

PCHOME ONLINE INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

**With Independent Auditors' Review Report
For the Three Months Ended March 31, 2020 and 2019**

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

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Independent Auditors' Review Report

To the Board of Directors of PChome Online Inc.:

Introduction

We have reviewed the accompanying consolidated balance sheets of the PChome Online Inc. and its subsidiaries (the "Group") of March 31, 2020 and 2019, and the consolidated statements of comprehensive income, changes in equity and cash flows for the three months then ended and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standards ("IASs") 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

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

Basis for Qualified Conclusion

As stated in Note 4(b), the consolidated financial statements included the financial statements of certain non-significant subsidiaries, which were not reviewed by independent auditors. These financial statements reflect the total assets amounting to \$1,404,988 thousand and \$989,099 thousand, each constituting 9% and 7% of the consolidated total assets as of March 31, 2020 and 2019, respectively; the total liabilities amounting to \$217,650 thousand and \$621,501 thousand, each constituting 2% and 6% of the consolidated total liabilities as of March 31, 2020 and 2019, respectively, and the total comprehensive loss amounting to \$20,494 thousand and \$39,595 thousand, constituting (37)% and (67)% of the consolidated total comprehensive income (loss) for the three months ended March 31, 2020 and 2019, respectively.

Furthermore, as stated in Note 6(f), the other equity accounted investments of the Group in its investee companies of \$33,698 thousand and \$50,439 thousand as of March 31, 2020 and 2019, respectively, and its share of loss of associates and joint ventures accounted for using equity method on these investee companies of \$3,981 thousand and \$4,804 thousand for the three months ended March 31, 2020 and 2019, respectively, were recognized solely on the financial statements prepared by these investee companies, but not reviewed by independent auditors.



Qualified Conclusion

Except for the adjustments, if any, as might have been determined to be necessary had the financial statements of certain consolidated subsidiaries and equity accounted investee companies described in the Basis for Qualified Conclusion paragraph above been reviewed by independent auditors, based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2020 and 2019, and of its consolidated financial performance and its consolidated cash flows for the three months then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IASs 34, “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

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

KPMG

Taipei, Taiwan (Republic of China)

May 13, 2020

(English Translation of Consolidated Financial Statements Originally Issued in Chinese.)
REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH GENERALLY ACCEPTED AUDITING STANDARDS

PCHOME ONLINE INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the three months ended March 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

		For the three months ended March 31,			
		2020		2019	
		Amount	%	Amount	%
4111	Sales revenue	\$ 10,842,164	102	9,334,088	101
4170	Less: Sales returns	162,646	2	131,879	1
	Operating revenue, net (Note (6)(t))	10,679,518	100	9,202,209	100
5000	Operating costs (Note (6)(e))	9,407,934	88	8,073,446	88
	Gross profit from operations	1,271,584	12	1,128,763	12
	Operating expenses:				
6100	Selling expenses	895,085	8	864,894	9
6200	Administrative expenses	96,122	1	77,388	1
6300	Research and development expenses	134,809	1	112,712	1
6450	Expected credit loss (Note (6)(d))	211	-	211	-
	Total operating expenses	1,126,227	10	1,055,205	11
	Net operating income	145,357	2	73,558	1
	Non-operating income and expenses (Note (6)(v)):				
7010	Other income	6,394	-	3,149	-
7020	Other gains and losses, net	14,122	-	356	-
7050	Finance costs	(15,155)	-	(16,151)	-
7060	Share of loss of associates and joint ventures accounted for using equity method, net	(3,981)	-	(4,804)	-
	Total non-operating income and expenses	1,380	-	(17,450)	-
	Profit from continuing operations before tax	146,737	2	56,108	1
7950	Less: Tax expense (Note (6)(p))	43,737	-	14,760	-
	Profit	103,000	2	41,348	1
	Other comprehensive income (loss):				
8310	Items that may not be reclassified subsequently to profit or loss				
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income (loss)	(55,151)	(1)	10,636	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	-	-
	Items that may not be reclassified subsequently to profit or loss	(55,151)	(1)	10,636	-
8360	Items that may be reclassified subsequently to profit or loss				
8361	Exchange differences on translation	8,009	-	7,185	-
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	8,009	-	7,185	-
	Other comprehensive income (loss), net of tax	(47,142)	(1)	17,821	-
8500	Total comprehensive income	\$ 55,858	1	59,169	1
	Profit (loss), attributable to:				
8610	Profit, attributable to owners of parent	\$ 103,064	2	49,145	1
8620	Loss, attributable to non-controlling interests	(64)	-	(7,797)	-
		\$ 103,000	2	41,348	1
	Comprehensive income attributable to:				
8710	Comprehensive income, attributable to owners of parent	\$ 56,280	1	66,261	1
8720	Comprehensive loss, attributable to non-controlling interests	(422)	-	(7,092)	-
		\$ 55,858	1	59,169	1
	Earnings per share (Note (6)(s))				
9750	Basic earnings per share (NT dollars)	\$ 0.88		0.42	
9850	Diluted earnings per share (NT dollars)	\$ 0.88		0.42	

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

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PCHOME ONLINE INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the three months ended March 31, 2020 and 2019
 (Expressed in Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of Parent							Total Equity Attributable to Owners of Parent	Non-Controlling Interests	Total Equity
	Share capital	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Retained Earnings	Exchange Differences on Translation of Foreign Statements	Other Equity Interest (losses) from financial assets measured at fair value through other comprehensive income			
Balance at January 1, 2019	\$ 1,171,595	2,507,423	408,184	4,120	(1,202,651)	11,524	33,538	2,933,733	489,811	3,423,544
Profit (loss) for the three months ended March 31, 2019	-	-	-	-	49,145	-	-	49,145	(7,797)	41,348
Other comprehensive income for the three months ended March 31, 2019	-	-	-	-	-	6,480	10,636	17,116	705	17,821
Total comprehensive income (loss) for the three months ended March 31, 2019	-	-	-	-	49,145	6,480	10,636	66,261	(7,092)	59,169
Changes in ownership interests in subsidiaries	-	951	-	-	-	-	-	951	(4,815)	(3,864)
Balance at March 31, 2019	\$ 1,171,595	2,508,374	408,184	4,120	(1,153,506)	18,004	44,174	3,000,945	477,904	3,478,849
Balance at January 1, 2020	\$ 1,171,595	1,722,411	-	-	100,564	(24,825)	73,025	3,042,770	724,314	3,767,084
Profit (loss) for the three months ended March 31, 2020	-	-	-	-	103,064	-	-	103,064	(64)	103,000
Other comprehensive income (loss) for the three months ended March 31, 2020	-	-	-	-	-	8,367	(55,151)	(46,784)	(358)	(47,142)
Total comprehensive income (loss) for the three months ended March 31, 2020	-	-	-	-	103,064	8,367	(55,151)	56,280	(422)	55,858
Cash dividends of ordinary share	-	-	-	-	(82,012)	-	-	(82,012)	-	(82,012)
Changes in ownership interests in subsidiaries	-	27	-	-	-	-	-	27	-	(10,922)
Balance at March 31, 2020	\$ 1,171,595	1,722,438	-	-	121,616	(16,458)	17,874	3,017,065	712,940	3,730,005

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PCHOME ONLINE INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the three months ended March 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

	For the three months ended March 31,	
	2020	2019
Cash flows from operating activities:		
Profit before tax	\$ 146,737	56,108
Adjustments:		
Adjustments to reconcile profit:		
Depreciation expense	174,779	176,865
Amortization expense	7,475	6,735
Expected credit loss	211	211
Net gain on financial assets at fair value through profit or loss	(12,494)	-
Interest expense	15,155	16,151
Interest income	(2,703)	(2,450)
Share-based payments of subsidiaries	658	953
Share of loss of associates and joint ventures accounted for using equity method	3,981	4,804
Gain on disposal of property, plant and equipment	-	(4)
Gain on lease modification	(50)	-
Total adjustments to reconcile profit	<u>187,012</u>	<u>203,265</u>
Changes in operating assets and liabilities:		
Changes in operating assets:		
Notes receivable	(120)	(1,358)
Accounts receivable	1,130	115,543
Lease receivable	742	-
Other receivable	(139,233)	(115,979)
Inventories	649,837	197,395
Other current assets	(37,494)	(13,146)
Other financial assets	20,225	(14,516)
Current asset recognized as right to recover products from customers	529	5,459
Total changes in operating assets	<u>495,616</u>	<u>173,398</u>
Changes in operating liabilities:		
Contract liabilities	42,113	(11,900)
Notes payable	212	402
Accounts payable	124,496	(29,372)
Other payable	(77,174)	(120,127)
Receipts under custody	60,868	(45,782)
Other current liabilities	(16,810)	177,588
Net defined benefit liabilities	(402)	(412)
Current refund liabilities	239	(5,816)
Other non-current liabilities	(28)	(348)
Total changes in operating liabilities	<u>133,514</u>	<u>(35,767)</u>
Total changes in operating assets and liabilities	<u>629,130</u>	<u>137,631</u>
Total adjustments	<u>816,142</u>	<u>340,896</u>
Cash flow generated from operations	962,879	397,004
Interest received	1,950	3,579
Interest paid	(15,278)	(15,468)
Income taxes paid	(447)	(446)
Net cash flows from operating activities	<u>949,104</u>	<u>384,669</u>
Cash flows used in investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	-	(10,000)
Acquisition of financial assets designated at fair value through profit or loss	(1,020)	(21,616)
Acquisition of investments accounted for using equity method	-	(27,460)
Increase in prepayments for investments	(7,500)	-
Acquisition of property, plant and equipment	(28,389)	(24,651)
Proceeds from disposal of property, plant and equipment	-	3
Decrease in refundable deposits	(4,108)	-
Acquisition of intangible assets	(12,726)	(9,722)
Other non-current assets	(7,581)	(29,736)
Net cash flows used in investing activities	<u>(61,324)</u>	<u>(123,182)</u>
Cash flows from financing activities:		
Short-term borrowings	(25,000)	200,000
Repayments of long-term borrowings	(50,000)	-
Payment of lease liabilities	(125,189)	(125,907)
Net cash flows from financing activities	<u>(200,189)</u>	<u>74,093</u>
Effect of exchange rate changes on cash and cash equivalents	459	3,325
Net increase in cash and cash equivalents	<u>688,050</u>	<u>338,905</u>
Cash and cash equivalents at beginning of period	6,869,004	6,881,162
Cash and cash equivalents at end of period	<u>\$ 7,557,054</u>	<u>7,220,067</u>

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

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PCHOME ONLINE INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2020 AND 2019

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

(1) Organization and Business

PChome Online Inc. (the Company) was incorporated on July 14, 1998. The primary business scope of the Company and its subsidiaries (together referred to as the Group) includes software design, digital information supply, data processing, and wholesaling and retailing of office machinery, equipment, and information software.

