

PCHOME ONLINE INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

**With Independent Auditors' Review Report
For the Nine Months Ended September 30, 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 September 30, 2020 and 2019, and the consolidated statements of comprehensive income, changes in equity and cash flows for the nine 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 \$1,237,406 thousand and \$1,229,626 thousand, each constituting 8% and 8% of the consolidated total assets as of September 30, 2020 and 2019, respectively; the total liabilities amounting to \$267,744 thousand and \$185,105 thousand, each constituting 2% and 2% of the consolidated total liabilities as of September 30, 2020 and 2019, respectively, and the total comprehensive income (loss) amounting to \$(35,103) thousand, \$(49,535) thousand, \$(77,499) thousand and \$(26,351) thousand, constituting (87)%, (104)%, (48)% and (18)% of the consolidated total comprehensive income (loss) for the three months and the nine months ended September 30, 2020 and 2019, respectively.

Furthermore, as stated in Note 6(f), the other equity accounted investments of the Group in its investee companies of \$125,094 thousand and \$42,608 thousand as of September 30, 2020 and 2019, respectively, and its share of loss of associates and joint ventures accounted for using equity method on these investee companies of \$4,138 thousand, \$4,422 thousand, \$11,578 thousand and \$13,861 thousand for the three months and the nine months ended September 30, 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 September 30, 2020 and 2019, and of its consolidated financial performance and its consolidated cash flows for the nine 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)
November 12, 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 review 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.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

September 30, 2020, December 31, 2019, and September 30, 2019

(Expressed in Thousands of New Taiwan Dollars)

Total assets

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

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

PCHOME ONLINE INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the three months and the nine months ended September 30, 2020 and 2019
(Expressed in Thousands of New Taiwan Dollars)

	For the three months ended September 30,				For the nine months ended September 30,			
	2020		2019		2020		2019	
	Amount	%	Amount	%	Amount	%	Amount	%
4111 Sales revenue	\$ 10,469,787	102	9,583,087	101	31,731,925	101	27,849,780	101
4170 Less: Sales returns	157,119	2	128,777	1	446,116	1	366,074	1
Operating revenue, net (Note (6)(f))	10,312,668	100	9,454,310	100	31,285,809	100	27,483,706	100
5000 Operating costs (Note (6)(e))	9,139,554	88	8,303,809	88	27,645,312	88	24,125,684	88
Gross profit from operations	1,173,114	12	1,150,501	12	3,640,497	12	3,358,022	12
Operating expenses:								
6100 Selling expenses	912,217	9	834,736	9	2,707,412	9	2,526,375	9
6200 Administrative expenses	93,925	1	89,685	1	287,957	1	257,028	1
6300 Research and development expenses	125,401	1	121,201	1	395,536	1	349,166	1
6450 Expected credit loss (gain) (Note (6)(d))	834	-	83	-	1,190	-	15	-
Total operating expenses	1,132,377	11	1,045,705	11	3,392,095	11	3,132,584	11
6500 Net other income	16	-	583	-	16	-	961	-
Net operating income	40,753	1	105,379	1	248,418	1	226,399	1
Non-operating income and expenses (Note (6)(v)):								
7100 Interest income	2,490	-	2,592	-	8,376	-	8,445	-
7010 Other income	23,757	-	8,812	-	55,476	-	15,533	-
7020 Other gains and losses, net	(12,256)	-	807	-	(1,535)	-	1,921	-
7050 Finance costs	(12,325)	-	(15,774)	-	(40,802)	-	(47,728)	-
7060 Share of loss of associates and joint ventures accounted for using equity method, net	(4,138)	-	(4,422)	-	(11,578)	-	(13,861)	-
Total non-operating income and expenses	(2,472)	-	(7,985)	-	9,937	-	(35,690)	-
Profit from continuing operations before tax	38,281	1	97,394	1	258,355	1	190,709	1
7950 Less: Tax expense(benefit) (Note (6)(p))	(17,648)	-	45,782	-	50,862	-	75,647	-
Profit	55,929	1	51,612	1	207,493	1	115,062	1
Other comprehensive income (loss):								
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)	16,329	-	2,153	-	14,436	-	12,339	-
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	16,329	-	2,153	-	14,436	-	12,339	-
Items that may be reclassified subsequently to profit or loss								
8360 Exchange differences on translation	(25,893)	-	(5,950)	-	(55,630)	-	20,807	-
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	(25,893)	-	(5,950)	-	(55,630)	-	20,807	-
Other comprehensive income (loss), net of tax	(9,564)	-	(3,797)	-	(41,194)	-	33,146	-
8500 Total comprehensive income	\$ 46,365	1	47,815	1	166,299	1	148,208	1
Profit (loss), attributable to:								
8610 Profit, attributable to owners of parent	\$ 67,721	1	55,919	1	223,488	1	128,549	1
8620 Loss, attributable to non-controlling interests	(11,792)	-	(4,307)	-	(15,995)	-	(13,487)	-
	\$ 55,929	1	51,612	1	207,493	1	115,062	1
Comprehensive income attributable to:								
8710 Comprehensive income, attributable to owners of parent	\$ 59,627	1	53,184	1	184,772	1	161,214	1
8720 Comprehensive loss, attributable to non-controlling interests	(13,262)	-	(5,369)	-	(18,473)	-	(13,006)	-
	\$ 46,365	1	47,815	1	166,299	1	148,208	1
Earnings per share (Note (6)(s))								
9750 Basic earnings per share (NT dollars)	\$ 0.58		0.48		1.91		1.10	
9850 Diluted earnings per share (NT dollars)	\$ 0.58		0.48		1.91		1.10	

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 nine months ended September 30, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of Parent								Other Equity Interest		
	Share capital			Retained Earnings			Exchange Differences on Translation of Foreign Statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Total Equity Attributable to Owners of Parent	Non-Controlling Interests	Total Equity
	Ordinary Capital	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Retained Earnings						
\$	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	
	-	-	-	-	128,549	-	-	128,549	(13,487)	115,062	
	-	-	-	-	-	20,326	12,339	32,665	481	33,146	
	-	-	-	-	128,549	20,326	12,339	161,214	(13,006)	148,208	
	-	-	(408,184)	-	408,184	-	-	-	-	-	
	-	-	-	(4,120)	4,120	-	-	-	-	-	
	-	(790,347)	-	-	790,347	-	-	-	-	-	
	-	-	-	-	(61,161)	-	-	(61,161)	61,161	-	
	-	3,564	-	-	-	-	-	3,564	(16,805)	(13,241)	
	-	-	-	-	-	-	-	-	60,000	60,000	
\$	1,171,595	1,720,640	-	-	67,388	31,850	45,877	3,037,350	581,161	3,618,511	
\$	1,171,595	1,722,411	-	-	100,564	(24,825)	73,025	3,042,770	724,314	3,767,084	
	-	-	-	-	223,488	-	-	223,488	(15,995)	207,493	
	-	-	-	-	-	(53,152)	14,436	(38,716)	(2,478)	(41,194)	
	-	-	-	-	223,488	(53,152)	14,436	184,772	(18,473)	166,299	
	-	-	16,244	-	(16,244)	-	-	-	-	-	
	-	-	-	-	(82,012)	-	-	(82,012)	-	(82,012)	
	-	2,787	-	-	-	-	-	2,787	43,062	45,849	
	-	-	-	-	-	-	-	-	15,283	15,283	
	-	-	-	-	24,300	-	(24,300)	-	-	-	
\$	1,171,595	1,725,198	16,244	-	250,096	(77,977)	63,161	3,148,317	764,186	3,912,503	

	Profit (loss) for the nine months ended September 30, 2019	
	Other comprehensive income for the nine months ended September 30, 2019	
	Total comprehensive income (loss) for the nine months ended September 30, 2019	
	Appropriation and distribution of retained earnings:	
	Legal reserve used to offset accumulated deficits	
	Reversal of special reserve	
	Capital surplus used to offset accumulated deficits	
	Difference between consideration and carrying amount of subsidiaries acquired or disposed	
	Changes in ownership interests in subsidiaries	
	Changes in non-controlling interests	
	Balance at September 30, 2019	
	Balance at January 1, 2020	
	Profit (loss) for the nine months ended September 30, 2020	
	Other comprehensive income (loss) for the nine months ended September 30, 2020	
	Total comprehensive income (loss) for the nine months ended September 30, 2020	
	Appropriation and distribution of retained earnings:	
	Legal reserve appropriated	
	Cash dividends of ordinary share	
	Changes in ownership interests in subsidiaries	
	Changes in non-controlling interests	
	Disposal of investments in equity instruments designated at fair value through other comprehensive income	
	Balance at September 30, 2020	

