

**PCHOME ONLINE INC. AND SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS**

**With Independent Auditors' Report  
For the Years Ended December 31, 2020 and 2019**

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

# Table Of Contents

<b>Contents</b>	<b>Page</b>
1. Cover Page	1
2. Table of Contents	2
3. Representation Letter	3
4. Independent Auditors' Report	4
5. Consolidated Statements of Financial Position	5
6. Consolidated Statements of Comprehensive Income	6
7. Consolidated Statements of Changes in Equity	7
8. Consolidated Statements of Cash Flows	8
9. Notes to the Consolidated Financial Statements	
(1) Organization and Business	9
(2) Approval Date and Procedures of the Consolidated Financial Statements	9
(3) New Standards and Interpretations Not Yet Adopted	9~10
(4) Summary of Significant Accounting Policies	10~27
(5) Major Sources of Accounting Assumptions, Judgments and Estimation Uncertainty	27
(6) Explanation to Significant Accounts	28~60
(7) Related-Party Transactions	61~62
(8) Restricted Assets	62
(9) Significant Contingencies and Commitments	62
(10) Significant Catastrophic Losses	63
(11) Significant Subsequent Events	63
(12) Others	63
(13) Additional Disclosures	
a) Information on significant transactions	63~66
b) Information on investees	66~68
c) Information on investment in Mainland China	68
d) Major shareholders	68~69
(14) Segment Information	69~70

## Representation Letter

The entities that are required to be included in the combined financial statements of PChome Online Inc. as of and for the year ended December 31, 2020 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 by the Financial Supervisory Commission, "Consolidated and Separate Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, PChome Online Inc. and its Subsidiaries do not prepare a separate set of combined financial statements.

Company Name: PChome Online Inc.

Chairman: Hung-Tze Jan

Date: February 25, 2021



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## Independent Auditors' Report

To the Board of Directors of PChome Online Inc.:

### Opinion

We have audited the consolidated financial statements of PChome Online Inc. and subsidiaries (“the Group”), which comprise the consolidated statement of financial position as of December 31, 2020 and 2019, and the consolidated statement of comprehensive income, changes in equity and cash flows for the year ended December 31, 2020 and 2019, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the year ended December 31, 2020 and 2019 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards (“IFRSs”), International Accounting Standards (“IASs”), interpretation as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China.

### Basis for Opinion

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

### Key Audit Matters

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

#### 1. Revenue recognition

Please refer to Note 4(n) and Note 6(v) for the “Revenue” section of the consolidated financial statements.

#### Key Audit Matters Explanation:

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



How the matter was addressed in our audit:

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

### **Other Matter**

PChome Online Inc. has additionally prepared its parent company only financial statements as of and for the years ended December 31, 2020 and 2019, on which we have issued an unqualified opinion with emphasis of matter and an unqualified opinion, respectively.

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

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

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

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

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

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.



3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit.

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

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

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

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

KPMG

Taipei, Taiwan (Republic of China)  
February 25, 2021

#### Notes to Readers

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

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(English Translation of Consolidated Financial Statements Originally Issued in Chinese.)  
**PCHOME ONLINE INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

		2020.12.31		2019.12.31				2020.12.31		2019.12.31	
ASSETS		Amount	%	Amount	%	LIABILITIES AND STOCKHOLDERS' EQUITY		Amount	%	Amount	%
<b>Current Assets:</b>						<b>Current Liabilities:</b>					
1100	Cash and cash equivalents (Note (6)(a))	\$ 8,147,763	50	6,869,004	45	2100	Short-term borrowings (Note (6)(l))	\$ 500,000	3	540,000	4
1110	Current financial assets at fair value through profit or loss (Note (6)(b))	33,568	-	21,616	-	2130	Current contract liabilities (Note (6)(m))	554,103	3	421,921	3
1150	Notes receivable, net (Note (6)(d))	550	-	374	-	2150	Notes payable	2,099	-	611	-
1170	Accounts receivable, net (Notes (6)(d) and (7))	497,242	3	510,780	3	2170	Accounts payable	3,866,869	24	3,059,218	20
1196	Lease receivables (Notes (6)(d) and (7))	4,681	-	7,324	-	2200	Other payables (Note (7))	908,483	6	779,096	5
1200	Other receivables, net (Notes (6)(d) and (7))	1,361,315	8	1,161,043	8	2230	Current tax liabilities	69,416	-	88,679	-
1300	Inventories (Note (6)(e))	1,806,418	11	1,685,147	11	2280	Current lease liabilities (Note (6)(p))	500,102	3	503,193	3
1416	Net defined benefit asset, current (Note (6)(q))	3,218	-	-	-	2300	Other current liabilities (Note (6)(m))	402,264	2	546,107	4
1476	Other current financial assets (Note (8))	489,608	3	523,165	3	2320	Long-term liabilities, current portion (Note (6)(n))	200,000	1	250,000	2
1479	Other current assets, others	261,158	2	231,159	2	2335	Receipts under custody (Note (6)(m))	1,408,473	9	1,605,363	10
1481	Current asset recognized as right to recover products from customers	39,608	-	35,583	-	2365	Current refund liabilities (Note (6)(m))	42,999	-	38,326	-
		12,645,129	77	11,045,195	72			8,454,808	51	7,832,514	51
<b>Non-Current Assets:</b>						<b>Non-Current liabilities:</b>					
1510	Non-current financial assets at fair value through profit or loss (Note (6)(b))	68,245	-	36,983	-	2530	Total bonds payable (Note (6)(o))	1,470,300	9	-	-
1517	Non-current financial assets at fair value through other comprehensive income (Note (6)(c))	248,425	2	214,329	2	2541	Long-term borrowings (Note (6)(n))	425,000	3	1,150,000	8
1550	Investments accounted for using equity method (Note (6)(f))	34,432	-	37,488	-	2570	Deferred tax liabilities (Note (6)(r))	1,651	-	779	-
1600	Property, plant and equipment (Note (6)(i))	569,790	3	584,976	4	2580	Non-current lease liabilities (Note (6)(p))	2,018,307	12	2,495,611	16
1755	Right-of-use assets (Note (6)(j))	2,468,896	15	2,959,490	20	2640	Net defined benefit liability, non-current (Note (6)(q))	2,337	-	6,896	-
1780	Intangible assets (Note (6)(k))	141,516	1	153,710	1	2670	Other non-current liabilities, others	5,324	-	4,863	-
1840	Deferred tax assets (Note (6)(r))	44,129	-	62,953	-			3,922,919	24	3,658,149	24
1975	Net defined benefit asset, non-current (Note (6)(q))	8,234	-	3,897	-		<b>Total liabilities</b>	12,377,727	75	11,490,663	75
1980	Other non-current financial assets (Note (8))	149,592	1	142,541	1		<b>Equity attributable to owners of parent (Note (6)(s)):</b>				
1990	Other non-current assets, others	83,341	1	16,185	-	3110	Share capital:				
		3,816,600	23	4,212,552	28	3200	Ordinary share	1,182,595	7	1,171,595	8
						3310	Capital surplus	1,938,916	12	1,722,411	11
						3350	Retained earnings:				
						3410	Legal reserve	16,244	-	-	-
						3420	Unappropriated retained earnings	286,101	2	100,564	1
						3491	Other equity interest:				
							Exchange differences on translation of foreign financial statements	(116,979)	(1)	(24,825)	-
							Unrealized gains from financial assets measured at fair value through other comprehensive income	76,811	1	73,025	-
							Other equity, unearned compensation	(24,042)	-	-	-
								(64,210)	-	48,200	-
							<b>Total equity attributable to owners of parent:</b>	3,359,646	21	3,042,770	20
						36XX	<b>Non-controlling interests (Notes 6(h) and 6(s))</b>	724,356	4	724,314	5
							<b>Total equity</b>	4,084,002	25	3,767,084	25
<b>Total assets</b>		\$ 16,461,729	100	15,257,747	100		<b>Total liabilities and equity</b>	\$ 16,461,729	100	15,257,747	100

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

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

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

For the years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

		2020		2019	
		Amount	%	Amount	%
4111	Sales revenue	\$ 44,500,172	101	39,399,835	101
4170	Less: Sales returns	630,320	1	516,255	1
	<b>Operating revenue, net (Note (6)(v))</b>	<b>43,869,852</b>	<b>100</b>	<b>38,883,580</b>	<b>100</b>
5000	<b>Operating costs (Note (6)(e))</b>	<b>38,875,441</b>	<b>89</b>	<b>34,293,972</b>	<b>88</b>
	<b>Gross profit from operations</b>	<b>4,994,411</b>	<b>11</b>	<b>4,589,608</b>	<b>12</b>
	<b>Operating expenses:</b>				
6100	Selling expenses	3,715,350	8	3,457,974	10
6200	Administrative expenses	431,417	1	368,376	1
6300	Research and development expenses	530,804	1	484,580	1
6450	Expected credit loss (Note (6)(d))	552	-	810	-
	<b>Total operating expenses</b>	<b>4,678,123</b>	<b>10</b>	<b>4,311,740</b>	<b>12</b>
6500	<b>Net other income</b>	<b>16</b>	<b>-</b>	<b>48</b>	<b>-</b>
	<b>Net operating income</b>	<b>316,304</b>	<b>1</b>	<b>277,916</b>	<b>-</b>
	<b>Non-operating income and expenses (Note (6)(x)):</b>				
7100	Interest income	10,921	-	12,075	-
7010	Other income	57,203	-	25,365	-
7020	Other gains and losses, net	(8,210)	-	(1,695)	-
7050	Finance costs	(54,742)	-	(64,113)	-
7060	Share of loss of associates and joint ventures accounted for using equity method, net	(17,108)	-	(17,533)	-
	<b>Total non-operating income and expenses</b>	<b>(11,936)</b>	<b>-</b>	<b>(45,901)</b>	<b>-</b>
	<b>Profit from continuing operations before tax</b>	<b>304,368</b>	<b>1</b>	<b>232,015</b>	<b>-</b>
7950	<b>Less: Tax expense (Note (6)(r))</b>	<b>83,494</b>	<b>-</b>	<b>90,321</b>	<b>-</b>
	<b>Profit</b>	<b>220,874</b>	<b>1</b>	<b>141,694</b>	<b>-</b>
	<b>Other comprehensive income (loss):</b>				
8310	<b>Items that may not be reclassified subsequently to profit or loss</b>				
8311	Losses on remeasurements of defined benefit plans (Note (6)(q))	9,064	-	(896)	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income (loss)	28,086	-	39,487	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss (Note (6)(r))	(1,813)	-	179	-
	<b>Items that may not be reclassified subsequently to profit or loss</b>	<b>35,337</b>	<b>-</b>	<b>38,770</b>	<b>-</b>
8360	<b>Items that may be reclassified subsequently to profit or loss</b>				
8361	Exchange differences on translation	(93,767)	-	(41,296)	-
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-
	<b>Items that may be reclassified subsequently to profit or loss</b>	<b>(93,767)</b>	<b>-</b>	<b>(41,296)</b>	<b>-</b>
	<b>Other comprehensive income (loss), net of tax</b>	<b>(58,430)</b>	<b>-</b>	<b>(2,526)</b>	<b>-</b>
8500	<b>Total comprehensive income</b>	<b>\$ 162,444</b>	<b>1</b>	<b>139,168</b>	<b>-</b>
	<b>Profit (loss), attributable to:</b>				
8610	Profit, attributable to owners of parent	\$ 252,794	1	162,437	-
8620	Loss, attributable to non-controlling interests	(31,920)	-	(20,743)	-
		<b>\$ 220,874</b>	<b>1</b>	<b>141,694</b>	<b>-</b>
	<b>Comprehensive income attributable to:</b>				
8710	Comprehensive income, attributable to owners of parent	\$ 195,425	1	164,863	-
8720	Comprehensive loss, attributable to non-controlling interests	(32,981)	-	(25,695)	-
		<b>\$ 162,444</b>	<b>1</b>	<b>139,168</b>	<b>-</b>
	<b>Earnings per share (Note (6)(u))</b>				
9750	<b>Basic earnings per share (NT dollars)</b>	<b>\$ 2.16</b>		<b>1.39</b>	
9850	<b>Diluted earnings per share (NT dollars)</b>	<b>\$ 1.93</b>		<b>1.39</b>	