On August 30, 2004, the board of directors of the GreTai Securities Market approved the Company's application for stock listing, and it became officially listed and traded on January 25, 2005.

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

These consolidated financial statements were authorized for issue by the Board of Directors on May 13, 2020.

(3) New Standards and Interpretations Not Yet Adopted:

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

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2020.

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020
Amendments to IFRS 9, IAS39 and IFRS7 "Interest Rate Benchmark Reform"	January 1, 2020
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020

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

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

As of the date, the following IFRSs that have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"	Effective date to be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2022

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PCHOME ONLINE INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2020 AND 2019

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

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

(4) Summary of Significant Accounting Policies

(a) Statement of compliance

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

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

Except the following accounting policies mentioned below, the significant accounting policies adopted in the consolidated interim financial statements are the same as those in the consolidated financial statement for the year ended December 31, 2019. For the related information, please refer to note 4 of the consolidated financial statements for the year ended December 31, 2019.

(b) Basis of consolidation

1. List of subsidiaries in the consolidated financial statements:

Name of investor	Name of subsidiary	Principal activity	Shareholding			Note
			2020.3.31	2019.12.31	2019.3.31	
The Company	PChome Store Inc.	Internet services	34.35 %	34.35 %	34.35 %	Note 2
"	Linktel Inc.	Type II Telecommunications Business	100.00 %	100.00 %	100.00 %	Note 1
"	PChomePay Inc.	Online payment processing services	55.06 %	55.06 %	21.18 %	
"	IT Home Publications Inc.	Magazine publication	100.00 %	100.00 %	100.00 %	Note 1
"	PChome US Inc.	E-commerce platform	91.97 %	91.97 %	91.97 %	"
"	PC Home Online International Co., Ltd.	International trade and investment activities	100.00 %	100.00 %	100.00 %	"
"	eCommerce Group Co., Ltd.	Investment activities	100.00 %	100.00 %	100.00 %	

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PCHOME ONLINE INC. AND SUBSIDIARIES**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****MARCH 31, 2020 AND 2019****(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

Name of investor	Name of subsidiary	Principal activity	Shareholding			Note
			2020.3.31	2019.12.31	2019.3.31	
The Company	Pi Mobile Technology Inc.	Online payment processing services	100.00 %	100.00 %	100.00 %	
"	PChome (Thailand) Co., Ltd.	E-commerce platform	65.00 %	65.00 %	65.00 %	Note 1
"	PChome Travel Inc.	Travel agency business	100.00 %	100.00 %	100.00 %	"
"	PChome Financial Technology Inc.	Information service	100.00 %	100.00 %	100.00 %	"
"	PChome Holding Inc.	Investment activities	100.00 %	100.00 %	100.00 %	
"	PChome Express Co., Ltd.	Transportation and logistics	100.00 %	100.00 %	100.00 %	
"	Chunghwa PChome Fund 1 Co., Ltd.	Investment activities	50.00 %	50.00 %	50.00 %	Note 1
"	Cornerstone Ventures Co., Ltd.	"	51.00 %	51.00 %	51.00 %	"
"	PChome CB Co., Ltd.	E-commerce cross-border services	70.00 %	70.00 %	- %	Notes 1 and 3
"	Mitch Co., Ltd.	Clothing sales	60.00 %	60.00 %	- %	Notes 1 and 7
PChome eBay Co., Ltd.	PChomePay Inc.	Online payment processing services	24.14 %	24.14 %	24.14 %	
"	PChome Store Inc.	Internet services	22.16 %	22.16 %	22.16 %	Note 2
PChome Store Inc.	PChomePay Inc.	Online payment processing services	- %	- %	33.88 %	
PChomePay Inc.	Pay and Link Inc.	Electronic payment business	100.00 %	100.00 %	100.00 %	
"	Zhen Jin Lian International Co., Ltd.	Online payment processing services	100.00 %	100.00 %	100.00 %	Note 1
"	Yin Te Lian International Co., Ltd.	"	100.00 %	100.00 %	100.00 %	"
"	Yun Tung Bao International Co., Ltd.	"	100.00 %	100.00 %	100.00 %	"
IT Home Publications Inc.	Yiabi Inc.	Information processing and provision of electronic information	- %	- %	100.00 %	Note 8
PC Home Online International Co., Ltd.	PChome Online Inc.	International trade and investment activities	100.00 %	100.00 %	100.00 %	Note 1
eCommerce Group Co., Ltd.	Ruten Global Inc.	Investment activities	100.00 %	100.00 %	100.00 %	
PChome Online Inc.	PC Home Online (HK) Ltd.	Information service and indirect investment activities	100.00 %	100.00 %	100.00 %	Note 1

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PCHOME ONLINE INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2020 AND 2019

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

Name of investor	Name of subsidiary	Principal activity	Shareholding			Note
			2020.3.31	2019.12.31	2019.3.31	
Ruten Global Inc.	EC Global Limited	Investment activities	100.00 %	100.00 %	100.00 %	Note 1
"	PChome eBay Co., Ltd.	Information processing and provision of electronic information	65.00 %	65.00 %	65.00 %	
"	Ruten Singapore Pte. Ltd.	"	65.00 %	65.00 %	65.00 %	Note 1
PC Home Online (HK) Ltd.	Shanghai Todo Inc.	Software and internet technical consulting service	- %	- %	100.00 %	Note 9
EC Global Limited	PChome Trading (Shenzhen) Ltd.	International trading E-commerce	- %	- %	100.00 %	"
PChome Holding Inc.	PChome Marketplace Inc.	Investment activities	100.00 %	100.00 %	100.00 %	
PChome Marketplace Inc.	PChome Japan KK	International trading E-commerce	100.00 %	100.00 %	100.00 %	Note 1
"	PChome Store Inc.	Internet services	35.78 %	35.78 %	35.78 %	Note 2
PChome CB Co., Ltd.	PChome CBS Co., Ltd.	"	100.00 %	100.00 %	- %	Notes 1 and 4
"	PCHOME CB PTE. LTD.	"	100.00 %	100.00 %	- %	Notes 1 and 5
PCHOME CB PTE. LTD.	PChome Bibian Inc.	E-commerce cross-border services	100.00 %	100.00 %	- %	Notes 1 and 6

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

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

Note 3: The subsidiary was established on June 10, 2019.

Note 4: The subsidiary was acquired on July 1, 2019.

Note 5: The subsidiary was established on September 5, 2019.

Note 6: The subsidiary was established in the fourth quarter of 2019.

Note 7: The subsidiary was established on October 3, 2019.

Note 8: The subsidiary was dissolved on August 16, 2019.

Note 9: The subsidiary was dissolved in the fourth quarter of 2019.

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

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REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH GENERALLY ACCEPTED AUDITING STANDARDS AS OF MARCH 31, 2020 AND 2019

PCHOME ONLINE INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2020 AND 2019

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

(c) Employee benefits

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

(d) Income taxes

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

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

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

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

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

The principles of preparation of the consolidated interim financial statements and the related significant estimates and underlying assumptions are consistent with note 5 of the consolidated interim financial statements for the year ended December 31, 2019.

(6) Explanation to Significant Accounts

Except for the following disclosures, there is no significant difference as compared with those disclosed in the consolidated financial statements for the year ended December 31, 2019. For other information about the accounting policies, please refer to note 6 of the consolidated financial statements for the year ended December 31, 2019.

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(a) Cash and cash equivalents

	<u>2020.3.31</u>	<u>2019.12.31</u>	<u>2019.3.31</u>
Cash on hand	\$ 803	1,056	16,480
Checking accounts	43,391	18,712	81,370
Savings accounts	5,849,235	5,572,425	5,893,636
Foreign currency deposits	161,845	180,992	121,983
Time deposits	1,491,686	1,090,700	1,091,700
Cash equivalents	<u>10,094</u>	<u>5,119</u>	<u>14,898</u>
Cash and cash equivalents in consolidated statement of cash flows	<u>\$ 7,557,054</u>	<u>6,869,004</u>	<u>7,220,067</u>

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

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

	<u>2020.3.31</u>	<u>2019.12.31</u>	<u>2019.3.31</u>
Mandatorily measured at fair value through profit or loss:			
Preferred stocks	\$ 72,113	36,983	-
Foreign convertible bonds	<u>-</u>	<u>21,616</u>	<u>21,616</u>
Total	<u>\$ 72,113</u>	<u>58,599</u>	<u>21,616</u>

1. The Group acquired FP International Limited's convertible bonds for \$21,616 thousand for the three months ended March 31, 2019. The convertible bonds were fully converted into 42,000 preferred shares in the first quarter of 2020, with the fair value of \$33,408 thousand. The transaction was recognized at financial assets designated at fair value through profit or loss.