Balance at January 1, 2019

Profit (loss) for the nine months ended September 30, 2019

Other comprehensive income for the nine months ended September 30, 2019

Total comprehensive income (loss) for the nine months ended September 30, 2019

Appropriation and distribution of retained earnings:

Legal reserve used to offset accumulated deficits

Reversal of special reserve

Capital surplus used to offset accumulated deficits

Difference between consideration and carrying amount of subsidiaries acquired or disposed

Changes in ownership interests in subsidiaries

Changes in non-controlling interests

Balance at September 30, 2019

Balance at January 1, 2020

Profit (loss) for the nine months ended September 30, 2020

Other comprehensive income (loss) for the nine months ended September 30, 2020

Total comprehensive income (loss) for the nine months ended September 30, 2020

Appropriation and distribution of retained earnings:

Legal reserve appropriated

Cash dividends of ordinary share

Changes in ownership interests in subsidiaries

Changes in non-controlling interests

Disposal of investments in equity instruments designated at fair value through other comprehensive income

Balance at September 30, 2020

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

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the nine months ended September 30, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

	For the nine months ended September 30,	
	2020	2019
Cash flows from operating activities:		
Profit before tax	\$ 258,355	190,709
Adjustments:		
Adjustments to reconcile profit:		
Depreciation expense	532,651	530,587
Amortization expense	22,402	19,834
Expected credit loss	1,190	15
Net gain on financial assets at fair value through profit or loss	(6,704)	-
Interest expense	40,802	47,728
Interest income	(8,376)	(8,445)
Dividend income	(8,495)	(5,263)
Share-based payments of subsidiaries	1,427	306
Share of loss of associates and joint ventures accounted for using equity method	11,578	13,861
Loss on disposal of property, plant and equipment	-	4
Loss on disposal of investments accounted for using equity method	1,701	-
Gain on lease modification	(16)	-
Total adjustments to reconcile profit	588,160	598,627
Changes in operating assets and liabilities:		
Changes in operating assets:		
Notes receivable	(87)	(1,144)
Accounts receivable	63,681	(55,753)
Lease receivable	2,241	2,208
Other receivables	(98,696)	(429,723)
Inventories	352,442	(251,973)
Other current assets	(90,675)	(50,719)
Other financial assets	19,788	(2,049)
Net defined benefit assets	-	(854)
Current asset recognized as right to recover products from customers	10,189	5,145
Total changes in operating assets	258,883	(784,862)
Changes in operating liabilities:		
Contract liabilities	105,143	32,747
Notes payable	1,598	979
Accounts payable	104,606	37,889
Other payable	4,471	40,933
Receipts under custody	(58,722)	(205,602)
Other current liabilities	(130,386)	359,661
Net defined benefit liabilities	(1,196)	(348)
Current refund liabilities	(10,633)	(5,395)
Other non-current liabilities	-	(1,706)
Total changes in operating liabilities	14,881	259,158
Total changes in operating assets and liabilities	273,764	(525,704)
Total adjustments	861,924	72,923
Cash flow generated from operations	1,120,279	263,632
Interest received	7,757	9,764
Dividends received	8,495	5,263
Interest paid	(41,615)	(47,463)
Income taxes paid	(80,909)	(51,186)
Net cash flows from operating activities	1,014,007	180,010
Cash flows used in investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	(7,500)	(85,000)
Acquisition of financial assets designated at fair value through profit or loss	(17,269)	(58,599)
Acquisition of investments accounted for using equity method	-	(27,460)
Increase in prepayments for investments	(8,485)	(163,473)
Net cash flow from acquisition of subsidiaries	-	(99,938)
Acquisition of property, plant and equipment	(153,780)	(159,748)
Proceeds from disposal of property, plant and equipment	3,261	21
Increase in refundable deposits	(9,081)	-
Acquisition of intangible assets	(21,135)	(34,108)
Other non-current assets	(69,689)	(38,847)
Net cash flows used in investing activities	(283,678)	(667,152)
Cash flows from financing activities:		
Short-term borrowings	(40,000)	390,000
Long-term borrowings	125,000	-
Repayments of long-term borrowings	(200,000)	(150,000)
Payment of lease liabilities	(380,156)	(381,472)
Cash dividends paid	(82,012)	-
Change in non-controlling interests	15,283	60,000
Net cash flows used in financing activities	(561,885)	(81,472)
Effect of exchange rate changes on cash and cash equivalents	15,719	5,755
Net increase (decrease) in cash and cash equivalents	184,163	(562,859)
Cash and cash equivalents at beginning of period	6,869,004	6,881,162
Cash and cash equivalents at end of period	\$ 7,053,167	6,318,303

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 AS OF SEPTEMBER 30, 2020 AND 2019

PCHOME ONLINE INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 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 November 12, 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.

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020
Amendments to IFRS 9, IAS 39 and IFRS 7 "Interest Rate Benchmark Reform"	January 1, 2020
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020
Amendments to IFRS 16 "Covid-19-Related Rent Concessions"	June 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 the FSC but not yet effective

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2021:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 4 "Extension of the Temporary Exemption from Applying IFRS 9"	January 1, 2021

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

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

REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH GENERALLY ACCEPTED AUDITING STANDARDS AS OF SEPTEMBER 30, 2020 AND 2019

PCHOME ONLINE INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2020 AND 2019

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

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

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

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”	Effective date to be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2023
Amendments to IAS 16 “Property, Plant and Equipment—Proceeds before Intended Use”	January 1, 2022
Amendments to IAS 37 “Onerous Contracts—Cost of Fulfilling a Contract”	January 1, 2022
Annual Improvements to IFRS Standards 2018-2020	January 1, 2022
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022
Amendments to IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform—Phase 2”	January 1, 2021

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

(4) 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.

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

REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH GENERALLY ACCEPTED AUDITING STANDARDS AS OF SEPTEMBER 30, 2020 AND 2019

PCHOME ONLINE INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2020 AND 2019

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

Except the following accounting policies mentioned below, the significant accounting policies adopted in the consolidated interim financial statements are the same as those in the consolidated financial statement for the year ended December 31, 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
			2020.9.30	2019.12.31	2019.9.30	
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 %	55.06 %	
"	IT Home Publications Inc.	Magazine publication	100.00 %	100.00 %	100.00 %	Note 1
"	PChome US Inc.	E-commerce platform	91.97 %	91.97 %	91.97 %	"
"	PC Home Online International Co., Ltd.	International trade and investment activities	100.00 %	100.00 %	100.00 %	"
"	eCommerce Group Co., Ltd.	Investment activities	100.00 %	100.00 %	100.00 %	
"	Pi Mobile Technology Inc.	Online payment processing services	89.72 %	100.00 %	100.00 %	
"	PChome (Thailand) Co., Ltd.	E-commerce platform	66.25 %	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 I 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 %	70.00 %	"
"	Mitch Co., Ltd.	Clothing sales	60.00 %	60.00 %	- %	Notes 1 and 4

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Name of investor	Name of subsidiary	Principal activity	Shareholding			Note
			2020.9.30	2019.12.31	2019.9.30	
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
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 %	Note 6
"	Yin Te Lian International Co., Ltd.	"	- %	100.00 %	100.00 %	"
"	Yun Tung Bao International Co., Ltd.	"	100.00 %	100.00 %	100.00 %	Note 1
PC Home Online International Co., Ltd.	PChome Online Inc.	International trade and investment activities	100.00 %	100.00 %	100.00 %	"
eCommerce Group Co., Ltd.	Ruten Global Inc.	Investment activities	100.00 %	100.00 %	100.00 %	
PChome Online Inc.	PC Home Online (HK) Ltd.	Information service and indirect investment activities	100.00 %	100.00 %	100.00 %	Note 1
Ruten Global Inc.	EC Global Limited	Investment activities	100.00 %	100.00 %	100.00 %	"
"	PChome eBay Co., Ltd.	Information processing and provision of electronic information	65.00 %	65.00 %	65.00 %	
"	Ruten Singapore Pte. Ltd.	"	- %	65.00 %	65.00 %	Note 7
PC Home Online (HK) Ltd.	Shanghai Todo Inc.	Software and internet technical consulting service	- %	- %	100.00 %	Note 5
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 %	100.00 %	Note 1
"	PCHOME CB PTE. LTD.	"	100.00 %	100.00 %	100.00 %	"

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Name of investor	Name of subsidiary	Principal activity	Shareholding			Note
			2020.9.30	2019.12.31	2019.9.30	
PCHOME CB PTE. LTD.	PChome Bibian Inc.	E-commerce cross-border services	100.00 %	100.00 %	- %	Notes 1 and 3

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 in the fourth quarter of 2019.

Note 4: The subsidiary was established on October 3, 2019.

