21, 2016. The eighteenth amendment was made on June 13, 2018. The nineteenth amendment was made on June 14, 2019.

PChome Online Inc. Shareholding of Directors

- I. The Company's total number of shares issued as of the book closure date of this annual shareholders' meeting (April 26, 2020):
117,159,446 common shares
- II. The minimum statutory shareholding of Directors: 8,000,000 shares
The number of shares held by all Directors on the register of shareholders as of the book closure date of this annual shareholders' meeting (April 16, 2020) has met the percentage requirement specified in Article 26 of the Securities and Exchange Act.
- III. Pursuant to Article 2 of the "Rules and Review Procedures for Director and Supervisor Share Ownership Ratios at Public Companies," if the Company has two or more Independent Directors, the shareholding percentage calculated at the rates set forth for all Directors, excluding the Independent Directors, shall be reduced to eighty percent.

Title	Name of Natural or Juristic Person	Appointment Date	Term	Shareholding at the Time of Appointment		Shareholding at of the Book Closure Date	
				No. of Shares	Shareholding Percentage	No. of Shares	Shareholding Percentage
Chairman of the Board	Hung-Tze Jan	2018.06.13	3 years	1,592,427	1.36%	1,627,427	1.39%
Director	Kevin Tsai	2018.06.13	3 years	1,461	0%	41,461	0.04%
Director	Jerry Hsu	2018.06.13	3 years	0	0%	0	0%
Director	Site Inc. Representative: Vicky Tseng	2018.06.13	3 years	18,907,864	16.14%	18,907,864	16.14%
Director	Site Inc. Representative: Johnson Fong	2018.06.13	3 years	Same as above	Same as above	Same as above	Same as above
Independent Director	Chang-Sung Yu	2018.06.13	3 years	0	0%	0	0%
Independent Director	Shao-Hua Huang	2018.06.13	3 years	0	0%	0	0%
Independent Director	Yuan Li	2018.06.13	3 years	0	0%	0	0%
Shareholding of all Directors						20,576,752	17.56%

Appendix IV

The Impact of Stock Dividend Issuance on Business Performance, Earnings per Share, and Shareholder Return Rate: Not Applicable.

Other Explanatory Items

Procedure regarding shareholder proposals of this shareholders' meeting

Explanatory Notes:

1. Pursuant to Article 172-1 of the Company Act, shareholders holding 1% or more of the total number of issued shares of a company may submit proposals in writing for discussion at annual shareholders' meeting. Each shareholder can submit only one proposal and the proposal shall be limited to 300 words.
2. Shareholders can submit proposals for 2020 annual shareholders' meeting from April 17, 2020, to April 27, 2020. Relevant information has been released in the Market Observation Post System website in accordance with relevant laws.
3. The Company did not receive any shareholder proposals.