2. The Group acquired Ecommerce Enablers Pte. Ltd.'s preferred stocks for \$1,020 thousand for the three months ended March 31, 2020, and transaction was recognized as financial assets designated at fair value through profit or loss.

3. Abovementioned financial assets designated at fair value through profit or loss of the Group had not been pledged as collateral.

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

	<u>2020.3.31</u>	<u>2019.12.31</u>	<u>2019.3.31</u>
Equity instruments at fair value through other comprehensive income			
Stocks unlisted on domestic markets	<u>\$ 159,178</u>	<u>214,329</u>	<u>110,478</u>

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1. The Group holds these equity instruments, which are not held for trading at designated fair value through other comprehensive income, for long-term strategic purposes.
2. The Group acquired 500 thousand shares of Famicloud Inc. common stock for \$10,000 thousand for the three months ended March 31, 2019, and transaction was recognized as financial assets at fair value through other comprehensive income.
3. For the information about the credit risk and market risk, please refer to note 6(x).
4. Abovementioned financial assets at fair value through other comprehensive income of the Group had not been pledged as collateral.

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

	<u>2020.3.31</u>	<u>2019.12.31</u>	<u>2019.3.31</u>
Notes receivable-measured as amortized cost	\$ 494	374	1,470
Trade receivable-measured as amortized cost	510,808	511,938	519,616
Other receivables-measured as amortized cost	1,301,283	1,161,297	844,591
Lease receivable	6,582	7,324	9,488
Less: Allowance for impairment loss	<u>(1,623)</u>	<u>(1,412)</u>	<u>(925)</u>
	<u>\$ 1,817,544</u>	<u>1,679,521</u>	<u>1,374,240</u>

The Group applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due, as well as the incorporated forward looking information, including macroeconomic and relevant industry information. The loss allowance provisions were determined as follows:

	<u>2020.3.31</u>		
	<u>Gross carrying amount</u>	<u>Expected loss rate</u>	<u>Loss allowance provision</u>
Current	\$ 1,809,590	0.002%~0.21%	160
Past under 180 days	5,488	0.53%~10%	1,028
Over 181 days past due	<u>4,089</u>	25%~100%	<u>435</u>
	<u>\$ 1,819,167</u>		<u>1,623</u>
	<u>2019.12.31</u>		
	<u>Gross carrying amount</u>	<u>Weighted-average</u>	<u>Loss allowance provision</u>
Current	\$ 1,678,644	0.002%~0.021%	867
Past under 180 days	1,446	0.53%~10%	219
Over 181 days past due	<u>843</u>	25%~100%	<u>326</u>
	<u>\$ 1,680,933</u>		<u>1,412</u>

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	2019.3.31		
	Gross carrying amount	Weighted-average	Loss allowance provision
Current	\$ 1,362,917	0.002%~0.041%	32
Past under 180 days	1,450	10%~60%	267
Over 181 days past due	1,310	25%~100%	626
	<u>\$ 1,365,677</u>		<u>925</u>

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

	For the three months ended March 31,	
	2020	2019
Balance at January 1	\$ 1,412	714
Impairment losses recognized	211	211
Balance at March 31	<u>\$ 1,623</u>	<u>925</u>

(e) Inventories

	2020.3.31	2019.12.31	2019.3.31
Merchandise inventories	\$ 1,043,216	1,694,672	1,066,349
Less: Allowance for inventory valuation and obsolescence losses	(7,906)	(9,525)	(12,919)
	<u>\$ 1,035,310</u>	<u>1,685,147</u>	<u>1,053,430</u>

As of March 31, 2020, December 31, 2019, and March 31, 2019 the Group's inventories were not pledged as collateral.

The details of operating cost were as follows:

	For the three months ended March 31,	
	2020	2019
Cost of goods sold	\$ 9,409,095	8,072,724
Provision for inventory market price decline and obsolescence (Gain from price recovery of inventory)	(1,619)	722
Loss on physical inventory	458	-
	<u>\$ 9,407,934</u>	<u>8,073,446</u>

The factors that caused the net realizable value of inventories to be lower than the cost no longer exist, resulting in the net realizable value of inventory to increase and be recognized as profit or loss on inventory for the three months period ended March 31, 2020.

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(f) Investments accounted for using equity method

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

	<u>2020.3.31</u>	<u>2019.12.31</u>	<u>2019.3.31</u>
Associates	\$ <u>33,698</u>	<u>37,488</u>	<u>50,439</u>

1. Associates

Associates to the Group consisted of the followings:

Name of Associates	Nature of Relationship with the Group	Main operating location/ Registered Country of the Company	Proportion of shareholding and voting rights		
			2020.3.31	2019.12.31	2019.3.31
Rakuya International Info. Co. Ltd.	Real estate business, and internet information rental service	Taiwan	26.47 %	26.47 %	26.47 %
Ruten Japan KK	Information processing and provision of electronic information	Japan	49.00 %	49.00 %	49.00 %

2. Collateral

As of March 31, 2020, December 31, 2019, and March 31, 2019, the Group did not provide any investment accounted for using equity method as collaterals.

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

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

(g) Material non-controlling interests of subsidiaries

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

Subsidiaries	Main operation place	Percentage of non-controlling interests		
		2020.3.31	2019.12.31	2019.3.31
PChome Store Inc.	Taiwan	7.71 %	7.71 %	7.71 %
PChomePay Inc.	Taiwan	20.80 %	20.80 %	20.80 %
PChome eBay Co., Ltd.	Taiwan	35.00 %	35.00 %	35.00 %
Chunghwa PChome Fund 1 Co., Ltd.	Taiwan	50.00 %	50.00 %	50.00 %

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

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

	<u>2020.3.31</u>	<u>2019.12.31</u>	<u>2019.3.31</u>
Current assets	\$ 767,540	901,761	1,398,333
Non-current assets	34,373	47,036	253,331
Current liabilities	(1,029,412)	(1,160,982)	(2,095,842)
Non-current liabilities	<u>(463,016)</u>	<u>(468,644)</u>	<u>(577,052)</u>
Net assets	<u>\$ (690,515)</u>	<u>(680,829)</u>	<u>(1,021,230)</u>
Non-controlling interests	<u>\$ (97,445)</u>	<u>(96,698)</u>	<u>(205,033)</u>
		<u>For the three months ended March 31,</u>	
		<u>2020</u>	<u>2019</u>
Sales revenue		<u>\$ 275,934</u>	<u>431,816</u>
Net loss		\$ (9,686)	(44,842)
Other comprehensive loss		-	-
Comprehensive loss		<u>\$ (9,686)</u>	<u>(44,842)</u>
Loss, attributable to non-controlling interests		<u>\$ (747)</u>	<u>(3,457)</u>
Comprehensive loss, attributable to non-controlling interests		<u>\$ (747)</u>	<u>(3,457)</u>

2. PChomePay Inc.'s collective financial information:

	<u>2020.3.31</u>	<u>2019.12.31</u>	<u>2019.3.31</u>
Current assets	\$ 1,186,809	1,144,784	1,108,283
Non-current assets	373,388	382,309	399,404
Current liabilities	(1,064,904)	(1,016,402)	(948,599)
Non-current liabilities	<u>(2,773)</u>	<u>(3,361)</u>	-
Net assets	<u>\$ 492,520</u>	<u>507,330</u>	<u>559,088</u>
Non-controlling interests	<u>\$ 102,444</u>	<u>105,525</u>	<u>116,290</u>

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	For the three months ended March 31,	
	2020	2019
Sales revenue	\$ <u>11,704</u>	<u>7,076</u>
Net loss	\$ (14,810)	(16,041)
Other comprehensive income	-	-
Comprehensive loss	\$ <u>(14,810)</u>	<u>(16,041)</u>
Loss, attributable to non-controlling interests	\$ <u>(3,081)</u>	<u>(3,337)</u>
Comprehensive loss, attributable to non-controlling interests	\$ <u>(3,081)</u>	<u>(3,337)</u>

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

	2020.3.31	2019.12.31	2019.3.31
Current assets	\$ 832,067	821,647	723,051
Non-current assets	181,843	185,631	117,528
Current liabilities	(236,442)	(243,788)	(206,914)
Non-current liabilities	<u>(16,065)</u>	<u>(19,478)</u>	<u>(30,065)</u>
Net assets	\$ <u>761,403</u>	<u>744,012</u>	<u>603,600</u>
Non-controlling interests	\$ <u>266,491</u>	<u>260,404</u>	<u>211,260</u>

	For the three months ended March 31,	
	2020	2019
Sales revenue	\$ <u>232,808</u>	<u>221,703</u>
Net gain	\$ 17,029	6,976
Other comprehensive income	-	-
Comprehensive income	\$ <u>17,029</u>	<u>6,976</u>
Gain, attributable to non-controlling interests	\$ <u>5,960</u>	<u>2,442</u>
Comprehensive income, attributable to non-controlling interests	\$ <u>5,960</u>	<u>2,442</u>

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

	2020.3.31	2019.12.31	2019.3.31
Current assets	\$ 326,497	351,441	395,629
Non-current assets	72,113	36,983	-
Current liabilities	<u>(321)</u>	<u>(261)</u>	<u>(149)</u>
Net assets	\$ <u>398,289</u>	<u>388,163</u>	<u>395,480</u>
Non-controlling interests	\$ <u>199,145</u>	<u>194,082</u>	<u>197,740</u>

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	For the three months ended March 31,	
	2020	2019
Net gain (loss)	\$ 10,126	(2,468)
Other comprehensive income	-	-
Comprehensive income (loss)	\$ <u>10,126</u>	<u>(2,468)</u>
Gain (loss), attributable to non-controlling interests	\$ <u>5,063</u>	<u>(1,234)</u>
Comprehensive income (loss), attributable to non-controlling interests	\$ <u>5,063</u>	<u>(1,234)</u>

(h) Property, plant and equipment

The cost and depreciation of the property, plant and equipment of the Group for the three months ended March 31, 2020 and 2019, were as follows:

	Transportation equipment	Furniture and office equipment	Leasehold improvements	Leased assets	Total
Carrying amounts:					
Balance at January 1, 2020	\$ <u>52,768</u>	<u>358,682</u>	<u>165,723</u>	<u>7,803</u>	<u>584,976</u>
Balance at March 31, 2020	\$ <u>50,861</u>	<u>353,077</u>	<u>161,491</u>	<u>6,998</u>	<u>572,427</u>
Balance at January 1, 2019	\$ <u>24,406</u>	<u>316,650</u>	<u>188,917</u>	<u>11,032</u>	<u>541,005</u>
Balance at March 31, 2019	\$ <u>34,231</u>	<u>292,887</u>	<u>176,104</u>	<u>10,222</u>	<u>513,444</u>

There were no significant additions, disposal, or impairment in property, plant and equipment for the three months ended March 31, 2020 and 2019. The details of depreciation are disclosed in note 12(a). For other information about the property, plant and equipment, please refer to note 6(k) of the consolidated financial statements for the year ended December 31, 2019.