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

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

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

**For the years ended December 31, 2020 and 2019**

**(Expressed in Thousands of New Taiwan Dollars)**

	Equity Attributable to Owners of Parent					Other Equity Interest					Non-Controlling Interests	Total Equity
	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	Unearned Employee Compensation	Total Equity Attributable to Owners of Parent			
	Ordinary Capital	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Retained Earnings							
<b>Balance at January 1, 2019</b>	\$ 1,171,595	2,507,423	408,184	4,120	(1,202,651)	11,524	33,538	-	2,933,733	489,811	3,423,544	
Profit (loss) for the year ended December 31, 2019	-	-	-	-	162,437	-	-	-	162,437	(20,743)	141,694	
Other comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	(712)	(36,349)	39,487	-	2,426	(4,952)	(2,526)	
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	161,725	(36,349)	39,487	-	164,863	(25,695)	139,168	
Appropriation and distribution of retained earnings:												
Legal reserve used to offset accumulated deficits	-	-	(408,184)	-	408,184	-	-	-	-	-	-	
Special reserve used to offset accumulated deficits	-	-	-	(4,120)	4,120	-	-	-	-	-	-	
Capital surplus used to offset accumulated deficits	-	(790,347)	-	-	790,347	-	-	-	-	-	-	
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	-	-	-	(61,161)	-	-	-	(61,161)	61,161	-	
Changes in ownership interests in subsidiaries	-	5,335	-	-	-	-	-	-	5,335	31,037	36,372	
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	168,000	168,000	
<b>Balance at December 31, 2019</b>	1,171,595	1,722,411	-	-	100,564	(24,825)	73,025	-	3,042,770	724,314	3,767,084	
Profit (loss) for the year ended December 31, 2020	-	-	-	-	252,794	-	-	-	252,794	(31,920)	220,874	
Other comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	6,699	(92,154)	28,086	-	(57,369)	(1,061)	(58,430)	
Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	259,493	(92,154)	28,086	-	195,425	(32,981)	162,444	
Appropriation and distribution of retained earnings:												
Legal reserve appropriated	-	-	16,244	-	(16,244)	-	-	-	-	-	-	
Cash dividends of ordinary share	-	-	-	-	(82,012)	-	-	-	(82,012)	-	(82,012)	
Issuance of convertible bonds	-	141,121	-	-	-	-	-	-	141,121	-	141,121	
Changes in ownership interests in subsidiaries	-	58,331	-	-	-	-	-	-	58,331	17,740	76,071	
Share-based payment transactions	11,000	17,053	-	-	-	-	-	(24,042)	4,011	-	4,011	
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	15,283	15,283	
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	24,300	-	(24,300)	-	-	-	-	
<b>Balance at December 31, 2020</b>	<u>\$ 1,182,595</u>	<u>1,938,916</u>	<u>16,244</u>	<u>-</u>	<u>286,101</u>	<u>(116,979)</u>	<u>76,811</u>	<u>(24,042)</u>	<u>3,359,646</u>	<u>724,356</u>	<u>4,084,002</u>	

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

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

**PCHOME ONLINE INC. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

**For the years ended December 31, 2020 and 2019**

**(Expressed in Thousands of New Taiwan Dollars)**

	<u>2020</u>	<u>2019</u>
<b>Cash flows from operating activities:</b>		
Profit before tax	\$ 304,368	232,015
<b>Adjustments:</b>		
<b>Adjustments to reconcile profit:</b>		
Depreciation expense	712,019	705,094
Amortization expense	29,262	25,898
Expected credit loss	552	810
Net gain on financial assets at fair value through profit or loss	(5,476)	-
Interest expense	54,742	64,113
Interest income	(10,921)	(12,075)
Dividend income	(8,495)	(5,263)
Share-based payment transactions	5,434	191
Share of loss of associates and joint ventures accounted for using equity method	17,108	17,533
Loss (gain) on disposal of property, plant and equipment	383	(360)
Loss on disposal of investments accounted for using equity method	10,800	-
Gain on lease modification	(16)	-
<b>Total adjustments to reconcile profit</b>	<u>805,392</u>	<u>795,941</u>
<b>Changes in operating assets and liabilities:</b>		
<b>Changes in operating assets:</b>		
Notes receivable	(176)	(262)
Accounts receivable	12,986	123,101
Lease receivable	3,017	3,173
Other receivables	(200,233)	(434,986)
Inventories	(121,271)	(434,322)
Other current assets	(29,999)	(17,550)
Other financial assets	33,557	4,932
Current asset recognized as right to recover products from customers	(4,025)	(5,625)
<b>Total changes in operating assets</b>	<u>(306,144)</u>	<u>(761,539)</u>
<b>Changes in operating liabilities:</b>		
Contract liabilities	132,182	22,213
Notes payable	1,488	(162)
Accounts payable	807,651	262,937
Other payable	123,321	50,754
Receipts under custody	(196,890)	(282,595)
Other current liabilities	(143,843)	445,410
Net defined benefit liabilities	(3,602)	(704)
Current refund liabilities	4,673	5,816
Other non-current liabilities	461	(5,810)
<b>Total changes in operating liabilities</b>	<u>725,441</u>	<u>497,859</u>
<b>Total changes in operating assets and liabilities</b>	<u>419,297</u>	<u>(263,680)</u>
<b>Total adjustments</b>	<u>1,224,689</u>	<u>532,261</u>
Cash flow generated from operations	1,529,057	764,276
Interest received	10,883	12,690
Dividends received	8,495	5,263
Interest paid	(51,084)	(64,218)
Income taxes paid	(84,874)	(43,043)
<b>Net cash flows from operating activities</b>	<u>1,412,477</u>	<u>674,968</u>
<b>Cash flows used in investing activities:</b>		
Acquisition of financial assets at fair value through other comprehensive income	(15,985)	(85,000)
Acquisition of financial assets designated at fair value through profit or loss	(34,588)	(58,599)
Acquisition of investments accounted for using equity method	-	(27,460)
Net cash flow from acquisition of subsidiaries	-	(99,938)
Acquisition of property, plant and equipment	(180,314)	(230,791)
Proceeds from disposal of property, plant and equipment	8,844	-
(Increase) decrease in refundable deposits	(7,051)	2,270
Acquisition of intangible assets	(21,570)	(48,796)
Other non-current assets	(67,156)	(458)
<b>Net cash flows used in investing activities</b>	<u>(317,820)</u>	<u>(548,772)</u>
<b>Cash flows from financing activities:</b>		
Short-term borrowings	(40,000)	340,000
Proceeds from issuing bonds	1,605,790	-
Long-term borrowings	125,000	-
Repayments of long-term borrowings	(900,000)	(150,000)
Payment of lease liabilities	(508,274)	(492,182)
Cash dividends paid	(82,012)	-
Change in non-controlling interests	15,283	168,000
<b>Net cash flows from (used in) financing activities</b>	<u>215,787</u>	<u>(134,182)</u>
Effect of exchange rate changes on cash and cash equivalents	(31,685)	(4,172)
<b>Net increase (decrease) in cash and cash equivalents</b>	1,278,759	(12,158)
Cash and cash equivalents at beginning of period	6,869,004	6,881,162
<b>Cash and cash equivalents at end of period</b>	<u>\$ 8,147,763</u>	<u>6,869,004</u>

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

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

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

**(1) Organization and Business**

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

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

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

These consolidated financial statements were authorized for issue by the Board of Directors on February 25, 2021.

**(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 Group has initially adopted the new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2020:

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

The Group assesses that the adoption of the new amendments, effective for annual period beginning on January 1, 2021, would not have a significant impact on its consolidated financial statements:

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

The following new and amended standards, which may be relevant to the Group, have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

<u>Standards or Interpretations</u>	<u>Content of amendment</u>	<u>Effective date per IASB</u>
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of balance sheet, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.  The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.	January 1, 2023

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

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

<b>Standards or Interpretations</b>	<b>Content of amendment</b>	<b>Effective date per IASB</b>
Amendments to IAS 37 “Onerous Contracts—Cost of Fulfilling a Contract”	The amendments clarify that the ‘ costs of fulfilling a contract’ comprises the costs that relate directly to the contract as follows: <ul style="list-style-type: none"><li>● the incremental costs – e.g. direct labor and materials; and</li><li>● an allocation of other direct costs – e.g. an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract.</li></ul>	January 1, 2022

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.

The Group does not expect the other new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its consolidated financial statements:

**(4) Summary of Significant Accounting Policies**

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

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

(a) Statement of compliance

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

(b) Basis of preparation

1. Basis of measurement

Except for the following significant accounts, the consolidated financial statements have been prepared on a historical cost basis:

- 1) Financial assets at fair value through profit or loss are measured at fair value;
- 2) Financial assets at fair value through comprehensive income are measured at fair value;

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

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

- 3) Cash-settled share-based payment liabilities are measured at fair value;
- 4) The defined benefit liabilities (assets) are measured at fair value of the plan assets less the present value of the defined benefit obligation, limited as explained in Note 4(o).

2. Functional and presentation currency

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

(c) Basis of consolidation

1. Principle of preparation of the consolidated financial statements

The consolidated financial statements comprise the Company and subsidiaries. Subsidiaries are entities controlled by the Group. The Group 'control' an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the abilities to affect those returns through its power over the entity.

The financial statements of the subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. The Group attributes the profit or loss and each component of other comprehensive income to the owners of the parent and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

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

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

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

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

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

2. List of subsidiaries in the consolidated financial statements:

Name of investor	Name of subsidiary	Principal activity	Shareholding		Note
			2020.12.31	2019.12.31	
The Company	PChome Store Inc.	Internet services	34.35 %	34.35 %	Note 1
"	Linktel Inc.	Type II Telecommunications Business	100.00 %	100.00 %	
"	PChomePay Inc.	Online payment processing services	- %	55.06 %	Note 4
"	IT Home Publications Inc.	Magazine publication	100.00 %	100.00 %	
"	PChome US Inc.	E-commerce platform	91.97 %	91.97 %	
"	PC Home Online International Co., Ltd.	International trade and investment activities	100.00 %	100.00 %	
"	eCommerce Group Co., Ltd.	Investment activities	100.00 %	100.00 %	
"	Pi Mobile Technology Inc.	Online payment processing services	81.04 %	100.00 %	Note 4
"	PChome (Thailand) Co., Ltd.	E-commerce platform	66.25 %	65.00 %	
"	PChome Travel Inc.	Travel agency business	100.00 %	100.00 %	
"	PChome Financial Technology Inc.	Information service	100.00 %	100.00 %	
"	PChome Holding Inc.	Investment activities	100.00 %	100.00 %	
"	PChome Express Co., Ltd.	Transportation and logistics	100.00 %	100.00 %	
"	Chunghwa PChome Fund 1 Co., Ltd.	Investment activities	50.00 %	50.00 %	
"	Cornerstone Ventures Co., Ltd.	"	51.00 %	51.00 %	
"	PChome CB Co., Ltd.	E-commerce cross-border services	70.00 %	70.00 %	
"	Mitch Co., Ltd.	Clothing sales	60.00 %	60.00 %	
PChome eBay Co., Ltd.	PChomePay Inc.	Online payment processing services	- %	24.14 %	Note 4
"	Pi Mobile Technology Inc.	Online payment processing services	6.14 %	- %	"
"	PChome Store Inc.	Internet services	22.16 %	22.16 %	Note 1
PChomePay Inc.	Pay and Link Inc.	Electronic payment business	- %	100.00 %	Note 4
"	Zhen Jin Lian International Co., Ltd.	Online payment processing services	- %	100.00 %	Note 2
"	Yin Te Lian International Co., Ltd.	"	- %	100.00 %	"
"	Yun Tung Bao International Co., Ltd.	"	- %	100.00 %	Note 4