Note 5: The subsidiary was dissolved in the fourth quarter of 2019.

Note 6: The subsidiary was dissolved on April 15, 2020.

Note 7: The subsidiary was dissolved on September 4, 2020.

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

(c) Employee benefits

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

(d) Income taxes

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

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

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.

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(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.

(a) Cash and cash equivalents

	<u>2020.9.30</u>	<u>2019.12.31</u>	<u>2019.9.30</u>
Cash on hand	\$ 1,088	1,056	937
Checking accounts	43,333	18,712	43,192
Savings accounts	5,415,134	5,572,425	5,057,282
Foreign currency deposits	160,164	180,992	118,844
Time deposits	1,429,834	1,090,700	1,091,700
Cash equivalents	<u>3,614</u>	<u>5,119</u>	<u>6,348</u>
Cash and cash equivalents in consolidated statement of cash flows	<u>\$ 7,053,167</u>	<u>6,869,004</u>	<u>6,318,303</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>2020.9.30</u>	<u>2019.12.31</u>	<u>2019.9.30</u>
Mandatorily measured at fair value through profit or loss:			
Preferred stocks	\$ 66,323	36,983	36,983
Foreign convertible bonds	<u>16,249</u>	<u>21,616</u>	<u>21,616</u>
Total	<u>\$ 82,572</u>	<u>58,599</u>	<u>58,599</u>

PCHOME ONLINE INC. AND SUBSIDIARIES**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****SEPTEMBER 30, 2020 AND 2019****(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

1. The Group acquired FP International Limited's convertible bonds for \$21,616 thousand in the first quarter of 2019. The convertible bonds were fully converted into 42,000 preferred stocks 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 in the first quarter of 2020.
3. The Group acquired Traveler Co., Ltd.'s and Aiello Inc.'s convertible bonds for \$5,910 thousand and \$10,339 thousand in the third quarter of 2020.
4. 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>2020.9.30</u>	<u>2019.12.31</u>	<u>2019.9.30</u>
Equity instruments at fair value through other comprehensive income			
Stocks unlisted on domestic markets	\$ <u>136,965</u>	<u>214,329</u>	<u>187,181</u>

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 common stocks of Taiwan Advance Intelligent Tech. Co., Ltd. for \$7,500 thousand in the first three quarter of 2020.
3. The Group has obtained three of the nine director seats on the board of directors of Miho International Cosmetic Co., Ltd. since July 1, 2020, and acquired significant influence over that company from that date. Therefore, the Group transferred this investment from non-current financial assets at fair value through other comprehensive income to investments accounted for using the equity method. Relevant information please refer to note 6(f). The fair value at the time of disposal was \$99,300 thousand, and the disposal profit amounted to \$24,300 thousand. The accumulated disposal profit has been transferred from other equity interests to retained earnings.
4. For the information about the credit risk and market risk, please refer to note 6(x).
5. 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>2020.9.30</u>	<u>2019.12.31</u>	<u>2019.9.30</u>
Notes receivable-measured as amortized cost	\$ 461	374	1,256
Trade receivable-measured as amortized cost	431,654	511,938	690,904
Other receivables-measured as amortized cost	1,279,611	1,161,297	1,164,028
Lease receivable	5,083	7,324	8,064
Less: Allowance for impairment loss	<u>(2,032)</u>	<u>(1,412)</u>	<u>(729)</u>
	<u>\$ 1,714,777</u>	<u>1,679,521</u>	<u>1,863,523</u>

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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:

2020.9.30			
	Gross carrying amount	Expected loss rate	Loss allowance provision
Current	\$ 1,679,883	0.002%~0.21%	120
Past under 180 days	32,674	0.53%~10%	429
Over 181 days past due	4,252	25%~100%	1,483
	\$ 1,716,809		2,032
2019.12.31			
	Gross carrying amount	Weighted-average	Loss allowance provision
Current	\$ 1,678,644	0.002%~0.021%	867
Past under 180 days	1,446	0.53%~10%	219
Over 181 days past due	843	25%~100%	326
	\$ 1,680,933		1,412
2019.9.30			
	Gross carrying amount	Weighted-average	Loss allowance provision
Current	\$ 1,860,935	0.002%~0.021%	78
Past under 180 days	2,336	0.53%~10%	217
Over 181 days past due	981	25%~100%	434
	\$ 1,864,252		729

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

	For the nine months ended September 30,	
	2020	2019
Balance at January 1	\$ 1,412	714
Impairment losses recognized	1,190	15
Amounts written off	(570)	-
Balance at September 30	\$ 2,032	729

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(e) Inventories

	2020.9.30	2019.12.31	2019.9.30
Merchandise inventories	\$ 1,348,288	1,694,672	1,516,151
Less: Allowance for inventory valuation and obsolescence losses	(15,583)	(9,525)	(13,353)
	\$ 1,332,705	1,685,147	1,502,798

As of September 30, 2020, December 31, 2019, and September 30, 2019 the Group's inventories were not pledged as collateral.

The details of operating cost were as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2020	2019	2020	2019
Cost of goods sold	\$ 9,133,459	8,304,791	27,638,080	24,123,798
Provision for inventory market price decline and obsolescence(Gain from price recovery of inventory)	5,379	(1,403)	6,058	1,156
Loss on disposal of scrap	716	421	1,174	730
	\$ 9,139,554	8,303,809	27,645,312	24,125,684

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 September 30, 2019.

(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:

	2020.9.30	2019.12.31	2019.9.30
Associates	\$ 125,094	37,488	42,608

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		
			2020.9.30	2019.12.31	2019.9.30
Rakuya International Info. Co. Ltd.	Real estate business, and internet information rental service	Taiwan	26.47 %	26.47 %	26.47 %

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Name of Associates	Nature of Relationship with the Group	Main operating location/ Registered Country of the Company	Proportion of shareholding and voting rights		
			2020.9.30	2019.12.31	2019.9.30
Ruten Japan KK	Information processing and provision of electronic information	Japan	49.00 %	49.00 %	49.00 %
Miho International Cosmetic Co., Ltd.	Cosmetics and clothing sales	Taiwan	8.09 %	- %	- %

The Group has significant influence over Miho International Cosmetic Co., Ltd. since July 1, 2020. Relevant information please refer to note 6(c).

2. Collateral

As of September 30, 2020, December 31, 2019, and September 30, 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		
		2020.9.30	2019.12.31	2019.9.30
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 %

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.

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

	2020.9.30	2019.12.31	2019.9.30
Current assets	\$ 624,555	901,761	1,020,679
Non-current assets	28,418	47,036	53,784
Current liabilities	(905,552)	(1,160,982)	(1,224,273)
Non-current liabilities	(434,000)	(468,644)	(521,398)
Net assets	<u>\$ (686,579)</u>	<u>(680,829)</u>	<u>(671,208)</u>
Non-controlling interests	<u>\$ (97,142)</u>	<u>(96,698)</u>	<u>(95,957)</u>
	<u>For the three months ended September 30,</u>	<u>For the nine months ended September 30,</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>
Sales revenue	<u>\$ 217,968</u>	<u>310,804</u>	<u>726,071</u>
	<u>2019</u>		<u>2019</u>
Net gain (loss)	\$ 448	(36,086)	(5,750)
Other comprehensive income (loss)	-	-	-
Comprehensive income (loss)	<u>\$ 448</u>	<u>(36,086)</u>	<u>(5,750)</u>
	<u>2020</u>	<u>2019</u>	<u>2020</u>
Gain (loss), attributable to non-controlling interests	<u>\$ 35</u>	<u>(2,782)</u>	<u>(443)</u>
	<u>2019</u>		<u>2019</u>
Comprehensive income (loss), attributable to non-controlling interests	<u>\$ 35</u>	<u>(2,782)</u>	<u>(443)</u>

2.PChomePay Inc.'s collective financial information:

	2020.9.30	2019.12.31	2019.9.30
Current assets	\$ 1,056,668	1,144,784	1,213,093
Non-current assets	349,181	382,309	389,462
Current liabilities	(943,417)	(1,016,402)	(1,074,184)
Non-current liabilities	(1,590)	(3,361)	(3,948)
Net assets	<u>\$ 460,842</u>	<u>507,330</u>	<u>524,423</u>
Non-controlling interests	<u>\$ 95,855</u>	<u>105,525</u>	<u>109,080</u>