(i) Right-of-use assets

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

	Buildings	Machinery and equipment	Transportation equipment	Total
Cost:				
Balance as of January 1, 2020	\$ 3,402,610	73,079	1,165	3,476,854
Additions	7,000	-	-	7,000
Decrease	(10,552)	-	-	(10,552)
Balance as of March 31, 2020	\$ <u>3,399,058</u>	<u>73,079</u>	<u>1,165</u>	<u>3,473,302</u>
Balance as of January 1, 2019	\$ 3,277,618	73,089	-	3,350,707
Effect of changes in foreign exchange rates	61	-	-	61
Balance as of March 31, 2019	\$ <u>3,277,679</u>	<u>73,089</u>	<u>-</u>	<u>3,350,768</u>

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	<u>Buildings</u>	<u>Machinery and equipment</u>	<u>Transportation equipment</u>	<u>Total</u>
Accumulated depreciation and impairment losses:				
Balance as of January 1, 2020	\$ 503,592	13,491	281	517,364
Depreciation for the year	125,164	3,373	120	128,657
Other decrease	(4,800)	-	-	(4,800)
Effect of changes in foreign exchange rates	(22)	-	-	(22)
Balance as of March 31, 2020	<u>\$ 623,934</u>	<u>16,864</u>	<u>401</u>	<u>641,199</u>
Balance as of January 1, 2019	\$ -	-	-	-
Depreciation for the year	126,269	3,373	-	129,642
Effect of changes in foreign exchange rates	3	-	-	3
Balance as of March 31, 2019	<u>\$ 126,272</u>	<u>3,373</u>	<u>-</u>	<u>129,645</u>
Carrying amount:				
Balance as of January 1, 2020	<u>\$ 2,899,018</u>	<u>59,588</u>	<u>884</u>	<u>2,959,490</u>
Balance as of March 31, 2020	<u>\$ 2,775,124</u>	<u>56,215</u>	<u>764</u>	<u>2,832,103</u>
Balance as of January 1, 2019	<u>\$ 3,277,618</u>	<u>73,089</u>	<u>-</u>	<u>3,350,707</u>
Balance as of March 31, 2019	<u>\$ 3,151,407</u>	<u>69,716</u>	<u>-</u>	<u>3,221,123</u>

(j) Intangible assets

The costs and amortization of intangible assets of the Group for the three months ended March 31, 2020 and 2019, were as follows:

	<u>Software</u>	<u>Goodwill</u>	<u>Total</u>
Carrying amounts:			
Balance at January 1, 2020	\$ <u>54,352</u>	<u>99,358</u>	<u>153,710</u>
Balance at March 31, 2020	\$ <u>57,773</u>	<u>99,358</u>	<u>157,131</u>
Balance at January 1, 2019	\$ <u>28,224</u>	<u>-</u>	<u>28,224</u>
Balance at March 31, 2019	\$ <u>30,215</u>	<u>-</u>	<u>30,215</u>

There were no significant additions, disposals or impairment in intangible assets for the three months ended March 31, 2020 and 2019. The details of amortization expenses are disclosed in note 12(a), for other information about the intangible assets, please refer to notes 6(g) and 6(m) of the consolidated financial statements for the year ended December 31, 2019.

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(k) Short-term borrowings

	<u>2020.3.31</u>	<u>2019.12.31</u>	<u>2019.3.31</u>
Unsecured bank loans	\$ <u>515,000</u>	<u>540,000</u>	<u>400,000</u>
Unused short-term credit line	\$ <u>9,117</u>	<u>40,117</u>	<u>300,000</u>
Range of interest rates	<u>0.95%~1.20%</u>	<u>1.20%~1.33%</u>	<u>1.15%~1.59%</u>

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

(l) Current contract liabilities, Other current liabilities, Receipts under custody and Current refund liabilities

	<u>2020.3.31</u>	<u>2019.12.31</u>	<u>2019.3.31</u>
Current contract liabilities	\$ 464,034	421,921	387,808
Receipts under custody-online payment processing service mainly	1,666,231	1,605,363	1,842,176
Other	529,298	546,107	275,869
Current refund liabilities	<u>38,565</u>	<u>38,326</u>	<u>26,694</u>
	\$ <u>2,698,128</u>	<u>2,611,717</u>	<u>2,532,547</u>

The Group received the advance receipts from consumers who purchased goods or online service points.

Agreements were entered into between the Group and its online sellers for entrusting the Group to collect sellers' online transaction payments. Collections were recognized under receipts under custody and were accounted for as payables to the sellers.

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

(m) Long-term borrowings

The details were as follows:

	<u>2020.3.31</u>			
	<u>Currency</u>	<u>Rate</u>	<u>Maturity year</u>	<u>Amount</u>
Unsecured bank loans	TWD	0.95%	2028	\$ 800,000
Secured bank loans	TWD	1.35%	2025	550,000
Less: current portion				<u>(200,000)</u>
Total				\$ <u>1,150,000</u>
Unused long-term credit lines				\$ <u>-</u>

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	2019.12.31			
	Currency	Rate	Maturity year	Amount
Unsecured bank loans	NTD	1.20%	2028	\$ 800,000
Secured bank loans	NTD	1.59%	2025	600,000
Less: current portion				<u>(250,000)</u>
Total				<u>\$ 1,150,000</u>
Unused long-term credit lines				<u>\$ -</u>

	2019.3.31			
	Currency	Rate	Maturity year	Amount
Unsecured bank loans	TWD	1.20%	2028	\$ 900,000
Secured bank loans	TWD	1.59%	2025	650,000
Less: current portion				<u>(200,000)</u>
Total				<u>\$ 1,350,000</u>
Unused long-term credit lines				<u>\$ -</u>

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

The subsidiary PChome Store Inc. entered into the syndicated credit agreement with the financial institution. According to the terms of the agreement, PChome Store Inc. should maintain certain financial ratios on balance sheet date. As of March 31, 2020, the Group was in compliance with the financial covenants mentioned above.

(n) Lease liabilities

Lease liabilities of the Group carrying amounts were as follows:

	<u>2020.3.31</u>	<u>2019.12.31</u>	<u>2019.3.31</u>
Current	<u>\$ 506,688</u>	<u>503,193</u>	<u>499,977</u>
Non-current	<u>\$ 2,368,127</u>	<u>2,495,611</u>	<u>2,750,179</u>

Maturity analysis please refer to note (6)(w).

The amounts recognized in profit or loss were as follows:

	For the three months ended March 31,	
	<u>2020</u>	<u>2019</u>
Interest on lease liabilities	<u>\$ 8,722</u>	<u>9,935</u>
Expenses relating to short-term leases	<u>\$ 9,536</u>	<u>11,095</u>
Expenses relating to leases of low-value, excluding short-term leases of low-value assets	<u>\$ 3,871</u>	<u>421</u>

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

	<u>For the three months ended March 31,</u>	
	<u>2020</u>	<u>2019</u>
Total cash outflow for leases	\$ <u>147,318</u>	<u>147,358</u>

Real estate leases

As of March 31, 2020 and 2019, the Group leases land and buildings for its office space and warehouses. The leases of office space typically run of a period for 3 to 5 years, and of warehouses for 3 to 12 years. Some leases include an option to renew the lease for an additional period of the same duration after the end of the contract term.

(o) Employee benefits

1. Defined benefit plans

Management believes that there was no material volatility of the market, no material reimbursement and settlement or other material one time events since prior fiscal year. As a result, the pension cost in the accompanying interim consolidated financial statements was measured and disclosed according to the actuarial results as of December 31, 2019 and 2018.

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

	<u>For the three months ended March 31,</u>	
	<u>2020</u>	<u>2019</u>
Selling expenses	(10)	(11)
Administration expenses	58	62
Research and development expenses	(2)	(1)
\$	<u>46</u>	<u>50</u>

2. Defined contribution plans

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

	<u>For the three months ended March 31,</u>	
	<u>2020</u>	<u>2019</u>
Operating cost	\$ 2,125	1,210
Selling expenses	11,377	12,305
Administration expenses	2,625	2,065
Research and development expenses	3,998	3,450
\$	<u>20,125</u>	<u>19,030</u>

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(p) Income taxes

1. Income tax expense recognized in profits or losses

The amount of income tax was as follows:

	For the three months ended March 31,	
	2020	2019
Current income tax expense:		
Current period	\$ 43,621	24,958
Adjustment for prior periods	121	(10,273)
	<u>43,742</u>	<u>14,685</u>
Deferred tax benefit:		
Origination and reversal of temporary differences	(5)	75
Income tax expense	<u>\$ 43,737</u>	<u>14,760</u>

2. The amount of income tax expense recognized in other comprehensive income for the three months ended March 31, 2020 and 2019, both is zero.