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

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

Name of investor	Name of subsidiary	Principal activity	Shareholding		Note
			2020.12.31	2019.12.31	
Pi Mobile Technology Inc.	PChomePay Inc.	Online payment processing services	100.00 %	- %	Note 4
"	Yun Tung Bao International Co., Ltd.	Online payment processing services	100.00 %	- %	"
PC Home Online International Co., Ltd.	PChome Online Inc.	International trade and investment activities	100.00 %	100.00 %	
eCommerce Group Co., Ltd.	Ruten Global Inc.	Investment activities	100.00 %	100.00 %	
PChome Online Inc.	PC Home Online (HK) Ltd.	Information service and indirect investment activities	100.00 %	100.00 %	
Ruten Global Inc.	EC Global Limited	Investment activities	100.00 %	100.00 %	
"	PChome eBay Co., Ltd.	Information processing and provision of electronic information	65.00 %	65.00 %	
"	Ruten Singapore Pte. Ltd.	"	- %	65.00 %	Note 3
PChome Holding Inc.	PChome Marketplace Inc.	Investment activities	100.00 %	100.00 %	
PChome Marketplace Inc.	PChome Japan KK	International trading E-commerce	100.00 %	100.00 %	
"	PChome Store Inc.	Internet services	35.78 %	35.78 %	Note 1
PChome CB Co., Ltd.	PChome CBS Co., Ltd.	"	100.00 %	100.00 %	
"	PCHOME CB PTE. LTD.	"	100.00 %	100.00 %	
PCHOME CB PTE. LTD.	PChome Bibian Inc.	E-commerce cross-border services	100.00 %	100.00 %	

Note 1: The Group holds more than 50% of its outstanding equity shares. Therefore, it was included in the consolidated financial statement.

Note 2: The subsidiary was dissolved on April 15, 2020.

Note 3: The subsidiary was dissolved on September 4, 2020.

Note 4: PChomePay Inc. and Pi Mobile Technology Inc. completed a share swap merger on November 2, 2019. After the merger, Pi Mobile Technology Inc. became the surviving company.

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

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

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

(d) Foreign Currency

1. Foreign currency transaction

Transactions in foreign currencies are translated into the respective functional currencies of Group entities at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

2. Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into the presentation currency at the exchange rates at the reporting date. The income and expenses of foreign operations, are translated into the presentation currency at the average exchange rate. Exchange differences are recognized in other comprehensive income.

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

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

(e) Classification of current and non-current assets and liabilities

An asset is classified as current under one of the following criteria, and all other assets are classified as non-current:

1. It is expected to be realized, or intended to be sold or consumed it, in the normal operating cycle;
2. It is held primarily for the purpose of trading;
3. It is expected to be realized within twelve months after the reporting period; or
4. The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

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

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non current:

1. It is expected to be settled in the normal operating cycle;
2. It is held primarily for the purpose of trading;
3. It is due to be settled within twelve months after the reporting period; or
4. The Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(f) Cash and cash equivalents

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

(g) Financial instruments

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

1. Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

On initial recognition, a financial asset is classified as measured at: amortized cost; Fair value through other comprehensive income (FVOCI); or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

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

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Fair value through other comprehensive income (FVOCI)

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis.

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

Dividend income is recognized in profit or loss on the date on which the Group's right to receive payment is established.

3) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL, including derivative financial assets.

On initial recognition, the Group may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

4) Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

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

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, and are consistent with the Group's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

5) Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial assets on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

6) Impairment of financial assets

The Group recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, notes and accounts receivable, other receivable, guarantee deposit paid and other financial assets), debt investments measured at FVOCI, and contract assets.

The Group measures loss allowances at an amount equal to lifetime expected credit loss (ECL), except for the following which are measured as 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

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

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available (without undue cost or effort). This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls. The difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive. ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Group assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognized in other comprehensive income instead of reducing the carrying amount of the asset.

The gross carrying amount of a financial asset is written off either partially or in full to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

7) Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

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

2. Financial liabilities and equity instruments

1) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

2) Derecognizing of financial liabilities

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

On derecognition of a financial liability, the difference between the carrying amount of a financial liability extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss

3) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(h) Inventories

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

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

(i) Investment in associates

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

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

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

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

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

Gains and losses resulting from transactions between the Group and an associate are recognized only to the extent of unrelated Group's interests in the associate.

When the Group's share of losses of an associate equals or exceeds its interests in an associate, it discontinues recognizing its share of further losses. After the recognized interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

(j) Property, plant, and equipment

1. Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

2. Subsequent cost

Subsequent expenditure is capitalized only when it is probable that future economic benefits associated with the expenditure will flow to the Group.

3. Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

- |                                   |              |
|-----------------------------------|--------------|
| 1) Transportation equipment       | 4 ~ 8 years  |
| 2) Furniture and office equipment | 3 ~ 5 years  |
| 3) Leasehold improvements         | 1 ~ 10 years |

The depreciation methods, useful lives, and residual values are reviewed at each reporting date and adjusted if appropriate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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

(k) Leases

1. Identifying a lease

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

- 1) the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified; and
- 2) the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- 3) the Group has the right to direct the use of the asset throughout the period of use only if either:
  - the Group has the right to direct how and for what purpose the asset is used throughout the period of use; or
  - the relevant decisions about how and for what purpose the asset is used are predetermined and:
    - the Group has the right to operate the asset throughout the period of use, without the supplier having the right to change those operating instructions; or
    - the Group designed the asset in a way that predetermines how and for what purpose it will be used throughout the period of use.

2. As a lessee

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

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

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

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

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

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

- 1) fixed payments;
- 2) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- 3) amounts expected to be payable under a residual value guarantee; and
- 4) payments for purchase or termination options that are reasonably certain to be exercised.

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

- 1) there is a change in future lease payments arising from the change in an index or rate; or
- 2) there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee; or
- 3) there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset, or
- 4) there is a change of its assessment on whether it will exercise a purchase, extension or termination option; or
- 5) there is any lease modifications

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

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

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

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

3. As a lessor

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

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

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

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

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

(1) Intangible assets

1. Recognition and measurement

Goodwill arising from the acquisition of subsidiaries is included in intangible assets.

Other intangible assets, including software, that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

2. Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses. Impairment loss on equity investment in investees accounted for under the equity method is not allocated to any asset, including goodwill that forms part of the carrying amount of such investment.

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

3. Amortization

Amortization is calculated over the cost of the asset, less its residual value, and is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use.

The estimated useful lives for current and comparative periods are as follows:

Software	3~5 years
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Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

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

(m) Impairment – non – financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories, contract assets, deferred tax assets and investment properties and biological assets, measured at fair value, less costs) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

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

(n) Revenue

1. Revenue from contracts with customers

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring goods or services to a customer. The Group recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Group's main types of revenue are explained below.

1) Sale of goods - consumer electronics

The Group recognizes revenue when a customer takes possession of the product. Payment of the transaction price is due immediately when the customer purchases the product.

The Group grants its customers the right to return the product. Therefore, the Group reduces revenue by the amount of expected returns and recognizes a refund liability and a right to the returned goods. Accumulated experience is used to estimate such returns at the time of sale at a portfolio level (expected value method). Because the number of products returned has been steady for years, it is highly probable that a significant reversal in the cumulative revenue recognized will not occur. At each reporting date, the Group reassesses the estimated amount of expected returns.

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

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

2) Services

The Group provides platform and management services. Revenue from providing services is recognized in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognized based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided. The proportion of services provided is determined based on the work performed to date as a proportion of the total work which should be performed.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by the management.

(o) Employee benefits

1. Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

2. Defined benefit plans

The Group's net obligation in respect of defined benefit plans is calculated separately for each the plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income, and accumulated in retained earnings within equity. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset). Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Group recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

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

3. Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(p) Share-based payment

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

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

(q) Income taxes

Income taxes comprise current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes are recognized in profit or loss.

The Group has determined that interest and penalties related to income taxes, including uncertain tax treatment, do not meet the definition of income taxes, and therefore accounted for them under IAS37.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflect uncertainty related to income taxes, if any.

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

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

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improves.

(r) Business combination

The Company accounts for business combinations using the acquisition method. The goodwill arising from an acquisition is measured as the excess of (i) the consideration transferred (which is generally measured at fair value) and (ii) the amount of non-controlling interest in the acquiree, both over the identifiable net assets acquired at the acquisition date. If the amount calculated above is a deficit balance, the Company recognized that amount as a gain on a bargain purchase in profit or loss immediately after reassessing whether it has correctly identified all of the assets acquired and all of the liabilities assumed.

All acquisition-related transaction costs are expensed as incurred.

(s) Earnings per share

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

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

(t) Operating segments

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

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

The preparation of the consolidated financial statements in conformity with the IFRSs endorsed by the FSC requires management to make judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

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

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

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

**(6) Explanation to Significant Accounts**

(a) Cash and cash equivalents

	<u>2020.12.31</u>	<u>2019.12.31</u>
Cash on hand	\$ 1,184	1,056
Checking accounts	44,020	18,712
Savings accounts	6,534,858	5,572,425
Foreign currency deposits	42,230	180,992
Time deposits	1,520,852	1,090,700
Cash equivalents	<u>4,619</u>	<u>5,119</u>
Cash and cash equivalents in consolidated statement of cash flows	<u>\$ 8,147,763</u>	<u>6,869,004</u>

Please refer to Note 6(y) 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>2020.12.31</u>	<u>2019.12.31</u>
Mandatorily measured at fair value through profit or loss:		
Preferred stocks	\$ 66,745	36,983
Foreign convertible bonds	33,568	21,616
Embedded derivative- call options	<u>1,500</u>	<u>-</u>
Total	<u>\$ 101,813</u>	<u>58,599</u>

- 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.The Group acquired Hard Core Technology Crop. and Tresl Inc's convertible bonds for \$8,679 thousand and \$8,640 thousand in the fourth quarter of 2020.
- 5.The Group issued convertible bonds in the fourth quarter of 2020, the fair value of embedded derivative-call options is \$1,500 thousand, please refer to Note (6)(o).
- 6.Relevant information for the price risk please refer to Note (6)(y).
- 7.Abovementioned financial assets designated at fair value through profit or loss of the Group had not been pledged as collateral.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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

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

	<u>2020.12.31</u>	<u>2019.12.31</u>
Equity instruments at fair value through other comprehensive income		
Stocks unlisted on domestic markets	\$ <u>248,425</u>	<u>214,329</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 during the third quarter of 2020.
- 3.The Group acquired common stocks of Readmoo Co., Ltd. for \$8,485 thousand during the fourth quarter of 2020.
- 4.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. 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. Since two of the three abovementioned directors resigned at December 9, 2021, the Group loss the significant influence over that company from that date. The Group transferred this investment from investments accounted for using the equity method to non-current financial assets at fair value through other comprehensive income. Relevant information please refer to Note (6)(f).
- 5.For the market price risk, please refer to Note (6)(y); for the credit risk and market risk, please refer to Note (6)(z).
- 6.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>2020.12.31</u>	<u>2019.12.31</u>
Notes receivable-measured as amortized cost	\$ 550	374
Trade receivable-measured as amortized cost	498,130	511,938
Other receivables-measured as amortized cost	1,361,589	1,161,297
Lease receivable	4,681	7,324
Less: Allowance for impairment loss	<u>(1,162)</u>	<u>(1,412)</u>
	<u>\$ 1,863,788</u>	<u>1,679,521</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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