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	For the three months ended September 30,		For the nine months ended September 30,	
	2020	2019	2020	2019
Sales revenue	\$ <u>13,045</u>	<u>9,381</u>	<u>37,363</u>	<u>24,219</u>
Net loss	\$ (15,946)	(17,375)	(46,488)	(50,705)
Other comprehensive income	-	-	-	-
Comprehensive loss	\$ <u>(15,946)</u>	<u>(17,375)</u>	<u>(46,488)</u>	<u>(50,705)</u>
Loss, attributable to non-controlling interests	\$ <u>(3,317)</u>	<u>(3,614)</u>	<u>(9,670)</u>	<u>(10,547)</u>
Comprehensive loss, attributable to non-controlling interests	\$ <u>(3,317)</u>	<u>(3,614)</u>	<u>(9,670)</u>	<u>(10,547)</u>

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

	2020.9.30	2019.12.31	2019.9.30
Current assets	\$ 882,729	821,647	781,720
Non-current assets	169,972	185,631	185,427
Current liabilities	(239,445)	(243,788)	(218,843)
Non-current liabilities	(9,207)	(19,478)	(22,881)
Net assets	\$ <u>804,049</u>	<u>744,012</u>	<u>725,423</u>
Non-controlling interests	\$ <u>281,417</u>	<u>260,404</u>	<u>253,898</u>

	For the three months ended September 30,		For the nine months ended September 30,	
	2020	2019	2020	2019
Sales revenue	\$ <u>205,771</u>	<u>240,922</u>	<u>664,523</u>	<u>694,243</u>
Net gain	\$ 21,582	15,636	59,254	40,296
Other comprehensive income	-	-	-	-
Comprehensive income	\$ <u>21,582</u>	<u>15,636</u>	<u>59,254</u>	<u>40,296</u>
Gain, attributable to non-controlling interests	\$ <u>7,554</u>	<u>5,472</u>	<u>20,739</u>	<u>14,103</u>
Comprehensive income, attributable to non-controlling interests	\$ <u>7,554</u>	<u>5,472</u>	<u>20,739</u>	<u>14,103</u>

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

	<u>2020.9.30</u>	<u>2019.12.31</u>	<u>2019.9.30</u>
Current assets	\$ 321,780	351,441	353,919
Non-current assets	66,323	36,983	36,983
Current liabilities	(283)	(261)	(292)
Net assets	<u>\$ 387,820</u>	<u>388,163</u>	<u>390,610</u>
Non-controlling interests	<u>\$ 193,910</u>	<u>194,082</u>	<u>193,305</u>
	<u>For the three months ended September 30,</u>	<u>For the nine months ended September 30,</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>
Net loss	\$ (8,163)	(2,438)	(343)
Other comprehensive income	-	-	-
Comprehensive loss	<u>\$ (8,163)</u>	<u>(2,438)</u>	<u>(343)</u>
Loss, attributable to non-controlling interests	<u>\$ (4,081)</u>	<u>(1,219)</u>	<u>(171)</u>
Comprehensive loss, attributable to non-controlling interests	<u>\$ (4,081)</u>	<u>(1,219)</u>	<u>(3,669)</u>

(h) Property, plant and equipment

The cost and depreciation of the property, plant and equipment of the Group for the nine months ended September 30, 2020 and 2019, were as follows:

	<u>Transportation equipment</u>	<u>Furniture and office equipment</u>	<u>Leasehold improvements</u>	<u>Leased assets</u>	<u>Total</u>
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 September 30, 2020	<u>\$ 75,818</u>	<u>346,787</u>	<u>160,411</u>	<u>5,386</u>	<u>588,402</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 September 30, 2019	<u>\$ 31,857</u>	<u>360,349</u>	<u>162,861</u>	<u>8,609</u>	<u>563,676</u>

There were no significant additions, disposal, or impairment in property, plant and equipment for the nine months ended September 30, 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.

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(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:

	<u>Buildings</u>	<u>Machinery and equipment</u>	<u>Transportation equipment</u>	<u>Total</u>
Cost:				
Balance as of January 1, 2020	\$ 3,402,610	73,079	1,165	3,476,854
Additions	32,889	-	-	32,889
Decrease	(31,805)	-	-	(31,805)
Effect of changes in foreign exchange rates	(249)	-	-	(249)
Balance as of September 30, 2020	<u>\$ 3,403,445</u>	<u>73,079</u>	<u>1,165</u>	<u>3,477,689</u>
Balance as of January 1, 2019	\$ 3,277,618	73,079	-	3,350,697
Additions	61,735	-	1,165	62,900
Effect of changes in lease contract	(9,261)	-	-	(9,261)
Effect of changes in foreign exchange rates	598	-	-	598
Balance as of September 30, 2019	<u>\$ 3,330,690</u>	<u>73,079</u>	<u>1,165</u>	<u>3,404,934</u>
Accumulated depreciation and impairment losses:				
Balance as of January 1, 2020	\$ 503,592	13,491	281	517,364
Depreciation for the year	377,639	10,119	361	388,119
Other decrease	(26,441)	-	-	(26,441)
Effect of changes in foreign exchange rates	(126)	-	-	(126)
Balance as of September 30, 2020	<u>\$ 854,664</u>	<u>23,610</u>	<u>642</u>	<u>878,916</u>
Balance as of January 1, 2019	\$ -	-	-	-
Depreciation for the year	382,937	10,118	161	393,216
Effect of changes in lease contract	(67,126)	-	-	(67,126)
Effect of changes in foreign exchange rates	70	-	-	70
Balance as of September 30, 2019	<u>\$ 315,881</u>	<u>10,118</u>	<u>161</u>	<u>326,160</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 September 30, 2020	<u>\$ 2,548,781</u>	<u>49,469</u>	<u>523</u>	<u>2,598,773</u>
Balance as of January 1, 2019	<u>\$ 3,277,618</u>	<u>73,079</u>	<u>-</u>	<u>3,350,697</u>
Balance as of September 30, 2019	<u>\$ 3,014,809</u>	<u>62,961</u>	<u>1,004</u>	<u>3,078,774</u>

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(j) Intangible assets

The costs and amortization of intangible assets of the Group for the nine months ended September 30, 2020 and 2019, were as follows:

	<u>Software</u>	<u>Goodwill</u>	<u>Total</u>
Cost:			
Balance at January 1, 2020	\$ 170,400	99,358	269,758
Acquired separately	17,022	-	17,022
Disposals	(74)	-	(74)
Effect of movements in exchange rates	(256)	-	(256)
Balance at September 30, 2020	<u>\$ 187,092</u>	<u>99,358</u>	<u>286,450</u>
Balance at January 1, 2019	\$ 111,848	-	111,848
Acquired separately	36,737	-	36,737
Acquired through business combination	-	99,358	99,358
Disposals	(223)	-	(223)
Effect on movements in exchange rates	162	-	162
Balance at September 30, 2019	<u>\$ 148,524</u>	<u>99,358</u>	<u>247,882</u>
Balance at January 1, 2020	\$ 116,048	-	116,048
Amortization for the year	22,402	-	22,402
Disposals	(74)	-	(74)
Effect of movements in exchange rates	(181)	-	(181)
Balance at September 30, 2020	<u>\$ 138,195</u>	<u>-</u>	<u>138,195</u>
Balance at January 1, 2019	\$ 83,624	-	83,624
Amortization for the year	19,834	-	19,834
Disposals	(223)	-	(223)
Effect of movements in exchange rates	92	-	92
Balance at September 30, 2019	<u>\$ 103,327</u>	<u>-</u>	<u>103,327</u>
Carrying amounts:			
Balance at January 1, 2020	<u>\$ 54,352</u>	<u>99,358</u>	<u>153,710</u>
Balance at September 30, 2020	<u>\$ 48,897</u>	<u>99,358</u>	<u>148,255</u>
Balance at January 1, 2019	<u>\$ 28,224</u>	<u>-</u>	<u>28,224</u>
Balance at September 30, 2019	<u>\$ 45,197</u>	<u>99,358</u>	<u>144,555</u>

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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.

(k) Short-term borrowings

	2020.9.30	2019.12.31	2019.9.30
Unsecured bank loans	\$ <u>500,000</u>	<u>540,000</u>	<u>590,000</u>
Unused short-term credit line	\$ <u>2,300,000</u>	<u>40,117</u>	<u>110,000</u>
Range of interest rates	<u>1.10%~1.20%</u>	<u>1.20%~1.33%</u>	<u>1.15%~1.33%</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

	2020.9.30	2019.12.31	2019.9.30
Current contract liabilities	\$ 527,484	421,921	432,455
Receipts under custody-online payment processing service mainly	1,546,641	1,605,363	1,682,356
Other	415,721	546,107	454,845
Current refund liabilities	<u>27,693</u>	<u>38,326</u>	<u>27,115</u>
	\$ <u>2,517,539</u>	<u>2,611,717</u>	<u>2,596,771</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.