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

(q) Capital and other equity

Except as described in the following paragraph, there were no significant changes in the Company's capital stock and other equity components for the three months ended March 31, 2020 and 2019. For other information about the stockholders' equity please refer to note 6(v) of the consolidated financial statements for the year ended December 31, 2019.

1. Capital surplus

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

	2020.3.31	2019.12.31	2019.3.31
Share capital	\$ 1,694,160	1,694,160	2,484,507
Difference between consideration and carrying amount of subsidiaries acquired or disposed	8,643	8,643	8,643
Changes in equity of subsidiaries	<u>19,635</u>	<u>19,608</u>	<u>15,224</u>
	<u>\$ 1,722,438</u>	<u>1,722,411</u>	<u>2,508,374</u>

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According to the R.O.C. Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring capital surplus in excess of par value should not exceed 10% of the total common stock outstanding.

2. Retained earnings

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

The Company may explicitly stipulate in the Articles of Incorporation to authorize the distributable dividends and bonuses in whole or in part may be paid in cash after a resolution has been adopted by a majority vote at a meeting of the board of directors attended by two-thirds of the total number of directors; and in addition thereto a report of such distribution shall be submitted to the shareholders' meeting.

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

The amount of cash dividends of appropriations of earnings for 2019 that had been approved in the meeting of the board of directors on March 26, 2020 was \$82,012 thousand.

3. Other equity, net of tax

	Exchange difference on translation of foreign financial statements	Unrealized gains from financial assets measured at fair value through other comprehensive income
Balance at January 1, 2020	\$ (24,825)	73,025
Exchange differences on foreign operations	8,367	-
Unrealized gain from financial assets measured at fair value through other comprehensive income	-	(55,151)
Balance at March 31, 2020	<u>\$ (16,458)</u>	<u>17,874</u>

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	Exchange difference on translation of foreign financial statements	Unrealized gains from financial assets measured at fair value through other comprehensive income
Balance at January 1, 2019	\$ 11,524	33,538
Exchange differences on foreign operations	6,480	-
Unrealized losses from financial assets measured at fair value through other comprehensive income	-	10,636
Balance at March 31, 2019	<u>\$ 18,004</u>	<u>44,174</u>

4. Non-controlling Interests

	2020	2019
Balance at January 1	\$ 724,314	489,811
Shares of non-controlling interests		
Loss for the three months ended March 31,	(64)	(7,797)
Foreign currency translation differences for foreign operations	(358)	705
Changes in ownership interests in subsidiaries	(10,952)	(4,815)
Balance at March 31	<u>\$ 712,940</u>	<u>477,904</u>

(r) Share-based payment

The Group had share-based payment arrangements as follows as of March 31, 2020:

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

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

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1. Determining the fair value of equity instruments granted

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

	<u>Employee stock option plan 1</u>
Exercise price	USD 0.09
Expected volatility (%)	28.78%~60.78%
Expected life of the option (years)	5 years
Risk-free interest rate (%)	0.95%~1.31%

2. Employee stock options

Information on aforesaid employee stock options was as follows:

(Unit: Thousands)

	<u>For the three months ended March 31,</u>			
	<u>2020</u>		<u>2019</u>	
	<u>Weighted- average exercise price</u>	<u>Numbers of options</u>	<u>Weighted- average exercise price</u>	<u>Numbers of options</u>
Balance, beginning of January 1	USD 0.09	18,954	USD 0.09	28,737
Options granted	-	-	-	-
Options forfeited	-	(37)	-	(2,066)
Options exercised	-	-	-	-
Options expired	-	-	-	-
Balance, end of March 31	0.09	<u>18,917</u>	0.09	<u>26,671</u>
Options exercisable, end of March 31	-	<u>4,729</u>	-	<u>6,668</u>

3. Expenses and liabilities resulted from share-based payments

The incurred expenses from share-based payments transactions for the three months ended March 31, 2020 and 2019, were as follows:

	<u>For the three months ended March 31,</u>	
	<u>2020</u>	<u>2019</u>
Salary expenses	<u>\$ 658</u>	<u>953</u>

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(s) Earnings per share

	<u>For the three months ended March 31,</u>	
	<u>2020</u>	<u>2019</u>
Profit attributable to common stockholders of the Company	<u>\$ 103,064</u>	<u>49,145</u>
Weighted-average number of ordinary shares	<u>117,159</u>	<u>117,159</u>
Basic earnings per share (New Taiwan Dollars)	<u>\$ 0.88</u>	<u>0.42</u>
Profit attributable to common stockholders of the Company	<u>\$ 103,064</u>	<u>49,145</u>
Weighted-average number of ordinary shares (basic)	117,159	117,159
Effect of employee stock bonus	150	-
Weighted-average number of ordinary shares (adjusted with potential effect of diluted ordinary shares)	<u>117,309</u>	<u>117,159</u>
Diluted earnings per share (New Taiwan Dollars)	<u>\$ 0.88</u>	<u>0.42</u>

(t) Revenue from contracts with customers

	<u>For the three months ended March 31,</u>	
	<u>2020</u>	<u>2019</u>
Revenue of electronic commerce	<u>\$ 10,589,589</u>	<u>9,141,722</u>
Revenue of non-electronic commerce	<u>89,929</u>	<u>60,487</u>
	<u>\$ 10,679,518</u>	<u>9,202,209</u>

(u) Rewards of employees, directors and supervisors

In accordance with the articles of the Company should contribute 1%~15% of the profit as employee compensation and less than 1.5% as directors' and supervisors' remuneration when there is profit for the year. However, if the Company has accumulated deficit, the profit should be reserved to offset the deficit. The recipients of shares and cash may include the employees of the Company's affiliated companies who meet certain conditions.

The remuneration to employees amounted to \$10,537 thousand and the remuneration to directors and supervisors amounted to \$1,183 thousand for the three months ended March 31, 2020. These amounts are calculated by using the Company's pre-tax net profit for the period before deducting the amount of the remuneration to the employees and directors, multiplied by the distribution ratio of remuneration to the employees and directors under the Company's articles of association, and expensed under operating expenses. If there would be any changes after the reporting date in the following year, the changes would be treated as changes in accounting estimates and recognized as profit or loss in following year.

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The Group incurred losses before tax for the three months ended March 31, 2019, therefore, there were no remuneration allocated to employees, directors and supervisors. Related information would be available at the Market Observation Post System.

(v) Non-operating income and expenses

1. Other income

For the three months ended March 31, 2020 and 2019, the details of other income are as follows:

	<u>For the three months ended March 31,</u>	
	<u>2020</u>	<u>2019</u>
Interest income	\$ 2,703	2,450
Others	3,691	699
Total other income	<u>\$ 6,394</u>	<u>3,149</u>

2. Other gains and losses, net

For the three months ended March 31, 2020 and 2019, the details of other gains and losses are as follows:

	<u>For the three months ended March 31,</u>	
	<u>2020</u>	<u>2019</u>
Gains on disposal of property, plant and equipment	\$ -	4
Foreign currency exchange gains	1,639	353
Current financial assets at fair value through profit	12,494	-
Others	(11)	(1)
Other gains and losses, net	<u>\$ 14,122</u>	<u>356</u>

3. Finance costs

For the three months ended March 31, 2020 and 2019, the details of finance cost are as follows:

	<u>For the three months ended March 31,</u>	
	<u>2020</u>	<u>2019</u>
Interest expense	<u>\$ 15,155</u>	<u>16,151</u>

(w) Financial instruments

Except as described in the following paragraph, there were no significant changes in the Group's fair value of financial instruments exposed to credit risk and market risk. For other information about the fair value of financial instruments, please refer to note 6(ab) of the consolidated financial statements for the year ended December 31, 2019.

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1. Liquidity risk

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

	Carrying amount	Contractual cash flows	Within 6 months	6-12 months	1-2 years	2-5 years	More than 5 years
Balance at March 31, 2020							
Non-derivative financial liabilities							
Short-term borrowings	\$ 515,000	515,000	515,000	-	-	-	-
Notes payable	823	823	823	-	-	-	-
Accounts payable	3,183,714	3,183,714	3,183,714	-	-	-	-
Other payables	468,535	468,535	457,550	10,985	-	-	-
Receipts under custody	1,666,231	1,666,231	1,666,231	-	-	-	-
Lease liability	2,874,815	2,874,815	251,210	255,478	867,384	908,148	592,595
Long-term borrowings	<u>1,350,000</u>	<u>1,350,000</u>	<u>150,000</u>	<u>50,000</u>	<u>400,000</u>	<u>650,000</u>	<u>100,000</u>
	<u>\$ 10,059,118</u>	<u>10,059,118</u>	<u>6,224,528</u>	<u>316,463</u>	<u>1,267,384</u>	<u>1,558,148</u>	<u>692,595</u>
Balance at December 31, 2019							
Non-derivative financial liabilities							
Short-term borrowings	\$ 540,000	540,000	540,000	-	-	-	-
Notes payable	611	611	611	-	-	-	-
Accounts payable	3,059,218	3,059,218	3,059,218	-	-	-	-
Other payables	431,279	431,279	431,279	-	-	-	-
Receipts under custody	1,605,363	1,605,363	1,605,363	-	-	-	-
Lease obligations payable	2,998,804	2,998,804	251,386	251,807	496,718	1,344,460	654,433
Long-term borrowings	<u>1,400,000</u>	<u>1,400,000</u>	<u>200,000</u>	<u>50,000</u>	<u>400,000</u>	<u>550,000</u>	<u>200,000</u>
	<u>\$ 10,035,275</u>	<u>10,035,275</u>	<u>6,087,857</u>	<u>301,807</u>	<u>896,718</u>	<u>1,894,460</u>	<u>854,433</u>
Balance at March 31, 2019							
Non-derivative financial liabilities							
Short-term borrowings	\$ 400,000	400,000	400,000	-	-	-	-
Notes payable	1,175	1,175	1,175	-	-	-	-
Accounts payable	2,766,909	2,766,909	2,766,909	-	-	-	-
Other payables	542,401	542,401	532,423	9,978	-	-	-
Receipts under custody	1,842,176	1,842,176	1,842,176	-	-	-	-
Lease obligations payable	3,250,156	3,250,156	271,284	228,693	514,395	1,208,887	1,026,897
Long-term borrowings	<u>1,550,000</u>	<u>1,550,000</u>	<u>150,000</u>	<u>50,000</u>	<u>400,000</u>	<u>650,000</u>	<u>300,000</u>
	<u>\$ 10,352,817</u>	<u>10,352,817</u>	<u>5,963,967</u>	<u>288,671</u>	<u>914,395</u>	<u>1,858,887</u>	<u>1,326,897</u>