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:

	<b>2020.12.31</b>		
	<b>Gross carrying amount</b>	<b>Expected loss rate</b>	<b>Loss allowance provision</b>
Current	\$ 1,858,372	0.004%~0.29%	108
Past under 180 days	1,981	10%~100%	374
Over 181 days past due	4,597	15%~100%	680
	<b>\$ 1,864,950</b>		<b>1,162</b>

  

	<b>2019.12.31</b>		
	<b>Gross carrying amount</b>	<b>Weighted- average</b>	<b>Loss allowance provision</b>
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
	<b>\$ 1,680,933</b>		<b>1,412</b>

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

	<b>2020</b>	<b>2019</b>
Balance at January 1	\$ 1,412	714
Impairment losses recognized	552	810
Amounts written off	(802)	(112)
Balance at December 31	<b>\$ 1,162</b>	<b>1,412</b>

(e) Inventories

	<b>2020.12.31</b>	<b>2019.12.31</b>
Merchandise inventories	\$ 1,823,632	1,694,672
Less: Allowance for inventory valuation and obsolescence losses	(17,214)	(9,525)
	<b>\$ 1,806,418</b>	<b>1,685,147</b>

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

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

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

The details of operating cost were as follows:

	<u>2020</u>	<u>2019</u>
Cost of goods sold	\$ 38,863,824	34,289,766
Provision for inventory market price decline and obsolescence (Gain from price recovery of inventory)	7,689	(2,672)
Loss on physical inventory	2,753	3,607
Loss on disposal of scrap	1,175	3,271
	<u>\$ 38,875,441</u>	<u>34,293,972</u>

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

	<u>2020.12.31</u>	<u>2019.12.31</u>
Associates	\$ <u>34,432</u>	<u>37,488</u>

1. Associates

Associates to the Group consisted of the followings:

<u>Name of Associates</u>	<u>Nature of Relationship with the Group</u>	<u>Main operating location/ Registered Country of the Company</u>	<u>Proportion of shareholding and voting rights</u>	
			<u>2020.12.31</u>	<u>2019.12.31</u>
Rakuya International Info. Co. Ltd.	Real estate business, and internet information rental service	Taiwan	26.47 %	26.47 %
Ruten Japan KK	Information processing and provision of electronic information	Japan	49.00 %	49.00 %

The Group has lost its significant influence on Miho International Cosmetic Co., Ltd. since December 9, 2020. The Group transferred this investment from investments accounted for using the equity method to non-current financial assets at fair value through other comprehensive income. The fair value of the investment at the time of disposal was \$89,325 thousand, and the cumulative disposal loss was \$9,099 thousand, which is recognized at other gains and losses. Please refer to Note 6 (c) for details.

2. Collateral

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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

(g) Acquisition of subsidiary

Acquisition of subsidiary

The Group acquired the entire shares of PChome CBS Co., Ltd. for \$108,000 thousand and gained control over it on July 1, 2019.

1) Acquisition of identifiable asset and liabilities assumed

The date of acquisition of identifiable asset and liabilities assumed is as follows:

Property, plant and equipment	\$	638
Other receivables		19
Cash and cash equivalents		8,062
Other current assets		142
Other payables		(194)
Other current liabilities		<u>(25)</u>
The fair value of identifiable net assets	<b>\$</b>	<b><u>8,642</u></b>

2) Goodwill

Goodwill arising from the acquisition has been recognized as follows:

Consideration transferred (cash)	\$	108,000
Less: fair value of identifiable net assets		<u>(8,642)</u>
Goodwill	<b>\$</b>	<b><u>99,358</u></b>

Goodwill is attributable mainly to the customers' list on e-commerce and cash flow related to technical services owned by PChome CBS Co., Ltd. for its future benefits.

(h) 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	
		2020.12.31	2019.12.31
PChome Store Inc.	Taiwan	7.71 %	7.71 %
PChomePay Inc.	Taiwan	-	20.80 %
PChome eBuy Co., Ltd.	Taiwan	35.00 %	35.00 %
Chunghwa PChome Fund 1 Co., Ltd.	Taiwan	50.00 %	50.00 %

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

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

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

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

	<u>2020.12.31</u>	<u>2019.12.31</u>
Current assets	\$ 612,317	901,761
Non-current assets	24,755	47,036
Current liabilities	(901,337)	(1,160,982)
Non-current liabilities	(428,929)	(468,644)
Net assets	<u>\$ (693,194)</u>	<u>(680,829)</u>
Non-controlling interests	<u>\$ (97,651)</u>	<u>(96,698)</u>
	<u>2020</u>	<u>2019</u>
Sales revenue	<u>\$ 922,118</u>	<u>1,388,732</u>
Net loss	\$ (15,931)	(99,870)
Other comprehensive income (loss)	3,566	(28)
Comprehensive loss	<u>\$ (12,365)</u>	<u>(99,898)</u>
Loss, attributable to non-controlling interests	<u>\$ (1,228)</u>	<u>(7,700)</u>
Comprehensive income (loss), attributable to non-controlling interests	<u>\$ 275</u>	<u>(7,702)</u>

2.PChomePay Inc.'s collective financial information:

	<u>2020.12.31</u>	<u>2019.12.31</u>
Current assets	\$ -	1,144,784
Non-current assets	-	382,309
Current liabilities	-	(1,016,402)
Non-current liabilities	-	(3,361)
Net assets	<u>\$ -</u>	<u>507,330</u>
Non-controlling interests	<u>\$ -</u>	<u>105,525</u>
	<u>2020</u>	<u>2019</u>
Sales revenue	<u>\$ 41,546</u>	<u>35,288</u>
Net loss	\$ (51,922)	(67,798)
Other comprehensive income	-	-
Comprehensive loss	<u>\$ (51,922)</u>	<u>(67,798)</u>
Loss, attributable to non-controlling interests	<u>\$ (10,800)</u>	<u>(14,102)</u>
Comprehensive loss, attributable to non-controlling interests	<u>\$ (10,800)</u>	<u>(14,102)</u>

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

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

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

	<u>2020.12.31</u>	<u>2019.12.31</u>
Current assets	\$ 912,730	821,647
Non-current assets	86,610	185,631
Current liabilities	(246,590)	(243,788)
Non-current liabilities	(5,763)	(19,478)
Net assets	<u>\$ 746,987</u>	<u>744,012</u>
Non-controlling interests	<u>\$ 261,446</u>	<u>260,404</u>
	<u>2020</u>	<u>2019</u>
Sales revenue	<u>\$ 893,101</u>	<u>937,255</u>
Net gain	\$ 77,899	58,832
Other comprehensive income (loss)	790	(6)
Comprehensive income	<u>\$ 78,689</u>	<u>58,826</u>
Gain, attributable to non-controlling interests	<u>\$ 27,265</u>	<u>20,591</u>
Comprehensive income, attributable to non-controlling interests	<u>\$ 27,541</u>	<u>20,589</u>

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

	<u>2020.12.31</u>	<u>2019.12.31</u>
Current assets	\$ 319,322	351,441
Non-current assets	66,745	36,983
Current liabilities	(354)	(261)
Net assets	<u>\$ 385,713</u>	<u>388,163</u>
Non-controlling interests	<u>\$ 192,856</u>	<u>194,082</u>
	<u>2020</u>	<u>2019</u>
Net loss	\$ (2,450)	(9,785)
Other comprehensive income	-	-
Comprehensive loss	<u>\$ (2,450)</u>	<u>(9,785)</u>
Loss, attributable to non-controlling interests	<u>\$ (1,225)</u>	<u>(4,893)</u>
Comprehensive loss, attributable to non-controlling interests	<u>\$ (1,225)</u>	<u>(4,893)</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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

(i) Property, plant and equipment

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

	Transportation equipment	Furniture and office equipment	Leasehold improvements	Leased assets	Total
Cost:					
Balance at January 1, 2020	\$ 58,684	1,145,503	469,909	16,363	1,690,459
Additions	30,009	131,069	27,155	-	188,233
Obsolescence	-	(62,341)	(1,042)	-	(63,383)
Disposals	-	(33,535)	(9,231)	(248)	(43,014)
Effect of movements in exchange rates	-	(513)	-	-	(513)
Balance at December 31, 2020	<u>\$ 88,693</u>	<u>1,180,183</u>	<u>486,791</u>	<u>16,115</u>	<u>1,771,782</u>
Balance at January 1, 2019	\$ 26,079	984,527	492,139	16,363	1,519,108
Acquired through business combination	-	132	1,042	-	1,174
Additions	33,807	177,559	16,969	-	228,335
Obsolescence	-	(10,828)	(40,002)	-	(50,830)
Disposals	(1,188)	(6,122)	(236)	-	(7,546)
Effect of movements in exchange rates	(14)	235	(3)	-	218
Balance at December 31, 2019	<u>\$ 58,684</u>	<u>1,145,503</u>	<u>469,909</u>	<u>16,363</u>	<u>1,690,459</u>
Depreciation and impairment loss:					
Balance at January 1, 2020	\$ 5,916	786,821	304,186	8,560	1,105,483
Depreciation for the year	9,833	143,649	37,244	3,223	193,949
Obsolescence	-	(62,340)	(660)	-	(63,000)
Disposals	-	(27,578)	(6,344)	(248)	(34,170)
Effect of movements in exchange rates	-	(270)	-	-	(270)
Balance at December 31, 2020	<u>\$ 15,749</u>	<u>840,282</u>	<u>334,426</u>	<u>11,535</u>	<u>1,201,992</u>
Balance at January 1, 2019	\$ 1,673	667,877	303,222	5,331	978,103
Acquired through business combination	-	103	433	-	536
Depreciation for the year	5,444	134,681	40,764	3,229	184,118
Obsolescence	-	(10,828)	(39,994)	-	(50,822)
Disposals	(1,188)	(5,107)	(236)	-	(6,531)
Effect of movements in exchange rates	(13)	95	(3)	-	79
Balance at December 31, 2019	<u>\$ 5,916</u>	<u>786,821</u>	<u>304,186</u>	<u>8,560</u>	<u>1,105,483</u>
Carrying amounts:					
Balance at December 31, 2020	<u>\$ 72,944</u>	<u>339,901</u>	<u>152,365</u>	<u>4,580</u>	<u>569,790</u>
Balance at December 31, 2019	<u>\$ 52,768</u>	<u>358,682</u>	<u>165,723</u>	<u>7,803</u>	<u>584,976</u>

As of December 31, 2020 and 2019, the property, plant and equipment were not pledged as collateral.