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(m) Long-term borrowings

The details were as follows:

2020.9.30				
	Currency	Rate	Maturity year	Amount
Unsecured bank loans	TWD	0.95%~1.15%	2028	\$ 825,000
Secured bank loans	TWD	1.35%	2025	500,000
Less: current portion				(300,000)
Total				<u>\$ 1,025,000</u>
Unused long-term credit lines				<u>\$ 75,000</u>
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				(250,000)
Total				<u>\$ 1,150,000</u>
Unused long-term credit lines				<u>\$ -</u>
2019.9.30				
	Currency	Rate	Maturity year	Amount
Unsecured bank loans	TWD	1.20%	2028	\$ 800,000
Secured bank loans	TWD	1.59%	2025	600,000
Less: current portion				(200,000)
Total				<u>\$ 1,200,000</u>
Unused long-term credit lines				<u>\$ 100,000</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 during bank loan period. As of September 30, 2020, the Group was in compliance with the financial covenants mentioned above.

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The Company is the joint guarantor of the unsecured bank loans of the subsidiaries, PChome Store Inc. and Pi Mobile Technology Inc., for the nine months ended September 30, 2020. For the information about guarantees and endorsements for other parties, please refer to note 13(a).

(n) Lease liabilities

Lease liabilities of the Group carrying amounts were as follows:

	2020.9.30	2019.12.31	2019.9.30
Current	\$ <u>506,418</u>	<u>503,193</u>	<u>506,024</u>
Non-current	\$ <u>2,139,667</u>	<u>2,495,611</u>	<u>2,606,132</u>

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

The amounts recognized in profit or loss were as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2020	2019	2020	2019
Interest on lease liabilities	\$ <u>8,045</u>	<u>9,578</u>	<u>25,159</u>	<u>29,530</u>
Expenses relating to short-term leases	\$ <u>9,344</u>	<u>11,021</u>	<u>28,270</u>	<u>33,211</u>
Expenses relating to leases of low-value, excluding short-term leases of low-value assets	\$ <u>3,196</u>	<u>1,658</u>	<u>10,436</u>	<u>2,500</u>

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

	For the nine months ended September 30,	
	2020	2019
Total cash outflow for leases	\$ <u>444,021</u>	<u>446,713</u>

Real estate leases

As of September 30, 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.

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(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:

	For the three months ended September 30,		For the nine months ended September 30,	
	2020	2019	2020	2019
Operating cost	\$ -	(1)	(1)	(1)
Selling expenses	(10)	(10)	(29)	(32)
Administration expenses	58	62	174	186
Research and development expenses	(2)	(1)	(5)	(4)
	<u>\$ 46</u>	<u>50</u>	<u>139</u>	<u>149</u>

2. Defined contribution plans

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

	For the three months ended September 30,		For the nine months ended September 30,	
	2020	2019	2020	2019
Operating cost	\$ 2,464	1,661	6,862	4,279
Selling expenses	11,437	11,305	34,350	35,136
Administration expenses	2,842	2,362	8,110	6,560
Research and development expenses	3,880	3,860	11,858	11,070
	<u>\$ 20,623</u>	<u>19,188</u>	<u>61,180</u>	<u>57,045</u>

PCHOME ONLINE INC. AND SUBSIDIARIES**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****SEPTEMBER 30, 2020 AND 2019****(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)****(p) Income taxes****1. Income tax expense recognized in profits or losses**

The amounts of income tax were as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2020	2019	2020	2019
Current income tax expense:				
Current period	\$ (9,808)	45,781	63,104	87,517
10% surtax on unappropriated earnings	2,813	-	2,813	-
Adjustment for prior periods	(10,633)	-	(18,582)	(11,848)
	(17,628)	45,781	47,335	75,669
Deferred tax benefit:				
Origination and reversal of temporary differences	(20)	1	3,527	(22)
Income tax expense(benefit)	\$ (17,648)	45,782	50,862	75,647

2. The amount of income tax expense recognized in other comprehensive income for the nine months ended September 30, 2020 and 2019, both is zero.

3. The Company's tax returns for the years through 2018 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 nine months ended September 30, 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 balances of additional paid-in capital were as follows:

	2020.9.30	2019.12.31	2019.9.30
Share capital	\$ 1,694,160	1,694,160	1,694,160
Difference between consideration and carrying amount of subsidiaries acquired or disposed	8,643	8,643	8,643
Changes in equity of subsidiaries	22,395	19,608	17,837
	\$ 1,725,198	1,722,411	1,720,640

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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. The appropriations of making up for loss through Legal reserve, Special reserve and capital surplus that had been approved in the shareholders' meeting on June 14, 2019 were \$408,184 thousand, \$4,120 thousand and \$790,347 thousand. Relevant information would be available at the Market Observation Post System.

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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	(53,152)	-
Unrealized gain from financial assets measured at fair value through other comprehensive income	-	14,436
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	(24,300)
Balance at September 30, 2020	<u>\$ (77,977)</u>	<u>63,161</u>
Balance at January 1, 2019	\$ 11,524	33,538
Exchange differences on foreign operations	20,326	-
Unrealized losses from financial assets measured at fair value through other comprehensive income	-	12,339
Balance at September 30, 2019	<u>\$ 31,850</u>	<u>45,877</u>

4. Non-controlling Interests

	2020	2019
Balance at January 1	\$ 724,314	489,811
Shares of non-controlling interests		
Loss for the nine months ended September 30,	(15,995)	(13,487)
Foreign currency translation differences for foreign operations	(2,478)	481
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	61,161
Changes in ownership interests in subsidiaries	43,062	(16,805)
Changes in non-controlling interests	15,283	60,000
Balance at September 30	<u>\$ 764,186</u>	<u>581,161</u>

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(r) Share-based payment

The Group had share-based payment arrangements as follows as of September 30, 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.

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</u> <u>option plan1</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 nine months ended September 30,</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	-	(151)	-	(7,405)
Options exercised	-	-	-	-
Options expired	-	-	-	-
Balance, end of September 30	0.09	<u>18,803</u>	0.09	<u>21,332</u>
Options exercisable, end of September 30	-	<u>14,103</u>	-	<u>5,333</u>

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3. Expenses and liabilities resulted from share-based payments

The incurred expenses from share-based payments transactions for the nine months ended September 30, 2020 and 2019, were as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2020	2019	2020	2019
Salary expenses	\$ 236	669	1,427	306

(s) Earnings per share

	For the three months ended September 30,		For the nine months ended September 30,	
	2020	2019	2020	2019
Profit attributable to common stockholders of the Company	\$ 67,721	55,919	223,488	128,549
Weighted-average number of ordinary shares	117,159	117,159	117,159	117,159
Basic earnings per share (New Taiwan Dollars)	\$ 0.58	0.48	1.91	1.10
Profit attributable to common stockholders of the Company	\$ 67,721	55,919	223,488	128,549
Weighted-average number of ordinary shares (basic)	117,159	117,159	117,159	117,159
Effect of employee stock bonus	190	10	237	63
Weighted-average number of ordinary shares (adjusted with potential effect of diluted ordinary shares)	117,349	117,169	117,396	117,222
Diluted earnings per share (New Taiwan Dollars)	\$ 0.58	0.48	1.91	1.10

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(t) Revenue from contracts with customers

	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 30,</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Revenue of electronic commerce	\$ 10,262,161	9,356,714	31,164,083	27,230,125
Revenue of non-electronic commerce	50,507	97,596	121,726	253,581
	<u>\$ 10,312,668</u>	<u>9,454,310</u>	<u>31,285,809</u>	<u>27,483,706</u>

(u) Rewards of employees, directors and supervisors

According to 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 remunerations to employees amounted to \$3,387 thousand, \$1,231 thousand, \$19,814 thousand and \$8,119 thousand; and the remunerations to directors and supervisors amounted to \$380 thousand, \$138 thousand, \$2,224 thousand and \$911 thousand, respectively, for the three-months period and the nine-months period ended September 30, 2020 and 2019. These amounts were calculated using the Company's net income before tax without the remunerations to employees and directors for each period, multiplied by the proposed percentage which is stated under the Company's proposed Article of Incorporation. These remunerations were expensed under operating expenses for each period. If there are any subsequent adjustments to the actual remuneration amounts after the reporting date, the adjustment will be regarded as changes in accounting estimates and will be reflected in profit or loss in the following year.

For the year ended December 31, 2019, the remunerations to employees, and directors and supervisors amounted to \$11,237 thousand and \$1,261 thousand, respectively. The remunerations to employees were paid in cash, and the remunerations to directors and supervisors will not be distributed based on the decision made by the board of directors. The Group incurred losses before tax for the year ended December 31, 2018, therefore, there were no remuneration allocated to employees, directors and supervisors. Related information would be available at the Market Observation Post System.