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

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2. Currency risk

1) Currency risk exposure

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

	2020.3.31			2019.12.31			2019.3.31		
	Foreign currency (thousands of dollars)	Exchange rate	TWD	Foreign currency (thousands of dollars)	Exchange rate	TWD	Foreign currency (thousands of dollars)	Exchange rate	TWD
Financial assets									
<u>Monetary items</u>									
USD	\$ 1,230	30.21	37,158	4,244	29.98	127,235	4,562	30.82	140,608
Financial liabilities									
<u>Monetary items</u>									
USD	150	30.21	4,532	139	29.98	4,179	290	30.82	8,932

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

A 5% appreciation or depreciation of the TWD against the USD as at March 31, 2020 and 2019, would have increased or decreased net income by \$1,305 thousand and \$5,267 thousand, respectively. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis as for the three months ended March 31, 2020 and 2019, respectively.

Due to the variety of functional currency, the group disclosed the foreign currency gain or loss on monetary items aggregately. The foreign currency gains and losses (include realized and unrealized) were \$1,639 thousand and \$353 thousand for the three months ended March 31, 2020 and 2019, respectively.

2) Interest analysis

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

3. Other market price risk

For the three months ended March 31, 2020 and 2019, the sensitivity analyses for the changes in the securities price at the reporting date were performed using the same basis for the profit and loss as illustrated below:

Prices of securities at the reporting date	2020		2019	
	Other comprehensive income after tax	Net income	Other comprehensive income after tax	Net income
Increasing 1%	\$ 1,273	577	884	-
Decreasing 1%	(1,273)	(577)	(884)	-

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4. Fair value of financial instruments

1) Fair value hierarchy

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

	2020.3.31				
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
Fair value through profit or loss					
Preferred stock	\$ <u>72,113</u>	<u>-</u>	<u>-</u>	<u>72,113</u>	<u>72,113</u>
Fair value through other comprehensive income					
Domestic stock of non-listed company	\$ <u>159,178</u>	<u>-</u>	<u>-</u>	<u>159,178</u>	<u>159,178</u>
	2019.12.31				
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
Fair value through profit or loss					
Preferred stock	\$ 36,983	-	-	36,983	36,983
Foreign convertible bonds	<u>21,616</u>	<u>-</u>	<u>-</u>	<u>21,616</u>	<u>21,616</u>
	\$ <u>58,599</u>	<u>-</u>	<u>-</u>	<u>58,599</u>	<u>58,599</u>
Fair value through other comprehensive income					
Domestic stock of non-listed company	\$ <u>214,329</u>	<u>-</u>	<u>-</u>	<u>214,329</u>	<u>214,329</u>
	2019.3.31				
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
Fair value through profit or loss					
Foreign convertible bonds	\$ <u>21,616</u>	<u>-</u>	<u>-</u>	<u>21,616</u>	<u>21,616</u>
Fair value through other comprehensive income					
Domestic stock of non-listed company	\$ <u>110,478</u>	<u>-</u>	<u>-</u>	<u>110,478</u>	<u>110,478</u>

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2) Valuation techniques for financial instruments measured at fair value

2.1) Non-derivative financial instruments

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

2.2) Derivative financial instruments

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

3) Reconciliation of Level 3 fair values

	Fair value through profit or loss	Fair value through other comprehensive income
Opening balance, January 1, 2020	\$ 58,599	214,329
Total gains and losses recognized:		
In other comprehensive income	-	(55,151)
Purchasing	1,020	-
In profit	12,494	-
Ending Balance, March 31, 2020	<u>\$ 72,113</u>	<u>159,178</u>
Opening balance, January 1, 2019	\$ -	89,842
Total gains and losses recognized:		
In other comprehensive income	-	10,636
Purchasing	21,616	10,000
Ending Balance, March 31, 2019	<u>\$ 21,616</u>	<u>110,478</u>

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For the three months ended March 31, 2020 and 2019, total gains and losses that were included in “other gains and losses” and “unrealized gains and losses from fair value through other comprehensive income” were as follows:

	<u>For the three months ended March 31,</u>	
	<u>2020</u>	<u>2019</u>
Total gains and losses recognized:		
In other gains and losses	\$ 12,494	-
In other comprehensive income, and including “unrealized gains and losses from fair value through other comprehensive income”	(55,151)	10,636

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

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

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

Quantified information of significant unobservable inputs was as follows:

<u>Item</u>	<u>Valuation technique</u>	<u>Significant unobservable inputs</u>	<u>Inter-relationship between significant unobservable inputs and fair value measurement</u>
Fair value through profit or loss	Comparable listed company market approach	EV/sales (4.06~21.58)	The estimated fair value would increase (decrease) if the enterprise value were higher (lower).
Fair value through other comprehensive income	Comparable listed company market approach	Liquidity discounted rate (17.13%~30%)	The estimated fair value would increase (decrease) if the lack of liquidity discounted rate were lower (higher).

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

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

	Input	Variation	Profit or loss		Other comprehensive income	
			Favorable	Unfavorable	Favorable	Unfavorable
March 31, 2020						
Financial assets at fair value through profit or loss						
Equity investments without an active market	P/S ratio	5%	\$ 3,606	(3,606)	-	-
Financial assets at fair value through other comprehensive income						
Equity investments without an active market	Liquidity discounted rate	5%	-	-	7,959	(7,959)
			<u>\$ 3,606</u>	<u>(3,606)</u>	<u>7,959</u>	<u>(7,959)</u>
December 31, 2019						
Financial assets at fair value through profit or loss						
Derivative financial instruments	P/S ratio	5%	\$ 1,081	(1,081)	-	-
Equity investments without an active market	P/S ratio	5%	1,849	(1,849)	-	-
Financial assets at fair value through other comprehensive income						
Equity investments without an active market	Liquidity discounted rate	5%	-	-	10,716	(10,716)
			<u>\$ 2,930</u>	<u>(2,930)</u>	<u>10,716</u>	<u>(10,716)</u>
March 31, 2019						
Financial assets at fair value through profit or loss						
Derivative financial instruments	P/S ratio	5%	\$ 1,081	(1,081)	-	-
Financial assets at fair value through other comprehensive income						
Equity investments without an active market	Liquidity discounted rate	5%	-	-	5,524	(5,524)
			<u>\$ 1,081</u>	<u>(1,081)</u>	<u>5,524</u>	<u>(5,524)</u>

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

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(x) Financial risk management

There were no significant changes in the Group's objectives and policies applied in the financial risk management as compared to note 6(ac) of the annual consolidated financial statements for the year ended December 31, 2019.

(y) Capital management

The Group's objectives, policies, and processes for capital management were consistent with the consolidated financial statements for the year ended December 31, 2019. There were no significant changes in the quantified factors of capital management as compared to the consolidated financial statements for the year ended December 31, 2019. For other information about the capital management, please refer to note 6(ad) of the consolidated financial statements for the year ended December 31, 2019.

(7) **Related-Party Transactions**

(a) Names and relationship with related parties

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

<u>Name of related party</u>	<u>Relationship with the Group</u>
Rakuya International Info. Co. Ltd.	Associate of the Company
Ruten Japan KK	"

(b) Related-party transactions

1. Sales

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

	<u>For the three months ended March 31,</u>	
	<u>2020</u>	<u>2019</u>
Associates	\$ <u>71</u>	<u>73</u>

2. Receivables from related parties

The receivables from related parties were as follows:

<u>Item</u>	<u>Related party categories</u>	<u>2020.3.31</u>	<u>2019.12.31</u>	<u>2019.3.31</u>
Accounts receivable	Associates	\$ 25	25	25
Other receivable	Associates	31	26	2,000
Lease receivable	Associates	<u>6,582</u>	<u>7,324</u>	-
		\$ <u>6,638</u>	<u>7,375</u>	<u>2,025</u>

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3. Payables to related parties

<u>Item</u>	<u>Related party categories</u>	<u>2020.3.31</u>	<u>2019.12.31</u>	<u>2019.3.31</u>
Other payables	Associates	\$ <u>11</u>	<u>12</u>	<u>-</u>

4. Other operating income

The Group and its associates had other operating income amounting to \$6 thousand for the three months ended March 31, 2020.