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

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

(j) Right-of-use assets

The cost and depreciation of the right-of-use assets of the Group for their years ended December 31, 2020 and 2019, were as follow:

	<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	40,576	-	-	40,576
Decrease	(39,390)	-	-	(39,390)
Effect of changes in foreign exchange rates	(310)	-	-	(310)
Balance as of December 31, 2020	<u>\$ 3,403,486</u>	<u>73,079</u>	<u>1,165</u>	<u>3,477,730</u>
Balance as of January 1, 2019	\$ 3,277,618	73,079	-	3,350,697
Additions	136,609	-	1,165	137,774
Decrease	(11,595)	-	-	(11,595)
Effect of changes in foreign exchange rates	(22)	-	-	(22)
Balance as of December 31, 2019	<u>\$ 3,402,610</u>	<u>73,079</u>	<u>1,165</u>	<u>3,476,854</u>
Accumulated depreciation:				
Balance as of January 1, 2020	\$ 503,592	13,491	281	517,364
Depreciation for the year	504,096	13,492	482	518,070
Other decrease	(26,441)	-	-	(26,441)
Effect of changes in foreign exchange rates	(159)	-	-	(159)
Balance as of December 31, 2020	<u>\$ 981,088</u>	<u>26,983</u>	<u>763</u>	<u>1,008,834</u>
Balance as of January 1, 2019	\$ -	-	-	-
Depreciation for the year	507,204	13,491	281	520,976
Other decrease	(3,614)	-	-	(3,614)
Effect of changes in foreign exchange rates	2	-	-	2
Balance as of December 31, 2019	<u>\$ 503,592</u>	<u>13,491</u>	<u>281</u>	<u>517,364</u>
Carrying amount:				
Balance as of December 31, 2020	<u>\$ 2,422,398</u>	<u>46,096</u>	<u>402</u>	<u>2,468,896</u>
Balance as of December 31, 2019	<u>\$ 2,899,018</u>	<u>59,588</u>	<u>884</u>	<u>2,959,490</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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

(k) Intangible assets

The costs and amortization of intangible assets of the Group for the years ended December 31, 2020 and 2019, were as follows:

	<u>Software</u>	<u>Goodwill</u>	<u>Total</u>
Cost:			
Balance at January 1, 2020	\$ 176,711	99,358	276,069
Acquired separately	17,119	-	17,119
Disposal and obsolescence	(74)	-	(74)
Effect of movements in exchange rates	(185)	-	(185)
Balance at December 31, 2020	<u>\$ 193,571</u>	<u>99,358</u>	<u>292,929</u>
Balance at January 1, 2019	\$ 124,822	-	124,822
Acquired through business combination	-	99,358	99,358
Acquired separately	51,961	-	51,961
Disposal and obsolescence	(223)	-	(223)
Effect of movements in exchange rates	151	-	151
Balance at December 31, 2019	<u>\$ 176,711</u>	<u>99,358</u>	<u>276,069</u>
Amortization and impairment losses:			
Balance at January 1, 2020	\$ 122,359	-	122,359
Amortization for the year	29,262	-	29,262
Disposal and obsolescence	(74)	-	(74)
Effect of movements in exchange rates	(134)	-	(134)
Balance at December 31, 2020	<u>\$ 151,413</u>	<u>-</u>	<u>151,413</u>
Balance at January 1, 2019	\$ 96,598	-	96,598
Amortization for the year	25,898	-	25,898
Disposal and obsolescence	(223)	-	(223)
Effect of movements in exchange rates	86	-	86
Balance at December 31, 2019	<u>\$ 122,359</u>	<u>-</u>	<u>122,359</u>
Carrying amounts:			
Balance at December 31, 2020	<u>\$ 42,158</u>	<u>99,358</u>	<u>141,516</u>
Balance at December 31, 2019	<u>\$ 54,352</u>	<u>99,358</u>	<u>153,710</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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

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

	<u>2020</u>	<u>2019</u>
Operating cost	\$ <u>364</u>	<u>316</u>
Operating expense	\$ <u>28,898</u>	<u>25,582</u>

(l) Short-term borrowings

	<u>2020.12.31</u>	<u>2019.12.31</u>
Unsecured bank loans	\$ <u>500,000</u>	<u>540,000</u>
Unused short-term credit line	\$ <u>2,629,080</u>	<u>40,117</u>
Range of interest rates	<u>1.10%~1.20%</u>	<u>1.20%~1.33%</u>

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

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

	<u>2020.12.31</u>	<u>2019.12.31</u>
Current contract liabilities	\$ 554,103	421,921
Receipts under custody-online payment processing service mainly	1,408,473	1,605,363
Other	402,264	546,107
Current refund liabilities	<u>42,999</u>	<u>38,326</u>
	\$ <u>2,407,839</u>	<u>2,611,717</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.

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

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

(n) Long-term borrowings

The details were as follows:

	<b>2020.12.31</b>			
	<u>Currency</u>	<u>Rate</u>	<u>Maturity year</u>	<u>Amount</u>
Unsecured bank loans	TWD	1.15%	2022	\$ 125,000
Secured bank loans	TWD	1.35%	2025	500,000
Less: current portion				<u>(200,000)</u>
Total				<u>\$ 425,000</u>
Unused long-term credit lines				<u>\$ 50,000</u>
	<b>2019.12.31</b>			
	<u>Currency</u>	<u>Rate</u>	<u>Maturity year</u>	<u>Amount</u>
Unsecured bank loans	TWD	1.20%	2028	\$ 800,000
Secured bank loans	TWD	1.59%	2025	600,000
Less: current portion				<u>(250,000)</u>
Total				<u>\$ 1,150,000</u>
Unused long-term credit lines				<u>\$ -</u>

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 December 31, 2020, the Group was in compliance with the financial covenants mentioned above.

The Company is the joint guarantor of the unsecured bank loans of the subsidiaries, PChome Store Inc. and Pi Mobile Technology Inc., for the years ended December 31, 2020. For the information about guarantees and endorsements for other parties, please refer to note 13(a).

(o) Bonds payable

The details of secured convertible bonds were as follows:

	<u>2020.12.31</u>
Total convertible corporate bonds issued	\$ 1,500,000
Unamortized discounted corporate bonds payable	<u>(29,700)</u>
Corporate bonds issued balance at year-end	<u>\$ 1,470,300</u>
Embedded derivative – call options, included in financial assets at fair value through profit or loss	<u>\$ 1,500</u>
Equity component – conversion options, included in capital surplus– stock options	<u>\$ 141,121</u>

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

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

Convertible bonds that were recognized in profit or loss were as follows:

	<u>2020</u>
The amounts of embedded derivative instruments – call options, included in other gains or losses	\$ <u><u>1,650</u></u>
Interest expense	\$ <u><u>2,481</u></u>

The Company issued secured 3-year convertible bonds at October 7, 2020, the face value of this bond amounted to \$1,500,000 thousand and was 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.

The conversion price was set at \$112 at the time of issuance. When the common shares qualify for conversion price adjustments in accordance to the terms of issuance, such adjustments will be made based on a formula in accordance with the terms of issuance. There are no reset terms for this bond. Relevant information would be available at the Market Observation Post System website.

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 secured convertible 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.

Relevant information for the price risk of embedded derivative – call options please refer to Note (6)(w).

(p) Lease liabilities

Lease liabilities of the Group carrying amounts were as follows:

	<u>2020.12.31</u>	<u>2019.12.31</u>
Current	\$ <u><u>500,102</u></u>	\$ <u><u>503,193</u></u>
Non-current	\$ <u><u>2,018,307</u></u>	\$ <u><u>2,495,611</u></u>

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

The amounts recognized in profit or loss were as follows:

	<u>2020</u>	<u>2019</u>
Interest on lease liabilities	\$ <u><u>33,562</u></u>	\$ <u><u>49,406</u></u>
Expenses relating to short-term leases	\$ <u><u>38,413</u></u>	\$ <u><u>42,678</u></u>
Expenses relating to leases of low-value, excluding short-term leases of low-value assets	\$ <u><u>5,753</u></u>	\$ <u><u>4,651</u></u>

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

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

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

	<u>2020</u>	<u>2019</u>
Total cash outflow for leases	\$ <u>586,002</u>	<u>588,917</u>

1. Real estate leases

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

(q) Employee benefits

1. Defined benefit plans

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

	<u>2020.12.31</u>	<u>2019.12.31</u>
Present value of defined benefit obligation	\$ 51,573	65,398
Fair value of plan assets	<u>(60,688)</u>	<u>(62,399)</u>
Net defined benefit assets	\$ <u>(9,115)</u>	<u>2,999</u>

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

1) Composition of plan assets

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

The Group's Bank of Taiwan pension reserve account balance amounted to \$60,688 thousand at the end of the reporting period. The information used to calculate pension fund assets includes the asset allocation and yield of the fund. Please refer to the information published on the website of the Council of Labor Affairs and the Labor Pension Supervisory Committee.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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

2) Movements in present value of the defined benefit obligations

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

	<u>2020</u>	<u>2019</u>
Defined benefit obligation at January 1	\$ 65,398	61,866
Current service costs and interest	736	870
Remeasurement on the net defined benefit liabilities (assets)		
– Experience adjustments arising on the actuarial gains or losses	(4,077)	(612)
– Actuarial loss arising from changes in financial assumptions	1,235	3,274
– Return on plan assets excluding interest income	(4,420)	-
Past service credit	(7,299)	-
Defined benefit obligation at December 31	<u>\$ 51,573</u>	<u>65,398</u>

3) Movements of defined benefit plan assets

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

	<u>2020</u>	<u>2019</u>
Fair value of plan assets at January 1	\$ 62,399	58,163
Interest income	711	827
Remeasurement on the net defined benefit liabilities (assets)		
– Return on plan assets excluding interest income	1,802	1,766
Contribution made	1,608	1,643
Benefit paid	(5,832)	-
Fair value of plan assets at December 31	<u>\$ 60,688</u>	<u>62,399</u>

4) Expenses recognized in profit or loss

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

	<u>2020</u>	<u>2019</u>
Net interest of net defined benefit liabilities (assets)	\$ (7)	43
Settlement losses	(1,435)	-
Net interest of net defined benefit liabilities (assets)	<u>\$ (1,442)</u>	<u>43</u>
Operating costs	\$ (1)	(1)
Selling expenses	(39)	(42)
Administrative expenses	39	92
Research and development expenses	(6)	(6)
	<u>\$ (7)</u>	<u>43</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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

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

The Group's remeasurement on the net defined benefit liabilities (assets) recognized in other comprehensive income as at December 31, 2020 and 2019 were as follows:

	<u>2020</u>	<u>2019</u>
Cumulative amount at January 1	\$ 2,589	1,693
Recognized during the period	<u>(9,064)</u>	<u>896</u>
Cumulative amount at December 31	<u>\$ (6,475)</u>	<u>2,589</u>

- 6) Actuarial assumptions

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

	<u>2020</u>	<u>2019</u>
Discount rate	0.625%~0.750%	1.125%
Future salary increasing rate	1.000%~3.000%	3.000%

The Group will pay the defined benefit plans amounting to \$1,972 thousand within 1 year after the reporting date in December 31, 2020.

The weighted average duration of the defined benefit plans is 13.76~17.77 years.

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

- 8) Sensitivity analysis

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

	<u>Influences of defined benefit obligations</u>	
	<u>Increased 0.25%</u>	<u>Decreased 0.25%</u>
December 31, 2020		
Discount rate	(2,041)	2,137
Future salary increasing rate	2,061	(1,983)
December 31, 2019		
Discount rate	(2,733)	2,867
Future salary increasing rate	2,771	(2,659)

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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

There is no change in the method and assumptions used in the preparation of sensitivity analysis for 2020 and 2019, respectively.

2. Defined contribution plans

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

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

For the years ended December 31, 2020 and 2019, the Group set aside \$83,157 thousand and \$77,149 thousand, respectively, under the pension plan to the Bureau of the Labor Insurance.