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(v) Non-operating income and expenses

1. Interest income

	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 30,</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Interest income from bank deposits	\$ 2,429	2,561	8,251	8,374
Other interest income				
Interest income on lease receivable	29	22	69	62
Other	32	9	56	9
Total Interest income	<u>\$ 2,490</u>	<u>2,592</u>	<u>8,376</u>	<u>8,445</u>

2. Other income

For the three months and the nine months ended September 30, 2020 and 2019, the details of other income are as follows:

	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 30,</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Dividend income	\$ 6,285	5,263	8,495	5,263
Others	17,472	3,549	46,981	10,270
Total other income	<u>\$ 23,757</u>	<u>8,812</u>	<u>55,476</u>	<u>15,533</u>

3. Other gains and losses, net

For the three months and the nine months ended September 30, 2020 and 2019, the details of other gains and losses are as follows:

	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 30,</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Losses on disposal of property, plant and equipment	\$ -	-	-	(4)
Losses on disposal of investments	(1,701)	-	(1,701)	-
Foreign currency exchange gains (losses)	153	808	(459)	1,936
Current financial assets at fair value through profit	(5,790)	-	6,704	-
Others	(4,918)	(1)	(6,079)	(11)
Other gains and losses, net	<u>\$ (12,256)</u>	<u>807</u>	<u>(1,535)</u>	<u>1,921</u>

4. Finance costs

For the three months and the nine months ended September 30, 2020 and 2019, the details of finance cost are as follows:

	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 30,</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Interest expense	<u>\$ 12,325</u>	<u>15,774</u>	<u>40,802</u>	<u>47,728</u>

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(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.

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 September 30, 2020							
Non-derivative financial liabilities							
Short-term borrowings	\$ 500,000	500,000	500,000	-	-	-	-
Notes payable	2,209	2,209	2,209	-	-	-	-
Accounts payable	3,137,968	3,137,968	3,137,968	-	-	-	-
Other payables	580,588	580,588	565,396	15,192	-	-	-
Receipts under custody	1,546,641	1,546,641	1,546,641	-	-	-	-
Lease liability	2,646,085	2,646,085	256,823	249,595	451,832	1,219,474	468,361
Long-term borrowings	1,325,000	1,325,000	100,000	200,000	325,000	600,000	100,000
	<u>\$ 9,738,491</u>	<u>9,738,491</u>	<u>6,109,037</u>	<u>464,787</u>	<u>776,832</u>	<u>1,819,474</u>	<u>568,361</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	1,400,000	1,400,000	200,000	50,000	400,000	550,000	200,000
	<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 September 30, 2019							
Non-derivative financial liabilities							
Short-term borrowings	\$ 590,000	590,000	200,000	390,000	-	-	-
Notes payable	1,752	1,752	1,752	-	-	-	-
Accounts payable	2,834,170	2,834,170	2,834,170	-	-	-	-
Other payables	503,824	503,824	503,824	-	-	-	-
Receipts under custody	1,682,356	1,682,356	1,682,356	-	-	-	-
Lease obligations payable	3,112,156	3,112,156	258,271	247,753	494,317	1,643,929	467,886
Long-term borrowings	1,400,000	1,400,000	150,000	50,000	400,000	600,000	200,000
	<u>\$ 10,124,258</u>	<u>10,124,258</u>	<u>5,630,373</u>	<u>687,753</u>	<u>894,317</u>	<u>2,243,929</u>	<u>667,886</u>

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

2. Currency risk

1) Currency risk exposure

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

	2020.9.30			2019.12.31			2019.9.30		
	Foreign currency (thousands of dollars)	Exchange rate	TWD	Foreign currency (thousands of dollars)	Exchange rate	TWD	Foreign currency (thousands of dollars)	Exchange rate	TWD
<u>Financial assets</u>									
<u>Monetary items</u>									
USD	\$ 1,751	28.96	50,713	4,244	29.98	127,235	4,044	31.02	125,445
<u>Financial liabilities</u>									
<u>Monetary items</u>									
USD	246	28.96	7,132	139	29.98	4,179	273	31.02	8,468

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 September 30, 2020 and 2019, would have increased or decreased net income by \$1,743 thousand and \$4,679 thousand, respectively. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis as for the nine months ended September 30, 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 \$(459) thousand and \$1,936 thousand for the nine months ended September 30, 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 nine months ended September 30, 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%	\$ 1,096	531	1,497	296
Decreasing 1%	(1,096)	(531)	(1,497)	(296)

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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 :

2020.9.30					
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
Fair value through profit or loss					
Preferred stock	\$ 66,323	-	-	66,323	66,323
Foreign convertible bonds	16,249	-	-	16,249	16,249
	<u>\$ 82,572</u>	<u>-</u>	<u>-</u>	<u>82,572</u>	<u>82,572</u>
Fair value through other comprehensive income					
Domestic stock of non-listed company	\$ 136,965	-	-	136,965	136,965
	<u>\$ 136,965</u>	<u>-</u>	<u>-</u>	<u>136,965</u>	<u>136,965</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	21,616	-	-	21,616	21,616
	<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	\$ 214,329	-	-	214,329	214,329
	<u>\$ 214,329</u>	<u>-</u>	<u>-</u>	<u>214,329</u>	<u>214,329</u>
2019.9.30					
	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	21,616	-	-	21,616	21,616
	<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	\$ 187,181	-	-	187,181	187,181
	<u>\$ 187,181</u>	<u>-</u>	<u>-</u>	<u>187,181</u>	<u>187,181</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	-	14,436
Purchasing	17,269	7,500
Derecognized	-	(99,300)
In profit	6,704	-
Ending Balance, September 30, 2020	\$ 82,572	136,965
Opening balance, January 1, 2019	\$ -	89,842
Total gains and losses recognized:		
In other comprehensive income	-	12,339
Purchasing	58,599	85,000
Ending Balance, September 30, 2019	\$ 58,599	187,181

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For the three months and the nine months ended September 30, 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:

	For the three months ended September 30,		For the nine months ended September 30,	
	2020	2019	2020	2019
Total gains and losses recognized:				
In other gains and losses	\$ (5,790)	-	6,704	-
In other comprehensive income, and including “unrealized gains and losses from fair value through other comprehensive income”	16,329	2,153	14,436	12,339

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:

Item	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Fair value through profit or loss	Comparable listed company market approach	·EV/sales (1.63~324.07)	·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 (23.01%~30.00%)	·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:

			Profit or loss		Other comprehensive income	
			Favor- able	Unfavor- able	Favor- able	Unfavor- able
September 30, 2020						
Financial assets at fair value through profit or loss						
Derivative financial instruments	P/S ratio	5%	\$ 812	(812)	-	-
Equity investments without an active market	P/S ratio	5%	3,316	(3,316)	-	-
Financial assets at fair value through other comprehensive income						
Equity investments without an active market	Liquidity discounted rate	5%	-	-	6,848	(6,848)
			<u>\$ 4,128</u>	<u>(4,128)</u>	<u>6,848</u>	<u>(6,848)</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>
September 30, 2019						
Financial assets at fair value through profit or loss						
Derivative financial instruments	P/S ratio	5%	\$ 1,081	(1,081)	-	-
Equity investments without an active market	P/S ratio	5%	1,849	(1,849)	-	-
Financial assets at fair value through other comprehensive income						
Equity investments without an active market	Liquidity discounted rate	5%	-	-	9,359	(9,359)
			<u>\$ 2,930</u>	<u>(2,930)</u>	<u>9,359</u>	<u>(9,359)</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	"
Miho International Cosmetic Co., Ltd.	"

(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 September 30,</u>		<u>For the nine months ended September 30,</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Associates	\$ <u>71</u>	<u>72</u>	<u>214</u>	<u>216</u>

2. Receivables from related parties

The receivables from related parties were as follows:

<u>Item</u>	<u>Related party categories</u>	<u>2020.9.30</u>	<u>2019.12.31</u>	<u>2019.9.30</u>
Accounts receivable	Associates	\$ 25	25	25
Other receivables	Associates	49	26	42
Lease receivable	Associates	5,083	7,324	8,064
		<u>\$ 5,157</u>	<u>7,375</u>	<u>8,131</u>

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3. Payables to related parties

Item	Related party categories	2020.9.30	2019.12.31	2019.9.30
Other payables	Associates	\$ 10	12	60

4. Other operating income

	For the three months ended September 30,		For the nine months ended September 30,	
	2020	2019	2020	2019
Associates	\$ 6	6	17	6

5. Operating expense

The Group and its associates had operating expense amounting to \$0 thousand and \$13 thousand for the three months and the nine months ended September 30, 2020, respectively.

6. Cost of goods sold

The Group and its associates had cost of goods sold amounting to \$452 thousand for the three months ended September 30, 2020.