(c) Transactions with key management personnel

Key management personnel compensation comprised:

	<u>For the three months ended March 31,</u>	
	<u>2020</u>	<u>2019</u>
Short-term employee benefits	\$ <u>19,135</u>	<u>14,313</u>

(8) **Restricted Assets**

The following assets were restricted in use:

<u>Assets</u>	<u>Purpose of Pledge</u>	<u>2020.3.31</u>	<u>2019.12.31</u>	<u>2019.3.31</u>
Deposit account-current	Security for performance, purchase guarantee and loans with certificate of deposits	\$ 502,940	523,165	532,207
Refundable deposit	Security for provisional seizure, etc. and deposits for office rental	146,650	142,541	155,221
		\$ <u>649,590</u>	<u>665,706</u>	<u>687,428</u>

(9) **Significant Contingencies and Commitments**

- (a) The agreement with a non-related party for internet phone services entered into in July 2004 was renewed on April 1, 2009. Pursuant to the newly revised agreement, the net revenue from these services is allocated each month between the parties by a set ratio. As the Company sold its internet phone services to Linktel Inc. (with 100% shareholding) on March 1, 2011, Linktel Inc. and the Company signed a contract with the non-related party in which the Company acts as the guarantor of the non-related party at all times and during the term of the agreement.
- (b) As of March 31, 2020, December 31, 2019, and March 31, 2019, notes payable deposited as guarantee for commercial vehicle and office and building leases were \$193,055 thousand, \$243,821 and \$186,705 thousand, respectively.

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- (c) According to the “Standardized contract for telecom product or service”, the payment guarantee for Skype stored-value service should be fully provided by financial institutions. Therefore, the Group entered into an agreement with a financial institution, with having a guarantee limit of \$50,000 thousand, \$50,000 and \$50,000 thousand as of March 31, 2020, December 31, 2019, and March 31, 2019, respectively.
- (d) As of March 31, 2020, December 31, 2019, and March 31, 2019, the Group has entered into an agreement with a financial institution for providing performance guarantee for the Group on the balance amount received through the Group’s online payment processing services to online sellers; the amount of performance guarantee agreed therein are \$3,015,000 thousand, \$3,015,000 and \$3,065,000 thousand, respectively.
- (e) The Group will rent 15 warehouse units located in The Post Logistic Center, Post Logic Park from Chunghwa Post Co., Ltd. on Nov 1, 2021 because the Group has won the bidding of the contract of the park in the second quarter, 2019. The lease term is 15 years and the annual rental fee is \$331,094 thousand. The rental fee will be adjusted yearly based on the Price Index of the year.

(10) **Significant Catastrophic Losses: None.**

(11) **Significant Subsequent Events: None.**

(12) **Others**

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

Categorized as	For the three months ended March 31, 2020			For the three months ended March 31, 2019		
	Operating Cost	Operating Expense	Total	Operating Cost	Operating Expense	Total
Nature						
Employee benefits						
Salary	47,273	464,320	511,593	30,519	404,503	435,022
Labor and health insurance	4,844	35,848	40,692	3,217	34,594	37,811
Pension	2,125	18,046	20,171	1,210	17,870	19,080
Others employee benefits	1,638	13,227	14,865	1,014	12,627	13,641
Depreciation	14,209	160,570	174,779	9,401	167,464	176,865
Amortization	150	7,325	7,475	-	6,735	6,735

- (b) **Seasonality of operations:**

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

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(13) Additional Disclosures

(a) Information on significant transactions

The following is the information on significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Group for the three months ended March 31, 2020:

1. Fund financing to other parties:

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

Number (Note 1)	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other party during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower (Note 2)	Transaction amount for business between two parties	Reasons for short- term financing	Allowance for bad debt	Collateral		Individual funding loan limits (Note 3)	Maximum limitation on fund financing (Note 3)
													Name	Value		
0	The Company	PChome Store Inc.	Other receivables	Yes	190,000	190,000	190,000	1.30%	2	-	Operating Capital	-	-	-	1,206,826	1,206,826

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

Note 2: The Company's total fund financing amount for individual party cannot exceed 40% of its net asset value.

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

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

2. Guarantees and endorsements for other parties:

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

No. (Note 1)	Name of company	Counter-party		Limitation on amount of guarantees and endorsements for a specific enterprise (Note 2)	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged on guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements (Note 2)	Parent Company endorsement/ guarantee to third parties on behalf of subsidiary	Subsidiary endorsement/ guarantee to third parties on behalf of parent company	Endorsements/ guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company (Note 3)										
0	The Company	Linktel Inc.	2	1,508,533	3,837	-	-	-	%	3,017,065	Y	N	N

Note 1: 0 is issuer.

Note 2: Highest balance during the period cannot exceed 50% of net asset value, and the maximum amount of endorsement cannot exceed net asset value.

Note 3: Relationship with the Company

- The companies with which it has business relations.
- Subsidiaries in which the company directly or indirectly holds more than 50% of its total outstanding common shares.
- The parent company which directly or indirectly holds more than 50% of its voting rights.
- Subsidiaries in which the company directly or indirectly holds more than 90% of its voting rights.
- Companies in same type of business and providing mutual endorsements/ guarantees in favor of each other in accordance with the contractual obligations in order to fulfill the needs of the construction project.
- Shareholders making endorsements and/or guarantees for their mutually invested company in proportion to their shareholding percentage.
- Companies in same type of business providing guarantees of pre-sale contracts according to the regulation.

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

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3. Information regarding securities held at balance sheet date:

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

Name of holder	Category and name of security	Category and name of security	Account title	Ending balance				Note	
				Number	Book value	Percentage	Market value		
PChome Online Inc.	Common Stock:								
	Syspower Ltd.	-	FVOCI	744,118	17,510	3.72 %	17,510		
	Openfind Information Technology, Inc.	-	"	800,000	24,920	6.26 %	24,920		
	Career Consulting Co., Ltd.	-	"	113,005	2,404	0.72 %	2,404		
	Readmoo Co., Ltd.	-	"	2,877,193	17,033	18.85 %	17,033		
	IPEVO Corp.	-	"	1,566,415	19,721	7.36 %	19,721		
	Famicloud Inc.	-	"	500,000	9,190	2.99 %	9,190		
Linktel Inc.	Miho International Cosmetic Co., Ltd.	-	"	7,500,000	68,400	10.47 %	68,400		
	Eastern Online Co., Ltd.	-	FVTPL	118,750	-	- %	-		
	Taiwan Star Telecom Co., Ltd.	-	"	3,942	-	- %	-		
	PayEasy Ltd.	-	"	5,437,762	-	12.51 %	-		
	17Life Ltd.	-	"	1,126,049	-	6.26 %	-		
	Preferred stocks:								
	FP International Limited	-	"	42,037	33,408	1.87 %	33,408		
Chunghwa PChome Fund 1 Co., Ltd.	Ecommerce Enablers Pte. Ltd.	-	"	68,188	11,165	- %	11,165		
	USPACE Tech Co., Ltd.	-	"	1,695,873	12,000	17.83 %	12,000		
	Tasitung Agriculture Co., Ltd.	-	"	7,400,000	15,540	8.27 %	15,540		

- Accumulated buying/selling of the same marketable securities for which the dollar amount reaches \$300 million or 20% or more of paid-in capital: None.
- Acquisition of real estate for which the dollar amount reaches \$300 million or 20% or more of paid-in capital: None.
- Disposition of real estate for which the dollar amount reaches \$300 million or 20% or more of paid-in capital: None.
- Buying/selling products with the dollar amount reaches \$100 million or 20% or more of paid-in capital: None.
- Accounts receivable from related parties for which the dollar amount reaches \$100 million or 20% or more of paid-in capital:

Name of company	Related party	Nature of relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period	Loss allowance
					Amount	Action taken		
PChome Online Inc.	PChome Store Inc.	Subsidiary	190,000	- %	-		-	-
"	Pi Mobile Technology Inc.	Subsidiary	499,848	- %	-		129,343	-

- Derivative transactions: None.

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10. Business relationships and significant inter-company transactions:

No. (Note 1)	Name of company	Name of counter-party	Existing relationship with the counter-party (Note 2)	Transaction			Percentage of the total consolidated revenue or total assets
				Account name	Amount	Terms of trading	
0	PChome Online Inc.	PChome Store Inc.	1	Accounts receivables	1,127	Usual terms and conditions	0.01 %
0	"	"	1	Other receivables	190,373	"	1.24 %
0	"	"	1	Sales	6,654	"	0.06 %
0	"	Pi Mobile Technolgy Inc.	1	Accounts receivables	499,848	"	3.26 %
0	"	"	1	Expense payables	6,183	"	0.04 %
0	"	"	1	Bank charges	18,798	"	0.17 %
0	"	PChome Express Co., Ltd.	1	Expense payables	25,241	"	0.16 %
0	"	"	1	Logistics	55,274	"	0.51 %
0	"	"	1	Other income	1,207	"	0.01 %
0	"	"	1	Dispatch salary	8,623	"	0.08 %
0	"	Mitch Co.,Ltd	1	Accounts receivables	1,017	"	0.01 %
0	"	"	1	Other income	1,079	"	0.01 %

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

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

Note 2: Relationship is classified into three types:

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

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

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

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

(b) Information on investees:

For the three months ended March 31, 2020, the following was the information on investees (excluding investees in Mainland China) :

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

Name of investor	Name of investee	Location	Major operations	Initial investment (Amount)		Ending balance			Net Income (loss) of the investee	Investment income (losses)	Note
				Ending balance	Beginning balance	Shares	Ratio of shares	Book value			
PChome Online Inc.	IT Home Publications Inc.	Taiwan	Magazine publication	30,000	30,000	5,014,802	100.00 %	45,457	(6,306)	(6,306)	Note
"	Linktel Inc.	"	Type II Telecommunications Business	125,000	125,000	17,325,940	100.00 %	91,801	(6,880)	(6,880)	"
"	PC Home Online International Co., Ltd.	British Virgin Islands	International trade and investment activities	25,485	25,485	122,328	100.00 %	4,659	(737)	(737)	"