(r) Income taxes

1. Income tax expense recognized in profits or losses

The amounts of income tax were as follows:

	<u>2020</u>	<u>2019</u>
Current income tax expense:		
Current period	\$ 86,823	119,727
5% surtax on unappropriated earnings	1,265	-
Adjustment for prior periods	<u>(22,477)</u>	<u>(11,814)</u>
	<u>65,611</u>	<u>107,913</u>
Deferred tax benefit:		
Origination and reversal of temporary differences	<u>17,883</u>	<u>(17,592)</u>
Income tax expense	<u>\$ 83,494</u>	<u>90,321</u>

Income tax benefit recognized in other comprehensive income:

	<u>2020</u>	<u>2019</u>
Items that will not be reclassified subsequently to profit or loss:		
Re-measurement from defined benefit plans	<u>\$ (1,813)</u>	<u>179</u>

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

	<u>2020</u>	<u>2019</u>
Profit excluding income tax	<u>\$ 304,368</u>	<u>232,015</u>
Income tax using the domestic tax rate of each company	26,934	6,092
Permanent differences-the share of loss of domestic subsidiaries, etc.	17,228	35,774
Change in recognized temporary differences	59,730	43,152
Over provision in prior periods	(22,368)	(11,814)
5% surtax on unappropriated earnings	1,265	-
Income basic tax	<u>705</u>	<u>17,117</u>
Total	<u>\$ 83,494</u>	<u>90,321</u>

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

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

2. Deferred tax assets and liabilities

1) Unrecognized deferred tax assets

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

	<u>2020.12.31</u>	<u>2019.12.31</u>
Deductible Temporary Differences	\$ 2,826	2,628
Tax losses	<u>762,453</u>	<u>700,819</u>
	<u>\$ 765,279</u>	<u>703,447</u>

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

As of December 31, 2020, the Group had not recognized the prior years' loss carry-forwards as deferred tax assets. The expiry years are as follows:

<u>Year of Occurrence</u>	<u>Operating Loss Carry Forwards</u>	<u>Year of Expiration</u>
2011	\$ 253	2021
2012	3,287	2022
2013	4,733	2023
2014	6,579	2024
2015	14,400	2025
2016	35,407	2026
2017	1,095,321	2027
2018	2,091,635	2028
2019	215,994	2029
2020	<u>344,654</u>	2030
	<u>\$ 3,812,263</u>	

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

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

2) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2020 and 2019 are as follows:

	<b>Defined Benefit Plans</b>	<b>Unrealized Gain (Loss) of Investment</b>	<b>Others</b>	<b>Total</b>
<b>Deferred Tax Liabilities:</b>				
Balance at January 1, 2020	\$ 779	-	-	779
Debited (Credited) Income statement	230	-	4	234
Debited (Credited) Other Comprehensive Income	638	-	-	638
Balance at December 31, 2020	<u>\$ 1,647</u>	<u>-</u>	<u>4</u>	<u>1,651</u>
Balance at January 1, 2019	\$ 645	-	14	659
Debited (Credited) Income statement	229	-	(14)	215
Debited (Credited) Other Comprehensive Income	(95)	-	-	(95)
Balance at December 31, 2019	<u>\$ 779</u>	<u>-</u>	<u>-</u>	<u>779</u>
<b>Deferred Tax Assets:</b>				
Balance at January 1, 2020	\$ 783	49,220	12,950	62,953
(Debited) Credited Income statement	859	(20,728)	2,220	(17,649)
(Debited) Credited Other Comprehensive Income	(1,175)	-	-	(1,175)
Balance at December 31, 2020	<u>\$ 467</u>	<u>28,492</u>	<u>15,170</u>	<u>44,129</u>
Balance at January 1, 2019	\$ 888	36,501	7,673	45,062
(Debited) Credited Income statement	(189)	12,719	5,277	17,807
(Debited) Credited Other Comprehensive Income	84	-	-	84
Balance at December 31, 2019	<u>\$ 783</u>	<u>49,220</u>	<u>12,950</u>	<u>62,953</u>

3. The Company's tax returns for the years through 2018 were examined and approved by the Taipei National Tax Administration.

(s) Capital and other equity

As of December 31, 2020 and 2019, the total value of nominal ordinary shares amounted to \$1,500,000 thousand. The face value of each share is \$10. In total, there were both 0 in thousands of ordinary shares issued. All issued shares were paid up upon issuance.

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

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

1. Capital surplus

The balances of additional paid-in capital were as follows:

	<u>2020.12.31</u>	<u>2019.12.31</u>
Share capital	\$ 1,694,160	1,694,160
Difference between consideration and carrying amount of subsidiaries acquired or disposed	8,643	8,643
Changes in equity of subsidiaries	77,939	19,608
Issuance of convertible bonds	141,121	-
Share based payment transactions—employee restricted shares	<u>17,053</u>	<u>-</u>
	<u>\$ 1,938,916</u>	<u>1,722,411</u>

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.

1) Legal reserve

When a company incurs no loss, it may, pursuant to a resolution by a shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash, and only the portion of legal reserve which exceeds 25% of capital may be distributed.

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

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

2) Special reserve

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

3) Earnings distribution

The 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 website.

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	Unearned Employee Compensation
Balance at January 1, 2020	\$ (24,825)	73,025	-
Exchange differences on foreign operations	(92,154)	-	-
Unrealized gain from financial assets measured at fair value through other comprehensive income	-	28,086	-
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	(24,300)	-
Share-based payment transactions	-	-	(24,042)
Balance at December 31, 2020	<u>\$ (116,979)</u>	<u>76,811</u>	<u>(24,042)</u>
Balance at January 1, 2019	\$ 11,524	33,538	-
Exchange differences on foreign operations	(36,349)	-	-
Unrealized losses from financial assets measured at fair value through other comprehensive income	-	39,487	-
Balance at December 31, 2019	<u>\$ (24,825)</u>	<u>73,025</u>	<u>-</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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

4. Non-controlling Interests

	<u>2020</u>	<u>2019</u>
Balance at January 1	\$ 724,314	489,811
Shares of non-controlling interests		
Loss for the years ended December 31,	(31,920)	(20,743)
Foreign currency translation differences for foreign operations	(1,613)	(4,947)
Remeasurement from defined benefit plans	552	(5)
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	61,161
Changes in ownership interests in subsidiaries	17,740	31,037
Changes in non-controlling interests	<u>15,283</u>	<u>168,000</u>
Balance at December 31	<u>\$ 724,356</u>	<u>724,314</u>

(t) Share-based payment

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

1. Employee restricted shares

The issuance of the employee restricted shares amounting to \$1,100 thousand shares with par value of \$10 per share, was approved by the board of directors of the Group on September 29, 2020. This issuance of the employee restricted shares had received approval and was taken effect by the Financial Supervisory Commission on September 11, 2020, and October 22, 2020, was the base date for the capital increase.

Employees who are granted the above-mentioned employee restricted shares and continue to work in the Group for one year, two years and three years from the date of acquisition can receive 40%, 30% and 30% of employee restricted shares, respectively. The employees who are allocated the employee restricted shares, they should deliver the shares to the Group's designated institutional trust for safekeeping before they meet the vested conditions. The shares shall not be sold, pledged, transferred, gifted or otherwise dispensed. During the period which the shares are delivered to the trust for safekeeping, the voting rights of the shareholders meeting shall be vested in the trust. The custodial institution shall implement it in accordance with relevant laws and regulations. If the employees who are granted the above-mentioned restricted employee rights do not meet the acquired conditions after obtaining the new shares, their shares shall be fully recovered and canceled by the Group.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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

2. Employee stock options

	<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 option plan1</u>
Exercise price	USD 0.09
Expected volatility (%)	28.78%~60.78%
Expected life of the option (years)	4 years
Risk-free interest rate (%)	0.95%~1.31%

2) Information on employee stock options

(Unit: Thousands)

	<u>For the years ended December 31,</u>			
	<u>2020</u>		<u>2019</u>	
	<u>Weighted- average exercise price</u>	<u>Numbers of options</u>	<u>Weighted- average exercise price</u>	<u>Numbers of options</u>
Balance, beginning of January 1	USD 0.09	18,954	USD 0.09	28,737
Options granted	-	-	-	-
Options forfeited	-	(1,486)	-	(9,783)
Options exercised	-	-	-	-
Options expired	-	-	-	-
Balance, end of December 31	0.09	<u>17,468</u>	0.09	<u>18,954</u>
Options exercisable, end of December 31	-	<u>14,103</u>	-	<u>4,739</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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

3. Expenses and liabilities resulted from share-based payments

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

	<u>2020</u>	<u>2019</u>
Salary expenses	\$ <u>5,434</u>	<u>191</u>

(u) Earnings per share

The Company calculated the basic and diluted EPS as follows:

1. Basic earnings per share (NT dollars)

	<u>2020</u>	<u>2019</u>
Profit attributable to common stockholders of the Company	\$ <u>252,794</u>	<u>162,437</u>
Weighted-average number of ordinary shares	<u>117,159</u>	<u>117,159</u>
Basic earnings per share (NT dollars)	\$ <u>2.16</u>	<u>1.39</u>

2. Diluted earnings per share (NT dollars)

	<u>2020</u>	<u>2019</u>
Profit attributable to common stockholders of the Company	\$ <u>252,794</u>	<u>162,437</u>
Weighted-average number of ordinary shares (basic)	117,159	117,159
Unvested employee restricted shares	186	-
Influence of conversion of convertible bonds	13,393	-
Effect of employee stock compensation	<u>311</u>	<u>119</u>
Weighted-average number of ordinary shares (diluted)	<u>131,049</u>	<u>117,278</u>
Diluted earnings per share (NT Dollar)	\$ <u>1.93</u>	<u>1.39</u>

(v) Revenue from contracts with customers

	<u>2020</u>	<u>2019</u>
Revenue of electronic commerce	\$ 43,691,528	38,510,487
Revenue of non-electronic commerce	<u>178,324</u>	<u>373,093</u>
	\$ <u>43,869,852</u>	<u>38,883,580</u>

(w) Rewards of employees, directors and supervisors

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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

For the years ended December 31, 2020 and 2019, the Company estimated its employee remuneration amounting to \$24,777 thousand and \$11,237 thousand, and directors' and supervisors' remuneration amounting to \$2,781 thousand and \$1,261 thousand. If there would be any changes after the reporting date in the following year, the changes would be treated as changes in accounting estimates and recognized as profit or loss in following year.

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. Related information would be available at the Market Observation Post System website.

(x) Non-operating income and expenses

1. Interest income

	<u>2020</u>	<u>2019</u>
Interest income	\$ 10,761	11,973
Other interest income		
Interest income on lease receivable	84	91
Other	<u>76</u>	<u>11</u>
Total Interest income	<u>\$ 10,921</u>	<u>12,075</u>

2. Other income

The details of other income were as follows:

	<u>2020</u>	<u>2019</u>
Dividend income	\$ 8,495	5,263
Others	<u>48,708</u>	<u>20,102</u>
Total other income	<u>\$ 57,203</u>	<u>25,365</u>

3. Other gains and losses, net

The details of other gains and losses were as follows:

	<u>2020</u>	<u>2019</u>
Gains (losses) on disposal of property, plant and equipment	\$ (383)	360
Losses on disposal of investments	(10,800)	-
Foreign currency exchange losses	(2,492)	(2,132)
Loss on current financial assets at fair value through profit or loss	5,476	-
Others	<u>(11)</u>	<u>77</u>
Other gains and losses, net	<u>\$ (8,210)</u>	<u>(1,695)</u>

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

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

4. Finance costs

The details of finance cost were as follows:

	<b>2020</b>	<b>2019</b>
Interest expense	<u>\$ 54,742</u>	<u>64,113</u>

(y) Financial instruments

1. Credit risk

Credit risks exposure

The carrying amount of financial assets represents the maximum exposure to credit risk. As of December 31, 2020 and 2019, the maximum exposure to credit risk amounted to \$11,000,989 thousand and \$9,487,159 thousand, respectively.