(c) Transactions with key management personnel

Key management personnel compensation comprised:

	For the three months ended September 30,		For the nine months ended September 30,	
	2020	2019	2020	2019
Short-term employee benefits	\$ 13,193	11,658	49,209	35,960

(8) Restricted Assets

The following assets were restricted in use:

Assets	Purpose of Pledge	2020.9.30	2019.12.31	2019.9.30
Deposit account-current	Security for performance, purchase guarantee and loans with certificate of deposits	\$ 498,634	523,165	522,165
Refundable deposit	Security for provisional seizure, etc. and deposits for office rental	151,622	142,541	144,353
		\$ 650,256	665,706	666,518

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(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 September 30, 2020, December 31, 2019, and September 30, 2019, notes payable deposited as guarantee for commercial vehicle and office and building leases were \$165,843 thousand, \$243,821 thousand and \$165,807 thousand, respectively.
- (c) According to the “Standardized contract for telecom product or service”, the payment guarantee for Skype stored-value service should be fully provided by financial institutions. Therefore, the Group entered into an agreement with a financial institution, with having a guarantee limit of \$50,000 thousand, \$50,000 thousand and \$20,000 thousand as of September 30, 2020, December 31, 2019, and September 30, 2019, respectively.
- (d) As of September 30, 2020, December 31, 2019, and September 30, 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 \$4,111,800 thousand, \$3,015,000 thousand and \$2,935,883 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.
- (f) In the third quarter of 2020, the Company has entered into an agreement to guarantee the issuance of corporate bonds with KGI Bank, Chang Hwa Commercial Bank Ltd. and Far Eastern International Bank Co., Ltd. During the guarantee period (the same as the issuance period of the corporate bonds), these financial institutions are responsible for assuming main and subordinated debts such as the principal balance of convertible bonds and interest compensation payables. The guarantee ratio of KGI Bank, Chang Hwa Commercial Bank, Ltd., and Far Eastern International Bank Co., Ltd is 40%, 40% and 20%, respectively.

(10) Significant Catastrophic Losses: None.

(11) Significant Subsequent Events: None.

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(12) Others

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

Categorized as Nature	For the three months ended September 30, 2020			For the three months ended September 30, 2019		
	Operating Cost	Operating Expense	Total	Operating Cost	Operating Expense	Total
Employee benefits						
Salary	52,523	336,376	388,899	41,981	331,823	373,804
Labor and health insurance	5,443	33,025	38,468	4,127	32,475	36,602
Pension	2,464	18,205	20,669	1,660	17,578	19,238
Others employee benefits	2,135	13,601	15,736	1,523	14,456	15,979
Depreciation	14,841	164,808	179,649	12,035	166,705	178,740
Amortization	91	7,373	7,464	126	5,910	6,036

Categorized as Nature	For the nine months ended September 30, 2020			For the nine months ended September 30, 2019		
	Operating Cost	Operating Expense	Total	Operating Cost	Operating Expense	Total
Employee benefits						
Salary	150,031	1,130,826	1,280,857	109,311	1,059,103	1,168,414
Labor and health insurance	15,375	102,478	117,853	11,080	100,151	111,231
Pension	6,861	54,458	61,319	4,278	52,916	57,194
Others employee benefits	5,755	40,972	46,727	4,010	40,932	44,942
Depreciation	43,315	489,336	532,651	30,272	500,315	530,587
Amortization	304	22,098	22,402	165	19,669	19,834

- (b) Seasonality of operations:

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

- (c) Other:

1. The issuance of the employee restricted shares amounted to 1,100 thousand shares with par value of \$10 per share, was approved by the Board of Directors of the Company on September 29, 2020. This issuance of the employee restricted shares has received approval and taken effect by the Financial Supervisory Commission on September 11, 2020, and October 22, 2020, was the base date for the capital increase.
2. The Company passed a resolution issuing secured convertible bond in the meeting of the Board of the Directors on June 29, 2020. The face value of this bond amounts to \$1,500,000 thousand and would be issued at 107.42% of the face value. Therefore, the actual borrowing amount was \$1,611,304 thousand. The issuance period was from October 7, 2020, to October 7, 2023, while the conversion period started from January 8, 2021, to October 7, 2023. This secured convertible bond has received approval and taken effect by Financial Supervisory Commission on August 5, 2020. The Company had collected full amounts on October 6, 2020, and October 7, 2020 was the base date for the issuance of this secured convertible bond.

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3. On the meeting of the Board of the Directors on September 14, 2020, the Company passed the resolution to merge subsidiaries PChomePay Inc. and Pi Mobile Technology Inc.. Pi Mobile Technology Inc. would be the surviving company after this merger. Each common share of PChomePay Inc. will be converted into 0.10430441 share of Pi Mobile Technology Inc.. This merge is expected to be completed on November 2, 2020.

(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 nine months ended September 30, 2020:

1. Fund financing to other parties:

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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	-	-	0	2	-	-	-		-	1,259,327	1,259,327

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:

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No. (Note 1)	Name of company	Counter-party		Limitation on amount of guarantees and endorsements for a specific enterprise (Note 2)	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged on guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements (Note 2)	Parent Company endorsement/ guarantees to third parties on behalf of subsidiary	Subsidiary endorsement/ guarantees to third parties on behalf of parent company	Endorsements/ guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company (Note 3)										
0	The Company	Linktel Inc.	2	1,574,159	6,890	3,215	3,215	-	0.10 %	3,148,317	Y	N	N
0	"	Pi Mobile Technology Inc	2	1,574,159	300,000	300,000	300,000	-	9.53 %	3,148,317	Y	N	N
0	"	PChome Store Inc.	2	1,574,159	440,000	400,000	325,000	-	12.71 %	3,148,317	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 stocks.
- 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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PCHOME ONLINE INC. AND SUBSIDIARIES**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****SEPTEMBER 30, 2020 AND 2019****(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

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	18,647	3.72 %	18,647	
	Openfind Information Technology, Inc.	-	"	800,000	31,192	6.22 %	31,192	
	Career Consulting Co., Ltd.	-	"	113,005	2,265	0.72 %	2,265	
	Readmoo Co., Ltd.	-	"	2,877,193	20,860	18.85 %	20,860	
	IPEVO Corp.	-	"	1,566,415	52,506	7.36 %	52,506	
	Famicloud Inc.	-	"	500,000	3,995	2.83 %	3,995	
	Taiwan Advance Intelligent Tech. Co., Ltd.	-	"	1,732,102	7,500	4.75 %	7,500	
Linktel Inc.	Eastern Online Co., Ltd.	-	FVTPL	118,750	-	- %	-	
	Taiwan Star Telecom Co., Ltd.	-	"	3,942	-	- %	-	
	PayEasy Ltd.	-	"	5,437,762	-	12.51 %	-	
	17Life Ltd.	-	"	1,126,049	-	6.26 %	-	
	Convertible bonds:							
Chunghwa PChome Fund 1 Co., Ltd.	Traveler Co., Ltd.	-	"	-	5,910	- %	5,910	
	Aiello Inc.	-	"	-	10,339	- %	10,339	
	Preferred stocks:							
	FP International Limited	-	"	42,037	33,408	1.87 %	33,408	
	Ecommerce Enablers Pte. Ltd.	-	"	68,188	11,165	- %	11,165	
	USPACE Tech Co., Ltd.	-	"	1,695,873	9,836	17.20 %	9,836	
	Tasitong Agriculture Co., Ltd.	-	"	7,400,000	11,914	8.27 %	11,914	

- 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.	Pi Mobile Technology Inc.	Subsidiary	271,738	- %	-		271,738	-

- Derivative transactions: None.

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PCHOME ONLINE INC. AND SUBSIDIARIES

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

10. Business relationships and significant inter-company transactions:

No. (Note 1)	Name of company	Name of counter-party	Existing relationship with the counter-party (Note 2)	Transaction			
				Account name	Amount	Terms of trading	Percentage of the total consolidated revenue or total assets
0	PChome Online Inc.	Pi Mobile Technology Inc.	1	Account receivable	271,738	Usual terms and conditions	1.82 %

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 other transactions for which the proportion did not reach one percentage of the consolidated revenue or assets.