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Name of investor	Name of investee	Location	Major operations	Initial investment (Amount)		Ending balance			Net income (loss) of the investee	Investment income (losses)	Note
				Ending balance	Beginning balance	Shares	Ratio of shares	Book value			
PChome Online Inc.	Rakuya International Info. Co. Ltd.	Taiwan	Real estate business, and internet information rental service	47,439	47,439	3,035,115	26.47 %	13,302	4,772	1,263	
"	PChome Store Inc.	"	Internet services	326,494	326,494	18,435,220	34.35 %	(237,189)	(9,686)	(3,327)	Note
"	PChomePay Inc.	"	Online payment processing services	756,000	756,000	46,800,000	55.06 %	271,182	(14,810)	(8,154)	"
"	PChome US Inc.	United States of America	E-commerce platform	134,065	134,065	45,800,000	91.97 %	8,951	(163)	(149)	"
"	eCommerce Group Co., Ltd.	British Virgin Islands	Investment activities	1,069,297	1,069,297	349,508,366	100.00 %	535,354	5,821	5,821	"
"	Pi Mobile Technology Inc.	Taiwan	Online payment processing services	140,000	140,000	9,000,000	100.00 %	11,883	(22,958)	(22,958)	"
"	PChome (Thailand) Co., Ltd.	Thailand	E-commerce platform	66,200	66,200	6,500,000	65.00 %	8,652	(5,888)	(3,827)	"
"	PChome Travel Inc.	Taiwan	Travel agency business	36,000	36,000	3,600,000	100.00 %	25,613	(1,611)	(1,611)	"
"	PChome Financial Technology Inc.	"	Information service	10,000	10,000	1,000,000	100.00 %	4,125	(27)	(27)	"
"	PChome Holding Inc.	British Virgin Islands	Investment activities	1,169,090	1,169,090	385,000,000	100.00 %	(99,251)	(5,045)	(5,045)	"
"	PChome Express Co., Ltd.	Taiwan	Transportation and logistics	200,000	200,000	20,000,000	100.00 %	162,338	(5,269)	(5,269)	"
"	Chungghwa PChome Fund 1 Co., Ltd.	"	Investment activities	200,000	200,000	20,000,000	50.00 %	199,144	10,126	5,063	"
"	Cornerstone Ventures Co., Ltd.	"	Investment activities	5,100	5,100	510,000	51.00 %	5,877	414	211	"
"	PChome CB Co., Ltd.	"	E-commerce cross-border services	140,000	140,000	14,000,000	70.00 %	130,721	(3,449)	(2,415)	"
"	Mitch Co., Ltd.	"	Clothing sales	162,000	162,000	16,200,000	60.00 %	149,374	(10,755)	(6,453)	"
PChome eBay Co., Ltd.	PChomePay Inc.	"	Online payment processing services	205,200	205,200	20,520,000	24.14 %	118,894	(14,810)	(3,575)	"
"	PChome Store Inc.	"	Internet services	632,258	632,258	11,896,486	22.16 %	(26,725)	(9,686)	(2,146)	"
PChomePay Inc.	Pay and Link Inc.	"	Electronic payment business	500,388	500,388	50,100,000	100.00 %	356,333	(7,932)	(7,932)	"
"	Zhen Jain Lian International Co., Ltd.	"	Online payment processing services	3,000	3,000	300,000	100.00 %	2,573	(7)	(7)	"
"	Yin Te Lian International Co., Ltd.	"	"	3,000	3,000	300,000	100.00 %	2,572	(7)	(7)	"
"	Yun Tung Bao International Co., Ltd.	"	"	3,000	3,000	300,000	100.00 %	2,626	(15)	(15)	"
PC Home Online International Co., Ltd.	PC Home Online Inc.	Cayman Islands	International trade and investment activities	25,311	25,311	10,000,000	100.00 %	6,040	(707)	(707)	"
PChome Online Inc.	PC Home Online (HK) Ltd.	Hong Kong	Information service and indirect investment activities	25,140	25,140	5,641,239	100.00 %	8,201	(572)	(572)	"

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Name of investor	Name of investee	Location	Major operations	Initial investment (Amount)		Ending balance			Net income (loss) of the investee	Investment income (losses)	Note
				Ending balance	Beginning balance	Shares	Ratio of shares	Book value			
PC Home Online (HK) Ltd.	Ruten Japan KK	Japan	Information processing and provision of electronic information	5,438	5,438	2,000,000	4.50 %	1,873	(10,703)	(481)	
ECOMMERCE GROUP CO., LTD.	Ruten Global Inc.	Cayman Islands	Investment activities	831,606	831,606	266,063,307	100.00 %	617,481	5,826	5,826	Note
Ruten Global Inc.	EC Global Limited	Hong Kong	"	22,740	22,740	7,494,642	100.00 %	7,210	(47)	(47)	"
"	PChome eBay Co., Ltd.	Taiwan	Information processing and provision of electronic information	779,688	779,688	27,300,000	65.00 %	499,789	17,029	11,069	"
"	Ruten Japan KK	Japan	"	54,499	54,499	19,794,850	44.50 %	18,523	(10,703)	(4,763)	"
"	Ruten Singapore Pte. Ltd.	Singapore	"	63,045	63,045	20,800,000	65.00 %	57,303	(149)	(97)	Note
PChome Holding Inc.	PChome Marketplace Inc.	Cayman Islands	Investment activities	1,169,090	1,169,090	38,335,000	100.00 %	1,242,143	(4,979)	(4,979)	"
PChome Marketplace Inc.	PChome Japan KK	Japan	International trading E-commerce	119,330	119,330	43,500,000	100.00 %	108,655	(1,483)	(1,483)	"
"	PChome Store Inc.	Taiwan	Internet services	998,758	998,758	19,206,893	35.78 %	(329,156)	(9,686)	(3,466)	"
PChome CB Co., Ltd.	PChome CBS Co., Ltd.	Taiwan	Internet services	127,000	127,000	2,900,000	100.00 %	125,318	776	776	"
"	PCHOME CB PTE. LTD.	Singapore	Internet services	59,698	59,698	190,000	100.00 %	48,449	(4,205)	(4,205)	"
PCHOME CB PTE. LTD.	PChome Bibian Inc.	Japan	E-commerce cross-border services	51,069	51,069	18,000,000	100.00 %	41,951	(4,205)	(4,205)	"

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

(c) Information on investment in Mainland China:

- Information on investment in Mainland China: None.
- Limitation on investment in Mainland China:

Aggregate investment amount remitted from Taiwan to Mainland China at the end of the period (Note 3)	Approved investment (amount) by Ministry of Economic Affairs Investment Commission (Note 3)	Limitation on investment in Mainland China in accordance with regulations of Ministry of Economic Affairs Investment Commission (Note 4)
-	58,305	2,238,003

Note 1: In the above table, all relevant amounts are disclosed in TWD, and the foreign currency was translated on the exchange rate 30.21 at the three months ended March 31, 2020.

Note 2: The upper limit on investment was the greater of 60% of the individual or consolidated total net worth.

Note 3: Shanghai Todo Inc. and PChome Trading (Shenzhen) Ltd. were dissolved in the fourth quarter of 2019. As of March 31, 2020, the accumulated investment amount of USD500 thousand remitted from Taiwan has not been repatriated.

- Significant transactions: None.

(d) Major shareholders:

Shareholder's Name	Shareholding	Shares	Percentage
Site Co., Ltd.		18,907,864	16.13 %
HSBC Hosts BuenaVista Asia Opportunity Master Fund Co., Ltd.		5,906,295	5.04 %

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

REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH GENERALLY ACCEPTED AUDITING STANDARDS AS OF MARCH 31, 2020 AND 2019

PCHOME ONLINE INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2020 AND 2019

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

Note: (1)The information on major shareholders is based on the number of ordinary shares and special shares held by shareholders with ownership of 5% or more that have been issued without physical registration (including treasury shares) by the Company as of March 31, 2020. The share capital in consolidated financial report may differ from the actual number of shares that have been issued without physical registration due to different preparation basis.

(2)Regarding the above matter, if the shareholders deliver the shares to the trust company, those shares will be disclosed by the trustee who opened the trust account separately. As for the shareholders conducting an insider equity declaration in accordance with the Securities Exchange Act, the number of shares held by shareholders include the number of shares held by themselves, plus, the number of shares delivered by the shareholders to the trust which has discretion over the use of the trust assets. The Information of insider trading would be available at the Market Observation Post System.

(14) Segment Information

The Group's regional financial information was as follows:

<u>For the three months ended March 31, 2020</u>	<u>E-Commerce- Sales</u>	<u>Market Place</u>	<u>Other</u>	<u>Adjustments and Eliminations</u>	<u>Consolidated</u>
Revenue:					
Non-inter-company revenue	\$ 10,103,319	508,425	67,774	-	10,679,518
Inter-company revenue	9,784	1,483	89,085	(100,352)	-
Total Revenue	\$ 10,113,103	509,908	156,859	(100,352)	10,679,518
Reportable Segment net operating income (loss)	\$ 206,269	20,309	(84,959)	3,738	145,357
<u>For the three months ended March 31, 2019</u>					
Revenue:					
Non-inter-company revenue	\$ 8,500,122	652,247	49,840	-	9,202,209
Inter-company revenue	24,852	1,273	29,188	(55,313)	-
Total Revenue	\$ 8,524,974	653,520	79,028	(55,313)	9,202,209
Reportable Segment net operating income (loss)	\$ 131,845	(9,291)	(49,457)	461	73,558