2. Liquidity risk

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

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 6 months</u>	<u>6-12 months</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>More than 5 years</u>
<b>Balance at December 31, 2020</b>							
Non-derivative financial liabilities							
Short-term borrowings	\$ 500,000	500,000	500,000	-	-	-	-
Notes payable	2,099	2,099	2,099	-	-	-	-
Accounts payable	3,866,869	3,866,869	3,866,869	-	-	-	-
Other payables	869,606	869,606	869,586	20	-	-	-
Receipts under custody	1,408,473	1,408,473	1,408,473	-	-	-	-
Lease liability	2,581,409	2,518,409	257,407	242,695	422,810	1,189,533	405,964
Long-term borrowings	625,000	625,000	100,000	100,000	225,000	200,000	-
Bonds payable	<u>1,470,300</u>	<u>1,500,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,500,000</u>	<u>-</u>
	<b>\$ 11,323,756</b>	<b>11,290,456</b>	<b>7,004,434</b>	<b>342,715</b>	<b>647,810</b>	<b>2,889,533</b>	<b>405,964</b>
<b>Balance at December 31, 2019</b>							
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 liability	2,998,804	2,998,804	251,386	251,807	496,718	1,344,460	654,433
Long-term borrowings	<u>1,400,000</u>	<u>1,400,000</u>	<u>200,000</u>	<u>50,000</u>	<u>400,000</u>	<u>550,000</u>	<u>200,000</u>
	<b>\$ 10,035,275</b>	<b>10,035,275</b>	<b>6,087,857</b>	<b>301,807</b>	<b>896,718</b>	<b>1,894,460</b>	<b>854,433</b>

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

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

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

3. Currency risk

1) Currency risk exposure

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

	2020.12.31			2019.12.31		
	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	\$ 2,270	28.10	63,773	4,244	29.98	127,235
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD	335	28.10	9,427	139	29.98	4,179

2) Sensitivity analysis

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

A 5% appreciation or depreciation of the TWD against the USD as at December 31, 2020 and 2019, would have increased or decreased net income by \$2,174 thousand and \$4,922 thousand, respectively. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2019.

Due to the variety of functional currency, the Group disclosed the foreign currency gain or loss on monetary items aggregately. The foreign exchange gain (loss) (include realized and unrealized) were loss \$2,492 thousand and loss \$2,132 thousand in 2020 and 2019, respectively.

4. Interest analysis

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

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

If the interest rate increases or decreased by 0.1%, the Group's net income would increase or decrease by \$5,460 thousand and \$4,723 thousand as of December 31, 2020 and 2019. This is mainly due to the Group's cash and cash equivalents being at variable rates.



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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

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

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

	<b>Fair value through profit or loss</b>	<b>Fair value through other comprehensive income</b>
<b>Opening balance, January 1, 2020</b>	\$ 58,599	214,329
Total gains and losses recognized:		
In profit or loss	5,476	-
In other comprehensive income	-	28,086
Purchasing	34,588	105,310
Derecognized	-	(99,300)
Issuance of bonds	3,150	-
<b>Ending Balance, December 31, 2020</b>	<b>\$ 101,813</b>	<b>248,425</b>
<b>Opening balance, January 1, 2019</b>	\$ -	89,842
Total gains and losses recognized:		
In other comprehensive income	-	39,487
In other comprehensive income	58,599	85,000
<b>Ending Balance, December 31, 2019</b>	<b>\$ 58,599</b>	<b>214,329</b>

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

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

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

	<u>2020</u>	<u>2019</u>
Total gains and losses recognized:		
In other gains and losses	\$ 5,476	-
In other comprehensive income, and including “unrealized gains and losses from fair value through other comprehensive income”	28,086	39,487

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

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

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

Quantified information of significant unobservable inputs was as follows:

<u>Item</u>	<u>Valuation technique</u>	<u>Significant unobservable inputs</u>	<u>Inter-relationship between significant unobservable inputs and fair value measurement</u>
Fair value through profit or loss – Embedded derivative – call options	Binomial tree pricing convertible bonds model	·Volatility (51.09%)	·The estimated fair value would increase (decrease) if the volatility were higher (lower).
Fair value through profit or loss – Derivate financial instrument	Comparable listed company market approach	·EV/sales (8.77~2,333.33)	·The estimated fair value would increase (decrease) if the enterprise value were higher (lower).
Fair value through other comprehensive income – Equity investments without an active market	Comparable listed company market approach	·Liquidity discounted rate (21.36%~30.00%)	·The estimated fair value would increase (decrease) if the lack of liquidity discounted rate were lower (higher).

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

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

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

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

	Input	Variation	Profit or loss		Other comprehensive income	
			Favorable	Unfavorable	Favorable	Unfavorable
<b>December 31, 2020</b>						
Financial assets at fair value through profit or loss						
Embedded derivative – call options	Volatility	5%	\$ 75	(75)	-	-
Derivative financial instruments	P/S ratio	5%	1,678	(1,678)	-	-
Equity investments without an active market	P/S ratio	5%	3,337	(3,337)	-	-
Financial assets at fair value through other comprehensive income						
Equity investments without an active market	Liquidity discounted rate	5%	-	-	12,421	(12,421)
			<u>\$ 5,090</u>	<u>(5,090)</u>	<u>12,421</u>	<u>(12,421)</u>
<b>December 31, 2019</b>						
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>

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

(z) Financial risk management

1. Summary

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

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

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

2. Risk management framework

The General Manager's office has responsibility for the development and control of the Group's risk management policies and regularly reports to the Board on its operation, if necessary.

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

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

3. Credit risk

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

1) Accounts receivable and other receivables

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

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

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

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

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

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

2) Investment

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

3) Guarantees

The Group's policy is to provide financial guarantees only for transactions involving equity investment that is more than 50% owned, and they should be approved by the Board. Please refer to Note(13)(a).

4. Liquidity risk

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

5. Market risk

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

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

(aa) Capital management

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

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

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

**(7) Related-Party Transactions**

(a) Ultimate controlling party

The Company is the ultimate controlling party of the Group.

(b) Names and relationship with related parties

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

<u>Name of related party</u>	<u>Relationship with the Group</u>
Rakuya International Info. Co. Ltd.	Associate of the Company
Ruten Japan KK	"
PC Home Ventures Fund(I) Corporation	"

(c) Related-party transactions

1. Sales

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

	<u>2020</u>	<u>2019</u>
Associates	\$ <u>286</u>	<u>287</u>

2. Receivables from related parties

The receivables from related parties were as follows:

<u>Item</u>	<u>Related party categories</u>	<u>2020.12.31</u>	<u>2019.12.31</u>
Accounts receivable	Associates	\$ 25	25
Other receivables	Associates	31	26
Lease receivable	Associates	4,681	7,324
		\$ <u>4,737</u>	<u>7,375</u>

3. Payables to related parties

<u>Item</u>	<u>Related party categories</u>	<u>2020.12.31</u>	<u>2019.12.31</u>
Other payables	Associates	\$ <u>2</u>	<u>12</u>

4. Other operating income

	<u>2020</u>	<u>2019</u>
Associates	\$ <u>23</u>	<u>25</u>

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

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

- (d) Transactions with key management personnel

Key management personnel compensation comprised:

	2020	2019
Short-term employee benefits	\$ 67,856	56,991

**(8) Restricted Assets**

The following assets were restricted in use:

Assets	Purpose of Pledge	2020.12.31	2019.12.31
Deposit account-current	Security for performance, purchase guarantee and loans with certificate of deposits	\$ 489,608	523,165
Refundable deposit	Security for provisional seizure, etc. and deposits for office rental	149,592	142,541
		\$ 639,200	665,706

**(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 December 31, 2020 and 2019, notes payable deposited as guarantee for commercial vehicle and office and building leases were \$248,140 thousand and \$243,821 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 as of December 31, 2020 and 2019.
- (d) As of December 31, 2020 and 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 \$4,119,000 thousand and \$3,015,000 thousand, respectively.
- (e) The Group will rent 15 warehouse units located in The Post Logistic Center, Post Logic Park from Chunghwa Post Co., Ltd. on Nov 1, 2021 because the Group has won the bidding of the contract of the park in the second quarter, 2019. The lease term is 15 years and the annual rental fee is \$331,094 thousand. The rental fee will be adjusted yearly based on the Price Index of the year.

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

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

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

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

**(12) Others**

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

Categorized as Nature	For the year ended December 31, 2020			For the year ended December 31, 2019		
	Operating Cost	Operating Expense	Total	Operating Cost	Operating Expense	Total
Employee benefits						
Salary	216,169	1,500,220	1,716,389	166,801	1,402,134	1,568,935
Labor and health insurance	21,158	137,623	158,781	15,736	133,685	149,421
Pension	9,473	73,677	83,150	6,485	70,707	77,192
Others employee benefits	9,146	57,075	66,221	6,662	52,843	59,505
Depreciation	57,964	654,055	712,019	44,955	660,139	705,094
Amortization	364	28,898	29,262	316	25,582	25,898

**(13) Additional Disclosures**

(a) Information on significant transactions

The following is the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Group for the years ended December 31, 2020:

1. Fund financing to other parties:

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

Number (Note 1)	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other party during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower (Note 2)	Transaction amount for business between two parties	Reasons for short- term financing	Allowance for bad debt	Collateral		Individual funding loan limits (Note 3)	Maximum limitation on fund financing (Note 3)
													Name	Value		
0	The Company	PChome Store Inc.	Other receivables	Yes	190,000	-	-	0	2	-		-			1,343,858	1,343,858

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.

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

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

**2. Guarantees and endorsements for other parties:**

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

No. (Note 1)	Name of company	Counter-party		Limitation on amount of guarantees and endorsements for a specific enterprise (Note 2)	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged on guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements (Note 2)	Parent Company endorsement/ guarantees to third parties on behalf of subsidiary	Subsidiary endorsement/ guarantees to third parties on behalf of parent company	Endorsements/ guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company (Note 3)										
0	The Company	Linktel Inc.	2	1,679,823	6,890	5,823	5,823	-	0.17 %	3,359,646	Y	N	N
0	"	Pi Mobile Technology Inc.	2	1,679,823	300,000	300,000	300,000	-	8.93 %	3,359,646	Y	N	N
0	"	PChome Store Inc.	2	1,679,823	440,000	400,000	325,000	-	11.91 %	3,359,646	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.

**3. Information regarding securities held at balance sheet date:**

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

Name of holder	Category and name of security	Category and name of security	Account title	Ending balance				Peak Holding Percentage	Note
				Number	Book value	Percentage	Market value		
PChome Online Inc.	Common Stock:								
"	Syspower Ltd.	-	FVOCI	744,118	19,295	3.72 %	19,295	3.72 %	
"	Openfind Information Technology, Inc.	-	"	800,000	32,816	6.22 %	32,816	6.22 %	
"	Career Consulting Co., Ltd.	-	"	113,005	2,273	0.72 %	2,273	0.72 %	
"	Readmoo Co., Ltd.	-	"	3,725,645	29,246	18.39 %	29,246	18.39 %	
"	IPEVO Corp.	-	"	1,566,415	61,497	7.36 %	61,497	7.36 %	
"	Famicloud Inc.	-	"	500,000	4,325	2.83 %	4,325	2.83 %	
"	Taiwan Advance Intelligent Tech. Co., Ltd.	-	"	1,732,102	9,648	4.75 %	9,648	4.75 %	
"	Miho International Cosmetic Co., Ltd.	-	"	7,500,000	89,325	8.09 %	89,325	8.09 %	
Linktel Inc.	Eastern Online Co., Ltd.	-	FVTPL	118,750	-	- %	-	- %	
"	Taiwan Star Telecom Co., Ltd.	-	"	3,942	-	- %	-	- %	
"	PayEasy Ltd.	-	"	5,437,762	-	12.51 %	-	12.51 %	
"	17Life Ltd.	-	"	1,126,049	-	6.26 %	-	6.26 %	

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

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

Name of holder	Category and name of security	Category and name of security	Account title	Ending balance				Peak Holding	Note
				Number	Book value	Percentage	Market value	Percentage	
Chunghwa PChome Fund 1 Co., Ltd.	Convertible bonds: Traveler Co., Ltd.	-	FVTPL	-	5,910	-	5,910	-	
	" Aiello Inc.	-	"	-	10,339	-	10,339	-	
	" Hard Core Technology Corp.	-	"	-	8,679	-	8,679	-	
	" Tresl Inc.	-	"	-	8,640	-	8,640	-	
Chunghwa PChome Fund 1 Co., Ltd.	Preferred stocks: FP International Limited	-	"	42,037	33,408	1.87 %	33,408	1.87 %	
	" Ecommerce Enablers Pte. Ltd.	-	"	68,188	11,165	-	11,165	-	
	" USPACE Tech Co., Ltd.	-	"	1,695,873	9,666	17.20 %	9,666	17.20 %	
	" Tasitung Agriculture Co.,Ltd.	-	"	7,400,000	12,506	8.27 %	12,506	8.27 %	