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

(b) Information on investees:

For the nine months ended September 30, 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 %	48,544	(3,219)	(3,219)	Note
"	Linktel Inc.	"	Type II Telecommunications Business	125,000	125,000	17,325,940	100.00 %	76,184	(22,497)	(22,497)	"
"	PC Home Online International Co., Ltd.	British Virgin Islands	International trade and investment activities	25,485	25,485	122,328	100.00 %	3,352	(1,899)	(1,899)	"
"	Rakuya International Info. Co. Ltd.	Taiwan	Real estate business, and internet information rental service	47,439	47,439	3,035,115	26.47 %	17,005	18,759	4,966	
"	PChome Store Inc.	"	Internet services	326,494	326,494	18,435,220	34.35 %	(235,836)	(5,750)	(1,975)	Note
"	PChomePay Inc.	"	Online payment processing services	756,000	756,000	27,933,603	55.06 %	253,739	(46,488)	(25,596)	"
"	PChome US Inc.	United States of America	E-commerce platform	134,065	134,065	45,800,000	91.97 %	7,473	(1,385)	(1,274)	"
"	eCommerce Group Co., Ltd.	British Virgin Islands	Investment activities	1,069,297	1,069,297	349,508,366	100.00 %	549,313	11,440	11,440	"
"	Pi Mobile Technology Inc.	Taiwan	Online payment processing services	279,571	140,000	13,957,080	89.72 %	99,582	(79,420)	(78,634)	"
"	PChome (Thailand) Co., Ltd.	Thailand	E-commerce platform	131,875	66,200	13,249,999	66.25 %	60,841	(19,319)	(12,669)	"
"	PChome Travel Inc.	Taiwan	Travel agency business	36,000	36,000	3,600,000	100.00 %	23,253	(3,971)	(3,971)	"
"	PChome Financial Technology Inc.	"	Information service	10,000	10,000	1,000,000	100.00 %	4,075	(76)	(76)	"
"	PChome Holding Inc.	British Virgin Islands	Investment activities	1,169,090	1,169,090	385,000,000	100.00 %	(159,767)	(6,579)	(6,579)	"

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

Name of investor	Name of investee	Location	Major operations	Initial investment (Amount)		Ending balance			Net income (loss) of the investee	Investment income (losses)	Note
				Ending balance	Beginning balance	Shares	Ratio of shares	Book value			
PChome Online Inc.	PChome Express Co., Ltd.	Taiwan	Transportation and logistics	200,000	200,000	20,000,000	100.00 %	158,371	(9,236)	(9,236)	Note
"	Chunghwa PChome Fund 1 Co., Ltd.	"	Investment activities	200,000	200,000	20,000,000	50.00 %	193,910	(343)	(171)	"
"	Cornerstone Ventures Co., Ltd.	"	Investment activities	5,100	5,100	510,000	51.00 %	6,189	1,026	523	"
"	PChome CB Co., Ltd.	"	E-commerce cross-border services	140,000	140,000	14,000,000	70.00 %	130,333	(3,073)	(2,151)	"
"	Mitch Co., Ltd.	"	Clothing sales	162,000	162,000	16,200,000	60.00 %	128,184	(46,071)	(27,642)	"
"	Miho International Cosmetic Co., Ltd.	"	Cosmetics and clothing sales	75,000	-	7,500,000	8.09 %	99,039	(66,117)	(261)	"
PChome eBay Co., Ltd.	PChomePay Inc.	"	Online payment processing services	205,200	205,200	20,520,000	24.14 %	111,247	(46,488)	(11,222)	Note
"	PChome Store Inc.	"	Internet services	632,258	632,258	11,896,486	22.16 %	(25,853)	(5,750)	(1,274)	"
PChomePay Inc.	Pay and Link Inc.	"	Electronic payment business	500,388	500,388	50,100,000	100.00 %	338,223	(26,041)	(26,041)	"
"	Zhen Jain Lian International Co., Ltd.	"	Online payment processing services	-	3,000	-	- %	-	(7)	(7)	"
"	Yin Te Lian International Co., Ltd.	"	"	-	3,000	-	- %	-	(7)	(7)	"
"	Yun Tung Bao International Co., Ltd.	Taiwan	Online payment processing services	3,000	3,000	300,000	100.00 %	2,596	(45)	(45)	"
PC Home Online International Co., Ltd.	PChome Online Inc.	Cayman Islands	International trade and investment activities	25,311	25,311	10,000,000	100.00 %	4,721	(1,823)	(1,823)	"
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 %	6,927	(1,555)	(1,555)	"
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 %	831	(33,230)	(1,495)	"
ECOMMERCE GROUP CO., LTD.	Ruten Global Inc.	Cayman Islands	Investment activities	831,606	831,606	266,063,307	100.00 %	631,502	17,633	17,633	Note
Ruten Global Inc.	EC Global Limited	Hong Kong	"	22,740	22,740	7,494,642	100.00 %	6,809	(109)	(109)	"
"	PChome eBay Co., Ltd.	Taiwan	Information processing and provision of electronic information	779,688	779,688	27,300,000	65.00 %	527,656	59,254	38,515	"
"	Ruten Japan KK	Japan	"	54,499	54,499	19,794,850	44.50 %	8,219	(33,230)	(14,788)	"
"	Ruten Singapore Pte. Ltd.	Singapore	"	-	63,045	-	- %	-	(158)	(102)	Note
PChome Holding Inc.	PChome Marketplace Inc.	Cayman Islands	Investment activities	1,169,090	1,169,090	38,335,000	100.00 %	1,181,894	(6,462)	(6,462)	"
PChome Marketplace Inc.	PChome Japan KK	Japan	International trading E-commerce	119,330	119,330	43,500,000	100.00 %	104,084	(4,413)	(4,413)	"
"	PChome Store Inc.	Taiwan	Internet services	998,758	998,758	19,206,893	35.78 %	(327,748)	(5,750)	(2,057)	"
PChome CB Co., Ltd.	PChome CBS Co., Ltd.	Taiwan	Internet services	127,000	127,000	2,900,000	100.00 %	126,599	2,057	2,057	"
"	PCHOME CB PTE, LTD.	Singapore	Internet services	59,698	59,698	190,000	100.00 %	46,664	(5,059)	(5,059)	"
PCHOME CB PTE, LTD.	PChome Bibian Inc.	Japan	E-commerce cross-border services	51,069	51,069	18,000,000	100.00 %	40,447	(5,047)	(5,047)	"

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

PCHOME ONLINE INC. AND SUBSIDIARIES

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(c) Information on investment in Mainland China:

1. Information on investment in Mainland China: None.
2. 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
-	55,893	2,347,502

Note 1: In the above table, all relevant amounts are disclosed in TWD, and the foreign currency was translated on the exchange rate 28.96 at the nine months ended September 30, 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 September 30, 2020, the accumulated investment amount of USD500 thousand remitted from Taiwan has not been repatriated.

3. Significant transactions: None.

(d) Major shareholders:

(Unit: Share)

Shareholder's Name	Shareholding	Shares	Percentage
Site Co., Ltd.		18,907,864	16.13 %

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 September 30, 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.

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PCHOME ONLINE INC. AND SUBSIDIARIES**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****SEPTEMBER 30, 2020 AND 2019****(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)****(14) Segment Information**

The Group's regional financial information was as follows:

For the three months ended September 30, 2020	E-Commerce- Sales	Market Place	Other	Adjustments and Eliminations	Consolidated
Revenue:					
Non-inter-company revenue	\$ 9,767,310	430,015	115,343	-	10,312,668
Inter-company revenue	5,493	(878)	130,058	(134,673)	-
Total Revenue	\$ 9,772,803	429,137	245,401	(134,673)	10,312,668
Reportable Segment net operating income (loss)	\$ 90,230	20,756	(80,162)	9,929	40,753

For the three months ended September 30, 2019	E-Commerce- Sales	Market Place	Other	Adjustments and Eliminations	Consolidated
Revenue:					
Non-inter-company revenue	\$ 8,823,707	548,956	81,647	-	9,454,310
Inter-company revenue	9,386	2,893	50,442	(62,721)	-
Total Revenue	\$ 8,833,093	551,849	132,089	(62,721)	9,454,310
Reportable Segment net operating income (loss)	\$ 133,816	22,465	(54,384)	3,482	105,379

For the nine months ended September 30, 2020	E-Commerce- Sales	Market Place	Other	Adjustments and Eliminations	Consolidated
Revenue:					
Non-inter-company revenue	\$ 29,610,757	1,396,124	278,928	-	31,285,809
Inter-company revenue	24,489	3,814	333,247	(361,550)	-
Total Revenue	\$ 29,635,246	1,399,938	612,175	(361,550)	31,285,809
Reportable Segment net operating income (loss)	\$ 425,802	60,363	(257,586)	19,839	248,418

For the nine months ended September 30, 2019	E-Commerce- Sales	Market Place	Other	Adjustments and Eliminations	Consolidated
Revenue:					
Non-inter-company revenue	\$ 25,498,032	1,771,643	214,031	-	27,483,706
Inter-company revenue	45,484	7,636	117,583	(170,703)	-
Total Revenue	\$ 25,543,516	1,779,279	331,614	(170,703)	27,483,706
Reportable Segment net operating income (loss)	\$ 333,224	39,521	(153,010)	6,664	226,399