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

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 Technolgy Inc.	Subsidiary	253,106	-	-		253,106	-

9. Derivative transactions: None.

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

**(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	253,106	Usual terms and conditions	1.54 %

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 years ended December 31, 2020, the following was the information on investees (excluding investees in Mainland China) :

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

Name of investor	Name of investee	Location	Major operations	Initial investment (Amount)		Ending balance			Peak Holding Percentage	Net income (loss) of the investee	Investment income (losses)	Note
				Ending balance	Beginning balance	Shares	Ratio of shares	Book value				
PChome Online Inc.	IT Home Publications Inc.	Taiwan	Magazine publication	30,000	30,000	5,014,802	100.00 %	54,845	100.00 %	1,947	1,947	Note
"	Linktel Inc.	"	Type II Telecommunications Business	125,000	125,000	17,325,940	100.00 %	68,316	100.00 %	(30,365)	(30,365)	"
"	PC Home Online International Co., Ltd.	British Virgin Islands	International trade and investment activities	25,485	25,485	122,328	100.00 %	3,241	100.00 %	(2,518)	(2,518)	"
"	Rakuya International Info. Co. Ltd.	Taiwan	Real estate business, and internet information rental service	47,439	47,439	3,035,115	26.47 %	19,432	26.47 %	27,927	7,392	"
"	PChome Store Inc.	Taiwan	Internet services	326,494	326,494	18,435,220	34.35 %	(238,108)	34.35 %	(15,931)	(5,472)	Note
"	PChomePay Inc.	"	Online payment processing services	-	756,000	-	- %	-	55.06 %	(51,922)	(28,588)	"
"	PChome US Inc.	United States of America	E-commerce platform	134,065	134,065	45,800,000	91.97 %	6,948	91.97 %	(1,705)	(1,568)	"
"	eCommerce Group Co., Ltd.	British Virgin Islands	Investment activities	1,069,297	1,069,297	349,508,366	100.00 %	502,384	100.00 %	19,548	19,548	"
"	Pi Mobile Technology Inc.	Taiwan	Online payment processing services	530,319	140,000	34,488,513	81.04 %	396,109	100.00 %	(149,886)	(136,904)	"
"	PChome (Thailand) Co., Ltd.	Thailand	E-commerce platform	131,875	66,200	13,249,999	66.25 %	58,243	65.00 %	(26,225)	(17,244)	"
"	PChome Travel Inc.	Taiwan	Travel agency business	36,000	36,000	3,600,000	100.00 %	21,513	100.00 %	(5,711)	(5,711)	"
"	PChome Financial Technology Inc.	"	Information service	10,000	10,000	1,000,000	100.00 %	4,048	100.00 %	(103)	(103)	"

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

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

Name of investor	Name of investee	Location	Major operations	Initial investment (Amount)		Ending balance			Peak Holding Percentage	Net income (loss) of the investee	Investment income (losses)	Note
				Ending balance	Beginning balance	Shares	Ratio of shares	Book value				
PChome Online Inc.	PChome Holding Inc.	British Virgin Islands	Investment activities	1,169,090	1,169,090	385,000,000	100.00 %	(204,028)	100.00 %	(12,061)	(12,061)	Note
"	PChome Express Co., Ltd.	Taiwan	Transportation and logistics	200,000	200,000	20,000,000	100.00 %	157,488	100.00 %	(10,119)	(10,119)	"
"	Chunghwa PChome Fund 1 Co., Ltd.	"	Investment activities	200,000	200,000	20,000,000	50.00 %	192,856	50.00 %	(2,450)	(1,225)	"
"	Cornerstone Ventures Co., Ltd.	"	Investment activities	5,100	5,100	510,000	51.00 %	6,306	51.00 %	1,255	640	"
"	PChome CB Co., Ltd.	"	E-commerce cross-border services	140,000	140,000	14,000,000	70.00 %	128,161	70.00 %	(5,770)	(4,039)	"
"	Mitch Co., Ltd.	"	Clothing sales	162,000	162,000	16,200,000	60.00 %	116,581	60.00 %	(65,408)	(39,246)	"
"	Miho International Cosmetic Co., Ltd.	"	Cosmetics and clothing sales	-	-	-	- %	-	8.09 %	(55,993)	(875)	"
PChome eBay Co., Ltd.	PChomePay Inc.	"	Online payment processing services	-	205,200	-	- %	-	24.14 %	(51,922)	(14,229)	Note
"	Pi Mobile Technology Inc.	"	Online payment processing services	205,200	-	2,611,531	6.14 %	30,011	100.00 %	(149,886)	(136,904)	"
"	PChome Store Inc.	"	Internet services	632,258	632,258	11,896,486	22.16 %	(27,319)	22.16 %	(15,931)	(3,530)	"
PChomePay Inc.	Pay and Link Inc.	"	Electronic payment business	-	500,388	-	- %	-	100.00 %	(35,648)	(29,081)	"
"	Zhen Jain Lian International Co., Ltd.	"	Online payment processing services	-	3,000	-	- %	-	100.00 %	(7)	(7)	"
"	Yin Te Lian International Co., Ltd.	"	"	-	3,000	-	- %	-	100.00 %	(7)	(7)	"
"	Yun Tung Bao International Co., Ltd.	"	Online payment processing services	-	3,000	-	- %	-	100.00 %	(60)	(50)	"
Pi Mobile Technology Inc.	Pay and Link Inc.	"	Electronic payment business	500,388	-	50,100,000	100.00 %	328,617	100.00 %	(35,648)	(6,567)	"
"	Yun Tung Bao International Co., Ltd.	"	Online payment processing services	3,000	-	300,000	100.00 %	2,581	100.00 %	(60)	(10)	"
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 %	4,627	100.00 %	(2,385)	(2,385)	"
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 %	6,811	100.00 %	(2,075)	(2,075)	"
"	Ruten Japan KK	Japan	Information processing and provision of electronic information	5,438	5,438	2,000,000	2.88 %	881	4.50 %	(48,231)	(2,033)	"
E-COMMERCE GROUP CO., LTD.	RUTEN GLOBAL INC.	Cayman Islands	Investment activities	831,606	831,606	266,063,307	100.00 %	584,627	100.00 %	19,669	19,669	Note
RUTEN GLOBAL INC.	EC Global Limited	Hong Kong	"	22,740	22,740	7,494,642	100.00 %	6,556	100.00 %	(201)	(201)	"
"	PChome eBay Co., Ltd.	Taiwan	Information processing and provision of electronic information	779,688	779,688	27,300,000	65.00 %	490,525	65.00 %	77,899	50,634	"
"	Ruten Japan KK	Japan	"	68,124	54,499	19,794,850	46.12 %	14,119	46.12 %	(48,231)	(21,592)	"
"	RUTEN SINGAPORE PTE. LTD.	Singapore	"	-	63,045	-	- %	-	65.00 %	(158)	(102)	Note

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

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

Name of investor	Name of investee	Location	Major operations	Initial investment (Amount)		Ending balance			Peak Holding Percentage	Net income (loss) of the investee	Investment income (losses)	Note
				Ending balance	Beginning balance	Shares	Ratio of shares	Book value				
PChome Holding Inc.	PChome Marketplace Inc.	Cayman Islands	Investment activities	1,169,090	1,169,090	38,335,000	100.00 %	1,137,785	100.00 %	(11,943)	(11,943)	Note
PChome Marketplace Inc.	PChome Japan KK	Japan	Internet services	119,330	119,330	43,500,000	100.00 %	20,063	100.00 %	(6,075)	(6,075)	"
"	PChome Store Inc.	Taiwan	Internet services	998,758	998,758	19,206,893	35.78 %	(330,115)	35.78 %	(15,931)	(5,700)	"
PChome CB Co., Ltd.	PChome CBS Co., Ltd.	"	International trading E-commerce	127,000	127,000	2,900,000	100.00 %	128,391	100.00 %	3,849	3,849	"
"	PCHOME CB PTE. LTD.	Singapore	Internet services	59,698	59,698	190,000	100.00 %	41,789	100.00 %	(9,529)	(9,529)	"
PCHOME CB PTE. LTD.	PChome Bibian Inc.	Japan	E-commerce cross border services	51,069	51,069	18,000,000	100.00 %	35,777	100.00 %	(9,495)	(9,495)	"

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

(c) Information on investment in Mainland China:

1. Information on investment in Mainland China: 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
-	54,233	2,450,401

Note 1: In the above table, all relevant amounts are disclosed in TWD, and the foreign currency was translated on the exchange rate 28.10 at the year ended December 31, 2020.

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

Note 3: Shanghai Todo Inc. and PChome Trading (Shenzhen) Ltd. were dissolved in the fourth quarter of 2019. As of December 31, 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	15.99 %

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.

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

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

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

**(14) Segment Information**

(a) General information

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

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

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

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

The Group's regional financial information was as follows:

2020	E-Commerce- Sales	Market Place	Other	Adjustments and Eliminations	Consolidated
<b>Revenue:</b>					
Non-inter-company revenue	\$ 41,648,231	1,821,610	400,011	-	43,869,852
Inter-company revenue	24,733	7,190	467,939	(499,862)	-
<b>Total Revenue</b>	<b>\$ 41,672,964</b>	<b>1,828,800</b>	<b>867,950</b>	<b>(499,862)</b>	<b>43,869,852</b>
<b>Reportable Segment net operating income (loss)</b>	<b>\$ 589,528</b>	<b>75,411</b>	<b>(377,920)</b>	<b>29,285</b>	<b>316,304</b>
Income tax expense	\$ 80,830	1,608	1,056	-	83,494
Depreciation and Amortization	616,778	50,964	73,539	-	741,281
<b>Reportable segment assets</b>	<b>\$ 12,304,994</b>	<b>1,647,798</b>	<b>6,067,755</b>	<b>(3,559,042)</b>	<b>16,461,505</b>
<b>Reportable segment liabilities</b>	<b>\$ 8,945,348</b>	<b>1,586,450</b>	<b>2,225,244</b>	<b>(379,539)</b>	<b>12,377,503</b>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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

2019	E-Commerce- Sales	Market Place	Other	Adjustments and Eliminations	Consolidated
<b>Revenue:</b>					
Non-inter-company revenue	\$ 36,252,763	2,315,313	315,504	-	38,883,580
Inter-company revenue	55,652	13,493	191,442	(260,587)	-
<b>Total Revenue</b>	<b>\$ 36,308,415</b>	<b>2,328,806</b>	<b>506,946</b>	<b>(260,587)</b>	<b>38,883,580</b>
<b>Reportable Segment net operating income (loss)</b>	<b>\$ 427,285</b>	<b>62,406</b>	<b>(227,475)</b>	<b>15,700</b>	<b>277,916</b>
Income tax expense	\$ 50,035	40,053	233	-	90,321
Depreciation and Amortization	633,598	56,270	41,124	-	730,992
<b>Reportable segment assets</b>	<b>\$ 10,972,066</b>	<b>1,971,056</b>	<b>6,473,065</b>	<b>(4,158,440)</b>	<b>15,257,747</b>
<b>Reportable segment liabilities</b>	<b>\$ 7,929,296</b>	<b>1,898,053</b>	<b>2,307,560</b>	<b>(644,246)</b>	<b>11,490,663</b>

(c) Enterprise-wide Disclosures

1. Information about Products and Services

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

Product and Service	2020	2019
Revenue of electronic commerce	\$ 43,691,528	38,510,487
Other	178,324	373,093
<b>Total</b>	<b>\$ 43,869,852</b>	<b>38,883,580</b>

2. Information about Geographic Areas: None.

3. Information about Major Customers: None.